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PROSPECTUS DATED NOVEMBER 17, 2016

Prospectus

for the public offering

of

16,666,666 newly issued ordinary bearer shares with no par value *(Stückaktien)* from an ordinary capital increase against contribution in cash resolved by an extraordinary general shareholders' meeting of the Company held on November 16, 2016, with exclusion of subscription rights of the existing shareholders,

and of

2,499,999 existing bearer shares from VGG GmbH in connection with a potential over-allotment

and at the same time for the

admission to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange

of

up to 16,666,666 newly issued bearer shares and 29,600,000 existing bearer shares

each such share with a notional value of €1.00 in the share capital and full dividend rights as of and for the financial year beginning January 1, 2016

of

VARTA AKTIENGESELLSCHAFT[1]

Ellwangen (Jagst), Germany

Price Range: €9.00 to €12.50

International Securities Identification Number (ISIN): DE000A0TGJ55

WKN: A0TGJ5

Common Code: 31399483

Trading Symbol: VAR1

Joint Global Coordinators and Joint Bookrunners

Jefferies **UniCredit Bank AG**

Joint Bookrunner

HSBC

Co-Lead Manager

Erste Group

1 VARTA AKTIENGESELLSCHAFT and its primary operating subsidiaries, VARTA Microbattery GmbH and VARTA Storage GmbH, are not the sole successors of the former VARTA Aktiengesellschaft and, consequently, are not the sole owners of the VARTA trademarks. The two other independent successors of the former VARTA Aktiengesellschaft, Johnson Controls Hybrid and Recycling GmbH (previously VARTA Automotive GmbH and currently part of the Johnson Controls Group) and VARTA Consumer Batteries GmbH & Co. KGaA (currently part of the Spectrum Brands Group) continue to hold VARTA trademark rights for automotive and consumer batteries, respectively.

TABLE OF CONTENTS

SUMMARY

*Summaries are made up of disclosure requirements known as "Elements". These Elements are numbered in Sections A–E (A.1–E.7). This summary (the "**Summary**") contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the Summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case, a short description of the Element is included in the Summary with the mention of "not applicable".*

Section A—Introduction and Warnings

A.1	**Warnings.**	This Summary should be read as an introduction to this prospectus (the "**Prospectus**"). Any decision to invest in the securities should be based on consideration of the Prospectus as a whole. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the member states of the European Economic Area (the "**Member States**"), have to bear the costs of translating the Prospectus, before the legal proceedings are initiated. VARTA AKTIENGESELLSCHAFT, Ellwangen (Jagst), Germany (the "**Company**" or the "**Issuer**", and together with the legal entities that are fully consolidated in the Issuer's consolidated financial statements, the "**Group**"), along with Jefferies International Limited ("**Jefferies**"), UniCredit Bank AG ("**UniCredit**" and, together with Jefferies, the "**Joint Global Coordinators**"), HSBC Trinkaus & Burkhardt AG ("**HSBC**" and, together with Jefferies and UniCredit, the "**Joint Bookrunners**") and Erste Group Bank AG (together with the Joint Bookrunners, the "**Underwriters**"), assume responsibility for the content of this Summary, including its German translation in accordance with Section 5(2b) No. 4 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*). Those persons who are responsible for the Summary, including possible translations thereof, or for the issuing (*Veranlassung*), can be held liable but only if the Summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or if it does not provide, when read together with the other parts of the Prospectus, all necessary key information.
A.2	**Information regarding the subsequent use of the Prospectus.**	Not applicable. Consent of the Company regarding the use of the Prospectus for a subsequent resale or final placement of the Company's shares by financial intermediaries has not been granted.

Section B—Issuer

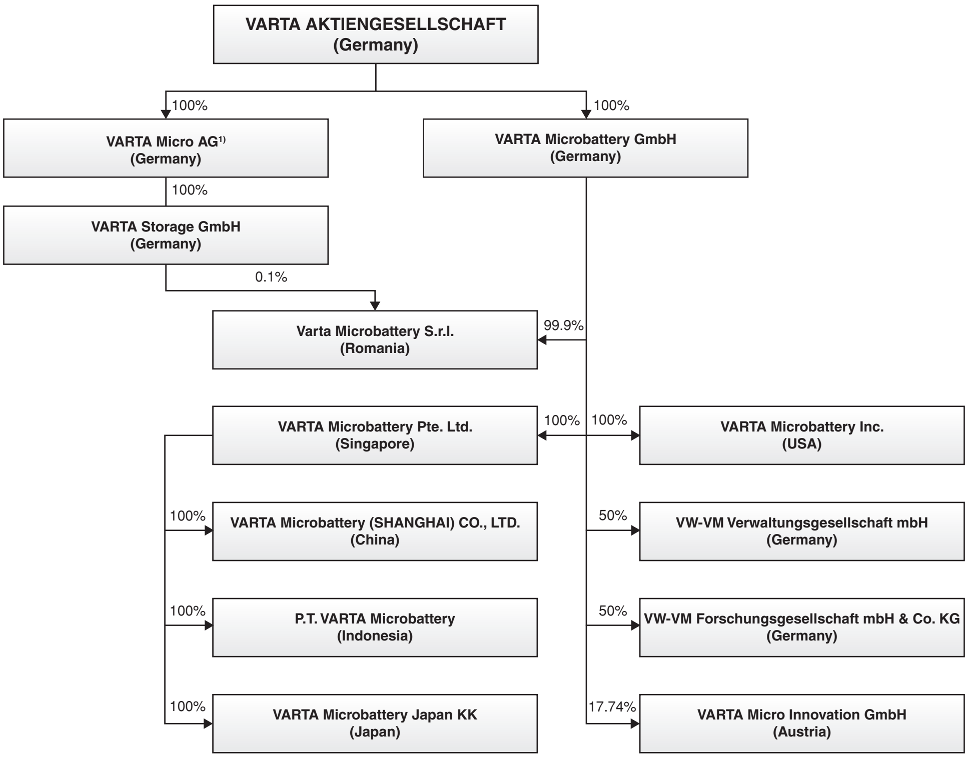
B.1	**Legal and commercial name.**	The legal and commercial name of the Issuer is VARTA AKTIENGESELLSCHAFT.
B.2	**Domicile, legal form, legislation under which the issuer operates, country of incorporation.**	VARTA AKTIENGESELLSCHAFT has its registered seat in Ellwangen (Jagst), Germany, and is registered with the commercial register (*Handelsregister*) maintained by the local court (*Amtsgericht*) of Ulm, Germany, under HRB 728059. The Company is a German stock corporation (*Aktiengesellschaft*) incorporated under and governed by the laws of the Federal Republic of Germany.

B.3	**Current operations and principal business activities and principal markets in which the issuer competes.**	The Group produces and markets microbatteries and energy storage solutions for a wide range of applications and end markets. The Group believes it is one of the two largest worldwide producers and marketers of hearing aid microbatteries, by volume, and that it is positioned to become a leading global producer and marketer of rechargeable microbatteries for entertainment devices, such as premium wireless headsets, and various industrial applications. The Group believes its market positions are attributable to the high quality, reliability and technology of its products, supported by its innovation capabilities and in-house research and development activities. The Group believes it is well-positioned to capitalize on the growing markets for microbatteries and energy storage solutions, which are being driven by an aging global population, growing technological connectivity, increasing miniaturization and the growing market for renewable energy. The Group's business operations, which it conducts through its operating subsidiaries, are divided into two operating segments: Microbatteries and Energy Storage Solutions. The Microbatteries segment is focused on the production of microbatteries for hearing aids and entertainment devices, primarily premium wireless headsets, as well as other applications in industrial and original equipment manufacturers' ("**OEM**") end products, such as back-up batteries for handheld scanners and point of sale terminals. The Energy Storage Solutions segment is primarily focused on the design, system integration and assembly of stationary energy storage systems for residential households and power pack solutions for OEM customers in various end markets, such as portable industrial, communications, medical and humanoid robotic applications. The Group's integrated design, production and assembly operations provide complete, design-to-manufacture solutions to meet customers' needs globally. The Group operates five production and assembly facilities in Germany, Romania, Indonesia and China, with distribution centers in the United States, Europe and Asia and direct sales to customers in over 75 countries around the world. The Group's production facilities are supported by research and development as well as engineering and design-in teams comprising approximately 130 full-time employees, nearly all of which are based in Germany and comprise approximately 15% of the Group's full-time employees in Germany. The Group believes it has a strong track record for innovation and research and development in microbatteries, particularly in primary zinc-air and rechargeable lithium-ion microbattery cell technologies, supported by the Group's research projects with various industrial partners, universities and research institutions over many years. The Group believes that the following competitive strengths will allow it to execute its strategy: • The Group believes that its strong market positions in core products, together with its brand recognition in certain products, provide it with competitive advantages to capitalize on continuing growth trends in the healthcare and the entertainment and industrial microbattery markets. • The Group's battery product portfolio and energy storage solutions are characterized by high quality performance and material properties supported by proprietary production technology and design-to-manufacture services, supporting its technology, innovation and product quality expertise.

		• The Group believes it is strategically well-positioned to benefit from current trends across its business segments by leveraging its market positions and technological expertise. • The Group believes its strong financial base, combined with its low leverage, working capital management and disciplined growth capital expenditures, will continue to support its growth and cash generation. • The Group has a strong and very experienced management team. The key elements of the Group's strategy include the following: • The Group aims to maintain and extend its global market position in the Microbatteries segment to become the clear global market producer of hearing aid microbatteries and is targeting further internationalization and penetration of the European market to become one of the top three providers of residential energy storage systems in Europe. • The Group intends to continue to focus on operational excellence to deliver products and solutions which offer the best combination of quality, innovation and technology while optimizing productions processes to increase profitability. • The Group aims to provide its customers with high quality batteries and technologically advanced energy storage systems and will continue to work to develop new performance-enhancing microbattery cell technologies and customized storage solutions. • The Group intends to pursue growth opportunities in its Energy Storage Solution segment through selective acquisitions and complement its acquisition growth strategy with internal investment.
B.4a	**Most significant recent trends affecting the issuer and the industries in which it operates.**	The markets for microbatteries and energy storage solutions are characterized by underlying growth supported by a number of secular trends. The aging of the growing global population, particularly in Europe, the United States and Asia, is expected to drive growing demand for hearing aids, with additional hearing aid features, such as streaming, driving the demand for hearing aid batteries. Furthermore, the relatively low current percentage of hearing impaired people using hearing aids suggests there is significant potential for increasing penetration. In addition, the trends toward increasing technological connectivity and miniaturization as well as increasing battery performance, which drive the development of new devices like wireless headsets, will continue to support demand for the Group's microbatteries. In the Energy Storage Solutions segment, the Group believes that the cell battery expertise it has acquired in its other segment will help it to capitalize on the expected growth in the markets for residential energy storage solutions in line with the increasing interest in green technologies and renewable energy.

B.5 **Description of the group and the issuer's position within the group.**

The Company is the parent entity of the Group. The following chart provides an overview (in simplified form) of the Group as of the date of this Prospectus:



1) currently in the process of being merged with and into VARTA Storage GmbH (Germany)

B.6 **Persons who, directly or indirectly, have a (notifiable) interest in the issuer's capital or voting rights.**

According to voting right notifications received and the knowledge of the Issuer, the following entities hold an interest in the Issuer as of the date of this Prospectus:

VGG GmbH[(1)]	98.0%
ETV Montana Tech Holding GmbH[(2)]	2.0%
Total	**100.0%**

(1) VGG GmbH is an Austrian limited liability company wholly-owned and directly held by Montana Tech Components AG.

(2) ETV Montana Tech Holding GmbH is an Austrian limited liability company wholly-owned and directly held by Montana Tech Components AG. Therefore, Montana Tech Components AG indirectly holds 100% of the shares in the Company.

Voting rights.

Each of the Company's shares carries one vote at the Company's shareholders' meeting. There are no restrictions on voting rights. All of the Company's shares have identical voting rights.

Direct or indirect control over the issuer and nature of such control.

The Company is currently controlled by Montana Tech Components AG, which holds 100% of the shares in the Company indirectly through its subsidiaries VGG GmbH and ETV Montana Tech Holding GmbH. Upon completion of the Offering, Montana Tech Components AG will indirectly hold at least approximately 58.6% of the shares in the Company and will therefore continue to have control at the Company's general shareholders' meeting. DDr. Tojner, the chairman of the Company's supervisory board, is the major shareholder of Montana Tech Components AG.

B.7	**Selected key historical financial information.**	The financial information contained in the following tables is taken from the audited combined financial statements of the Company as of and for the financial years ended December 31, 2013, 2014 and 2015 (together, the "**Combined Financial Statements**") and the unaudited condensed consolidated interim financial statements of the Company as of and for the nine months ended September 30, 2015 and 2016 (the "**Unaudited Condensed Consolidated Interim Financial Statements**"). The Combined Financial Statements and the Unaudited Condensed Consolidated Interim Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted in the European Union ("**IFRS**"), and the Combined Financial Statements have been audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Stuttgart, Germany, who issued an unqualified audit opinion on the Combined Financial Statements.

Income Statement

The table below sets forth selected financial data from the Company's income statement for the financial years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2015 and 2016:

	For the financial year ended December 31,			For the nine months ended September 30,	
	2013	**2014**	**2015**	**2015**	**2016**
	(in € thousands)				
	(audited)			(unaudited)	
Revenue	**159,288**	**169,038**	**195,093**	**146,411**	**160,753**
Changes in inventories of finished goods and work in progress	1,277	(2,902)	6,775	4,960	3,282
Other operating income	12,022	11,631	17,839	6,671	7,857
Raw materials and consumables used	(66,109)	(62,885)	(85,456)	(63,638)	(70,166)
Personnel expenses	(57,555)	(61,488)	(69,016)	(51,999)	(57,532)
Depreciation and amortization expenses	(5,634)	(7,428)	(8,511)	(6,322)	(6,571)
Other operating expenses	(30,719)	(32,526)	(34,244)	(24,733)	(23,118)
IPO-related expenses	—	—	—	—	(1,519)
Operating result	**12,570**	**13,440**	**22,480**	**11,350**	**12,986**
Financial result	**(176)**	**(1,056)**	**(1,852)**	**(741)**	**(1,034)**
Income before taxes	**10,303**	**12,083**	**19,371**	**9,592**	**10,763**
Income taxes	(2,209)	(4,197)	(7,775)	(4,366)	(2,108)
Result for the period	**8,094**	**7,886**	**11,596**	**5,226**	**8,655**

Statement of Financial Position

The table below sets forth selected financial data from the Company's statement of financial position as of December 31, 2013, 2014 and 2015 as of September 30, 2016:

	As of December 31,			As of September 30,
	2013	2014	2015	2016
	(in € thousands)			
		(audited)		(unaudited)
ASSETS				
Total non-current assets	**91,365**	**79,526**	**78,471**	**81,211**
Total current assets	**67,134**	**78,540**	**77,179**	**90,745**
Total assets	**158,499**	**158,066**	**155,650**	**171,956**
EQUITY AND LIABILITIES				
Total equity	**52,215**	**53,525**	**54,927**	**61,645**
Total non-current liabilities	**55,835**	**43,427**	**34,300**	**52,059**
Total current liabilities	**50,449**	**61,114**	**66,423**	**58,252**
Total liabilities	**106,284**	**104,541**	**100,723**	**110,311**
Total equity and liabilities	**158,499**	**158,066**	**155,650**	**171,956**

Statement of Cash Flows

The table below sets forth selected financial data from the Company's statement of cash flows for the financial years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2015 and 2016:

	For the financial year ended December 31,			For the nine months ended September 30,	
	2013	2014	2015	2015	2016
	(in € thousands)				
	(audited)			(unaudited)	
Cash Flow from Operating Activities	**537**	**22,000**	**19,288**	**(1,237)**	**(1,020)**
Cash Flow from Investing Activities	**(7,107)**	**7,119**	**(1,099)**	**(13,666)**	**(20,510)**
Cash Flow from Financing Activities	**5,565**	**(13,729)**	**(28,531)**	**377**	**18,979**
Cash and cash equivalents at beginning of period	5,985	4,887	20,759	20,759	10,945
Cash and cash equivalents at end of period	**4,887**	**20,759**	**10,945**	**6,638**	**8,272**

Significant changes to the issuer's financial condition and operating results during and subsequent to the period covered by the historical key financial information.

Since September 30, 2016 until the date of this Prospectus, there have been no significant changes to the financial condition and results of operations of the Company. The following changes in financial condition and operating results, as shown on the basis of revenues and results from operations occurred in the nine-month periods ended September 30, 2015 and 2016 and the financial years ended December 31, 2013, 2014 and 2015:

Nine Months ended September 30, 2015 and 2016

Revenue increased by €14,342 thousand, or 9.8%, from €146,411 thousand in the nine months ended September 30, 2015 to €160,753 thousand in the nine months ended September 30, 2016. Revenue in the Microbatteries segment increased by €13,912 thousand, or 11.6%, from €119,566 thousand in the nine months ended September 30, 2015 to €133,478 thousand in the nine months ended September 30, 2016. This increase was a result of increasing volumes of hearing aid and lithium-ion microbatteries sold in the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015. Revenue in the Energy Storage Solutions segment increased by €1,081 thousand, or 4.3%, from €24,852 thousand in the nine months ended September 30, 2015 to €25,933 thousand in the nine months ended September 30, 2016. This increase was primarily due to an increase in revenue from the sale of residential storage energy storage solutions. EBITDA increased by €1,885 thousand, or 10.7%, from €17,672 thousand in the nine months ended September 30, 2015 to €19,557 thousand in the nine months ended September 30, 2016. The increase was primarily due to the improvement in operating result as well as a small increase in depreciation and amortization expenses and was offset, in part, by Offering-related expenses incurred to September 30, 2016.

Total non-current assets increased by €2,740 thousand, or 3.5%, from €78,471 thousand at December 31, 2015 to €81,211 thousand at September 30, 2016. Total current assets increased by €13,566 thousand, or 17.6%, from €77,179 thousand at December 31, 2015 to €90,745 thousand at September 30, 2016. Total non-current liabilities increased by €17,759 thousand, or 51.8%, from €34,300 thousand at December 31, 2015 to €52,059 thousand at September 30, 2016. Total current liabilities decreased by €8,171 thousand, or 12.3%, from €66,423 thousand at December 31, 2015 to €58,252 thousand at September 30, 2016.

Financial Years ended December 31, 2014 and 2015

Revenue increased by €26,055 thousand, or 15.4%, from €169,038 thousand in the financial year ended December 31, 2014 to €195,093 thousand in the financial year ended December 31, 2015. The increase was primarily due to an increase in product sales, particularly in the Microbatteries segment. Revenue in the Microbatteries segment increased by €20,461 thousand, or 14.9%, from €137,397 thousand in the financial year ended December 31, 2014 to €157,858 thousand in the financial year ended December 31, 2015. This increase was significantly due to higher volumes of orders for hearing aid microbatteries, particularly from customers in the United States and Europe, and, to a small extent, due to increased sales of lithium-ion microbatteries. This increase was also due to a significant increase in the volume of CoinPower batteries sold in connection with the Group's ongoing expansion of CoinPower production capacity. Revenue in the Energy Storage Solutions segment increased by €5,860 thousand, or 20.4%, from €28,714 thousand in the financial year ended December 31, 2014 to €34,574 thousand in the financial year ended December 31, 2015. This increase was, to a significant extent, the result of an increase in sales of a particular power pack solution to a robotics manufacturer customer. EBITDA increased by €10,123 thousand, or 48.5%, from €20,868 thousand in the financial year ended December 31, 2014 to €30,991 thousand in the financial year ended December 31, 2015. In addition to the overall increase in the Group's operating performance, the increase was attributable to the sale and leaseback transaction in December 2015, which contributed €6,634 thousand to other operating income in the financial year ended December 31, 2015.

Total non-current assets decreased by €1,055 thousand, or 1.3%, from €79,526 thousand at December 31, 2014 to €78,471 thousand at December 31, 2015. Total current assets decreased by €1,361 thousand, or 1.7%, from €78,540 thousand at December 31, 2014 to €77,179 thousand at December 31, 2015. Total non-current liabilities decreased by €9,127 thousand, or 21.0%, from €43,427 thousand at December 31, 2014 to €34,300 thousand at December 31, 2015. Total current liabilities increased by €5,309 thousand, or 8.7%, from €61,114 thousand at December 31, 2014 to €66,423 thousand at December 31, 2015.

Financial Years ended December 31, 2013 and 2014

Revenue increased by €9,750 thousand, or 6.1%, from €159,288 thousand in the financial year ended December 31, 2013 to €169,038 thousand in the financial year ended December 31, 2014. The increase was primarily due to an increase in product sales, particularly in the Microbatteries segment. Revenue in the Microbatteries segment increased by €9,456 thousand, or 7.4%, from €127,941 thousand in the financial year ended December 31, 2013 to €137,397 thousand in the financial year ended December 31, 2014. This increase was primarily due to an increase in volumes of orders for hearing aid microbatteries and was only offset, in part, by a slight decrease in microbatteries for watches. The increase was also due, in part, to the first full year of revenue contribution from sales of the Group's CoinPower cell, which it launched in late 2013, and which generated considerable demand among OEM customers in 2014. Revenue in the Energy Storage Solutions segment increased by €1,218 thousand, or 4.4%, from €27,496 thousand in the financial year ended December 31, 2013 to €28,714 thousand in the financial year ended December 31, 2014. This increase was due to an increase in revenue in the Group's residential storage operations, including an increase of research and development service revenues of €2,210 thousand pursuant to the research and development cooperation agreement with the Technical University of Munich, and was offset, in part, by lower orders from customers for power pack projects. EBITDA increased by €2,664 thousand, or 14.6%, from €18,204 thousand in the financial year ended December 31, 2013 to €20,868 thousand in the financial year ended December 31, 2014. The increase was primarily attributable to an increase in operating result.

Total non-current assets decreased by €11,839 thousand, or 13.0%, from €91,365 thousand at December 31, 2013 to €79,526 thousand at December 31, 2014. Total current assets increased by €11,406 thousand, or 17.0%, from €67,134 thousand at December 31, 2013 to €78,540 thousand at December 31, 2014. Total non-current liabilities decreased by €12,408 thousand, or 22.2%, from €55,835 thousand at December 31, 2013 to €43,427 thousand at December 31, 2014. Total current liabilities increased by €10,665 thousand, or 21.1%, from €50,449 thousand at December 31, 2013 to €61,114 thousand at December 31, 2014.

Recent Developments

In November 2016, VARTA Microbattery GmbH entered into an agreement with VRT Pensionen GmbH, an affiliate of Montana Tech Components AG, pursuant to which, effective as of January 1, 2017, such affiliate (i) agreed to be added as additional debtor for all pension obligations of VARTA Microbattery GmbH if and to the extent they existed as per June 30, 2016 and become due and payable after January 1, 2017 and (ii) *vis-à-vis* VARTA Microbattery GmbH will assume fulfilment of the payment obligations under such pension promises (*Schuldbeitritt mit Erfüllungsübernahme*). VARTA Microbattery GmbH is obliged to pay a consideration of €11,500 thousand for such accession to its pension obligations and the undertaking to assume and perform its payment obligations thereunder. Such consideration has to be treated by VRT Pensionen GmbH as "plan assets" pursuant to IAS 19.8, and VRT Pensionen GmbH agreed to enter into a contractual trust arrangement with a pension association (*e.g.*, VARTA Pensions-Treuhand e.V.), which will administer such funds exclusively for the purpose of fulfilling payment obligations under the above pension obligations. The Company expects such debt accession agreement to be implemented shortly after completion of the Offering. In addition, VGG GmbH issued an irrevocable guarantee on first demand to VARTA Microbattery GmbH for the fulfilment of those payment obligations of VRT Pensionen GmbH under the afore-mentioned agreement on the accession to the pension obligations which are not covered by plan assets pursuant to IAS 19.8, however limited to a maximum amount of €8,000 thousand and to be reduced by all payments made by VRT Pensionen GmbH under the above debt accession agreement.

		No significant change in the Group's financial or trading position has occurred since September 30, 2016.
B.8	**Selected key pro forma financial information.**	Not applicable. No pro forma financial information has been prepared by the Company.
B.9	**Profit forecast or estimate.**	Not applicable. The Company has not published any profit forecasts or estimates.
B.10	**Qualifications in the audit report on the historical financial information.**	Not applicable. The audit reports on the historical financial information included in the Prospectus have been issued without any qualifications. As described in Note 2 to the Combined Financial Statements, since the Group has not operated as a separate group of entities, the Combined Financial Statements are not necessarily indicative of results that would have occurred if the Group had been a separate stand-alone group of entities during the years presented or of future results of the Group.
B.11	**Insufficiency of the issuer's working capital for its present requirements.**	Not applicable. The Company believes that the Group has sufficient working capital to meet its payment obligations falling due within the 12 months following the date of this Prospectus.

Section C—Securities

C.1	**Type and the class of the securities being offered and/or admitted to trading.**	The offering (the "**Offering**") relates to 19,166,665 ordinary non-par value bearer shares (*Stückaktien*) in the Company, each such share with a notional value of €1.00 in the share capital and entitlement to full dividend rights as of and for the financial year beginning January 1, 2016. The Offering consists of: • 16,666,666 newly issued ordinary non-par value bearer shares from a capital increase against contribution in cash resolved by the extraordinary general shareholders' meeting on November 16, 2016, with exclusion of subscription rights for existing shareholders (the "**New Shares**"); and • 2,499,999 existing ordinary non-par value bearer shares from the holdings of VGG GmbH to cover potential over-allotments (the "**Over-Allotment Shares**" and, together with the New Shares, the "**Offer Shares**"). The admission to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (Prime Standard) relates to up to 16,666,666 New Shares and 29,600,000 existing bearer shares of the Company (existing share capital), each with a notional value of €1.00 in the share capital and entitlement to full dividend rights as of and for the financial year beginning January 1, 2016.
	Security identification number.	International Securities Identification Number (ISIN): DE000A0TGJ55 German Securities Identification Number (WKN): A0TGJ5 Common Code: 31399483 Trading Symbol: VAR1
C.2	**Currency.**	Euro.
C.3	**The number of shares issued and fully paid.**	At the date of this Prospectus, 29,600,000 ordinary shares with no par value (*Stückaktien*) have been issued and are fully paid up. The Company's shares will be represented by one or more global share certificates (the "**Global Share Certificates**"), which have been and will be

		deposited with Clearstream Banking Aktiengesellschaft, Mergenthalerallee 61, 65760 Eschborn, Germany.
	Par value per share.	Each of the Company's shares represents a notional value of €1.00 in the Company's share capital.
C.4	**A description of the rights attached to the securities.**	Each share of the Company entitles the shareholder to one vote at the Company's general shareholders' meeting. The Offer Shares carry full dividend rights as of and for the financial year beginning January 1, 2016 and for all subsequent financial years.
C.5	**A description of any restrictions on the free transferability of the securities.**	Not applicable. There are no restrictions on the free transferability of the shares of the Company.
C.6	**Application for admission to trading on a regulated market and the identity of regulated markets where the securities are to be traded.**	On November 18, 2016, the Company will apply for admission of the New Shares and its existing shares to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, to the sub-segment thereof with additional post-admission obligations (Prime Standard). The Company expects the listing approval for the Company's shares to be granted on or about December 1, 2016. Trading in the Company's shares is expected to commence on December 2, 2016.
C.7	**Dividend policy.**	For the financial years from 2017 onwards, the Company aims to distribute an annual dividend from its annual distributable profits. Since the Issuer conducts a substantial part of its operations through its subsidiaries, its ability to pay dividends depends significantly on its operating subsidiaries generating profits and distributing them to the Issuer.

Section D—Risks

D.1	**Key risks specific to the issuer and its industry.**	**Risks Related to the Markets and Business of the Group** • Economic downturns or worsening global economic conditions may materially adversely impact the Group's business, financial condition and results of operations. • The results of the United Kingdom's referendum on withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and the Group's business. • The loss of important intellectual property rights could adversely affect the Group's business, and any threat to, or impairment of, the Group's intellectual property rights could cause the Group to incur costs to defend these rights. • The allocation and use of VARTA trademarks, company names and other company signs may increase the risk of future disagreements over the use of VARTA signs. • The Group is exposed to risks associated with product liability, warranties, recall claims or other lawsuits or claims that may be brought against it. • The Group is dependent on third-party suppliers to deliver raw materials and components for its products. • The Group may be unable to maintain its technological expertise and meet evolving customer requirements.

		• Competition in the industries and market segments in which the Group operates may adversely affect its market shares, margins and overall profitability. • Significant increases in the cost of raw materials, components and finished goods may adversely affect the Group's business, financial condition and results of operation. • The Group's business depends, in part, on contracts with certain significant customers. If one or more of such contracts were discontinued or renewed on less favorable terms, the Group's financial position and results of operation could be materially adversely affected. • The Group is exposed to various operational risks associated with its production facilities and business operations. • The Group depends on its members of management and may not be able to attract and retain key and highly qualified personnel. • The Issuer is dependent on the results of operations of its subsidiaries. • The international scope of the Group's operations and corporate and financing structure may expose it to potentially adverse tax consequences. • Disruptions of the Group's information technology systems could have a material adverse effect on its business. • The Group may be subject to secondary liability in connection with pension arrangements. • The Group may not be able to identify suitable acquisition targets or assess all risks associated with the acquisition of such targets. • The Group may not be able to successfully integrate businesses that it acquires or realize the anticipated growth potential or synergies, if any, from such acquisitions. • The Group is subject to the credit risk of its customers, suppliers and distributors. • The financial information presented in this Prospectus may not be entirely comparable and may not be representative of the Group's results as an independent listed consolidated group going forward.
D.3	**Key risks specific to the securities**	**Risks Relating to the Offering and the Shares** • The market for and the price of the shares may be highly volatile and could decline significantly. • There is no existing market for the Issuer's shares, and an active trading market for the Issuer's shares may fail to develop after the Offering. • The interests of the Issuer's Major Shareholder may deviate from, or conflict with, the Issuer's or its other shareholders' interests. • The Issuer will have broad discretion in how it uses the net proceeds from the Offering, and if the Issuer fails to use them effectively, the price of the Issuer's shares may decline. • The Issuer may be adversely affected by the transition to being a public company. • The Issuer may not be able to pay dividends in the future or may be limited in its ability to pay dividends under future finance agreements.

Section E—Offer

E.1	**The total net proceeds.**	The Company will receive the proceeds from the sale of the New Shares (as defined above in C.1). VGG GmbH will receive the proceeds, if and to the extent the Greenshoe Option (as defined below in E.3) is exercised, from the exercise of the Greenshoe Option, in each case after deduction of fees and commissions. The Company intends to receive up to €150.0 million in gross proceeds relating to the sale of the New Shares and, consequently, to issue such number of New Shares required to arrive at such amount of gross proceeds. Accordingly, assuming an Offer Price at the high end of the price range, the Company would issue 12,000,000 New Shares, and, assuming an Offer Price at the low end of the price range, the Company would issue 16,666,666 New Shares.
	Estimate of the total expenses of the offering and listing, including estimated expenses charged to the investor by the issuer.	The expenses related to the Offering and the listing of the Company's shares will be borne by the Company, except for the portion of the Underwriters' commissions which is payable by VGG GmbH. Assuming gross proceeds of €150.0 million from the sale of the New Shares, the total costs of the Company related to the offering of the New Shares and the stock exchange listing are expected to total approximately €9.7 million, including Underwriters' commissions (equal to 3.0% of the aggregate gross proceeds of the New Shares, plus a discretionary incentive fee of up to 1.0% of the aggregate gross proceeds of the New Shares payable at the Company's absolute discretion) of €6.0 million (assuming full payment of the discretionary fee with respect to the New Shares) and estimated other expenses of €3.7 million. Under the above assumptions, the net proceeds to the Company from the sale of the New Shares, *i.e.*, the gross proceeds less the costs of the Company, are expected to amount to approximately €140.3 million and the net proceeds of VGG GmbH from the exercise of the Greenshoe Option (assuming exercise of the Greenshoe Option in full) are expected to amount to approximately €21.6 million. Investors will not be charged expenses by the Company or the Underwriters.
E.2a	**Reasons for the offering, use of proceeds, estimated net amount of the proceeds.**	The Company intends to sell the New Shares and use the estimated net proceeds of the Offering of €140.3 million (assuming placement of such number of New Shares with investors required to arrive at an amount of gross proceeds of €150 million) to finance the further growth and development of its businesses. In particular, the Group intends to use up to €50 million of the net proceeds for internal investments, including in a new large-scale, automated battery assembly plant for power pack solutions, and the remainder for selective acquisitions in the Group's Energy Storage Solutions segment, primarily in Europe.
E.3	**Description of the terms and conditions of the offer.**	***Offer conditions*** The Offering relates to 19,166,665 ordinary bearer shares with no-par value (*Stückaktien*) of VARTA AKTIENGESELLSCHAFT, each such share with a notional value of €1.00 and entitled to full dividend rights as of and for the financial year beginning January 1, 2016, consisting of: • 16,666,666 newly issued ordinary non-par value bearer shares from a capital increase in connection with the Offering resolved by the Company's extraordinary general shareholders' meeting on November 16, 2016 (the New Shares, as defined above); and • 2,499,999 Over-Allotment Shares (as defined above) from the holdings of VGG GmbH to cover potential over-allotments (the Over-Allotment Shares together with the New Shares, the Offer Shares, each as defined above).

The Offering consists of (i) an offer to the public in Germany and Austria; and (ii) private placements to institutional investors in certain jurisdictions outside Germany and Austria, including a private placement in the United States of America to persons who are "qualified institutional buyers" ("**QIBs**") as defined in Rule 144A ("**Rule 144A**") under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"). All offers and sales outside the United States of America will be made in compliance with Regulation S ("**Regulation S**") under the Securities Act.

Offer period

The period during which investors may submit purchase orders for the Offer Shares will begin on November 18, 2016, and is expected to end on November 29, 2016 (the "**Offer Period**"). On the last day of the Offer Period, offers to purchase may be submitted (i) until 10:00 a.m. (Central European Time) ("**CET**") by private investors and (ii) until 2:00 p.m. (CET) by institutional investors.

Price range and offer price

The price range within which purchase orders may be placed is €9.00 to €12.50 per Offer Share.

Once the Offer Period has expired, the offer price will be determined by the Company jointly with the Joint Global Coordinators using the order book prepared during the bookbuilding process. This is expected to take place on or about November 29, 2016.

Amendments to the terms of the Offering

The Issuer, together with the Joint Global Coordinators, reserves the right to increase or decrease the total number of Offer Shares, to increase or decrease the upper limit and/or the lower limit of the price range and/or to extend or shorten the Offer Period. Changes in the number of Offer Shares, changes to the price range or the extension or shortening of the Offer Period will not invalidate any offers to purchase that have already been submitted. If such change requires the publication of a supplement to this Prospectus, investors who submitted purchase orders before the supplement is published shall have the right, under the German Securities Prospectus Act (*Wertpapierprospektgesetz*) to withdraw these offers to purchase within two business days of the publication of the supplement. Instead of withdrawing the offers to purchase placed prior to the publication of the supplement, investors may change their orders or place new limited or unlimited offers to purchase within two business days of the publication of the supplement. To the extent that the terms of the Offering are changed, such change will be published by means of electronic media (such as Reuters or Bloomberg) and, if required by the German Securities Prospectus Act (*Wertpapierprospektgesetz*) or the Listing Rules (*Börsenordnung*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), as a publication of significant information via an electronic information system, on the Issuer's website and as a supplement to this Prospectus. Investors who have submitted offers to purchase will not be notified individually. Under certain conditions, the Joint Global Coordinators, acting on behalf of the Underwriters, may terminate the underwriting agreement relating to the Offering entered into with the Issuer on November 17, 2016 (the "**Underwriting Agreement**"), even after commencement of trading (*Aufnahme des Handels*) of the Issuer's shares on the regulated market segment (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).

Delivery and payment

The delivery of the Offer Shares against payment of the offer price is expected to take place on the first day of trading of the Company's shares on the Frankfurt Stock Exchange. The Offer Shares will be made available to the shareholders as co-ownership interests in the Global Share Certificates.

Stabilization measures, over-allotment and Greenshoe option

In connection with the placement of the Offer Shares, Jefferies, acting for the account of the Underwriters, will act as the stabilization manager (the "**Stabilization Manager**") and may, as Stabilization Manager acting in accordance with legal requirements (Article 5(4) of the Commission Regulation (EU) No. 596/2014 of the European Parliament and of the Council of April 16, 2014 on market abuse (market abuse regulation)), make over-allotments and take stabilization measures to support the market price of the Company's shares and thereby counteract any selling pressure.

The Stabilization Manager is under no obligation to take any stabilization measures. Therefore, no assurance can be provided that any stabilization measures will be taken. Where stabilization measures are taken, these may be terminated at any time without notice. Such measures may be taken from the date the Company's shares commence trading on the regulated market on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and must be terminated no later than the 30th day after such date (the "**Stabilization Period**").

These measures may result in the market price of the Company's shares being higher than would otherwise have been the case. Moreover, the market price may temporarily be at an unsustainable level.

