

VARTA AG



VARTA AG The battery experts



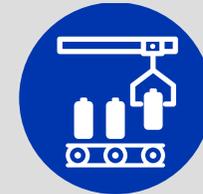
130-years history in battery technology



Leadership in technology and innovation



Well-positioned in attractive growth markets



Highly-automated mass production

Strong financial profile

Revenue

~€ 272 m (FY18 prelim)
(~12% CAGR '15-'18)

Adj. EBITDA

~€ 50m (FY18 prelim)
(~30% CAGR '15-'18)

Adj. EBITDA-Margin

~18,5% (FY18 prelim)

Net Working Capital

≤ 20% of sales

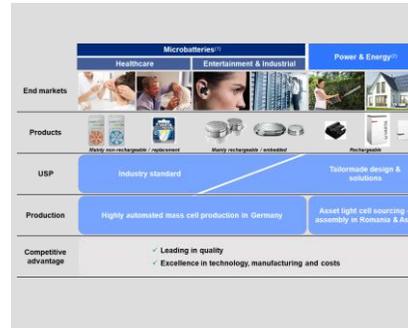
High-end applications



Mission-critical batteries



Unique business model



Global footprint

- 75 countries
- 6 production sites
- ~ 2000 employees

VARTA AG: The battery experts



Two distinct business models: Microbatteries and Power & Energy

	Microbatteries ⁽¹⁾		Power & Energy ⁽²⁾
	Healthcare	Entertainment & Industrial	
End markets			 
Products	 <i>Mainly non-rechargeable / replacement</i>	 <i>Mainly rechargeable / embedded</i>	 <i>Rechargeable</i>
USP	Industry standard		Tailormade design & solutions
Production	Highly automated mass cell production in Germany		Asset light cell sourcing – assembly in Romania & Asia
Competitive advantage	<ul style="list-style-type: none"> ✓ Leading in quality ✓ Excellence in technology, manufacturing and costs 		

(1) VARTA Microbattery GmbH; (2) VARTA Storage GmbH; formerly known as the company's Energy Storage Solutions segment
Companies of VARTA AG **VARTA Microbattery · VARTA Storage**

VARTA's Competitive Advantage:



Strongly differentiated and unique business model



Well-positioned in attractive growth markets, benefiting from **secular growth trends**



Global **technology and innovation leader**, setting the industry standards in microbatteries for mission-critical high-end applications



Proprietary in-house production machine technology significantly raising the barriers to entry



Highly-automated mass production enabling significant economies of scale and acting as a barrier to entry



High-degree of vertical integration enables innovations along the value chain



Close and long-standing relationships with a **broad blue chip customer base**



Strongly differentiated and unique business model

Key Investment Highlights



Key Investment Highlights



Generating >50% of the revenue and EBITDA in the highly-profitable Healthcare business



Highlights

Healthcare: >50% of revenue

- Healthcare revenue
- Other

>1bn healthcare cells sold p.a.⁽¹⁾

- Defining industry standards
- Mass production know-how
- Leading in quality

Description

Primary / non-rechargeable (>95%)

Hearing aid batteries (i.a. zinc-air)

Power one EVOLUTION (Thin Foil Technology)

Rechargeable (<5%)

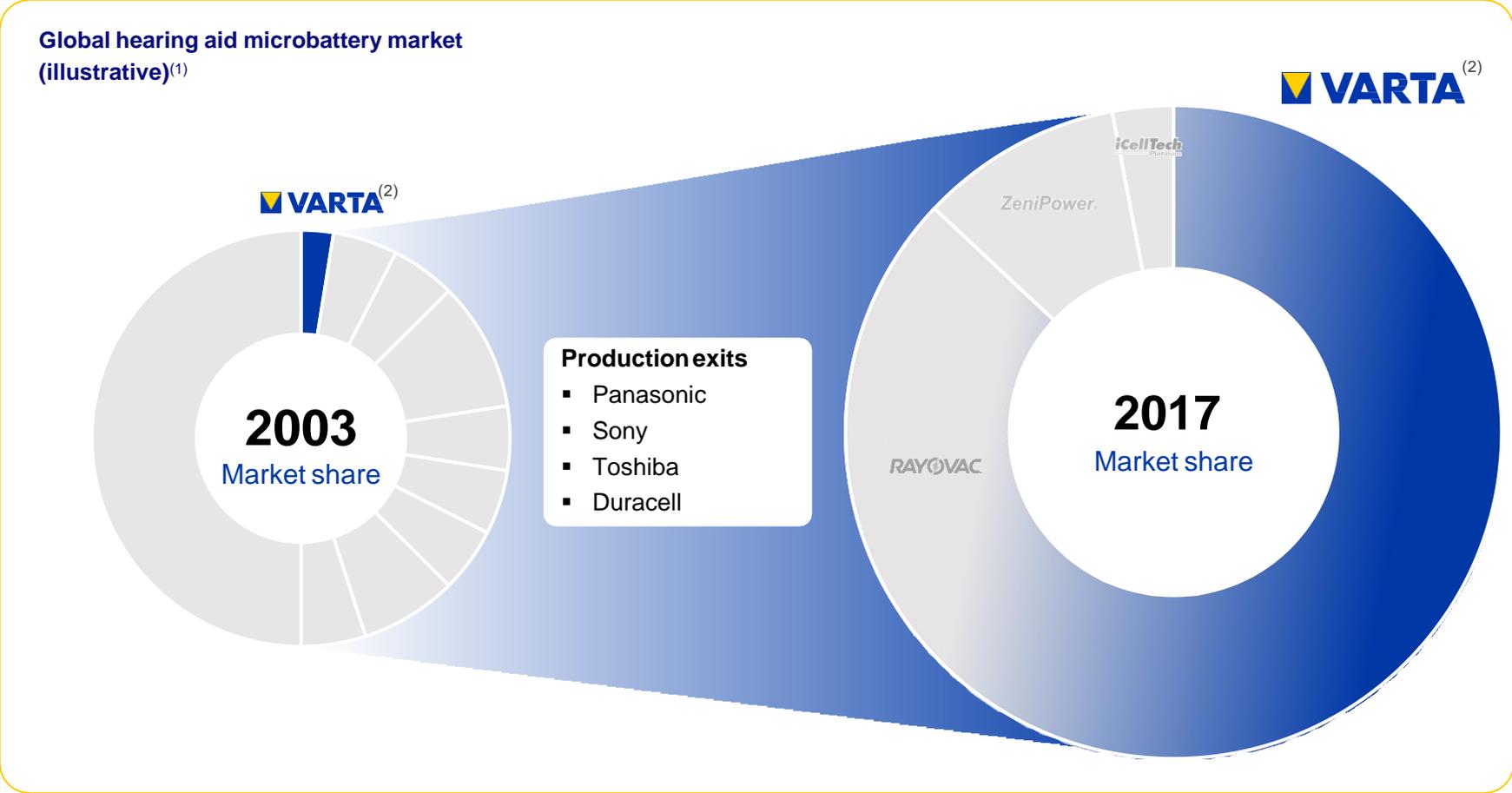
Li-Ion Accu (lithium-ion)

ACCU plus (nickel-metal hydride)

