

**Explanatory Report by the Executive Board on the Disclosures in accordance
with Sections 289a (1), 315a (1) of the German Commercial Code (HGB)
-VARTA AG – Group -**

The disclosures required by Section 315a HGB are presented below as at December 31, 2018. By providing the following explanation of these disclosures, the Executive Board is also also complies with the requirements for an explanatory report pursuant to Section 176 (1) Sentence 1 of the German Stock Corporation Act (AktG).

1. Composition of subscribed capital (Sections 289a (1) No. 1, 315a (1) No. 1 HGB)

The subscribed capital of VARTA AG amounted to EUR 38,200.000 as at December 31, 2018 (previous year: EUR 38,200,000). The subscribed capital is divided into 38,200,000 shares. These are bearer par-value shares, which represent a pro rata amount of EUR 1.00 of the share capital.

2. Restrictions applicable to voting rights and the transfer of shares (Sections 289a (1) No. 2, 315a (1) No. 2 HGB)

Voting rights are not restricted. All the shares in the company have the same voting rights.

3. Direct or indirect voting shares of more than 10% (Sections 289a (1) No. 3, 315a (1) No. 3 HGB)

As Chairman of the Supervisory Board of Varta AG and principal shareholder of Montana Tech Components AG, Reinach (Switzerland), DDr. Michael Tojner holds 64.27% of the capital of VARTA AG in total via holdings in its (Montana Tech Components AG) subsidiaries VGG GmbH, Vienna (Austria), (62.67%) and ETV Montana Tech Holding AG, Vienna (1.6%).

4. Shares with special rights conferring powers of control (Sections 289a (1) No. 4, 315a (1) No. 4 HGB)

There are no shares with special rights conferring powers of control.

5. Method of controlling voting rights when employees hold shares in the capital and do not exercise their control rights directly (Sections 289a (1) No. 5, 315a (1) No. 5 HGB)

Employees who hold shares in the capital of VARTA AG exercise their control rights like other shareholders in accordance with the provisions of the law and the Articles of Association.

6. Nomination and dismissal of Executive Board members, amendments to the Articles of Association (Sections 289a (1) No. 6, 315a (1) No. 6 HGB)

The provisions of relevance for the nomination and dismissal of members of the Executive Board can be found in Sections 84 et seq. AktG as well as Article 6 of the company's Articles of Association, as amended on October 27, 2017.

In accordance with Article 6(1) of the Articles of Association, the company's Executive Board consists of at least two persons. The Supervisory Board determines the precise number of Executive Board members, appoints the Executive Board members for a period of not more than five years and dismisses them. Members may be appointed repeatedly or have their period in office extended, for a period of not more than five years in each case. The Supervisory Board may appoint a chairman of the Executive Board and a deputy chairman. The Supervisory Board may revoke the appointment of a member of the Executive Board and the nomination of the chairman of the Executive Board if there are

substantive grounds for so doing. The Supervisory Board may also appoint deputy members of the Executive Board.

Amendments to the Articles of Association are effected in accordance with the provisions of Sections 179, 133 AktG. The Articles of Association of the company have not made use of the option of setting additional requirements for amendments to the Articles of Association above and beyond these. The resolutions of the Annual General Meeting shall, unless mandatory legal provisions preclude this, be passed by a simple majority of the votes cast and, if the law prescribes a capital majority other than the majority of votes cast, by the simple majority of the share capital represented when the resolution is passed. The company's Supervisory Board is authorized in accordance with Articles 4(5), 11(4) of the Articles of Association to resolve amendments to the Articles of Association that only affect the wording of the Articles of Association.

7. Powers of the Executive Board to issue and buy back shares (Sections 289a (1) No. 7, 315a (1) No. 7 HGB)

The powers of the company's Executive Board to issue shares or buy them back are all based on resolutions by the Annual General Meeting authorizing them to do so, the content of which is presented below.

Authorized and conditional capital

Authorized and conditional capital is outlined in the Articles of Association under Articles 4(3), 4(4) and 4(5).