With a view to possible stabilization measures, investors may be allocated up to 2,499,999 Over-Allotment Shares ("**Over-Allotment**"). For the purpose of such a potential Over-Allotment, the Stabilization Manager, for the account of the Underwriters, will be provided with 2,499,999 Company's shares from the holdings of VGG GmbH in the form of a securities loan granted by such shareholder. The total number of Over-Allotment Shares will not exceed 15.00% of the number of Offer Shares excluding Over-Allotments. In connection with the Over-Allotment, VGG GmbH has granted the Underwriters an option to acquire the borrowed shares at the offer price (the "**Greenshoe Option**"). The Greenshoe Option will terminate on January 2, 2017.

The Underwriters are entitled, but not obligated, to exercise the Greenshoe Option to the extent Over-Allotments of Company's shares were initially made.

Once the Stabilization Period has ended, an announcement will be made within one week in various media outlets distributed across the entire European Economic Area as to whether stabilization measures were taken, when price stabilization started and finished, and the price range within which the stabilization measures were taken; the latter will be made known for each occasion on which price stabilization measures were taken. Exercise of the Greenshoe Option, the timing of its exercise and the number and type of Company's shares concerned will also be announced promptly in the same manner.

E.4	**Interests material to the issue/offer including conflicting interests.**	In connection with the Offering and the admission to trading of the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), the Underwriters have formed a contractual relationship with the Company. The Underwriters act for the Company on the Offering and coordinate the structuring and execution of the Offering. Upon successful implementation of the Offering, the Underwriters will receive a fixed fee and may receive additional performance-based compensation. The compensation is incentive-based and depends, among other things, on the amount of the gross proceeds of the Offering. Furthermore, in connection with the Offering, each of the Underwriters and any of their respective affiliates, acting as an investor for their own account, may acquire shares in the Offering and in that capacity may retain, purchase or sell for its own account such shares or related investments and may offer or sell such shares or other investments otherwise than in connection with the Offering. In addition, certain of the Underwriters or their affiliates may enter into financing arrangements (including swaps or contracts for differences) with investors in connection with which the Underwriters (or their affiliates) may from time to time acquire, hold or dispose of shares in the Company. None of the Underwriters intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so or as disclosed in this Prospectus. Some of the Underwriters or their affiliates have, and may from time to time in the future continue to have, business relations with the Group (including lending activities) or may perform services for the Group in the ordinary course of business. In connection with the Offering, the Company's Chief Financial Officer agreed to acquire shares of the Company from VGG GmbH in an amount of €500,000 at a 20% discount to the Offer Price promptly following completion of the Offering and will be subject to the same selling (lock-up) restrictions as the Company described in E.5 below. In addition, pursuant to an agreement dated December 2011, as amended in March 2012 and October 2016, and in recognition of his long-term service and contributions to the growth of the business of the Group over many years, the Company's Chief Executive Officer will receive a significant one-off payment, payable by VGG GmbH or its affiliates, upon completion of the Offering. An amount of such net cash payment of approximately €1.0 million will be used to acquire shares of the Company from VGG GmbH, at a 20% discount to the Offer Price, promptly following completion of the Offering. Such shares acquired by the Chief Executive Officer will be subject to the same selling (lock-up) restrictions as the existing shareholders of the Company described in E.5 below. The gross amount of the one-off payment is dependent on the valuation of the Company and is expected to be substantially higher than the amount to be invested in shares of the Company. The Chief Executive Officer and the Chief Financial Officer will each also be granted the option to acquire shares in the Company in the amount of €100,000 under the management stock option program to be implemented in connection with the Offering. As a result, each of the members of the Company's Management Board has a financial interest in the Offering.

		Since the Company will receive the proceeds from the Offering of the New Shares and these will strengthen the equity capital basis of the Company, all direct and indirect shareholders with an interest in the Company, in particular the existing shareholders of the Company, have an interest in the implementation of the capital increase to which this Offering relates. This applies, in particular, to Montana Tech Components AG, which currently indirectly holds 100% of the shares of the Company through VGG GmbH and ETV Montana Tech Holding GmbH, and to DDr. Michael Tojner, chairman of the Supervisory Board and the major shareholder of Montana Tech Components AG. VGG GmbH will receive the proceeds resulting from any exercise of the Greenshoe Option. VGG GmbH will make available the Over-Allotment Shares as part of the Offering to ensure sufficient free float and trading liquidity in the Company's shares, but it may also have a financial interest in the offer of these shares in light of the Greenshoe Option. In addition to the afore-mentioned interests, the Company is not aware of any interests which are material to the Offering and which could be considered conflicting.
E.5	**Name of the person or entity offering to sell the security.**	The Offer Shares are being offered for sale by the Underwriters.
	Lock-up agreements: the parties involved; and indication of the period of the lock up.	The Company has agreed with the Underwriters that it will not, during a period of six months commencing on the first day of trading of the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), and, for an additional period of six months thereafter, without the prior written consent of the Joint Global Coordinators (which consent shall not be unreasonably withheld or delayed): • directly nor indirectly issue, sell, offer, commit to sell or otherwise dispose of shares or announce such offer; • directly or indirectly issue, securitize, offer, commit to sell, otherwise dispose of any financial instruments carrying conversion or option rights with respect to the shares or announce such offer; • announce or implement a capital increase from authorized capital; • submit a resolution for a capital increase including new authorized capital to any shareholders' meeting; or • conduct any transactions (including derivative transactions) that would have an economic effect similar to the above measures. This excludes the issuance or sale, as applicable, of shares or other securities issued under management or employee participation programs or stock option plans to members of the management or employees of the Company or its affiliates as well as the issuance of shares against contributions in kind in connection with any acquisition, equity investment or joint venture directly to the partner in any such acquisition, equity investment or joint venture. The selling restrictions above also apply to shares acquired by the Chief Financial Officer pursuant to his commitment to acquire shares of the Company described under E.4 above in connection with the Offering. The existing shareholders of the Company have also agreed with the Underwriters that they will not, during a period of twelve months following the first day of trading of the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), and for an additional twelve months thereafter, without the prior written consent of the Joint Global Coordinators (which consent shall not be unreasonably withheld or delayed):

		• offer, pledge, allot, market, distribute, sell, transfer or otherwise dispose of, directly or indirectly (including, but not limited to, the issuance or sale of any securities exchangeable into Company's shares), any Company's shares; • cause or approve, directly or indirectly, the announcement, execution or implementation of any increase in the share capital of the Company or a direct or indirect placement of Company's shares; • propose, directly or indirectly, any increase in the share capital of the Company to any meeting of the shareholders for resolution, or vote in favor of such a proposed increase; • cause or approve, directly or indirectly, the announcement, execution or proposal of any issuance of financial instruments constituting options or warrants convertible into Company's shares; or • enter into a transaction or perform any action economically similar to those described in the bullets above. The selling restrictions above also apply to shares acquired by the Chief Executive Officer pursuant to the one-off bonus payment described under E.4 above in connection with the Offering. The selling restrictions do not apply to disposals of shares in the Company within the framework of a public takeover bid pursuant to the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*). Further excluded are (i) transactions by VGG GmbH with companies affiliated with VGG GmbH and the distribution of Company's shares by such shareholder to its shareholder(s) or partner(s) (as applicable) through dividends in kind, if it is in each case ensured that the recipient is subject to the same selling restrictions as VGG GmbH and (ii) after expiry of twelve months following the first day of trading of the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), an exchange of shares of the Company with a value of up to €5.0 million held by either VGG GmbH and/or ETV Montana Tech Holding GmbH for shares in Montana Tech Components AG (Switzerland) held by its shareholders (to be implemented by way of an exchange offer (*Umtauschangebot*) or otherwise).
E.6	**Amount and percentage of immediate dilution resulting from the offering.**	The carrying amount of the shareholders' equity of the Company including non-controlling interests (total equity attributable to the Group, or "**Net Asset Value**", *i.e.*, the total assets less total non-current liabilities and total current liabilities) amounted to €61,645 thousand at September 30, 2016 based on the Unaudited Condensed Consolidated Interim Financial Statements, corresponding to €2.08 per share based on 29,600,000 outstanding ordinary bearer shares of the Company prior to the Offering. We are targeting gross proceeds of €150.0 million from the sale of the New Shares in the Offering. Costs of the Company related to the Offering are expected to total approximately €9.7 million, including underwriting commissions of €6.0 million (assuming gross proceeds from the sale of the New Shares in the amount of €150.0 million and full payment of the incentive fee, excluding tax effects) and estimated other expenses of €3.7 million.

		Had the Company already received the resulting amount of net proceeds by September 30, 2016, the carrying amount of the Net Asset Value so adjusted on the Company's consolidated interim statement of financial position as of September 30, 2016, would have been approximately €202.0 million, which corresponds to approximately €4.37 per share based on the number of outstanding shares assuming placement at the low end of the price range of 16,666,666 New Shares and to approximately €4.85 per share based on the number of outstanding shares assuming placement at the high end of the price range of 12,000,000 New Shares related to this Offering. Assuming placement at the low end of the price range, this would represent an immediate accretion of the existing shareholders of the Company of €2.28, or 109.6%, per share and an immediate dilution of €4.63, or 51.5%, per share to purchasers of the Offer Shares. Assuming placement at the high end of the price range, this would represent an immediate accretion of the existing shareholders of the Company of €2.77, or 133.1%, per share and an immediate dilution of €7.65, or 61.2%, per share to purchasers of the Offer Shares.
E.7	**Estimated expenses charged to the investor by the issuer.**	Not applicable. Investors will not be charged expenses by the Company or the Underwriters.

GERMAN TRANSLATION OF THE SUMMARY
ZUSAMMENFASSUNG

*Zusammenfassungen bestehen aus geforderten offenlegungspflichtigen Angaben, die als „Elemente" bezeichnet sind. Diese Elemente sind in den Abschnitten A–E (A.1–E.7) fortlaufend nummeriert. Diese Zusammenfassung (die „**Zusammenfassung**") enthält alle Elemente, die in eine Zusammenfassung für diese Art von Wertpapier und Emittent aufzunehmen sind. Da einige Elemente nicht behandelt werden müssen, können in der Nummerierungsreihenfolge Lücken auftreten. Selbst wenn ein Element wegen der Art des Wertpapiers und des Emittenten in die Zusammenfassung aufgenommen werden muss, ist es möglich, dass bezüglich dieses Elements keine relevante Information gegeben werden kann. In einem solchen Fall enthält die Zusammenfassung eine kurze Beschreibung des Elements mit dem Hinweis „entfällt".*

ABSCHNITT A—EINLEITUNG UND WARNHINWEISE

A.1	**Warnhinweise.**	Diese Zusammenfassung sollte als Einleitung zu diesem Prospekt (der „**Prospekt**") verstanden werden. Jede Anlageentscheidung bezüglich der Wertpapiere sollte sich auf eine Prüfung des gesamten Prospekts stützen. Für den Fall, dass vor einem Gericht Ansprüche aufgrund der in dem Prospekt enthaltenen Informationen geltend gemacht werden, könnte der als Kläger auftretende Anleger in Anwendung der einzelstaatlichen Rechtsvorschriften der Mitglieder des Europäischen Wirtschaftsraums (die „**Mitgliedsstaaten**") die Kosten für die Übersetzung des Prospekts vor Prozessbeginn zu tragen haben. VARTA AKTIENGESELLSCHAFT, Ellwangen (Jagst), Deutschland (die „**Gesellschaft**" oder die „**Emittentin**", und gemeinsam mit den juristischen Personen, die vollständig in dem Konzernabschluss der Emittentin konsolidiert sind, der „**Konzern**"), gemeinsam mit Jefferies International Limited („**Jefferies**"), UniCredit Bank AG („**UniCredit**" und, gemeinsam mit Jefferies, die „**Joint Global Coordinators**"), HSBC Trinkaus & Burkhardt AG („**HSBC**" und, gemeinsam mit Jefferies und UniCredit, die „**Joint Bookrunners**") sowie Erste Group Bank AG (gemeinsam mit den Joint Bookrunners, die „**Konsortialbanken**"), übernehmen die Verantwortung für diese Zusammenfassung gemäß § 5 Absatz 2b Nr. 4 Wertpapierprospektgesetz, einschließlich ihrer deutschen Übersetzung. Diejenigen Personen, die die Verantwortung für die Zusammenfassung einschließlich etwaiger Übersetzungen übernommen haben oder für ihre Veranlassung verantwortlich sind, können haftbar gemacht werden, jedoch nur für den Fall, dass die Zusammenfassung irreführend, unrichtig oder widersprüchlich ist, wenn sie zusammen mit den anderen Teilen des Prospekts gelesen wird, oder sie, wenn sie zusammen mit den anderen Teilen des Prospekts gelesen wird, nicht alle erforderlichen Schlüsselinformationen vermittelt.
A.2	**Zustimmung zur späteren Verwendung des Prospekts.**	Entfällt. Eine Zustimmung der Gesellschaft zur Verwendung des Prospekts für einen späteren Weiterverkauf oder eine endgültige Platzierung der Aktien der Gesellschaft durch Finanzintermediäre ist nicht erteilt worden.

ABSCHNITT B—EMITTENT

B.1	**Firma und kommerzielle Bezeichnung.**	Die Firma und die kommerzielle Bezeichnung der Emittentin ist VARTA AKTIENGESELLSCHAFT.
B.2	**Sitz, Rechtsform, geltendes Recht, Land der Gründung.**	Die VARTA AKTIENGESELLSCHAFT hat ihren Sitz in Ellwangen (Jagst), Deutschland, und ist im Handelsregister des Amtsgerichts Ulm, Deutschland, unter HRB 728059 eingetragen. Die Gesellschaft ist eine deutsche Aktiengesellschaft, die in der Bundesrepublik Deutschland gegründet wurde und deutschem Recht unterliegt.

B.3	**Art der derzeitigen Geschäftstätigkeit und Haupttätigkeiten des Emittenten, sowie der Hauptmärkte, auf denen der Emittent vertreten ist.**	Der Konzern produziert und vermarktet Mikrobatterien und Lösungen zur Energiespeicherung für eine Vielzahl von Anwendungen und Endkundenmärkte. Der Konzern ist der Ansicht, dass er, gemessen an der produzierten Stückzahl, einer der zwei weltweit größten Hersteller und Vermarkter von Mikrobatterien für Hörgeräte und dass er dafür aufgestellt ist, ein führender weltweit tätiger Hersteller und Vermarkter für wiederaufladbare Knopfzellen für Unterhaltungselektronik, etwa für kabellose Premium-Kopfhörer, und für eine Vielzahl von industriellen Anwendungen zu werden. Der Konzern ist der Ansicht, dass seine Marktstellung auf die hohe Qualität, Verlässlichkeit und Technologie seiner Produkte zurückzuführen ist, unterstützt durch seine Innovationsfähigkeit und eigene Forschungs- und Entwicklungsaktivitäten. Der Konzern sieht sich gut positioniert, von den wachsenden Märkten für Mikrobatterien und Energiespeichersysteme zu profitieren, die von der alternden Weltbevölkerung, einer wachsenden technologischen Vernetzung, voranschreitender Miniaturisierung und dem wachsenden Markt für erneuerbare Energien angetrieben werden. Die Geschäftstätigkeit des Konzerns, die er durch seine operativen Tochtergesellschaften betreibt, ist in zwei Geschäftssegmente unterteilt: Mikrobatterien und Energiespeicherungslösungen. Das Mikrobatteriesegment fokussiert sich auf die Herstellung von Mikrobatterien für Hörgeräte und Unterhaltungselektronik, vor allem kabellose Premium-Kopfhörer, sowie für andere Anwendungsbereiche in Industrie- und Erstausrüster- (*original equipment manufacturers*) („**OEM**“) Endprodukten, wie zum Beispiel Ersatzbatterien für Handscanner und Kassenterminals. Das Segment für Energiespeicherlösungen ist hauptsächlich auf die Entwicklung, die Systemintegration und die Montage von stationären Energiespeichersystemen für Haushalte und Batteriespeicher für OEM-Kunden in diversen Endmärkten, wie z.B. für industrielle portable Anwendungen, Kommunikationsanwendungen, medizinische Anwendungen und Anwendungen in der humanoiden Robotik, ausgerichtet. Die integrierten Design-, Produktions- und Montagetätigkeiten des Konzerns bieten vollumfängliche Lösungen, vom Entwurf bis zur Fertigung, um den Bedürfnissen der Kunden umfassend Rechnung zu tragen. Der Konzern betreibt fünf Produktions- und Fertigungsstätten in Deutschland, Rumänien, Indonesien und China, mit Vertriebszentren in den Vereinigten Staaten, Europa und Asien und Direktvertrieb zu Kunden in über 75 Ländern weltweit. Die Produktionsstätten des Konzerns werden von Forschungs- und Entwicklungsteams sowie Ingenieurs- und Innengestaltungsteams unterstützt, die aus etwa 130 Vollzeitmitarbeitern bestehen, die fast alle in Deutschland angesiedelt sind und annähernd 15% der Vollzeitmitarbeiter des Konzerns in Deutschland ausmachen. Der Konzern ist der Ansicht, über eine starke Erfolgsbilanz bei Innovationen und Forschung im Mikrobatteriesektor zu verfügen, insbesondere hinsichtlich primärer Zink-Luft- und wiederaufladbarer Lithium-Ionen-Knopfzellentechnologie, die seit vielen Jahren von Forschungsprojekten des Konzerns zusammen mit Partnern aus der Industrie, Universitäten und Forschungsinstituten unterstützt wird. Der Konzern ist der Ansicht, dass ihm die folgenden Wettbewerbsstärken die Umsetzung seiner Strategie ermöglichen werden: • Der Konzern ist der Ansicht, dass ihm seine starke Marktstellung bezüglich seiner Hauptprodukte, zusammen mit seiner Markenbekanntheit bezüglich bestimmter Produkte, Wettbewerbsvorteile geben, die es ihm erlauben, von den anhaltenden Wachstumstrends in den Märkten für Mikrobatterien im Gesundheits-, Unterhaltungs- und Industriesektor zu profitieren.

- Die Batterie-Produktportfolios des Konzerns und seine Energiespeicherlösungen zeichnen sich durch hochwertige Leistung und Materialeigenschaften aus, unterstützt von eigenen Produktionstechnologien und Dienstleistungen, die vom Entwurf bis zur Fertigstellung reichen, was seine Expertise bei Technologie, Innovation und Produktqualität untermauert.
- Der Konzern hält sich für strategisch gut positioniert, um von aktuellen Trends in seinen Geschäftssegmenten zu profitieren, indem er seine Marktposition und sein technologisches Fachwissen wirksam einsetzt.
- Der Konzern geht davon aus, dass seine starke finanzielle Basis, zusammen mit seinem niedrigen Verschuldungsgrad, dem Management seiner Betriebsmittel und seiner Disziplin bei der Vornahme von Wachstumsinvestitionen sein Wachstum und die Generierung liquider Mitteln weiter fördern werden.
- Der Konzern verfügt über ein starkes und sehr erfahrenes Management-Team.

Die Kernpunkte der Konzernstrategie beinhalten die folgenden Punkte:

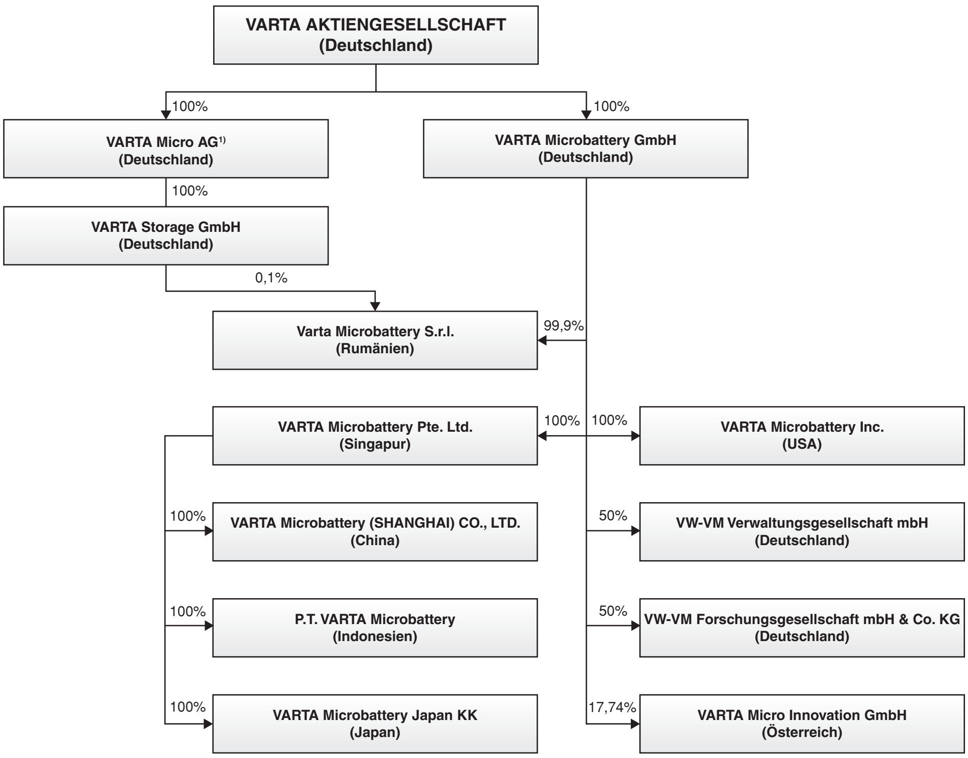
- Der Konzern beabsichtigt, seine globale Marktposition im Mikrobatteriesegment zu erhalten und zu erweitern, um der eindeutig global führende Hersteller von Mikrobatterien für Hörgeräte zu werden, und zielt auf eine weitergehende Internationalisierung und Durchdringung des europäischen Marktes ab, um einer der drei führenden Anbieter für Energiespeichersysteme für Haushalte in Europa zu werden.
- Der Konzern plant, sich weiterhin auf operative Exzellenz auszurichten, um Produkte und Lösungen liefern zu können, die die beste Kombination aus Qualität, Innovation und Technologie bieten, und gleichzeitig seine Produktionsprozesse zu optimieren, um die Profitabilität zu erhöhen.
- Der Konzern zielt darauf ab, seine Kunden mit hochqualitativen Batterien und technologisch fortschrittlichen Energiespeichersystemen zu versorgen, und wird weiter daran arbeiten, neue leistungssteigernde Mikrobatteriezellentechnologien und individuelle Energiespeicherlösungen zu entwickeln.
- Der Konzern beabsichtigt, Wachstumschancen in seinem Energiespeicherlösungssegment durch ausgewählte Akquisitionen zu nutzen und diese Wachstums-Akquisitionsstrategie durch interne Investitionen zu ergänzen.

B.4a	**Wichtigste jüngste Trends, die sich auf den Emittenten und die Branchen in denen er tätig ist, auswirken.**	Der Markt für Mikrobatterien und Energiespeicherlösungen ist durch ein zu Grund liegendes Wachstum gekennzeichnet, unterstützt von mehreren langfristigen Trends. Es wird erwartet, dass die Alterung der wachsenden Weltbevölkerung, besonders in Europa, den Vereinigten Staaten und Asien, die Nachfrage nach Hörgeräten antreibt und dass zusätzliche Hörgerätefunktionen, wie z.B. Streaming, den Bedarf nach Hörgerätebatterien kontinuierlich erhöht. Weiterhin lässt der aktuell relativ niedrige Anteil an Hörgerätenutzern unter den hörgeschädigten Menschen vermuten, dass es ein erhebliches Potential für eine Erhöhung der Marktdurchdringung gibt. Zusätzlich werden die Trends hin zu einer gesteigerten technologischen Konnektivität und Miniaturisierung sowie zu einer steigenden Batterieleistung, die die Entwicklung von neuen Geräten wie z.B. kabellosen Kopfhörern vorantreiben, weiter den Bedarf nach Mikrobatterien des Konzerns fördern. Im Energiespeicherlösungssegment erwartet der Konzern, dass ihm die Batteriezellenexpertise, die er in

seinem anderen Segment erworben hat, helfen wird, von dem erwarteten Marktwachstum bei Energiespeicherlösungen für Haushalte zu profitieren, in Übereinstimmung mit dem gesteigerten Interesse an umweltfreundlichen Technologien und erneuerbaren Energien.

B.5 **Beschreibung des Konzerns und der Stellung des Emittenten innerhalb dieses Konzerns.**

Die Gesellschaft ist die Muttergesellschaft des Konzerns. Die folgende Darstellung gibt (in vereinfachter Form) einen Überblick über den Konzern zum Datum dieses Prospekts:



[1] wird derzeit mit der und auf die VARTA Storage GmbH (Deutschland) verschmolzen

B.6 **Personen, die eine direkte oder indirekte (anzeigepflichtige) Beteiligung am Eigenkapital des Emittenten oder einen Teil der Stimmrechte halten.**

Gemäß erhaltener Stimmrechtsmitteilungen und nach Kenntnis der Emittentin halten die folgenden juristischen Personen eine Beteiligung an der Emittentin zum Zeitpunkt dieses Prospekts:

VGG GmbH(1)	98,0%
ETV Montana Tech Holding GmbH(2)	2,0%
Gesamt	**100,0%**

(1) Die VGG GmbH ist eine österreichische Gesellschaft mit beschränkter Haftung, die unmittelbar von der Montana Tech Components AG gehalten wird.

(2) Die ETV Montana Tech Holding GmbH ist eine österreichische Gesellschaft mit beschränkter Haftung, die unmittelbar von der Montana Tech Components AG gehalten wird. Damit hält die Montana Tech Components AG indirekt 100% der Aktien der Gesellschaft.

	Stimmrechte.	Jede Aktie der Gesellschaft berechtigt zu einer Stimme in der Hauptversammlung der Gesellschaft. Es bestehen keine Beschränkungen der Stimmrechte. Alle Aktien der Gesellschaft sind mit dem gleichen Stimmrecht ausgestattet.
	Direkte oder indirekte Beherrschung über den Emittenten und die Art einer solchen Beherrschung.	Der Konzern wird derzeit von der Montana Tech Components AG beherrscht, die indirekt durch ihre Tochtergesellschaften VGG GmbH und ETV Montana Tech Holding GmbH 100% der Aktien an der Gesellschaft hält. Nach Durchführung des Angebots wird die Montana Tech Components AG indirekt mindestens ca. 58,6% der Aktien der Gesellschaft halten und wird damit auch weiterhin die Kontrolle über die Hauptversammlung der Gesellschaft haben. Dr. Dr. Tojner, der Aufsichtsratsvorsitzende der Gesellschaft, ist der Hauptaktionär der Montana Tech Components AG.
B.7	**Ausgewählte wesentliche historische Finanzinformationen.**	Die nachfolgend in den Tabellen aufgeführten Finanzinformationen beruhen auf den geprüften kombinierten Abschlüssen der Gesellschaft von und für die zum 31. Dezember 2013, 2014 und 2015 abgeschlossenen Geschäftsjahre (zusammen, die „**Kombinierten Abschlüsse**“) und den ungeprüften verkürzten Konzernzwischenabschlüssen der Gesellschaft von und für den zum 30. September 2015 und 2016 abgeschlossenen Neunmonatszeitraum (die „**Ungeprüften Verkürzten Konzernzwischenabschlüsse**“). Die Kombinierten Abschlüsse und die Ungeprüften Verkürzten Konzernzwischenabschlüsse sind in Übereinstimmung mit den International Financial Reporting Standards, wie sie in der Europäischen Union anzuwenden sind („**IFRS**“), erstellt worden, und die Kombinierten Abschlüsse sind von der KPMG AG Wirtschaftsprüfungsgesellschaft, Stuttgart, Deutschland, geprüft worden und mit einem uneingeschränkten Bestätigungsvermerk versehen worden.

Gewinn- und Verlustrechnung

Die nachfolgende Tabelle zeigt ausgewählte Finanzinformationen aus der Gewinn- und Verlustrechnung der Gesellschaft für die zum 31. Dezember 2013, 2014 und 2015 abgeschlossenen Geschäftsjahre sowie die zum 30. September 2015 und 2016 abgeschlossenen Neunmonatszeiträume:

	Für das Geschäftsjahr zum 31. Dezember			Für den Neunmonatszeitraum zum 30. September	
	2013	**2014**	**2015**	**2015**	**2016**
	(in € Tausend)				
	(geprüft)			(ungeprüft)	
Umsatzerlöse	**159.288**	**169.038**	**195.093**	**146.411**	**160.753**
Erhöhung oder Verminderung des Bestandes an fertigen und unfertigen Erzeugnissen	1.277	(2.902)	6.775	4.960	3.282
Sonstiger betrieblicher Ertrag	12.022	11.631	17.839	6.671	7.857
Materialaufwand	(66.109)	(62.885)	(85.456)	(63.638)	(70.166)
Personalaufwand	(57.555)	(61.488)	(69.016)	(51.999)	(57.532)
Abschreibungen und Amortisationen	(5.634)	(7.428)	(8.511)	(6.322)	(6.571)
Sonstiger betrieblicher Aufwand	(30.719)	(32.526)	(34.244)	(24.733)	(23.118)
IPO Kosten	—	—	—	—	(1.519)
Betriebsergebnis	**12.570**	**13.440**	**22.480**	**11.350**	**12.986**
Finanzergebnis	**(176)**	**(1.056)**	**(1.852)**	**(741)**	**(1.034)**
Ergebnis vor Steuern	**10.303**	**12.083**	**19.371**	**9.592**	**10.763**
Ertragssteueraufwand	(2.209)	(4.197)	(7.775)	(4.366)	(2.108)
Jahresergebnis	**8.094**	**7.886**	**11.596**	**5.226**	**8.655**

Bilanz

Die nachfolgende Tabelle zeigt ausgewählte Finanzinformationen aus der Bilanz der Gesellschaft für den 31. Dezember 2013, 2014 und 2015 sowie für den 30. September 2016:

	Zum 31. Dezember			Zum 30. September
	2013	**2014**	**2015**	**2016**
			(in € Tausend)	
		(geprüft)		(ungeprüft)
VERMÖGENSWERTE				
Summe langfristige Vermögenswerte	**91.365**	**79.526**	**78.471**	**81.211**
Summe kurzfristige Vermögenswerte	**67.134**	**78.540**	**77.179**	**90.745**
Summe Vermögenswerte	**158.499**	**158.066**	**155.650**	**171.956**
EIGENKAPITAL UND VERBINDLICHKEITEN				
Summe Eigenkapital	**52.215**	**53.525**	**54.927**	**61.645**
Summe langfristige Verbindlichkeiten	**55.835**	**43.427**	**34.300**	**52.059**
Summe kurzfristige Verbindlichkeiten	**50.449**	**61.114**	**66.423**	**58.252**
Summe Verbindlichkeiten	**106.284**	**104.541**	**100.723**	**110.311**
Summe Eigenkapital und Verbindlichkeiten	**158.499**	**158.066**	**155.650**	**171.956**

Kapitalflussrechnung

Die nachfolgende Tabelle zeigt ausgewählte Finanzinformationen aus der Kapitalflussrechnung der Gesellschaft für die zum 31. Dezember 2013, 2014 und 2015 abgeschlossenen Geschäftsjahre sowie die zum 30. September 2015 und 2016 abgeschlossenen Neunmonatszeiträume:

	Für die Geschäftsjahre zum 31. Dezember			Für den Neunmonatszeitraum zum 30. September	
	2013	**2014**	**2015**	**2015**	**2016**
			(in € Tausend)		
		(geprüft)		(ungeprüft)	
Kapitalfluss aus Geschäftstätigkeit	**537**	**22.000**	**19.288**	**(1.237)**	**(1.020)**
Kapitalfluss aus Investitionstätigkeit	**(7.107)**	**7.119**	**(1.099)**	**(13.666)**	**(20.510)**
Kapitalfluss aus Finanzierungstätigkeit	**5.565**	**(13.729)**	**(28.531)**	**377**	**18.979**
Zahlungsmittel und -äquivalente zum Periodenanfang	5.985	4.887	20.759	20.759	10.945
Zahlungsmittel und -äquivalente zum Periodenende	**4.887**	**20.759**	**10.945**	**6.638**	**8.272**

Wesentliche Änderungen der Finanzlage und des Betriebsergebnisses des Emittenten während und nach dem Zeitraum der von den wesentlichen historischen Finanzinformationen erfasst wird.

Vom 30. September 2016 bis zum Zeitpunkt des Datums dieses Prospekts gab es keine wesentlichen Änderungen der Finanzlage oder der Betriebsergebnisse der Gesellschaft. Die folgenden Veränderungen in der Finanzlage und den Betriebsergebnissen, dargestellt auf der Basis von Umsatzerlösen und Betriebsergebnis, ergaben sich in den zum 30. September 2015 und 2016 abgeschlossenen Neunmonatszeiträumen und den zum 31. Dezember 2013, 2014 und 2015 abgeschlossenen Geschäftsjahren:

Neunmonatszeitraum zum 30. September 2015 und 2016

Der Umsatz stieg um €14.342 Tausend, bzw. 9,8%, von €146.411 Tausend in dem zum 30. September 2015 abgeschlossenen Neunmonatszeitraum auf €160.753 Tausend in dem zum 30. September 2016 abgeschlossenen Neunmonatszeitraum. Der Umsatz im Mikrobatteriesegment stieg um €13.912 Tausend, bzw. 11,6%, von €119.566 Tausend in dem zum 30. September 2015 abgeschlossenen Neunmonatszeitraum auf €133.478 Tausend in dem zum 30. September 2016 abgeschlossenen Neunmonatszeitraum. Dieser Zuwachs ist hauptsächlich das Ergebnis eines gestiegenen Verkaufsvolumens bei Hörgeräte- und Lithium-Ionen-Mikrobatterien in dem zum 30. September 2016 abgeschlossenen Neunmonatszeitraum im Vergleich zum zum 30. September 2015 abgeschlossenen Neunmonatszeitraum. Der Umsatz im Energiespeicherlösungssegment stieg um €1.081 Tausend, bzw. 4,3%, von €24.852 Tausend in dem zum 30. September 2015 abgeschlossenen Neunmonatszeitraum auf €25.933 Tausend in dem zum 30. September 2016 abgeschlossenen Neunmonatszeitraum. Dieser Zuwachs ist hauptsächlich auf eine Umsatzsteigerung bei dem Verkauf von stationären Energiespeicherlösungen für Wohnhäuser zurückzuführen. Das EBITDA stieg um €1.885 Tausend, bzw. 10,7%, von €17.672 Tausend in dem zum 30. September 2015 abgeschlossenen Neunmonatszeitraum auf €19.557 Tausend in dem zum 30. September 2016 abgeschlossenen Neunmonatszeitraum. Dieser Zuwachs ist hauptsächlich auf die Verbesserung bei dem Betriebsergebnis sowie auf den leichten Anstieg von Abschreibungs- und Amortisierungsausgaben zurückzuführen und wurde teilweise durch angebotsbezogene Ausgaben, die bis zum 30. September angefallen waren, aufgehoben.

Die Summe der langfristigen Vermögenswerte stieg um €2.740 Tausend, bzw. 3,5%, von €78.471 Tausend am 31. Dezember 2015 auf €81.211 Tausend am 30. September 2016. Die Summe der kurzfristigen Vermögenswerte stieg um €13.566 Tausend, bzw. 17,6%, von €77.179 Tausend am 31. Dezember 2015 auf €90.745 Tausend am 30. September 2016. Die Summe der langfristigen Verbindlichkeiten stieg um €17.759 Tausend, bzw. 51,8%, von €34.300 Tausend am 31. Dezember 2015 auf €52.059 Tausend am 30. September 2016. Die Summe der kurzfristigen Verbindlichkeiten sank um €8.171 Tausend, bzw. 12,3%, von €66.423 Tausend am 31. Dezember 2015 auf €58.252 Tausend am 30. September 2016.

Geschäftsjahre zum 31. Dezember 2014 und 2015

Der Umsatz stieg um €26.055 Tausend, oder 15,4%, von €169.038 Tausend in dem zum 31. Dezember 2014 abgeschlossenen Geschäftsjahr auf €195.093 Tausend in dem zum 31. Dezember 2015 abgeschlossenen Geschäftsjahr. Der Zuwachs ist hauptsächlich auf einen Zuwachs der Absatzzahlen zurückzuführen, insbesondere im Mikrobatteriensegment. Der Umsatz im Mikrobatteriesegment erhöhte sich um €20.461 Tausend, bzw. 14,9%, von €137.397 Tausend in dem zum 31. Dezember 2014 abgeschlossenen Geschäftsjahr auf €157.858 Tausend in dem zum 31. Dezember 2015 abgeschlossenen Geschäftsjahr. Dieser Zuwachs ist hauptsächlich auf ein höheres Ordervolumen bezüglich Mikrobatterien für Hörgeräte, insbesondere von Kunden in den Vereinigten Staaten und Europa, und zu einem kleinen Teil auf höhere Verkaufszahlen für Lithium-Ionen-Mikrobatterien zurückzuführen. Dieser Zuwachs beruht auch auf einem deutlichen Zuwachs der Absatzzahlen von Knopfzellenbatterien in Verbindung mit der andauernden Ausweitung der Produktionskapazitäten für Knopfzellenbatterien durch den Konzern. Der Umsatz im Segment für Energiespeicherlösungen erhöhte sich um €5.860 Tausend, bzw. 20,4%, von €28.714 Tausend in dem zum 31. Dezember 2014 abgeschlossenen Geschäftsjahr auf €34.574 Tausend in dem zum 31. Dezember 2015 abgeschlossenen Geschäftsjahr. Dieser Zuwachs war maßgeblich das Ergebnis einer Verkaufssteigerung bei einer bestimmten Power Pack-Lösung mit einem Kunden aus der Robotik-Branche. Das EBITDA erhöhte sich um €10.123 Tausend, bzw. 48,5%, von €20.868 Tausend in dem zum 31. Dezember 2014 abgeschlossenen Geschäftsjahr auf €30.991 Tausend in dem zum 31. Dezember 2015 abgeschlossenen Geschäftsjahr. Zusätzlich zu dem generellen Anstieg der operativen Leistung der Gruppe ging der Anstieg auch auf die Sale-and-Leaseback-Transaktion im Dezember 2015 zurück, die in dem zum 31. Dezember 2015 abgeschlossenen Geschäftsjahr €6.634 Tausend zu dem sonstigen betrieblichen Ertrag beisteuerte.

