



**QUARTERLY REPORT Q1 / 2019
OF VARTA AG GROUP AS OF MARCH 31, 2019**



VISION

We are shaping the future of battery technology.

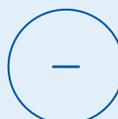
MISSION

Through robust investments in research and development, we want to be a market and innovation leader in our quality sensitive segments.

VARTA AG – SELECTED GROUP KEY FIGURES

in EUR million	Q1-2019	Q1-2018
Sales revenue	73.4	66.4*
EBITDA	16.8	12.3*
Adjustments:		
Cost of share-based payment	0.6	0.4
Adjusted EBITDA	17.4	12.7*
Adjusted EBITDA Margin (%)	23.7%	19.2%
Consolidated result	9.2	7.2*
Investments (Capex)	6.1	12.5
Free Cash Flow	2.6	-12.0
Equity ratio	59.1%	69.6%
Balance sheet total	455.5	342.3
Staff (as of March 31)	2,296	2,178

* See the change in previous year's figures due to conversion to IFRS 15



VARTA AG

As the parent company of the Group, VARTA AG is active in the business segments Microbatteries and Power & Energy through its operating subsidiaries VARTA Microbattery GmbH and VARTA Storage GmbH. Already an innovation leader in the microbattery sector and a market leader for hearing-aid microbatteries, VARTA Microbattery GmbH also aspires to market leadership for lithium-ion batteries. VARTA Storage GmbH focuses on the design, system integration and assembly of stationary lithium-ion energy storage systems for households and commercial applications as well as customized battery storage systems for OEM customers. The Group'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 United States.

MICROBATTERY SEGMENT:

VARTA AG is in the microbatteries segment a global manufacturer of retail and OEM batteries with more than 130 years of experience. The company has customers from the most important companies and produces batteries in numerous essential electrochemical systems as well as designs and sizes.

The diversity of applications ranges from hearing-aid batteries, wireless headphone, automotive applications with button cells to medical devices, or measuring and security systems.

In the microbatteries segment, the company is pursuing a strategy based on innovation and profitable growth. The focus is on reliability, highest quality, customer orientation and satisfaction. In order to identify all relevant market developments and product trends in good time, the organisation and structure are geared to proximity to its customers. The two divisions Healthcare and Entertainment & Industrial work synergistically.

Healthcare

Healthcare is an important growth market for VARTA AG. Under the power one brand, batteries for hearing aids are the world's leading partner of the hearing aid industry. Thanks to the latest technological developments in hearing aid batteries, VARTA AG's Microbatteries segment is the only supplier with a complete range of primary and rechargeable cells. Power one hearing aid batteries stand for innovation, highest quality, enormous performance and reliability. All batteries are manufactured on the world's largest and most modern production facility for hearing aid batteries in Ellwangen, Germany.

Entertainment & Industrial

Electronic devices are getting smaller and smaller and need rechargeable batteries with higher and higher energy density. In Entertainment & Industrial VARTA AG develops, produces and markets batteries that reliably deliver concentrated energy even on the smallest scale with high capacity. For its customers VARTA offers battery solutions for a wide variety of applications, and battery technologies are as diverse as these are.

POWER & ENERGY SEGMENT:

VARTA AG is one of the leading manufacturers of energy storage solutions for private households and large-scale storage applications in the Power & Energy segment. In addition, Power & Energy has established itself in the lithium-ion market with rechargeable, standardised and customer-specific battery packs. We master the challenges of lithium-ion batteries with great experience, efficiency and safety. Our global presence ensures fast and flexible solutions.

Business Development Q1 2019

VARTA AG continues its growth trajectory with further improved profitability – guidance for 2019 raised

- Got off to a stronger-than-expected start to FY19
- Further double-digit growth in Group revenue: +10.7% to EUR 73.4 million
- Adjusted EBITDA grew again faster than revenue: +36.9% to EUR 17.4 million
- Significant improvement of the adjusted EBITDA margin: up 4.5 percentage points to 23.7%
- “Microbatteries” segment with very strong quarterly results – “Power & Energy” in line with expectations
- Raising the revenue and Adj. EBITDA guidance for FY19:
Revenue expected to be between EUR 310 and 315 million (previously: EUR 303-309 million)
Adjusted EBITDA set to be between EUR 64 and 67 million (previously EUR 61-64 million)

