HALF-YEAR STATEMENT

OF VARTA AG GROUP AS OF JUNE 30, 2019

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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.

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VARTA AG – SELECTED GROUP KEY FIGURES

IN € MILLION	H1 2019	H1 2018
Sales revenue	151.5	130.8*
EBITDA	35.9	23.1*
Adjustments: Cost of share-based payment	1.4	1.0
Adjusted EBITDA	37.2	24.1*
Adjusted EBITDA Margin (%)	24.6%	18.4%*
Consolidated result	19.5	13.1*
Investments (Capex)	20.0	21.9
Free Cash Flow	-4.7	-16.4
Equity ratio	66.3%	64.6%**
Balance sheet total	576.3	401.7**
Staff (as of June 30)	2,394	2,244

* See the change in previous year's figures due to conversion to IFRS 15
** per 31.12.2018

VARTA AG

VARTA AG Group produces and markets microbatteries and smart battery solutions for a multitude of applications and end consumer markets. The Group is of the opinion that, measured on the basis of produced units, it is a market leader in the manufacture and sale of microbatteries for hearing aids. The Group assumes that it can also become a market leader for rechargeable lithium-ion button cells for entertainment electronics, e.g. for wireless premium headphones ("hearables") and a multitude of industrial applications. The Group is of the opinion that its market position is based on the high quality, reliability, and technology of its products, supported by its innovative ability as well as its own research and development activities. The Group considers itself well-positioned to profit from the growing markets for microbatteries and smart battery solutions. Growing markets are driven to various degrees by the aging world population and the inadequate supply of hearing-impaired people with hearing aids, increasing technological networking, advanced miniaturization, and the growing market for renewable energies.

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 micro-batteries 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 area healthcare 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.

Table of Contents

Business development in H1 2019

VARTA AG accelerates high revenue and income growth in H1 2019 – raising guidance for 2019

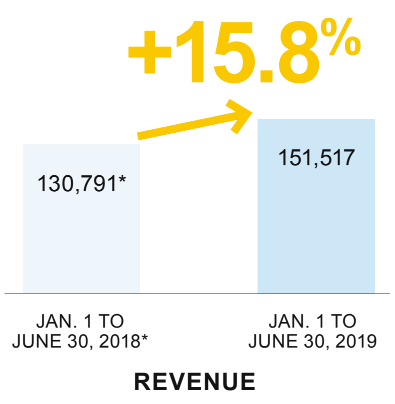
- Highly dynamic growth in Group revenue for H1 – up 15.8% to K€ 151,517
- Disproportionately high increase of 54.6% to K€ 37,235 again recorded for adjusted EBITDA
- Significant increase in adjusted EBITDA margin: up 6.2 pp to 24.6%
- Microbatteries segment records exceptionally strong H1 – Power & Energy in line with expectations during first six months
- Further expansion in production capacities for lithium-ion batteries financed via capital increase
- VARTA AG acquires VARTA Consumer Batteries business from Energizer
- Revenue and Adj. EBITBA guidance again raised for FY19:
  Revenue expected to total € 320–330 million (previously: € 310–315 million);
  Adjusted EBITDA set to stand at € 72–76 million (previously: € 64–67 million);
- CAPEX of € 75–90 million expected due to additional capacity expansion (previously: € 65–75 million)

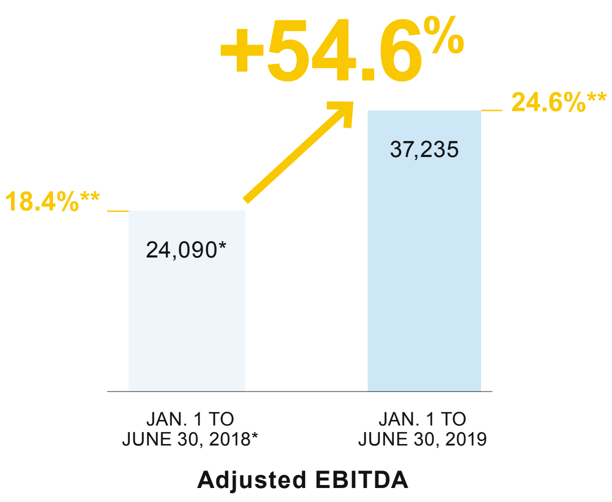
VARTA AG is today publishing its financial figures for the first half of 2019. The Group can look back with huge satisfaction on the most successful half-year in its recent company history: New record values for revenue and income were registered and the high pace of growth was further accelerated. Highly dynamic growth of 15.8% to K€ 151,517 was again registered for Group revenue. There was a disproportionately high increase in adjusted EBITDA, which rose by 54.6% to € K€ 37,235. The adjusted EBITDA margin improved by 6.2 pp to 24.6%. Overall, therefore, a further step-change improvement in profitability was recorded. Group profit rose by 48.9% to K€ 19,471.

Herbert Schein, CEO of VARTA AG: "Our intention is to further accelerate growth in the field of lithium-ion batteries in particular and make huge investments in the expansion of our production capacities. As innovation and market leader, we benefit enormously from the rapidly growing market and the continued very high demand for our lithium-ion batteries. This is also reflected in our highly promising financial figures with double-digit growth in both revenue and income."

Steffen Munz, CFO, added: "We have once more increased the pace of growth over the first half of 2019 and again recorded a significant improvement in profitability. On the back of this impressive half-year, during which we have amassed an enormous and steadily growing order volume, we have taken the decision to again revise upwards our revenue and profit guidance for fiscal year 2019."

Revenue and adjusted EBITDA
(in K€) unaudited





* See the change in previous year's figures due to conversion to IFRS 15
**Margin: Adjusted EBITDA to revenue

Condensed Group Management Report for the First Half of Fiscal Year 2019

VARTA Aktiengesellschaft, Ellwangen (Jagst)

1 GROUP STRUCTURE

VARTA Aktiengesellschaft, Ellwangen, Deutschland (**VARTA AG**) is the Group's parent company.

1.1 BUSINESS MODEL

VARTA AG is a company headquartered in Ellwangen, Germany. The business activities of VARTA AG comprise the development, production, distribution, research and development of microbatteries and energy storage solutions.
The business activity of the VARTA AG Group is divided into two business segments: Microbatteries via VARTA Microbattery GmbH and Power & Energy via VARTA Storage GmbH.

The Group develops, produces and distributes microbatteries as well as intelligent energy storage solutions for a multitude of applications and end customer markets. Comprehensive expertise in materials research and the development of various electro-chemical battery systems, combined with expertise in process development and mass production provide the basis for the Group to develop new, innovative products.
The Group operates six production and battery manufacturing facilities in Germany, Romania, Indonesia and China plus distribution centers in the United States, Europe and Asia, which sell to customers in over 75 countries worldwide via direct sales. VARTA AG boasts 130 years' experience operating as an international company.

Segments and organizational structure

Microbatteries

The Microbatteries segment is managed via the company VARTA Microbattery GmbH and focuses on the manufacture of microbatteries primarily for applications in the Healthcare and Entertainment & Industrial area. Here, the company uses the most innovative technologies specifically to produce the highest energy density in the smallest space. Depending on the product and application, the company focuses on the cutting-edge technologies here, such as zinc-air, lithium-ion, silver oxide and nickel metal hydrid for rechargeable and non-rechargeable battery solutions.

Zinc-air batteries for hearing aids are mainly produced for applications in the **Healthcare** area. These are marketed under the brands power one, ecopack as well as proprietary customer brands. Success in the hearing aid battery segment is based on innovativeness, reliability, durability and consistency of quality. Market position is secured through in-house production automation processes and the ability to supply customers with services from the product to the POS.

High-end lithium-ion battery solutions for premium wireless headsets (hearables) are above all manufactured for the **Entertainment** area, as well as for other "wearable" applications. These also include applications in the expanding consumer markets for electrical devices such as Bluetooth headsets, medical devices for monitoring high blood pressure, blood sugar and other bodily functions.

Rechargeable battery solutions for industrial and original equipment manufacturers (OEMS) are mainly produced in the **Industrial** product group. These include applications such as servers, applications in car keys, alarm systems or smart meters.

Power & Energy
Mobile and stationary energy storage solutions are developed, produced and sold in the Power & Energy segment, which is managed by the company VARTA Storage GmbH. The segment concentrates on the development, system integration and assembly of battery storage (power pack solutions) for OEM customers in various markets. Batteries based on lithium-ion technologies are mainly used for these purposes.

Both standardized and customer-specific rechargeable battery packs are manufactured. These can be seamlessly integrated into various industrial and wireless applications. Regardless of the respective technology or the complexity of the tasks, the company offers complete services from design to production for OEM customers. Here, the segment concentrates on solutions for portable industrial applications, communication devices, power tools, home & garden and medical devices.

Energy storage devices for private households and commercial applications are also developed and produced in this segment. The energy storage devices are characterized by high quality and reliability. The product portfolio is modular in structure, meaning that each end consumer can find the right energy storage device for their requirements, from a compact, handy complete entry system to large storage solutions for industrial facilities.

1.2 STRATEGY AND OBJECTIVES
With both segments, the Group is very well positioned to profit from the relevant growth trends for the two segments. The key growth trends are demographic change, technological progress, increased connectivity and renewable energies.

Here, the VARTA AG Group focuses on the following growth areas and objectives:
- Consolidating and expanding its global market position in core products
- Consolidating innovative and technological leadership
- Focusing on profitable growth on the basis of a strong financial profile

1.3 CORPORATE MANAGEMENT
The VARTA AG Group is managed in accordance with internally defined financial and non-financial key figures in the interests of achieving a sustainable increase in value. In last year's consolidated financial statements, the following key financial figures were used for the purposes of value-oriented management:
- Sales revenue
- Adjusted EBITDA
- CAPEX (capital expenditure on the acquisition of intangible and tangible assets)
- Net working capital

Due to the Group's dynamic growth, the trend in the number of employees is also an important non-financial performance indicator.

1.4 DIRECTION AND CONTROL
The Executive Board of VARTA AG consists of two members: Herbert Schein (CEO) and Steffen Munz (CFO). The members of the Executive Board are jointly responsible for management.

There were the following changes to the Supervisory Board in the first half of 2019:
Dr. Franz Guggenberger resigned at the end of the Annual General Meeting on May 21, 2019, with Dr. Michael Pistauer elected to replace him as a new member of the Supervisory Board.

2 ECONOMIC REPORT

2.1 MARKETS AND INFLUENCING FACTORS

Markets and influencing factors do not differ significantly from the previous year.
The VARTA AG Group produces and sells batteries worldwide. It is relatively independent of the macroeconomic environment and benefits from a positive consumer environment.
Its sales distribution is geographically diverse. Its dependence on economic development in individual countries is therefore relatively low.
Demographic change is critical to the sale of batteries for healthcare applications, while trends in consumer electronics and the trends towards wireless products and renewable energies are critical to batteries for entertainment applications and the products offered by the Power & Energy segment respectively.