Die Summe der langfristigen Vermögenswerten verringerte sich um €1.055 Tausend, bzw. 1,3%, von €79.526 Tausend am 31. Dezember 2014 auf €78.471 Tausend am 31. Dezember 2015. Die Summe der kurzfristigen Vermögenswerte sank um €1.361 Tausend, bzw. 1,7%, von €78.540 Tausend am 31. Dezember 2014 auf €77.179 Tausend am 31. Dezember 2015. Die Summe der langfristigen Verbindlichkeiten verringerte sich um €9.127 Tausend, bzw. 21,0%, von €43.427 Tausend am 31. Dezember 2014 auf €34.300 Tausend am 31. Dezember 2015. Die Summe der kurzfristigen

Verbindlichkeiten erhöhte sich um €5.309 Tausend, bzw. 8,7%, von €61.114 Tausend am 31. Dezember 2014 auf €66.423 Tausend am 31. Dezember 2015.

Geschäftsjahre zum 31. Dezember 2013 und 2014

Die Umsatzerlöse stiegen um €9.750 Tausend, bzw. 6,1%, von €159.288 Tausend in dem zum 31. Dezember 2013 abgeschlossenen Geschäftsjahr auf €169.038 Tausend in dem zum 31. Dezember 2014 abgeschlossenen Geschäftsjahr. Dieser Zuwachs ist hauptsächlich auf eine Steigerung des Produktabsatzes zurückzuführen, insbesondere im Mikrobatteriensegment. Der Umsatz im Mikrobatteriesegment erhöhte sich um €9.456 Tausend, bzw. 7,4%, von €127.941 Tausend in dem zum 31. Dezember 2013 abgeschlossenen Geschäftsjahr auf €137.397 Tausend in dem zum 31. Dezember 2014 abgeschlossenen Geschäftsjahr. Dieser Zuwachs war hauptsächlich die Folge eines erhöhten Ordervolumens für Mikrobatterien für Hörgeräte, das teilweise durch einen geringfügigen Rückgang des Ordervolumens für Mikrobatterien für Uhren aufgehoben wurde. Der Zuwachs war auch teilweise darauf zurückzuführen, dass der Verkauf von Knopfbatterien durch den Konzern das erste volle Jahr zum Umsatz beitrug; dieser begann Ende des Jahres 2013 und erzeugte 2014 eine beträchtliche Nachfrage unter OEM-Kunden. Der Umsatz in dem Segment für Energiespeicherlösungen erhöhte sich um €1.218 Tausend, bzw. 4,4%, von €27.496 Tausend in dem zum 31. Dezember 2013 abgeschlossenen Geschäftsjahr auf €28.714 Tausend in dem zum 31. Dezember 2014 abgeschlossenen Geschäftsjahr. Dieser Zuwachs war auf einen Zuwachs des Umsatzes durch die Aktivitäten des Konzerns im Bereich der stationären Energiespeicherung für Wohnhäuser zurückzuführen, einschließlich einer Umsatzsteigerung bezüglich Forschungs- und Entwicklungsdienstleistungen in Höhe von €2.210 Tausend gemäß der Forschungs- und Entwicklungskooperationsvereinbarung mit der Technischen Universität München, und wurde teilweise durch ein niedrigeres Ordervolumen von Kunden von Batteriespeicher-Projekten aufgehoben. Das EBITDA erhöhte sich um €2.664 Tausend, bzw. 14,6%, von €18.204 Tausend in dem zum 31. Dezember 2013 abgeschlossenen Geschäftsjahr auf €20.868 Tausend in dem zum 31. Dezember 2014 abgeschlossenen Geschäftsjahr. Der Anstieg ging hauptsächlich auf einen Anstieg des Betriebsergebnisses zurück.

Die Summe der langfristigen Vermögenswerte verringerte sich um €11.839 Tausend, bzw. 13,0%, von €91.365 Tausend am 31. Dezember 2013 auf €79.526 Tausend am 31. Dezember 2014. Die Summe der kurzfristigen Vermögenswerte erhöhte sich um €11.406 Tausend, bzw. 17,0%, von €67.134 Tausend am 31. Dezember 2013 auf €78.540 Tausend am 31. Dezember 2014. Die Summe der langfristigen Verbindlichkeiten verringerte sich um €12.408 Tausend, bzw. 22,2%, von €55.835 Tausend am 31. Dezember 2013 auf €43.427 Tausend am 31. Dezember 2014. Die Summe der kurzfristigen Verbindlichkeiten erhöhte sich um €10.665 Tausend, bzw. 21,1%, von €50.449 Tausend am 31. Dezember 2013 auf €61.114 Tausend am 31. Dezember 2014.

Aktuelle Entwicklungen

Im November 2016 hat die VARTA Microbattery GmbH eine Vereinbarung mit der VRT Pensionen GmbH, einem verbundenen Unternehmen der Montana Tech Components AG, abgeschlossen, wonach mit Wirksamkeit ab dem 1. Januar 2017, (i) die VRT Pensionen GmbH allen Pensionsverbindlichkeiten der VARTA Microbattery GmbH, in dem Umfang, in dem diese zum 30. Juni 2016 existierten und nach dem 1. Januar 2017 fällig werden, als weiterer Schuldner beitritt und (ii) im Innenverhältnis gegenüber der VARTA Microbattery GmbH die Erfüllung der Zahlungsverpflichtungen nach diesen Pensionsverbindlichkeiten im Wege eines Schuldbeitritts mit Erfüllungsübernahme übernimmt. Die VARTA Microbattery GmbH hat sich zur Zahlung einer Gegenleistung in Höhe von €11.500 Tausend für diesen Schuldbeitritt zu

		ihren Pensionsverpflichtungen und für die Verpflichtung, ihre daraus folgenden Zahlungsverpflichtungen zu übernehmen und zu erfüllen, verpflichtet. Diese Gegenleistung muss von der VRT Pensionen GmbH als "Planvermögen" gemäß IAS 19.8 behandelt werden, und VRT Pensionen GmbH hat sich verpflichtet, eine vertragliche Treuhandvereinbarung mit einem Pensionsverein (z.B. dem VARTA Pensions-Treuhand e.V.) abzuschließen, der diesen Betrag ausschließlich zu dem Zweck der Erfüllung von Zahlungsverpflichtungen unter den vorstehenden Pensionsverbindlichkeiten verwalten wird. Die Gesellschaft erwartet, dass diese Schuldbeitrittsvereinbarung kurz nach dem Abschluss des Angebots umgesetzt wird. Damit einhergehend hat die VGG GmbH gegenüber der VARTA Microbattery GmbH eine unwiderrufliche Garantie auf erstes Anfordern für die Erfüllung derjenigen Zahlungsverpflichtungen der VRT Pensionen GmbH aus der vorgenannten Vereinbarung über den Beitritt zu den Pensionsverbindlichkeiten übernommen die nicht vom Planvermögen gemäß IAS 19.8 gedeckt sind; diese Garantie ist allerdings auf einen Maximalbetrag von €8.000 Tausend begrenzt und wird durch sämtliche von der VRT Pensionen GmbH im Rahmen der vorgenannten Schuldbeitrittsvereinbarung geleisteten Zahlungen reduziert. Seit dem 30. September 2016 gab es keine wesentliche Veränderung in der Finanzlage oder Handelsposition des Konzerns.
B.8	**Ausgewählte wesentliche Pro-forma-Finanzinformationen.**	Entfällt. Die Gesellschaft hat keine Pro-Forma-Finanzinformationen erstellt.
B.9	**Gewinnprognosen oder -schätzungen.**	Entfällt. Die Gesellschaft hat keine Gewinnprognose oder -schätzung erstellt.
B.10	**Beschränkungen im Bestätigungsvermerk zu den historischen Finanzinformationen.**	Entfällt. Die Bestätigungsvermerke zu den im Prospekt enthaltenen historischen Finanzinformationen wurden ohne Einschränkungen erteilt. Da der Konzern nicht als eigenständige Gruppe von Gesellschaften operiert hat, geben die Kombinierten Abschlüsse, wie in der Erläuterung 2 zu den Kombinierten Abschlüssen beschrieben, nicht zwangsläufig einen Hinweis auf die Ergebnisse, die erzielt worden wären, wenn der Konzern während der dargestellten Jahre eine separate, eigenständige Gruppe von Gesellschaften gewesen wäre, noch sind sie indikativ für zukünftige Ergebnisse der Gruppe.
B.11	**Nichtausreichen des Geschäftskapitals des Emittenten zur Erfüllung bestehender Anforderungen.**	Entfällt. Das Geschäftskapital des Konzerns ist nach Ansicht der Gesellschaft ausreichend, um alle Zahlungspflichten, die innerhalb der nächsten 12 Monate nach dem Datum dieses Prospekts fällig werden, zu erfüllen.

ABSCHNITT C—WERTPAPIERE

C.1	**Art und Gattung der angebotenen und/oder zum Handel zugelassenen Wertpapiere.**	Das Angebot (das **„Angebot"**) bezieht sich auf 19.166.665 auf den Inhaber lautende Stammaktien ohne Nennbetrag (*Stückaktien*) der Gesellschaft, jeweils mit einem anteiligen Betrag des Grundkapitals von €1,00 und voller Gewinnberechtigung ab dem 1. Januar 2016. Das Angebot besteht aus: • 16.666.666 neu ausgegebenen, auf den Inhaber lautenden Stammaktien ohne Nennwert aus einer Kapitalerhöhung gegen Bareinlage, die von der außerordentlichen Hauptversammlung am 16. November 2016 unter Ausschluss von Bezugsrechten der bestehenden Aktionäre beschlossen wurde (die „**Neuen Aktien**"); und • 2.499.999 bestehenden, auf den Inhaber lautenden Stammaktien ohne Nennwert aus dem Aktienbesitz der VGG GmbH, um mögliche

		Mehrzuteilungen abzudecken (die „**Mehrzuteilungsaktien**“ und, zusammen mit den Neuen Aktien, die „**Angebotsaktien**“). Die Börsenzulassung im regulierten Markt der Frankfurter Wertpapierbörse (*Prime Standard*) bezieht sich auf bis zu 16.666.666 Neue Aktien und 29.600.000 bestehende, auf den Inhaber lautende Stammaktien ohne Nennwert der Gesellschaft (bestehendes Grundkapital), jeweils mit einem anteiligen Betrag am Grundkapital der Gesellschaft von €1,00 und mit voller Gewinnberechtigung ab dem 1. Januar 2016 für das am 1. Januar 2016 beginnende Geschäftsjahr.
	Wertpapierkennung.	International Securities Identification Number (ISIN): DE000A0TGJ55 Wertpapierkennnummer (WKN): A0TGJ5 Common Code: 31399483 Wertpapiersymbol: VAR1
C.2	**Währung der Wertpapieremission.**	Euro.
C.3	**Zahl der ausgegebenen und voll eingezahlten Aktien.**	Zum Datum dieses Prospekts sind 29.600.000 Stammaktien ohne Nennbetrag (Stückaktien) ausgegeben und vollständig eingezahlt worden. Die Aktien der Gesellschaft werden durch eine oder mehrere Globalurkunden (die „**Globalurkunden**“) verbrieft, die bei der Clearstream Banking Aktiengesellschaft, Mergenthalerallee 61, 65760 Eschborn, Deutschland, hinterlegt sind und sein werden.
	Nennwert pro Aktie.	Jede Aktie der Gesellschaft repräsentiert einen anteiligen Betrag des Grundkapitals der Gesellschaft von €1,00.
C.4	**Beschreibung der mit den Wertpapieren verbundenen Rechte.**	Jede Aktie der Gesellschaft berechtigt den Aktionär zu einer Stimme in der Hauptversammlung der Gesellschaft. Die Angebotsaktien sind für das am 1. Januar 2016 begonnene Geschäftsjahr und für sämtliche folgenden Geschäftsjahre in voller Höhe gewinnberechtigt.
C.5	**Beschreibung aller etwaigen Beschränkungen für die freie Übertragbarkeit der Wertpapiere.**	Entfällt. Es bestehen keine Einschränkungen der Übertragbarkeit der Aktien der Gesellschaft.
C.6	**Anmeldung zur Zulassung zum Handel in einem geregelten Markt und Nennung aller Märkte, auf denen die Wertpapiere gehandelt werden sollen.**	Am 18. November 2016 wird die Gesellschaft die Zulassung der Neuen Aktien und der bereits bestehenden Aktien zum Handel im regulierten Markt der Frankfurter Wertpapierbörse und gleichzeitig zum Teilbereich des regulierten Markts mit weiteren Zulassungsfolgepflichten (*Prime Standard*) beantragen. Der Zulassungsbeschluss für die Aktien der Gesellschaft wird voraussichtlich am oder um den 1. Dezember 2016 erteilt. Der Handel mit den Aktien der Gesellschaft wird voraussichtlich am 2. Dezember 2016 beginnen.
C.7	**Beschreibung der Dividendenpolitik.**	Von dem Geschäftsjahr 2017 an plant die Gesellschaft eine jährliche Dividende von ihrem jährlichen ausschüttungsfähigen Gewinn auszuschütten. Da die Emittentin einen Großteil ihrer Geschäftstätigkeit durch ihre Tochtergesellschaften durchführt, hängt ihre Fähigkeit Dividenden auszuschütten maßgeblich davon ab, dass ihre geschäftstätigen Tochtergesellschaften Gewinne erwirtschaften und an die Emittentin ausschütten.

ABSCHNITT D—RISIKEN

D.1	**Zentrale Angaben zu den zentralen Risiken die dem Emittenten oder seiner Branche eigen sind.**	**Markt- und geschäftsbezogene Risiken** • Ein Wirtschaftsabschwung oder eine sich verschlechternde globale Wirtschaftslage könnte die Geschäfte des Konzerns, seine Finanzlage und seine Geschäftsergebnisse wesentlich beeinträchtigen. • Das Ergebnis des Referendums des Vereinigten Königreichs über den Austritt aus der Europäischen Union könnte einen negativen Effekt auf die globale Wirtschaftslage und die Geschäfte des Konzerns haben. • Der Verlust wichtiger geistiger Eigentumsrechte könnte sich nachteilig auf das Geschäft des Konzerns auswirken. Jede Bedrohung oder Beeinträchtigung der geistigen Eigentumsrechte des Konzerns könnte Kosten beim Konzern verursachen, um diese Rechte zu verteidigen. • Die Zuordnung und der Gebrauch von VARTA Marken, Firmennamen und anderen Firmenkennzeichen könnte das Risiko zukünftiger Meinungsverschiedenheiten über den Gebrauch von VARTA Kennzeichen erhöhen. • Der Konzern ist Risiken ausgesetzt bezüglich Produkthaftung, Gewährleistungsrechten, Rückrufaktionen oder anderen Klagen oder Forderungen, die gegen ihn erhoben werden könnten. • Der Konzern ist darauf angewiesen, dass Drittanbieter Rohstoffe und Bauteile für seine Produkte liefern. • Der Konzern könnte seine technologische Expertise verlieren und nicht mehr in der Lage sein, sich verändernde Kundenanforderungen zu erfüllen. • Der Wettbewerb in den Industriezweigen und Marktsegmenten, in denen der Konzern tätig ist, könnte sich nachteilig auf seinen Marktanteil, seine Margen und seine gesamte Profitabilität auswirken. • Erhebliche Steigerungen von Kosten für Rohstoffe, Bauteile und Fertigfabrikate könnten sich negativ auf die Geschäfte des Konzerns, seine finanzielle Lage und Geschäftsergebnisse auswirken. • Die Geschäfte des Konzerns hängen teilweise von Verträgen mit bestimmten bedeutenden Kunden ab. Wenn einer oder mehrere dieser Verträge beendet oder zu schlechteren Konditionen verlängert würde, könnten die finanzielle Verfassung und die Geschäftsergebnisse des Konzerns entscheidend beeinträchtigt werden. • Der Konzern ist verschiedenen operativen Risiken bezüglich seiner Produktionsstätten und Geschäftstätigkeit ausgesetzt. • Der Konzern ist von seinem Führungspersonal abhängig und könnte nicht in der Lage sein, wichtiges und hochqualifiziertes Personal zu gewinnen oder zu halten. • Die Emittentin ist von den Geschäftsergebnissen ihrer Tochtergesellschaften abhängig. • Der internationale Umfang der Geschäftstätigkeit und der Gesellschafts- und Vermögensstruktur des Konzerns könnte potentiell steuerliche Nachteile nach sich ziehen. • Störungen der informationstechnischen Systeme des Konzerns könnten die Geschäfte des Konzerns erheblich nachteilig beeinflussen.

		• Der Konzern könnte einer subsidiären Haftung bezüglich Pensionsvereinbarungen unterliegen. • Der Konzern könnte nicht in der Lage sein, geeignete Akquisitionsziele zu identifizieren oder alle Risiken die mit der Akquisition einer solchen Zielgesellschaft einhergehen, richtig einzuschätzen. • Der Konzern könnte nicht in der Lage sein, übernommene Geschäfte erfolgreich einzugliedern oder ein etwa erwartetes Wachstumspotential oder angestrebte Synergien zu verwirklichen. • Der Konzern ist dem Kreditrisiko seiner Kunden, Zulieferer und Händler ausgesetzt. • Die Finanzinformationen in diesem Prospekt könnten nicht vollständig vergleichbar sein mit und nicht repräsentativ sein für die zukünftigen Ergebnisse des Konzerns als einem unabhängigen börsennotierten Konzern.
D.3	**Zentrale Angaben zu den zentralen Risiken die den Wertpapieren eigen sind.**	**Risiken bezüglich des Angebots und der Aktien** • Der Markt für und der Preis der Aktien könnte sehr unbeständig sein und drastisch abfallen. • Es besteht kein Markt für die Aktien der Emittentin, und ein aktiver Handelsmarkt für die Aktien der Emittentin könnte sich nach dem Angebot nicht entwickeln. • Die Interessen des Hauptaktionärs der Emittentin könnten von den Interessen der Emittentin oder der anderen Aktionäre abweichen oder mit diesen kollidieren. • Die Emittentin wird einen weiten Ermessensspielraum bezüglich der Verwendung des Nettoerlöses des Angebots haben, und wenn die Emittentin diesen nicht effektiv verwendet, könnte sich das negativ auf den Preis der Aktien der Emittentin auswirken. • Der Übergang hin zu einer börsennotierten Gesellschaft könnte sich negativ auf die Emittentin auswirken. • Die Emittentin könnte in der Zukunft nicht in der Lage sein, Dividenden auszuschütten (oder könnte durch zukünftige Finanzierungsvereinbarungen in ihren Möglichkeiten der Ausschüttung begrenzt sein).
ABSCHNITT E—ANGEBOT		
E.1	**Gesamtnettoerlöse.**	Die Gesellschaft erhält den Erlös aus dem Verkauf der Neuen Aktien (wie vorstehend in C.1 definiert). Die VGG GmbH erhält den Erlös aus der etwaigen Ausübung der Greenshoe Option (wie nachstehend in E.3 definiert), jeweils nach Abzug von Gebühren und Provisionen. Die Gesellschaft beabsichtigt, einen Bruttoerlös von bis zu €150,0 Millionen durch den Verkauf der Neuen Aktien zu erzielen und folglich eine solche Anzahl an Neuen Aktien auszugeben, die erforderlich ist, um einen entsprechenden Bruttoerlös zu erreichen. Unter der Annahme eines Angebotspreises am oberen Ende der Preisspanne würde die Gesellschaft daher 12.000.000 Neue Aktien ausgeben, und unter der Annahme eines Angebotspreises am unteren Ende der Preisspanne würde die Gesellschaft 16.666.666 Neue Aktien ausgeben.
	Geschätzte Gesamtkosten des Angebots und der Börsenzulassung, einschließlich der geschätzten Kos-	Die Kosten im Zusammenhang mit dem Angebot und der Börsennotierung der Aktien der Gesellschaft werden von der Gesellschaft getragen mit Ausnahme des Anteils der Provisionen der Konsortialbanken, der von der VGG GmbH gezahlt wird. Ausgehend von einem Bruttoerlös von €150,0 Millionen aus dem Verkauf der Neuen Aktien werden die Kosten der Gesellschaft in Bezug auf das

	ten, die dem Anleger vom Emittenten in Rechnung gestellt werden.	Angebot der Neuen Aktien und die Börsennotierung voraussichtlich insgesamt etwa €9,7 Millionen betragen, einschließlich der Provisionen der Konsortialbanken (entspricht 3,0% des auf die Neuen Aktien entfallenden Gesamtbruttoerlöses, zuzüglich einer Anreizgebühr von bis zu 1,0% des auf die Neuen Aktien entfallenden Gesamtbruttoerlöses, zahlbar nach freiem Ermessen der Gesellschaft) von €6,0 Millionen (unter der Annahme einer vollständigen Zahlung der ermessensabhängigen Provision in Bezug auf die Neuen Aktien) und voraussichtlicher anderer Ausgaben von €3,7 Millionen. Unter diesen Annahmen beläuft sich der Nettoerlös der Gesellschaft aus dem Verkauf der Neuen Aktien, d.h. der Bruttoerlös abzüglich der Kosten der Gesellschaft, voraussichtlich auf etwa €140,3 Millionen und der Nettoerlös der VGG GmbH durch die Ausübung der Greenshoe Option (unter der Annahme einer vollständigen Ausübung der Greenshoe Option) voraussichtlich auf €21,6 Millionen. Anlegern werden keine Kosten durch die Gesellschaft oder die Konsortialbanken in Rechnung gestellt.
E.2a	**Gründe für das Angebot, Zweckbestimmung der Erlöse, geschätzte Nettoerlöse.**	Die Gesellschaft beabsichtigt, die Neuen Aktien zu verkaufen und den geschätzten Nettoerlös des Angebots in Höhe von €140,3 Millionen (ausgehend von einer Platzierung einer solchen Zahl von Neuen Aktien bei Anlegern die erforderlich ist, um einen Bruttoemissionserlös von €150 Millionen zu erzielen) zur Finanzierung des weiteren Wachstums und der Entwicklung ihres Geschäftsbetriebes einzusetzen. Der Konzern beabsichtigt insbesondere, bis zu €50 Millionen des Nettoerlöses für interne Investitionen, einschließlich einer neuen groß angelegten automatisierten Batteriefabrik für Power Pack-Produkte, und den Restbetrag für ausgewählte Akquisitionen in dem Konzernsegment für Energiespeicherprodukte, vorrangig in Europa, zu verwenden.
E.3	**Beschreibung der Angebotskonditionen und -modalitäten.**	***Angebotskonditionen*** Das Angebot bezieht sich auf 19.166.665 auf den Inhaber lautende Stammaktien ohne Nennwert (*Stückaktien*) der VARTA AKTIENGESELLSCHAFT, jeweils mit einem anteiligen Betrag am Grundkapital von €1,00 und mit voller Dividendenberechtigung ab dem 1. Januar 2016, bestehend aus: • 16.666.666 neu ausgegebenen, auf den Inhaber lautenden Stammaktien ohne Nennwert aus einer Kapitalerhöhung im Zusammenhang mit dem Angebot, die von der außerordentlichen Hauptversammlung der Gesellschaft am 16. November 2016 beschlossen wurde (die Neuen Aktien, wie vorstehend definiert); und • 2.499.999 Mehrzuteilungsaktien (wie vorstehend definiert) aus dem Aktienbesitz der VGG GmbH, um potentielle Mehrzuteilungen abzudecken (die Mehrzuteilungsaktien, zusammen mit den Neuen Aktien, die Angebotsaktien, wie vorstehend definiert). Das Angebot besteht aus (i) einem öffentlichen Angebot in Deutschland und Österreich und (ii) Privatplatzierungen an institutionelle Anleger in bestimmten Jurisdiktionen außerhalb Deutschlands und Österreichs, einschließlich einer Privatplatzierung in den Vereinigten Staaten von Amerika an qualifizierte institutionelle Anleger („*qualified institutional buyers*“—„**QIBs**“) gemäß der Definition in Rule 144A („**Rule 144A**“) nach dem U.S. Securities Act von 1933 in der derzeit gültigen Fassung (der „**Securities Act**“). Alle Angebote und Verkäufe außerhalb der Vereinigten Staaten von Amerika werden gemäß Regulation S („**Regulation S**“) nach dem Securities Act getätigt. ***Angebotszeitraum*** Der Zeitraum, in dem Anleger Kaufangebote für die Angebotsaktien abgeben können, beginnt am 18. November 2016, und wird voraussichtlich am 29. November 2016 enden (der „**Angebotszeitraum**“). Am letzten Tag

des Angebotszeitraums können Kaufangebote (i) bis 10:00 Uhr (mitteleuropäischer Zeit) („**MEZ**") von privaten Anlegern und (ii) bis 14:00 Uhr (MEZ) von institutionellen Anlegern abgegeben werden.

Preisspanne und Angebotspreis

Die Preisspanne, innerhalb derer Kaufangebote abgegeben werden können, beträgt €9,00 bis €12,50 je Angebotsaktie.

Sobald der Angebotszeitraum beendet ist, wird der Angebotspreis von der Gesellschaft zusammen mit den Joint Global Coordinators festgelegt werden, unter Zuhilfenahme des Orderbuchs, das während des Bookbuilding-Prozesses erstellt wurde. Dies wird voraussichtlich am oder um den 29. November 2016 erfolgen.

Ergänzungen zu den Angebotsbedingungen

Die Emittentin, zusammen mit den Joint Global Coordinators, behält sich vor, die Gesamtzahl der Angebotsaktien zu erhöhen oder zu senken, das obere und/oder das untere Limit der Preisspanne zu erhöhen oder zu senken und/oder den Angebotszeitraum zu verlängern oder zu verkürzen. Änderungen in der Anzahl der Angebotsaktien, in der Preisspanne oder die Verlängerung oder Verkürzung des Angebotszeitraums haben keinen Einfluss auf die Gültigkeit bis dahin abgegebener Kaufangebote. Falls eine solche Änderung die Pflicht zur Veröffentlichung eines Nachtrags zu diesem Prospekt nach sich zieht, haben Anleger, die vor Veröffentlichung des Nachtrages Angebote abgegeben haben, gemäß dem Wertpapierprospektgesetz das Recht, diese Kaufangebote innerhalb von zwei Werktagen nach Veröffentlichung des Nachtrages zu widerrufen. Statt ihre vor Veröffentlichung des Nachtrages abgegebenen Angebote zu widerrufen, können Anleger auch ihre Angebote ändern oder neue, limitierte oder unlimitierte Kaufangebote innerhalb von zwei Werktagen nach Veröffentlichung des Nachtrages abgeben. Soweit die Konditionen des Angebots geändert werden, wird dies durch elektronische Medien (wie z.B. Reuters oder Bloomberg) und, sofern dies nach dem Wertpapierprospektgesetz oder der Börsenordnung der Frankfurter Wertpapierbörse notwendig ist, als eine Veröffentlichung wesentlicher Informationen durch elektronische Informationssysteme, auf der Internetseite der Emittentin und als ein Nachtrag zu diesem Prospekt veröffentlicht. Eine individuelle Benachrichtigung von Anlegern, die bereits Kaufangebote abgegeben haben, wird nicht erfolgen. Unter bestimmten Bedingungen können die Joint Global Coordinators, im Namen der Konsortialbanken vom Übernahmevertrag bezüglich des Angebots, der mit der Emittentin am 17. November 2016 geschlossen wurde (der „**Übernahmevertrag**"), zurücktreten, selbst nach Aufnahme des Handels der Aktien der Emittentin im regulierten Marktsegment (*Prime Standard*) der Frankfurter Wertpapierbörse.

Lieferung und Zahlung

Die Angebotsaktien werden gegen Zahlung des Angebotspreises voraussichtlich an dem Tag geliefert, an dem die Aktien der Gesellschaft erstmalig an der Frankfurter Wertpapierbörse gehandelt werden. Die Angebotsaktien werden den Aktionären als Miteigentumsanteile an den Globalurkunden bereitgestellt.

Stabilisierungsmaßnahmen, Mehrzuteilung und Greenshoe Option

Im Zusammenhang mit der Platzierung der Angebotsaktien wird Jefferies für Rechnung der Konsortialbanken als Stabilisierungsmanager tätig sein (der „**Stabilisierungsmanager**") und kann als Stabilisierungsmanager, in Übereinstimmung mit den rechtlichen Voraussetzungen (Art. 5 Abs. 4 der

		Verordnung (EU) Nr. 596/2014 des Europäischen Parlaments und des Rats vom 16. April 2014 über Marktmissbrauch (Marktmissbrauchsverordnung)), Mehrzuteilungen durchführen und Stabilisierungsmaßnahmen ergreifen, um den Marktpreis der Aktien der Gesellschaft zu stützen und somit etwaigem Verkaufsdruck entgegenzuwirken. Der Stabilisierungsmanager ist nicht verpflichtet, Stabilisierungsmaßnahmen durchzuführen. Somit kann nicht zugesichert werden, dass etwaige Stabilisierungsmaßnahmen vorgenommen werden. Sofern Stabilisierungsmaßnahmen vorgenommen werden, können diese jederzeit ohne Ankündigung beendet werden. Solche Maßnahmen können ab dem Zeitpunkt der Aufnahme des Börsenhandels der Aktien der Gesellschaft am regulierten Markt der Frankfurter Wertpapierbörse vorgenommen werden und müssen spätestens am 30. Kalendertag nach diesem Zeitpunkt beendet sein (der „**Stabilisierungszeitraum**“). Diese Maßnahmen können dazu führen, dass der Marktpreis der Aktien der Gesellschaft höher ist, als er es ohne diese sein würde. Darüber hinaus könnte sich der Marktpreis zeitweise auf einem nicht nachhaltigen Niveau bewegen. Im Hinblick auf mögliche Stabilisierungsmaßnahmen können Anlegern bis zu 2.499.999 Mehrzuteilungsaktien zugeteilt werden (die „**Mehrzuteilung**“). Zum Zwecke einer solchen potentiellen Mehrzuteilung werden dem Stabilisierungsmanager für Rechnung der Konsortialbanken 2.499.999 Aktien der Gesellschaft aus dem Aktienbesitz der VGG GmbH in Form eines Wertpapierdarlehens von diesem Aktionär zur Verfügung gestellt. Die Gesamtzahl von Mehrzuteilungsaktien wird 15,00% der Anzahl der Angebotsaktien ohne Mehrzuteilungen nicht überschreiten. In Zusammenhang mit der Mehrzuteilung hat die VGG GmbH den Konsortialbanken die Option eingeräumt, die darlehensweise zur Verfügung gestellten Aktien zum Angebotspreis zu erwerben (die „**Greenshoe Option**“). Die Greenshoe Option endet am 2. Januar 2017. Die Konsortialbanken sind berechtigt, aber nicht verpflichtet, die Greenshoe Option in dem Umfang auszuüben, in dem ursprünglich Mehrzuteilungen von Aktien der Gesellschaft vorgenommen wurden. Bei Beendigung des Stabilisierungszeitraums wird innerhalb einer Woche eine Mitteilung über verschiedene Medienkanäle im gesamten Europäischen Wirtschaftsraum verteilt mit Informationen dazu, ob Stabilisierungsmaßnahmen vorgenommen wurden, wann die Preisstabilisierung begonnen und beendet wurde, und hinsichtlich der Preisspanne innerhalb derer Stabilisierungsmaßnahmen vorgenommen wurden; letzteres wird für jeden Einzelfall veröffentlicht, an dem Stabilisierungsmaßnahmen vorgenommen wurden. Die Ausübung der Greenshoe Option, der zeitliche Ablauf der Ausübung und die Anzahl und Art der betroffenen Aktien der Gesellschaft wird ebenfalls umgehend auf gleiche Weise bekannt gegeben.
E.4	**Beschreibung aller für die Emission/ das Angebot wesentlichen Interessen, einschließlich Interessenkonflikte.**	Im Zusammenhang mit dem Angebot und der Zulassung der Aktien der Gesellschaft zum Handel an der Frankfurter Wertpapierbörse haben die Konsortialbanken eine vertragliche Beziehung mit der Gesellschaft geschlossen. Die Konsortialbanken handeln bei dem Angebot für die Gesellschaft und koordinieren die Strukturierung und Durchführung des Angebots. Die Konsortialbanken erhalten nach erfolgreicher Durchführung des Angebots ein festes Entgelt und können eine weitere, leistungsabhängige Vergütung erhalten. Die Vergütung ist erfolgsabhängig und hängt unter anderem von dem Bruttoerlös des Angebots ab. Weiterhin kann, im Zusammenhang mit dem Angebot, jede der Konsortialbanken und jedes ihrer jeweiligen verbundenen Unternehmen als

Anleger auf eigene Rechnung Aktien aus dem Angebot kaufen und in dieser Funktion solche Aktien oder ähnliche Beteiligungen auf eigene Rechnung halten, kaufen oder verkaufen und solche Aktien oder ähnliche Beteiligungen außerhalb des Angebots anbieten oder verkaufen. Zusätzlich können einige der Konsortialbanken oder ihre verbundenen Unternehmen Finanzierungsvereinbarungen (einschließlich Swaps oder Differenzgeschäfte) mit Anlegern abschließen, in deren Rahmen die Konsortialbanken oder deren verbundene Unternehmen zeitweise Aktien der Gesellschaft erwerben, halten oder veräußern können. Keine der Konsortialbanken beabsichtigt, den Umfang solcher Investitionen oder Transaktionen über entsprechende gesetzliche oder aufsichtsrechtliche Pflichten oder über die Veröffentlichungen in diesem Prospekt hinausgehend offenzulegen.

Einige der Konsortialbanken oder der mit ihnen verbundenen Unternehmen haben oder können in Zukunft mitunter weiterhin Geschäftsbeziehungen mit dem Konzern (einschließlich Darlehenstätigkeiten) unterhalten oder können Dienstleistungen für den Konzern im Rahmen der gewöhnlichen Geschäftstätigkeit erbringen.

Im Zusammenhang mit dem Angebot hat sich der Finanzvorstand der Gesellschaft verpflichtet, unmittelbar nach dem Vollzug des Angebots Aktien der Gesellschaft von der VGG GmbH im Betrag von €500.000 mit einem Nachlass von 20% auf den Angebotspreis zu erwerben. Er wird dabei denselben Verkaufsbeschränkungen (Lock-up) unterliegen, wie es für die Gesellschaft nachstehend unter E.5 beschrieben ist. Gemäß einer Vereinbarung vom Dezember 2011, die im März 2012 und im Oktober 2016 geändert wurde, wird der Vorstandsvorsitzende der Gesellschaft mit dem Vollzug des Angebots eine signifikante, von der VGG GmbH oder ihren verbundenen Gesellschaften zu leistende Einmalzahlung, in Anerkennung seiner langjährigen Dienste und seines Beitrags zum Wachstum des Geschäfts der Gesellschaft über viele Jahre, erhalten. Ein Betrag in Höhe von ca. €1,0 Million der Netto-Barzahlung soll dazu verwendet werden, unmittelbar nach dem Vollzug des Angebots, Aktien der Gesellschaft von der VGG GmbH abzüglich eines Nachlasses von 20% auf den Angebotspreis zu erwerben. Diese vom Vorstandsvorsitzenden erworbenen Aktien werden denselben Verkaufsbeschränkungen (Lock-up) unterliegen, wie es für die bestehenden Aktionäre der Gesellschaft nachstehend unter E.5 beschrieben ist. Der Bruttobetrag der Einmalzahlung ist abhängig von der Bewertung der Gesellschaft und wird voraussichtlich substantiell höher sein als der Betrag, welcher in die Aktien der Gesellschaft investiert werden wird. Dem Vorstandsvorsitzenden und dem Finanzvorstand werden im Zuge des Managementaktienoptionsprogramms, das im Zusammenhang mit dem Angebot umgesetzt wird, zudem jeweils eine Option zum Erwerb von Aktien der Gesellschaft in Höhe von je €100.000 gewährt. Daher hat jedes Mitglied des Vorstands der Gesellschaft ein finanzielles Interesse am Angebot.

Da die Gesellschaft die Erlöse des Angebots der Neuen Aktien erhalten wird und diese die Eigenkapitalbasis der Gesellschaft stärken werden, haben alle direkten oder indirekten Anteilseigner, insbesondere die bestehenden Aktionäre der Gesellschaft, ein Interesse an der Durchführung der Kapitalerhöhung, auf die sich das Angebot bezieht. Dies gilt vor allem für die Montana Tech Components AG, die zur Zeit indirekt 100% der Aktien der Gesellschaft durch die VGG GmbH und die ETV Montana Tech Holding GmbH hält, und für Dr. Dr. Michael Tojner, Vorsitzender des Aufsichtsrats und Hauptaktionär der Montana Tech Components AG.