Authorization to acquire treasury shares

The Executive Board was authorized by resolution of the Annual General Meeting on October 6, 2017, subject to revocation of the resolutions of August 24, 2016, to acquire treasury shares as follows:

A) Authorization to acquire treasury shares

The Executive Board is authorized in accordance with Section 71 (1) No. 8 AktG to acquire treasury shares for every permissible purpose within the framework of the legal restrictions and in accordance with the following provisions. This authorization shall apply until October 5, 2022. It is limited to a share of 10% in total of the share capital existing at the time of the resolution by the Annual General Meeting or - if this figure is lower - of the share capital existing at the time the authorization is exercised. The authorization may be exercised directly by the company or by an enterprise that is dependent on the company or is majority-owned by it or by third parties commissioned by the company or by enterprises that are dependent on the company or majority-owned by it and allows the acquisition of treasury shares in the entire amount or in partial amounts as well as acquisition on one or more occasions.

b) Types of acquisition

The acquisition of treasury shares may be effected via the stock exchange or by a public offering addressed to all shareholders or by a public request to submit sales offers addressed to all shareholders or by the issue of tender rights to shareholders.

- 1) If the acquisition is effected via the stock exchange or via a public offering, the company may only pay a price per share (excluding ancillary acquisition costs) that is not more than 10% above or below the average closing price for the company's shares in XETRA trading (or a corresponding successor system) on the Frankfurt stock exchange during the ten stock exchange trading days preceding conclusion of the purchase, if the acquisition is effected via the stock exchange, or before publication of the decision to make the public offering in the case of acquisition via the stock exchange and acquisition via a public offering. If, following publication of a public offering, the price deviates significantly from the purchase price offered or the limits of the purchase price range offered, the offering may be adjusted. In this case, the critical amount is determined in accordance with the corresponding price on the last trading day preceding publication of the adjustment; the 10% limit above or below the share price must be applied to this amount. The amount of the public offering may be limited. If, in the case of a public offering, the amount of shares offered is more

than the amount of shares available to be bought back, the acquisition may be effected, subject to partial exclusion in this respect of a possible tender right, according to the ratio of tendered shares (tender ratios) instead of according to the ratio of tendering shareholders' participation in the company (shareholding ratio). Furthermore, subject to partial exclusion in this respect of a possible tender right, preferential acceptance of smaller quantities up to 100 tendered shares per shareholder plus commercial rounding to avoid fractions of shares may be provided for.

- 2) If acquisition is effected by a public request to submit sales offers addressed to all shareholders, the company will specify a purchase price range per share within which sales offers may be submitted. The purchase price range may be adjusted if the price deviates significantly from the price at the time the request to submit sales offers was published during the offer period. The purchase price per share to be paid by the company, which the company determines on the basis of the sales offers received, may not be more than 10% above or below, without taking account of ancillary acquisition costs, the average closing price for the company's shares in XETRA trading (or a corresponding successor system) on the Frankfurt stock exchange during the ten stock exchange trading days preceding the reference date described below. The reference date is the date on which the company's Executive Board finally makes the formal decision about publication of the request to submit sales offers or adjustments thereto. The number of shares accepted may be limited. If not all sales offers from several of the same type can be accepted because of limitations on the amount, acquisition may, subject to a partial exclusion in this respect of a possible tender right, be effected according to the ratio of tender ratios instead of according to shareholding ratios. Furthermore, subject to partial exclusion in this respect of a possible tender right, preferential acceptance of smaller quantities of up to 100 tendered shares per shareholder plus commercial rounding to avoid fractions of shares may be provided for.
- 3) If the acquisition is effected by means of tender rights made available to shareholders, these may be assigned to the company per share. The ratio of the company's share capital to the number of shares subject to buybacks from the company accordingly defines the fixed amount of tender rights to which shareholders are entitled for the purposes of selling shares in the company back to the company. Tender rights may also be allocated in such a way that a tender right is allocated in each case per number of shares resulting from the ratio of the share capital to the amount to be bought back. Fractions of tender rights are not allocated; in this case, the corresponding partial tender rights are excluded. The price or the limits of the purchase price range (excluding ancillary acquisition costs in each case) at which a share can be sold to the company when exercising the tender right is determined in accordance with the regulations in the above paragraph 2, whereby the relevant reference date is that of publication of the offer to buy back shares including granting tender rights and, if applicable, adjusted, whereby the relevant reference date is that of the publication of the adjustment. The company's Executive Board determines the precise details of the tender rights, in particular, their content, the term and, if applicable, their marketability.