2.2 MACROECONOMIC AND INDUSTRY-SPECIFIC FRAMEWORK CONDITIONS

The macroeconomic framework conditions applicable in 2019 to the sales markets of relevance for the VARTA AG Group can still be described as positive and stable.
The sale of hearing aid batteries is supported by rising life expectancy and ever-increasing acceptance of hearing aids. In the relevant markets in Europe, Asia and North America, there is an assumption that the emphasis will shift towards the older generations in the population.

In the Entertainment segment, revenue growth is dominated by new applications in consumer electronics. The more wireless devices that are developed, especially for micro-applications (such as headsets), the more this will strengthen the position of the VARTA AG Group.
According to Gartner, Inc. (2017), hearables will grow a rate of over 30% per year up to 2020. This growth will be supported by the trend to interconnectivity. Gartner, Inc. is of the view that the market for hearables will experience dramatical growth, in addition to the market for smartwatches, fashion and medical.

The relevant market segment for medical devices, power tools and gardening tools, which are target markets for the Power & Energy segment, will grow from approximately 14 GWh in 2017 to approximately 44 GWh. This represents a growth rate of approximately 16% per year. The market segment for stationary energy storage systems will grow by 22% per year in the period from 2017 to 2025.

2.3 SIGNIFICANT EVENTS IN THE FIRST HALF OF 2019

VARTA AG acquires VARTA Consumer Batteries business from Energizer
On May 29, 2019, the company signed a **purchase agreement** to acquire the Europe-based **VARTA Consumer Batteries business** ("VARTA Consumer") from the US company Energizer Holdings, Inc. ("Energizer"). VARTA Consumer has a large number of national subsidiaries and its main production site is in Dischingen, Germany.

VARTA Consumer is one of the leading European manufacturers of consumer device batteries and has positioned itself as the market leader in many European countries. VARTA Consumer's successful business development is based on its well-developed European distribution network involving a large number of local companies and long-standing customer relationships with virtually all European key retailers. Its product portfolio includes batteries, rechargeable batteries, chargers, portable power solutions (power banks) and lights. VARTA Consumer has distribution companies in over 20 countries. For fiscal year 2019, VARTA Consumer is expecting revenue of approximately € 300 million.

The acquisition of VARTA Consumer has allowed VARTA AG to add device batteries for end consumers to its product portfolio. Through the acquisition, the Group will achieve even better access to the attractive sales channels in the retail sector, where its penetration is still relatively limited at present. Following the acquisition, the global VARTA trademark rights for device and microbatteries as well as energy storage systems will be again combined under the VARTA AG umbrella. This will strengthen the brand identity of VARTA products in all segments.

VARTA AG acquired VARTA Consumer at an enterprise value of € 180 million. The anticipated net purchase price for VARTA Consumer Batteries is approximately € 100 million. The closing of the transaction is subject to the approval of the European Commission and the fulfilment of customary conditions precedent, including antitrust clearance. Conclusion of the transaction is currently not expected before 4th quarter of 2019.

Capital increase finances another expansion of production capacity
On June 13, 2019, VARTA AG successfully concluded a **capital increase from authorized capital**. In total, 2,221,686 new shares were placed at a price of € 46.70 per share. The company received net issuance proceeds of approximately € 102.6 million from this.

The proceeds from the capital increase will be used to expand production capacities for rechargeable lithium-ion battery cells for high-tech consumer products, especially premium wireless headsets. Production capacities are to increase to over 80 million batteries per year in 2020 and well in excess of 100 million batteries per year from 2021 onwards. The original plan was to expand production capacities from approximately 50 million cells per year to approximately 60 million cells in 2020. This increase in capacity will require additional investment of approximately € 100 million (for an additional 40 million cells per year).

The new shares were offered to institutional investors exclusively within the framework of an international private placement using an accelerated book building process. The new shares are fully entitled to participate in dividends for fiscal year 2019 and have the same rights as existing shares. The new shares were admitted for trading in the regulated market without a prospectus and, at the same time, to the section of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange. The new shares were traded for the first time on June 14, 2019.

2.4 BUSINESS DEVELOPMENT

Overall assessment of the economic situation by the Executive Board
The VARTA AG Group can look back on a very successful first half of 2019. The high pace of growth in revenue and income was again increased, while profitability improved significantly as well.
Group revenue again recorded additional double-digit organic growth of 15.8% to € 151.5 million. Once again, by far the strongest growth in revenue was achieved by rechargeable lithium-ion cells for high-tech consumer products, especially for premium wireless headsets. Customer demand is consistently high in a market, which is growing by over 30% per year. As a leader in technology and innovation, VARTA AG has acquired unique competitive advantages and is therefore growing far faster than the market overall. VARTA AG will continue to invest massively in expanding production capacities for lithium-ion cells. In the case of hearing aid batteries, it further expanded its market-leading position in the market for hearing aids, which is benefiting from structural growth. The Group is currently benefiting from the trend towards rechargeable hearing aids and is growing faster than the market as a technology leader. Adjusted EBITDA again recorded disproportionately high growth of 54.6% to € 37.2m. The adjusted EBITDA margin improved by 6.2 pp to 24.6%. As a result, profitability again improved very significantly. Group profit rose by 48.9% to € 19.5m.

The Microbatteries segment registered an extraordinarily strong first half of the year. The Power & Energy segment developed according to plan over the first six months of 2019.

3 DEVELOPMENT OF EARNINGS, FINANCIAL POSITION AND NET ASSETS

3.1 EARNINGS

Consolidated income statement for the period from January 1, 2019 to June 30, 2019 (unaudited)

(IN K€)	JAN. 1 TO JUNE 30, 2019	JAN. 1, TO JUNE 30, 2018
Revenue	**151,517**	**130,791***
Decrease/increase in finished and unfinished goods	3,506	3,035
Own work capitalized	8,330	1,504
Other operating income	3,685	3,347
Cost of materials	-57,928	-50,998*
Personnel expenses	-52,520	-45,404
Other operating expenses	-20,740	-19,165
EBITDA	**35,850**	**23,110***
Depreciation and amortization	-8,059	-5,077
Operating earnings (EBIT)	**27,791**	**18,033***
Financial income	128	56
Financial expenses	-390	-207
Sundry financial income	40	511
Sundry financial expenses	-459	-405
Financial result	**-681**	**-45**
Profit and loss shares in companies recognized in the balance sheet under the equity method, after taxes	-6	31
Earnings before taxes	**27,104**	**18,019***
Income tax expenses	-7,633	-4,939*
Consolidated result	**19,471**	**13,080***
Appropriation of profit:		
Shareholders of VARTA AG	19,149	12,780*
Non-controlling interests	322	300

*cf. Change in the previous year's figures resulting from the conversion to IFRS 15.

Revenue

The revenue of the VARTA AG Group increased from K€ 130,791 to K€ 151,517 in the first half of 2019. This equates to very significant growth in revenue of 15.8% year on year.

Both the Microbatteries and the Power & Energy segments made positive contributions to the Group's revenue growth. A sharp year-on-year rise in revenue of 18.9% was recorded in the Microbatteries segment, while, at 3.6%, revenue in the Power & Energy segment grew as planned versus the first half of 2018.

Expenses and other operating income

In the reporting period, material expenses amounted to K€ 57,928 compared with K€ 50,998 in the previous year. This equates to an increase of 13.6%. The disproportionately lower increase compared with revenue growth was primarily attributable to a more profitable revenue mix combined with relatively stable prices for metallic raw materials and purchased components at the same time and relates to both segments.

Personnel expenses increased by 15.7% from K€ 45,404 to K€ 52,520 in the first half of 2019. In addition to increases in personnel costs due to changes in collective pay agreements, direct employees were recruited to the rapidly expanding area of lithium-ion batteries to ensure sustained strong market demand can continue to be met in future. The number of employees (FTE) has risen by 6.7% from 2,244 as of June 30, 2018 to 2,394 as of June 30, 2019. Personnel expenses contain the non-cash expense for share-based payment of K€ 1,385 (previous year: K€ 980).

Other operating expenses have increased from K€ 19,165 to K€ 20,740. The increase is mainly caused by higher legal, audit and consultancy fees associated in particular with the acquisition of VARTA Consumer. Energy and warranty costs plus expenses for sales commission also increased as a result of the expansion in business activities. The application of IFRS 16 resulted in an opposing effect totaling K€ 2,026.

In the reporting period, own work capitalized increased sharply from K€ 1,504 to K€ 8,330. This was caused by the increase in the volume of self-constructed machinery and equipment.
Other operating income increased negligibly from K€ 3,347 in the first half of 2018 to K€ 3,685 in H1 2019.

Adjusted EBITDA

Adjusted EBITDA (operating earnings before interest, taxes, depreciation and amortization, adjusted for special effects) constitutes one of the Group's long-term income indicators. At the same time, adjusted EBITDA is a suitable management variable for the Executive Board in assessing the operating performance of the Group or the two segments. The non-cash expenditure for share-based payment of K€ 1,385 (previous year: K€ 980) was adjusted as a special effect. The following table shows the reconciliation from EBITDA to adjusted EBITDA:

(IN K€)	JAN. 1 TO JUNE 30, 2019	JAN. 1 TO JUNE 30, 2018
EBITDA	35,850	23,110
Expense for share-based payment	1,385	980
Adjusted EBITDA	37,235	24,090

Adjusted EBITDA is used in the following comments.

Adjusted EBITDA increased from K€ 24,090 to K€ 37,235 in the first half of 2019. This equates to very significant increase of 54.6% year on year.

The step-change increase in adjusted EBITDA is primarily attributable to very profitable growth in lithium-ion cells for high tech consumer products, especially premium wireless headsets, on the one hand, and to hearing aid batteries on the other hand. As a result of further scaling the business model, the increase in fixed costs was disproportionately lower compared with revenue growth. This results in an adjusted EBITDA margin of 24.6% of revenue; a very significant improvement in the margin of 6.2pp year on year.

Operating earnings (EBIT)

Operating earnings improved from K€ 18,033 to K€ 27,791, which corresponds to an increase of 54.1% year on year. Depreciation increased by 58.7% from K€ 5,077 to K€ 8,059 in the first half of 2019. Depreciation has increased, firstly, as a result of the massive investment in expanding production capacities and, secondly, as a result of the application of IFRS 16 increased by K€ 1,871.

Financial result

In the year under review, the financial result decreased from K€ -45 in 2018 to K€ -681 in 2019. This is the result of lower exchange rate gains and the application of IFRS 16.

Taxes

The very positive trend in pre-tax result from K€ 18,019 in the first half of 2018 to K€ 27,104 in H1 2019 led to an increase in tax expenses. This increased by K€ 2,694 from K€ 4,939 to K€ 7,633k, meaning that the effective tax ratio rose to 28.2% (previous year: 27.4%).

Consolidated result

The highly profitable revenue growth recorded in lithium-ion cells and hearing aid batteries in conjunction with the disproportionately lower increase in fixed costs from scaling the business model also had a positive impact on the consolidated result, which rose by 48.9% year on year from K€ 13,080 in 2018 to K€ 19,471 in 2019.