Die VGG GmbH wird die Erlöse aus jeglicher Ausübung der Greenshoe Option erhalten. Die VGG GmbH wird die Mehrzuteilungsaktien als Teil

		des Angebots zur Verfügung stellen, um den nötigen Streubesitz und die nötige Liquidität der Aktien der Gesellschaft zu gewährleisten, aber sie kann angesichts der Greenshoe Option auch ein finanzielles Interesse an dem Angebot dieser Aktien haben. Abgesehen von den vorgenannten Interessen sind der Gesellschaft keine weiteren Interessen bekannt, die bezüglich des Angebots wesentlich sind und dazu in Konflikt stehen.
E.5	**Name der Person/ des Unternehmens, die /das das Wertpapier zum Kauf anbietet.**	Die Angebotsaktien werden von den Konsortialbanken zum Kauf angeboten.
	Lock-up-Vereinbarungen: die beteiligten Parteien und Lock-up-Frist.	Die Gesellschaft hat sich gegenüber den Konsortialbanken verpflichtet, dass sie innerhalb eines Zeitraums von sechs Monaten beginnend mit dem Tag, an dem die Aktien der Gesellschaft zum ersten Mal an der Frankfurter Wertpapierbörse gehandelt werden, und danach innerhalb eines Zeitraums von sechs weiteren Monaten ohne vorherige schriftliche Zustimmung der Joint Global Coordinators (die nicht unangemessen verweigert oder verzögert werden darf) nicht: • direkt oder indirekt Aktien ausgibt, verkauft, anbietet, sich verpflichtet Aktien zu verkaufen, oder anderweitig Aktien veräußert oder ein solches Angebot ankündigt; • direkt oder indirekt Finanzinstrumente, die Wandlungs- oder Optionsrechte auf Aktien der Gesellschaft beinhalten, ausgibt, verbrieft, anbietet, sich verpflichtet diese zu verkaufen oder diese anderweitig veräußert oder ein solches Angebot ankündigt; • eine Kapitalerhöhung aus genehmigtem Kapital ankündigt oder durchführt; • der Hauptversammlung eine Beschlussvorlage zu einer Kapitalerhöhung einschließlich eines neuen genehmigten Kapitals unterbreitet; oder • eine Maßnahme (einschließlich Derivatgeschäfte) durchführt, die wirtschaftlich einer der vorgenannten Maßnahmen entspricht. Davon ausgenommen sind die Ausgabe oder der Verkauf, soweit anwendbar, von Aktien oder anderen Wertpapieren im Rahmen von Management- oder Mitarbeiterbeteiligungsprogrammen oder Aktienoptionsplänen für Mitglieder des Managements oder Mitarbeiter der Gesellschaft oder ihrer verbundenen Unternehmen, sowie die Ausgabe von Aktien gegen Sacheinlagen in Verbindung mit Akquisitionen, Kapitalbeteiligungen oder Joint-Ventures unmittelbar an die Vertragspartner einer solchen Akquisition, Kapitalbeteiligung oder eines solchen Joint-Ventures. Die vorstehenden Verkaufsbeschränkungen finden ebenso Anwendung auf Aktien, die vom Finanzvorstand gemäß der vorstehend unter E.4 beschriebenen Verpflichtung zum Erwerb von Aktien der Gesellschaft im Zusammenhang mit dem Angebot erworben werden. Die bestehenden Aktionäre der Gesellschaft haben sich gegenüber den Konsortialbanken ebenfalls verpflichtet, dass sie innerhalb eines Zeitraums von zwölf Monaten beginnend mit dem Tag, an dem die Aktien der Gesellschaft zum ersten Mal an der Frankfurter Wertpapierbörse gehandelt werden, und danach innerhalb eines Zeitraums von weiteren zwölf Monaten, ohne vorherige schriftliche Zustimmung der Joint Global

		Coordinators (die nicht unangemessen verweigert oder verzögert werden darf), nicht: • Aktien der Gesellschaft anbieten, verpfänden, zuteilen, vermarkten, ausschütten, verkaufen, übertragen oder anderweitig direkt oder indirekt veräußern (einschließlich der Ausgabe oder des Verkaufs von Wertpapieren, die in Aktien der Gesellschaft umgewandelt werden können); • direkt oder indirekt die Ankündigung, Durchführung oder Umsetzung einer Erhöhung des Grundkapitals der Gesellschaft oder eine direkte oder indirekte Platzierung von Aktien der Gesellschaft verursachen oder dem zustimmen; • direkt oder indirekt eine Erhöhung des Grundkapitals der Gesellschaft der Hauptversammlung zum Beschluss vorlegen oder einem solchen Vorschlag zustimmen; • direkt oder indirekt die Ankündigung, Durchführung oder den Vorschlag jeglicher Ausgabe von Finanzinstrumenten, die Optionen oder Bezugsrechte schaffen, die in Aktien der Gesellschaft wandelbar sind, verursachen oder dem zustimmen; oder • eine Transaktion durchführen oder eine Maßnahme ergreifen, die wirtschaftlich einer der vorgenannten Maßnahmen entspricht. Die vorstehenden Verkaufsbeschränkungen finden ebenso Anwendung auf Aktien, die vom Vorstandsvorsitzenden gemäß der vorstehend unter E.4 beschriebenen einmaligen Bonuszahlung in Verbindung mit dem Angebot erworben werden. Die Verkaufsbeschränkungen finden keine Anwendung auf Veräußerungen von Aktien der Gesellschaft im Rahmen eines öffentlichen Übernahmeangebotes gemäß dem Wertpapiererwerbs- und Übernahmegesetz. Weiterhin ausgenommen sind (i) Transaktionen der VGG GmbH mit verbundenen Unternehmen und (soweit anwendbar) die Ausschüttung von Aktien der Gesellschaft durch solche Anteilseigner an ihre Aktionäre oder Partner in Form von Sachdividenden, sofern in jedem Fall sichergestellt ist, dass der Empfänger den gleichen Verkaufsbeschränkungen unterliegt wie die VGG GmbH und (ii) nach Ablauf eines Zeitraums von zwölf Monaten beginnend mit dem Tag, an dem die Aktien der Gesellschaft zum ersten Mal an der Frankfurter Wertpapierbörse gehandelt werden, der Umtausch von Aktien der Gesellschaft im Wert von bis zu €5,0 Millionen, die von der VGG GmbH und/oder der ETV Montana Tech Holding GmbH gehalten werden, gegen Aktien der Montana Tech Components AG (Schweiz), die von deren Aktionären gehalten werden (im Wege eines Umtauschangebotes oder in anderer Weise).
E.6	**Betrag und Prozentsatz der aus dem Angebot resultierenden unmittelbaren Verwässerung.**	Der Buchwert des bilanziellen Eigenkapitals der Gesellschaft einschließlich Minderheitsbeteiligungen (die auf den Konzern entfallende Summe des Eigenkapitals, oder der „**Nettobuchwert**“, d.h., die Summe der Aktiva abzüglich der Summe von langfristigen Verbindlichkeiten und kurzfristigen Verbindlichkeiten) betrug €61.645 Tausend am 30. September 2016 auf Grundlage des Ungeprüften Verkürzten Konzernzwischenabschlusses, was, basierend auf 29.600.000 ausstehenden Inhaberstammaktien der Gesellschaft vor dem Angebot, €2,08 pro Aktie entspricht. Die Gesellschaft strebt einen Bruttoerlös von €150,0 Millionen aus dem Verkauf der Neuen Aktien im Zuge des Angebots an. Die Kosten der Gesellschaft in Verbindung mit dem Angebot werden sich voraussichtlich auf insgesamt etwa €9,7 Millionen belaufen, einschließlich Provisionen der

		Konsortialbanken von €6,0 Millionen (ausgehend von einem Bruttoerlös aus dem Verkauf der Neuen Aktien in Höhe von €150,0 Millionen und vollständiger Zahlung der Anreizgebühr, ohne Steuereffekte) und voraussichtlicher weiterer Ausgaben von €3,7 Millionen. Wenn die Gesellschaft den entsprechenden Betrag des Nettoerlöses bereits zum 30. September 2016 erhalten hätte, wäre der entsprechend dem Konzernzwischenabschluss der Gesellschaft zum 30. September 2016 angepasste Buchwert des Nettovermögens etwa €202,0 Millionen gewesen, was etwa €4,37 pro Aktie entspricht, basierend auf der Anzahl der ausgegebenen Aktien unter Annahme einer Platzierung am unteren Ende der Preisspanne von 16.666.666 Neuen Aktien, und etwa €4,85 pro Aktie, basierend auf der Anzahl an ausgegebenen Aktien unter der Annahme einer Platzierung am oberen Ende der Preisspanne von 12.000.000 Neuen Aktien in Verbindung mit diesem Angebot. Unter der Annahme einer Platzierung am unteren Ende der Preisspanne würde dies einen unmittelbaren Zuwachs für die bestehenden Aktionäre der Gesellschaft von €2,28 bzw. 109,6% pro Aktie und eine unmittelbare Verwässerung von €4,63 bzw. 51,5% pro Aktie für die Erwerber der Angebotsaktien darstellen. Unter der Annahme einer Platzierung am oberen Ende der Preisspanne würde dies einen unmittelbaren Zuwachs für die bestehenden Aktionäre der Gesellschaft von €2,77 bzw. 133,1% pro Aktie und eine unmittelbare Verwässerung von €7,65 bzw. 61,2% pro Aktie für die Erwerber der Angebotsaktien darstellen.
E.7	**Schätzungen der Ausgaben, die dem Anleger vom Emittenten in Rechnung gestellt werden.**	Entfällt. Anlegern werden von der Gesellschaft oder den Konsortialbanken keine Kosten in Rechnung gestellt.

A. RISK FACTORS

*An investment in the shares of VARTA AG (the "**Company**" or the "**Issuer**" and together with its consolidated subsidiaries, the "**Group**") is subject to risks. Therefore, prospective investors should carefully consider each of the risks described below and all of the other information contained in this prospectus and any supplement thereto (the "**Prospectus**") before deciding whether to invest in the shares of the Issuer. The Group's business, financial condition, cash flows and results of operations could be materially adversely affected by any of these risks. As a result, the price of the shares of the Issuer may decline. The risks described below are not the only ones applicable to the Group. Additional risks that are not known at this time, or that the Group currently considers to be immaterial, could significantly impair the Group's business activities and have a material adverse effect on the Group's business, financial condition, cash flows and results of operations. The order in which these risks are presented is not intended to provide an indication of the likelihood of occurrence or their severity or significance.*

The Company and its primary operating subsidiaries, VARTA Microbattery GmbH and VARTA Storage GmbH, are not the sole successors of the former VARTA Aktiengesellschaft and, consequently, are not the sole owners of the VARTA trademarks. The two other independent successors of the former VARTA Aktiengesellschaft, Johnson Controls Hybrid and Recycling GmbH (previously VARTA Automotive GmbH and currently part of the Johnson Controls Group) and VARTA Consumer Batteries GmbH & Co. KGaA (currently part of the Spectrum Brands Group) continue to hold VARTA trademark rights for automotive and consumer batteries, respectively.

This Prospectus contains forward looking statements that are based on assumptions and estimates, which are subject to risks and uncertainties. Actual results and future developments could differ materially from what is expressed or implied by such forward-looking statements, as a result of many factors, including but not limited to risks the Group faces as described below and elsewhere in this Prospectus.

I. RISKS RELATED TO THE MARKETS AND BUSINESS OF THE GROUP

1. Changes in macroeconomic, demographic or regulatory conditions may materially adversely impact the Group's business, financial condition and results of operations.

The Group's business and results of operation are affected by changes in the general economic conditions of the industries and markets in which its products and services are sold, including, in particular, the healthcare and consumer goods markets as well as the various end product markets for the Group's original equipment manufacturer ("**OEM**") customers. The market for hearing aid microbatteries, sales of which accounted for over half of the Group's revenue in the financial year ended December 31, 2015, is driven primarily by global macroeconomic and regulatory trends, such as population growth and an aging population, changes in subsidies by public and private healthcare providers for hearing aid batteries and overall consumer spending. Consumer spending, and particularly discretionary consumer spending, is also an important driver of demand for the Group's microbattery sales to OEM customers, which incorporate microbatteries in their end market products such as wireless headsets, electronic devices and meters. Changes in general economic conditions, including constraints on the supply of credit, uncertainty and weakness in the labor market and general consumer fears of an economic downturn, directly impact consumer confidence and consumer spending as well as the general business climate and levels of business investment, and it is difficult to predict changes in general economic conditions and how such changes may impact customer demand for the Group's, or the Group's customers' products.

Fluctuations in global economic conditions have significantly impacted economic markets in certain industries in recent years, with consumer and industrial goods markets, such as the Group's OEM customers for microbatteries, being particularly impacted. Similarly, negative economic factors could adversely impact levels of discretionary investments by industrial and commercial customers. As the Group's power pack products in the Energy Storage Solutions segment are currently strongly driven by orders for fully customized battery systems, a stagnation or decrease in investments by industrial and commercial customers may lead to lower sales of power pack products and stationary energy storage systems and may be exacerbated during periods of reduced growth or recession. In addition to overall reduced demand for the Group's products and services, an economic downturn or worsening global economic conditions could result in disruptions in the supply of processed raw materials and components and customers delaying or even cancelling orders. Any such weakness or deterioration in economic conditions could have a material adverse effect on the Group's business, financial condition and results of operations.

2. The results of the United Kingdom's referendum on withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and the Group's business.

The Group is a multinational group of companies headquartered in Germany with worldwide operations, including significant business operations in Europe. In June 2016, a majority of voters in the United Kingdom elected to withdraw from the European Union in a national referendum. The referendum was advisory, and the terms of any withdrawal are subject to a negotiation period that could last at least two years after the government of the United Kingdom formally initiates the withdrawal process. Nevertheless, the referendum has created significant uncertainty about the future relationship between the United Kingdom and the European Union, and has given rise to calls for the governments of other European Union member states to consider withdrawal.

These developments, or the perception that any of them could occur, have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, and could significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Asset valuations, currency exchange rates and credit ratings may, in particular, be subject to increased market volatility. Lack of clarity about future United Kingdom laws and regulations as the United Kingdom determines which European Union laws to replace or adapt in the event of a withdrawal, including tax and free trade agreements, intellectual property rights, supply chain logistics, immigration laws and employment laws, could increase costs, depress economic activity and restrict access to capital, any of which could reduce demand for the Group's products. In particular, the Group's customers in the United Kingdom, which accounted for approximately 5% of the Group's revenue in the financial year ended December 31, 2015, may substitute the Group's products for products manufactured and distributed by local producers in the local currency. If the United Kingdom and the European Union are unable to negotiate acceptable withdrawal terms or if other European Union member states pursue withdrawal, barrier-free access between the United Kingdom and other European Union member states or among the European economic area overall could be diminished or eliminated. Any of these factors could have a material adverse effect on the Group's business, financial condition and results of operations.

3. The loss of important intellectual property rights could adversely affect the Group's business, and any threat to, or impairment of, the Group's intellectual property rights could cause the Group to incur costs to defend these rights.

The Group's intellectual property rights, including the VARTA trademarks, company names and other company signs, including the VARTA logo, are important to its business. The Group relies on a combination of patent, utility model, design and trademark registrations and company sign and other intellectual property laws, as well as contractual arrangements, as appropriate, to establish and protect its intellectual property rights. The Group holds patent, utility model and design and trademark registrations for certain of its products in various jurisdictions. Such intellectual property protection is often available for a limited period of time, and certain protections may expire in a particular country but continue to be in force in other countries. While the Group attempts to obtain broad patent and trademark protection by corresponding registrations, it may not apply for (so as not to disclose technical details of products), or fail to obtain, adequate protection in all foreign countries in which its products are sold. Any failure to obtain or adequately protect the Group's intellectual property, due to statutory or other restrictions or prior third party rights, among other reasons, may result in lost sales and growth opportunities or, in certain cases, the complete loss of the intellectual property in question. There can be no assurance that the Group will be able to secure intellectual property rights in the future or that the intellectual property rights the Group currently holds will be upheld as valid if challenged.

In the event that third parties infringe on the Group's intellectual property rights, it would have to defend these rights. This could result in lengthy litigation or administrative proceedings and significant litigation costs. Such defense may also require significant time, effort and other resources that could otherwise be devoted to the Group's business operations. There is also a risk that third parties, including competitors and, in the case of unfair competition claims, consumer protection organizations or competition authorities or associations, will claim that the Group's products, trademarks, company signs (particularly company names) or other designations, communications or activities infringe, or have infringed, on such third parties' intellectual property rights (particularly patent, trademark or company sign rights) or applicable legal provisions on unfair competition. In the event of such a claim, the Group may also be required to spend significant time and effort and incur significant litigation costs to defend itself, regardless of whether the claim has merit. Furthermore, any such claims, lawsuits and proceedings could result in significant payments to compensate for damages or the necessity to enter into license agreements under economically unfavorable conditions. In addition, any such lawsuits, proceedings and other claims could lead to injunctions against the Group or one of its subsidiaries that may cause lost sales and revenues or even significant restrictions and disruption to the Group's business and operations. If any of the risks above materialized, it could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group also relies on certain technology, knowhow and business and trade secrets that cannot be protected through intellectual property rights. Consequently, there is a risk that third parties, in particular competitors, may copy such technology and knowhow or develop it independently and later challenge the Group's use of it. In addition, employees who leave the Group may go to work for a competitor, and in the course of their employment with the Group, typically have access to important proprietary information which may or may not be protected by intellectual property rights. Although the Group relies on various confidentiality agreements and technical precautions to protect its technology, knowhow and other proprietary information, there is no guarantee that these agreements and precautions will provide sufficient protection in the case of any unauthorized access or use, misappropriation or disclosure of such information. Defending against any unauthorized access or use, misappropriation or disclosure of the Group's technology, knowhow, and other proprietary information may result in lengthy and costly litigation or administrative proceedings and cause significant disruption to the business and operations of the Group. If the Group is unable to protect or effectively enforce its proprietary technology and information, this could have a material adverse effect on the Group's business, financial condition and results of operations.

4. The allocation and use of VARTA trademarks, company names and other company signs may increase the risk of future disagreements and disputes over the use of VARTA signs.

In 2002, VARTA AG's automotive batteries and portable batteries business divisions were split up and spun off into three new subsidiaries: VARTA Automotive GmbH, VARTA Gerätebatterie GmbH and VARTA Microbattery GmbH. The new subsidiaries were subsequently sold by VARTA AG. In 2002, VARTA Automotive GmbH was sold to Johnson Controls, Inc. From 2002 to 2005, VARTA Gerätebatterie GmbH (today VARTA Consumer Batteries GmbH & Co. KGaA) was sold in several steps to Rayovac Corporation (now part of Spectrum Brands, Inc.), and, in 2007, VARTA Microbattery GmbH was sold to a company associated with Montana Tech Components AG, the Group's current ultimate shareholder. In connection with VARTA AG's divestments of these subsidiaries, VARTA AG, its former subsidiaries and their new owners entered into various contractual agreements setting out the ownership and usage rights and obligations with respect to the VARTA trademarks. Consequently, the right to the use of the VARTA trademarks is contractually allocated among VARTA Microbattery GmbH, Johnson Controls, Inc. and VARTA Consumer Batteries GmbH & Co. KGaA (held by Spectrum Brands, Inc.). Based on these contractual arrangements, VARTA Microbattery GmbH's right to use the VARTA trademarks is generally limited to various microbattery products (excluding, in particular, hearing aid batteries and the distribution of microbattery products in retail channels), certain portable batteries (excluding, in particular, battery packs consisting of cells above a certain size) and stationary storage batteries (excluding those of lead acid chemistry). In addition, the Group's rights to use VARTA company names and other company signs are subject to certain restrictions based on such arrangements as well as legal provisions of company sign and unfair competition laws. As a result, the Company's brand and, in turn, reputation could be negatively impacted by the actions and reputation of the other parties who also share rights in the use of the VARTA name.

Members of the Group have, in the past, been party to legal and arbitration proceedings with Johnson Controls, Inc. over the use of the VARTA trademarks and company names and other signs. The existence of such agreements with the Group's competitors, including Johnson Controls, Inc. and VARTA Consumer Batteries GmbH & Co. KGaA, in particular, as well as the detail and complexity of the terms of these agreements may increase the risk of future disagreements and disputes over the use of the VARTA trademarks, company names and other company signs as well as the likelihood of claims between the parties that another party infringed, even if only inadvertently, its VARTA trademark or other rights. In particular, the existing agreements may fail to clearly and precisely allocate certain rights, such as between VARTA Microbattery GmbH and VARTA Consumer Batteries GmbH & Co. KGaA with respect to power pack solutions, or to address all current and future segments or applications for which the parties may wish to use the VARTA trademarks. Moreover, in the event of termination of such existing agreements, Group companies could lose the right to use certain VARTA trademarks in a given market or distribution channel.

Any infringement by the Group companies on the above mentioned agreements on VARTA trademark, company name or other company sign rights or violation of applicable legal provisions on unfair competition, even if only inadvertently or alleged by the party bringing the claim, lawsuit or proceeding, could cause the Group to incur significant litigation costs and other resources to defend itself against such claims, lawsuits and proceedings as well as be subject to penalties and fines. Furthermore, under certain circumstances, any such lawsuits, proceedings and other claims could result in significant payments to compensate for damages, significant contractual penalties or settlement or other agreements under unfavorable conditions. In addition, any such lawsuits, proceedings and other claims could result in lost revenue and significant restrictions and disruption to the business and operations of the Group, in particular if they lead to injunctions against the Group or any of its subsidiaries. This could, in turn, have a material adverse effect the Group's business, financial condition and results of operations.

5. The Group is exposed to risks associated with product liability, warranties, recall claims or other lawsuits or claims that may be brought against it.

The sale and use of the Group's products involve a risk of warranty and product liability claims, particularly in the United States, where product liability claims grounded on personal injuries have historically been more common than in other jurisdictions. The Group is exposed to product liability and warranty claims in the normal course of business in the event that its products, or the components and semi-finished goods incorporated in batteries and storage solutions that the Group has manufactured or assembled and sold, fail or allegedly fail to perform as expected or the use of the Group's products results, or is alleged to result, in bodily injury or property damage, including from malfunction of the Group's customers' end products which include battery cells supplied by or purchase from the Group. Such claims may arise from risks associated with the misuse or improper storage of batteries, overcharging of rechargeable cells or exposure to harmful chemicals included in the battery cell. They may also arise from quality issues related to, among other things, the inherent risks of the electrochemical systems contained in microbatteries, such as zinc air and silver oxide cells. For example, the thermodynamic instability of zinc powder in alkaline electrolytes electrochemical systems results in the generation of hydrogen gas, which is typically released through the microbattery's cell components. If the gas cannot escape through the cell components, internal pressure in the battery cell will increase (so-called "gassing"). Gassing can cause the battery cells to swell and, on rare occasions, result in rapid disassembly or rapid cell expansion and, in turn, damage to the hearing aid. In the past, rapid disassembly of the Group's microbatteries has been extremely rare. However, as the risk of rapid disassembly is higher in new mercury-free microbatteries due to the chemical properties of mercury to better suppress "gassing" when exposed to zink there can be no assurance that rapid disassembly of the Group's microbatteries will not increase in the future. Furthermore, the Group may become subject to other proceedings alleging violations of due care, safety provisions and claims arising from breaches of contract (like delivery delays) or fines imposed by government or regulatory authorities in relation to its customized and semi-customized products and services. Any such lawsuits, proceedings and other claims could result in significant increased costs, including to defend against these claims or make payments to compensate for damages. In addition, under certain circumstances, any such issues could give rise to an investigation by regulatory authorities, which could result in the need for remedial action such as a recall requiring the repair or replacement of the Group's products or even a prohibition of future sales. The risks arising from such warranty and product liability lawsuits, proceedings and other claims are insured to the extent the Group considers economically reasonable, but the insurance coverage could prove insufficient in individual cases. Any such product liability or warranty issues may damage the Group's reputation as a provider of high-quality, technologically advanced and safe products and place a significant strain on management and divert management's attention from other business concerns. Any litigation or complaints and any adverse publicity surrounding such allegations or actions could have a material adverse effect on the Group's business, financial condition and results of operations.

6. The Group is dependent on third-party suppliers to deliver raw materials and components for its products.

The Group's production and assembly processes depend on the availability and timely supply of raw materials, components and finished goods, from third-party suppliers. Many of the Group's suppliers are located in Asia—primarily in China, Japan and South Korea—due, in part, to the Group's significant microbattery production volumes at its facilities in China and Indonesia. In the Energy Storage Solution segment, most of the battery cells sourced by the Group are manufactured by suppliers in Japan and South Korea, with many of the battery cells for OEM customer applications sourced from Chinese suppliers. The Group also obtains a significant portion of certain of its processed raw materials, including nickel, silver and zinc, from a limited number of key suppliers. With respect to certain raw materials, particularly certain electrolytes such as nickel hydroxide, the Group may depend on a single supplier due to specific quality or other requirements or because the small volumes required may not justify the cost of sourcing from multiple suppliers or other suppliers may not be available to provide necessary quantities. If any of the Group's suppliers is unable to meet its obligations under purchase orders or supply agreements, the Group may be unable to locate suitable alternatives, may be forced to pay higher prices to obtain the necessary raw materials from other suppliers or even change suppliers, which can be a time-consuming and costly process to qualify new suppliers and ensure the quality and consistency of the raw materials required. In addition, such supply interruption could lead to the Group's own production interruption at one or more production facilities. The Group works closely with its suppliers to avoid supply-related problems, but there can be no assurance that it will not experience supply problems in the future. If the Group fails to maintain its relationships with current suppliers, if suppliers offer pricing and other terms that are not satisfactory or if a supplier fails to supply raw materials that meet the Group's quality, quantity and cost requirements, the Group may be unable to fill customers' orders on a timely and cost-effective basis or in the required quantities, which could result in damage claims, order cancellations, decreased sales or loss of market share and damage to the Group's reputation. These factors could, in turn, have a material adverse effect on the Group's business, financial condition and results of operations.

7. The Group may be unable to maintain its technological expertise and meet evolving customer requirements.

The end markets for the Group's customers' products are characterized by changing technology, evolving technologies and technical standards, changes in customer preferences and the frequent introduction of new products. This is particularly true in light of increasing trends towards connectivity and miniaturization of devices and applications in the healthcare, entertainment and industrial end markets, among others. Choosing to dedicate research and development resources to the right products and trends will be critical to the Group's ability to meet evolving customer requirements and preferences, and it may not be successful in doing so. Furthermore, the development and commercialization of new technologies and the introduction of new products may make existing ones obsolete or unmarketable. For example, the consumer interest in and commercialization of new rechargeable lithium-ion hearing aid batteries could occur more quickly than the Group expects, which could reduce the overall number of primary batteries sold per hearing aid, which are regularly exchanged after use, and, consequently, lower sales of the Group's primary hearing aid batteries. In addition, certain competitors who have less automated production processes, such as in China, for example, may be able to introduce new products to the market faster than the Group. Moreover, new technologies already protected by patents may also inhibit the Group's ability to begin production and commercialization of new products. The Group's competitiveness in the future will depend, at least in part, on its ability to (i) anticipate and keep pace with technological developments and maintain technological expertise, (ii) develop and manufacture innovative products in a timely manner, (iii) attract and retain highly capable technical and engineering personnel, (iv) accurately assess the demand for, and perceived market acceptance of, new products that it develops and (v) maintain competitive cost structures. If the Group is unable to maintain its technological expertise and competitive cost structures, this could have a material adverse effect on the Group's business, financial condition and results of operations.

8. Competition in the industries and market segments in which the Group operates may adversely affect its market shares, margins and overall profitability.

The Group's industries and market segments are competitive, and the Group faces significant competition from large international competitors as well as smaller regional competitors in certain markets. For example, in the hearing aid microbattery market, which has experienced consolidation in the last decade, there are a limited number of global market players against which the Group competes, in particular Spectrum Brands Inc. and ZeniPower, with competition among them to a considerable degree on price and reputation. On the other hand, the non-hearing aid microbattery market in the Group's Microbatteries segment remains more fragmented and includes a greater number of large global and regional competitors, particularly in China and Japan. In the Group's Energy Storage Solutions segment, the Group primarily competes against other European competitors given its current geographic focus in European countries.

Competition is based on several key criteria, which include, among other things, price, product technology and reliability, product quality and performance, size, weight, product design and innovation, reputation, brand recognition, customer access and sales power as well as the scope and quality of the Group's services. There can be no assurance that certain industry players, who currently do not compete with the Group in terms of quality and market share, will not be able to increase their product quality and market share in the coming years. The Group's ability to compete in the industries and markets in which it operates may be adversely affected by a number of factors, such as:

- new products or product improvements by competitors, such as lithium-ion rechargeable hearing aid batteries, including product substitution of the Group's products for new technologies provided by competitors, thereby weakening demand for the Group's products;
- failure to maintain existing customers, particularly significant customers in a particular business division or segment, and to enter into new, renew or extend existing agreements with significant customers;
- companies specializing in one or more of the Group's business segments or products, some of which have greater financial and technical resources;
- competitors who have lower production costs (due to geographic location, currency fluctuations or otherwise) and larger production and assembly capacity, which may enable them to compete more aggressively in offering discounts and lower prices including in alternate sales channels such as electronic commerce platforms; and
- unsuccessful entry into new geographic markets or product segments.

The Group's ability to maintain or increase its profitability is, and will continue to be in the near term and mid-term, dependent upon its ability to offset decreases in prices and margins of its products by improving production automation, efficiency and volume for the Group's microbatteries. If the Group is unable to do so or to otherwise maintain its competitive position, it could lose market share to competitors. If the Group is unable to compete successfully in its product and geographic markets, this could have a material adverse effect on the Group's business, financial condition and results of operation.

9. Significant increases in the cost of raw materials, components and finished goods may adversely affect the Group's business, financial condition and results of operation.

The Group's profitability is to a significant extent a function of the relationship between the prices that it is able to charge for its products and the costs of the materials required to make these products. The cost of processed raw materials, components and finished goods historically has represented a significant portion of the Group's cost of raw materials and consumables used. For example, in the financial year ended December 31, 2015, the cost of raw materials and consumables used amounted to €85,456 thousand, or 43.8% of the Group's revenue. As a consequence, sudden and significant increases in the prices of processed raw materials, such as occurred in the price of rare earth minerals several years ago, or similar volatility with respect to the currency exchange rates between the euro and the currency of such goods may also lead to corresponding price increases in components and finished goods used in the assembly of the Group's products.

The Group's operations depend on the supply of various commodities, including primarily nickel, silver and zinc, as well as oil and other energy costs which affect manufacturing and transportation costs and the supply of which could be interrupted by a number of factors, including natural disasters. The Group is also indirectly exposed to fluctuations of labor costs, commodity prices and energy costs as the price of components, particularly battery cells, it orders from third-party suppliers and manufacturers will increase if the Group's suppliers' costs increase. Increases in the costs of raw materials, components and finished goods may have a material adverse effect on the Group's business, financial condition and results of operations, particularly if it is not able to pass on such price increases or reduce other costs to offset the higher commodity prices.

10. The Group's business depends, in part, on contracts with certain significant customers. If one or more of such contracts were discontinued or renewed on less favorable terms, the Group's financial position and results of operation could be materially adversely affected.

The success of the Group's business depends, in part, on significant customer contracts entered into with large hearing aid manufacturers, public and private healthcare providers and certain OEMs. These are often longer-term contracts for significant volumes of microbatteries, with terms of up to five years and typically renew automatically unless terminated by one of the parties. The Group may not be able to renew such contracts upon their expiry or may only be able to do so on less favorable terms. If the Group is unable to renew or extend such contracts on favorable terms, it could have a negative impact on the Group's revenue and profits. More generally, the Group's inability to maintain customer relationships with key customers or otherwise retain their business at current levels, including those whom the Group supplies on a purchase order basis, could also have a negative impact on the Group's sales and profits. Together with the adverse impact this could have on the volume of products sold by the Group as well as the Group's market positions, such contract losses or failure to renew larger customer contracts could have a material adverse effect on the Group's business, financial condition and results of our operations.

11. The Group is exposed to risks related to conducting operations in several different countries.

The Group currently has production facilities located in Germany, Romania, Indonesia and China and markets its products worldwide. Conducting business globally, particularly in emerging markets, exposes the Group to many factors over which it has little or no control and which may adversely affect its business, results of operations and financial condition. The factors include, among other things:

- political, legal or social instability or volatility;
- unexpected changes in regulatory environments and interference by local authorities in the business environment, making it more difficult to obtain or renew permits and licenses;
- trade restrictions, sanctions and penalties;
- fluctuations in currency exchange rates and currency devaluations;
- sudden or unexpected increases in wages and national and regional labor strikes;
- insufficient protection against violations of intellectual property rights;
- underdeveloped or otherwise insufficient legal and administrative systems; and
- bribery and corruption as well as crime and fraud.

To the extent any of these factors would materialize in a given country or region, it could have a material adverse effect on the Group's business, financial condition and results of operations.

12. The Group is exposed to various operational risks associated with its production and assembly facilities and business operations.

The Group operates production and assembly facilities in Germany, Romania, China and Indonesia. The Group's business is thus exposed to the various hazards and risks of disruption associated with large and complex industrial operations. These risks of disruptions include, but are not limited to: production or machinery equipment failures, chemical spills and other discharges or releases of toxic or hazardous substances, explosions and fires, and natural disasters such as floods and earthquakes.

These risks could expose employees to toxic chemicals and other hazards, contaminate the environment, damage property, result in personal injury or death, lead to an interruption or suspension of operations, reputational damage and adversely affect the productivity and profitability of a particular production or assembly facility or the Group's business operations as a whole, and result in the need for remediation, governmental enforcement, regulatory shutdowns, the imposition of government fines and penalties and claims brought by governmental entities or third parties. If disruptions at production or assembly facilities occur, alternative facilities with sufficient capacity or capabilities may not be available, may cost substantially more or may take a significant time to commence operations. If any of the Group's production or assembly facilities is unable to operate for an extended period of time, the Group's sales may decline due to the disruption and it may not be able to meet customers' needs, which could cause them to seek other suppliers. If any of the risks described above arise, this could have a material adverse effect on the Group's business, financial condition and results of operation.

13. The Group is subject to numerous environmental, health and safety laws and regulations across multiple jurisdictions, which are becoming increasingly stringent.

The Group's products and business operations are subject to a broad range of local, state, national and multi-national laws and regulations in the jurisdictions in which it operates and markets its products. For example, the Group may only place products into the market that comply with applicable substance restrictions and safety requirements in a given country. Furthermore, the Group must comply with the applicable rules on the transport of the Group's products, including various restrictions on the transport of certain battery cell chemistries by air. Amendments or revisions to the list of restricted substances under such laws and regulations may require changes to product designs or the Group's production processes. In addition, some of the Group's products (including the Group's processed raw materials) are subject to extensive environmental and industrial hygiene regulations governing the registration and safety analysis of their component substances. For example, in connection with the Regulation (EC) No 1907/2006 on Registration, Evaluation and Authorization of Chemicals ("**REACH Regulation**") various raw materials, chemical or substances, including the Group's products, could be subject to stricter registration and authorization requirements.

The Group's business operations must also comply with laws and regulations relating to the protection of natural resources, the management of hazardous substances and wastes, air emissions, water discharges, the use, management, storage, treatment, transportation and disposal of waste and other byproducts, the protection and restoration of plants, wildlife and natural resources, the investigation and remediation of contaminated property, and public and workplace health and safety (such as rules regarding the handling of carcinogenic substances or rules governing the use of protection equipment). Many new laws and amendments, as well as amendments to existing ones, have become more stringent, particularly in the European Union ("**EU**"). In particular, the Group expects that its production facility in Ellwangen will be covered by the revised rules on hazardous incidents of the Council Directive 2012/18/EU on the control of major-accident hazards involving dangerous substances ("**Seveso III Directive**"). The Group expects that the application of the revised rules may entail significant costs for structural measures and ongoing expenses once these rules are implemented into national law.

In addition, for the Group's product facilities and operations, it requires various licenses and permits, particularly regarding air emissions and waste water discharge, and must comply with the requirements specified therein, and the relevant regulatory authorities carry out inspections from time to time to ascertain compliance with applicable laws, regulations and permits. The demands of compliance may require the Group to incur significant costs, and violations may result in substantial fines or penalties, temporary or permanent production facility closures, criminal convictions and civil liability. Moreover, regulatory authorities could suspend the Group's operations or refuse to timely issue or renew the permits and authorizations the Group requires to operate its business or place its products in the market. They could also require upgrades or changes to the Group's facilities or machinery that could result in significant costs. The Group anticipates that the countries where it conducts business, particularly in the EU, will continue to develop increasingly strict environmental laws and regulations and to interpret and enforce more aggressively existing laws and regulations. While many environmental, health and safety laws and regulations have already been harmonized at the EU level, member state governments remain, in principle, free to adopt regulations that are stricter than those required by the EU. There can be no assurance that the Group will be able to comply with all applicable laws and regulations at all times, or that the costs of complying with current and future environmental, health and safety laws, and liabilities arising from past or future violations, will not materially adversely affect the Group's business, financial condition or results of operation.

