

Quarterly statement Q1 / 2018

of the VARTA AG-Group period ended March 31, 2018

Greetings from the executive board

Dear Shareholders,

VARTA AG continues the high growth rate in Q1/2018: 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 quarter 2018 by 11.5% to EUR 68.3 million and therefore once again increased in the double-digit range over the prior year. The Microbatteries and Power & Energy segments again recorded double-digit growth rates.

The development of the adjusted EBITDA margin is particularly pleasing. It exceeded 20% for the first time in VARTA AG's recent history. The improvement of the profitability is in particular the result of the profitable growth of hearing aid batteries as well as the lithium-ion cells, 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 EUR 13.9 million, the adjusted EBITDA was 50.0% 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 9.8% to EUR 56.3 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 EBITDA improved from EUR 9.8 million to EUR 13.2 million, which corresponds to an increase of 34.1% in comparison to the previous year. This results in an EBITDA margin of 23.4% in proportion to revenue (in comparison: 19.2% in Q1/2017).

Revenue in the Power & Energy segment grew by 21.6% to EUR 11.8 million. The revenue growth is chiefly caused by the continued successful development of stationary energy storage solutions. At EUR 0.7 million, the EBITDA is for the first time 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 EBITDA of VARTA AG improved from EUR 7.0 million to EUR 11.0 million, which corresponds to an increase of 55.9% in comparison to the previous year. This results in an EBIT margin of 16.1% in proportion to revenue, which corresponds to a margin improvement of nearly 5 percentage points in comparison to Q1/2017. At EUR 8.0 million, we were able to more than double the group result for Q1/2018 in comparison to the prior year (EUR 3.8 million).

The consistent implementation of our growth strategy is the reason for this tremendous 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 more than EUR 50 million in 2018 for capacity increases. The investments are thus four times higher than the average of the prior years. In the current business year, the installed capacities in the area of hearing aid batteries will thus be expanded by approximately 10% and 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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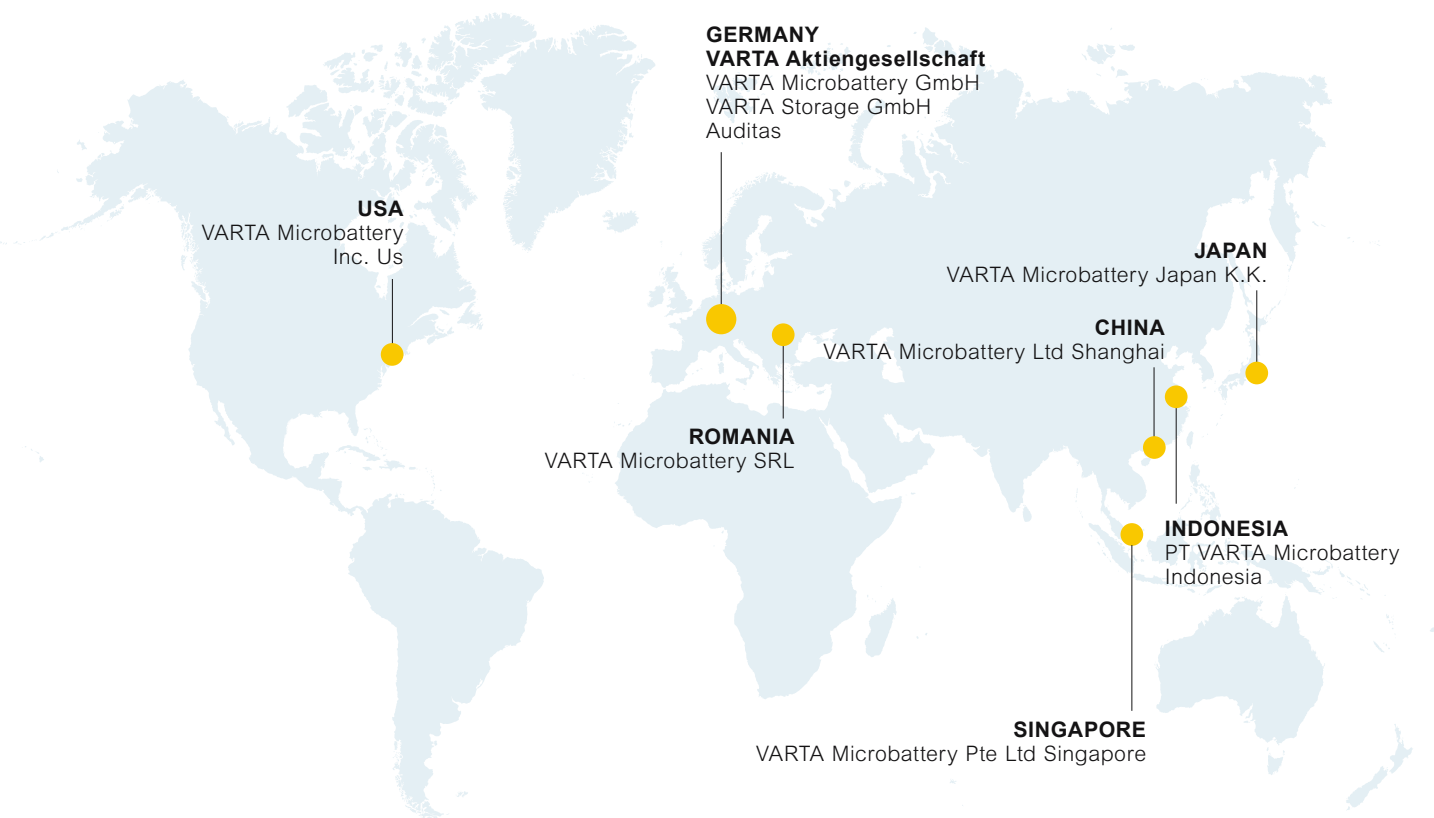
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About VARTA AG