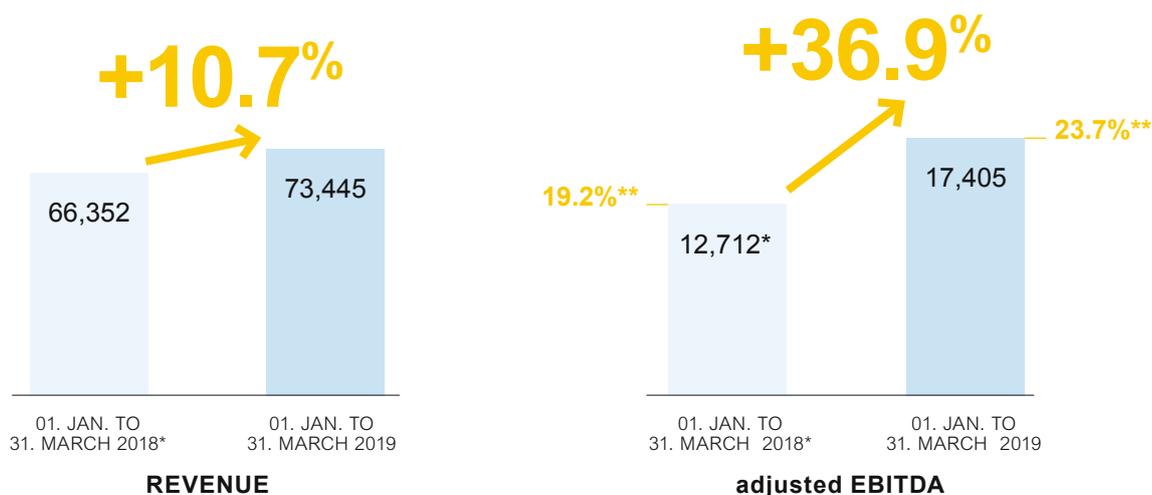
VARTA AG announced the earnings report for the first quarter of 2019 today: Group revenue grew by 10.7% to EUR 73.4 million, recording again a double-digit growth rate. Adjusted EBITDA again increased disproportionately by 36.9% to EUR 17.4 million and the adjusted EBITDA margin improved very significantly by 4.5 percentage points to 23.7%. Net income increased by 28.3% to EUR 9.2 million.

Herbert Schein, CEO of VARTA AG: “The very strong results in the first quarter of 2019 confirm our outstanding position as a technology and market leader in our structurally growing market segments. In particular, I am very excited about the continued very high demand for our small lithium-ion batteries (CoinPower). Therefore, we continue to expand the production capacity in this high-margin growth area”.

Chief Financial Officer (CFO) Steffen Munz adds: “We got off to a very strong start to 2019. This in combination with the very healthy order backlog, makes us even more optimistic for the full year 2019. We will further accelerate our strong growth momentum and therefore raise our guidance for fiscal year 2019”.

Adjusted EBITDA

(IN EUR THOUSAND, unaudited)



* Changes in previous years' figures due to conversion to IFRS 15.

** Margin: Adjusted EBITDA to revenue.

Development of Net Assets, Cash Flows and Operating Income

OPERATING INCOME

TURNOVER

In the first three months of 2019, **VARTA AG Group** revenue increased by 10.7% from EUR 66,352 thousand in the previous quarter to EUR 73,445 thousand.

The Microbatteries segment got off to a very good start in the 2019 financial year and increased its revenues by 12.9% in the first quarter. The very dynamic growth in lithium-ion batteries contributed to this in particular. The revenue in the Power & Energy segment developed according to plan and were at the previous year's level. We expect significant growth in this segment in the second half of the year.

ADJUSTED EBITDA

Adjusted EBITDA increased from EUR 12,712 thousand to EUR 17,405 thousand in the first three months of 2019. This corresponds to an increase of 36.9% compared to the previous year and thus a disproportionately high increase compared to revenue.

The increase in adjusted EBITDA can be attributed in particular to the profitable revenue growth in the Microbatteries segment due to the high-margin and dynamic growth of lithium-ion cells (CoinPower), as well as a slightly under-proportional increase in fixed costs due to the scaling of the business model.

The only adjustment effect for the transition from EBITDA to adjusted EBITDA in the current financial year was the non-cash personnel expense of EUR 605 thousand from the employee stock option programme.

