

Half-year statement H1 / 2018

of the VARTA AG Group
period ended June 30, 2018

Greetings from the executive board

Dear Shareholders,

VARTA AG continues the high growth rate in 2018: year-on-year, group revenue grew once again in the double-digit range – the operating income also improved significantly once again. The large investment program for the expansion of production capacities is being implemented as planned.

The group revenue increased in the first half of 2018 by 11.9% to € 134 million and therefore once again increased in the double-digit range over the prior year. Both segments, **Microbatteries** and **Power & Energy**, again recorded growth rates while the Power & Energy segment stands out in particular with a growth rate of 30.5% year-on-year.

The development of the adjusted EBITDA margin is again particularly pleasing. At 19.2% it was 3 percentage points higher than in the previous year. The improvement of the profitability is in particular the result of the profitable growth in all segments, with a simultaneous below-average increase of costs due to scaling of the business model. This development confirms our strategic alignment and affirms our intention to continue to invest massively in profitable growth. At € 25.8 million, the adjusted EBITDA was 33.1% higher compared to the same period of the previous year.

The Microbatteries and Power & Energy segments grew significantly in terms of revenue and EBITDA.

The revenue in the **Microbatteries** segment increased by 8.0% to € 108.8 million. The Microbatteries segment continues to be characterized by the continuous development in the area of hearing aid batteries and the rapid development in small lithium-ion batteries. The adjusted EBITDA improved from € 22.7 million to € 24.8 million, which corresponds to an increase of 9.4% in comparison to the previous year. This results in an EBITDA margin of 22.8% in proportion to revenue (in comparison: 22.5% in H1 / 2017).

Revenue in the **Power & Energy** segment grew by 30.5% to € 24.6 million. The revenue growth is chiefly caused by the continued successful development of stationary energy storage solutions as well as the significant increase in power pack solutions revenue. At € 1.5 million, the adjusted EBITDA is clearly in the positive range. This is the result of the structural improvement of the operating income in addition to the dynamic revenue growth.

The EBIT of VARTA AG improved from € 18.4 million to € 19.7 million, which corresponds to an increase of 7.0% in comparison to the previous year. The EBIT adjusted by the one-off effect increased from € 14.8 million to € 20.7 million, which corresponds to an increase of nearly 40%. This results in an adjusted EBIT margin of 15.5% in proportion to revenue, which corresponds to a margin improvement of more than 3 percentage points in comparison to H1 / 2017. The group result for the first half of 2018 thus increased disproportionately by € 14.3 million year-on-year (2017: € 11.2 million).

The consistent implementation of our growth strategy is the reason for this gratifying growth:

The targeted implementation of new and innovative technologies as well as the high quality of our batteries continue to force a high demand for our products. We thus profit from the continuous increase of our revenue in core product groups. The increasing unit volumes, combined with our long-term, profound know-how in mass production, result in the continuous improvement of production efficiency and thus the profitability of our products.

The largest investment program in VARTA AG's recent history provides for expenditures of significantly more than € 55 million in 2018 for capacity increases. A CAPEX of € 21.9 million was already invested in the first half of the year for capacity increases. The investments are thus three times higher than in the prior year. In the current business year, the installed capacities in the area of hearing aid batteries will thus be expanded by approximately 10% and significantly more than doubled in the area of lithium-ion batteries.

In summary, we are convinced that the capital market presence provides the company with the opportunity to continue to respond flexibly and positively to market inquiries. A topic that our customers will also increasingly appreciate.

We would like to thank you for your interest in VARTA AG and we are looking forward to shaping the future of our company together with our employees and with you.