c) Use of treasury shares

The Executive Board is authorized, in the event of a sale of treasury shares through an offer to all shareholders to grant holders of options and/or convertible bonds issued by the company or one of its subordinate Group companies a subscription right in the amount to which they would be entitled after exercising the option or conversion right or after complying with the conversion obligation.

- 1) The Executive Board is also authorized to sell treasury shares in ways other than via the stock exchange or through an offering to all shareholders, if the shares are sold for cash at a price, which is not significantly below the market price of the company's equivalent shares at the time of the sale. Shareholders' subscription rights are excluded here. However, this authorization only applies if the shares sold subject to shareholders' subscription rights being excluded pursuant to Section 186 (3) sentence

4 AktG do not exceed 10% of the share capital, neither at the time this authorization becomes effective nor - if this figure is lower - at the time this authorization is exercised. Those shares issued during the term of this authorization up to the sale, without subscription rights, of treasury shares in accordance with Section 186 (3) sentence 4 AktG from authorized capital subject to exclusion of the subscription right pursuant to Section 186 (3) sentence 4 AktG, must count towards this limit of 10% of share capital. Those shares, which are or were issued for the purpose of servicing option and/or conversion rights and/or conversion obligations, must also count towards this limit of 10% of the share capital, if bonds were issued during the term of this authorization in corresponding application of Section 186 (3) sentence 4 AktG subject to exclusion of subscription rights.

- 2) The Executive Board is also authorized to offer and transfer treasury shares to third parties in ways other than via the stock exchange or by offering them to all shareholders, on the proviso that this
- occurs as part of the acquisition of enterprises or holdings therein or of parts of enterprises or as part of business combinations as (partial) consideration; or
 - occurs for the purpose of introducing the company's shares to foreign stock exchanges on which they have not previously been admitted for trading. The price at which these shares are introduced to foreign stock exchanges may not be more than 5% above or below, without taking account of ancillary acquisition costs, the average closing price for the company's shares in XETRA trading (or a corresponding successor system) on the Frankfurt stock exchange during the ten stock exchange trading days preceding the day of the introduction to the foreign stock exchange; or.
 - occurs for the purpose of offering the shares to persons for acquisition, who are or were employed by the company or an enterprise affiliated with it.

The shareholders' statutory subscription right to these treasury shares is excluded pursuant to Sections 71 (1) No. 8, 186 (3), 4 AktG if these shares are used in accordance with the above authorizations. The Executive Board may also exclude shareholders' subscription rights for fractional amounts in the case of selling treasury shares through an offering to all shareholders.

- 3) The Executive Board is also authorized to withdraw treasury shares without any additional resolution by the Annual General Meeting being required for their withdrawal and implementation thereof. Withdrawal may also be effected in accordance with Section 237 (3) No. 3 AktG without any capital reduction by increasing the company's other par value shares in the share capital pursuant to Section 8 (3) AktG following the withdrawal. The Executive Board is authorized pursuant to Section 237 (3) No. 3, 2. Hs. AktG to amend the details of the number of shares in the Articles of Association accordingly. The withdrawal may also be associated with a capital reduction; in this case, the Executive Board is authorized to reduce the share capital by the pro rata amount of the share capital attributable to the withdrawn shares and amend the details of the number of shares and the share capital in the Articles of Association accordingly.