OPERATING INCOME (EBIT)

The operating income improved from EUR 9,803 thousand in the previous year to EUR 13,037 thousand in the first three months of 2019, representing an increase of 33.0% compared with the same period of the previous year. The very significant increase in EBIT is primarily due to the disproportionately high increase in EBITDA despite higher depreciation and amortisation due to investments. Depreciation increased by 52.1% to EUR 3,763 thousand due to the massive investment programme to expand production capacities.

FINANCIAL RESULT

The financial result improved in the reporting year from EUR -323 thousand in the first quarter of 2018 to EUR 17 thousand in 2019. On the one hand, this resulted from the increase in financial income and, on the other hand, from the decline in other financial expenses.

TAXES

Tax expenses rose from EUR 9,557 thousand in the first three months to EUR 13,048 thousand in 2019 as a result of the increase in earnings before taxes. This results in an effective tax rate of 29.1% (previous year: 24.6%) based on earnings before taxes.

GROUP EARNINGS

The profitable revenue growth in the Microbattery segment in conjunction with the slightly disproportionately low increase in fixed costs due to the scaling of the business model also had a positive effect on the Group result. Group result increased by 28.3% from EUR 7,209 thousand in 2018 to EUR 9,248 thousand.

ASSETS AND FINANCIAL POSITION

Group Balance Sheet as of March 31, 2019 (unaudited)

(IN EUR THOUSAND)	31 MARCH 2019	31 DECEMBER 2018
ASSETS		
Long-term assets	184,959	151,831
Short-term assets	270,518	249,865
Total assets	455,477	401,696
(IN EUR THOUSAND)	31 MARCH 2019	31 DECEMBER 2018
LIABILITIES		
Equity	268,965	259,422
Long-term liabilities	78,238	60,422
Short-term liabilities	108,274	81,852
Liabilities	186,512	142,274
Total liabilities	455,477	401,696

LONG-TERM ASSETS

Long-term assets increased by EUR 33,128 thousand from EUR 151,831 thousand as of December 31, 2018, to EUR 184,959 thousand as of March 31, 2019, mainly as a result of the increase in property, plant and equipment from EUR 112,803 thousand to EUR 143,321 thousand as of March 31, 2019. Production capacities were massively expanded due to strong demand, especially for lithium-ion batteries.

SHORT-TERM ASSETS

Short-term assets increased from EUR 249,865 thousand to EUR 270,518 thousand. This is mainly due to an increase in receivables from deliveries and services, which increased by TEUR 12,305 to TEUR 38,650 due to the increased revenue volume.

EQUITY/EQUITY RATIO

Equity increased from EUR 259,422 thousand as of December 31, 2018, to EUR 268,965 thousand as of March 31, 2019. This is due in particular to the increase in retained income from EUR 41,627 thousand to EUR 66,676 thousand. The equity ratio fell from 64.6% to 59.1% (IFRS 16 effect).

LONG-TERM LIABILITIES

Long-term liabilities increased from EUR 60,422 thousand as of December 31, 2018, to EUR 78,238 thousand. This is mainly due to the application of IFRS 16 from January 1, 2019, to the recognition of lease liabilities of EUR 18,357 thousand.

SHORT-TERM LIABILITIES

Short-term liabilities increased from EUR 81,852 thousand as of December 31, 2018, to EUR 108,274 thousand. This resulted from an increase in payables from deliveries and services as well as from advance payments received in 2018 in the amount of EUR 13,131 thousand and the recognition of leasing liabilities in accordance with IFRS 16 in the amount of EUR 3,398 thousand.

NET WORKING CAPITAL

Net working capital increased by EUR 3,896 thousand from EUR 41,958 thousand as of December 31, 2018, to EUR 45,854 thousand as of March 31, 2019. This corresponds to an increase of 9.3% compared to December 31, 2018. The increase is below the increase in revenue due to temporarily higher inventories for the realisation of the planned growth, revenue -related higher receivables and lower liabilities.

Cash flow statement (unaudited)

(IN EUR THOUSAND)	01 JAN. TO 31 MARCH 2019	01 JAN. TO 31 MARCH 2018
Cash and cash equivalents as of 01 January	149,741	138,536
Cash flow from ongoing business activities	11,943	1,214*
Cash Flow from investment activities	-9,378	-13,229*
Cash Flow from financing activity	-1,010	-19
Net change in cash and cash equivalents	1,555	-12,034
Effects of exchange rate fluctuations	293	-99
Cash and cash equivalents as of 31 March	151,589	126,403

* The disclosure of cash outflows from capitalisation of internal labour was adjusted in the previous year's comparative column in accordance with IAS 8.41 and has been shown in cash flow from investing activities since the financial year.