VARTA Aktiengesellschaft¹ (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 and Energy. The Group is an international, globally operating corporation with 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).

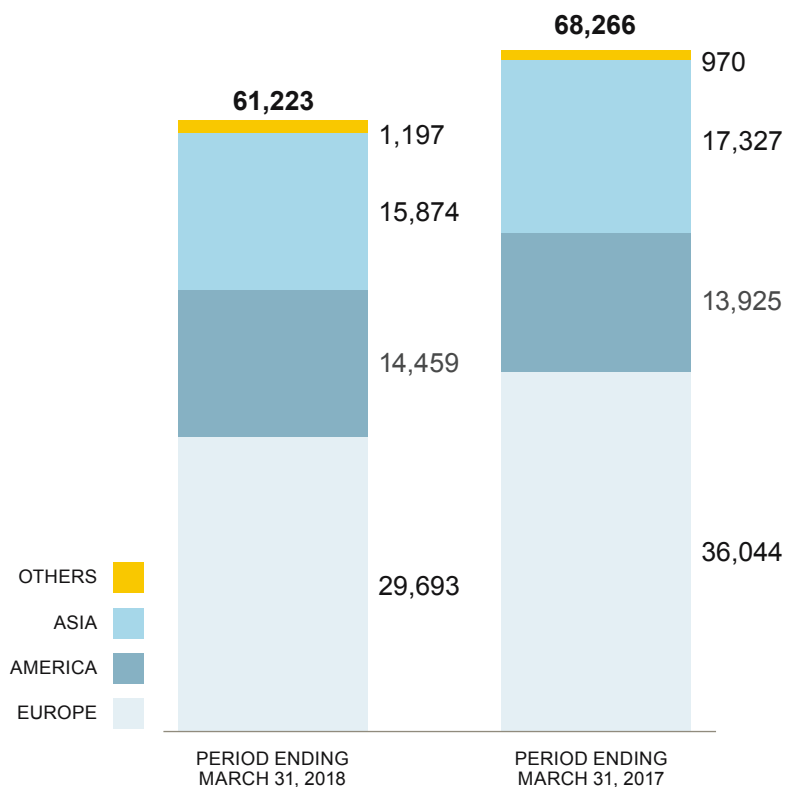
Key figures of VARTA AG Group

Financial figures of VARTA AG Group

(IN KEUR) UNAUDITED ACCORDING TO IFRS	PERIOD ENDING MARCH 31, 2018	PERIOD ENDING MARCH 31, 2017	CHANGE IN KEUR	CHANGE IN %
Net revenue	68,266	61,223	7,043	11.5%
<i>thereof "Microbatteries"</i>	56,312	51,309	5,003	9.8%
<i>thereof "Power & Energy"</i>	11,762	9,675	2,087	21.6%
EBIT	10,972	7,038	3,934	55.9%
in % of net revenue	16.1%	11.5%		
Depreciation and amortization	2,474	2,216	258	11.6%
EBITDA	13,446	9,254	4,192	45.3%
in % of net revenue	19.7%	15.1%		
<i>Adjustments</i>				
<i>IPO expenses</i>	0	0		
<i>Pension obligations reimbursement claim</i>	0	0		
<i>Share-based payment expenses</i>	435	0		
Adjusted EBITDA	13,881	9,254	4,627	50.0%
in % of net revenue	20.3%	15.1%		
EBT	10,726	6,042	4,684	77.5%
in % of net revenue	15.7%	9.9%		
Group result	8,039	3,776	4,263	112.9%
Cash flow from operating activities	430	5,842		