Key customers

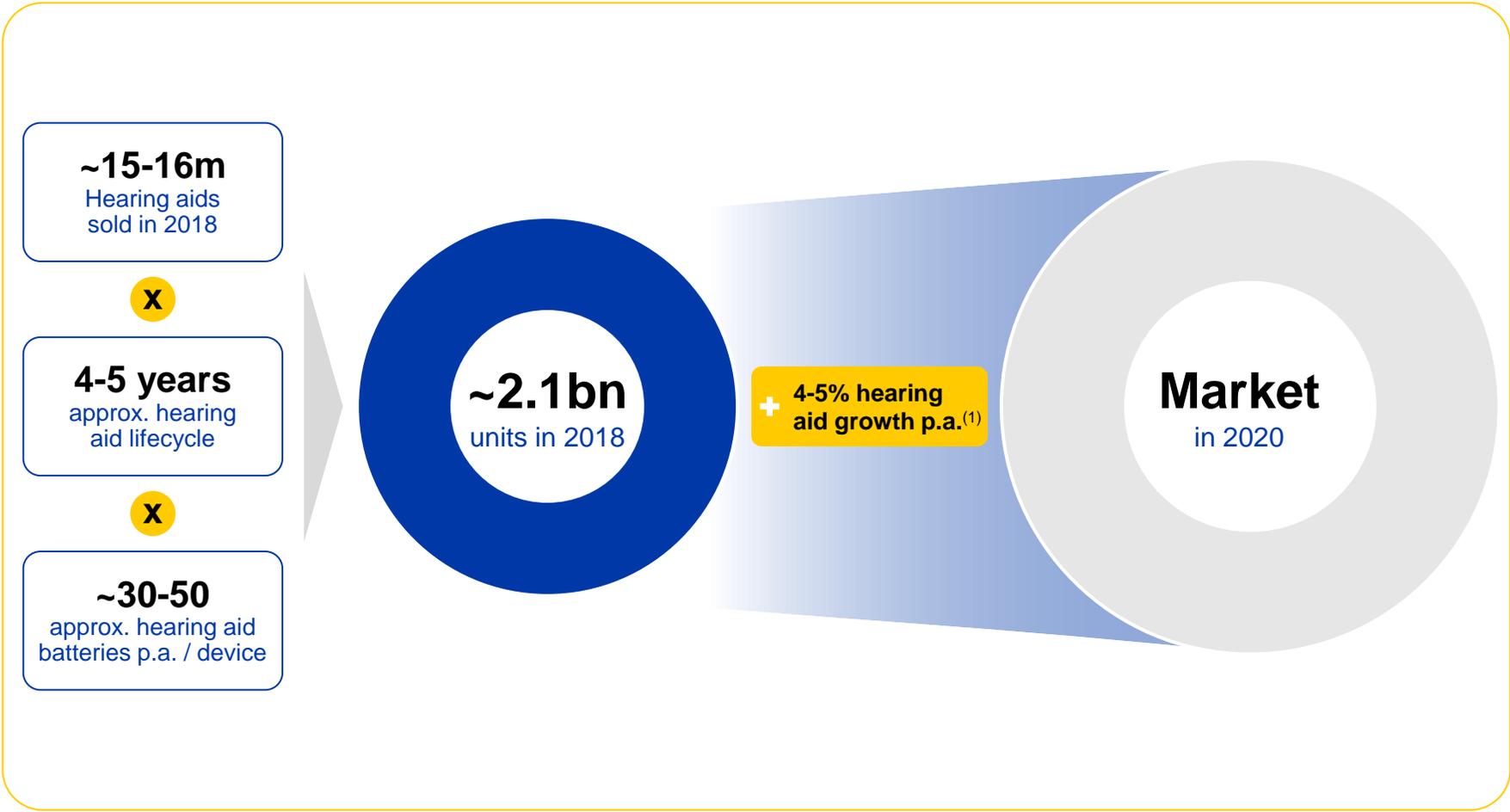
(1) As of 2018 Source: Company information, Consolidated financial statements
Companies of VARTA AG **VARTA Microbattery · VARTA Storage**

Global market leader in the consolidated hearing aid battery market



(1) Company estimates based on own numbers of batteries sold; (2) VARTA AG / VARTA Microbattery GmbH / VARTA Storage GmbH
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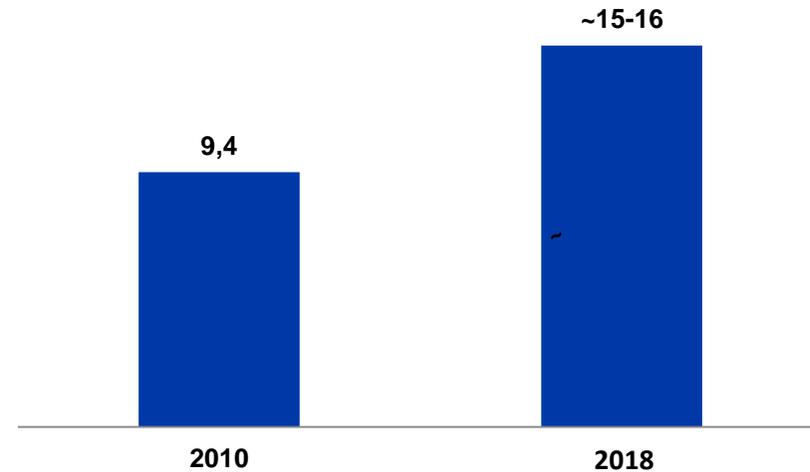
Global hearing aid market shows highly attractive and non-cyclical future growth



Market growth in hearing aid batteries is underpinned by structural growth trends



Total global hearing aid market⁽¹⁾
(in m units)



Aging demographics



Underpenetration



Emergence of new markets



Increased smartphone-linked features & smaller form factors

New hearing aids being sold

Batteries per device

(1) Sonova Annual Report 2009/2010 for 2010; Sonova Investor Presentation (June 2017) for 2016
Companies of VARTA AG **VARTA Microbattery** · **VARTA Storage**

Leading position in consolidated hearing aid battery market backed by high barriers of entry



P Excellence in technology



Leading primary battery technology through foil sealing



Leading rechargeable battery technology for future disruption

P Excellence in manufacturing and costs



Highly automated production

P Close relationships to broad blue chip customer base

Hearing aid manufacturers

Sonova Sivantos
Widex William Demant

Retail via Duracell & others, and 3rd party brands

Walmart CVS
Walgreen Target

Tender

VA Healthcare

NHS

Australian Hearing

White label

Panasonic Kind

Toshiba Sony

+ 380 more



Trusted B2B brands for highest quality and innovation

Leading primary battery technology: Launched the EVOLUTION series, with a ~15% longer hearing time



CHALLENGERS WANTED!

15%* longer hearing with the test winner.

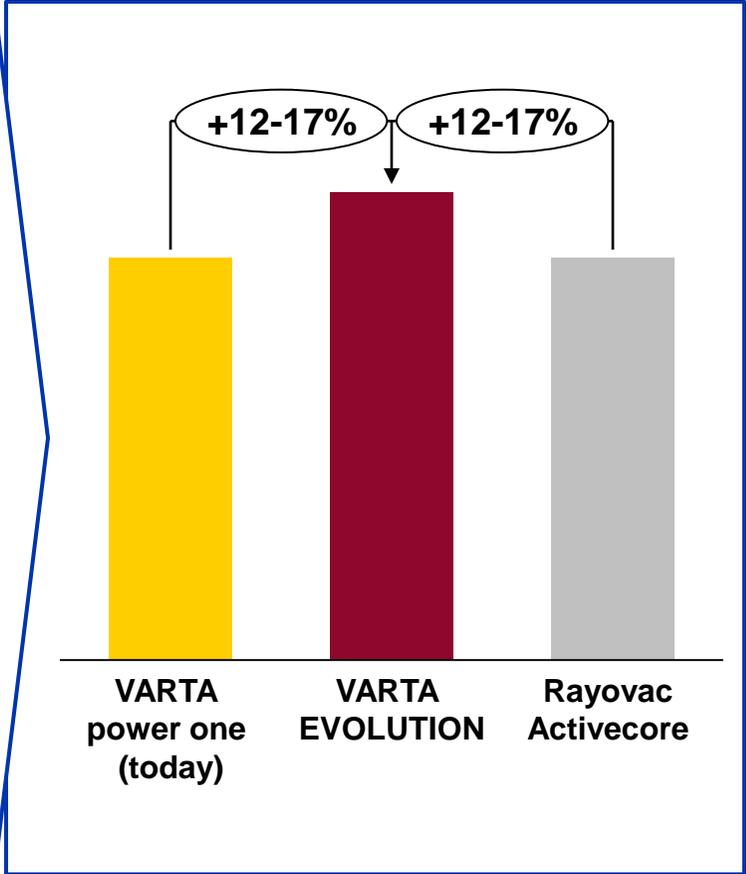
TESTSIEGER
Stiftung Warentest GUT (1,8)
test 1
Ausgabe 02/2018
www.test.de
TSP/0411

15%* longer runtime

New cell design, innovative materials and revolutionary manufacturing technology – the result is the power one EVOLUTION. Available in summer 2019.