14. The Group could become liable for site remediation or other environmental matters.

Some of the production sites of the former VARTA AG have a long history of industrial production, storage and other activities related to battery production. Although the Group currently is not aware of any material outstanding site remediation or environmental cleanup obligations at these locations for which it is directly liable, it could incur significant additional monitoring and/or cleanup costs as a result of additional contamination discovered in the future or if contractual arrangement with the buyers of former production sites and properties are held to be unenforceable or insufficient to cover such costs. Discovery of previously unknown contamination, or the imposition of new obligations to investigate or remediate soil or groundwater contamination, at the Group's former or current production facilities or properties could result in substantial unanticipated costs and have a material adverse effect on its business, financial condition or results of operations.

15. The Group depends on its members of management and may not be able to attract and retain key and highly qualified personnel.

The Group's future performance depends in significant part on the continued service of the Group's Management Board and other key personnel, including the Group's business segment heads and employees with extensive battery cell knowhow and research and development expertise. The loss of the services of one or more members of the Group's Management Board or other key personnel could have a material adverse effect on the Group's business, prospects, financial condition and results of operation. The Group's success also depends on its continuing ability to attract, retain and develop highly qualified personnel, including scientists and engineers with the requisite technical background. Competition for such personnel is intense, particularly in Germany where the Group has its headquarters and significant business operations and research and development activities, and there can be no assurance that efforts to retain and motivate management and key employees or attract and retain other highly qualified personnel in the future will be successful. If the Group is unable to attract and retain such personnel in the future, it may have a material adverse effect on the Group's business, financial condition and results of operation.

16. The Issuer is dependent on the results of operations of its subsidiaries.

The Issuer conducts its operations through its direct and indirect subsidiaries, which are separate and distinct legal entities. The Issuer therefore substantially relies on distributions that it receives from its subsidiaries to cover certain corporate administrative expenses as well as pay dividends in the future. The distributions by the subsidiaries depend, in turn, on their operating results and their ability to make distributions under applicable law. No assurance can be given that the Issuer's subsidiaries will generate profits in the future in sufficient amounts to make distributions to the Issuer or that such funds will be sufficient in the future to satisfy all of the Issuer's payment obligations when due. If the available cash is not sufficient for such payments, the Issuer will most likely refrain from paying dividends. The materialization of any of these risks could have a material adverse effect on the Group's business, financial condition and results of operations.

17. The Group's tax burden could increase as a result of future tax audits and potential changes in applicable tax laws and regulations.

The Group has operations in Germany, Romania, China and Indonesia, with subsidiaries in other jurisdictions such as Singapore and the United States. From time to time, the Group is subject to routine tax audits by local tax authorities in the countries in which it operates. Future tax audits may result in additional tax and interest payments, which would negatively affect the Group's financial condition and results of operation. In addition, tax authorities may, to some extent, not accept the deductibility of interest payments, claiming among other aspects, that limitation under interest ceiling rules or transfer pricing rules apply. In such event, the Group may face additional tax payments becoming due in tax audits or in the process of tax assessments.

Currently, there are ongoing tax audits with respect to VARTA Microbattery GmbH, VARTA Micro AG and VW-VM Forschungsgesellschaft mbH & Co KG for the years 2011 to 2014 and with respect to VARTA AG for the years 2012 to 2014. For the time being, there have been no assessments of the relevant tax auditors with material relevance to the Group's tax position, but there can be no assurance that the results of the tax audits will not negatively impact the Group's tax position in the future.

Any additional tax payments resulting from such tax audits could have a material adverse effect on the Group's results of operations and financial condition. In addition, changes in fiscal regulations or the interpretation of tax laws by the courts or the tax authorities (including the courts or the tax authorities in the foreign jurisdictions in which the Group conducts its business) may also have a material adverse effect on its business.

18. The international scope of the Group's operations and corporate and financing structure may expose it to potentially adverse tax consequences.

As a result of the Group's international operations, it is subject to tax laws in several jurisdictions. It is, in turn, also subject to transfer pricing laws, including those relating to the flow of funds among Group companies pursuant to, for example, purchase agreements or other arrangements, and with respect to a relocation of functions or transfer of business. As a consequence of a relocation of functions, an additional tax burden may arise due to a taxation of deemed proceeds from a hypothetical sale at arm's length. For example, the tax authorities could take the view that the performance of operations and production functions in Romania should be (or should be in the future) considered as a relocation of business assets and functions to the extent the functions are no longer exercised in Germany. Adverse developments in these laws or regulations, or any change in position by the relevant authority regarding the application, administration or interpretation of these laws or regulations in any applicable jurisdiction, could adversely affect the Group's business, financial condition and results of operations.

In addition, the Group's companies enter into many transactions and calculations in the ordinary course of business where the ultimate tax determination is uncertain. The application of various domestic and international sales, use, occupancy, value added and other tax laws, rules and regulations is subject to interpretation by the applicable taxing authorities. The Group relies on generally available interpretations of tax laws and regulations in the jurisdictions in which it operates. However, there can be no assurance that these interpretations are accurate or that the responsible taxing authority will agree with the Group's understanding or interpretation of such tax laws and regulations. If the tax laws, rules and regulations are amended, if new adverse laws, rules or regulations are adopted, or if current laws are interpreted adversely to the Group's interests, the results could increase the Group's tax payments (prospectively or retrospectively) and/or subject it to penalties. As a result, these changes could decrease the Group's capital available to operate it businesses and have a material adverse effect on its business, financial condition and results of operation.

19. Disruptions of the Group's information technology systems could have a material adverse effect on its business.

The Group depends on its information technology systems for, among other things, the effectiveness of its operations, to interface with customers and maintain financial records and accuracy. Information technology systems failures, including risks associated with upgrading systems, network disruptions and breaches of security could disrupt operations by impeding the Group's processing of transactions, its ability to protect customer or company information and its financial reporting, leading to increased costs. In addition, the Group's computer systems, including its back-up systems, could be damaged or interrupted by power outages, computer and telecommunications failures, computer viruses, internal or external security breaches, events such as fires, earthquakes, floods and/or errors by our employees. Disruptions, security breaches or failures of the Group's information technology systems could impair its ability to effectively and timely provide products and services, which could damage the Group's reputation and have a material adverse effect on its business, financial condition and results of operations.

20. The Group is subject to risks from future legal, administrative and arbitration proceedings.

The Group is involved from time to time in various legal, administrative and arbitration proceedings related to products, patents, trademarks, company signs and other matters incidental to its business and could become involved in additional legal, administrative and arbitration proceedings in the future. These proceedings or potential proceedings could involve claims for substantial damages or other payments, in particular in the United States. Based on a judgment or a settlement agreement, the Group could be obligated to pay substantial damages and contractual penalties. In addition, such judgments or settlement agreements could lead to injunctions against the Group or one of its subsidiaries, which may result in significant restriction and disruption to the Group's business operations and lost sales revenue. Litigation costs and those of third parties could also be significant. If any of these factors were it materialize, it could have a material adverse effect on the Group's business, financial condition and results of operations.

21. The Group is exposed to currency risks associated with changes in currency exchange rates.

The Group's results of operations and financial condition may be affected by transaction and translation effects of foreign currency exchange rate fluctuations. The Group is exposed to transaction effects when one of its subsidiaries incurs costs or generates revenue in a currency different from its functional currency. Fluctuations in exchange rates may also affect the relative competitive position of the Group's production facilities, as well as its ability to market its products successfully in other markets. The Group is exposed to currency fluctuations when it converts currencies that it receives for sales of products into currencies required to pay debt obligations, or into currencies in which it purchases processed raw materials or components, meet its fixed costs or pay for services, which could result in a gain or loss depending on fluctuations in exchange rates. Certain of the Group's revenue are invoiced in currencies other than the euro, namely the U.S. dollar, while the Group's financial statements are reported in euro. If the value of the euro declines against currencies in which the Group's obligations are denominated or increases against currencies in which its sales are denominated, its results of operations and financial condition could be materially adversely affected.

22. The Group's insurance coverage may be inadequate, may increase in cost and may not cover certain risks or unexpected events.

The Group maintains insurance coverage for a number of risks, including product and environmental liability, property damage and business interruption. There is no guarantee that the Group's insurance policies will adequately cover all material risks it may face. Some risks cannot be insured, and for certain risks and in certain countries, insurance may not be available to cover all risks or may be available only at costs that are not economically viable. In addition, following a significant insurance claim or a history of claims, insurance premiums may increase or the terms and conditions of insurance coverage may become less favorable. This may also occur due to a general change in the insurance markets. There is no guarantee that the Group will be able to continue to obtain sufficient levels of insurance on economically viable terms. The materialization of any of the risks described above could have a material adverse effect on the Group's business, financial condition and results of operations.

23. The Group may be subject to secondary liability in connection with its pension arrangements.

In June 2016, the Company entered into an agreement with VRT Pensionen GmbH, a company founded by an indirect subsidiary of Montana Tech Components AG, pursuant to which the Group's pension obligations and pension assets were spun off to VRT Pensionen GmbH. The spin-off took retroactive effect as of January 1, 2016. Pursuant to the spin-off arrangement with VRT Pensionen GmbH, the Company remains subject to the liabilities in connection with the spin-off for a period of 10 years. In addition, in November 2016, VARTA Microbattery GmbH entered into an agreement with VRT Pensionen GmbH, pursuant to which VRT Pensionen GmbH will be added as debtor for the pension obligations of VARTA Microbattery GmbH and assumed *vis-à-vis* VARTA Microbattery GmbH the fulfilment of all payment obligations under such pension obligations. The payment obligations of VRT Pensionen GmbH thereunder which are not covered by plan assets pursuant to IAS 19.8 are secured by an irrevocable guarantee by VGG GmbH towards VARTA Microbattery GmbH up to an amount of €8,000 thousand. Should VRT Pensionen GmbH not be able to meet its obligations under the spin-off agreement with the Company or under the debt assumption agreement with VARTA Microbattery GmbH and should no payment be obtained from VGG GmbH under its guarantee in this case, this could result in significant expense to the Company and VARTA Microbattery GmbH, respectively, and could have a material adverse effect on the Group's financial condition and results of operations.

24. The Group may not be able to implement its business strategies, including with respect to the use of the proceeds from the Offering.

The Group's future financial performance and success depends on its ability to implement its business strategies successfully, including its strategy to develop and grow its Energy Storage Solutions business segment to contribute to the profitability of the Group. There can be no assurance that the Group will successfully implement its business strategies or that implementing these strategies will sustain or improve, and not harm, its results of operations. In addition, the costs involved in implementing the Group's strategies, including with respect to the use of proceeds from the Offering, may be significantly greater than currently anticipated. For example, the Group's ability to complete production capacity expansions through investment in a new automated battery assembly production facility in Europe may be delayed or interrupted by the need to obtain environmental and other regulatory approvals, the availability of labor and materials, unforeseen hazards such as weather conditions, and other risks customarily associated with large-scale construction projects. Moreover, the amount of capital expenditure that the Group estimates to be required such capacity expansion projects may be insufficient to the cover the actual cost due to cost overruns or other unexpected expenses or construction delays. In addition, the cost of expanding capacity could have a negative impact on the Group's financial results until capacity utilization is sufficiently high to absorb the incremental costs associated with the expansion. Any failure, in turn, to develop, revise or implement the Group's business strategies in a timely and effective manner may have a material adverse effect on the Group's business, financial condition and results of operations.

25. The Group may not be able to identify suitable acquisition targets or assess all risks associated with the acquisition of such targets.

The success of the Group's acquisition strategy in its Energy Storage Solutions segment depends upon its ability to identify suitable acquisition targets, conduct appropriate due diligence, negotiate transactions on favorable terms and ultimately complete such transactions and integrate the acquired business into the Group. The Group's plans to acquire additional businesses in the future are subject to the availability of suitable opportunities at an attractive price. Certain of the Group's competitors may be pursuing similar acquisition strategies and they may have greater financial resources available for investments than the Group or may have capacity to accept less favorable terms than the Group can accept, preventing it from acquiring the businesses that it targets and reducing the number of potential acquisition targets.

In addition, the Group's analysis of acquisition targets includes assessments which are subject to certain assumptions concerning profitability, growth, quality of operations of the acquisition targets, interest rates, realizable synergies and company valuations. There can be no assurance that the Group's assessments of and assumptions regarding acquisition targets will prove to be correct, and actual developments may significantly differ from its expectations. Moreover, acquisition targets may be subject to risks or problems which the Group may not be aware of, which it may not detect or which have not been disclosed to it in the due diligence process. Moreover, the Group may learn about such risks or problems only after consummation of the acquisitions, in particular with respect to unknown contingent liabilities and issues relating to compliance with applicable laws and regulations. If the Group fails to successfully identify and assess risks related to acquisitions, it may be exposed to legal, market or other risks related to companies that it acquires, which could, individually or in the aggregate, have a material adverse effect on its business, financial condition and results of operations.

26. The Group may not be able to successfully integrate businesses that it acquires or realize the anticipated growth potential or synergies, if any, from such acquisitions.

The Group's ability to successfully implement its strategy depends, in part, on its ability to successfully acquire appropriate targets and subsequently integrate businesses that it acquires to benefit from the anticipated growth potential or synergies. Achieving such growth or realizing such synergies can be difficult and uncertain, and the process of integrating acquired businesses involves risks. These risks include, but are not limited to:

- diversion of management's time and attention from daily operations to the integration of newly acquired operations;
- difficulties in conforming the acquired company's accounting system, book and records, internal accounting controls, and procedures and policies to those of the Group;
- retaining the loyalty and business of the customers of acquired businesses;
- retaining employees who may be vital to the integration of the acquired business or to the future prospects of the combined businesses;
- difficulties and unanticipated expenses related to the integration and standardization of information technology systems;
- difficulties integrating technologies and maintaining uniform standards as well as unanticipated costs of necessary changes to IT systems;
- unforeseen challenges of operating in new geographic areas; and
- unanticipated costs and expenses associated with any undisclosed or potential liabilities.

Moreover, even if the Group is able to integrate successfully the operations of acquired businesses, it may not be able to realize the potential synergies and sales growth anticipated, either in the amount or within the timeframe that it expects, and the costs of achieving these benefits may be higher than, and the timing may differ from, what the Group expects. The ability of the Group to realize anticipated cost savings, synergies and revenue enhancements may be affected by a number of factors, including, but not limited to, the use of greater financial resources on integration and implementation activities than expected; increases in other expenses unrelated to the acquisitions, which may offset the cost savings and other synergies from the acquisitions, and the Group's ability to eliminate duplicative overhead and overlapping functions without labor disruption.

Any failure to implement the Group's acquisition strategy or integrate acquired businesses successfully could have a material adverse effect on its business, financial condition and results of operations.

27. The Group may need additional financing in the future, and such financing may not be available on favorable terms, or at all, and may be dilutive to shareholders.

The Group may need to seek additional financing in the future for general corporate purposes and to implement its growth strategy. For example, it may need to increase investments in product development activities and production capacity or require additional funding in the future to make selective acquisitions. The Group may be unable to obtain desired additional financing on favorable terms or at all, including accessing the capital markets when it may be necessary or beneficial to do so, which could negatively impact its flexibility to react to changing economic and business conditions. For example, during periods of volatile credit markets, lenders may fail or refuse to honor credit commitments and obligations, including but not limited to, extending credit up to the maximum permitted by a credit facility and otherwise accessing capital or honoring loan commitments. If lenders are unable to fund under loan commitments or the Group is otherwise unable to borrow, it could be difficult to replace such loan commitments on similar terms or at all. If adequate funds are not available on acceptable terms, the Group may be unable to fund growth opportunities, successfully develop or enhance products, or respond to competitive pressures, any of which could negatively affect the Group's business, financial condition and results of operation. In addition, if the Group raises additional funds through the issuance of equity securities, the Company's shareholders will experience dilution of their ownership interest. If the Group raises additional funds by issuing debt, it may become subject to limitations on its operations and ability to pay dividends due to restrictive covenants.

28. Applicable competition laws may expose the Group to liability risk and limit the Group's ability to complete acquisitions to grow its business in certain markets.

The Group may be considered to enjoy a dominant position in its Microbatteries segment in certain geographic markets with respect to hearing aid microbatteries. While the Group actively monitors compliance with applicable competition laws, any events or instances of non-compliance may be brought to relevant authorities and result in subsequent investigations and may, subject to any available reduction of penalties in accordance with leniency programs, result in the imposition of fines and other sanctions against the Group, its management or employees or may otherwise expose the Group to financial liabilities. Any such liabilities may be significant and could materially adversely affect the Group's business, reputation, financial condition or results of operations.

Applicable competition laws may also limit the Group's ability to take advantage of acquisition opportunities in markets where it may be considered to enjoy a dominant position. The Group may be prevented by the relevant competition authorities from completing certain acquisitions in certain markets and may incur significant costs related to the review or investigation of any such acquisition by such authorities. Any limitation on the Group's ability to complete acquisitions to grow its business could have a material negative impact on its business, financial condition and results of operations.

29. The Group is subject to the credit risk of its customers, suppliers and distributors.

The Group engages in numerous sales transactions with its customers, suppliers and distributors and is therefore subject to the risk that one or more of these counterparties becomes insolvent or otherwise becomes unable to discharge its obligations to the Group. In particular, if one of the Group's customers were to experience financial difficulties or even insolvency, the Group may be unable to collect outstanding amounts payable to it, resulting in write-offs of such receivables. The Group maintains reserves for doubtful accounts and amounts past due. However, there can be no assurance that such reserves will be sufficient for the third-party credit risks the Group faces. Significant or recurring delays in receipt of payments, or incidents of bad debts, could have a material adverse effect on the Group's business, financial condition and results of operations.

30. The financial information presented in this Prospectus may not be entirely comparable and may not be representative of the Group's results as an independent listed consolidated group going forward.

For the financial years ended December 31, 2013, 2014 and 2015, the Company, VARTA Micro AG (since merged with and into VARTA Microbattery GmbH) and its subsidiaries, VARTA Microbattery S.R.L. and VARTA Microbattery GmbH and its subsidiaries, were under the common control of Montana Tech Components AG and were managed as one entity. In April 2016, the Company acquired all of the shares of VARTA Micro AG from VGG GmbH, and, in June 2016, all of the shares of VARTA Microbattery GmbH were transferred as a contribution in kind to the Company. Furthermore, in September 2016, the Company acquired all of the shares in VARTA Microbattery S.R.L. Prior to these reorganization steps, there was no legal form of a group comprising these entities within the meaning of IFRS 10. Consequently, consolidated financial statements of the Issuer do not exist that cover the last three financial years of the Group's business. As a result of the Group's complex financial history, the Company has prepared combined financial statements for the financial years ended December 31, 2013, 2014 and 2015 as if these legal entities had been part of the Group for the periods presented. As the financial statements for the financial years ended December 31, 2013, 2014 and 2015 were prepared as combined financial statements, and the financial statements included as of and for the nine months ended September 30, 2016 (including prior-year information as of and for the nine months ended September 30,

2015) were prepared on a consolidated basis, these financial statements may not be completely comparable in all respects. Furthermore, as the Group will prepare consolidated financial statements going forward, such consolidated financial statements may also not be entirely comparable with the combined financial statements for the financial years ended December 31, 2013, 2014 and 2015 included in this Prospectus.

II. RISKS RELATING TO THE OFFERING AND THE SHARES

1. The market for and the price of the shares may be highly volatile and could decline significantly.

The market for and the price of the shares may be highly volatile and may be negatively affected by events involving the Group, its competitors, or the financial markets in general. Factors that could cause this volatility in the market price of the shares include, but are not limited to:

- actual or anticipated fluctuations in the Group's results of operations or financial condition;
- market expectations for the Group's financial performance;
- changes in the estimates of the Group's results of operations by analysts;
- differences between the Group's actual or projected financial or operating results and those expected by investors and analysts;
- investor perception of the success and impact of the Offering on the Group's strategy;
- the entrance of new competitors or new products in the markets of the Group;
- actual or anticipated sales of the shares;
- the liquidity of the market for the shares;
- new laws or regulations or changes in interpretations of existing laws and regulations affecting the business of the Group;
- general market and economic conditions;
- expiration of the lock-up undertakings;
- announcements of developments related to the Group's business;
- ongoing compliance with stock exchange regulations; and
- local market conditions.

The trading market for the shares will also be influenced by research and reports that industry or securities analysts may publish about the Group or its business or competitors. If one or more of these analysts ceases coverage of the shares or fails to publish reports on the Company regularly, the Group could lose visibility in the financial markets, which, in turn, could cause the share price or trading volume to decline. Moreover, if one or more of the analysts who cover the Company downgrade the shares, or if the operating results of the Group do not meet analysts' expectations, the share price could decline.

2. There is no existing market for the Issuer's shares, and an active trading market for the Issuer's shares may fail to develop after the Offering.

Prior to the Offering, there was no public trading market for the Issuer's shares. As a consequence, there can be no assurance that (i) an active and liquid trading market will develop or continue after the Offering, (ii) that the share price will not decline below the Offer Price or (iii) that prospective investors will be able to sell their shares at an appropriate price. After a bookbuilding process, the Offer Price will be determined by the Company and the Joint Global Coordinators and may not be indicative of the market price of the shares after listing.

3. The interests of the Issuer's Major Shareholder may deviate from, or conflict with, the Issuer's or its other shareholders' interests.

Upon completion of the Offering, the Major Shareholder will hold approximately 62.7% of the issued shares (assuming no exercise of the Greenshoe Option) and ETV Montana Tech Holding GmbH, a direct subsidiary of the Major Shareholder, will hold 1.3% of the issued shares (in each case assuming the placement of 16,666,666 New Shares). Each of the Major Shareholder and ETV Montana Tech Holding GmbH are controlled, directly or indirectly, by DDr. Michael Tojner, chairman of the Supervisory

Board. Due to its large shareholding, the Major Shareholder and, in turn, DDr. Tojner, will be in a position to exert substantial influence at the Issuer's general shareholders' meeting and, consequently, on matters decided by the Issuer's general shareholders' meeting, including the appointment of Supervisory Board members, the distribution of dividends and any proposed capital increases. The Major Shareholder's stake in the Issuer would enable it to block certain corporate measures that require the approval of the Issuer's general shareholders' meeting. In addition, the interests of the Major Shareholder may substantially deviate from, or conflict with, the Issuer's interests or the interests of the Issuer's other shareholders. There is no assurance that the Major Shareholder will exercise its influence over the Issuer in a way that serves the interests of the Issuer's other shareholders.

4. The Issuer will have broad discretion in how it uses the net proceeds from the Offering, and if the Issuer fails to use them effectively, the price of the Issuer's shares may decline.

The Management Board will have broad discretion in its use of the net proceeds of the Offering. The Issuer currently intends to use the net proceeds from the Offering for investment in a large-scale, automated battery final assembly plant in Europe and selective acquisitions in its Energy Storage Solutions segment. However, these plans may change and the Issuer's management could fail to use these proceeds to improve or maintain the operating results and financial condition of the Group or to enhance the value of the Issuer's shares. Any failure to use the net proceeds from this Offering effectively may result in financial losses that could have a material adverse effect on the Group's business, financial condition and results of operations and the value of the Issuer's direct and indirect interests in its subsidiaries, and directly or indirectly on the Issuer's business, financial condition, cash flows and results of operations.

5. The Issuer may be adversely affected by the transition to being a public company.

The Issuer's transition to being a public company will involve changes in its ownership structure, corporate governance, management culture and financial and non-financial reporting practices as well as the implementation of an internal compliance framework and function. When it becomes a public company listed on the Regulated Market of the Frankfurt Stock Exchange (Prime Standard), the Issuer will operate in an environment that subjects it to greater scrutiny and more detailed financial and non-financial disclosure requirements. In particular, it will be subject to increased regulatory obligations and need to provide, on its own or with the support of third parties, certain services in legal, strategic, finance, accounting and reporting functions, among other, that have been historically provided by the Group's Major Shareholder. Compliance with increased regulatory obligations and the assumption of such services and functions within the Group will require significant management attention and result in increased costs which may be significantly higher than currently anticipated. The Company's failure to successfully adapt its management approach and internal functions to its new public-company status, as well as the increased demand on financial and management resources that will result from being a public company, could result in sanctions imposed by regulatory authorities, including a termination of the trading of the shares, or otherwise materially harm its business, results of operations, financial condition and future prospects.

6. The Issuer may not be able to pay dividends in the future or may be limited in its ability to pay dividends under future finance agreements.

The decision of the Issuer's general meeting as to whether to distribute dividends in the future depends on a number of factors, including, among other things, its results of operations and its financial and capital expenditure requirements, as well as on the availability of distributable profits and reserves based on the unconsolidated financial statements of the Issuer prepared in accordance with the German Commercial Code (*Handelsgesetzbuch*—"**HGB**"). There can be no assurances that the Issuer's or its subsidiaries' performance will allow the Issuer to pay dividends consistent with its dividend policy. In particular, the ability to pay dividends may be impaired if any of the risks described in this section A. "*Risk Factors*" were to occur. Furthermore, the dividend policy may be subject to changes as the management board may reconsider and amend the dividend policy from time to time. If the Issuer does not have distributable profits available in accordance with HGB, no dividends may be paid out. Furthermore, future loan agreements may contain restrictions in respect of the distribution of dividends by the Issuer. Any of these factors, individually or in combination, could restrict the Issuer's ability to pay dividends.

7. Sales of a substantial number of shares could cause the market prices of the Issuer's shares to decline.

Upon completion of the Offering and assuming that all Offer Shares will be sold in the Offering at the low end of the price range and the Greenshoe Option is exercised in full, 19,166,665 shares, or 41.4% of the

Company's issued share capital will be free float. The remainder will be held by VGG GmbH, the major shareholder and a direct subsidiary of Montana Tech Components AG (the "**Major Shareholder**"), and ETV Montana Tech Holding GmbH, also a direct subsidiary of the Major Shareholder. The market price of the shares could decline as a result of future sales of a substantial number of shares, *e.g.*, by the Major Shareholder following the expiration of its lock-up undertakings, in the market or as a result of a perception that such sales could occur, which may be interpreted as a negative signal with respect to such shareholder's beliefs in the future prospects of the Group's business. That interpretation, whether accurate or not, may adversely affect the trading price of the shares. Such a decline in market price of the shares might also make it more difficult for the Company to issue equity securities in the future.

8. The Offering might not take place, and investors could lose security commissions already paid and bear the risk of not covering any short sales of the shares.

The underwriting agreement provides that the Underwriters may terminate the underwriting agreement under certain circumstances, even after the commencement of trading (*Handelsaufnahme*) of the shares. In such event, the Offering will not take place. Any allotments of shares to investors which have already occurred will be invalid, and investors will not have any claim to a delivery of those shares. Any claims in respect of security commissions and costs incurred in connection with the subscription by an investor will be based solely on the legal relationship between the investors and the institution to which they submitted their purchase orders. Investors who have made short sales bear the risk that they will not be able to satisfy their obligations to deliver the shares.

9. Investors with a reference currency other than the euro may become subject to certain foreign exchange risks when investing in the Issuer's shares.

The Issuer's equity capital is denominated in euro, and all dividends on the shares will be paid in euro. Investors whose reference currency is other than the euro may be adversely affected by any reduction in the value of the euro or any redenomination of the euro relative to the respective investor's reference currency. In addition, such investors could incur additional transaction costs in converting euro or such redenominated currency into another currency. Investors whose reference currency is other than the euro are therefore urged to consult their financial advisors.

10. Shareholders outside of Germany may not be able to participate in future rights offerings.

Under German corporate law, shareholders generally have subscription rights (*Bezugsrechte*) relating to any shares issued in a capital increase, or convertible bonds or bonds with warrants, in proportion to their shareholding, subject to certain exceptions which allow for an exclusion of preemptive rights. Due to restrictions in other jurisdictions, including the United States, shareholders outside of Germany may be prohibited, under applicable law, or excluded under the terms of capital measure, from participating in future capital measures. In addition, shareholders may not be able to participate in potential future capital measures if they do not have the funds necessary to subscribe for new securities or if the subscription rights are excluded. This could result in dilution of those shareholders' proportionate interests in the Issuer. Open market purchases to counteract such dilution could be on terms less favorable than those offered to other shareholders in connection with a capital increase.

11. If analysts do not publish research or reports about the Group's business or if they downgrade their recommendation with regard to the shares, the share price or trading volume could decline.

The trading market for the shares will be influenced by equity research and reports that industry or security analysts publish about the Company after the Offering. The Company does not control these analysts or the contents of such publications. If one or more of the analysts who cover the Company downgrade their recommendation with regard to the shares, the price of the shares would likely decline. In addition, if one or more of these analysts cease coverage of the Company or fail to regularly publish reports on it, the Company could lose visibility in the market, which could, in turn, cause the trading volume in the shares or the price of the shares to decline.

B. GENERAL INFORMATION

I. RESPONSIBILITY STATEMENT

VARTA AKTIENGESELLSCHAFT, with its registered office at Daimlerstr. 1, 73479 Ellwangen (Jagst), Germany, and registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Ulm, Germany (the "**Commercial Register**"), under the number HRB 728059, together with Jefferies International Limited, London, United Kingdom ("**Jefferies**"), UniCredit Bank AG, Munich, Germany ("**UniCredit**" and, together with Jefferies, the "**Joint Global Coordinators**"), HSBC Trinkaus & Burkhardt AG, Düsseldorf, Germany ("**HSBC**" and, together with the Joint Global Coordinators, the "**Joint Bookrunners**") and Erste Group Bank AG, Vienna, Austria ("**Erste Group**" and, together with the Joint Bookrunners, the "**Underwriters**"), assume responsibility for the contents of this Prospectus pursuant to Section 5(4) of the German Securities Prospectus Act (*Wertpapierprospektgesetz*), and each hereby declares that, to the best of its knowledge, the information contained in this Prospectus is correct and contains no material omissions. Notwithstanding Section 16 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*), neither the Company nor the Underwriters are required by law to update this Prospectus.

If any claims are asserted before a court of law based on the information contained in this Prospectus, the investor appearing as plaintiff may have to bear the costs of translating this Prospectus prior to the commencement of the court proceedings pursuant to the national legislation of the member states of the European Economic Area (the "**EEA**").

II. PURPOSE OF THE PROSPECTUS

This Prospectus relates to the offering (the "**Offering**") of 19,166,665 ordinary bearer shares of the Company with no par value (*Stückaktien*), each such share representing a notional value of €1.00 and with full dividend rights as of and for the financial year beginning January 1, 2016, consisting of:

- 16,666,666 newly issued ordinary bearer shares with no par value (*Stückaktien*) from an ordinary capital increase against contribution in cash resolved by the Company's extraordinary general shareholders' meeting held on November 16, 2016 with exclusion of subscription rights for existing shareholders (the "**New Shares**"); and
- 2,499,999 ordinary bearer shares with no par value (*Stückaktien*) from the holdings of VGG GmbH in connection with a potential over-allotment (these shares of VGG GmbH, the "**Over-Allotment Shares**" and, together with the New Shares, the "**Offer Shares**").

This Prospectus also relates to the admission to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment thereof with additional post-admission obligations (Prime Standard) of:

- 29,600,000 ordinary bearer shares with no par value (*Stückaktien*) (share capital prior to the above-mentioned capital increase); and
- up to 16,666,666 newly issued ordinary bearer shares with no par value (*Stückaktien*) as per the above-mentioned capital increase,

each with a notional value of €1.00 in the share capital and entitlement to full dividend rights as of and for the financial year beginning January 1, 2016.

The Offering consists of (i) an offer to the public in Germany and Austria; and (ii) private placements to institutional investors in certain jurisdictions outside Germany and Austria, including a private placement in the United States of America to persons who are "qualified institutional buyers" ("**QIBs**") as defined in Rule 144A ("**Rule 144A**") under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"). All offers and sales outside the United States of America will be made in compliance with Regulation S ("**Regulation S**") under the Securities Act.

III. FORWARD-LOOKING STATEMENTS

Certain statements in this Prospectus constitute forward-looking statements. Forward-looking statements are statements (other than statements of historical fact) relating to future events and the Company's anticipated or planned financial and operational performance. Statements made using words such as "expects", "assumes", "estimates", "plans", "intends", "predicts" or "forecasts", or similar expressions or the negatives thereof, may be an indication of such forward-looking statements. Forward-looking statements appear in a number of places in this Prospectus, including, without limitation, under the headings *A. "Risk Factors"*, *E. "Dividends, Dividend Policy and Earnings per Share"*, *I. "Management's Discussion and Analysis of Financial Condition and Results of Operations"*, *J. "Industry"*, *L. "Business"* and *T. "Recent Developments and Outlook"* and include, among other things, statements addressing matters such as:

- changes in macroeconomic, demographic or regulatory conditions in the Company's markets;
- the Company's business strategy, plans and objectives for future operations, products and expansions;
- the Company's expectations regarding developments in demand for its products;
- the Company's expectations regarding the competitive environment in which it operates and its position therein;
- the Company's future financial condition and ability to obtain additional financing;
- the Company's working capital, cash flows and capital expenditures; and
- the Company's dividends and dividend policy.

Although the Company believes that the goals, estimates and expectations reflected in these forward-looking statements are reasonable, such forward-looking statements are based on estimates and assumptions regarding future events, and are subject to known and unknown risks and uncertainties that could cause the Company's actual results, performance, achievements or industry results, to differ materially from what is expressed or implied by such forward-looking statements. Such risks, uncertainties and other important factors include, among others:

- economic downturns or worsening global economic conditions;
- the results of the United Kingdom's referendum on withdrawal from the European Union;
- threats to, impairment or loss of important intellectual property rights of the Group;
- future disagreements and disputes over the use of VARTA trademarks, company names and other company signs;
- risks associated with product liability, warranties, recall claims or other lawsuits or claims that may be brought against it;
- the dependency on third-party suppliers to deliver raw materials and components for the Group's products;
- the Group's ability to maintain its technological expertise and meet evolving customer requirements.
- competition in the industries and market segments in which the Group operates;
- significant increases in the cost of raw materials, components and finished goods;
- the dependency, in part, on contracts with certain significant customers;
- operational risks associated with its production facilities and business operations;
- changes in environmental, health and safety laws and regulations across multiple jurisdictions;
- risks related to liability for site remediation or other environmental matters;
- the dependency on the results of operations of the Issuer's subsidiaries;
- changes in the Group's tax burden as a result of future tax audits and potential changes in applicable tax laws and regulations;
- risks associated with disruptions of the Group's information technology systems;
- risks related to secondary liability in connection with pension fund arrangements;
- the availability of additional financing;
- risks related to competition law restrictions.

Should one or more of these risks or uncertainties materialise, or should any underlying assumptions prove to be incorrect, the Company's actual financial condition, cash flows or results of operations could differ materially from what is described herein as anticipated, believed, estimated or expected. The Company urges investors to read the sections of this Prospectus entitled *A.* "*Risk Factors*", *I.* "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and *L.* "*Business*" for a more complete discussion of the factors that could affect the Company's future performance and the industry in which it operates.

These forward-looking statements speak only as of the date of this Prospectus. Neither the Company nor any of the Underwriters assumes any obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise, or to conform any such statement to actual events or developments, other than as required by law or regulation. Nevertheless, the Company has the obligation to disclose any significant new event or significant error or inaccuracy relating to the information contained in this Prospectus that may affect an assessment of the securities and occurs or comes to light following the approval of the Prospectus, but before the completion of the public offering or the inclusion of the securities to trading, whichever is later. These updates must be disclosed in a prospectus supplement in accordance with Section 16(1) sentence 1 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*).

IV. SOURCES OF MARKET DATA

This Prospectus contains forecasts, statistics, data and other information relating to markets, market sizes, market shares, market positions and other industry data pertaining the Group's business and markets. The Group operates in industries and market segments for which it is difficult to obtain precise industry and market information. In addition, due to the breadth of the Group's business—operating in multiple product markets with sales in numerous geographic markets—comparable third-party market and industry information is not available across all of the Group's geographic markets. Unless otherwise indicated, such information is based on the Company's own analysis of multiple sources, including information obtained from customers, industry publications or reports. When such information contained in this Prospectus has been derived from third-party sources, it is stated that the information has been sourced from such person. Such information has been accurately reproduced, and, as far as the Company is aware from such information, no facts have been omitted that would render the information provided inaccurate or misleading.

Industry publications or reports generally state that the information they contain has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. Neither the Company nor the Underwriters have independently verified and, irrespective of the assumption of responsibility for the content of this Prospectus by the Company and the Underwriters (see *B.I.* "*—Responsibility Statement*"), cannot give any assurances as to the accuracy of market data contained in this Prospectus that were extracted or derived from these industry publications or reports. Market data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgements by both the researchers (including the Company) and the respondents, including judgements about what types of products and transactions should be included in the relevant market. Accordingly, there can be no assurance that a third party using different methodologies or sources could not arrive at different results from the Company's analysis presented in this Prospectus.

As a result, prospective investors should be aware that the forecasts, statistics, data and other information relating to the Group's markets, market sizes, market shares, market positions and other industry data pertaining to the Group's business and markets in this Prospectus, may not be reliable indicators of the Group's future results of operations or business performance.