The authorizations detailed above may be used on one or several occasions, in their entirety or in part, individually or jointly. They also include the use of the company's shares, which were bought back on the basis of previous authorizations to buy back treasury shares, and such that were acquired on the basis of Section 71d Sentence 5 AktG or (i) by an enterprise that is dependent on the company or majority owned by it or (ii) by third parties for the account of the company or by third parties for the account of an enterprise that is dependent on the company or majority owned by it.

d) Authorization to acquire treasury shares through the use of equity derivatives

In addition to the authorization to acquire and to use treasury shares detailed above in lit. a) to c), aside from the methods described there under lit. a) and b), the acquisition of the company's shares may also be carried out using equity derivatives as follows.

- 1) The Executive Board is authorized to acquire options which give the company the right to acquire the company's shares when exercising the options (call options). The Executive Board is also authorized to sell options which oblige the company to acquire the company's shares when the options are exercised by their holders (put options). The acquisition may also be effected by using a combination of call and put options or forward purchase contracts (call options, put options and combinations of call and put options and forward purchase contracts are referred to collectively hereinafter as "equity derivatives"). The authorization became effective with the resolution adopted on October 6, 2017 and shall apply until October 5, 2022. The authorization may be exercised in whole or in part, once or in several different transactions, either by the company or alternatively by an enterprise that is dependent on the company or majority owned by it or by third parties tasked by the company or an enterprise dependent on the company or majority owned by it acting for their account or the account of the company. All share purchases using equity derivatives are limited to shares amounting to not more than 5% of the share capital existing at the time the resolution was adopted by the Annual General Meeting or - if this amount is smaller - of the share capital existing at the date the present authorization was exercised.
- 2) The equity derivatives must be concluded with one or more financial institution(s), one or more enterprises operating in accordance with Section 53 (1) sentence 1 or Section 53 (1) sentence 1 or (7) of the German Banking Act (KWG) or a group or a consortium of financial institutions and/or such entities. They must be structured in a way that ensures that the equity derivatives are only supplied with shares, which were acquired in compliance with the principle of treating shareholders equally; acquisition of the shares via the stock market is sufficient for this purpose. The purchase or sale price paid by the company for call options or received for put options or paid or received for a combination of call and put options may not be significantly above or below the theoretical market value determined in accordance with recognized financial calculation methods. The term of the equity derivatives must be selected so as to ensure that the acquisition of the shares following the exercise of equity derivatives does not take place after October 5, 2022.

The purchase price payable per share when exercising the put option or when the forward purchase matures may not be more than 10% above or below the average closing prices for the company's shares in XETRA trading (or a corresponding successor system) on the Frankfurt stock exchange during the ten stock exchange days preceding conclusion of the relevant option transaction or forward purchase, without taking account of the ancillary acquisition costs in each case but considering the value of the option when exercised or on maturity. The call option may only be exercised if the purchase price payable is not more than 10% above or below the average closing prices for the company's shares in XETRA trading (or a corresponding successor system) on the Frankfurt stock exchange during the ten stock exchange days preceding conclusion of the relevant option transaction or forward purchase, without taking account of the ancillary acquisition costs in each case but considering the value of the option when exercised or on maturity.

If treasury shares are acquired through the use of equity derivatives in compliance with the above regulations, any possible right on the part of the shareholders to conclude such equity derivatives with the company or any tender right on their part is excluded.

- 3) The regulations specified above under lit. c) shall apply mutatis mutandis to the use of treasury shares, which were acquired through the use of equity derivatives. Shareholders' right to subscribe for treasury shares is excluded in as much as these shares are used in accordance with the authorizations described in lit. c) above.

8. Material agreements by the company, which are conditional on a change of control resulting from a takeover bid (Sections 289a (1) No. 8, 315a (1) No. 8 HGB)

There are no agreements which are conditional on a change of control resulting from a takeover bid.

9. Compensation agreements, which the company has reached with members of the Executive Board or employees in case of a takeover bid (Sections 289a (1) No. 9, 315a (1) No. 9 HGB)

There are no compensation agreements which have been reached with members of the Executive Board or employees in case of a takeover bid.