high level hearing

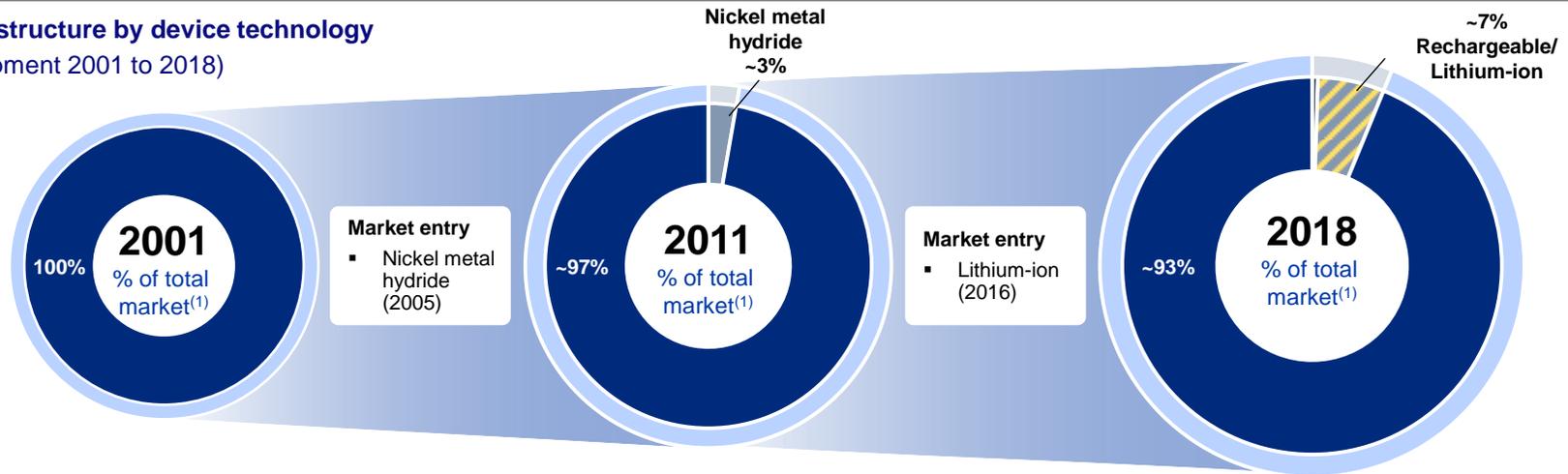
www.powerone-batteries.com



Leading rechargeable battery technology: Lithium-ion will be the dominant rechargeable technology



Market structure by device technology
(development 2001 to 2018)



Non-rechargeable		Rechargeable	
Zinc-air		Nickel metal hydride	Lithium-ion
Overview <ul style="list-style-type: none"> On average 10 days life Shelf life of 3-4 years 	Benefits <ul style="list-style-type: none"> Small form factor Lasts on average 10 days Highest energy density Low cost 	Overview <ul style="list-style-type: none"> 1 day life per charge cycle Up to 500 cycles 1-2 years 	Benefits <ul style="list-style-type: none"> Possible to have sealed unit Battery compatible with zinc-air
Business model "Replacement" <ul style="list-style-type: none"> Installed base: ~50m and growing Recurring revenues Dominance of (non-rechargeable) zinc-air batteries 		Business model "Design-in" <ul style="list-style-type: none"> Growing market share of rechargeable batteries Only one battery required per device Higher prices with attractive margin potential VARTA⁽³⁾ strongly positioned in both technologies <ul style="list-style-type: none"> Potential shift from non-rechargeable to rechargeable hearing aid batteries will not impact VARTA's⁽³⁾ mid-term performance significantly 	

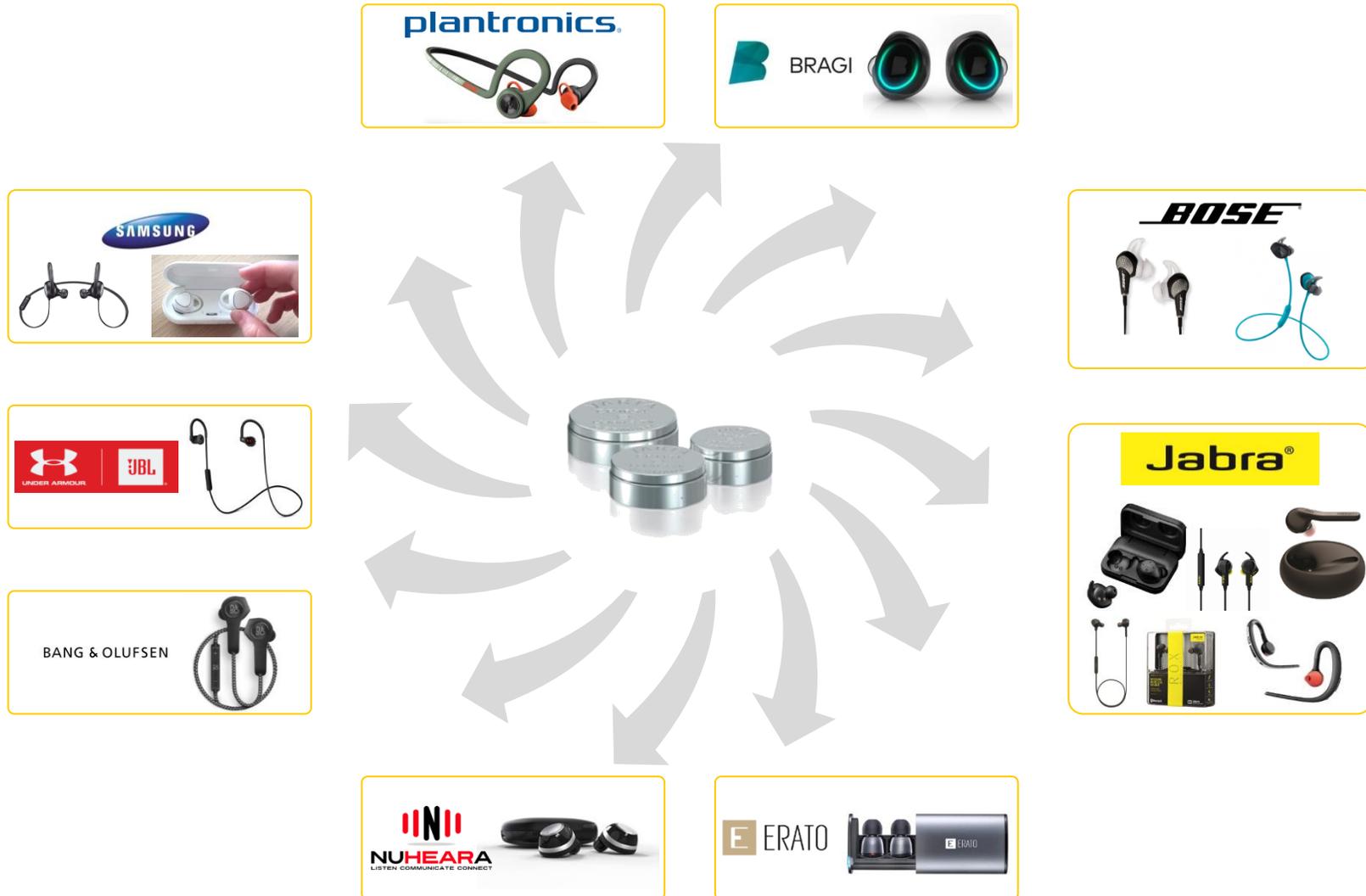
(1) By new hearing aid devices being sold; (2) According to specification; expected 1,500+ cycles; (3) VARTA AG / VARTA Microbattery GmbH / VARTA Storage GmbH