Herbert Schein
Chief Executive Officer

Steffen Munz
Chief Financial Officer

Dr. Michael Pistauer
Chairman of M&A and Investor Relations

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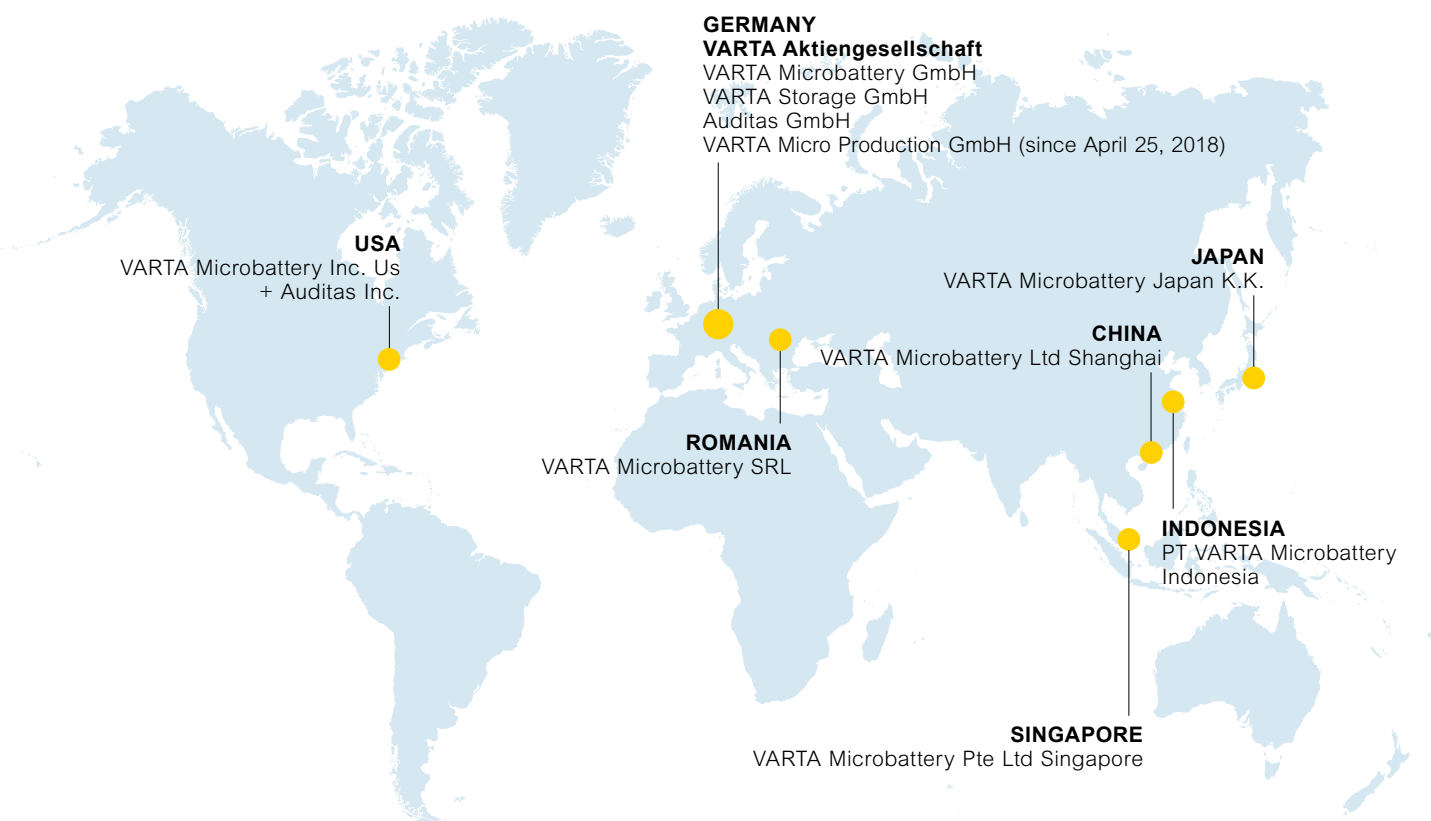
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About VARTA AG

VARTA Aktiengesellschaft 1(VARTA AG) is domiciled in Ellwangen (Jagst), Germany, and is listed in the commercial register at Ulm District Court, Germany, under file number HRB 728059. The consolidated financial statements comprise the company and its subsidiaries. The reporting date for VARTA AG, all its subsidiaries, and for the consolidated financial statements is December 31.

VARTA AG's business operations, conducted by its operating subsidiaries, involve production, marketing, research and development in the two operating segments Microbatteries and Power & Energy. VARTA AG Group is an international, globally operating corporation with over 130 years of experience.