Cash flow from operating activities amounted to EUR 11,943 thousand in the first three months of 2019 and was thus EUR 10,729 thousand higher compared to the previous year. The reduction is mainly due to changes in net working capital.

Cash flow from investing activities fell from EUR -13,229 thousand in the first three months of 2018 to EUR -9,378 thousand as of March 31, 2019. This decline is temporary; the planned production expansions in the entertainment sector will lead to an increase again in the course of the reporting year.

After three months, the cash flow from financing activities was EUR -1,010 thousand, EUR 991 thousand higher than in the same period of the previous year. The increase results from the changed disclosure of lease payments in accordance with IFRS 16.

The improvement in cash and cash equivalents as of March 31, 2019, from EUR 151,589 thousand to EUR 126,403 thousand as of March 31, 2018, is primarily due to the significantly improved cash flow from operating activities.

CAPEX (payments for the purchase of intangible assets and property, plant and equipment)

CAPEX is used as the key steering parameter for payments for the purchase of intangible assets and property, plant and equipment. CAPEX is a component of cash flow from investing activities.

Payments for the purchase of intangible assets and property, plant and equipment (CAPEX) amounted to EUR 6,097 thousand in the first three months of 2019 (March 31, 2018: EUR 12,476 thousand). The reason for this decline is the massive investments in the expansion of production capacities, in particular, the expansion of production capacities for lithium-ion batteries and, in the course of this, the increase in own internal work capitalised.

The massive investment programme to expand production capacity is being implemented as planned.

RESULTS OF OPERATION OF SEGMENTS

The **VARTA AG Group's** segment information is published for the Microbatteries and Power & Energy segments.

	01 JAN. TO 31 MARCH 2019	CHANGE (%) COMPARED WITH THE PREVIOUS YEAR	01 JAN. TO 31 MARCH. 2018
Microbatteries (unaudited)			
Revenue (unaudited) (IN EUR THOUSAND)	61,504	12.9	54,491*
Adjusted EBITDA (IN EUR THOUSAND)	16,646	36.7	12,179*
Adjusted EBITDA Margin in %	27.1		22.4*

* Change in previous year's figures due to conversion to IFRS 15

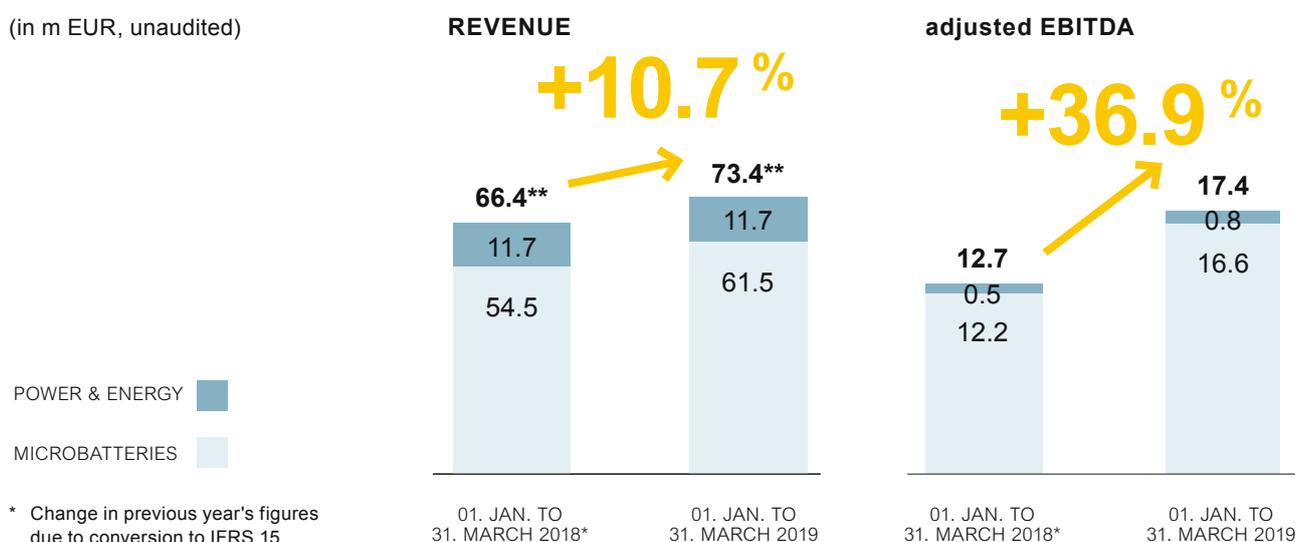
Revenue in the Microbatteries segment increased from EUR 54,491 thousand to EUR 61,504 thousand in the first three months of 2019. This corresponds to revenue growth of 12.9% compared to the same period of the previous year. The revenue growth is mainly due to the continued very dynamic growth of rechargeable lithium-ion batteries due to the sustained high demand for wireless lifestyle products such as headsets and other wearables. Adjusted EBITDA increased from EUR 12,179 thousand to EUR 16,646 thousand, representing an increase of 36.7%. The adjusted EBITDA margin increased to 27.1% of revenue (Previous year's period: 22,4%).