3.2 NET ASSETS AND FINANCIAL POSITION

Consolidated balance sheet as of June 30, 2019 (unaudited)

(IN K€)	JUNE 30, 2019	DECEMBER 31, 2018
ASSETS		
Non-current assets	214,746	151,831
Current assets	361,554	249,865
Equity and total liabilities	**576,300**	**401,696**

(IN K€)	JUNE 30, 2019	DECEMBER 31, 2018
EQUITY AND LIABILITIES		
Equity	382,039	259,422
Non-current liabilities	72,424	60,422
Current liabilities	121,837	81,852
Liabilities	194,261	142,274
Equity and total liabilities	**576,300**	**401,696**

Non-current assets

Non-current assets rose by K€ 62,915 from K€ 151,831 as of December 31, 2018 to K€ 214,746 as of June 30, 2019. This increase was largely the result of the increase in tangible assets from K€ 112,803 to K€ 171,756 as of June 30, 2019. Production capacities have been massively expanded in response to consistently very high customer demand for lithium-ion batteries.

Current assets

Current assets have increased significantly from K€ 249,865 to K€ 361,554. The cash inflow from the capital increase of K€ 102,596 was a decisive factor here.
Furthermore, inventories have increased by K€ 10,391 as a consequence of the increase in production volume and receivables have risen by K€ 6,513 on account of the increase in revenue volume.

Equity/equity ratio

Equity has increased by a total of K€ 122,617 from K€ 259,422 as of December 31, 2018 to K€ 382,039 as of June 30, 2019. The net issuance proceeds of K€ 102,596 from the capital increase carried out on June 13, 2019 were a decisive factor here. In total, 2,221,686 new shares were issued at a price of € 46.70 per share. The equity ratio has increased from 64.6% to 66.3%.

Non-current liabilities

Non-current liabilities have risen by K€ 12,002 to K€ 72,424 compared with December 31, 2018. Because of the application of IFRS 16, non-current lease liabilities of K€ 18,710 were accounted for under non-current liabilities.

Current liabilities

Current liabilities have risen from K€ 81,852 to K€ 121,837 particularly on account of the reclassification of advance payments received from customers in 2018 and trade payables arising from the increase in business volume.

Net working capital

Net working capital has fallen from K€ 41,958 as of December 31, 2018 to K€ 28,450 as of June 30, 2019. The decline can largely be attributed to the reclassification of advance payments received from customers in 2018 of K€ 10,637. Further details of the financial position can be found in the Notes to the Consolidated Financial Statements.

Cash flow statement (unaudited)

(IN K€)	JAN. 1 TO JUNE 30, 2019	JAN. 1 TO JUNE 30, 2018
Cash and cash equivalents as of January 1	**149,741**	**138,536**
Cash flow from ongoing operating activities	22,652	6,918*
Cash flow from investing activities	-27,399	-23,298*
Cash flow from financing activities	98,275	125*
Net change in cash and cash equivalents	**93,528**	**-16,255**
The effects of changes in foreign exchange rates	83	156
Cash and cash equivalents as of June 30	**243,352**	**122,437***

*Recognition of the cash outflows from capitalizing own work in the comparative column for the previous year adjusted in accordance with IAS 8.41 and recognized in cash flow from investing activities since fiscal year 2018.

Cash flow from ongoing operating activities amounted to K€ 22,652 in the first half of 2019 and is therefore K€ 15,734 up on the previous year's figure. The improvement is mainly the result of the far higher pre-tax result and the application of IFRS 16. The improvement is mainly the result of the far higher pre-tax result and the application of IFRS 16, which means that lease expenses moved from operating cash flow to financing cash flow.

Cash flow from investing activities has increased from K€ -23,298 in the first half year of 2018 to K€ -27,399 as of June 30, 2019. This resulted from the increase in own work capitalized (K€ -8,330, previous year: K€ -1,504).

At K€ 98,275 (previous year: K€ 125), positive cash flow from financing activities in H1 2019 mainly resulted from the net issuance proceeds from the capital increase of K€ 102,596.

This resulted in a balance of cash and cash equivalents of K€ 243,352 as of June 30, 2019 compared with K€ 122,437 as of June 30, 2018. This increase is primarily attributable to the cash inflow from the capital increase described above.

4 INVESTMENT EXCLUDING M&A (CAPEX)

Investment in intangible assets and tangible assets is referred to as CAPEX in the Group. This represents a key management variable for high-growth manufacturing companies. Immediately after the IPO in October 2017, work started on implementing the largest investment program in the company's history with the aim of expanding production capacities, which is being implemented as planned.

The disbursements for the acquisition of intangible and tangible assets (CAPEX) amounted to K€ 20,026 in the first half of 2019 (June 30, 2018: K€ 21,922). Investing activity is still focused on expanding production capacities for rechargeable lithium-ion batteries (CoinPower) in response to persistently very high customer demand.

Investment to renew existing production equipment, to develop new products and for quality assurance measures is also required at regular intervals.

5 SEGMENT EARNINGS

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

Microbatteries	JAN. 1 TO JUNE 30, 2019	CHANGE (%) YOY	JAN. 1 TO JUNE 30, 2018
Revenue (K€)	126,150	18.9%	106,109*
Adjusted EBITDA (K€)	35,712	53.2%	23,304*
Adjusted EBITDA margin in %	28.3		22.0

*cf. Change in the previous year's figures resulting from the conversion to IFRS 15.

Revenue in the Microbatteries segment increased from K€ 106,109 to K€ 126,150 in the first six months of 2019. This equates to very dynamic revenue growth of 18.9 % year on year. Once again, by far the strongest growth in revenue was achieved by rechargeable lithium-ion batteries for high tech consumer products, especially for premium wireless headsets. Customer demand is consistently high in a market growing by over 30% per year. As a leader in technology and innovation, VARTA AG has carved out unique competitive advantages and is therefore growing far faster than the market. In the case of hearing aid batteries, VARTA AG further expanded its market-leading position for hearing aids, a market which is benefiting from structural growth. The Group is currently benefiting from the trend towards rechargeable hearing aids and, as a leader in technology, is outstripping than the market with its growth in lithium-ion batteries. Adjusted EBITDA has increased very significantly from K€ 23,304 to K€ 35,712, which equates to an increase of 53.2%. The adjusted EBITDA margin improved significantly by 6.3pp to 28.3% of revenue.

Power & Energy	JAN. 1 TO JUNE 30, 2019	CHANGE (%) YOY	JAN. 1 TO JUNE 30, 2018
Revenue (K€)	24,995	3.6%	24,132*
Adjusted EBITDA (K€)	1,523	-12.4%	1,355*
Adjusted EBITDA margin in %	6.1		5.6

*cf. Change in the previous year's figures resulting from the conversion to IFRS 15.

Revenue in the Power & Energy segment has risen from K€ 24,132 to K€ 24,995. This equates to planned growth in revenue of 3.6%. The start-up of new customer projects for battery packs will lead to far higher revenue in the second half of 2019 than in the first six months of the year. Adjusted EBITDA has improved from K€ 1,355 to K€ 1,523 in the reporting period. At 6.1%, the adjusted EBITDA margin is within the target margin corridor of 6-8% in relation to revenue, which has been defined as a medium-term target.

Further details are included in segment reporting in chapter 5 of the Notes to the Consolidated Financial Statements.

6 FORECAST, OPPORTUNITIES AND RISK REPORT

This interim management report for the first half-year in 2019 does not contain a comprehensive and complete statement on the forecast, opportunities and risk report. These notes should therefore be read in conjunction with the consolidated annual financial statements published as of December 31, 2018.

The risk management system is assessed collectively at Group level and focuses on strategic, operational, financial and other risks. Here, risks are classified as low, medium or high depending on the net value of the expected loss.

The CFO is responsible for **opportunities and risk management**, which is an integral part of corporate management. According to the assessment of the Executive Board, risks are assessed as manageable at the date of publication. Specifically, there are no signs of risks that pose a threat to the Group's existence either. The Executive Board is still convinced that the VARTA AG Group is well placed, both strategically and financially, to take advantage of any opportunities that arise.

A comprehensive review of the risk situation was carried out as of June 30, 2019.

There were no material changes to operational, strategic, financial and default risks compared with December 31, 2018.

7 OUTLOOK

Following the very good development of revenue and income in the first half of the year in addition to an enormous and steadily growing order volume at the moment – especially in the Entertainment segment – VARTA AG is increasing its revenue and profit guidance for the current fiscal year 2019 once again.
The statements on the revenue and profit guidance are based on constant exchange rates and do not take account of the acquisition of VARTA Consumer Batteries.

VARTA AG Group
Group revenue for 2019 as a whole is now expected between around € 320 and 330 million (previously: € 310–315 million). This equates to very significant growth in revenue of approximately 18%–21% year on year.
The guidance for EBITDA adjusted for special effects has also been revised upwards and is now expected to rise to € 72–76m for 2019 as a whole (previously: € 64–67m) and is therefore expected to grow by approximately 43%–51% year on year. As a result of further scaling the business model, growth in adjusted EBITDA will therefore significantly outpace revenue growth again.

The guidance for CAPEX, i.e. capital expenditure on the acquisition of intangible assets and tangible assets, has been raised to about € 75–90 million for fiscal year 2019 (previously: € 65–75 million). Due to the continued very high customer demand for lithium-ion batteries, in particular for premium true wireless headsets, yearly production capacities are to be expanded stepwise again to more than 80 million batteries at the beginning of 2020 and thereafter to well above 100 million batteries by the end of 2020. Implementation of the investment projects will get underway during the current year. CAPEX of between € 75 to 90 million is therefore expected for 2019 (previously: € 65–75 million).

Microbatteries segment
In the case of hearing aid batteries, the market-leading position in a market benefiting from structural growth is to be further expanded. Due to the strong demand for lithium-ion batteries, especially for the wireless premium headsets, the company expects ongoing significant higher growth than the market. This represents the greatest potential for growth in the Microbatteries segment. The expectation is of very significant, double-digit revenue growth in the Microbatteries segment for fiscal year 2019. Thanks to further scaling the business model, a step-change improvement in adjusted EBITDA is expected. This increase is likely to outpace growth in revenue very significantly.

Power & Energy segment
A very dynamic performance is also expected in the Power & Energy segment. The company expects to grow in line with the market. In the Power & Energy segment, very significant, double-digit growth in revenue and very positive adjusted EBITDA are expected for 2019 as a whole. Over the medium term, the adjusted EBITDA margin should stand within a range of between six and eight percent.

Long-standing experience in the battery business is reflected in the forecasts for opportunities and risks to future business development. This report contains information and guidances, which relate to the company’s future development. At this point, we should like to point out that actual results may differ considerably from expectations of probable developments.