Significant companies of the VARTA AG Group are present in the following countries



1) Please note that VARTA AG and its operative subsidiaries VARTA Microbattery GmbH and VARTA Storage GmbH, belonging to the Montana Tech Components AG, are not the sole successors to the old VARTA AG, having been split up into three parts in the year 2002, and not the sole owner of the VARTA trademarks. The two other independent successors and VARTA trademark owners are Johnson Controls Hybrid und Recycling GmbH (before: VARTA Automotive GmbH), belonging to the Johnson Controls Group (automotive batteries and partly industrial batteries) and VARTA Consumer Batteries GmbH & Co. KGaA, belonging to the Spectrum Brands Group (consumer batteries).

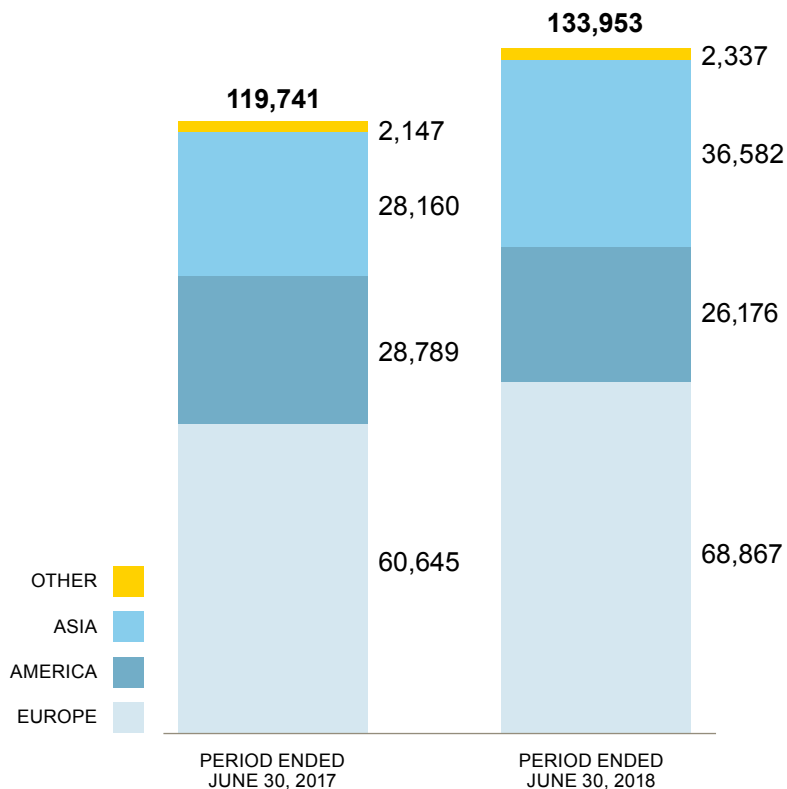
Key figures of VARTA AG Group

Financial figures of VARTA AG Group

(IN €K) UNAUDITED ACCORDING TO IFRS	PERIOD ENDED JUNE 30, 2018	PERIOD ENDED JUNE 30, 2017	CHANGE IN €K	CHANGE IN %
Revenue	133,953	119,741	14,212	11.9%
thereof Microbatteries	108,849	100,818	8,031	8.0%
thereof Power & Energy	24,553	18,818	5,735	30.5%
EBIT	19,726	18,433	1,293	7.0%
in % of revenue	14.7%	15.4%		
Depreciation	5,077	4,573	504	11.0%
EBITDA	24,803	23,006	1,797	7.8%
in % of revenue	18.5%	19.2%		
<i>Adjustments</i>				
Expenses for going public	0	0		
Reimbursement claim under pensions	0	-3,629		
Costs of share-based payment	980	0		
Adjusted EBITDA	25,783	19,377	6,406	33.1%
in % of revenue	19.2%	16.2%		
EBT	19,712	15,442	4,270	27.7%
in % of revenue	14.7%	12.9%		
Consolidated result	14,281	11,187	3,094	27.7%
Cash flow from ongoing business activities	5,414	14,585		
Cash flow from investment activities	-21,794	-3,991		
Cash flow from financing activities	-49,879	-13,424		
FTE employees as at reference date June 30	2,244	2,063		
Earnings per Share (EPS) in €	0.38	0.35		