	01 JAN. TO 31 MARCH 2019	CHANGE (%) COMPARED WITH THE PREVIOUS YEAR	01 JAN. TO 31 MARCH. 2018
Power & Energy (unaudited)			
Revenue (unaudited) (IN EUR THOUSAND)	11,719	0,4	11,669*
Adjusted EBITDA (IN EUR THOUSAND)	757	38.4	547*
Adjusted EBITDA Margin in %	6.5		4.7*

* Change in previous year's figures due to conversion to IFRS 15

Revenue in the Power & Energy segment rose slightly from EUR 11,669 thousand to EUR 11,719 thousand. This corresponds to sales growth of 0.4%. We expect a significantly stronger second half of the year due to the newly won customer projects in the battery pack segment. In the reporting period, adjusted EBITDA improved from EUR 547 thousand to EUR 757 thousand. The adjusted EBITDA margin of 6.5% of sales is within the medium-term target corridor of 6 to 8%.

(in m EUR, unaudited)



* Change in previous year's figures due to conversion to IFRS 15

** Revenue including 0.2 m EUR, which is not attributable to the segments.

STAFF

The consolidated number of employees in the VARTA AG Group grew at a slower rate than revenue. The number of employees is calculated on the basis of full-time employees; part-time employees have been included pro rata (full-time equivalent (FTE)). On March 31, 2019, the VARTA AG Group employed 2,296 FTE. This corresponds to an increase of 5.4% in the number of employees in comparison with the previous year (March 31, 2018: 2,178 FTE). The increase took place mainly in the lithium-ion battery sector in Germany.

OUTLOOK

Following the very successful start in the first quarter combined with the very healthy order backlog, particularly in the Entertainment segment, the outlook for the current 2019 financial year has been revised upwards for both the revenue and earnings targets. The statements on revenue and earnings development are based on constant exchange rates.

VARTA AG GROUP

Currency-adjusted Group revenue are being adjusted for the full year 2019 and are now expected to rise within a corridor of around € 310 to 315 million (previously: € 303 to 309 million). This means that Group revenue will again grow at a double-digit rate compared to the previous year.

EBITDA adjusted for special effects developed better than expected in the first three months. For this reason, the company has adjusted its forecast for the entire year 2019 to € 64 to 67 million (previously: € 61 to 64 million). As a result of the scaling of the business model, adjusted EBITDA will again grow at a significantly higher rate than revenue growth.

The CAPEX, i.e. payments from the purchase of intangible assets and property, plant and equipment, is expected to remain unchanged in fiscal 2019 at between € 65 million and € 75 million and will mainly be used for the expansion of capacities in the rechargeable lithium-ion battery segment (CoinPower).

MICROBATTERY SEGMENT

In the area of hearing aid batteries, the market-leading position in a structurally growing market is to be further expanded. Due to the strong demand for lithium-ion batteries for wireless headsets in the Entertainment & Industrial segment, a massive expansion of production capacities is planned. This represents the greatest growth potential in the microbatteries segment. In the Microbatteries segment, very significant double-digit percentage revenue growth is expected for the 2019 financial year. The further scaling of the business model is expected to result in a very significant increase in adjusted EBITDA, which is expected to grow disproportionately compared to revenue.