The information provided in this Prospectus on the market environment, market developments, growth rates, market trends and on the competitive situation in the markets and segments in which the Group operates is based (to the extent not otherwise indicated) on the Company's assessments. These assessments, in turn, are based in part on internal observations of the market and on various market studies, third-party data, statistical information and reports.

The following sources were used in the preparation of this Prospectus:

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- Sonova, Annual Report 2009/2010;
- Sonova Group, Investor Presentations, October 2015, June 2016 and July 2016;
- U.S. Census Bureau, International Programs, International Data Base, last updated August 2016;
- U.S. Energy Information Administration, Electric Power Monthly, Data for April 2016, Table 5.6.A. Average Price of Electricity to Ultimate Customers by End-Use Sector;
- WHO: "Hearing loss in persons 65 years and older", http://www.who.int/pbd/deafness/news/GE_65years.pdf; and
- WiFore Consulting, "The Market for Smart Wearable Technology", February 2015, http://www.nickhunn.com/wp-content/uploads/downloads/2014/08/The-Market-for-Smart-Wearables.pdf.

V. DOCUMENTS AVAILABLE FOR INSPECTION

For the period during which the Prospectus is valid, printed copies of the following documents will be available for inspection during regular business hours at the Company's offices at Daimlerstr. 1, 73479 Ellwangen (Jagst), Germany (tel.: +49 (0) 7961 921699):

- the Company's Articles of Association;
- the Company's unaudited condensed consolidated interim financial statements as of and for the nine-month period ended September 30, 2016, prepared in accordance with International Financial Reporting Standards, as adopted by the European Union ("**EU**"), ("**IFRS**") (the "**Unaudited Condensed Consolidated Interim Financial Statements**");
- the Company's audited combined financial statements as of and for the years ended December 31, 2013, 2014 and 2015, prepared in accordance with IFRS (the "**Combined Financial Statements**"); and
- the Company's audited unconsolidated financial statements as of and for the financial year ended December 31, 2015, prepared in accordance with the HGB.

The Company's future consolidated annual and interim financial statements will be available from the Company on its website (http://www.varta-ag.com/investor-relations/), from the German Company Register (*Unternehmensregister*) (www.unternehmensregister.de), from the paying agent designated in this Prospectus (see *O.IV.* "*General Information about VARTA AKTIENGESELLSCHAFT and the*

Group—Notices, Paying Agent") and at the Company's office at Daimlerstr. 1, 73479 Ellwangen (Jagst), Germany. Annual financial reports will also be published in the German Federal Gazette (*Bundesanzeiger*).

VI. CURRENCY PRESENTATION AND PRESENTATION OF FIGURES

In this Prospectus, "**euro**", "**EUR**" and "**€**" refer to the single European currency adopted by certain participating member states of the European Union (the "**EU**") as of January 1, 1999. "**U.S. Dollar**" and "**$**" refer to the official currency of the United States of America (the "**United States**").

Where financial data in this Prospectus is labelled "audited" this means that it has been taken from the audited financial statements mentioned above. The label "unaudited" is used in this Prospectus to indicate financial data that has not been taken from the audited financial statements mentioned above, but was taken either from the Unaudited Condensed Consolidated Interim Financial Statements or the Group's accounting or controlling records, or has been calculated on the basis of figures taken from the above-mentioned sources, unless otherwise indicated. All of the financial data presented in this Prospectus are shown in thousands of euro (in € thousands), except as otherwise stated.

Certain financial data in the text and in the tables (including percentages) in this Prospectus have been rounded according to established commercial standards, whereby aggregate amounts (sum totals, sub-totals, differences or amounts put in relation) are calculated on the underlying unrounded amounts. As a result, the aggregate amounts (sum totals or sub-totals or differences or if numbers are put in relation) may not correspond in all cases to the corresponding rounded amounts contained in the text and tables. Furthermore, in the tables, these rounded figures may not add up exactly to the totals contained in the respective tables and charts. The percentage changes that are stated in the text and the tables have been commercially rounded to one decimal place unless stated otherwise. Financial information presented in parentheses denotes the presented number is a negative number. With respect to financial data set out in the main body of the Prospectus (*i.e.*, other than in the section entitled "*Financial Information*"), a dash ("—") signifies that the relevant figure is not available, while a zero ("0") signifies that the relevant figure is available but is or has been rounded to zero.

VII. PRESENTATION OF FINANCIAL INFORMATION

The Company's financial year is the calendar year.

The Company has appointed KPMG AG Wirtschaftsprüfungsgesellschaft, Theodor-Heuss-Straße 5, 70174 Stuttgart, Germany ("**KPMG**"), as its auditor for the financial year 2016. KPMG is a member of the Chamber of Public Accountants (*Wirtschaftsprüferkammer*), Munich, Germany.

For the financial years ended December 31, 2013, 2014 and 2015, the Company, VARTA Micro AG (since merged with and into VARTA Microbattery GmbH) and its subsidiaries, VARTA Microbattery S.r.l. and VARTA Microbattery GmbH and its subsidiaries, were under the common control of Montana Tech Components AG and were managed as one entity. In April 2016, the Company acquired all of the shares of VARTA Micro AG from VGG GmbH, and, in June 2016, all of the shares of VARTA Microbattery GmbH were transferred as a contribution in kind to the Company. Furthermore, in September 2016, the Company acquired all of the shares in VARTA Microbattery S.r.l. Prior to these reorganization steps, there was no legal form of a group comprising these entities within the meaning of IFRS 10. Consequently, neither stand-alone nor consolidated financial statements of the Company exist that cover the last three financial years of the Group's business, and the Company has a "complex financial history" as described in Regulation (EC) No. 809/2004. Due to its complex financial history, the Company has prepared combined financial statements in accordance with IFRS as adopted by the EU taking into account the provisions of IFRS 1 for the first-time adoption of IFRS.

This Prospectus also contains unaudited condensed consolidated interim financial statements as of and for the nine-month period ended September 30, 2016, prepared in accordance with IFRS as adopted by the EU. Furthermore, this Prospectus contains unconsolidated financial statements of the Company as of and for the financial year ended December 31, 2015, which were prepared in accordance with the HGB. Such unconsolidated financial statements were audited by KPMG, as stated in its audit opinion (*Bestätigungsvermerk*) thereon included in this Prospectus. KPMG conducted its audit in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany.

For further details on the financial information in this Prospectus, see *H. "Selected Financial Information"* and *I. "Management's Discussion and Analysis of Financial Condition and Results of Operations"*.

C. THE OFFERING

I. SUBJECT MATTER OF THE OFFERING

This Prospectus relates to the Offering of 19,166,665 ordinary bearer shares of the Company with no par value (*Stückaktien*), each such share representing a notional value of €1.00 and with full dividend rights as of and for the financial year beginning January 1, 2016, consisting of

- 16,666,666 newly issued ordinary bearer shares with no par value *(Stückaktien)* from an ordinary capital increase against contribution in cash resolved by an extraordinary general shareholders' meeting of the Company held on November 16, 2016 with exclusion of subscription rights of the existing shareholders (the New Shares, as already defined); and
- 2,499,999 ordinary bearer shares with no par value (*Stückaktien*) from the holdings of VGG GmbH in connection with a potential over-allotment (the Over-Allotment Shares, as already defined, and, together with the New Shares, the Offer Shares, as already defined).

The Company intends to receive up to €150.0 million in gross proceeds relating to the sale of the New Shares and, consequently, to issue such number of New Shares in order to arrive at such amount of gross proceeds, which, assuming an offer price (the "**Offer Price**") at the high end of the price range, would be 12,000,000 New Shares and, assuming an offer price at the low end of the price range, would be 16,666,666 New Shares.

The Offering consists of initial public offerings in Germany and Austria and private placements in certain jurisdictions outside Germany and Austria. In the United States of America, the shares will be offered for sale to qualified institutional buyers as defined in and in reliance on Rule 144A under the Securities Act. Outside the United States of America, the shares are being offered in reliance on Regulation S under the Securities Act.

The share capital of the Company represented by the Offer Shares that are the subject of the Offering including potential over-allotments will total €46,266,666 (assuming a placement of the Offer Shares at the low end of the price range). Thus, approximately 41.4% of the Company's shares (after effectuation of the issuance of all New Shares) will be offered (approximately 36.0% without the Over-Allotment Shares).

Immediately prior to the Offering, all of the Company's share capital was held by the Company's existing shareholders. Following completion of the Offering, and, (i) assuming placement of the New Shares at the low end of the price range and full exercise of the Greenshoe Option, the Company's existing shareholders will continue to hold approximately 58.6% of the Company's share capital, and (ii) assuming placement of the New Shares at the high end of the price range and no exercise of the Greenshoe Option, the Company's existing shareholders will continue to hold approximately 66.8% of the Company's share capital. The Company will receive only the proceeds of the Offering resulting from the sale of the New Shares after deduction of fees and commissions.

The Underwriters are acting in the following capacities: Jefferies and UniCredit are acting as the Joint Global Coordinators. HSBC, Jefferies and UniCredit are acting as Joint Bookrunners. Erste Group is acting as Co-Lead Manager.

II. PRICE RANGE, OFFER PERIOD, OFFER PRICE AND ALLOTMENT

The price range set for the Offering within which purchase orders may be placed is €9.00 to €12.50 per Offer Share.

The period during which investors may submit purchase orders for the Offer Shares will begin on November 18, 2016, and is expected to end on November 29, 2016 (the "**Offer Period**"). On the last day of the Offer Period, offers to purchase may be submitted (i) until 10:00 a.m. (Central European Time) ("**CET**") by private investors and (ii) until 2:00 p.m. (CET) by institutional investors. Purchase orders must be for at least 10 shares and be expressed in full euro amounts or increments of 25, 50 or 75 eurocents. Multiple purchase orders are permitted. Retail investors in Austria may subscribe for Offer Shares at UniCredit Bank Austria AG, Erste Bank der oesterreichischen Sparkassen AG or any Austrian savings bank (*Sparkassen*) during the Offer Period.

Subject to the publication of a supplement to this Prospectus, if required, the Company and the Joint Global Coordinators reserve the right to increase or decrease the total number of Offer Shares, to increase or decrease the upper limit and/or the lower limit of the price range and/or to extend or shorten the Offer Period. Changes in the number of Offer Shares, changes to the price range or the extension or shortening of the Offer Period will not invalidate any offers to purchase that have already been submitted. If such change requires the publication of a supplement to this Prospectus, investors who submitted purchase orders before the supplement is published shall have the right, under the German Securities Prospectus Act (*Wertpapierprospektgesetz*), to withdraw these offers to purchase within two business days of the publication of the supplement. Instead of withdrawing the offers to purchase placed prior to the publication of the supplement, investors may change their orders or place new limited or unlimited offers to purchase within two business days of the publication of the supplement. To the extent that the terms of the Offering are changed, such change will be published by means of electronic media (such as Reuters or Bloomberg) and, if required by the Market Abuse Regulation (EU) No. 569/2014 of the European Parliament and of the Council of April 16, 2014 on market abuse (repealing Directive 2003/6/EC on insider dealing and market manipulation) (the "**Market Abuse Regulation**"), the German Securities Trading Act (*Wertpapierhandelsgesetz*) or the German Securities Prospectus Act (*Wertpapierprospektgesetz*), as an ad hoc release via an electronic information dissemination system, on the Company's website and as a supplement to this Prospectus. In such case, investors who have submitted offers to purchase will not be notified individually. Under certain conditions, the Joint Global Coordinators, on behalf of the Underwriters, may terminate the underwriting agreement relating to the Offering entered into with the Issuer on November 17, 2016 (the "**Underwriting Agreement**"), even after commencement of trading (*Aufnahme des Handels*) of the Company's shares on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*). See *S.IV.* "*Underwriting—Termination/Indemnification*".

Once the Offer Period has expired, the final number of Offer Shares and the Offer Price will be determined jointly by the Company and the Joint Global Coordinators, on behalf of the Underwriters, using the order book prepared during the bookbuilding process. This is expected to take place on or about November 29, 2016. The price will be set on the basis of the purchase orders submitted by investors during the Offer Period that have been collated in the order book. This method of setting the number of shares that will be placed at the Offer Price is principally aimed at minimizing dilution of the existing shareholders of the Company. Consideration will also be given as to whether the Offer Price and the number of shares to be placed allow for the reasonable expectation that the share price will demonstrate steady price performance in stock exchange trading, given the demand for the Company's shares at the Offer Price noted in the order book. Attention will be paid not only to the number of investors willing to purchase shares at a particular offer price, but also to the composition of the group of investors becoming shareholders in the Company at a given offer price (so-called investor mix) on the basis of their expected investment horizon and behavior as shareholders of the Company. For further information regarding allotment criteria, see *C.VI.* "*—Allotment Criteria*". The Company will not charge investors any expenses or taxes incurred in connection with the Offering.

The final number of Offer Shares and the Offer Price are expected to be published on or about November 29, 2016, by means of an ad hoc announcement in various media distributed across the entire European Economic Area (*Medienbündel*) and on the Company's website (http://www.varta-ag.com/investor-relations/). Investors who have placed purchase offers with one of the Underwriters can obtain information from that Underwriter about the Offer Price and the number of Offer Shares allotted to them, at the earliest, on the first bank working day following the pricing. Trading in the Company's shares may commence before investors have received notice of the number of Offer Shares allotted to them. Book-entry delivery of the allotted Offer Shares against payment of the Offer Price is expected to occur on the first day of trading of the Company's shares on the Frankfurt Stock Exchange. In particular, if the placement volume proves insufficient to satisfy all orders placed at the Offer Price, the Underwriters reserve the right to reject orders, or to accept them in part only.

III. EXPECTED TIMETABLE FOR THE OFFERING

The anticipated timetable for the Offering, is as follows, subject to extension or shortening:

November 17, 2016	Approval of the Prospectus by the German Federal Financial Services Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*, or "**BaFin**")
	Notification of the approved Prospectus to the Austrian Financial Markets Authority (*Finanzmarktaufsichtsbehörde*, or "**FMA**")
	Publication of the approved Prospectus on the Company's website (http://www.varta-ag.com/investor-relations/)
November 18, 2016	Commencement of the Offer Period
	Application for admission of the Company's shares to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, to the sub-segment thereof with additional post-admission obligations (Prime Standard)
November 29, 2016	Close of the Offer Period for retail investors in Germany and Austria at 10:00 a.m. (CET) and for institutional investors at 2:00 p.m. (CET)
	Determination of the Offer Price and allotment
	Publication of Offer Price and number of shares placed as an ad hoc announcement through an electronic information dissemination system across the entire European Economic Area (*Medienbündel*) and on the Company's website (http://www.varta-ag.com/investor-relations/)
November 30, 2016	Registration of the consummation of the capital increase with the Commercial Register and creation of the New Shares to be delivered on the date of the settlement (December 2, 2016)
December 1, 2016	Admission decision issued by the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*)
December 2, 2016	First day of trading and book-entry delivery of the Offer Shares against payment of the Offer Price

The Prospectus (and any supplements thereto) will be published on the Company's website at http://www.varta-ag.com/investor-relations/. In addition, copies of the printed Prospectus (and any supplements thereto) will be available upon publication free of charge during regular business hours at the offices of the Company at Daimlerstr. 1, 73479 Ellwangen (Jagst), Germany.

IV. GENERAL AND SPECIFIC INFORMATION CONCERNING THE SHARES

1. Voting Rights

Each share carries one vote at the Company's general shareholders' meeting. All shares of the Company have equal rights. There are no restrictions on voting rights, and all of the Company's shareholders have the same voting rights.

2. Dividend Entitlement and Share in the Liquidation Proceeds

The Offer Shares carry full dividend rights as of and for the financial year beginning January 1, 2016, and their holders have an interest in any liquidation proceeds proportionate to the notional amount of the share capital attributable to their shares.

3. Form and Representation of the Shares

All of the Company's existing shares have been, and the Offer Shares will be issued as, ordinary bearer shares with a no par value *(Stückaktien)* each in accordance with the Company's Articles of Association. The Company's current issued share capital of €29,600,000 is represented by one global share certificate

(*Globalurkunde*) without dividend coupons, which has been deposited with Clearstream Banking Aktiengesellschaft, Eschborn, Germany.

Pursuant to Section 5(2) of the Company's Articles of Association, shareholders are not entitled to request the issuance of individual share certificates for their respective shareholdings at any time. The Company may print and deliver share certificates that represent one share (individual certificates) or several shares (global certificates), or convert the shares into another form including uncertificated securities (*Wertrechte*) and cancel issued certificates (if any). The Offer Shares carry the same rights as all other shares of the Company and confer no additional rights or benefits.

4. Delivery and Settlement

Delivery of the Offer Shares against payment of the Offer Price and the customary securities commissions is expected to take place on the day of commencement of trading of the shares. The shares will be made available to the shareholders as co-ownership interests (*Miteigentumsanteile*) in the respective global share certificate deposited with Clearstream Banking Aktiengesellschaft, Eschborn, Germany.

At the investor's option, the Offer Shares purchased in the Offering will be credited to the securities account maintained by a German bank with Clearstream Banking Aktiengesellschaft, Mergenthalerallee 61, 65760 Eschborn, Germany, for the account of such investor, or to the securities account of a participant in Euroclear Bank S.A./N.V., 1, Boulevard Roi Albert II, 1120 Brussels, Belgium, as the operator of Euroclear Systems, or to Clearstream Banking S.A., 42 Avenue JF Kennedy, 1855 Luxembourg, Luxembourg.

5. WKN/ISIN/Common Code/Trading Symbol

German Securities Identification Number (WKN)	A0TGJ5
International Securities Identification Number (ISIN)	DE000A0TGJ55
Common Code	31399483
Trading Symbol	VAR1

V. TRANSFERABILITY OF THE SHARES

The shares are freely transferable. Except for the restrictions set forth in the section entitled *C.VIII. "—Market Protection Agreement/Selling Restrictions (Lock-Up)"*, the Company's shares are not subject to any restrictions on sale or transfer.

VI. ALLOTMENT CRITERIA

The allotment of shares to retail investors and institutional investors will be decided jointly with the Underwriters. The ultimate decision rests with the Company. Allotments will be made on the basis of the quality of the individual orders and—in the case of institutional investors—the quality of the individual investors, as well as other important allotment criteria, for example the timing of the order, to be determined jointly with the Underwriters. The Company and the Underwriters will adhere to the "Principles for the Allotment of Share Issues to Private Investors" (*Grundsätze für die Zuteilung von Aktienemissionen an Privatanleger*) issued on June 7, 2000 by the German Commission of Stock Exchange Experts (*Börsensachverständigenkommission*) of the German Federal Ministry of Finance (*Bundesministerium der Finanzen*). "Qualified investors" (*qualifizierte Anleger*) under the German Securities Prospectus Act (*Wertpapierprospektgesetz*) as well as "professional clients" (*professionelle Kunden*) and "eligible counterparties" (*geeignete Gegenparteien*) under the German Securities Trading Act (*Wertpapierhandelsgesetz*) are not viewed as "private investors" within the meaning of the allotment rules. The details of the allotment procedure will be stipulated after expiration of the Offer Period and published in accordance with the allotment principles.

VII. STABILIZATION MEASURES, OVER-ALLOTMENTS AND THE GREENSHOE OPTION

In connection with the placement of the Offer Shares, Jefferies, on behalf of the Underwriters, will act as stabilization manager (the "**Stabilization Manager**") and may, as stabilization manager acting in accordance with legal requirements (Article 5(4) of the Market Abuse Regulation), make over-allotments and undertake measures aimed at supporting the stock exchange or market price of the Company's shares in order to offset any sales pressure that may exist (stabilization measures).

The Stabilization Manager is under no obligation to take stabilization measures. Therefore, there is no guarantee that any stabilization measures will be effected. If stabilization measures are taken, they may be terminated at any time without prior notice. Such measures may be taken as of the date on which the shares of the Company start trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and to the sub-segment thereof with additional post-admission obligations (Prime Standard) and must be completed no later than the 30th calendar day after such date (the "**Stabilization Period**").

Stabilization measures may lead to the stock exchange or market price of the Company's shares being higher than would have been the case in the absence of such measures. In addition, such measures may result in a stock exchange or market price at a level that is not sustainable.

With a view to possible stabilization measures, investors may be allocated up to 2,499,999 additional shares in the Issuer (Over-Allotment Shares, as already defined) ("**Over-Allotment**"). For the purpose of a possible Over-Allotment, the Stabilization Manager, for the account of the Underwriters, will be provided with up to 2,499,999 Over-Allotment Shares from the holdings of VGG GmbH in the form of a securities loan granted by such shareholder; this number of shares will not exceed 15.00% of the New Shares. In connection with the Over-Allotment, VGG GmbH has granted the Underwriters an option to acquire the borrowed shares at the Offer Price (the "**Greenshoe Option**"). This option shall be exercisable by the Stabilization Manager and will terminate 30 calendar days after the first day of trading of the shares.

Within one week after the end of the Stabilization Period, an announcement will be published in the various media outlets distributed across the entire European Economic Area as to whether or not a stabilization measure has been effected, the date on which such stabilization measure commenced, the date on which the last stabilization measure was taken, and the price range within which such stabilization was effected (for each date on which a stabilization measure was effected). The exercise of the Greenshoe Option, the date of such exercise and the number and type of the relevant shares will also be published without delay in the manner described above for the publication of information regarding the implementation of stabilization measures after the end of the Stabilization Period.

VIII. MARKET PROTECTION AGREEMENT/SELLING RESTRICTIONS (LOCK-UP)

The Company has agreed with the Underwriters that it will not, during a period of six months commencing on the first day of trading of the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), and, for an additional period of six months thereafter, without the prior written consent of the Joint Global Coordinators (which consent shall not be unreasonably withheld or delayed):

- directly or indirectly issue, sell, offer, commit to sell or otherwise dispose of shares or announce such offer;
- directly or indirectly issue, securitize, offer, commit to sell, otherwise dispose of any financial instruments carrying conversion or option rights with respect to the shares or announce such offer;
- announce or implement a capital increase from authorized capital;
- submit a resolution for a capital increase including new authorized capital to any shareholders' meeting; or
- conduct any transactions (including derivative transactions) that would have an economic effect similar to the above measures.

This excludes the issuance or sale, as applicable, of shares or other securities issued under management or employee participation programs or stock option plans to members of the management or employees of the Company or its affiliates as well as the issuance of shares against contributions in kind in connection with any acquisition, equity investment or joint venture directly to the partner in any such acquisition, equity investment or joint venture.

The aforementioned selling restrictions (lock-up) of the existing shareholders also apply to shares acquired by the Chief Financial Officer pursuant to his commitment to acquire shares of the Company described under *Q.II.* "*Management and Governing Bodies—Management Board*" in connection with the Offering.

The existing shareholders of the Company have also agreed with the Underwriters that they will not, during a period of twelve months following the first day of trading of the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), and for an additional twelve months thereafter, without the prior written consent of the Joint Global Coordinators (which consent shall not be unreasonably withheld or delayed):

- offer, pledge, allot, market, distribute, sell, transfer or otherwise dispose of, directly or indirectly (including, but not limited to, the issuance or sale of any securities exchangeable into Company's shares), any Company's shares;
- cause or approve, directly or indirectly, the announcement, execution or implementation of any increase in the share capital of the Company or a direct or indirect placement of Company's shares;
- propose, directly or indirectly, any increase in the share capital of the Company to any meeting of the shareholders for resolution, or vote in favor of such a proposed increase;
- cause or approve, directly or indirectly, the announcement, execution or proposal of any issuance of financial instruments constituting options or warrants convertible into Company's shares; or
- enter into a transaction or perform any action economically similar to those described in the bullets above.

The aforementioned selling restrictions (lock-up) of the existing shareholders also apply to shares acquired by the Chief Executive Officer pursuant to the one-off bonus payment described under *Q.II.* "*Management and Governing Bodies—Management Board*" in connection with the Offering.

They do not apply to disposals of shares in the Company within the framework of a public takeover bid pursuant to the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*). Further excluded are (i) transactions by VGG GmbH with companies affiliated with VGG GmbH and the distribution of Company's shares by such shareholder to its shareholder(s) or partner(s) (as applicable) through dividends in kind, if it is in each case ensured that the recipient is subject to the same selling restrictions as VGG GmbH and (ii) after expiry of twelve months following the first day of trading of the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), an exchange of shares of the Company's with a value of up to €5.0 million held by either VGG GmbH and/or ETV Montana Tech Holding GmbH for shares in Montana Tech Components AG (Switzerland) held by its shareholders (to be implemented by way of an exchange offer (*Umtauschangebot*) or otherwise).

IX. ADMISSION TO TRADING AND LISTING

An application for admission of all the Company's shares (entire current share capital) to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and to the sub-segment thereof with additional post-admission obligations (Prime Standard) will be filed on November 18, 2016. The listing approval (*Zulassungsbeschluss*) is expected to be issued on December 1, 2016. The admission decision is the sole responsibility of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*). The first day of trading (*Notierungsaufnahme*) on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) is planned for December 2, 2016.

X. DESIGNATED SPONSOR

HSBC will assume the function of a designated sponsor for the Company's shares trading on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), although the designated sponsor is entitled to delegate this duty to an authorized third-party with the consent of the Company. Pursuant to the designated sponsor agreement concluded by the Company with HSBC, HSBC will, among other things, submit limited orders to buy or sell shares of the Company into the electronic trading system of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) during regular trading hours. This is designed in particular to achieve higher liquidity in the trading of the shares.

XI. INTEREST OF PERSONS INVOLVED IN THE OFFERING

In connection with the Offering and the admission to trading of the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), the Underwriters have formed a contractual relationship with the Company and the existing shareholders. The Underwriters act for the Company on the Offering and coordinate the structuring and execution of the Offering. In addition, HSBC has been appointed to act as designated sponsor for the Company's shares and UniCredit has been appointed to act as paying agent. Upon successful implementation of the Offering, the Underwriters will receive a commission, which is dependent on the size of the Offering and the Offer Price. As a result of these contractual relationships, the Underwriters have a financial interest in the success of the Offering.

Furthermore, in connection with the Offering, each of the Underwriters and any of their respective affiliates, acting as an investor for their own account, may acquire shares in the Offering and in that capacity may retain, purchase or sell for its own account such shares or related investments and may offer or sell such shares or other investments otherwise than in connection with the Offering. In addition, certain of the Underwriters or their affiliates may enter into financing arrangements (including swaps or contracts for differences) with investors in connection with which the Underwriters (or their affiliates) may from time to time acquire, hold or dispose of shares in the Company. None of the Underwriters intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so or as disclosed in this Prospectus.

Some of the Underwriters or their affiliates have, and may from time to time in the future continue to have, business relations with the Group (including lending activities) or may perform services for the Group in the ordinary course of business.

In connection with the Offering, the Company's Chief Financial Officer agreed to acquire shares from VGG GmbH in an amount of €500,000 at a 20% discount to the Offer Price promptly following the Offering and will be subject to the same selling (lock-up) restrictions as described in *C.VIII.* "*The Offering—Market Protection Agreement/Selling Restrictions (Lock-Up)*". In addition, pursuant to an agreement dated December 2011, as amended in March 2012 and October 2016, and in recognition of his long-term service and contributions to the growth of the business of the Group over many years, the Company's Chief Executive Officer will receive a significant one-off payment, payable by VGG GmbH or its affiliates, upon completion of the Offering. An amount of such net cash payment of approximately €1.0 million will be used to acquire shares of the Company from VGG GmbH, at a 20% discount to the Offer Price, promptly following the Offering. Such shares acquired by the Chief Executive Officer will be subject to the same selling (lock-up) restrictions as the existing shareholders of the Company as described in *C.VIII.* "*The Offering—Market Protection Agreement/Selling Restrictions (Lock-Up)*". The gross amount of the one-off payment is dependent on the valuation of the Company and is expected to be substantially higher than the amount to be invested in shares of the Company. The Chief Executive Officer and the Chief Financial Officer will each be granted the option to acquire shares in the Company in the amount of €100,000 under the management stock option program as described in *P.VII. "Description of Share Capital and Related Information—Management Stock Option Program".* As a result, each of the members of the Company's Management Board has a financial interest in the Offering.

Since the Company will receive the net proceeds from the Offering of the New Shares and these will strengthen the equity capital basis of the Company, all direct and indirect shareholders with an interest in the Company, in particular the existing shareholders of the Company, have an interest in the implementation of the capital increase to which this Offering relates. This applies in particular to Montana Tech Components AG, which currently holds indirectly, through VGG GmbH and ETV Montana Tech Holding GmbH, 100% of the shares of the Company, and to DDr. Michael Tojner, chairman of the Supervisory Board and the major shareholder of Montana Tech Components AG.

VGG GmbH will receive the net proceeds resulting from any exercise of the Greenshoe Option. VGG GmbH will offer the Over-Allotment Shares as part of the Offering to ensure sufficient free float and trading liquidity in the Company's shares, but it might also have a financial interest in the offer of these shares in light of the Greenshoe Option.

In addition to the aforementioned interests, the Company is not aware of any interests which are material to the Offering and which could be considered conflicting.

D. REASONS FOR THE OFFERING AND USE OF PROCEEDS

The Company intends to (i) sell the New Shares and (ii) list the Company's shares on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, on the sub-segment thereof with additional post-admission obligations (Prime Standard), to gain better access to the capital markets.

The Company intends to receive up to €150.0 million in gross proceeds relating to the sale of the New Shares and, consequently, to issue such number of New Shares in order to arrive at such amount of gross proceeds. The Company will receive the net proceeds from the Offering resulting from the sale of the New Shares, after deduction of fees and commissions.

Costs of the Company related to the Offering are expected to total approximately €9.7 million, including underwriting commissions of €6.0 million (assuming gross proceeds from the sale of the New Shares in the amount of €150.0 million and full payment of the incentive fee, excluding tax effects) (see *S.II. "Underwriting—Commission"*) and estimated other expenses of €3.7 million.

The Company will pay the portion of the fees of the Underwriters which is associated with the offer and sale of the New Shares. VGG GmbH will pay the portion of the fees of the Underwriters which is associated with the offer and sale of the Over-Allotment Shares if and to the extent the Greenshoe Option is exercised. Assuming full exercise of the Greenshoe Option, these fees will amount to €0.9 million assuming full payment of the incentive fee. The Company will pay the total other expenses of the Offering.

The Company intends to use the net proceeds of the Offering to finance the further growth and development of its businesses. In particular, the Group intends to use up to €50 million of the net proceeds for internal investments, including in a new large-scale, automated battery assembly plant for power pack solutions, and the remainder for selective acquisitions in the Group's Energy Storage Solutions segment, primarily in Europe.

E. DIVIDENDS, DIVIDEND POLICY AND EARNINGS PER SHARE

I. DIVIDENDS

Shareholders have a share in the Company's distributable profits determined in proportion to their interest in the Company's share capital. The participation of new shares in the profits may be determined in a different manner.

Distributions of dividends on shares for a given financial year are generally determined by a process in which the management board (*Vorstand*) of the Issuer (the "**Management Board**") and the supervisory board (*Aufsichtsrat*) of the Issuer (the "**Supervisory Board**") submit a proposal for the distribution of dividends to the annual general shareholders' meeting held within the first eight months of the subsequent financial year. The general shareholders' meeting then adopts a resolution on such distribution with simple majority of the votes cast without being bound by the proposal of the Management Board and the Supervisory Board. Under German law, dividends can only be resolved upon and paid if the unconsolidated financial statements of the Company show distributable profits (*Bilanzgewinn*). In contrast to the Company's consolidated financial statements, which are prepared in accordance with IFRS, the unconsolidated financial statements are prepared in accordance with the accounting principles of the HGB and other applicable German law. These accounting regulations differ from IFRS in material respects. The unconsolidated financial statements of the Company are approved by the Management Board and the Supervisory Board unless the Management Board and the Supervisory Board refer the approval to the general shareholders' meeting. In determining the distributable profits, the profit or loss for the financial year is adjusted for profits or losses carried forward from previous financial years as well as for withdrawals from and transfers to reserves. Certain reserves must be formed by law and must be deducted when calculating the distributable profits. Subject to certain statutory restrictions, the general shareholders' meeting is entitled to transfer additional amounts to the reserves or carry them forward. Pursuant to the Company's Articles of Association and subject to applicable statutory law, the general shareholders' meeting may resolve to pay dividends in kind (*Sachdividende*) in accordance with Section 58(5) German Stock Corporation Act (*Aktiengesetz*) in addition to or *in lieu* of a cash distribution. If the Management Board and the Supervisory Board approve the unconsolidated financial statements, they may, pursuant to Section 58(2) German Stock Corporation Act (*Aktiengesetz*), transfer up to 50% of the profit for the financial year remaining after deducting any transfers to statutory reserves and any losses carried forward to non-statutory reserves.

Dividends resolved by the general shareholders' meeting are due and payable immediately after the relevant general shareholders' meeting, unless otherwise provided in the dividend resolution, in compliance with the rules of the respective clearing system. Under German law, the right to dividend payments is generally time-barred after three years for the benefit of the Company.

The Offer Shares carry full dividend rights as of and for the financial year beginning January 1, 2016 and for all subsequent financial years. The dividends will be paid out in accordance with the rules of the clearing system of Clearstream Banking Aktiengesellschaft, Mergenthalerallee 61, 65760 Eschborn, Germany. Details on dividend payments and the respective payment agent will be published in the German Federal Gazette (*Bundesanzeiger*) after the general shareholders' meeting. Neither German law nor the Company's Articles of Association provide for a special procedure for the exercise of dividend rights by shareholders not resident in Germany.

Generally, withholding tax (*Kapitalertragsteuer*) is withheld from dividends paid. For more information on the taxation of dividends, see *R.I.2.b. "Taxation—Taxation in Germany—Taxation of Shareholders—Taxation of Dividends*".

II. DIVIDEND POLICY

Shareholders will be eligible for dividends declared in respect of the financial year beginning January 1, 2016 and subsequent financial years. The ability and intention of the Company to pay dividends in the future will depend on its financial position, results of operations, capital requirements, investment alternatives, the existence of distributable reserves, available liquidity, market developments, industry peers and other factors that the Management Board and Supervisory Board may deem relevant. Any proposals by the Management Board and Supervisory Board regarding dividend payments will be subject to the approval of the general shareholders' meeting which may revise the Company's dividend policy from time to time. The Company depends to a significant extent on the transfer of distributable profits from its operating subsidiaries. The determination of each subsidiary's ability to pay dividends is made in accordance with applicable law.

For the financial years from 2017 onwards, the Company aims to distribute an annual dividend from its annual distributable profits. Since the Issuer conducts a substantial part of its operations through its direct and indirect subsidiaries, its ability to pay dividends depends significantly on its operating subsidiaries generating profits and distributing them to the Issuer. See *A.II.6. "Risk Factors—Risks Related to the Offering and the Shares—The Issuer may not be able to pay dividends in the future."*

III. EARNINGS PER SHARE

Earnings per share are calculated by dividing earnings, or profits attributable to shareholders, for the year by the weighted average number of shares outstanding. The following table shows the Company's earnings for the year on the basis of the Combined Financial Statements and the earnings per share (rounded) as well as the dividends distributed.

	For the financial year ended December 31,		
	2013	2014	2015
	(in € thousands, except as noted)		
Earnings for the year[1]	**8,377**	**5,998**	**15,562**
Average number of shares outstanding (in thousand)[2]	4,740	4,578	941
Earnings per share	2	1	17
Dividends distributed[3]	8,000	—	13,258
Dividends per average number of shares outstanding (in €, unaudited)	1.69	—	14.09

(1) Prepared in accordance with IFRS. Corresponds to earnings attributable to the shareholders of the Group (including non-controlling interests) in the Combined Financial Statements.

(2) Average number of shares outstanding corresponds to the weighted average number of shares as shown in Note 18 of the Combined Financial Statements.

(3) In the financial year ended December 31, 2013, a dividend in the amount of €8,000 thousand was paid to VGG GmbH by VARTA Microbattery GmbH. In the financial year ended December 31, 2015, the remaining outstanding amount of a loan to a related party was paid out as a dividend-in-kind at year-end.

F. CAPITALIZATION AND INDEBTEDNESS

The tables below set forth the Company's consolidated capitalization and net financial indebtedness as of September 30, 2016 as well as adjusted for the capital increase in connection with the Offering (see *P.II. "Description of Share Capital and Related Information—Development of Share Capital"*). The as adjusted column assumes net proceeds from the Offering of approximately €140.3 million (assuming gross proceeds from the sale of the New Shares in the amount of €150.0 million, placement of 16,666,666 New Shares at the low end of the price range and full payment of the incentive fee, excluding tax effects, and other estimated expenses related to the Offering).

I. CAPITALIZATION

	As of September 30, 2016	As adjusted to reflect effects of the Offering(6)
	(in € thousands) (unaudited)	
Current debt(1)	**58,252**	**58,252**
of which guaranteed	—	—
of which secured	—	—
of which unguaranteed/unsecured	58,252	58,252
Non-current debt(2)	**52,059**	**52,059**
of which guaranteed	—	—
of which secured	—	—
of which unguaranteed/unsecured	52,059	52,059
Shareholders' equity(3)	**61,645**	**201,959**
of which is share capital	29,600	46,267
of which is capital reserve	2,665	128,671
of which is other reserves	24,976	24,976
of which is other components of equity(4)	4,404	2,046
Total capitalization(5)	**171,956**	**312,270**

(1) Current debt is shown as total current liabilities in the consolidated interim statement of financial position of the Unaudited Condensed Consolidated Interim Financial Statements and includes both liabilities to financial institutions as well as other current liabilities. For a separate presentation of current financial debt, see *F.II. "—Net Financial Indebtedness"*.