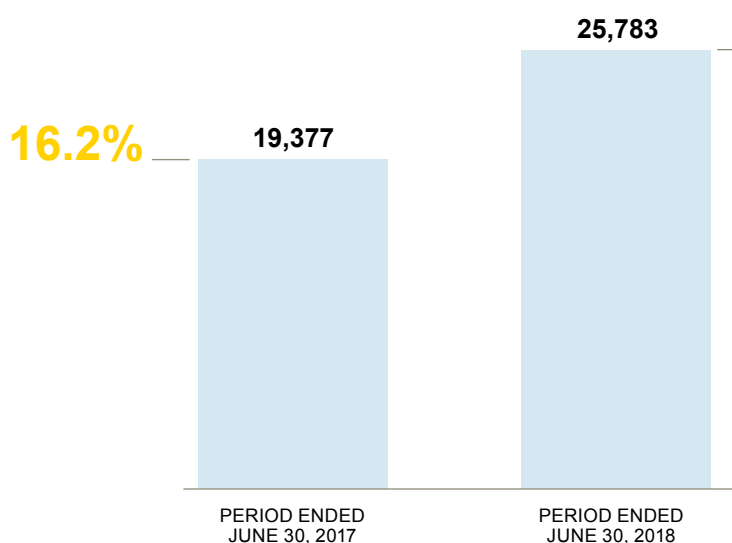
(IN €K) UNAUDITED ACCORDING TO IFRS	JUNE 30, 2018	DEC. 31, 2017	CHANGE IN €K	CHANGE IN %
Balance sheet figures				
Balance sheet total	353,171	331,480	21,691	6.5%
Non-current assets	127,458	105,258	22,200	21.1%
Current assets	225,713	226,222	-509	-0.2%
<i>thereof cash and cash equivalents</i>	72,433	138,536	-66,103	-47.7%
Equity	246,259	230,452	15,807	6.9%
in % of balance sheet total	69.7%	69.5%		
<i>thereof subscribed capital</i>	38,200	38,200	0	0
Non-current liabilities	29,643	29,423	220	0.7%
Current liabilities	77,269	71,605	5,664	7.9%
Net financial debt	-63,554	-130,135	66,581	-51.2%
Net Working Capital	56,793	41,394	15,399	37.2%

Revenue by regions (in €K) unaudited according to IFRS



+11.9%
Group Revenue

Adjusted EBITDA (in €K) unaudited according to IFRS



+33.1%
Adjusted EBITDA

Business and framework conditions

It is the opinion of the World Trade Organization (WTO) that global trade will increase significantly in the current year starting April 2018 - if the United States will not insist on trade barriers. The organization significantly increased its forecast for the growth of global exchange of goods 2018 from 3.2% to 4.4%, despite the customs dispute between the US, Europe, and China.

Pursuant to the WTO, global trade volume grew by 4.7% in 2017. 4% are also expected for 2019. In total, the economy therefore continues on a growth trajectory, from which the markets in which the VARTA AG Group is active will also profit.

The demand for products in the **Microbatteries** segment is, among other things, dependent on the development of the hearing aid industry as well as the entertainment electronics industry. Both industry segments continue to show positive tendencies, e.g. pursuant to WiFore.

In particular the ongoing trend towards small “hearables” and “wearables” connected to the smartphone has been generating tailwind for VARTA AG Group. Pursuant to Gartner, Inc. (2017), “hearables” will have a growth rate of approximately 40% by 2020.

The market is demanding ever more secure solutions from the **Power & Energy** segment due to the trend towards wireless household, medical devices, etc. with autonomous power supply and to stationary energy storage systems. Pursuant to the Avivenne Energy Report 2018, the segment for lithium-ion battery packs will grow from 120 GWh in 2017 to 490 GWh in 2025. This corresponds to a CAGR of +19%. At the same time, the partial segment for medical devices, power tools, and gardening tools, which are target markets for the Power & Energy segment, will grow from approx. 14 GWh in 2017 to approx. 44 GWh in 2020.