Ellwangen, August 6, 2019
VARTA Aktiengesellschaft

CEO	CFO
- Herbert Schein -	- Steffen Munz -

Consolidated interim financial statements for the first half of fiscal year 2019

VARTA AG Group
as of June 30, 2019

Consolidated interim statement of financial position

per June 30, 2019 (unaudited)

VARTA Aktiengesellschaft, Ellwangen (Jagst)

(IN K€)	NOTES	JUNE 30, 2019	DECEMBER 31, 2018
ASSETS			
Property, plant and equipment*	6	171,756	112,803
Intangible assets*	7	20,980	21,174
Long-term investments and other participations recognized in the balance sheet under the equity method		342	348
Other financial assets		597	359
Deferred tax assets		3,410	1,477
Other assets	11	17,661	15,670
Non-current assets		**214,746**	**151,831**
Inventories	9	67,090	56,699
Contract assets	10	1,054	2,370
Trade receivables	10	32,858	26,345
Tax refund claims		89	549
Other assets	11	17,111	14,161
Cash and cash equivalents	12	243,352	149,741
Current assets		**361,554**	**249,865**
Total assets		**576,300**	**401,696**

*Rights of use pursuant to IFRS 16 were allocated to the respective balance sheet items in which the underlying assets would also be shown if they were the property of the VARTA AG Group.

(IN K€)	NOTES	JUNE 30, 2019	DECEMBER 31, 2018
EQUITY AND LIABILITIES			
Subscribed capital		40,422	38,200
Capital reserve		250,932	149,374
Retained earnings		66,443	41,627
Net income		19,149	25,260
Other reserves		3,343	3,535
Equity of the VARTA AG Group		**380,289**	**257,996**
Non-controlling interests		1,750	1,426
Equity	13	**382,039**	**259,422**
Lease liabilities (IFRS 16)	8	18,710	0
Other financial liabilities		6,200	6,200
Provisions for employee benefits	15	27,243	23,639
Advance payments received	16	19,610	30,247
Other liabilities	17	110	93
Other provisions	18	551	243
Non-current liabilities		**72,424**	**60,422**
Tax liabilities		8,091	7,261
Lease liabilities (IFRS 16)	8	3,719	0
Other financial liabilities		2,797	2,720
Provisions for employee benefits	15	1,105	1,048
Contract assets	16	8,612	8,435
Trade payables and advance payments received	16	63,941	35,021
Other liabilities	17	13,726	11,018
Other provisions	18	5,590	4,304
Deferred liabilities	19	14,256	12,045
Current liabilities		**121,837**	**81,852**
Liabilities		**194,261**	**142,274**
Equity and total liabilities		**576,300**	**401,696**

Consolidated interim income statement

for the period ended June 30, 2019 (unaudited)

VARTA Aktiengesellschaft, Ellwangen (Jagst)

(IN K€)	NOTES	PERIOD ENDED JUNE 30, 2019	PERIOD ENDED JUNE 30, 2018
Sales revenue	20	**151,517**	**130,791***
Increase in finished and unfinished goods	21	3,506	3,035
Own work capitalized	7	8,330	1,504
Other operating income		3,685	3,347
Cost of materials	22	-57,928	-50,998*
Personnel expenses	23	-52,520	-45,404
Other operating expenses	25	-20,740	-19,165
EBITDA		**35,850**	**23,110***
Depreciation and amortization	24	-8,059	-5,077
Operating earnings (EBIT)		**27,791**	**18,033***
Financial income		128	56
Financial expenses		-390	-207
Sundry financial income		40	511
Sundry financial expenses		-459	-405
Financial result		**-681**	**-45**
Profit and loss shares in companies recognized in the balance sheet under the equity method, after taxes		-6	31
Earnings before taxes		**27,104**	**18,019***
Income tax expenses	26	-7,633	-4,939*
Consolidated result		**19,471**	**13,080***
Appropriation of profit:			
Shareholders of VARTA AG		19,149	12,780*
Non-controlling interests		322	300

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

Consolidated interim statement of profit and loss and other comprehensive income

for the period ended June 30, 2019

VARTA Aktiengesellschaft, Ellwangen (Jagst)

(IN K€)	NOTES	PERIOD ENDED JUNE 30, 2019	PERIOD ENDED JUNE 30, 2018
Consolidated result		**19,471**	**13,080***
Items not reclassified under profit or loss			
Revaluation of the net defined benefit liability		-2,815	144
Revaluation of the reimbursement claim		2,195	-135
Tax effect		177	-5
		-443	**4**
Items that were reclassified or may be reclassified later under profit or loss			
Currency translation differences		151	791
Result of fair value changes in cash flow hedges		-341	-351
Tax effect		-1	102
		-191	**542**
Other income after taxes		**-634**	**546**
Comprehensive income		**18,837**	**13,626***
Appropriation of profit:			
Shareholders of VARTA AG		18,514	13,328*
Non-controlling interests		323	298

Earnings per share** (EUR)	NOTES	PERIOD ENDED JUNE 30, 2019	PERIOD ENDED JUNE 30, 2018
Basic earnings per share	14	0.50	0.35*
Diluted earnings per share	14	0.50	0.35*

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

**The profit/loss per share concerns only shares of VARTA AG.

Consolidated interim cash flow statement

for the period ended June 30, 2019

VARTA Aktiengesellschaft, Ellwangen (Jagst)

(IN K€)	NOTES	PERIOD ENDED JUNE 30, 2019	PERIOD ENDED JUNE 30, 2018
Cash flow from ongoing operating activities			
Earnings before taxes		27,104	19,712
Net financial result less sundry financial expense / sundry financial income		262	151
Results from at equity measurement		6	-31
Depreciation and amortization	6/7	8,059	5,077
Gains and losses from the sale of property, plant and equipment and intangible assets		-26	0
Other non-cash income and expenses		-2,929	743
Change in working capital			
Inventories	9	-10,411	-8,951
Trade receivables and other current assets	10	-8,091	-5,928
Trade payables and other current and non-current liabilities	16	11,167	-2,386
Provisions and liabilities from pensions	15	5,053	434
Income tax paid		-7,542	-1,903
Net cash flow from ongoing operating activities		**22,652**	**6,918***
Cash flow from investing activities			
Capital expenditure on the acquisition of intangible and tangible assets	6/7	-20,026	-21,922
Own work capitalized	7	-8,330	-1,504
Cash receipts from the sale of intangible and tangible assets		1,029	30
Payments from raising loans		-238	0
Receipts from the repayment of loans		40	42
Interest received		126	56
Cash flow from investing activities		**-27,399**	**-23,298***

*The disclosure of cash outflows from own work capitalized 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 financing activities			
Receipts/payments from capital measures		102,120	0
Repayment of financial liabilities		-3,798	0
Payments from the assumption of the joint debt obligation		0	161
Interest paid		-47	-36
CASH FLOW FROM FINANCING ACTIVITIES		**-98,275**	**125***
Net change in cash and cash equivalents		**93,528**	**-16,255**
Cash and cash equivalents as of January 1		149,741	138,536
The effects of changes in foreign exchange rates		83	156
Cash and cash equivalents as of June 30		**243,352**	**122,437**

*The disclosure of cash outflows from own work capitalized 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.

Consolidated statement of changes in equity (unaudited)

VARTA Aktiengesellschaft, Ellwangen (Jagst)

				OTHER RESERVES			
(IN K€)	SUBSCRIBED CAPITAL	CAPITAL RESERVE	REVENUE RESERVES**	CURRENCY DIFFERENCES	HEDGING RESERVE	NON-CONTROLLING INTERESTS	TOTAL EQUITY
As of December 31, 2017	**38,200**	**146,719**	**41,843**	**2,582**	**128**	**980**	**230,452**
IFRS 15 – Adjustment 01.01.2018	0	0	-633	0	0	0	**-633**
IFRS 9 – Adjustment 01.01.2018	0	0	151	0	0	0	**151**
As of January 1, 2018	**38,200**	**146,719**	**41,361**	**2,582**	**128**	**980**	**229,970**
Effect of share-based payment	**0**	**980**	**0**	**0**	**0**	**0**	**980**
Comprehensive income							
Profit/loss for the year	0	0	13,981	0	0	300	14,281
Other comprehensive income	0	0	3	788	-248	3	546
Comprehensive income	**0**	**0**	**13,984**	**788**	**-248**	**303**	**14,827**
As of June 30, 2018*	**38,200**	**147,699**	**55,345**	**3,370**	**-120**	**1,283**	**245,777***

*cf. Change in previous year's figures due to conversion to IFRS 9 and 15

**Revenue reserves including profit/loss for the year

				OTHER RESERVES			
(IN K€)	SUBSCRIBED CAPITAL	CAPITAL RESERVE	REVENUE RESERVES**	CURRENCY DIFFERENCES	HEDGING RESERVE	NON-CONTROLLING INTERESTS	TOTAL EQUITY
As of January 1, 2019	**38,200**	**149,374**	**66,887**	**3,924**	**-389**	**1,426**	**259,422**
Effect of share-based payment	**0**	**1,184**	**0**	**0**	**0**	**0**	**1,184**
Capital increase	**2,222**	**101,531**	**0**	**0**	**0**	**0**	**103,753**
Transaction costs from capital increase	**0**	**-1,157**	**0**	**0**	**0**	**0**	**-1,157**
Comprehensive income							
Profit/loss for the year	0	0	19,149	0	0	322	19,471
Other comprehensive income	0	0	-444	150	-342	2	-634
Comprehensive income	**0**	**0**	**18,705**	**150**	**-342**	**324**	**18,837**
As of June 30, 2019	**40,422**	**250,932**	**85,592**	**4,074**	**-731**	**1,750**	**382,039**

**Revenue reserves including profit/loss for the year

Notes to the consolidated financial statements

Notes to the consolidated financial statements

1 GENERAL INFORMATION

VARTA Aktiengesellschaft (VARTA AG) is a company headquartered in Ellwangen (Jagst), Germany, registered in the Commercial Register of the Ulm District Court, Germany, under HRB 728059. The company's present condensed consolidated interim financial statements comprise the company and its subsidiaries (collectively, "VARTA AG Group"). The reporting date for VARTA AG, all subsidiaries and for the consolidated accounts is June 30, 2019. The interim financial statements are in accordance with International Financial Reporting Standards, as applicable in the European Union.

The Group's interim financial statements are prepared in euro (€). Unless indicated otherwise, disclosures are made in thousand euro. The amounts are subject to commercial rounding.

The Executive Board approved the condensed consolidated interim financial statements for publication on August 5, 2019. The condensed consolidated interim financial statements and the Group Interim Management Report have neither been audited in accordance with section 317 of the German Commercial Code (HGB) nor reviewed by an auditor.

The ultimate parent of VARTA AG is Montana Tech Components AG, subsequently "MTC", (Reinach, Switzerland).

The shares of VARTA AG are traded on the regulated market (Prime Standard) under the securities identification number (WKN) A0TGJ5, the international securities identification number (ISIN) DE000A0TGJ55 and the ticker symbol "VAR1".

On May 29, 2019, the company signed an agreement to acquire the VARTA Consumer Batteries business ("**VARTA Consumer**") located in Europe from the US company Energizer Holdings, Inc. ("**Energizer**"). VARTA Consumer has a large number of national subsidiaries and its main production site is in Dischingen, Germany. VARTA Consumer is one of the leading European manufacturers of consumer device batteries and has positioned itself as the market leader in many European countries. VARTA Consumer's successful business development is based on its well-developed European distribution network involving a large number of local companies and long-standing customer relationships with virtually all European key retailers. Its product portfolio includes batteries, rechargeable batteries, chargers, portable power solutions (power banks) and lights. VARTA Consumer has distribution companies in over 20 countries. For fiscal year 2019, VARTA Consumer is expecting revenue of approximately € 300 million.