Cash flow from investment activities	-12,445	-761		
Cash flow from financing activities	-19	-7,784		
FTE employees as at reference date March 31,	2,178	2,021		
Earnings per Share (EPS) in EUR	0.19	0.59		

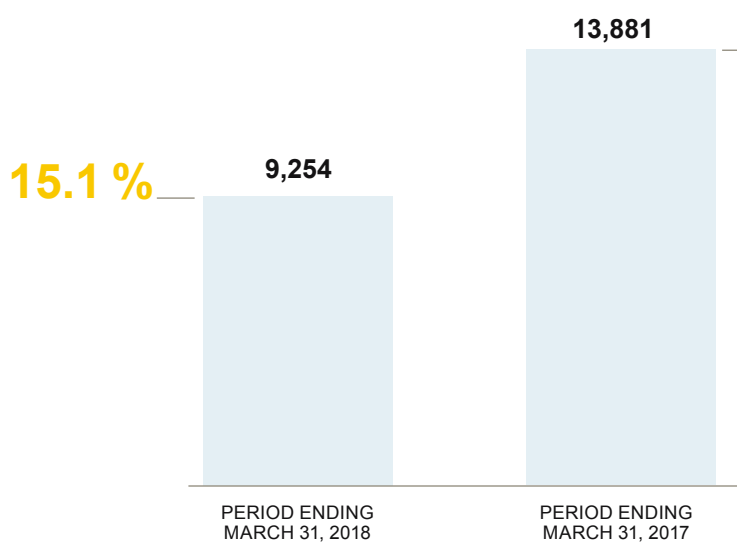
(IN KEUR) UNAUDITED ACCORDING TO IFRS	MARCH 31, 2018	DEC. 31, 2017	CHANGE IN KEUR	CHANGE IN %
Balance sheet figures				
Balance sheet total	342,267	331,480	10,787	3.3%
current assets	116,539	105,258	11,281	10.7%
non-current assets	225,728	226,222	-494	-0.2%
<i>thereof liquid funds</i>	126,403	138,536	-12,133	-8.8%
Equity capital	238,301	230,452	7,849	3.4%
in % of balance sheet total	69.6%	69.5%		
<i>thereof subscribed capital</i>	38,200	38,200	0	0
Long-term liabilities	29,330	29,423	-93	-0.3%
Short-term liabilities	74,636	71,605	3,031	4.2%
Net financial debt	-117,614	-130,135	12,521	9.6%
Trade Working Capital	56,418	41,394	15,024	36.3%

Revenue by regions (in KEUR) unaudited according to IFRS



+11.5%
Revenue by regions

Adjusted EBITDA (in KEUR) unaudited according to IFRS



+50.0%
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 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.