Source: Company estimate

Key Investment Highlights



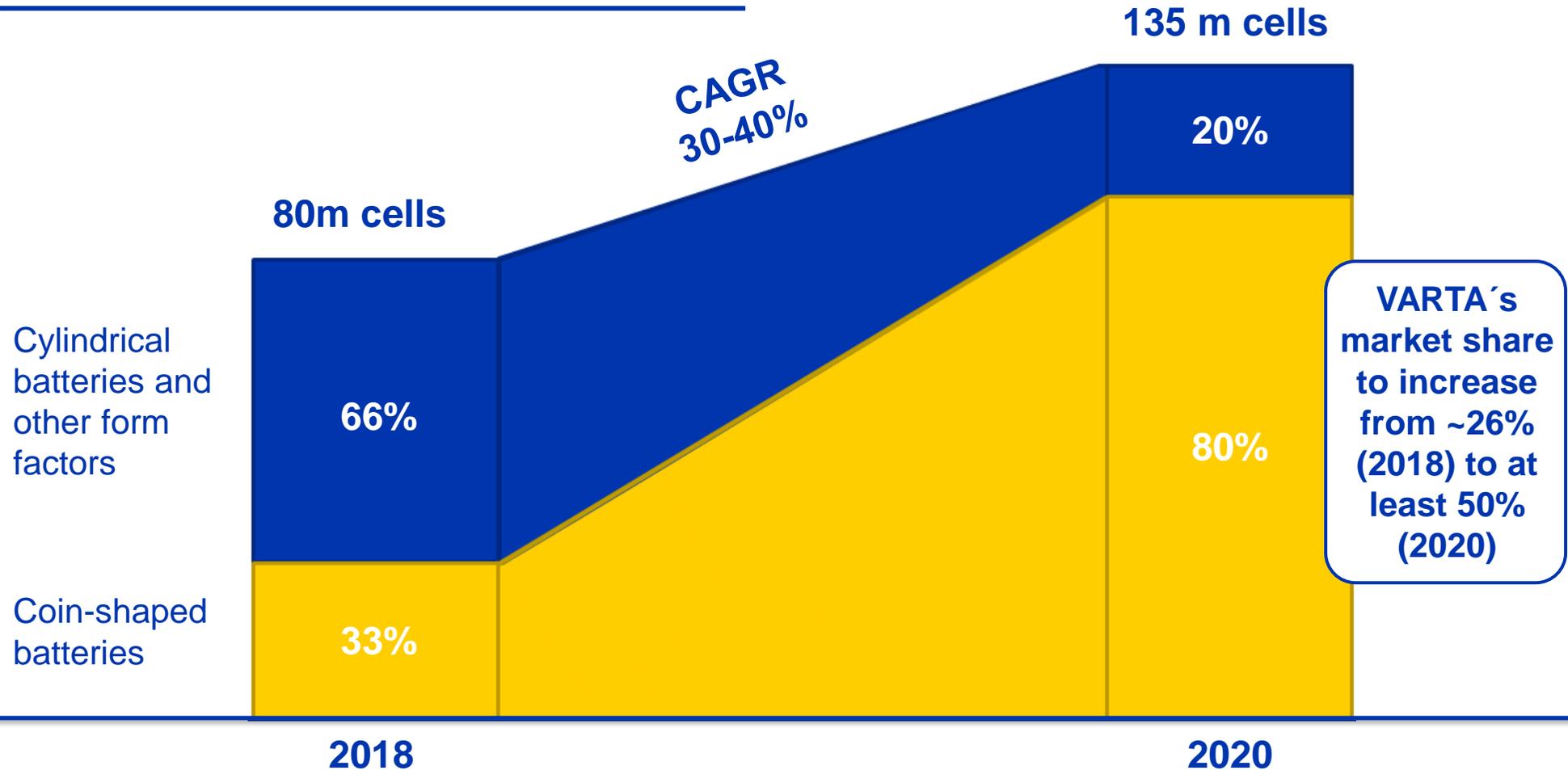
Premium wireless hearables – the next big thing



Rapidly growing market for premium headsets converting to Coin-shaped batteries



Global market for premium headset batteries



(All numbers are expectations)
Companies of VARTA AG VARTA Microbattery · VARTA Storage