The acquisition of VARTA Consumer has allowed VARTA AG to add device batteries for end consumers to its product portfolio. Through the acquisition, the Group will achieve even better access to the attractive sales channels in the retail sector, where its penetration is still relatively limited at present. Following the acquisition, the global VARTA trademark rights for device and microbatteries as well as energy storage systems will be combined under the VARTA AG umbrella. This will strengthen the brand identity of VARTA products in all segments.

The closing of the transaction is subject to the approval of the European Commission and the fulfilment of customary conditions precedent, including antitrust clearance. VARTA AG acquired VARTA Consumer at an enterprise value of € 180 million. The anticipated net purchase price for VARTA Consumer is approximately € 100 million. This will not be finalized until closing of the acquisition.

On June 13, 2019, VARTA AG successfully concluded a capital increase with the aim of expanding production capacity for lithium-ion batteries. In total, 2,221,686 new no-par bearer shares were placed at a price of € 46.70 per share. The new shares were traded for first time on June 14, 2019. The company received net proceeds of K€ 102,596 from the capital increase. The capital increase was carried out against cash contributions and made use in part of the existing authorized capital established in accordance with article 4 (3) of the company's Articles of Association. The mathematical share of the share capital amounts to € 1.00 per share. Additional information is provided in the Group Interim Management Report and in note 13 "Equity".

2 CHANGES IN THE SCOPE OF CONSOLIDATION

	JUNE 30, 2019		JUNE 30, 2018	
	FULL CONSOLIDATION	EQUITY CONSOLIDATION	FULL CONSOLIDATION	EQUITY CONSOLIDATION
As of January 1	**12**	**2**	**11**	**2**
Acquisitions	0	0	0	0
Additions	0	0	1	0
As of June 30	**12**	**2**	**12**	**2**

3 NOTES EXPLAINING THE CONSOLIDATED ACCOUNTING PRINCIPLES

3.1 DECLARATION OF COMPLIANCE

The consolidated interim financial statements as of June 30, 2019 were prepared in compliance with the International Financial Reporting Standards, Interim Financial Reporting (IAS 34). The condensed consolidated interim financial statements were prepared on the basis of all IAS/IFRS published by the International Accounting Standards Board (IASB) that were applicable on the reporting date as well as all interpretations (IFRIC/SIC) drawn up by the International Financial Reporting Interpretations Committee and the Standing Interpretations Committee, provided these have been adopted by the European Union through the endorsement process. The present interim report does not contain all the disclosures that are usually included in annual financial statements. This report should therefore be read in conjunction with the consolidated annual financial statements prepared as of December 31, 2018.

Use was made of the option of preparing condensed interim financial statements. They are based on all interpretations of the International Financial Reporting Interpretations Committee (IFRIC) that are compulsory as of June 30, 2019. This interim report is also in accordance with the German Accounting Standard No. 16 (DRS 16 Interim Reporting) issued by the Deutsche Rechnungslegungs Standards Committee e.V. (DRSC).

The condensed consolidated interim financial statements and the Group Interim Management Report have neither been audited nor reviewed by an auditor.

3.2 GOING CONCERN

In compliance with IAS 1.25, the consolidated financial statements were prepared on the assumption that the company is a going concern.

3.3 CONSOLIDATION PRINCIPLES

The scope of consolidation comprises all companies which VARTA AG controls, either directly or indirectly. Control is deemed to exist if VARTA AG holds the majority of voting rights (including potential voting rights) or can determine the financial and business policy directly or indirectly on the basis of a controlling position and can therefore benefit from the business activity. These companies are fully consolidated. Subsidiaries are consolidated for the first time when control is acquired. Subsidiaries are deconsolidated when control ends.

Intercompany gains and losses, expenses and income as well as receivables and liabilities between consolidated companies are eliminated.

Joint ventures in which VARTA AG holds 50% directly or indirectly or for which management responsibility is performed equally are accounted for in accordance with the equity method, as specified in IAS 28.

3.4 MEASUREMENT BASIS

The same accounting and measurement principles were recognized for the condensed consolidated interim financial statements as were used for the consolidated financial statements as of December 31, 2018. A detailed description of these methods is included in the consolidated financial statements as of December 31, 2018. Changes resulting from the initial application of/changes to new standards are shown in note 4.2 “Changes to Accounting Standards”.

3.5 FUNCTIONAL AND PRESENTATIONAL CURRENCY

The Group currency is the euro. Unless indicated otherwise, all amounts are given in thousand euro (K€).

4 KEY ACCOUNTING AND MEASUREMENT POLICIES

4.1 CURRENCY TRANSLATION

The exchange rates used for foreign currency translation that have a significant impact on the consolidated financial statements are as follows:

	AVERAGE RATE		RATE ON THE CLOSING DATE	
1 EURO EQUALS	JUNE 30, 2019	DECEMBER 31, 2018	JUNE 30, 2019	DECEMBER 31, 2018
US Dollar (USD)	1.1298	1.1810	1.1380	1.1450

The Chinese yuan (CNY) and Romanian leu (RON) also affect the consolidated financial statements but the effect is not significant for the VARTA AG Group.

4.2 CHANGES TO ACCOUNTING STANDARDS

The effects of the application of IFRS 16 for the first time and the new accounting policies applied from January 1, 2019 are revealed below. With the exception of IFRS 16 Leases, there were no material effects on the consolidated financial statements for the Group.

IFRS 16 leases

Application of IFRS 16 started on January 1, 2019. IFRS 16 was applied for the first time in compliance with the transitional provisions of IFRS 16 using the modified retrospective measure in accordance with IFRS 16.C5 (ii). The comparative figures for fiscal year 2018 were not adjusted.

Effects of first-time application of IFRS 16

Following the initial application of IFRS 16, the Group recognized lease liabilities for leases previously classified as operating leases under IAS 17. These liabilities are measured at the present value of the remaining lease payments discounted by the lessee’s incremental borrowing rate as at January 1, 2019. The lessee’s weighted average incremental borrowing rate, which was applied to the lease liabilities as of January 1, 2019, amounts to 2.85%.

Before the first-time application of IFRS 16, there were no leases classified as financial leases.

(IN K€)	2019
Liabilities from operating leases reported as at December 31, 2018	26,404
Discounted at the lessor´s incremental borrowing rate at the date of initial application of IFRS 16	23,589
Add: liabilities from finance leases recognised as of December 31, 2018	0
(Less): short-term leases recognised as an expense on a straight-line basis	-808
(Less): Leases of low-value assets recognised as an expense on a straight-line basis	-47
Lease liabilities recognised at January 01, 2019	**22,734**
Current lease liabilities	4,952
Non-current lease liabilities	17,782

The rights of use recognized relate to the following types of assets:

(IN K€)	JUNE 30, 2019	JANUARY 01, 2019
Buildings	20,097	20,619
Technical plant and machinery	166	223
Other equipment	2,029	1,892
Total rights of use	**22,292**	**22,734**

Impact on segment information

EBITDA increased as a consequence of the change to the accounting policy as of June 30, 2019. Lease liabilities are now recognized under segment liabilities, while lease liabilities under financial leases were not part of segment liabilities according to IAS 17. The following segments are affected:

(IN K€)	EBITDA
Microbatteries	+1,568
Power & Energy	+458
Total	**+2,026**

Reliefs applied

When applying IFRS 16 for the first time, the Group made use of the following reliefs:

- Accounting for leases, which have a residual term of less than 12 months as of January 1, 2019, as current leases.
- Retrospective determination of the term of leases with options to extend or terminate (use of hindsight).

The Group’s leasing activities and their treatment in the balance sheet

The Group leases various offices, storage buildings as well as machinery, equipment and vehicles. As a rule, leases are concluded for fixed periods from 3 to 10 years but may include options to extend. The lease terms are negotiated individually and include a large number of different conditions. The leases do not contain credit terms, but leased assets may not be used as collateral for raising loans.

Up to and including 2018, leases were either classified as financial or operating leases. Payments as part of operating leases (less any incentives received from the lessor) were recognized in profit and loss on a straight-line basis over the term of the lease.

Since January 1, 2019, leases have been accounted for at the date on which the lease asset is available for use by the Group, as a right of use and a matching lease liability. Each lease installment is divided into repayment and finance expenses. Finance expenses are recognized through profit and loss over the term of the lease, meaning that a constant periodic interest rate on the residual amount of the liability is produced for each period. The right of use is written down on a straight-line basis over the shorter of the two periods, namely the right of use or the term of the lease.

Assets and liabilities under leases are recognized at present value on initial recognition. The lease liabilities include the present value of the following lease payments

- Fixed payments (including in-substance fixed payments, less any lease incentives to be received)
- Variable lease payments, which are linked to an index or (interest) rate

Lease payments are discounted by the implicit interest rate on which the lease is based, if this can be determined. Otherwise, they are discounted by the lessee's incremental borrowing rate, i.e. the interest rate, which a lessee would have to pay if he had to raise funds to acquire an asset of comparable value and on comparable terms in a comparable economic environment.

Rights of use are measured at cost, which is made up as follows:

- The amount of the first valuation of the lease liability
- All initial direct costs incurred by the lessee and
- Estimated costs, which the lessee will incur when disassembling or disposing of the underlying asset, in restoring the location in which it is located or returning the underlying asset to the condition required in the lease agreement.

Payments for short-term leases and leases based on low-value assets are recognized as expenditure in profit or loss on a straight-line basis. Leases with a term of up to 12 months count as short-term leases. Low-value assets include IT equipment or small office furniture, for example.

IFRIC 23 Uncertainty over income tax treatments

Tax treatment of certain situations and transactions can depend on future acknowledgment by the tax authorities or the tax courts. IAS 12 Income Taxes governs how actual and deferred taxes are to be accounted for. IFRIC 23 supplements the regulations in IAS 12 with regard to how uncertainty over income tax treatments of situations and transactions is to be taken into account.

IFRS 9 – Financial instruments – prepayment features with negative compensation

The adjustments relate to a limited adjustment of the assessment criteria of relevance for the classification of financial assets. Financial assets with a prepayment feature with negative compensation may, under certain circumstances, be accounted for at amortized cost or at fair value in other comprehensive income without affecting profit or loss instead of at fair value through profit or loss.

Amendments to IAS 28 – Long-term investments in associates and joint venture

The IASB published a narrowly defined amendment to IAS 28, which clarified that these long-term interests in associates or joint ventures, which are not recognized under the equity method, must be valued using IFRS 9. This includes the impairment provisions pursuant to IFRS 9.

IAS 19 – Plan amendment, Curtailment or Settlement

In future, there will be a mandatory requirement, in the event of a defined benefit plan being amended, curtailed or settled, for current service cost and the net interest for the rest of the fiscal year to be recalculated using the current actuarial assumptions that were used for the requisite revaluation of the net liability (asset). Additions were also included to clarify how a plan amendment, curtailment or settlement will affect the requirements for the asset ceiling.