(2) Non-current debt is shown as total non-current liabilities in the consolidated interim statement of financial position of the Unaudited Condensed Consolidated Interim Financial Statements and includes both liabilities to financial institutions as well as other non-current liabilities. For a separate presentation of non-current financial indebtedness, see *F.II. "—Net Financial Indebtedness"*.

(3) Shareholders' equity is referred to as total equity attributable to the Group in the consolidated interim statement of financial position of the Unaudited Condensed Consolidated Interim Financial Statements.

(4) For further information on the items comprising total equity, see Note 7 of the Unaudited Condensed Consolidated Interim Financial Statements.

(5) Total capitalization represents the aggregate of current debt, non-current debt and shareholders' equity.

(6) The "as adjusted" figures have been calculated assuming gross proceeds from the Offering of the New Shares of €150.0 million and total costs of the Company related to the Offering of approximately €9.7 million.

II. NET FINANCIAL INDEBTEDNESS

	As of September 30, 2016	As adjusted to reflect effects of the Offering[7]
	(in € thousands) (unaudited)	
Liquidity		
A. Cash	14	140,328
B. Cash equivalents	8,258	8,258
C. Trading securities	—	—
D. Total liquidity[1]	**8,272**	**148,586**
E. Current financial receivables	**—**	**—**
F. Current bank debt[2]	50	50
G. Current portion of non-current debt[3]	12,468	12,468
H. Other current financial debt	—	—
I. Total current financial debt	**12,518**	**12,518**
J. Net current financial indebtedness[4]	**4,246**	**(136,068)**
K. Non-current bank debt	—	—
L. Bonds issued	—	—
M. Other non-current financial debt[5]	27,730	27,730
N. Total non-current financial indebtedness	**27,730**	**27,730**
O. Total net financial indebtedness[6]	**31,976**	**(108,338)**

(1) Excluding current and non-current loan receivables of €5,881 thousand.

(2) Consists of liabilities to financial institutions as shown in the consolidated interim statement of financial position of the Unaudited Condensed Consolidated Interim Financial Statements.

(3) Consists of current other financial liabilities as shown in the consolidated interim statement of financial position of the Unaudited Condensed Consolidated Interim Financial Statements.

(4) Consists of total current financial debt less current financial receivables less total liquidity.

(5) Consists of non-current other financial liabilities as shown in the consolidated interim statement of financial position of the Unaudited Condensed Consolidated Interim Financial Statements.

(6) Total net financial indebtedness represents net current financial indebtedness plus total non-current financial indebtedness. See Note 5 of the Unaudited Condensed Consolidated Interim Financial Statements for the interest bearing portion of the Group's other financial liabilities amounting to €38,439 thousand as of September 30, 2016.

(7) The "as adjusted" figures have been calculated assuming gross proceeds from the Offering of the New Shares of €150.0 million and total costs of the Company related to the Offering of approximately €9.7 million.

III. CONTINGENT LIABILITIES

As of December 31, 2015, the Group had total contingent liabilities in the amount of €43,403 thousand, compared to €24,572 thousand as of December 31, 2014. The increase was primarily attributable to an increase in lease commitments resulting from the consummation of a sale and lease back transactions as well as other purchase obligations. Lease commitments and other purchase obligations comprise the significant majority of the Group's contingent liabilities. For additional information on the Group's contingent liabilities, see Note 34 of the Combined Financial Statements.

IV. WORKING CAPITAL STATEMENT

The Company believes that it currently has sufficient working capital to meet its payment requirements over the next twelve months following the date of this Prospectus.

V. NO SIGNIFICANT CHANGE IN FINANCIAL AND TRADING POSITION

Between September 30, 2016 and the date of this Prospectus, there have been no significant changes in the Company's financial or trading position. For information on current trading and management's view on full year trends, see T. "*Recent Developments and Outlook*".

G. DILUTION

The carrying amount of the shareholders' equity of the Company including non-controlling interests (equity attributable to shareholders of the Company, or Net Asset Value, *i.e.*, the total assets less non-current and current liabilities) amounted to €61,645 thousand at September 30, 2016 based on the Unaudited Interim Condensed Consolidated Financial Statements, corresponding to €2.08 per share based on 29,600,000 outstanding ordinary bearer shares of the Company prior to the Offering.

We are targeting gross proceeds of €150.0 million from the sale of the New Shares in the Offering. Costs of the Company related to the Offering are expected to total approximately €9.7 million, including underwriting commissions of €6.0 million (assuming gross proceeds from the sale of the New Shares in the amount of €150.0 million and full payment of the incentive fee, excluding tax effects) and estimated other expenses of €3.7 million.

Had the Company already received the resulting amount of net proceeds by September 30, 2016, the carrying amount of the Net Asset Value so adjusted on the Company's consolidated interim statement of financial position as of September 30, 2016, would have been approximately €202.0 million, which corresponds to approximately €4.37 per share based on the number of outstanding shares assuming placement at the low end of the price range of 16,666,666 New Shares and to approximatley €4.85 per share based on the number of outstanding shares assuming placement at the high end of the price range of 12,000,000 New Shares related to this Offering. Assuming placement at the low end of the price range, this would represent an immediate accretion of the existing shareholders of the Company of €2.28, or 109.6%, per share and an immediate dilution of €4.63, or 51.5%, per share to purchasers of the Offer Shares. Assuming placement at the high end of the price range, this would represent an immediate accretion of the existing shareholders of the Company of €2.77, or 133.1%, per share and an immediate dilution of €7.65, or 61.2%, per share to purchasers of the Offer Shares.

	Low End	High End
Price per share, in €	9.00	12.50
Equity attributable to shareholders of the Company per share as of September 30, 2016 (based on 29,600,000 outstanding shares of the Company before the Offering), in €	2.08	2.08
Equity attributable to shareholders of the Company per share following the Offering (based on (a) 46,266,666 outstanding shares of the Company after completion of the Offering, assuming execution of the Capital Increase in the maximum number of 16,666,666 offered New Shares at the low end of the price range and (b) 41,600,000 outstanding shares of the Company after completion of the Offering, assuming execution of the Capital Increase in the number of 12,000,000 offered New Shares at the high end of the price range), in €	4.37	4.85
Immediate accretion to the existing shareholders of the Company, in %	109.6	133.1
Immediate dilution to the new shareholders, in %	51.5	61.2

H. SELECTED FINANCIAL INFORMATION

The financial information contained in the following tables is taken from the Combined Financial Statements and the Unaudited Condensed Consolidated Interim Financial Statements. The Combined Financial Statements and the Unaudited Condensed Consolidated Interim Financial Statements have been prepared in accordance with IFRS and are reproduced in this Prospectus beginning on page F-2. The Combined Financial Statements have been audited by KPMG AG Wirtschaftsprüfungsgesellschaft, who issued an unqualified audit opinion.

The following selected financial information should be read in conjunction with I. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Financial Statements, including the notes thereto, in the "Financial Information" section of this Prospectus.

I. INCOME STATEMENT

	For the financial year ended December 31,			For the nine months ended September 30,	
	2013	2014	2015	2015	2016
	(in € thousands)				
	(audited)			(unaudited)	
Revenue	**159,288**	**169,038**	**195,093**	**146,411**	**160,753**
Changes in inventories of finished goods and work in progress	1,277	(2,902)	6,775	4,960	3,282
Other operating income	12,022	11,631	17,839	6,671	7,857
Raw materials and consumables used	(66,109)	(62,885)	(85,456)	(63,638)	(70,166)
Personnel expenses	(57,555)	(61,488)	(69,016)	(51,999)	(57,532)
Depreciation and amortization expenses	(5,634)	(7,428)	(8,511)	(6,322)	(6,571)
Other operating expenses	(30,719)	(32,526)	(34,244)	(24,733)	(23,118)
IPO-related expenses	—	—	—	—	(1,519)
Operating result	**12,570**	**13,440**	**22,480**	**11,350**	**12,986**
Interest income	2,026	2,341	1,976	1,439	99
Interest expenses	(2,016)	(3,096)	(3,097)	(1,822)	(1,293)
Other financial income	684	905	15	157	661
Other financial expenses	(870)	(1,206)	(746)	(515)	(501)
Financial result	**(176)**	**(1,056)**	**(1,852)**	**(741)**	**(1,034)**
Share of loss of at equity accounted investees	(2,091)	(301)	(1,257)	(1,017)	(1,189)
Income before taxes	**10,303**	**12,083**	**19,371**	**9,592**	**10,763**
Income taxes	(2,209)	(4,197)	(7,775)	(4,366)	(2,108)
Result for the period	**8,094**	**7,886**	**11,596**	**5,226**	**8,655**

II. STATEMENT OF FINANCIAL POSITION

	As of December 31,			As of September 30,
	2013	2014	2015	2016
	(in € thousands)			
	(audited)			(unaudited)
ASSETS				
Intangible assets	5,501	7,947	20,099	20,617
Property, plant and equipment	42,685	44,223	46,868	50,612
Joint ventures and investments in associated companies	2,468	2,167	2,910	2,721
Loan receivables	33,533	19,111	6,689	2,818
Other financial assets	38	73	32	0
Deferred tax assets	7,140	6,005	1,873	4,443
Other assets and receivables	0	0	0	0
Total non-current assets	**91,365**	**79,526**	**78,471**	**81,211**
Inventories	34,649	32,450	43,153	44,677
Loan receivables	—	—	—	3,063
Trade receivables	20,221	19,655	14,772	21,934
Receivables from income taxes	655	2,010	2,315	2,215
Other assets and receivables	6,722	3,666	5,994	10,584
Cash and cash equivalents	4,887	20,759	10,945	8,272
Total current assets	**67,134**	**78,540**	**77,179**	**90,745**
Total assets	**158,499**	**158,066**	**155,650**	**171,956**
EQUITY AND LIABILITIES				
Total equity	**52,215**	**53,525**	**54,927**	**61,645**
Liabilities to financial institutions	32,921	0	0	0
Other financial liabilities	7,650	20,000	12,676	27,730
Other provisions	392	328	14	14
Provisions for pensions and other post-employment benefits	14,762	22,968	21,472	24,178
Other liabilities	110	131	138	137
Total non-current liabilities	**55,835**	**43,427**	**34,300**	**52,059**
Liabilities to financial institutions	5,695	0	0	50
Other financial liabilities	3,755	19,580	6,419	12,468
Income tax liabilities	2,363	2,630	5,223	4,566
Other provisions	6,882	2,341	2,679	2,685
Provisions for pensions and other post-employment benefits	675	871	1,005	1,047
Trade payables and advances received from customers	16,396	23,560	35,157	15,619
Accruals	11,976	9,895	12,894	15,085
Other liabilities	2,707	2,237	3,046	6,732
Total current liabilities	**50,449**	**61,114**	**66,423**	**58,252**
Total liabilities	**106,284**	**104,541**	**100,723**	**110,311**
Total equity and liabilities	**158,499**	**158,066**	**155,650**	**171,956**

III. STATEMENT OF CASH FLOWS

	For the financial year ended December 31,			For the nine months ended September 30,	
	2013	2014	2015	2015	2016
	(in € thousands)				
	(audited)			(unaudited)	
Cash Flow from Operating Activities	**537**	**22,000**	**19,288**	**(1,237)**	**(1,020)**
Cash Flow from Investing Activities	**(7,107)**	**7,119**	**(1,099)**	**(13,666)**	**(20,510)**
Cash Flow from Financing Activities	**5,565**	**(13,729)**	**(28,531)**	**377**	**18,979**
Cash and cash equivalents at beginning of period	5,985	4,887	20,759	20,759	10,945
Cash and cash equivalents at end of period	**4,887**	**20,759**	**10,945**	**6,638**	**8,272**

IV. SEGMENT INFORMATION

	For the financial year ended December 31,			For the nine months ended September 30,	
	2013	**2014**	**2015**	**2015**	**2016**
	(in € thousands)				
	(audited, unless otherwise indicated)			(unaudited)	
Microbatteries					
Revenue(1)	127,941	137,397	157,858	119,566	133,478
thereof Healthcare	*86,972*	*94,165*	*105,640*	*79,860*	*85,677*
thereof Entertainment & Industrial	*40,969*	*43,230*	*52,218*	*39,706*	*47,801*
EBIT(1)	15,135	18,172	22,112	19,039	19,198
EBIT Margin (in %)(2)	*11.8*	*13.2*	*14.0*	*15.9*	*14.4*
Depreciation and amortization(1)	5,088	6,364	7,154	5,327	5,490
EBITDA(3)	**20,223**	**24,536**	**29,266**	**24,366**	**24,688**
EBITDA Margin (in %)(2)	*15.8*	*17.9*	*18.5*	*20.4*	*18.5*
Energy Storage Solutions					
Revenue(1)	27,496	28,714	34,574	24,852	25,933
EBIT(1)	(2,212)	(2,216)	(3,854)	(2,531)	(4,018)
EBIT Margin (in %)(2)	*(8.0)*	*(7.7)*	*(11.1)*	*(10.2)*	*(15.5)*
Depreciation and amortization(1)	469	989	1,283	948	847
EBITDA(3)	**(1,743)**	**(1,227)**	**(2,571)**	**(1,583)**	**(3,171)**
EBITDA Margin (in %)(2)	*(6.3)*	*(4.3)*	*(7.4)*	*(6.4)*	*(12.2)*

(1) Segment information does not reflect reconciliation amounts. EBIT is presented as shown in Note 8 of the Combined Financial Statements for the financial years ended December 31, 2013, 2014 and 2015 and in Note 7 of the Unaudited Condensed Consolidated Interim Financial Statements for the nine months ended September 30, 2015 and 2016.

(2) EBIT margin for a given period is EBIT for that period divided by revenue for that period. EBITDA margin for a given period is EBITDA for that period divided by revenue for that period.

(3) Unaudited. EBITDA means operating result before depreciation and amortization.

V. OTHER FINANCIAL DATA

In addition to operating result, which is shown in the Group's income statement and which is a performance metric against certain management members' variable compensation may be determined, the Group's management uses EBITDA as its primary key performance indicator to manage the Group's business. EBITDA is defined as operating result before depreciation and amortization expenses.

The management of the Group further presents certain additional financial measures and performance indicators, as shown in the table below, that are not defined by IFRS or any other internationally accepted accounting principles. Such non-IFRS financial measures and performance indicators are presentated as (i) they represent measures that the management of the Group believes may be relevant for certain investors, securities analysts and other parties in assessing the Group's operating and financial performance and (ii) they may be used by the Group's management as a basis for strategic planning and forecasting.

The definitions of these financial measures and performance indicators are included in the footnotes to the table below. A reconciliation of the Group's operating result to EBITDA, Adjusted EBITDA and Adjusted EBIT is shown in footnote 1 to the table below.

	For the financial year ended December 31,			For the nine months ended September 30,	
	2013	2014	2015	2015	2016
	(in € thousands) (unaudited)				
EBITDA[(1)]	18,204	20,868	30,991	17,672	19,557
EBITDA Margin (in %)[(2)]	11.4	12.3	15.9	12.1	12.2
Adjusted EBITDA[(1)]	22,856	26,620	29,488	21,100	21,856
Adjusted EBITDA Margin (in %)[(2)]	14.3	15.7	15.1	14.4	13.6
Adjusted EBIT[(1)]	17,222	19,192	20,977	14,778	15,285
Average Invested Capital[(3)]	78,769	83,688	85,225	—	—
Return on Invested Capital (in %)[(4)]	21.9	22.9	24.6	—	—

(1) EBITDA means operating result before depreciation and amortization. The Group presents EBITDA, Adjusted EBIT and Adjusted EBITDA as further supplemental measures of its performance. Adjusted EBIT and Adjusted EBITDA are derived from the Group's accounts and represents EBITDA and EBIT, as applicable, as adjusted for items that are considered by the management to be non-recurring or unusual or which are not representative of the underlying business because of their nature. Adjusted EBIT and Adjusted EBITDA are presented because the Group believes they are relevant measures for assessing the Group's performance and, because they are adjusted for non-recurring or unusual items or other elements which are not representative of the underlying business, thus support an understanding of EBITDA in a given period. Accordingly, this information has been disclosed in this Prospectus to permit a more complete and comprehensive analysis of the Group's operating performance. Other companies may calculate EBITDA, Adjusted EBIT and Adjusted EBITDA differently than the Group does. EBITDA, Adjusted EBIT and Adjusted EBITDA are not audited and are not measures of financial performance under IFRS and should not be considered as measures of liquidity or alternatives to net income or any other performance measure derived in accordance with IFRS.

	For the financial year ended December 31,			For the nine months ended September 30,	
	2013	2014	2015	2015	2016
	(in € thousands)				
	(audited, unless otherwise indicated)			(unaudited)	
Operating result	**12,570**	**13,440**	**22,480**	**11,350**	**12,986**
Depreciation and amortization expenses	5,634	7,428	8,511	6,322	6,571
EBITDA[(a)]	**18,204**	**20,868**	**30,991**	**17,672**	**19,557**
MTC Fees[(b)]	4,652	5,752	5,131	3,428	780
EBITDA before MTC Fees	**22,856**	**26,620**	**36,122**	**21,100**	**20,337**
Sale and leaseback transaction[(c)(d)]	—	—	(6,634)	—	—
IPO-related expenses[(e)]	—	—	—	—	1,519
Adjusted EBITDA[(f)]	**22,856**	**26,620**	**29,488**	**21,100**	**21,856**
Depreciation and amortization	(5,634)	(7,428)	(8,511)	(6,322)	(6,571)
Adjusted EBIT	**17,222**	**19,192**	**20,977**	**14,778**	**15,285**

(a) Unaudited. EBITDA means operating result before depreciation and amortization.

(b) MTC Fees comprise trademark management and license agreement fees as well as service fees related to financial, treasury, controlling and tax planning support, strategic advice, provision of personnel and legal advice and information technology support, among other ancillary services. In connection with the Offering, the Group intends to terminate the contractual arrangements related to the MTC Fees. The Company intends to manage such functions internally in the future without incurring significant additional costs. However, the Company expects that certain additional expenses, in particular additional personnel expenses and expenses for services by third parties, will be incurred in connection with the internal assumption of financial, reporting, treasury and controlling as well as legal and compliance functions. For the full financial year ended December 31, 2016, a total amount of approximately €1.0 million of MTC Fees is expected.

(c) In December 2015, VARTA Microbattery GmbH entered into a sale and leaseback transaction with WertInvest Ellwangen Immobilien GmbH, an entity indirectly controlled by the Group's major shareholder, with respect to the property and buildings situated on such property at the Group's headquarters in Ellwangen, Germany. For additional information on the sale and leaseback transaction, see *L.XVI.1. "Business—Material Contracts—Sale and Leaseback Transaction"*.

(d) Pursuant to the sale and leaseback transaction, the Company expects to incur annual lease expenses of approximately €1.5 million beginning in 2016. For the nine months ended September 30, 2016, the lease expenses pursuant to the sale and leaseback agreement amounted to €1,168 thousand.

(e) Represents expenses related to preparations of the IPO as shown in the consolidated interim statement of profit and loss in the Unaudited Condensed Consolidated Interim Financial Statements.

(f) Adjusted EBITDA means EBITDA before MTC Fees and, as applicable, the sale and leaseback transaction and IPO-related expenses. Certain additional expenses for reorganization, legal and sundry purposes, some of which are non-recurring in nature, have not been reflected as adjustments in the calculation of Adjusted EBITDA.

(2) EBITDA Margin for a given period is EBITDA for that period divided by revenue for that period. Adjusted EBITDA Margin for a given period is Adjusted EBITDA for that period divided by revenue for that period.

(3) Average Invested Capital means, for a given period, the average of Invested Capital for the beginning and the end of the relevant period. Invested Capital means the sum of inventories, trade receivables and the carrying amounts of property, plant and equipment and intangible assets, less trade payables and advances received from customers as shown in the reconciliation table below.

	As of January 1,	As of December 31,			As of September 30,
	2013	**2013**	**2014**	**2015**	**2016**
		(in € thousands)			
		(audited, unless otherwise indicated)			**(unaudited)**
Inventories	32,082	34,649	32,450	43,153	44,677
plus Trade receivables	16,438	20,221	19,655	14,772	21,934
plus carrying amount of property, plant and equipment	38,362	42,685	44,223	46,868	50,612
plus carrying amount of intangible assets	2,649	5,501	7,947	20,099	20,617
less Trade payables and advances received from customers	18,653	16,396	23,560	35,157	15,619
Invested Capital (unaudited)	**70,878**	**86,660**	**80,715**	**89,735**	**122,221**

(4) Return on Invested Capital means Adjusted EBIT divided by Average Invested Capital.

I. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Investors should read the following discussion and analysis of financial condition and results of operations in conjunction with the Company's audited combined financial statements and unaudited condensed consolidated interim financial statements as well as the notes to those financial statements. Some of the statements contained below include forward looking statements. Because such statements involve inherent uncertainties, actual results may differ materially from the results expressed in or implied by such forward looking statements. Investors can find a discussion of such uncertainties under *B.III.* "*General Information—Forward Looking Statements".* In addition, investing in the Company's shares involves risks. Investors can find a discussion of such risks under *A*. "*Risk Factors*".

The financial information contained in the following discussion is taken from the audited combined financial statements of the Company as of and for the financial years ended December 31, 2015, 2014 and 2013 (together, the "**Combined Financial Statements**"). The Combined Financial Statements have been prepared in accordance with IFRS, taking into account the basis of preparation as set out in Note 2 to the Combined Financial Statements. They have been audited by KPMG AG Wirtschaftsprüfungsgesellschaft, who issued an unqualified audit opinion thereon. Certain additional financial information contained in the following discussion is taken from both the unaudited condensed consolidated interim financial statements of the Company as of and for the nine-month period ended September 30, 2016 (the "**Unaudited Condensed Consolidated Interim Financial Statements**", and together with the Combined Financial Statements, the "**Financial Statements**"), prepared in accordance with IFRS for interim financial reporting (IAS 34), and the audited unconsolidated financial statements of the Company as of and for the financial year ended December 31, 2015, which were prepared in accordance with the requirements of the HGB. IFRS and HGB differ in certain material respects.

Where financial information in the following tables is labeled "audited", this means that it was taken from the audited combined financial statements mentioned above. The label "unaudited" is used in tables to indicate financial information that was taken from a source other than the audited combined financial statements. Unless otherwise indicated, all of the financial figures presented in the text in this section of the Prospectus are shown in thousands of euro (€ thousand). Unless expressly otherwise noted, the percentage amounts included in the text have been commercially rounded to one decimal point. Because of this rounding, the figures shown in the tables may not, in all cases, add up exactly to the respective totals given.

I. OVERVIEW

The Group produces and markets microbatteries and energy storage solutions for a wide range of applications and end markets. The Group believes it is one of the two largest worldwide producers and marketers of hearing aid microbatteries, by volume, and that it is positioned to become a leading global producer and marketer of rechargeable microbatteries for entertainment devices, such as premium wireless headsets, and various industrial applications. The Group believes its market positions are attributable to the high quality, reliability and technology of its products, supported by its innovation capabilities and in-house research and development activities. The Group believes it is well-positioned to capitalize on the growing markets for microbatteries and energy storage solutions, which are being driven by an aging global population, growing technological connectivity, increasing miniaturization and the growing market for renewable energy.

The Group's business operations, which it conducts through its operating subsidiaries, are divided into two operating segments: Microbatteries and Energy Storage Solutions. The Microbatteries segment is focused on the production of microbatteries for hearing aids and entertainment devices, primarily premium wireless headsets, as well as other applications in industrial and original equipment manufacturers' ("**OEM**") end products, such as back-up batteries for handheld scanners and point of sale terminals. The Energy Storage Solutions segment is primarily focused on the design, system integration and assembly of stationary energy storage systems for residential households and power pack solutions for OEM customers in various end markets, such as portable industrial, communications, medical and humanoid robotic applications.

The Group's integrated design, production and assembly operations provide complete, design-to-manufacture solutions to meet customers' needs globally. The Group operates five production facilities in Germany, Romania, Indonesia and China, with distribution centers in the United States, Europe and Asia and direct sales to customers in over 75 countries around the world.

The Group's production facilities are supported by research and development as well as engineering and design-in teams comprising approximately 130 full-time employees, nearly all of which are based in Germany and comprise approximately 15% of the Group's full-time employees in Germany. The Group believes it has a strong track record for innovation and research and development in microbatteries, particularly in primary zinc-air and rechargeable lithium-ion microbattery cell technologies, supported by the Group's research projects with various industrial partners, universities and research institutions over many years.

For the financial year ended December 31, 2015, the Group generated revenue of €195.1 million. During that period, the Microbatteries and Energy Storage Solutions segments comprised 80.9% and 17.7% of revenue, respectively, excluding intra-Group reconciliations. Within the Microbatteries segment, revenue from sales of Healthcare products accounted for 66.9% of Microbatteries segment revenue, and revenue from sales of Entertainment & Industrial products accounted for 33.1%, excluding intra-Group reconciliations. For the nine months ended September 30, 2016, the Group generated revenue of €160.8 million. For that period, the Microbatteries and Energy Storage Solutions segments comprised 83.0% and 16.1% of revenue, respectively, excluding intra-Group reconciliations, with revenue from sales of Healthcare products accounting for 64.2% of Microbatteries segment revenue. The Group is headquartered in Ellwangen, Germany, and had a total of 2,033 employees worldwide (full-time equivalents) as of September 30, 2016.

II. KEY FACTORS AFFECTING RESULTS OF OPERATIONS

1. Product Development and Investment Process

The Group's results of operations are influenced, to a considerable extent, by the product development and investment process the Group undergoes in order to bring products to market and generate profits from them. Although the Group is continuously pursuing research and development with respect to new technologies and battery cell chemistries, the decision to develop a specific product or technology involves extensive market research and analysis at the outset. This includes consideration of the estimated amount of investments required to develop the product, the machinery necessary to manufacture or assemble the product, and the timeframe over which the Group could expect to manufacture the product on a commercial scale and generate profits. In the financial years ended December 31, 2013, 2014 and 2015, the Group recorded research and development expenses of €9,049 thousand, €8,964 thousand and €9,326 thousand, respectively, excluding capitalized development costs of €2,300 thousand, €3,000 thousand and €2,994 thousand, respectively. Following the decision to invest in the development of a new product, the process typically follows four phases.

The first phase is the development phase. It typically lasts two to three years, depending on the product, and is characterized by an initial period of high fixed costs for both development of the product itself as well as, later on, the design and construction of own machinery for production and/or assembly. Negative EBITDA and cash flow are the result of the lack of material sales during this phase and the costs of investment required for this phase of the process.

The development phase is often followed by a pilot phase, which involves the initial production of small quantities for testing and, potentially, for customers' design-in processes. Whether a pilot phase is needed depends on the product in question. New cell technologies, as opposed to known technologies being enhanced, frequently require a pilot phase. This phase is also characterized by ongoing high fixed costs, because the structure for manufacturing is largely in place without sufficient sales to offset them.

The third phase is the ramp up phase, which, depending on the product, can last at least two years. This stage is characterized by high production volumes and sales growth, and it includes incremental additional capital expenditures to increase production capacity, automation and production efficiency. EBITDA is typically negative at the beginning of this phase, with the goal to generate positive EBITDA by the end of it by focusing on stabilizing fixed costs while increasing sales. For example, the Group's rechargeable CoinPower microbatteries in the Microbatteries segment is currently in the ramp up phase.

The final phase is an established market for the product. Once an established market has been achieved—such as with the Group's zinc-air microbattery for use in hearing aids—management continues to focus on increasing production volumes and sales while, at the same time, intending to reduce per unit production costs. This final phase is characterized by significant positive scale effects on cash flow and EBITDA, with capital expenditure typically limited to maintenance capital expenditures and incremental growth capital expenditures to support production capacity expansion and product innovations.

2. Profitability of Microbatteries and Energy Storage Solutions Segments

The results of the Group's Microbatteries and Energy Storage Solutions segments are driven primarily by the respective products' phase of development described above. The increasing profitability of the Microbatteries segment is attributable to the well-established market for the Group's zinc-air microbattery for hearing aids, sales of which are reported Healthcare product group revenue in the Microbatteries segment's revenue. From 2013 to 2015, Healthcare product revenue in the Microbatteries segment increased from €86,972 thousand in the financial year ended December 31, 2013 to €94,165 thousand in the financial year ended December 31, 2014 and to €105,640 thousand in the financial year ended December 31, 2015. As a result, the increasing profitability of the Group from 2013 to 2015 was due, to a significant extent, to the Group's focus on reducing fixed costs of zinc-air microbattery production relative to the continued revenue growth of its zinc-air hearing aid microbatteries, which accounted for a significant majority of the Group's Healthcare product revenues in the financial year ended December 31, 2015. While the Group's EBITDA increased by €12,787 thousand from €18,204 thousand in the financial year ended December 31, 2013 to €30,991 thousand in the financial year ended December 31, 2015, EBITDA in the Group's Microbatteries segment increased by €9,043 thousand from €20,223 thousand in the financial year ended December 31, 2013 to €29,266 thousand in the financial year ended December 31, 2015. This trend continued in the nine months ended September 30, 2016, during which period the Microbatteries segment's EBITDA increased from €24,366 thousand in the nine months ended September 30, 2015 to €24,688 thousand in the nine months ended September 30, 2016.

In the Energy Storage Solutions segment, revenue increased from €27,496 thousand in the financial year ended December 31, 2013 to €28,714 thousand in the financial year ended December 31, 2014 and to €34,574 thousand in the financial year ended December 31, 2015. Over the same period EBITDA improved from negative EBITDA of €1,743 thousand in the financial year ended December 31, 2013 to negative EBITDA of €1,227 thousand in the financial year ended December 31, 2014 before declining to negative EBITDA of €2,571 thousand in the financial year ended December 31, 2015, despite incremental increases in segmental revenue over the same period. This decrease was due, in part, to fluctuations in revenue from power pack solutions, which were driven by larger volume orders of customized power packs and the more-focused selection of power pack solutions projects, which vary in profitability based on the mix of the level of customization and volume of units. The decrease was also due to the ongoing ramp up of assembly capacity and components inventory in the residential storage solution product portfolio following the launch of VARTA Family in the first quarter of 2013 and VARTA Home in the second quarter of 2015.

The results of the Group's two segments are also influenced by the mix of products and volumes of products sold as well as the respective cost of sales and prices for different products, which can vary significantly depending on the product. Over the medium term, management expects that the overall profitability of the Group will continue to be influenced, to a significant degree, by the stability and profitability of its Microbatteries segment, with revenue from the Entertainment & Industrial product group expected to begin to contribute to the segment's EBITDA in the short term.

3. Personnel Expenses

Personnel expenses represent a significant portion of the Group's costs and have broadly increased in line with revenue and the Group's overall growth. From 2013 to 2015, personnel expenses increased from €57,555 thousand in the financial year ended December 31, 2013 to €61,488 thousand in the financial year ended December 31, 2014 and to €69,016 thousand in the financial year ended December 31, 2015. As a percentage of revenue and changes in inventories of finished goods and work in progress, however, personnel expenses decreased slightly from 35.8% for the financial year ended December 31, 2013 to 34.2% for the financial year ended December 31, 2015. The Group focuses on optimizing headcount based on the location of production and/or assembly, together with capacity adjustments, to meet increased or decreased demand for products. For example, zinc-air microbattery production, which is highly automated, is exclusively conducted in Germany, where wages, salaries and social security contributions are higher. By comparison, the assembly of power pack solutions and assembly of certain microbatteries for Entertainment and Industrial customers, which are less automated and require more intensive assembly operations, take place at the Group's facilities in China, Indonesia and Romania. As a result, production capacity expansion of microbatteries requires a considerably smaller increase in headcount than assembly capacity expansion relative to the volume of units (*i.e.*, microbatteries or power packs) produced and/or assembled.

4. Prices of Processed Raw Materials and Components

Prices for processed raw materials and components that the Group sources from third parties significantly affect the Group's cost of raw materials and consumables used and, in turn, its operating result. Prices for the Group's raw materials and components are affected by various factors, including the prices charged by suppliers, exchange rate fluctuations and the product mix and volumes in the Group's segments. Nickel, silver and zinc are, by cost, the principal processed raw materials sourced by the Group and may be subject to significant price fluctuations due to currency fluctuations, macroeconomic conditions or other unforeseen circumstances. Furthermore, a significant portion of the Group's processed raw materials and components are sourced in U.S. dollars. The considerable appreciation of the U.S. dollar compared to the euro from 2014 to 2015 resulted in increased procurement and purchasing costs for such materials during the period under review. Expenses for raw materials and other consumables used decreased from €66,109 thousand in the financial year ended December 31, 2013 to €62,885 thousand in the financial year ended December 31, 2014 before increasing to €85,456 thousand in the financial year ended December 31, 2015. As a percentage of revenue and changes in inventories of finished goods and work in progress, however, expenses for raw materials and other consumables used decreased from 41.2% for the financial year ended December 31, 2013 to 37.9% for the financial year ended December 31, 2014 and then increased to 42.3% for the financial year ended December 31, 2015, to a significant extent as a result of exchange rate fluctuations. Together with the impact from currency exchange rate fluctuations, the increase from December 31, 2014 to December 31, 2015 was driven by the ramp up of operations and a buildup of inventory in the Energy Storage Solutions segment, which resulted in significantly larger purchase volumes of components, which, relative to the unit, are more expensive than the processed raw materials required for microbattery production.

5. Related Party Transactions

In December 2015, VARTA Microbattery GmbH entered into a sale and leaseback transaction with WertInvest Ellwangen Immobilien GmbH, an entity indirectly controlled by DDr. Tojner, the Chairman of the Company's Supervisory Board, with respect to the property and buildings located at the Group's headquarters in Ellwangen, Germany. The term of the sale and leaseback transaction is unlimited. The purchase price under the agreement was €15.1 million, and the monthly lease amounts to €125,000 (excluding VAT). VARTA Microbattery GmbH also provided cash security in the amount of €750,000. As a result of the sale and leaseback transaction, €6,634 thousand of income from the sale of property, plant and equipment were reported under other operating income in the financial year ended December 31, 2015. This was, in turn, the primary reason for the increase in other operating income from €11,631 thousand in the financial year ended December 31, 2014 to €17,839 thousand in the financial year ended December 31, 2015, which contributed significantly to the increase in the Group's EBITDA for the financial year ended December 31, 2015. For additional information on the sale and leaseback transaction, see *L.XVI.1.* "*Business—Material Contracts—Sale and Leaseback Transaction*".

In the period from January 1, 2013 to September 30, 2016, the Company and certain of its subsidiaries were party to various loan agreements, license agreements, trademark management agreements and service agreements with related parties indirectly controlled by DDr. Tojner. In the financial years ended December 31, 2013, 2014 and 2015, the amount of MTC fees paid by the Company was €4,652 thousand, €5,752 thousand and €5,131 thousand, respectively. These MTC fees comprised trademark management and license agreement fees as well as service fees related to financial, treasury, controlling and tax planning support, strategic advice, provision of personnel and legal advice and information technology support, among other ancillary services. In connection with the Offering, the Company intends to terminate the loan agreements, license agreements, trademark management agreements and service agreements. The Group intends to manage such functions internally in the future without incurring significant additional costs. However, management expects that certain additional expenses, in particular additional personnel expenses and expenses for services by third parties, will be incurred in connection with the internal assumption of financial, reporting, treasury and controlling as well as legal and compliance functions. In addition, following completion of the Offering, the Company intends to replace the existing financing arrangements with related parties indirectly controlled by DDr. Tojner by third-party financing in the amount of approximately €30 million. Such external financing is likely to be provided by one or more of the Underwriters.

For additional details on the Company's related party transactions, see *N. "Related Party Transactions"* and Note 32 of the Combined Financial Statements.

6. Macroeconomic and Regulatory Environment

The Group's results of operations are also affected by macroeconomic and regulatory changes in the industries and markets in which its products and services are sold. The market for healthcare product microbatteries in the Microbatteries segment, sales of which accounted for 54.1% of total revenue in the financial year ended December 31, 2015, is primarily driven by global macroeconomic and regulatory trends, such as population growth, increasing wealth and an aging population and changes in subsidies by public and private healthcare providers for hearing aid batteries, with volumes and revenue driven, in turn, by market penetration of the accessible market. Consumer spending, and particularly discretionary consumer spending, is an important driver of demand for the Group's microbattery sales to OEM customers, which include microbatteries in their end market products such as wireless headsets. In the Group's Energy Storage Solutions segment, demand for power pack solutions is currently primarily driven by orders for highly customized battery systems. As a result, a stagnation or decrease in investments by industrial and commercial customers may result in lower sales of power pack products. Demand for residential energy storage systems, by comparison, will likely be increasingly affected by regulatory trends with respect to feed-in tariffs and levels of government subsidies to support the sustainable development of renewable energy production and consumption.

III. BUSINESS SEGMENTS

Pursuant to IFRS 8, the Group's segment reporting comprises two operational business segments, Microbatteries and Energy Storage Solutions.