CoinPower – Hearable trends strengthen VARTA's competitive position



Lower energy consumption



smaller battery sizes



**up to 7 mm Ø x
4 mm height**

in 2020

Devices change

**Requirement
for batteries**

**VARTA's
R&D Strategy**

More functions



higher energy density

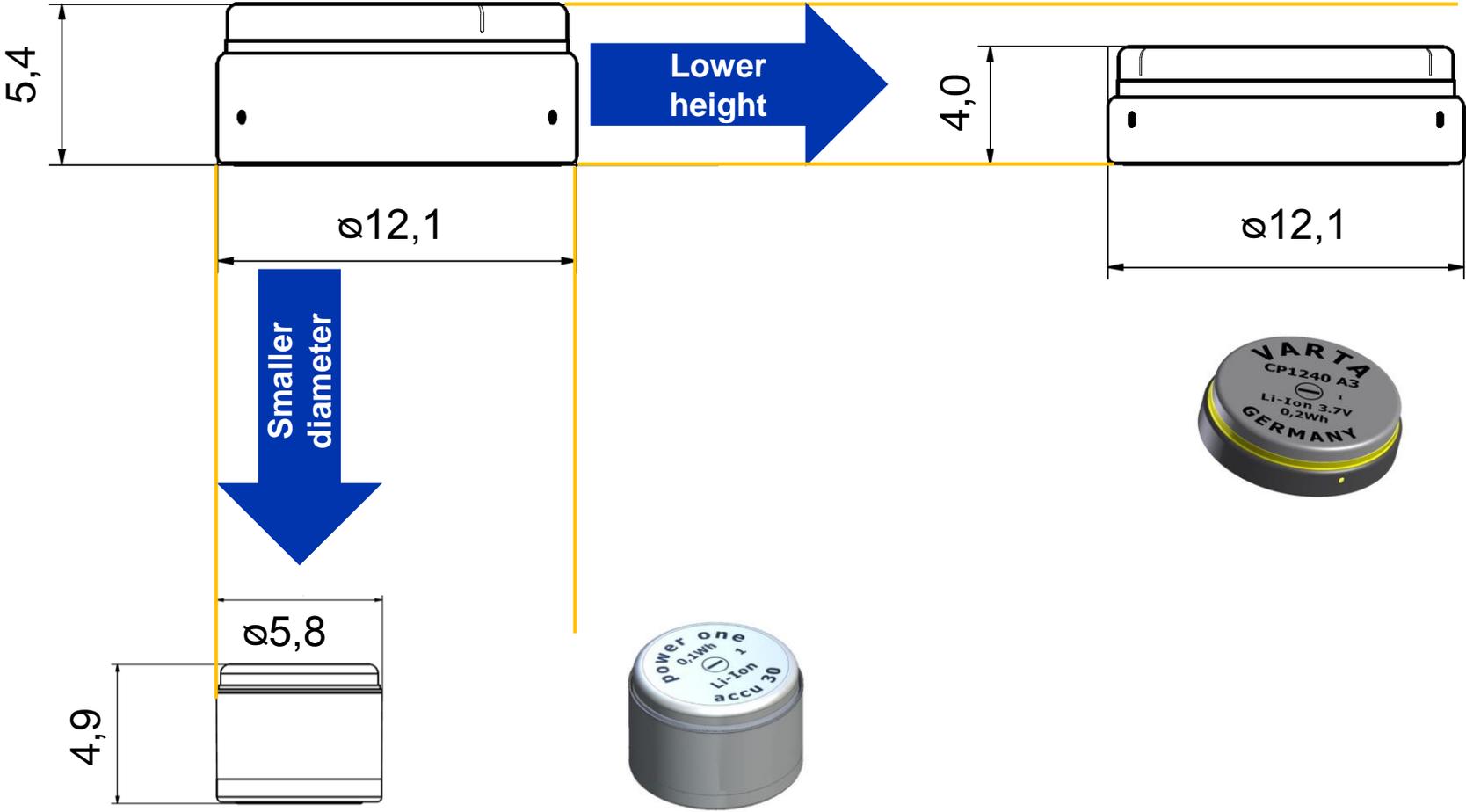


+20%*

in 2019

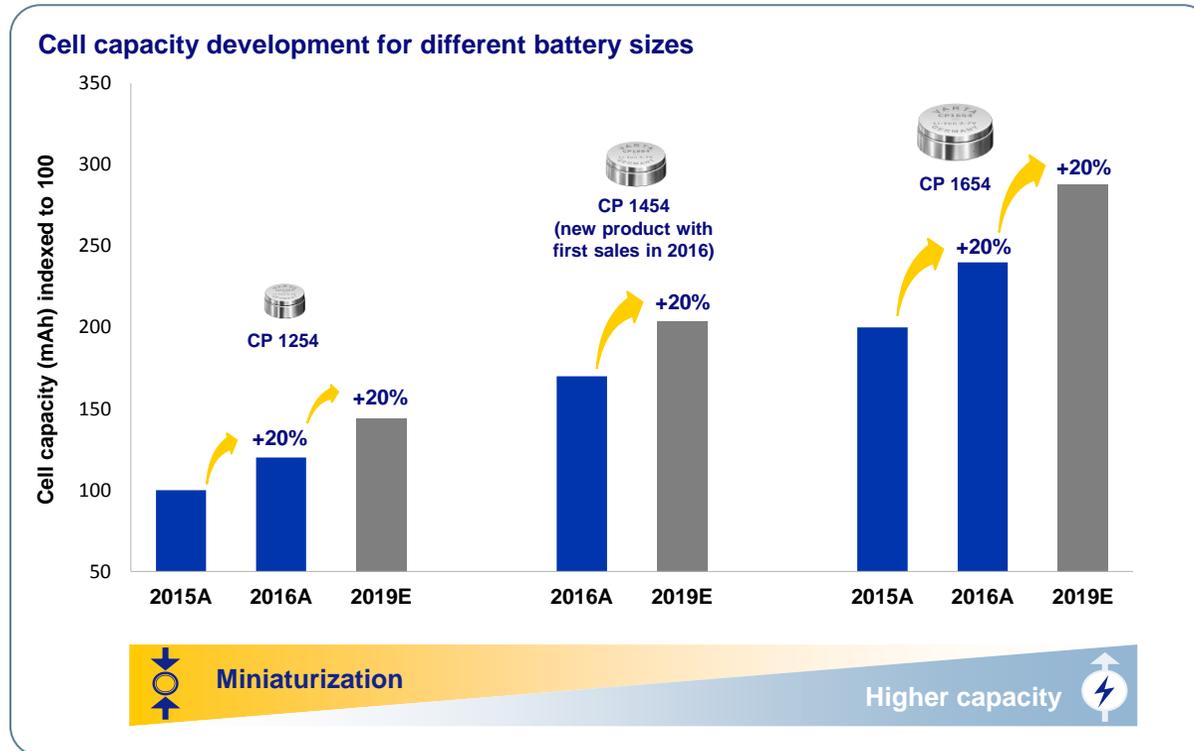
* Im Vergleich zur aktuellen Version der CoinPower
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CoinPower – Lower energy consumption of the devices require smaller battery sizes



CoinPower – More functions of the devices require batteries with higher energy density

Revolutionary innovations in energy density – high energy in a smaller volume



- VARTA⁽¹⁾ is managing to **continuously reduce battery size**
- VARTA⁽¹⁾ is managing to **continuously increase energy density**
- Compared to its competitors, **VARTA⁽¹⁾ batteries are superior** due to:
 - **Tighter arrangement in layers**
 - **Better use of space with active material**
 - **Higher capacity**
 - **Excellent cycle consistency**



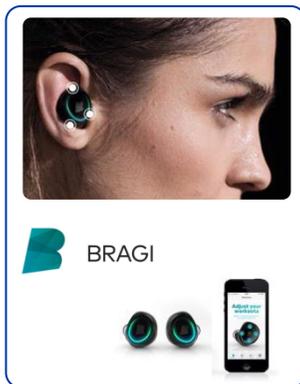
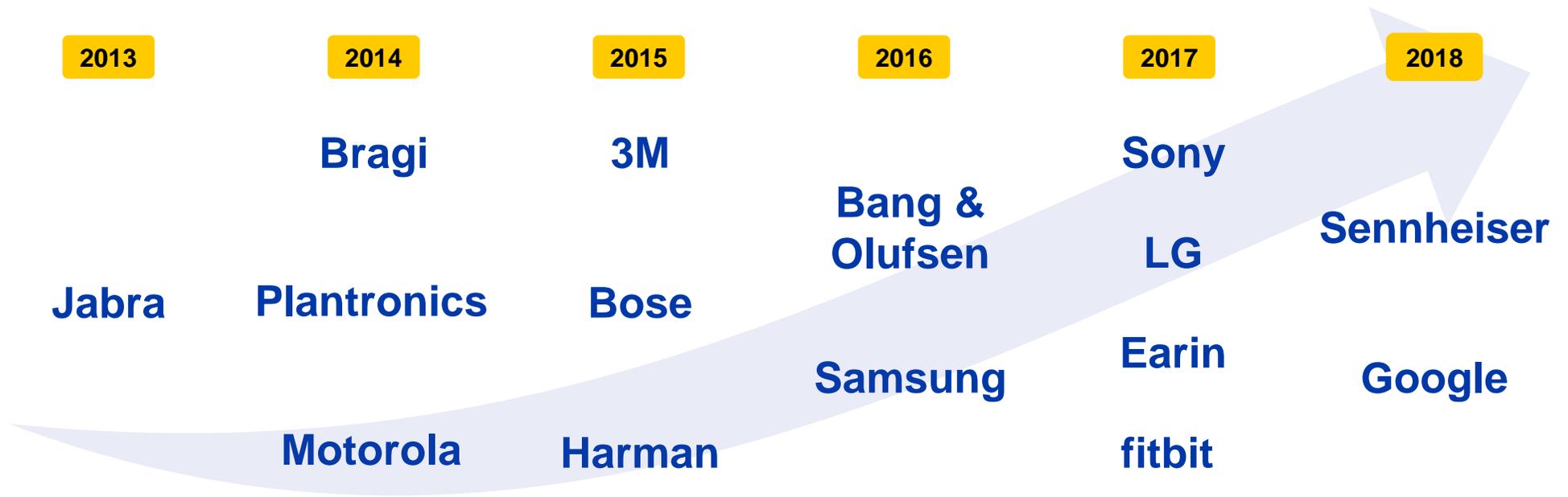
Battery capacity, life, and size are crucial components in end-product success with consumers

(1) VARTA Microbattery GmbH

Source: Company information

Successful design-ins for blue-chip customer base

2018: additional 80 projects ⁽¹⁾



(1) VARTA Microbattery GmbH Source: Company information
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CoinPower: TARGET-Applications today