A company shall apply the amendments to plan amendments, curtailments or settlements, which occur on or following the beginning of the first annual reporting period that starts on or after January 1, 2019.

Improvements to IFRS 2015–2017
Four IFRSs were amended as a result of the Annual Improvements to IFRSs (2015–2017).

IFRS 3 clarifies that on attaining control of a business in which it was previously involved as a joint operation, a company must apply the principles for incremental business combinations. The share held by the purchaser to date must be reassessed.

IFRS 11 specifies that when a party attains joint control of a business in which it was previously involved as part of a joint operation, the share held previously must be remeasured.

IAS 12 is amended to the effect that all the effects of dividend payments on income tax must be taken into account in the same way as the income upon which dividends are based.

Finally, IAS 23 specifies that on determining the financing cost rate, if a company has raised funds generally to procure qualifying assets, costs of borrowed funds that were specifically raised in connection with the procurement of qualifying assets do not have to be taken into account until they are completed.

4.3 NEW AND AMENDED IFRS STANDARDS AFTER JUNE 30, 2019

New and amended standards and interpretations must be applied in the first interim report after the date of entry into force or any voluntary premature application date. The new regulations mentioned below will come into force for annual reporting periods, which start on or after July 1, 2019. No standards were applied prematurely in the present consolidated financial statements. Unless specified otherwise below, the effects are currently being investigated.

New or amended standards and interpretations		ENACTMENT
Not yet adopted in EU law:		
Standards:		
IFRS 17	Insurance contracts	January 1, 2021
Amendments:		
IFRS 3	Business combinations	January 1, 2020
IAS 1 / IAS 8	Amendments in relation to the definition of material	January 1, 2020
Framework	Amendments to the Conceptual Framework for Financial Reporting	January 1, 2020

Application of the following innovations and amendments published by the IASB is not yet mandatory and VARTA AG has not yet applied them to date either. The Group currently assumes that there will be no material effects on the consolidated financial statements.

IFRS 17 Insurance contracts
The standard regulates the accounting for insurance contracts. IFRS 17 replaces the previously applicable transitional standard IFRS 4. Its scope includes insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. According to IFRS 17, insurance contracts are measured in accordance with the general model, in principle. This involves determining the fulfillment value and the service margin for a group of insurance contracts when they are recognized for the first time. Depending on what the changes in the underlying parameters relate to, either the actuarial result or the actuarial financial income/expenses will be affected when they are subsequently measured or there may be an adjustment in the contractual service margin initially, which will only affect the income statement in subsequent periods.

IFRS 3 Business combinations
The narrowly defined changes to IFRS 3 aim to solve problems that occur when a company determines whether it has acquired a business or a group of assets. The problems arise from the fact that the financial reporting regulations for goodwill, acquisition costs and deferred taxes differ depending on whether a business or a group of assets is being acquired.

Amendments to IAS 1 and IAS 8 – Amendments to the Conceptual Framework for Financial Reporting
The amendments create a more uniform and more precisely delineated definition of the materiality of information in financial statements in IFRS and supplement it with accompanying examples. In this context, the definitions from the framework concept, IAS 1, IAS 8 and the IFRS Practice Statement 2 Making Materiality Judgments are harmonized. The amendments are applicable – subject to adoption in EU law – for the first time on January 1, 2020. Premature application is permissible.

Amendments to the Conceptual Framework for Financial Reporting
The new conceptual framework contains revised definitions of assets and liabilities as well as new guidelines on measurement and derecognition, recognition and disclosures. The new conceptual framework does not constitute a fundamental revision of the document, as originally intended, when the project was started in 2004. Rather the IASB restricted itself to the topics that were previously unregulated or where there were discernible shortcomings that had to be dealt with. The revised conceptual framework is not subject to the endorsement process.

Together with the revised conceptual framework, the IASB has also issued changes to references to the conceptual framework in some standards. These include changes to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC -32. The changes to the standards as a consequence of the new conceptual framework are subject to the endorsement process.

5 SEGMENT REPORTING

Segment information is published on the basis of the management reporting for the “Microbatteries” and “Power & Energy” segments.

The management variables, which are used to assess the performance of the operating segments, are shown below:

Information by reportable segments:

	MICROBATTERIES		POWER & ENERGY		Σ TOTAL		RECONCILATION		CONSOLIDATED FINANCIAL STATEMENTS	
(IN K€)	PERIOD ENDED JUNE 30, 2019	PERIOD ENDED JUNE 30, 2018	PERIOD ENDED JUNE 30, 2019	PERIOD ENDED JUNE 30, 2018	PERIOD ENDED JUNE 30, 2019	PERIOD ENDED JUNE 30, 2018	PERIOD ENDED JUNE 30, 2019	PERIOD ENDED JUNE 30, 2018	PERIOD ENDED JUNE 30, 2019	PERIOD ENDED JUNE 30, 2018
Revenue with third parties*	126,150	106,109**	24,995	24,132**	151,145	130,241**	372	550	151,517	130,791**
Thereof Point-in-time	123,060	102,985	20,024	20,650	143,084	123,635	372	550	143,456	124,185
Thereof Point-over-time	3,090	3,124	4,971	3,482	8,061	6,606	0	0	8,061	6,606
Depreciation and amortization	-6,611	-4,171	-1,448	-905	-8,059	-5,076	0	-1	-8,059	-5,077
Material effects in income and expenses	0	0	0	0	0	0	-1,385	-980	-1,385	-980
EBIT	**29,101**	**19,133****	**75**	**450****	**29,176**	**19,583****	**-1,385**	**-1,550**	**27,791**	**18,033****
(Adjusted) EBITDA	**35,712**	**23,304****	**1,523**	**1,355****	**37,235**	**24,659****	**0**	**-569**	**37,235**	**24,090****

*There are no material revenue links between the segments
**cf. Change in previous year’s figures due to conversion to IFRS 15

The following table shows the reconciliation of the segments' EBIT to earnings before taxes:

(IN K€)	PERIOD ENDED JUNE 30, 2019	PERIOD ENDED JUNE 30, 2018
EBIT	27,791	18,033*
Financial result	-681	-45
Result from joint ventures	-6	31
Earnings before taxes	**27,104**	**18,019***

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

Geographical segment information

The following statement shows the Group´s revenue divided according to specific geographical locations. In the presentation of this information on a geographical basis, a segment´s revenue is based on the geographical locations of customers and a segment´s assets on the geographical locations of the assets.

	PERIOD ENDED JUNE 30, 2019	JUNE 30, 2019	PERIOD ENDED JUNE 30, 2018	DECEMBER 31, 2018
(IN K€)	SALES REVENUE*	NON-CURRENT ASSSETS**	SALES REVENUE*	NON-CURRENT ASSETS**
Europe	65,174	186,773	65,705***	131,015
America	28,489	777	26,167	54
Asia	55,769	5,186	36,582	2,908
Other	2,085	0	2,337	0
Total Group	**151,517**	**192,736**	**130,791**	**133,977**

*Revenue is based on the registered office of the customer.
**Non-current assets contain investment property, property, plant and equipment and intangible assets.
***cf. Change in previous year's figures due to conversion to IFRS 15

Products and services

The Group´s revenue and trade receivables are split as follows between products and services:

	PERIOD ENDED JUNE 30, 2019	JUNE 30, 2019	PERIOD ENDED JUNE 30, 2018	JUNE 30, 2019
(IN K€)	SALES REVENUE	TRADE RECEIVABLES AND CONTRACT ASSETS	SALES REVENUE	TRADE RECEIVABLES AND CONTRACT ASSETS
Of which from product sales	149,045	31,820	128,135*	28,408
Of which from the sale of services	2,472	2,092	2,656	307
Total group	**151,517**	**33,912**	**130,791**	**28,715**

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

6 PROPERTY, PLANT AND EQUIPMENT

(IN K€)	BUILDINGS	RIGHT-OF-USE BUILDINGS	TECHNICAL PLANT AND MACHINERY	RIGHT-OF-USE TECHNICAL PLANT AND MACHINERY	OTHER EQUIPMENT	RIGHT-OF-USE OTHER EQUIPMENT	EQUIPMENT UNDER CONST-RUCTION AND ADVANCE PAYMENTS	PROPERTY, PLANT AND EQUIPMENT
Acquisition values								
As of Jan. 1, 2018	**260**	**0**	**67,708**	**0**	**24,834**	**0**	**16,846**	**109,648**
Foreign exchange differences	-2	0	142	0	88	0	-2	**226**
Additions	0	0	5,330	0	3,102	0	49,149	**57,581**
Disposals	0	0	-261	0	-386	0	0	**-647**
Reclassifications	0	0	3,469	0	2,166	0	-5,657	**-22**
As of Dec. 31, 2018	**258**	**0**	**76,388**	**0**	**29,804**	**0**	**60,336**	**166,786**
Foreign exchange differences	2	-19	19	0	14	-1	-6	**9**
Additions	0	1,350	1,820	0	1,019	494	39,564	**44,247**
First application of IFRS 16	0	20,619	0	223	0	1,892	0	**22,734**
Disposals	0	-437	-1,866	0	-719	0	0	**-3,022**
Reclassifications	0	0	2,152	0	1,219	0	-3,468	**-97**
As of Jun. 30, 2019	**260**	**21,513**	**78,513**	**223**	**31,337**	**2,385**	**96,426**	**230,657**

Cumulative depreciation and impairment losses

(IN K€)	BUILDINGS	RIGHT-OF-USE BUILDINGS	TECHNICAL PLANT AND MACHINERY	RIGHT-OF-USE TECHNICAL PLANT AND MACHINERY	OTHER EQUIPMENT	RIGHT-OF-USE OTHER EQUIPMENT	EQUIPMENT UNDER CONST-RUCTION AND ADVANCE PAYMENTS	PROPERTY, PLANT AND EQUIPMENT
As of Jan. 1, 2018	**103**	**0**	**31,582**	**0**	**14,516**	**0**	**0**	**46,201**
Foreign exchange differences	-1	0	89	0	70	0	0	**158**
Additions	20	0	5,654	0	2,496	0	0	**8,170**
Disposals	0	0	-254	0	-292	0	0	**-546**
Reclassifications	0	0	19	0	-19	0	0	**0**
As of Dec. 31, 2018	**122**	**0**	**37,090**	**0**	**16,771**	**0**	**0**	**53,983**
Foreign exchange differences	1	-3	11	0	12	0	0	**21**
Additions	11	1,457	3,559	57	1,476	357	0	**6,917**
Disposals	0	-38	-1,283	0	-699	0	0	**-2,020**
Reclassifications	0	0	10	0	-10	0	0	**0**
As of Jun. 30, 2019	**134**	**1,416**	**39,387**	**57**	**17,550**	**357**	**0**	**58,901**
Carrying amounts								
on Jan. 1, 2018	157	0	36,126	0	10,318	0	16,846	**63,447**
on Dec. 31, 2018	136	0	39,298	0	13,033	0	60,336	**112,803**
on Jun. 30, 2019	126	20,097	39,126	166	13,787	2,028	96,426	**171,756**

The major part of investment in property, plant and equipment served to expand production capacity of lithium-ion button cells in response to demand. Replacement investment to renew production equipment, to develop new products and for quality assurance measures is also required at regular intervals.