The market is demanding ever more secure solutions from the Power and Energy segment due to the trend towards wireless household, medical devices, etc. with autonomous power supply and to stationary energy storage systems.

Earnings, financial position, and net assets

Earnings situation

Earnings, financial position, and net assets of VARTA AG Group were very positive in Q1/2018. Consolidated sales of VARTA AG Group as at March 31, 2018 amounted to KEUR 68,266, hence 11.5% above the previous year (2017: KEUR 61,223).

The EBITDA adjusted by the one-off effect of a VARTA AG non-cash employee stock option plan amounts to KEUR 13,881 and thus 50.0% above the previous year (previous year: KEUR 9,254).

The jump in earnings in comparison to the previous year is essentially caused by the growth in sales in both segments on the one side and in total a disproportionate low development of personnel costs (+12.1% year-on-year), reduced other expenses (-4.5% year-on-year) and an increased productivity.

At KEUR 10,972, the EBIT is already over 55% higher than in the previous year (KEUR 7,038).

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 KEUR 117,614.

The at equity participating research company changed significantly in comparison to 2017 and with KEUR 77 in Q1/2018 records a positive profit contribution (previous year KEUR -488).

At approx. 25.1%, the Group's consolidated tax rate was below the German tax rate and thus also below the previous year (approximately 37.5%).

As at March 31, 2018, the Group results amounting to KEUR 8,039 were nearly twice as high as the reference period 2017 (KEUR 3,776).

Asset and financial position

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

As at the reporting date, the Group records an equity ratio of 69.6% and cash or cash equivalents of KEUR 126,403. Fixed assets increased due to the capacity expansion program by KEUR 13,396 or 21.1%.

Regardless thereof, the first quarter showed a positive, if minor cash flow from operating activities. The positive operative cash flow of KEUR 430 was compensated 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 KEUR 56,418, the trade working capital increased significantly in comparison to Q1/2017 due to the temporary increase of inventory based on the high demand and the revenue-related higher receivables. We expect that the trade working capital will normalize during fiscal 2018.

Segment reporting

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

Microbatteries

The Microbatteries segment focuses on manufacturing and marketing microbatteries. 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. Microbatteries, 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 microbatteries, and their performance determines the running and charging times.

In the Microbatteries segment, revenue increased by 9.8% year-on-year. The EBITDA saw an above average increase during the same period. The EBITDA of the first 3 month amounts to KEUR 13,205 versus KEUR 9,846 in 2017. The increase by 34.1% 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).