True Wireless Earbuds



High-End BT-Headset

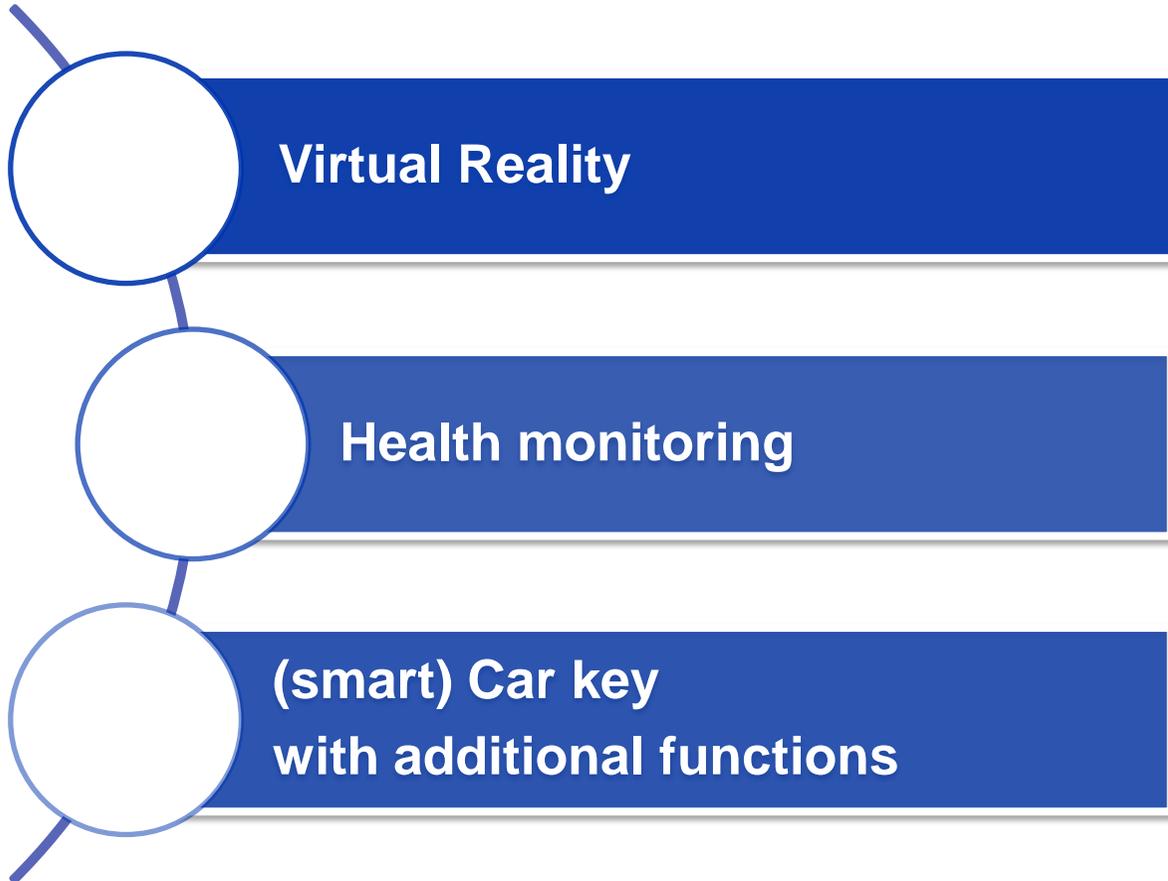


Fitness Tracker



(1) VARTA Microbattery GmbH Source: Company information
Companies of VARTA AG **VARTA Microbattery** · VARTA Storage

CoinPower: Further applications emerge with the use of CoinPower battery cells



(1) VARTA Microbattery GmbH Source: Company information
Companies of VARTA AG **VARTA Microbattery** · VARTA Storage

Key Investment Highlights



Power & Energy offers attractive growth opportunities



Highlights

18.0%

82.0%

- Power & Energy
- Microbatteries

~4.1m
cells
assembled p.a.⁽¹⁾

- + Tailor-made solutions
- + Asset light sourcing
- + Leading in quality

Description

Power

Energy

Key customers

Note: FY 2018 preliminary, unaudited; use of logos for Analyst Presentation only;

(1) As of 2016 Source: Company information, consolidated financial statements
Companies of VARTA AG **VARTA Microbattery · VARTA Storage**

Huge addressable market driven by mega trends in Power & Energy



Industrial 	Robotics 	Communication 	Energy storage systems
Medical 	Power tools 	Garden appliances 	Home appliances

Already in production
 Project / design-in phase

Selected customers

Stryker	Verathon	éolane	Sonepar	Senertec
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- VARTA⁽¹⁾ competences**
- + Electro chemistry know-how
 - + Electronics know-how
 - + Global production facilities & supply chain
 - + Design-in competence