There were no restrictions on rights of ownership or disposal for property, plant and equipment during fiscal years 2019 and 2018. Order commitments from the purchase of property, plant and equipment amounted to K€ 77,342 (2018: K€ 14,800).

7 INTANGIBLE ASSETS

(IN K€)	GOODWILL	TRADEMARK RIGHT AND OTHER INTAN-GIBLE ASSETS	COMMERCIAL PROPERTY RIGHTS	DEVELOPMENT COSTS	TOTAL
Acquisition values					
As of Jan. 1, 2018	**500**	**11,734**	**958**	**15,412**	**28,604**
Additions	0	191	0	1,753	**1,944**
Reclassifications	0	22	0	0	**22**
As of Dec. 31, 2018	**500**	**11,947**	**958**	**17,165**	**30,570**
Additions	0	78	0	764	**842**
Disposals	0	-8	0	**0**	**-8**
Reclassifications	0	97	**0**	**0**	**97**
As of Jun. 30, 2019	**500**	**12,114**	**958**	**17,929**	**31,501**

(IN K€)	GOODWILL	TRADEMARK RIGHT AND OTHER INTANGIBLE ASSETS	COMMERCIAL PROPERTY RIGHTS	DEVELOPMENT COSTS	TOTAL
Cumulative depreciation and amortization					
As of Jan. 1, 2018	**0**	**2,187**	**299**	**4,562**	**7,048**
Additions	0	326	132	1,890	**2,348**
As of Dec. 31, 2018	**0**	**2,513**	**431**	**6,452**	**9,396**
Additions	0	130	67	945	**1,142**
Disposals	**0**	-17	**0**	**0**	**-17**
As of Jun. 30, 2019	**0**	**2,626**	**498**	**7,397**	**10,521**
Carrying amounts					
Carrying amounts on Jan. 1, 2018	500	9,547	659	10,850	**21,556**
Carrying amounts on Dec. 31, 2018	500	9,434	527	10,713	**21,174**
Carrying amounts on Jun. 30, 2019	500	9,488	460	10,532	**20,980**

Of the income from own work capitalized of K€ 8,330 (June 30, 2018: K€ 1,504), self-constructed intangible assets, which are not yet ready for use, were recognized in the amount of K€ 2,809 (2018: K€ 1,753). This was caused by the increase in the volume of self-constructed machinery and plant.

Research and development expenses amounting to K€ 7,385 (June 30, 2018: K€ 6,277) were recognized in the income statement.

There were no restrictions on rights of ownership or disposal for intangible assets during financial years 2019 und 2018.

8 LEASES

The Group leases various offices, storage buildings as well as equipment and vehicles. As a rule, leases are concluded for fixed periods from 3 to 10 years but may include options to extend. Changes in leased assets are shown in the note 6 “Property, plant and equipment”.

Future minimum lease payments based on non-terminable leases total:

(IN K€)	JUNE 30, 2019
Non-current lease liabilities	18,710
Current lease liabilities	3,719
Total lease liabilities	**22,429**
Of which due within 1 year	3,719
Of which due within 1 to 5 years	11,135
Of which due in more than 5 years	7,575

Disclosures on the cash flow statement

(IN K€)	PERIOD ENDED JUNE 30, 2019
Total cash outflow for leases	-2,924

(IN K€)	PERIOD ENDED JUNE 30, 2019
Amounts recognised in the profit/loss statement	
Interest expense on lease liabilities	-307
Expense relating to short-term leases	-510
Expense relating to leases of low-value assets, excl. short-term leases for low-value assets	-387
Total amounts recognised in the profit/loss statement	-1,204

Since 2015, a sale and lease back agreement has been in place with WertInvest Ellwangen Immobilien GmbH. The agreement has continued since then unchanged. More detailed information on this can be found in the 2018 Annual Report.

There are currently no variable lease payments, residual value guarantees or options to extend or terminate.

9 INVENTORIES

Inventories can be divided into the following items:

(IN K€)	JUNE 30, 2019	DECEMBER 31, 2018
Raw materials and supplies	30,303	24,512
Unfinished goods	16,606	11,908
Finished goods and merchandise	19,465	19,507
Advance payments made	716	772
Inventories	**67,090**	**56,699**
Impairment income (+)/ expense (-) recognized in the income statement	-845	-1,347

The amount of impairment of inventories recognized as expense in the reporting period amounted to K€ 961 (2018: K€ 1,575). The amount of reversals recognized as impairment of the cost of materials amounted to K€ 116 (2018: K€ 228). The carrying amount of impaired inventories amounted to K€ 9,116 (2018: K€ 8,514).

10 TRADE RECEIVABLES AND CONTRACT ASSETS

(IN K€)	JUNE 30, 2019	DECEMBER 31, 2018
Receivables due from third parties (gross)	33,201	26,591
Receivables due from related parties	99	188
Receivables due from joint ventures and companies in which participations are held:	0	5
Contract Assets (IFRS 15)	1,054	2,369
Gross trade receivables and contract assets	**34,354**	**29,153**
Less loss allowance	-442	-438
Net trade receivables and contract assets	**33,912**	**28,715**

The existing net receivables are reduced by K€ 8,978 by the framework agreement for the sale of receivables on June 30, 2019 (December 31, 2018: K€ 8,546).

11 OTHER ASSETS

(IN K€)	JUNE 30, 2019	DECEMBER 31, 2018
Other assets	**34,772**	**29,831**
Of which current	17,111	14,161
Of which non-current	17,661	15,670

The claim to reimbursement from the assumption of a joint debt obligation for pensions in June 2017 is reported in the amount of K€ 17,661 (2018: K€ 15,633) under non-current other assets.

Current other assets consisted of the following:

(IN K€)	JUNE 30, 2019	DECEMBER 31, 2018
Receivables from development projects	7,825	7,093
Other tax receivables	3,463	2,295
Other receivables	3,096	3,054
Miscellaneous other assets	2,727	1,719
Other assets	**17,111**	**14,161**

Advance payments passed on to the cooperation partners involved amounted to K€ 6,167 as of June 30, 2019 (2018: K€ 5,566). There is another obligation corresponding to this based on the repayment obligation to the funding authority (see note 17 “Other liabilities”). The increase in receivables from promotional projects of K€ 732 was the result of additional and new development projects.

The increase in other tax receivables was due to sales tax receivables.

Miscellaneous other assets rose by K€ 1,008. Receivables from derivative financial instruments of K€ 43, prepaid expenses of K€ 2,672 (2018: K€ 1,674) and other loans of K€ 12 were included here.
The increase in prepaid expenses resulted from accrued intrayear personnel expenses.

12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents can be broken down as follows:

(IN K€)	JUNE 30, 2019	DECEMBER 31, 2018
Cash equivalents	72,064	56,977
Cash	12	12
Bank deposit	171,276	92,752
Total	**243,352**	**149,741**

The item "Bank deposit" contains fixed deposits with a term of up to three months of K€ 80,000 (2018: K€ 74). This is a short-term investment of the funds from the capital increase until they are needed for investments.

A short-term investment of free liquidity of K€ 72,064 was made in a related company at normal arm's length terms. These are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to only an insignificant risk of changes in value (cash equivalents).

13 EQUITY

There were the following changes to the equity of the VARTA AG Group in 2019:

				OTHER RESERVES			
(IN K€)	SUBSCRIBED CAPITAL	CAPITAL RESERVE	REVENUE RESERVES*	CURRENCY DIFFERENCES	HEDGING RESERVE	NON-CONTROLLING INTERESTS	TOTAL EQUITY
As of January 01, 2019	**38,200**	**149,374**	**66,887**	**3,924**	**-389**	**1,426**	**259,422**
Effect of share-based payment	**0**	**1,184**	**0**	**0**	**0**	**0**	**1,184**
Capital increase	**2,222**	**101,531**	**0**	**0**	**0**	**0**	**103,753**
Transaction costs from capital increase	**0**	**-1,157**	**0**	**0**	**0**	**0**	**-1,157**
Comprehensive income							
Profit/loss for the year	0	0	19,149	0	0	322	19,471
Other comprehensive income	0	0	-444	150	-342	2	-634
Comprehensive income	**0**	**0**	**18,705**	**150**	**-342**	**324**	**18,837**
As of June 30, 2019	**40,422**	**250,932**	**85,592**	**4,074**	**-731**	**1,750**	**382,039**

*Revenue reserves including net income

The subscribed capital of VARTA AG amounted to K€ 40.422.

14 EARNINGS PER SHARE

The calculation of earnings per share* is based on the profit attributable to shareholders and a weighted average of the shares in circulation. There were no circumstances in the reporting period neither in the previous year from which a dilution would follow. Therefore the dilutive earnings per share equal with the basic earnings per share.

	PERIOD ENDED JUNE 30, 2019	PERIOD ENDED JUNE 30, 2018
Earnings, attributable to shareholders in K€*	19,149	12,780**
Weighted average of ordinary shares in circulation ('000 shares)	38,421	38,200
Basic earnings per share in €	0.50	0.35**
Diluted earnings per share in €	0.50	0.35**

*Earnings per share represent VARTA AG shares
** cf. Change in previous year's figures due to conversion to IFRS 15

The number of shares has changed as follows in 2019:

	NUMBER OF SHARES
Dec. 31, 2018	38,200,000
New shares from capital increase	2,221,686
Jun. 30, 2019	40,421,686

The subscribed capital is divided into 40,421,686 shares. These are par-value shares, which represent a pro rata amount of € 1 of the share capital.

15 PROVISIONS FOR EMPLOYEE BENEFITS

(IN K€)	JUNE 30, 2019	DECEMBER 31, 2018
Total	**28,348**	**24,687**
Of which current	1,105	1,048
Of which non-current	27,243	23,639
Composition of provisions for employee benefits		
Pensions	20,110	17,362
Severance payments	6,214	5,458
Service anniversary bonuses	590	577
Partial retirement	1,434	1,290

Provisions for employee benefits increased due to amended valuation parameters as well as the rise in staff levels.

16 TRADE PAYABLES, CONTRACT LIABILITIES AND ADVANCE PAYMENTS RECEIVED

Trade payables and advance payments received were composed as follows:

(IN K€)	JUNE 30, 2019	DECEMBER 31, 2018
Advance payments received	19,610	30,247
Non-current liabilities	**19,610**	**30,247**
Trade payables to third parties	25,312	20,825
Contract liabilities	8,612	8,435
Liabilities from the acquisition of property, plant and equipment and intangible assets	15,946	2,322
Liabilities due from related parties	202	287
Advance payments received	22,481	11,587
Current liabilities	**72,553**	**43,456**
Total trade payables, contract liabilities and advance payments received	**92,163**	**73,703**

Trade payables including advance payments received have increased by K€ 18,460 in total. This is attributable to the higher investment activity and increase in business volume.