Development of earnings, financial position, and net assets

Earnings situation

Earnings, financial position, and net assets of VARTA AG Group were very positive in the first half of 2018. Consolidated revenues of VARTA AG Group as at June 30, 2018 amounted to € 133,953 K, hence 11.9% above the previous year (2017: € 119,741 K).

The EBITDA adjusted by the one-off effect of a VARTA AG non-cash employee stock option plan in 2018 or the positive effect of a pension obligations reimbursement claim in 2017 amounts to € 25,783 K and thus 33.1% above the previous year (previous year: € 19,377 K).

The jump in earnings in comparison to the previous year is essentially caused by the growth in revenues in both segments and an excellent product mix on the one side and the disproportionate low development in particular of materials costs and of personnel costs and an increased productivity on the other side. Personnel costs increased by +10.9% over the prior year. Excluding the non-cash personnel costs from the employee stock option program in the amount of € 980 K, personnel costs increased only by 8.5%.

The EBIT improved from € 18,433 K to € 19,726 K, which corresponds to an increase of 7.0% in comparison to the previous year. The EBIT adjusted by the one-off effect increased from € 14,804 K to € 20,706 K, which corresponds to an increase of nearly 40%. This results in an adjusted EBIT margin of 15.5% in proportion to revenue, which corresponds to a margin improvement of more than 3 percentage points in comparison to H1 / 2017.

The improvement of the financial position is caused by the sustainable change of the net cash situation. As at the reporting date, the Group recorded a net cash position of € 72,433 K. However, € 50,004 K loans to an affiliated enterprise were granted. Including the loans, the value as at June 30, 2018 is € 122,437 K.

The at equity participating research company changed significantly in comparison to 2017 and with € 31 K in the first half of 2018 records a positive profit contribution (previous year € -2,106 K).

At approx. 27.6%, the Group's consolidated tax rate was slightly below the German tax rate and thus roughly at the value of the previous year (27.6%).

The group result for the first half of 2018 thus increased disproportionately by € 14,281 K year-on-year (2017: € 11,187 K).

Asset and financial position

The impact of the IPO, intensive investment program, and positive earnings situation on the balance sheet continue to be clearly recognizable in the balance sheet ratios:

As at the reporting date, the Group records an equity ratio of 69.7% and cash or cash equivalents incl. loans of € 122,437 K. Fixed assets increased due to the capacity expansion program by € 23,338 K or 36.8% to € 86,785 K.

Regardless thereof, the first half year showed a positive cash flow from operating activities. The operative cash flow of € 5,414 K was somewhat reduced despite the high double-digit EBT chiefly due to the increase in receivables based on revenue growth and the temporary increase of inventory to cover the high demand.

At € 56,793 K, the net working capital increased significantly in comparison to December 31, 2017 due to the temporary increase of inventory based on the high demand and the revenue-related higher receivables. We expect that the net working capital will reduce again during fiscal year 2018.

Segment reporting

Segment reporting occurs as determined by management for the segments **Microbatteries** and **Power & Energy**.

Microbatteries

The **Microbatteries** segment focuses on manufacturing and marketing micro batteries. The largest share is attributable to the production of batteries for hearing aids. These are marketed under the brands powerone, Energy TOP (ENR TOP), engion, and ecopack as well as own brands. Our success in the area of hearing aid batteries is driven by innovative strength, reliability, long life, and consistent quality. Our market position is secured through our own production automation processes and ability to provide customers with services ranging from design to production. The Microbatteries segment's customers include, for example, leading hearing aid manufacturers, retail chains, and government institutions.

Furthermore, we manufacture and market batteries for numerous applications in the growing end-user market for electronic devices, such as bluetooth headsets, laptops, servers, and medical equipment for blood pressure, blood sugar, and body monitors, etc. In addition, there are also applications such as car keys, alarm systems, smoke alarms, and meters, which are fitted with our micro batteries. Micro batteries, which are used in such applications for end-users, are critical components in many devices and decisive for the end product design and performance. The design, size, weight, and ergonomics can be of pivotal importance for micro batteries, and their performance determines the running and charging times.