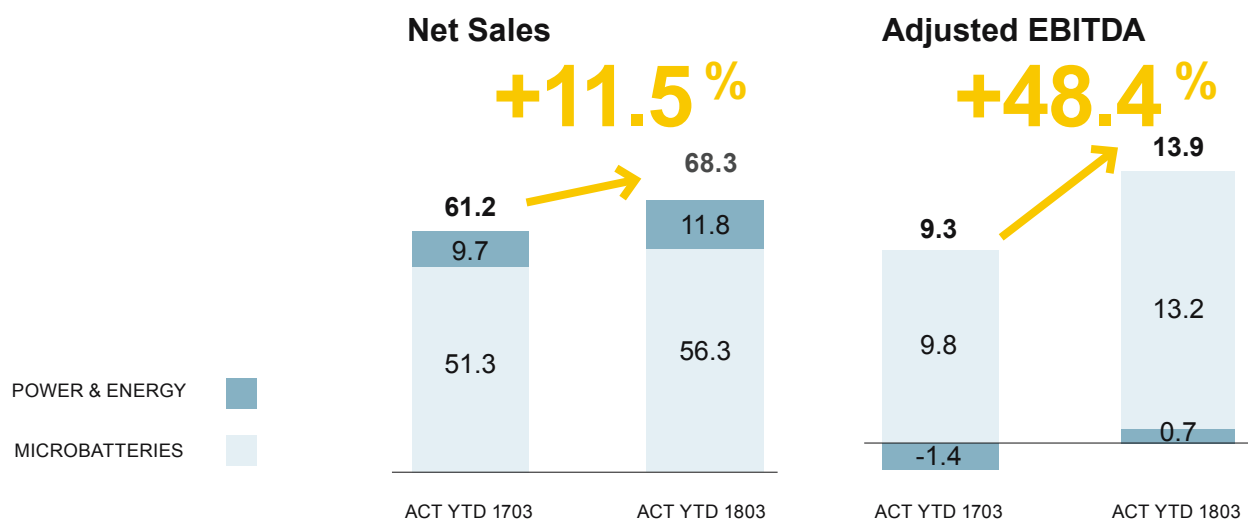
Most of the investments made in the first 3 months were used for the Microbatteries segment. The focus here in turn was placed on the continuous buildup of lithium-iron production capacities.

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 and Energy segment, revenue increased by 21.6% year-on-year. The EBITDA of the first 3 months of 2018 is 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 EUR)



(IN KEUR)	MICROBATTERIES		POWER AND ENERGY		Σ SUM		RECONCILIATION		CONSOLIDATED FINANCIAL STATEMENTS	
	MARCH 31, 2018	MARCH 31, 2017	MARCH 31, 2018	MARCH 31, 2017	MARCH 31, 2018	MARCH 31, 2017	MARCH 31, 2018	MARCH 31, 2017	MARCH 31, 2018	MARCH 31, 2017
Net revenue	56,312	51,309	11,762	9,675	68,074	60,984	192	239	68,266	61,223
Depreciation and amortization	-2,072	-1,990	-401	-225	-2,473	-2,215	-1	-1	-2,474	-2,216
Material effects on income and expenses	0	0	0	0	0	0	-435	0	-435	0
EBIT	11,133	7,856	289	-1,647	11,422	6,209	-450	829	10,972	7,038
Adjusted EBITDA	13,205	9,846	690	-1,422	13,895	8,424	-14	830	13,881	9,254

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 2,178 FTE.

This corresponds to a year-on-year increase in the workforce by 7.8% (March 31, 2017: 2,021 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 KEUR)	MARCH 31, 2018	DECEMBER 31, 2017
AKTIVA		
Property, plant, and equipment	76,843	63,447
Intangible assets	19,521	21,556
Equity-accounted financial assets and other interests	1,794	1,718
Other financial assets	424	444
Deferred tax assets	2,257	2,313
Other assets	15,700	15,780
Long-term assets	116,539	105,258
Inventories	56,397	53,770
Trade receivables	25,649	20,103
Income tax receivables	1,025	744
Other assets	16,254	13,069
Cash and cash equivalents	126,403	138,536
Short-term assets	225,728	226,222
Balance sheet total	342,267	331,480

(IN KEUR)	MARCH 31, 2018	DECEMBER 31, 2017
EQUITY AND LIABILITIES		
Subscribed capital	38,200	38,200
Capital reserve	147,153	146,719
Revenue reserves	41,843	28,575
Net income	7,923	13,268
Other reserves	2,089	2,710
VARTA AG Group equity capital	237,208	229,472
Non-controlling interests	1,093	980
Equity capital	238,301	230,452
Other financial liabilities	6,200	6,200
Provisions for employee benefits	23,020	22,775
Other liabilities	110	448
Non-current liabilities	29,330	29,423
Tax liabilities	6,321	4,724
Other financial liabilities	2,589	2,201
Provisions for employee benefits	1,106	1,087
Trade payables and advances from customers	25,628	32,479
Other liabilities	13,811	10,285
Other provisions	4,330	4,256
Accruals	20,851	16,573
Current liabilities	74,636	71,605
Liabilities	103,966	101,028
Balance sheet total	342,267	331,480