17 OTHER LIABILITIES

(IN K€)	JUNE 30, 2019	DECEMBER 31, 2018
Other non-current liabilities	110	93
Other current liabilities	13,726	11,018
Other liabilities	**13,836**	**11,111**

Other liabilities have increased year on year from K€ 11,111 to K€ 13,836. The change essentially resulted from bonus programs with customers.

18 OTHER PROVISIONS

Other provisions consisted of the following:

(IN K€)	WARRANTIES, GUARANTEES	DISPOSAL, RESTORATION & SIMILAR OBLIGATIONS	OTHER PROVISIONS	TOTAL JUNE 30, 2019
Maturity				
Current	3,432	307	1,851	5,590
Non-current	0	0	551	551
Total provisions	**3,432**	**307**	**2,402**	**6,141**
Change in other provisions in 2019				
As of Jan. 1, 2019	**2,749**	**12**	**1,786**	**4,547**
Allocation	934	295	721	1,950
Consumption	-252	0	-109	-361
Foreign exchange differences	1	0	4	5
As of Jun. 30, 2019	**3,432**	**307**	**2,402**	**6,141**

(IN K€)	WARRANTIES, GUARANTEES	DISPOSAL, RESTORATION & SIMILAR OBLIGATIONS	OTHER PROVISIONS	TOTAL JUNE 30, 2018
Maturity				
Current	2,958	11	1,467	4,436
Non-current	0	0	0	0
Total provisions	**2,958**	**11**	**1,467**	**4,436**
Change in other provisions in 2018				
As of Jan. 1, 2018	**2,777**	**11**	**1,468**	**4,256**
Allocation	791	0	79	870
Consumption	-604	0	-162	-766
Reverse	-16	0	58	42
Foreign exchange differences	10	0	24	34
As of Jun. 30, 2018	**2,958**	**11**	**1,467**	**4,436**

Other provisions have risen due, in particular, to warranties and guarantees resulting from the increase in business volume.

19 DEFERRED LIABILITIES

Deferred liabilities comprise the following material items:

(IN K€)	JUNE 30, 2019	DECEMBER 31, 2018
Employee bonuses	4,095	4,056
Holiday entitlements, overtime and time off in lieu	4,651	3,870
Other deferred liabilities for personnel	1,313	1,158
Audit, tax advice and legal advice	1,376	876
Outstanding invoices	2,002	1,074
Miscellaneous deferred liabilities	819	1,011
Deferred liabilities	**14,256**	**12,045**

Deferred liabilities have increased for holiday entitlements and other personnel expenses as well as outstanding invoices due to operational development.

20 SALES REVENUE

The following revenue was achieved from the sale of products and the supply of services:

(IN K€)	PERIOD ENDED JUNE 30, 2019	PERIOD ENDED JUNE 30, 2018
Sales revenue	**151,517**	**130,791***
Of which from product sales	149,045	128,135*
Of which from the sale of services	2,472	2,656*

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

21 DECREASE/INCREASE IN FINISHED AND UNFINISHED GOODS

(IN K€)	PERIOD ENDED JUNE 30, 2019	PERIOD ENDED DECEMBER 31, 2018
Change in unfinished goods	4,706	2,105
Change in finished goods	-1,200	930
Increase/decrease in finished and unfinished goods	**3,506**	**3,035**

Changes in finished and unfinished goods cannot be reconciled directly with the changes apparent from the consolidated balance sheet. This is the result of existing foreign exchange differences, which affect these items.

22 COST OF MATERIAL

(IN K€)	PERIOD ENDED JUNE 30, 2019	PERIOD ENDED JUNE 30, 2018
Expense for raw materials and supplies and goods purchased	45,634	45,089*
Other material expenses	9,746	3,128
Material processing and refining by third parties	2,070	2,271
Other	478	510
Cost of materials	**57,928**	**50,998***

The item "Other" contains consumables, which were purchased directly for production or customer orders and consumed without being stored. Expenses for packaging, temporary staff, waste disposal and packaging material are also included under "Other".

23 PERSONNEL EXPENSES

Personnel expenses contained the following items:

(IN K€)	PERIOD ENDED JUNE 30, 2019	PERIOD ENDED JUNE 30, 2018
Wages and salaries	43,511	38,094
Expense for severance payments	1,004	111
Expense for statutory social security contributions	4,178	1,727
Pension expense	2,923	4,464
Other personnel expenses	904	1,008
Total	**52,520**	**45,404**

Personnel expenses increased from K€ 45,404 to K€ 52,520 in the first half of 2019. In addition to increases in personnel costs due to changes in collective pay agreements, direct employees were recruited to the rapidly expanding area of lithium-ion batteries to ensure sustained strong market demand can continue to be met in future. The number of employees (FTE) has risen by 6.7% from 2,244 as of June 30, 2018 to 2,394 as of June 30, 2019. Personnel expenses contain the non-cash expense for share-based payment of K€ 1,385 (previous year: K€ 980).

24 DEPRECIATION AND AMORTIZATION

Depreciation and amortization comprised the following:

(IN K€)	PERIOD ENDED JUNE 30, 2019	PERIOD ENDED JUNE 30, 2018
Scheduled depreciation and amortization of property, plant and equipment	5,038	3,911
Scheduled depreciation of right of use	1,871	0
Scheduled depreciation and amortization of intangible assets	1,150	1,166
Total depreciation and amortization	**8,059**	**5,077**

Depreciation has increased because of IFRS 16 and the investment in fixed assets.

25 OTHER OPERATING EXPENSES

Other operating expenses contained the following items:

(IN K€)	PERIOD ENDED JUNE 30, 2019	PERIOD ENDED JUNE 30, 2018
Legal, audit and consultancy fees	2,952	983
Maintenance	2,323	2,134
Cost of energy	2,149	1,671
Commission	1,848	1,597
Outward freight and customs duties	1,433	1,488
Marketing, advertising and representation	1,249	1,304
Telephone, postage & IT	1,063	1,000
Rent, leases and tenancies	897	2,399
Warranties	873	654
Travel expenses	855	954
Insurance contracts	724	246
Licenses & patent fees	704	609
Expenses with related companies	406	303
Engineering and professional fees	245	493
Cleaning	242	206
Other distribution costs	236	324
Bank charges / fund transfer fees	215	105
Apprenticeship and training costs	185	130
Contributions and fees	178	121
Consumer credit insurance	90	111
Miscellaneous other operating expenses	1,873	2,333
Other operating expenses	**20,740**	**19,165**

Other operating expenses have increased from K€ 19,165 to K€ 20,740. The increase is mainly caused by higher legal, audit and consultancy fees associated in particular with the acquisition of VARTA Consumer. Energy and warranty costs plus expenses for sales commission also increased as a result of the expansion in business activities. The application of IFRS 16 resulted in an opposing effect totaling K€ 2,026.

26 INCOME TAX EXPENSES

Income tax expense is recognized on the basis of the estimate of the weighted average annual income tax rate for the entire fiscal year. The estimated tax rate for the period covered by the interim report up to June 30, 2019 accordingly comes to 28.2% (June 30, 2018: 27.4%). The increase is the result of the trend in profit in the individual companies.

27 FINANCIAL RISK MANAGEMENT

(IN K€)

Financial instruments measured at fair value through profit or loss	JUNE 30, 2019	Level 1	Level 2	Level 3
Derivative financial instruments – assets	43	0	43	0
Derivative financial instruments – liabilities	-393	0	-393	0
Total	**-350**	**0**	**-350**	**0**

(IN K€)

Financial instruments measured at fair value through profit or loss	DECEMBER 31, 2018	Level 1	Level 2	Level 3
Derivative financial instruments – assets	31	0	31	0
Derivative financial instruments – liabilities	-129	0	-129	0
Total	**-98**	**0**	**-98**	**0**

(IN K€)	JUNE 30, 2019	DECEMBER 31, 2018
Derivative financial instruments	43	31
Derivative financial instruments measured at fair value through profit or loss	**43**	**31**
Cash and cash equivalents	**243,352**	**149,741**
Loans	597	359
Trade receivables and contract assets	33,912	28,715
Other assets*	28,594	25,863
Loans and receivables	**63,103**	**54,937**
Total financial assets	**306,498**	**204,709**
Derivative financial liabilities	393	129
Derivative financial liabilities measured at fair value through profit or loss	**393**	**129**
Lease liabilities	22,429	0
Other financial liabilities**	7,781	8,204
Trade payables and contract liabilities***	50,072	31,869
Deferred liabilities****	4,197	2,961
Other liabilities*****	2,615	2,002
Measured at amortized cost	**87,094**	**45,036**
Total financial liabilities	**87,487**	**45,165**

*excl. other tax receivables of K€ 3,463 (2018: K€ 2,295), prepaid expenses K€ 2,672 (2018: K€ 1,674) and derivative financial instruments K€ 43 (2018: K€ 31)
**excl. derivative financial instruments K€ 1,217; incl. a debt waiver of K€ 6,200 with an expected term of more than 5 years, which can be repaid earlier due to certain circumstances.
***excl. Current advance payments received of K€ 42,091
****excl. deferred liabilities for employee benfits of K€ 10,059
*****excl. accrued expenses and deferred income of K€ 110, liabilities from development projects K€ 6,394, custom liabilities K€ 1,430, other tax liabilities from taxes of K€ 2,211, social security charges K€ 54 and sale of receivables K€ 1,021

28 RELATED PARTIES AND COMPANIES

The contractual relationships with related parties explained in the 2018 Annual Report are virtually unchanged in scope.

As a result of the liquid funds available, due not least to the capital increase, the short-term investment in Montana Tech Components GmbH was increased to K€ 72,064 to avoid negative interest.

29 EVENTS AFTER THE REPORTING DATE JUNE 30, 2019

On July 25, 2019, a syndicated loan agreement was concluded between VARTA AG and the lenders (a consortium of five banks) for a total amount of K€ 120,000. A term loan of K€ 40,000 is being concluded to finance part of the agreed purchase price for the VARTA Consumer acquisition. A revolving credit line for general working capital financing in the amount of K€ 80,000 has also been agreed.

Ellwangen, August 6, 2019
VARTA Aktiengesellschaft

CEO	CFO
- Herbert Schein -	- Steffen Munz -

Responsibility statement

We hereby confirm to the best of our knowledge that, in accordance with the applicable accounting principles for semi-annual reporting, the consolidated semi-annual accounts provide a true and fair view of the assets, financial position, and result of the Group, and that the interim management report presents the business development including results of operations and the situation of the Group in a way that conveys a true picture, and that the major opportunities and risks of the probable development of the Group are described.

Ellwangen, August 05, 2019
VARTA Aktiengesellschaft

CEO	CFO
- Herbert Schein -	- Steffen Munz -

Explanatory notes to the Half-year Statement

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 June 30, 2019, and the interim group management report were neither audited in accordance with Art. 317 HGB (Commercial Code of Gemany) nor reviewed by an auditor.

Financial calendar

Schedule:

August 6, 2019	Half-year Statement 2019
October 20, 2019	Interim report of 3rd quarter 2019

Imprint

Half-year Statement 2019:
https://www.varta-ag.com/publications/

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