Green technologies

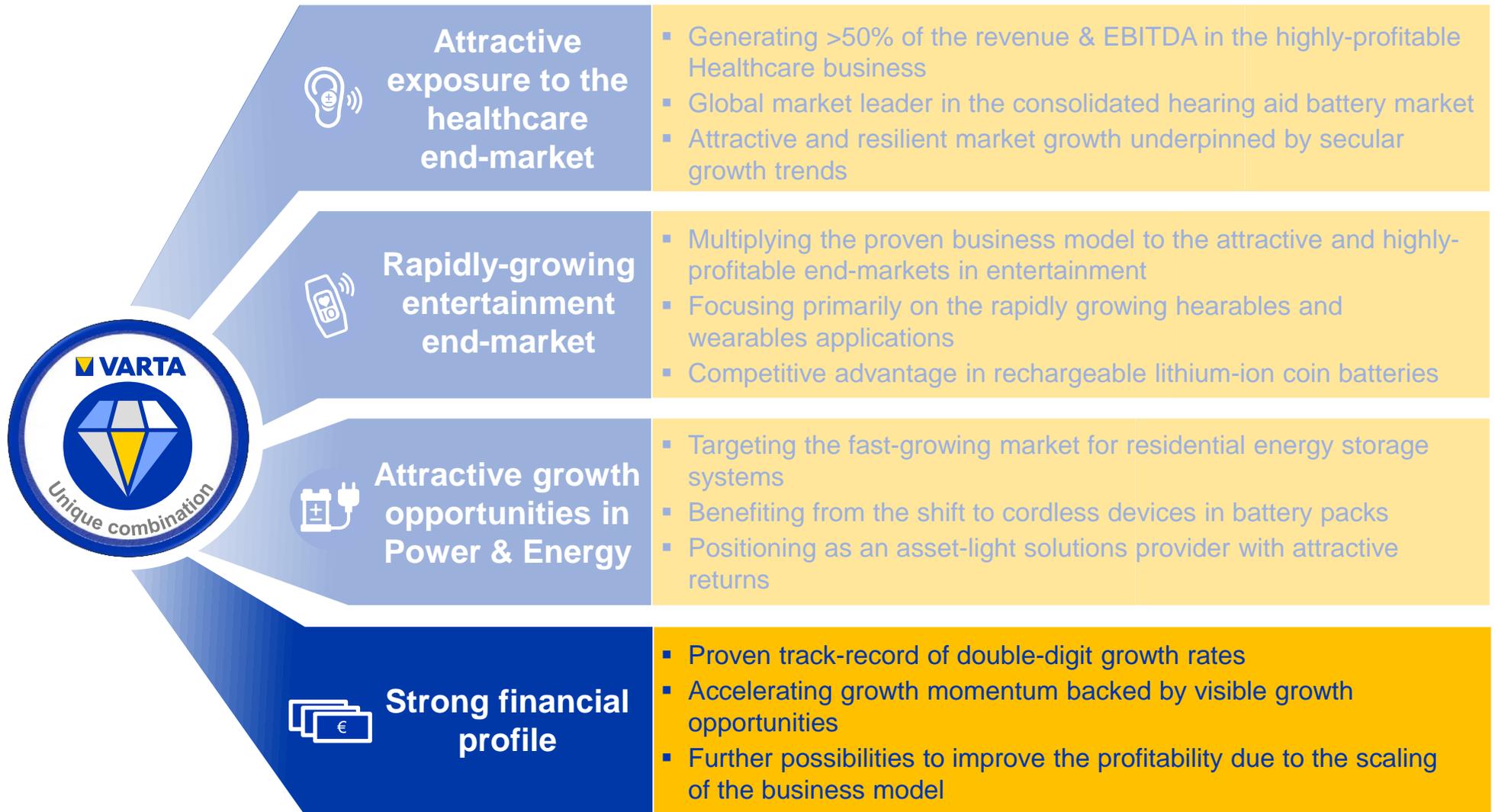
Miniaturization

Convenience

Machine autonomy

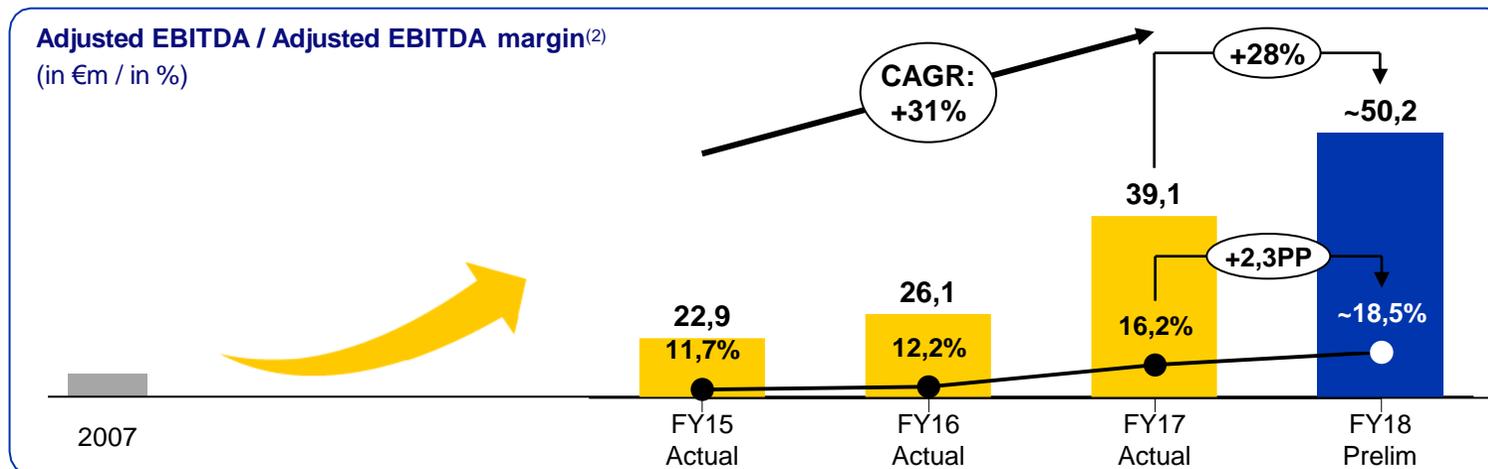
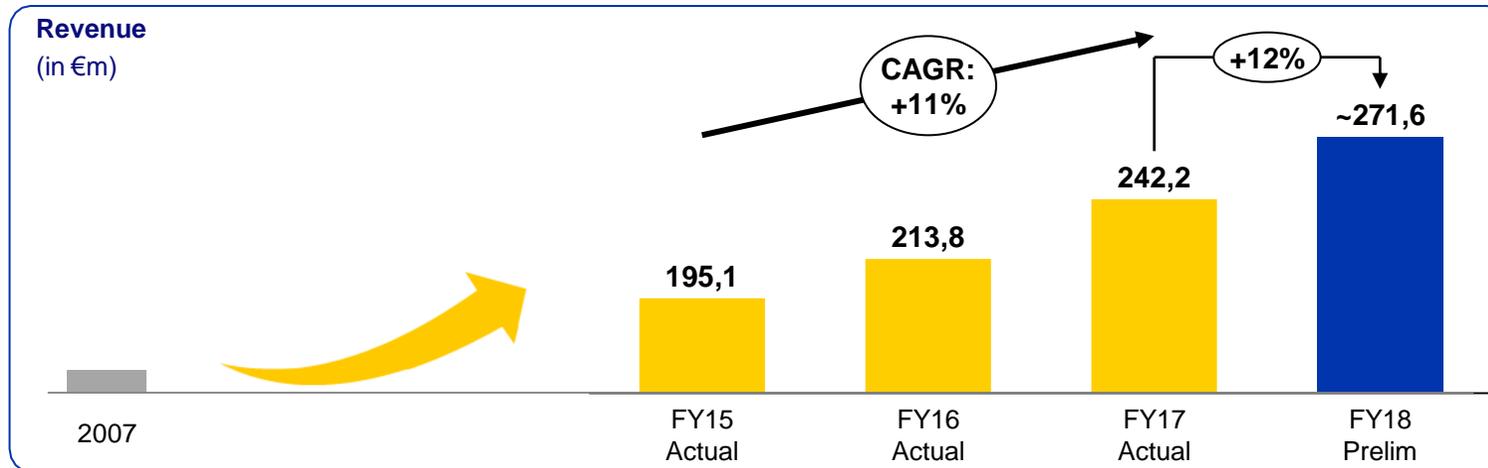
(1) VARTA AG / VARTA Microbattery GmbH / VARTA Storage GmbH
Companies of VARTA AG **VARTA Microbattery · VARTA Storage**

Key Investment Highlights



Highly successful growth story...

...with profitable track record



Unique combination of highly profitable core business and outstanding growth opportunities

Note: 2013 - 2017 audited, 2018 Prelim unaudited; (1) VARTA AG (acquired in 2012) / VARTA Microbattery GmbH (acquired in 2007); (2) EBITDA adjusted for sales and leaseback transaction, rent, IPO related costs and carve

-out pensi on obligations. Source: Consolidated/combined financial statements
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Our Brands

- **We continue to execute our strategy, with focus on profitable growth**
- **We 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 2018:**
 - **Microbatteries:** Healthcare delivered FY18 in-line with our expectations – Entertainment is continuing the high-growth momentum
 - **Power & Energy:** Strong growth momentum continuing – break-even achieved in Q1 – step-change improvement in profitability
- **Investment program to expand the production capacity is on track:**
 - **Smooth execution of the largest investment program in the history**
 - Focus of the capacity expansion is on lithium-ion-batteries (CoinPower)
- **We are well-positioned for another successful year in 2019**
 - Revenue guidance FY19: €303-209m, up ~12-14% YoY
 - Adj. EBITDA guidance FY19: €61-64m, up ~22-28% YoY

Business Highlights FY2018



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 retails channel in the US
- **Strengthening our #1 market position in rechargeable hearing aid batteries**
 - Secured >>50% of the available rechargeable design-in projects



Rapidly-growing entertainment end-market

- **Continuing to extend 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
 - Next generation of CoinPower cells will be launched in Q1 2019
- **Targeting the #1 market position in premium wireless headsets by 2020**
- **Massively expanding the production capacity in lithium ion batteries (CP)**

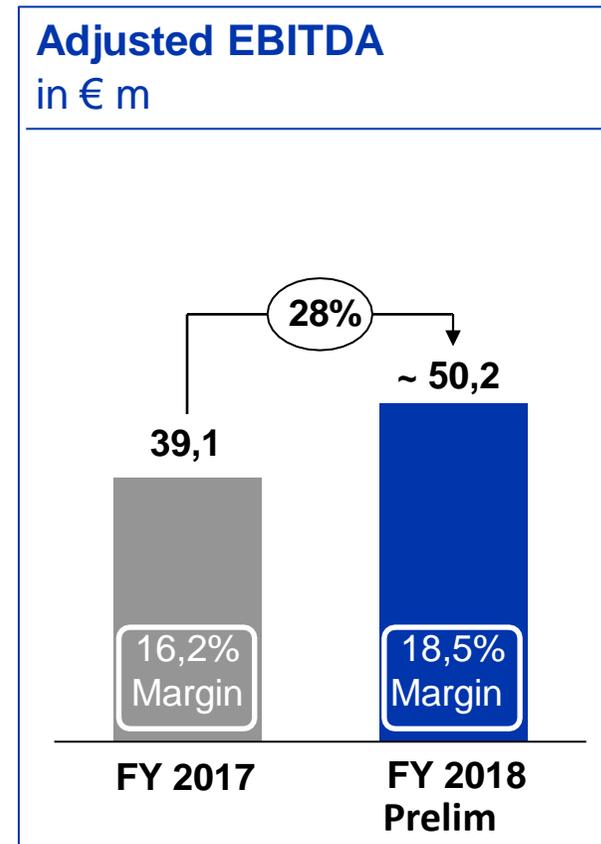
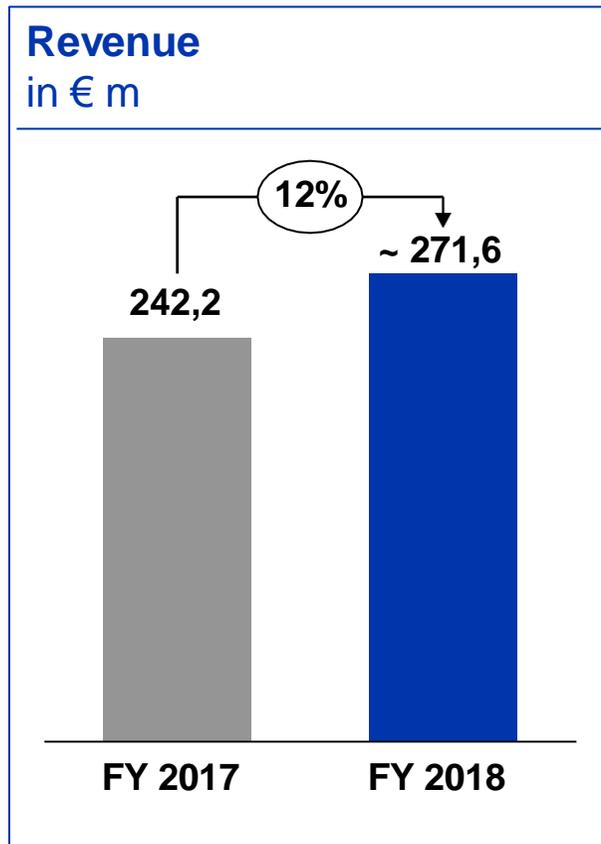


Attractive growth opportunities in Power & Energy

- **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)**

Execution of the massive investment program to expand the production capacity is on track.