In the Microbatteries segment, revenue increased by 8.0% year-on-year. The adjusted EBITDA saw a stronger increase during the same period. The adjusted EBITDA of the first 3 months amounts to € 24,849 K versus € 22,721 K in 2017. The increase by 9.4% is attributable to the above-average increase in revenue over costs (in particular fixed costs) and the positive margin development of individual products. The success is somewhat

diminished due to the more negative exchange rate situation for the VARTA AG Group in comparison to the prior year (USD / EUR) as well as revenue shifts in the Healthcare segment from the first to the second half-year.

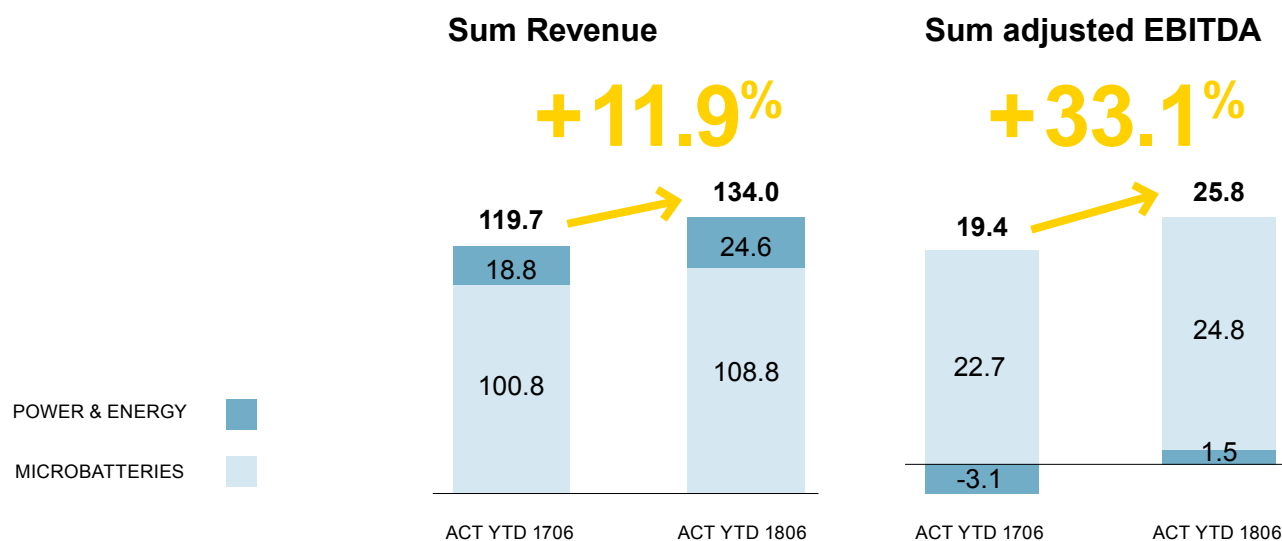
Most of the investments made in the first six months were used for the Microbatteries segment. The focus here in turn was placed on the continuous buildup of lithium-iron production capacities at two locations in Germany.

Power & Energy

The **Power and Energy** segment specializes in manufacturing and marketing battery power storage systems for private and commercial storage applications. In addition, we design energy solutions which are tailored to meet the precise needs of our customers. Our solutions for a very demanding market include providing the necessary project planning and procedures to help obtain official approval in designing and implementing batteries for class I and II devices.

In the Power & Energy segment, revenue increased by 30.5% year-on-year. With € 1,504 K, the adjusted EBITDA of the first six months of 2018 is clearly positive. The positive development is the result of the positive revenue development in storage solutions as well as battery solutions for key accounts. Margins and the cost situation could also be continuously improved.