POWER & ENERGY SEGMENT

In the Power & Energy segment, very dynamic market growth is expected to continue. The company intends to grow with the market. In the case of stationary intermediate energy storage, growth is to be continued through the launch of new products and entry into new markets. For the entire year 2019, the Power & Energy segment is expected to achieve very significant double-digit percentage revenue growth and clearly positive development of adjusted EBITDA.

Consolidated Balance Sheet (unaudited)

(IN EUR THOUSAND)	31 MARCH 2019	31 DECEMBER 2018
ASSETS		
Property, plant and equipment	143,321	112,803
Intangible assets	21,123	21,174
Long-term investments and other participations recognized in the balance sheet under the equity method	342	348
Other financial assets	466	359
Deferred tax assets	2,644	1,477
Other assets	17,063	15,670
Non-current assets	184,959	151,831
Inventories	63,143	56,699
Contract assets	2,811	2,370
Trade receivables	38,650	26,345
Tax refund claims	95	549
Other assets	14,230	14,161
Cash and cash equivalents	151,589	149,741
Current assets	270,518	249,865
Total assets	455,477	401,696

(IN EUR THOUSAND)	31 MARCH 2019	31 DECEMBER 2018
EQUITY AND LIABILITIES		
Subscribed capital	38,200	38,200
Capital reserve	149,932	149,374
Revenue reserves	66,676	41,627
Profit / loss for the year	9,099	25,260
Other reserves	3,485	3,535
Equity of the VARTA AG Group	267,392	257,996
Non-controlling interests	1,573	1,426
Equity	268,965	259,422
Lease liabilities (IFRS 16)	18,357	0
Other financial liabilities	6,200	6,200
Provisions for employee benefits	25,987	23,639
Advance payments received	27,273	30,247
Other liabilities	111	93
Other provisions	310	243
Non current liabilities	78,238	60,422
Tax liabilities	8,766	7,261
Lease liabilities (IFRS 16)	3,398	0
Other financial liabilities	4,324	2,720
Provisions for employee benefits	1,219	1,048
Contract liabilities	10,598	8,435
Trade payables and advance payments received	48,152	35,021
Other liabilities	11,328	11,018
Other provisions	5,096	4,304
Deferred liabilities	15,393	12,045
Current liabilities	108,274	81,852
Liabilities	186,512	142,274
Equity and total liabilities	455,477	401,696

Consolidated Profit and Loss Account (unaudited)

(IN EUR THOUSAND)	01 JAN. TO 31 MARCH 2019	01 JAN. TO 31 MARCH 2018*
Sales revenue	73,445	66,352*
Decrease/increase in finished goods and unfinished goods	-415	2,316
Own work capitalised	3,527	784
Other operating income	1,783	1,532
Cost of materials	-26,519	-26,966*
Personnel expenses	-25,370	-22,804
Other operating expenses	-9,651	-8,937
EBITDA	16,800	12,277*
Depreciation and amortization	-3,763	-2,474
Operating earnings (EBIT)	13,037	9,803*
Financial income	55	10
Financial expenses	-195	-106
Other financial income	507	163
Other financial expenses	-350	-390
Financial result	17	-323
Profit and loss shares in companies recognized in the balance sheet under the equity method	-6	77
Earnings before taxes	13,048	9,557*
Income tax expenses	-3,800	-2,348*
Consolidated result	9,248	7,209*
Appropriation of profit:		
Shareholders of VARTA AG	9,099	7,093*
Non-controlling interests	149	116

* cf. change in previous year's figures due to conversion to IFRS 15

Explanatory notes to the quarterly report

The condensed interim consolidated financial statements have been prepared on the basis of all IAS / IFRS effective at the reporting date, which has been published by the International Accounting Standards Board (IASB), as well as all interpretations (IFRIC / SIC) of the International Financial Reporting Interpretations Committee or the Standing Interpretations Committee, if these were adopted by the European Union in the endorsement process. These condensed consolidated interim financial statements should be read in conjunction with the consolidated annual financial statements as of December 31, 2018.

The condensed interim consolidated financial statements as of March 31, 2019, and the interim group management report were neither audited in accordance with Art. 317 HGB (Commercial Code of Germany) nor reviewed by an auditor.

Financial calendar

Schedule:

May 7, 2019	Interim report of 1 st quarter 2019
May 21, 2019	Annual General Meeting
August 6, 2019	Half-year Report 2019
October 20, 2019	Interim report of 3 rd quarter 2019

Imprint

Quarterly Report 2019:

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