Financial Performance FY 2018 (prelim)



FY 2018 confirms the objectives of our profitable growth strategy

Microbatteries – FY2018 Highlights



(€m)	FY2017 Actual	FY2018 Prelim	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 Prelim	YoY Change
Revenue	37,7	~51,8	+37,4%
Adjusted EBITDA	-4,4	~2,9	nm
Adjusted EBITDA Margin	-11.7%	~5.6%	+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

Optimistic Outlook for FY 2019



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
- **Adjusted EBITDA Margin:** ~20-21% of revenue

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

Summary: VARTA AG – the Battery Experts



- **VARTA AG is the technology and innovation leader in batteries for high-end applications, based on our 130 years history in battery technology**
- **We have a strongly differentiated and unique business model with a proven track record**
- **We are well-positioned to benefit from the secular growth trends in each business area**
- **We continue to execute our profitable growth strategy**
- **We are implementing the largest investment program in the VARTA AG history to expand the production capacity, primarily in lithium-ion-batteries**
- **We delivered strong FY18 results, with again double-digit growth rates**
- **We are very optimistic for FY19, backed by the massive expansion of the production capacity**
- **Continuous innovation is the key to continue our growth momentum in the future**

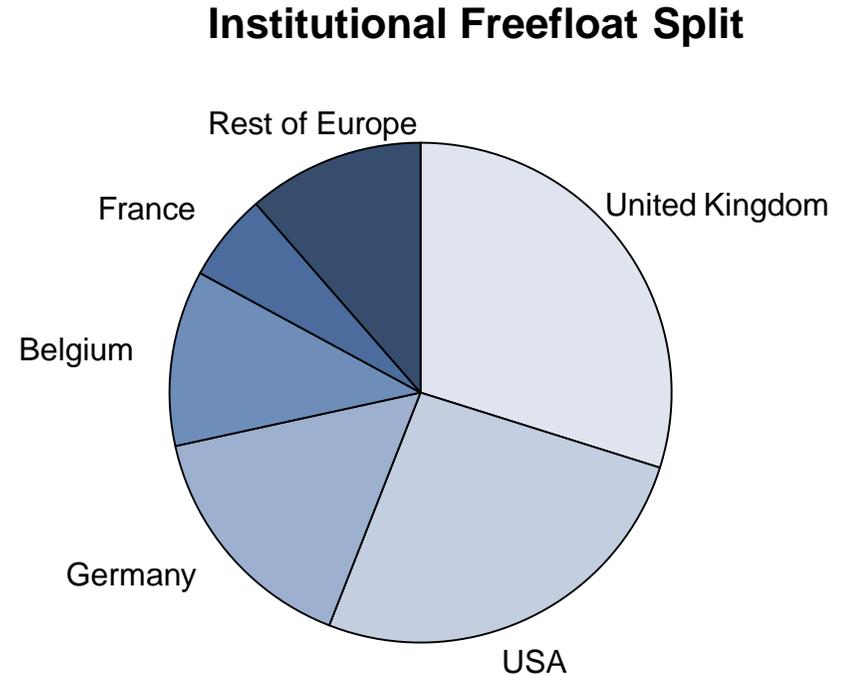
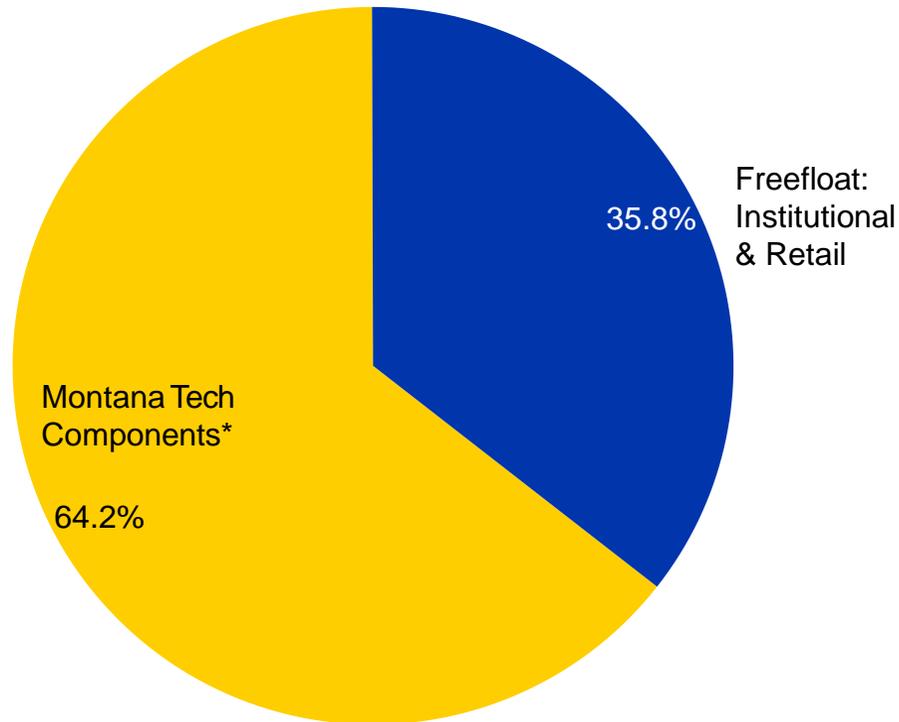
Use of proceeds – planned initiatives accelerating VARTA's⁽¹⁾ future growth



Total capex requirements	Initiatives				ROCE
	Microbatteries	Utilization	Expansion ⁽²⁾	Targeted capacity	
1 ~€30m	Healthcare	~100%	~25%	~1.25bn Zinc-air battery production capacity	Highly accretive
2 ~€80m	Entertainment & Industrial	~100%	~3x	up to 50.0m Lithium-ion battery production capacity	
Smart capex	Initiatives			Target	Rationale
	Power & Energy ⁽³⁾				
3 ~€20m	Investments in organic growth			Automation and capacity increase	ROCE highly accretive

(1) VARTA AG / VARTA Microbattery GmbH / VARTA Storage GmbH; (2) Expansion of current annual capacity as of July 2017; (3) Formerly known as the company's Energy Storage Solutions segment; (4) As of 2016
Companies of VARTA AG **VARTA Microbattery · VARTA Storage**

Shareholder structure as of September 2018



38.2 m total outstanding bearer shares, stock quoted (VAR1) since October 2017 at Frankfurt Stock Exchange

* Shareholder: VGG GmbH and ETV Montana Tech GmbH, both Vienna (Austria)

VARTA's anchor investor: Montana Tech Components AG



- Montana is a Swiss technology and innovations-oriented industrial group
- As anchor investor Montana holds a shareholding of 64.4%
- Founded in 2006 Montana acts as a holding company and runs 4 business units: Energy storage (VARTAAG) - Aerospace - Metall Tech - Industrial Components
- Investment concept follows 4 pillars:
 - Global Market Leadership (market and technology)
 - Vision (focusing on industries of the future)
 - Innovation (Innovation open up new opportunities on a solid foundation)
 - Culture (Team oriented management)
- Montana itself follows financial corner stones such as equity ratio (>30%), max. debt amortisation period of approx. 5 years or alternatively a net debt ratio of < 3.5x EBITDA and focus on organic growth accompanied by selected acquisitions
- Montana follows a long term investment strategy and does not intend to reduce their stake

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Financial Calendar

15.02.2019	Preliminary Figures FY 2018
28.03.2019	Final figures FY 2018
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