Development of revenues and EBITDA of the segments (in € million)



(IN €K)	MICROBATTERIES		POWER & ENERGY		Σ SUM		RESTATE		CONSOLIDATED FINANCIAL STATEMENTS	
	PERIOD ENDED JUNE 30, 2018	PERIOD ENDED JUNE 30, 2018	PERIOD ENDED JUNE 30, 2018	PERIOD ENDED JUNE 30, 2018	PERIOD ENDED JUNE 30, 2018	PERIOD ENDED JUNE 30, 2018	PERIOD ENDED JUNE 30, 2018	PERIOD ENDED JUNE 30, 2018	PERIOD ENDED JUNE 30, 2018	PERIOD ENDED JUNE 30, 2018
Revenue to third parties	108,849	100,818	24,553	18,818	133,402	119,636	550	105	133,953	119,741
Depreciation and amortization	-4,171	-3,923	-905	-650	-5,076	-4,573	-1	0	-5,077	-4,573
Material effects on income and expenses	0	0	0	0	0	0	0	3,629	0	3,629
Adjusted EBITDA	24,849	22,721	1,504	-3,085	26,353	19,636	-570	-259	25,783	19,377

Employees

The consolidated workforce of VARTA AG Group has developed below-average compared to sales. The number of employees is calculated based on full-time employees, part-time employees are included on a prorated basis (Full Time Equivalent (FTE)). As at March 31, 2018, VARTA AG Group employed 2,244 FTE. This corresponds to a year-on-year increase in the workforce by 8.8% (June 30, 2017: 2,063 FTE). There is also a tendency to more employees in non-German-speaking countries.

Report on opportunities and risks

A detailed description of the company's opportunities and risks is included in the prospectus or group management report and consolidated financial statements for fiscal year 2017.

There have been no significant changes to the opportunities and risks since the publication of the prospectus or consolidated financial statements.

Consolidated interim financial statements

Consolidated statement of financial position (unaudited)

(IN €K)	JUNE 30, 2018	DECEMBER 31, 2017*
ASSETS		
Tangible asstes	86,785	63,447
Intangible assets	21,497	21,556
Long-term investments and other participations recognized in the balance sheet under the equity method	1,749	1,718
Other financial assets	403	444
Deferred tax assets	1,540	2,313
Other assets	15,484	15,780
Non-current assets	127,458	105,258
Inventories	63,338	53,770
Trade receivables	26,699	20,103
Tax refund claims	313	744
Other assets	12,926	13,069
Other financial assets	50,004	0
Cash and cash equivalents	72,433	138,536
Current assets	225,713	226,222
Total assets	353,171	331,480

*Previous year values not adjusted.

(IN €K)	JUNE 30, 2018	DECEMBER 31, 2017*
EQUITY AND LIABILITIES		
Subscribed capital	38,200	38,200
Capital reserve	147,699	146,719
Earnings reserves	41,847	28,575
Net income	13,981	13,268
Other reserves	3,249	2,710
Equity of the VARTA AG Group	244,976	229,472
Non-controlling interests	1,283	980
Equity	246,259	230,452
Other financial liabilities	6,200	6,200
Provisions for employee benefits	23,330	22,775
Other liabilities	113	448
Non-current liabilities	29,643	29,423
Tax liabilities	6,958	4,724
Other financial liabilities	2,679	2,201
Provisions for employee benefits	1,127	1,087
Trade payables and advance payments received	33,244	32,479
Other liabilities	10,611	10,285
Other provisions	4,436	4,256
Deferred liabilities	18,214	16,573
Current liabilities	77,269	71,605
Liabilities	106,912	101,028
Total equity and liabilities	353,171	331,480

*Previous year values not adjusted.

Consolidated interim income statement (unaudited)

(IN €K)	SPECIAL EFFECTS	PERIOD ENDED JUNE 30, 2018	SPECIAL EFFECTS	PERIOD ENDED JUNE 30, 2017*
Revenue		133,953		119,741
Decrease / increase in finished and unfinished goods		3,035		-966
Own expenses capitalized		1,504		1,654
Other operating income		3,347		8,194
Cost of materials		-52,467		-48,066
Personnel costs		-45,404		-40,925
Other operating costs		-19,165		-16,626
EBITDA		24,803		23,006
Expenses for going public	0		0	
Reimbursement claim under pensions	0		-3,629	
Costs of share-based payment	980		0	
Adjusted EBITDA	25,783		19,377	
Depreciation		-5,077		-4,573
Operating result (EBIT)		19,726		18,433
Financial income		56		38
Financial charges		-207		-498
Sundry financial income		511		452
Sundry financial charges		-405		-877
Financial result		-45		-885
Profit and loss shares in enterprises recognized in the balance sheet under the equity method. after taxes		31		-2,106
Result before taxes		19,712		15,442
Income tax expenses		-5,431		-4,255
Consolidated result		14,281		11,187
Appropriation of profit:				
Shareholders of VARTA AG		13,981		11,187
Non-controlling shares		300		0