Consolidated income statement (unaudited)

(IN KEUR)	SPECIAL EF- FECTS	PERIOD ENDING MARCH 31, 2018	SPECIAL EF- FECTS	PERIOD ENDING MARCH 31, 2017
Net revenue		68,266		61,223
Increase/decrease in finished goods and work in progress		2,316		-1,469
Capitalized own contributions		784		589
Other operating income		1,532		2,527
Cost of materials		-27,711		-23,925
Personnel expenses		-22,804		-20,334
Other operating expenses		-8,937		-9,357
EBITDA		13,446		9,254
IPO expenses	0		0	
Pension obligation reimbursement claim	0		0	
Share-based payment expenses	435		0	
Adjusted EBITDA	13,881		9,254	
Amortizations		-2,474		-2,216
EBIT		10,972		7,038
Interest income		10		20
Interest expense		-106		347
Other financial income		163		90
Other financial expenses		-390		-271
Financial result		-323		-508
Share of profit or loss in equity-accounted investees, after taxes		77		-488
EBT		10,726		6,042
Income tax expenditures		-2,687		-2,266
Group result		8,039		3,776
Profit allocation:				
Shareholders of VARTA AG		7,923		3,776
Non-controlling interests		116		0

Consolidated comprehensive income (unaudited)

(IN KEUR)	PERIOD ENDING MARCH 31, 2018	PERIOD ENDING MARCH 31, 2017
Annual result	8,039	3,776
Items that were reclassified to profit or loss or that may be reclassified subsequently		
Foreign currency translation differences	-607	-318
Cash flow hedge - effective portion of changes in fair value	-24	-86
Tax effect	6	25
Other operating income after taxes	-625	-379
Total comprehensive income	7,414	3,397
Profit allocation		
Shareholders of VARTA AG	7,307	3,397
Non-controlling interests	107	0

Interim consolidated statement of cash flow (unaudited)

(IN KEUR)	PERIOD ENDING MARCH 31, 2018	PERIOD ENDING MARCH 31, 2017
Net cash from operating activities	430	5,842
Cash flow from investment activities	-12,445	-761
Cash flow from financing activities	-19	-7,784
Net change of cash and cash equivalents	-12,034	-2,703
Cash and cash equivalents as at January 1,	138,536	12,347
Effects of changes in foreign exchange rates	-99	-52
Cash and cash equivalents as at December 31,	126,403	9,592

Consolidated statement of changes in equity (unaudited)

(IN KEUR)	SUBSCRIBED CAPITAL	CAPITAL RESERVE	REVENUE RESERVES*	OTHER RESERVES			SUM EQUITY CAPITAL
				TRANSLATION DIFFERENCES	HEDGING RESERVE	NON- CONTROLLING INTERESTS	
Status as at January 1, 2018	38,200	146,719	41,843	2,582	128	980	230,452
Effect from share-based payment compensation	0	435	0	0	0	0	435
Total comprehensive income							
Annual result	0	0	7,923	0	0	116	8,039
Other result	0	0	0	-604	-18	-3	-625
Total comprehensive income	0	0	7,923	-604	-18	113	7,414
Status as at March 31, 2018	38,200	147,154	49,766	1,978	110	1,093	238,301

Explanatory notes to the quarterly statement

The quarterly statement of VARTA AG Group for the period from January 1, to March 31, 2018 was prepared on the basis of the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) as applicable in the EU.

The accounting and valuation methods used are the same as those in the consolidated financial statements as of December 31, 2017.

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

The financial statements prepared as of March 31, 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 quarterly statement provides a true and fair view of the Group's earnings, financial position, and net assets.

Financial calendar

General meeting	June 19, 2018
Half-year report 2018	August 28, 2018
Zwischenmitteilung der Geschäftsleitung zum 3. Quartal 2018	October 25, 2018

Imprint

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