*Previous year values not adjusted.

Consolidated interim statement of profit and loss and other comprehensive income (unaudited)

(IN €K)	PERIOD ENDED JUNE 30, 2018	PERIOD ENDED JUNE 30, 2017*
Profit/loss for the year	14,281	11,187
Items not reclassified under profit or loss		
Revaluation of the net debt from performance-related pension plans	144	1,323
Revaluation of reimbursement claim	-135	0
Tax effect	-5	-385
	4	938
Items that were reclassified or may be reclassified later under profit or loss		
Currency conversion differences	791	-1,829
Result of the fair-value changes of cash flow hedges	-351	159
Tax effect	102	-46
	542	-1,716
Other results after taxes	546	-778
Total result	14,827	10,409
Attribution of profit:		
Shareholders of VARTA AG	14,529	10,409
Non-controlling shares	298	0

*Previous year values not adjusted.

Consolidated interim cash flow statement (unaudited)

(IN €K)	PERIOD ENDED JUNE 30, 2018	PERIOD ENDED JUNE 30, 2017*
Cash flow from ongoing business activities	5,414	14,585
Cash flow from investment activities	-21,794	-3,991
Cash flow from financing activities	-49,879	-13,424
Net change in cash and cash equivalents	-66,259	-2,830
Cash and cash equivalents per January 1	138,536	12,347
Effects of exchange rate fluctuations	156	-322
Cash and cash equivalents per June 30	72,433	9,195

*Previous year values not adjusted.

Consolidated statement of changes in equity (unaudited)

(IN €K)	SUBSCRIBED CAPITAL	CAPITAL RESERVE	EARNINGS RESERVES*	OTHER RESERVES		NON- CONTROLLING SHARES	SUM EQUITY
				CURRENCY DIF- FERENCES	HEDGING RESERVE		
Status per January 1, 2018	38,200	146,719	41,843	2,582	128	980	230,452
Effect from share-based payment	0	980	0	0	0	0	980
Comprehensive result							
Profit/loss for the year	0	0	13,981	0	0	300	14,281
Other result	0	0	3	788	-248	3	546
Comprehensive results	0	0	13,984	788	-248	303	14,827
Status per June 30, 2018	38,200	147,699	55,827	3,370	-120	1,283	246,259

*Earnings reserves including profit/loss for the year

Explanatory notes to the half-year statement

The condensed consolidated annual report was prepared based on all IAS/IFRS applicable on the closing date and published by the International Accounting Standards Board (IASB), as well as all interpretation (IFRIC / SIC) of the International Financial Reporting Interpretations Committee or the Standing Interpretations Committee, insofar as such have been assumed by the European Union in the endorsement process. This condensed consolidated annual report should be read in conjunction with the consolidated annual report as per December 31, 2017.

There have been no significant changes to the contingent liabilities since December 31, 2017.

The financial interim statements prepared as of June 30, 2018 were not audited pursuant to Section 317 HGB (German Commercial Code) and were not reviewed by an auditor.

We hereby declare to the best of our knowledge that applying the applicable accounting rules, the half-year statement provides a true and fair view of the Group's earnings, financial position, and net assets.

Financial calendar

Publication quarterly statement Q3/2018

October 25, 2018

Imprint

Contact

VARTA Aktiengesellschaft
Investor Relations
Dr. Michael Pistauer
Daimlerstraße 1
73479 Ellwangen
Germany
T: +49 79 61 921 843
F: +49 79 61 921 73 472
Email: ir@varta-ag.com