The Microbatteries segment focuses on manufacturing and marketing microbatteries for hearing aids as well as a broad range of applications in the end markets for electronic devices (such as bluetooth headsets, laptops, servers and medical equipment) and OEM customers.

The Energy Storage Solutions segment is focused on the design, assembly and sale of energy storage systems and solutions for a variety of OEM, residential and commercial customers and end-market applications.

The Group also presents (i) revenue and trade receivables by product sales and sale of services and (ii) revenue and non-current assets by geographic location based on the geographic locations of the customers, in the case of revenue, and the geographic locations of the assets, in the case of non-current assets. For additional information, see Note 8 of the Combined Financial Statements.

IV. KEY INCOME STATEMENT ITEMS

1. Revenue

Revenue comprise sales of the Group's products and services in its Microbatteries and Energy Storage Solutions segments, adjusted for reconciliations within the Group.

2. Changes in inventories of finished goods and work in progress

Changes in inventories of finished goods and work in progress relates to increases and decreases in inventories and is driven primarily by production and delivery schedules.

3. Other operating income

Other operating income includes income from the sale of property, plant and equipment, own work capitalized, income from the clearing of rent and services rendered in respect of joint venture companies, subsidies and government grants, income from the reversal of provisions and accrued liabilities and other operating income.

4. Raw materials and consumables used

Raw materials and consumables used include primarily expenses for raw materials, cost of merchandise materials other costs of materials and expenses related to subcontracting.

5. Personnel expenses

Personnel expenses consist primarily of wages and salaries, social security contributions, employee benefit expense and other personnel expenses.

6. Depreciation and amortization expenses

Depreciation and amortization expenses relate to intangible assets and property, plant and equipment. Amortization charges on intangible assets are attributable primarily to research and development costs as well as customer relationships and similar intangible assets and, to a lesser extent, trademarks. Depreciation charges on property, plant and equipment are primarily attributable to technical equipment and machinery, other facilities, buildings and construction in progress and advance payments.

7. Other operating expenses

Other operating expenses primarily include expenses payable to related companies, maintenance expenses, energy expenses, marketing and advertising expenses, rental and leasing expenses, travel expenses and a number of other miscellaneous operating expenses.

8. Financial result

Financial result is the balance of interest income, interest expenses, other financial income and other financial expenses. Other financial income relates to exchange rate gains and other finance income. Other financial expenses relate to exchange rate losses, other financial expenses of affiliated companies and other financial expenses in relation to third parties.

9. Income tax expenses

Income tax expenses are the balance of current taxes and deferred taxes. Current income taxes include income taxes that arose during the current year and previous years. Deferred income taxes are the balance of changes of deferred tax liabilities and deferred tax assets. The tax expenses shown are the total of the taxes that arise for the legal entities in the various jurisdictions in which the Group operates. Thus, income taxes may vary from period to period depending on changes in taxable income by legal entity, country specific changes in tax legislation and the specific contribution of each legal entity on a consolidated basis, among other factors.

V. RESULTS OF OPERATIONS

1. Nine Months ended September 30, 2016 Compared to the Nine Months ended September 30, 2015

The following table sets forth financial data from the Company's consolidated income statement for the nine months ended September 30, 2015 and 2016:

	For the nine months ended September 30,	
	2015	**2016**
	(in € thousands) (unaudited)	
Revenue	**146,411**	**160,753**
Changes in inventories of finished goods and work in progress	4,960	3,282
Other operating income	6,671	7,857
Raw materials and consumables used	(63,638)	(70,166)
Personnel expenses	(51,999)	(57,532)
Depreciation and amortization expenses	(6,322)	(6,571)
Other operating expenses	(24,733)	(23,118)
IPO-related expenses	—	(1,519)
Operating result	**11,350**	**12,986**
Interest income	1,439	99
Interest expenses	(1,822)	(1,293)
Other financial income	157	661
Other financial expenses	(515)	(501)
Financial result	**(741)**	**(1,034)**
Share of profit (loss) of at equity accounted investees	(1,017)	(1,189)
Income before taxes	**9,592**	**10,763**
Income tax expenses	(4,366)	(2,108)
Result for the period	**5,226**	**8,655**

a. Revenue

Revenue increased by €14,342 thousand, or 9.8%, from €146,411 thousand in the nine months ended September 30, 2015 to €160,753 thousand in the nine months ended September 30, 2016. By geographic region, the increase in revenue was primarily attributable to increases in Europe and Asia, which increased by €6,183 thousand and €5,410 thousand, respectively, from the nine months ended September 30, 2015 to the nine months ended September 30, 2016. Revenue from the sale of services decreased from €6,914 thousand in the nine months ended September 30, 2015 to €5,446 thousand in the nine months ended September 30, 2016.

	For the nine months ended September 30,	
	2015	**2016**
	(in € thousands) (unaudited)	
Microbatteries	119,566	133,478
thereof Healthcare	*79,860*	*85,677*
thereof Entertainment & Industrial	*39,706*	*47,801*
Energy Storage Solutions	24,852	25,933

Revenue in the Microbatteries segment increased by €13,912 thousand, or 11.6%, from €119,566 thousand in the nine months ended September 30, 2015 to €133,478 thousand in the nine months ended September 30, 2016. This increase was a result of increasing volumes of hearing aid and lithium-ion microbatteries sold in the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015.

Revenue in the Energy Storage Solutions segment increased by €1,081 thousand, or 4.3%, from €24,852 thousand in the nine months ended September 30, 2015 to €25,933 thousand in the nine months ended September 30, 2016. This increase was primarily due to an increase in revenue from the sale of residential storage energy storage solutions.

b. Changes in inventories of finished goods and work in progress

Changes in inventories of finished goods and work in progress decreased by €1,678 thousand, or 33.8%, from €4,960 thousand in the nine months ended September 30, 2015 to €3,282 thousand in the nine months ended September 30, 2016. The decrease was primarily due to a decrease at the Group's headquarters in Ellwangen, Germany, with a significant portion of the decrease related to an individual research and development project for a research institute customer.

c. Other operating income

Other operating income increased by €1,186 thousand, or 17.8% from €6,671 thousand in the nine months ended September 30, 2015 to €7,857 thousand in the nine months ended September 30, 2016. The increase was primarily due to an increase in government grants for research and development projects due to additional projects awarded in the first nine months ended September 30, 2016, with fewer existing grants expiring over the same period relative to the prior year. For the nine months ended September 30, 2016, the Group recognized €2,618 thousand in other operating income from such government grants compared to €615 thousand for the nine months ended September 30, 2015.

d. Raw materials and consumables used

Raw materials and consumables used increased by €6,528 thousand, or 10.3% from €63,638 thousand in the nine months ended September 30, 2015 to €70,166 thousand in the nine months ended September 30, 2016. The increase was primarily due to higher expenses for materials and supplies as well as increased costs of merchandising costs, which was driven by an increase in revenue. For both periods, expenses for raw materials and consumables used as a percentage of revenue remained largely stable.

e. Personnel expenses

Personnel expenses increased by €5,533 thousand, or 10.6%, from €51,999 thousand in the nine months ended September 30, 2015 to €57,532 thousand in the nine months ended September 30, 2016. The increase was primarily a result of increases in headcount in Ellwangen and Nördlingen in connection with the ramp up of the Group's coin power production and Energy Storage Solutions business as well as at the Group's production facility in Romania related to the Microbatteries segment.

f. Depreciation and amortization expenses

Depreciation and amortization expenses increased slightly by €249 thousand, or 3.9%, from €6,322 thousand in the nine months ended September 30, 2015 to €6,571 thousand in the nine months ended September 30, 2016. The increase was primarily due to the Group's ongoing investments, particularly in coin power cell production.

g. Other operating expenses

Other operating expenses decreased by €1,615 thousand, or 6.5%, from €24,733 thousand in the nine months ended September 30, 2015 to €23,118 thousand in the nine months ended September 30, 2016. This was due to a significant decrease in MTC fees in the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015, when the various service, trademark management and license fees were in place for the entire nine-month period.

h. Financial result

Financial result decreased by €293 thousand, or 39.5%, from negative €741 thousand in the nine months ended September 30, 2015 to negative €1,034 thousand in the nine months ended September 30, 2016. The decrease in financial result was primarily due to decrease in interest income from €1,439 thousand in the nine months ended September 30, 2015 to €99 thousand in the nine months ended September 30, 2016 as a result of the spin-off of the pension obligations and related assets, which contained interest-bearing loans.

i. Income tax expenses

Income tax expenses decreased by €2,258 thousand, or 51.7%, from €4,366 thousand in the nine months ended September 30, 2015 to €2,108 thousand in the nine months ended September 30, 2016. The decrease was primarily driven by the change in deferred taxes from negative €1,487 thousand in the nine months ended September 30, 2015 to positive deferred tax income of €1,403 thousand in the nine months ended September 30, 2016.

j. Result for the period

Result for the period increased by €3,429 thousand, or 65.6%, from €5,226 thousand in the nine months ended September 30, 2015 to €8,655 thousand in the nine months ended September 30, 2016 due to the reasons described above.

k. EBITDA

EBITDA increased by €1,885 thousand, or 10.7%, from €17,672 thousand in the nine months ended September 30, 2015 to €19,557 thousand in the nine months ended September 30, 2016. The increase was primarily due to the improvement in operating result as well as a small increase in depreciation and amortization expenses and was offset, in part, by Offering-related expenses incurred to September 30, 2016.

2. Financial Year ended December 31, 2015 Compared to the Financial Year ended December 31, 2014

The following table sets forth selected financial data from the Company's combined income statement for the financial years ended December 31, 2014 and 2015.

	For the financial year ended December 31,	
	2014	**2015**
	(in € thousands) (audited)	
Revenue	**169,038**	**195,093**
Changes in inventories of finished goods and work in progress	(2,902)	6,775
Other operating income	11,631	17,839
Raw materials and consumables used	(62,885)	(85,456)
Personnel expenses	(61,488)	(69,016)
Depreciation and amortization expenses	(7,428)	(8,511)
Other operating expenses	(32,526)	(34,244)
Operating result	**13,440**	**22,480**
Interest income	2,341	1,976
Interest expenses	(3,096)	(3,097)
Other financial income	905	15
Other financial expenses	(1,206)	(746)
Financial result	**(1,056)**	**(1,852)**
Share of profit (loss) of at equity accounted investees	(301)	(1,257)
Income before taxes	**12,083**	**19,371**
Income tax expenses	(4,197)	(7,775)
Result for the period	**7,886**	**11,596**

a. *Revenue*

Revenue increased by €26,055 thousand, or 15.4%, from €169,038 thousand in the financial year ended December 31, 2014 to €195,093 thousand in the financial year ended December 31, 2015. The increase was primarily due to an increase in product volume sales, particularly in the Microbatteries segment as described below. The increase was also due, to a small extent, to an increase in revenue from the sale of services, which increased from €7,309 thousand in the financial year ended December 31, 2014 to €9,347 thousand in the financial year ended December 31, 2015, and, to a lesser extent, to an increase in revenue from product design services in the Energy Storage Solutions segment. By geographic region, the increase in Group revenue was primarily attributable to increases in Asia and the Americas, which increased by €12,307 thousand and €10,612 thousand, respectively, from the financial year ended December 31, 2014 to the financial year ended December 31, 2015, due to positive effects from changes in currency exchange rates from 2014 to 2015 and increasing demand from customers for the Group's microbatteries in those regions.

	For the financial year ended December 31,	
	2014	**2015**
	(in € thousands) (audited)	
Microbatteries	137,397	157,858
thereof Healthcare	*94,165*	*105,640*
thereof Entertainment & Industrial	*43,230*	*52,218*
Energy Storage Solutions	28,714	34,574

Revenue in the Microbatteries segment increased by €20,461 thousand, or 14.9%, from €137,397 thousand in the financial year ended December 31, 2014 to €157,858 thousand in the financial year ended December 31, 2015. This increase was significantly due to higher volumes of orders for hearing aid microbatteries, particularly from customers in the United States and Europe, and, to a small extent, due to increased sales of lithium-ion microbatteries. This increase was also due to a significant increase in the volume of CoinPower batteries sold in connection with the Group's ongoing expansion of CoinPower production capacity.

Revenue in the Energy Storage Solutions segment increased by €5,860 thousand, or 20.4%, from €28,714 thousand in the financial year ended December 31, 2014 to €34,574 thousand in the financial year ended December 31, 2015. This increase was, to a significant extent, the result of an increase in sales of a particular power pack solution to a robotics manufacturer customer. To a lesser extent, the significant increase in the number of trained electrical installers among the segment's distributors in the financial year 2015 also helped to contribute to the expansion of the distribution network and, in turn, revenue from additional sales.

b. Changes in inventories of finished goods and work in progress

Changes in inventories of finished goods and work in progress increased by €9,677 thousand from negative €2,902 thousand in the financial year ended December 31, 2014 to positive €6,775 thousand in the financial year ended December 31, 2015. The increase was primarily due to the increase in order volumes of microbatteries for hearing aids as well as energy storage modules and finished goods in the Group's Energy Storage Solutions segment in the last quarter of 2015 to anticipated shorter production lead times in the first quarter of 2016.

c. Other operating income

Other operating income increased by €6,208 thousand, or 53.4% from €11,631 thousand in the financial year ended December 31, 2014 to €17,839 thousand in the financial year ended December 31, 2015. The increase was primarily due to a gain of €6,634 thousand from the sale of fixed assets in the financial year ended December 31, 2015, which related to a sale and leaseback transaction of the Group's property and buildings at its headquarters in Ellwangen, Germany, in December 2015 and, to a lesser extent, to an increase in subsidies and public grants from €945 thousand in the financial year ended December 31, 2014 to €1,585 thousand in the financial year ended December 31, 2015 in connection with microbatteries and energy storage research projects supported by funding through the EU and the German Federal Ministry of Education and Research. The increase was partly offset by a decrease in release of provisions and accrued liabilities from €2,941 thousand in the financial year ended December 31, 2014 to €1,002 thousand in the financial year ended December 31, 2015. This was due, in part, to a release of €648 thousand in provisions for restructuring activities in the financial year ended December 31, 2014, for which no provisions were released in 2015, and to a lesser extent to the release of other provisions.

d. Raw materials and consumables used

Raw materials and consumables used increased by €22,571 thousand, or 35.9% from €62,885 thousand in the financial year ended December 31, 2014 to €85,456 thousand in the financial year ended December 31, 2015. The increase was primarily due to a significant increase in expenses for raw materials and consumables from €33,337 thousand in the financial year ended December 31, 2014 to €57,242 thousand in the financial year ended December 31, 2015. This increase was primarily attributable to an overall increase in battery volume orders, particularly in the Microbatteries segment, as well as to currency exchange fluctuations with respect to hearing aid microbatteries sales, which are largely invoiced in U.S. dollars. The currency exchange fluctuations during the course of the year therefore had a negative effect in the Energy Storage Solution segments, where sales are, to a significant extent, invoiced in euros but the costs of materials are primarily expenses in U.S. dollars and which provides a significant natural hedge against external revenues denominated in U.S. dollars.

e. Personnel expenses

Personnel expenses increased by €7,528 thousand, or 12.2%, from €61,488 thousand in the financial year ended December 31, 2014 to €69,016 thousand in the financial year ended December 31, 2015. This was primarily the result of an increase of €6,097 thousand in wages and salaries due to headcount increases in Europe and Asia (excluding Singapore), increased production activity in Romania and ongoing ramp up of the CoinPower cell assembly line. It was also due, to a lesser extent, to a corresponding increase of €1,040 thousand in expenses for statutory benefits in line with the higher headcount and the corresponding increase in wages and salaries. The increase was also heightened by exchange rate effects as a result of the significant appreciation of the U.S. dollar against the euro during the year, particularly with respect to the Group's employees in the United States, and corresponding appreciation of the Chinese renminbi and Indonesian rupiah relative to the euro for employees in the Group's Shanghai and Batam production facilities.

f. Depreciation and amortization expenses

Depreciation and amortization expenses increased by €1,083 thousand, or 14.6%, from €7,428 thousand in the financial year ended December 31, 2014 to €8,511 thousand in the financial year ended December 31, 2015. The increase was primarily a result of ongoing investments in hearing aid battery production operations in 2014, including new packing equipment and battery cell seal coating machinery, as well as CoinPower technology investments in the first six months of 2015.

g. Other operating expenses

Other operating expenses increased by €1,718 thousand, or 5.3%, from €32,526 thousand in the financial year ended December 31, 2014 to €34,244 thousand in the financial year ended December 31, 2015. This increase was primarily due to increases in a number of expenses, such as rent and lease expenses, provisions, freight and customers expenses and warranties. These effects were partly offset by decreases in insurance costs and other operating expenses.

h. Financial result

Financial result decreased by €796 thousand, or 75.4%, from negative €1,056 thousand in the financial year ended December 31, 2014 to negative €1,852 thousand in the financial year ended December 31, 2015. The decrease in net financial result was primarily due to a decrease in other financial income from €905 thousand in the financial year ended December 31, 2014 to €15 thousand in the financial year ended December 31, 2014, which related mainly to the recording of no other finance income compared to €526 thousand of other finance income in the financial year ended December 31, 2014. This was partly offset by a decrease in other financial expenses, which related to the elimination of liability commissions in connection with the replacement of bank financing with financing from and with related parties.

i. Income tax expenses

Income tax expenses increased by €3,578 thousand, or 85.3%, from €4,197 thousand in the financial year ended December 31, 2014 to €7,775 thousand for the financial year ended December 31, 2015. The increase was primarily due to the increase in income before tax from €12,083 thousand in the financial year ended December 31, 2014 to €19,371 thousand in the financial year ended December 31, 2015. For the financial year ended December 31, 2015, the Group's effective tax rate increased to 40.1% compared to 34.7% in the financial year ended December 31, 2014, primarily due to the sale and leaseback transaction consummated in December 2015.

j. Result for the period

Result for the period increased by €3,710 thousand, or 47.0%, from €7,886 thousand in the financial year ended December 31, 2014 to €11,596 thousand in the financial year ended December 31, 2015 due to the reasons described above.

k. EBITDA

EBITDA increased by €10,123 thousand, or 48.5%, from €20,868 thousand in the financial year ended December 31, 2014 to €30,991 thousand in the financial year ended December 31, 2015. In addition to the overall increase in the Group's operating performance, the increase was attributable to the sale and leaseback transaction in December 2015, which contributed €6,634 thousand to other operating income in the financial year ended December 31, 2015.

EBITDA in the Microbatteries segment increased by €4,730 thousand, or 19.3%, from €24,536 thousand in the financial year ended December 31, 2014 to €29,266 thousand in the financial year ended December 31, 2015. The increase was primarily attributable to the continuing volume growth and profitability of the segment as a result of increasing revenue from sales of zinc-air hearing aid microbatteries.

EBITDA in the Energy Storage Solutions segment declined by €1,344 thousand from a negative EBITDA of €1,227 thousand in the financial year ended December 31, 2014 to a negative EBITDA of €2,571 thousand in the financial year ended December 31, 2015. The decline was primarily attributable to lower margins on sales of power pack solutions and residential energy storage systems.

3. Financial Year ended December 31, 2014 Compared to the Financial Year ended December 31, 2013

The following table sets forth selected financial data from the Company's combined income statement for the financial years ended December 31, 2013 and 2014.

	For the financial year ended December 31,	
	2013	2014
	(in € thousands) (audited)	
Revenue	**159,288**	**169,038**
Changes in inventories of finished goods and work in progress	1,277	(2,902)
Other operating income	12,022	11,631
Raw materials and consumables used	(66,109)	(62,885)
Personnel expenses	(57,555)	(61,488)
Depreciation and amortization expenses	(5,634)	(7,428)
Other operating expenses	(30,719)	(32,526)
Operating result	**12,570**	**13,440**
Interest income	2,026	2,341
Interest expenses	(2,016)	(3,096)
Other financial income	684	905
Other financial expenses	(870)	(1,206)
Financial result	**(176)**	**(1,056)**
Share of profit (loss) of at equity accounted investees	(2,091)	(301)
Income before taxes	**10,303**	**12,083**
Income tax expenses	(2,209)	(4,197)
Result for the period	**8,094**	**7,886**

a. Revenue

Revenue increased by €9,750 thousand, or 6.1%, from €159,288 thousand in the financial year ended December 31, 2013 to €169,038 thousand in the financial year ended December 31, 2014. The increase was primarily due to an increase in product sales, particularly in the Microbatteries segment, as described below. The increase was also due, to a lesser extent, to an increase in revenue from the sale of services, which increased from €3,530 thousand in the financial year ended December 31, 2013 to €7,309 thousand in the financial year ended December 31, 2014, which related primarily to an increase in revenue from the provision of research and development services to research institutes. By geographic region, the increase in Group revenue was primarily attributable to increases in Europe and Asia, which increased by €4,483 thousand and €4,544 thousand, respectively, from the financial year ended December 31, 2013 to the financial year ended December 31, 2014 due to increased demand from customers for the Group's microbatteries in those regions.

	For the financial year ended December 31,	
	2013	2014
	(in € thousands) (audited)	
Microbatteries	127,941	137,397
thereof Healthcare	*86,972*	*94,165*
thereof Entertainment & Industrial	*40,969*	*43,230*
Energy Storage Solutions	27,496	28,714

Revenue in the Microbatteries segment increased by €9,456 thousand, or 7.4%, from €127,941 thousand in the financial year ended December 31, 2013 to €137,397 thousand in the financial year ended December 31, 2014. This increase was primarily due to an increase in volumes of orders for hearing aid microbatteries and was only offset, in part, by a slight decrease in microbatteries for watches. The increase was also due, in part, to the first full year of revenue contribution from sales of the Group's CoinPower cell, which it launched in late 2013, and which generated considerable demand among OEM customers in 2014.

Sales in the Energy Storage Solutions segment increased by €1,218 thousand, or 4.4%, from €27,496 thousand in the financial year ended December 31, 2013 to €28,714 thousand in the financial year ended December 31, 2014. This increase was due to an increase in revenue in the Group's residential storage operations, including an increase of research and development service revenues of €2,210 thousand pursuant to the research and development cooperation agreement with the Technical University of Munich, and was offset, in part, by lower orders from customers for power pack projects.

b. Changes in inventories of finished goods and work in progress

Changes in inventories of finished goods and work in progress decreased by €4,179 thousand from a positive €1,277 thousand in the financial year ended December 31, 2013 to negative €2,902 thousand in the financial year ended December 31, 2014. The decrease was primarily due to reduction in microbatteries inventories at the Group's production facilities in Ellwangen, Germany, compared to the financial year ended December 31, 2013.

c. Other operating income

Other operating income decreased by €391 thousand, or 3.3% from €12,022 thousand in the financial year ended December 31, 2013 to €11,631 thousand in the financial year ended December 31, 2014. The decrease was primarily due to lower miscellaneous other operating income items and, to a lesser extent, to a decrease in subsidies and public grants in connection with microbatteries and energy storage research projects supported by funding from the EU and the German Federal Ministry of Education and Research. The decrease was only partly offset by an increase in own work capitalized from €3,457 thousand in the financial year ended December 31, 2013 to €3,994 thousand in the financial year ended December 31, 2014.

d. Raw materials and consumables used

Raw materials and consumables used decreased by €3,224 thousand, or 4.9% from €66,109 thousand in the financial year ended December 31, 2013 to €62,885 thousand in the financial year ended December 31, 2014. The decrease was primarily due to a change in the mix of products sold compared to the financial year ended December 31, 2013, with a decrease in the production of material-intensive battery cells and an increase in own produced cells that require less costly components but larger volumes of processed raw materials, which allow for more competitive procurement terms. As a result, expenses for raw materials and consumables decreased from €37,111 thousand in the financial year ended December 31, 2013 to €33,337 thousand in the financial year ended December 31, 2014.

e. Personnel expenses

Personnel expenses increased by €3,933 thousand, or 6.8%, from €57,555 thousand in the financial year ended December 31, 2013 to €61,488 thousand in the financial year ended December 31, 2014. The increase was primarily a result of an increase of €3,126 thousand in wages and salaries as well as an increase of €323 thousand in statutory benefits expenses, a considerable amount of which related to the additional personnel costs associated with the ramping up the Group's Energy Storage Systems segment and the hiring of engineers and highly-qualified personnel. The increase was also attributable to costs related to a headcount reduction, primarily in Shanghai.

f. Depreciation and amortization expenses

Depreciation and amortization expenses increased by €1,794 thousand, or 31.8%, from €5,634 thousand in the financial year ended December 31, 2013 to €7,428 thousand in the financial year ended December 31, 2014. The increase was primarily a result of the first full year of depreciation and amortization expenses in the financial year ended December 31, 2014 for investments in property, plant and equipment and intangible assets made in the financial year ended December 31, 2013, €10,805 thousand of which related to property, plant and equipment and €2,479 thousand of which related to intangible assets.

g. Other operating expenses

Other operating expenses increased slightly by €1,807 thousand, or 5.9%, from €30,719 thousand in the financial year ended December 31, 2013 to €32,526 thousand in the financial year ended December 31, 2014. This increase was due to smaller increases in a number line items comprising other operating expenses.

h. Financial result

Financial result declined by €880 thousand from negative €176 thousand in the financial year ended December 31, 2013 to negative €1,056 thousand in the financial year ended December 31, 2014. The decline in financial result was primarily due to an increase in interest expenses from €2,016 thousand in the financial year ended December 31, 2013 to €3,096 thousand in the financial year ended December 31, 2014. This effect was due to an increase in interest-bearing financial liabilities from related parties following the repayment of third-party financing in the financial year ended December 31, 2013.

i. Income tax expenses

Income tax expenses increased by €1,988 thousand, or 90.0%, from €2,209 thousand in the financial year ended December 31, 2013 to €4,197 thousand for the financial year ended December 31, 2014. The increase was primarily driven by the increase in income before taxes from €10,303 thousand in the financial year ended December 31, 2013 to €12,083 thousand in the financial year ended December 31, 2014. For the financial year ended December 31, 2014, the Group's effective tax rate was 34.7%, compared to 21.4% in the financial year ended December 31, 2013, resulting from the use of tax loss carryforwards and deferred taxes.

j. Result for the period

Result for the period decreased by €208 thousand, or 2.6%, from €8,094 thousand in the financial year ended December 31, 2013 to €7,886 thousand in the financial year ended December 31, 2014 due to the reasons described above.

k. EBITDA

EBITDA increased by €2,664 thousand, or 14.6%, from €18,204 thousand in the financial year ended December 31, 2013 to €20,868 thousand in the financial year ended December 31, 2014. The increase was primarily attributable to an increase in operating result, which included both an increase in revenue and an increase in depreciation and amortization expenses.

EBITDA in the Microbatteries segment increased by €4,313 thousand, or 21.3%, from €20,223 thousand in the financial year ended December 31, 2013 to €24,536 thousand in the financial year ended December 31, 2014. The increase was primarily attributable to the further growth of sales of zinc-air hearing aid microbatteries.

EBITDA in the Energy Storage Solutions segment improved by €516 thousand, or 29.6%, from a negative EBITDA of €1,743 thousand in the financial year ended December 31, 2013 to a negative EBITDA of €1,227 thousand in the financial year ended December 31, 2014. The increase was attributable to an increase in revenue received pursuant to a research and development service project with the Technical University of Munich.

VI. LIQUIDITY AND CAPITAL RESOURCES

The Company's principal sources of funds consist of cash from operating activities and cash and cash equivalents on hand of its direct and indirect subsidiaries. The table below shows the Company's statement of cash flows for the financial years ended December 31, 2013, 2014 and 2015 as well as for the nine months ended September 30, 2015 and 2016:

	For the financial year ended December 31,			For the nine months ended September 30,	
	2013	2014	2015	2015	2016
	(in € thousands)				
	(audited)			(unaudited)	
Cash Flow from Operating Activities					
Income before taxes	10,303	12,083	19,371	9,592	10,763
Net financial result, excluding other financial income and other financial expenses	(10)	755	1,121	383	1,194
Share of loss in at equity accounted investees	2,091	301	1,257	1,017	1,189
Depreciation and amortization expenses	5,634	7,428	8,511	6,322	6,571
Gains and losses from disposals of property, plant and equipment and intangible assets	14	131	(6,564)	45	18
Gains and losses from disposals of financial assets	0	0	0	0	(421)
Own work capitalized	(3,457)	(3,994)	(4,223)	(2,939)	(2,534)
Other non-cash income and expenses	(4,709)	(4,343)	3,003	1,845	(4,168)
Changes in working capital					
Inventories	(3,090)	3,590	(9,431)	(7,362)	(1,933)
Trade receivables and other current assets	(3,762)	4,672	3,594	(6,662)	(12,006)
Trade payables and other current liabilities	(1,375)	1,096	6,159	(837)	(266)
Provisions and liabilities from employee benefits	797	3,374	(1,564)	(1,317)	4,591
Income taxes paid	(1,899)	(3,093)	(1,946)	(1,324)	(4,018)
Cash Flow from Operating Activities	**537**	**22,000**	**19,288**	**(1,237)**	**(1,020)**
Cash Flow from Investing Activities					
Acquisition of property, plant and equipment and intangible assets	(9,414)	(9,678)	(14,278)	(12,115)	(21,031)
Proceeds from sale of property, plant and equipment and intangible assets	340	65	15,110	10	102
Loans granted	(836)	(1,700)	(12,884)	(14,457)	0
Loans granted to related parties	(14,522)	(8,290)	—	(20)	0
Payments made into the capital reserve of joint venture	—	—	(2,000)	(2,000)	(1,000)
Loans granted to associated companies	(750)	0	0	—	—
Payments received for granted loans	16,053	11,379	5,438	7,512	378
Payments received from disposal of financial assets	0	0	0	0	421
Payments received for granted loans to related parties	0	12,248	7,049	7,008	521
Payments received for granted loans to associated companies	0	750	0	—	—
Interest received	2,022	2,345	466	396	99
Cash Flow from Investing Activities	**(7,107)**	**7,119**	**(1,099)**	**(13,666)**	**(20,510)**
Cash Flow from Financing Activities					
Acquisition of VARTA Micro AG and VARTA Microbatteries S.R.L.	—	—	—	0	(560)
Capital increase	250	211	0	—	—
Capital reduction	0	0	(3,947)	(3,947)	(900)
Payments for listing on the stock exchange	—	—	—	—	(160)
Dividend paid	(8,000)	0	0	—	—
Payments for the acquisition of non-controlling interests	0	(950)	0	—	—
Issuance of interest-bearing financial liabilities from related parties	7,629	28,806	3,439	6,617	21,784
Issuance of interest-bearing financial liabilities	12,865	0	0	434	50
Repayment of interest-bearing financial liabilities from related parties	0	0	(25,819)	(1,152)	0
Repayment of interest-bearing financial liabilities	(5,212)	(39,474)	(72)	(6)	(218)
Interest paid	(1,967)	(2,322)	(2,132)	(1,569)	(1,017)
Cash Flow from Financing Activities	**5,565**	**(13,729)**	**(28,531)**	**377**	**18,979**
Net change in cash and cash equivalents	**(1,005)**	**15,390**	**(10,342)**	**(14,526)**	**(2,551)**
Cash and cash equivalents at beginning of period	5,985	4,887	20,759	20,759	10,945
Effects of exchange rate changes	(93)	482	528	405	(122)
Cash and cash equivalents at end of period	**4,887**	**20,759**	**10,945**	**6,638**	**8,272**

1. **Cash Flows for the Nine Months ended September 30, 2016 Compared to the Nine Months ended September 30, 2015**

a. Cash Flow from Operating Activities

Cash flow from operating activities improved from a cash outflow €1,237 thousand in the nine months ended September 30, 2015 to a cash outflow of €1,020 thousand in the nine months ended September 30, 2016. This improvement was primarily driven by changes in working capital, which decreased from an outflow of €16,178 thousand in the nine months ended September 30, 2015 to a cash outflow of €9,614 thousand in the nine months ended September 30, 2016 and was primarily due to improvements in inventories and provisions and liabilites from employee benefits.

b. Cash Flow from Investing Activities

Cash flow from investing activities decreased by €6,844 thsouand from a cash outflow of €13,666 thousand in the nine months ended September 30, 2015 to a cash outflow of €20,510 thousand in the nine months ended September 30, 2016. This decrease was primarily attributable to the increase in cash outflows for the acquisition of property, plant and equipment and intangible assets from €12,115 thousand in the nine months ended September 30, 2015 to €21,031 thousand in the nine months ended September 30, 2016 and related to the payment of €10,930 thousand, in January 2016, to clarify and realign certain intellectual property rights. The decrease was partly offset by an improvement in loans granted from an outflow of €14,457 thousand in the nine months ended September 30, 2015 to €0 thousand in the nine months ended September 30, 2016 in connection with the absence of new financing. Consequently, payments received from granted loans also decreased from €7,512 thousand in the nine months ended September 30, 2015 to €378 thousand in the nine months ended September 30, 2016.

c. Cash Flow from Financing Activities

Cash flow from financing activities increased from a cash inflow of €377 thousand in the nine months ended September 30, 2015 to a cash inflow of €18,979 thousand in the nine months ended September 30, 2016. This increase was primarily attributable to a significant increase in issuance of interest-bearing financial liabilities from related parties from €6,617 thousand in the nine months ended September 30, 2015 to €21,784 thousand in the nine months ended September 30, 2016 in connection with trade working capital and capital expenditures.

2. **Cash Flows for the Financial Years ended December 31, 2013, 2014 and 2015**

a. Cash Flow from Operating Activities

Cash flow from operating activities decreased by €2,712 thousand, or 12.3%, from €22,000 thousand in the financial year ended December 31, 2014 to €19,288 thousand in the financial year ended December 31, 2015. This decrease was primarily driven by a significant decrease in changes in working capital related to a buildup of inventories in the Energy Storage Solutions segment in the fourth quarter of 2015 in connection with the ramp up of operations as well as increased production volumes of mercury free hearing aid microbatteries in the Microbatteries segment. The decrease was partly offset by an increase of €7,288 thousand in income before taxes, which, however, was negatively impacted by a decrease of gains and losses from disposals of property, plant and equipment and intangible assets from €131 thousand in the financial year ended December 31, 2014, to €6,564 thousand in the financial year ended December 31, 2015 in connection with the sale and leaseback transaction of the Group's property and buildings at its headquarters in Ellwangen, Germany.

Cash flow from operating activities increased by €21,463 thousand from €537 thousand in the financial year ended December 31, 2013 to €22,000 thousand in the financial year ended December 31, 2014. This increase was primarily driven by a significant increase in changes in working capital, which related to the launch of the Group's lithium-ion button cell and an increase in order volumes for hearing air microbatteries as well as, to a lesser extent, by an increase of €1,780 thousand in income before taxes.

b. Cash Flow from Investing Activities

Cash flow from investing activities decreased by €8,218 thousand from a cash inflow of €7,119 thousand in the financial year ended December 31, 2014 to a cash outflow of €1,099 thousand in the financial year ended December 31, 2015. This decrease was primarily driven by decreases in payments received from granted loans and loans granted to related parties, which were considerably lower in 2015 following the replacement of third-party financing with related party financing arrangements in 2014, as well as €2,000 thousand for payments made into the capital reserve of joint ventures. The decrease was offset, only in part, by the booking of €15,110 thousand from the proceeds from the sale of property, plant and equipment and intangible assets as a result of the sale and leaseback transaction entered into in December 2015.

Cash flow from investing activities increased by €14,226 thousand from a cash outflow of €7,107 thousand in the financial year ended December 31, 2013 to a cash inflow of €7,119 thousand in the financial year ended December 31, 2014. The increase was primarily attributable to an increase of €12,248 thousand in payments received from loans granted to related parties and, to a lesser extent, to a decrease in loans granted to related parties, which improved from a cash outflow of €14,522 thousand in the financial year ended December 31, 2013 to a cash outflow of €8,290 thousand in the financial year ended December 31, 2014 and related to the replacement of third party financing with related party financing.

c. Cash Flow from Financing Activities

Cash flow from financing activities decreased by €14,802 thousand from a cash outflow of €13,729 thousand in the financial year ended December 31, 2014 to a cash outflow of €28,531 thousand in the financial year ended December 31, 2015. This decrease was primarily attributable to the repayment of interest-bearing financial liabilities from related parties in the amount of €25,819 thousand and a decrease in the issuance of interest-bearing financial liabilities from related parties from €28,806 thousand in the financial year ended December 31, 2014 to €3,439 thousand in the financial year ended December 31, 2015.

Cash flow from financing activities decreased by €19,294 thousand from a cash inflow of €5,565 thousand in the financial year ended December 31, 2013 to a cash outflow of €13,729 thousand in the financial year ended December 31, 2014. The decrease was primarily due to a significant increase in repayments of interest-bearing liabilities from €5,212 thousand in the financial year ended December 31, 2013 to €39,474 thousand in the financial year ended December 31, 2014 in connection with the Company's repayment of third party credit facilities. The decrease was only partly offset by an increase of €21,177 thousand in issuance of interest-bearing financial liabilities from related parties, which replaced the third party financing with financing from related parties of the Group's controlling shareholder.

VII. TRADE WORKING CAPITAL

Trade working capital represents inventories plus trade receivables less trade payables and advances received from customers, as presented in the Company's consolidated statement of financial position. The following table presents trade working capital as of the dates indicated:

	As of December 31,			As of September 30,
	2013	**2014**	**2015**	**2016**
		(in € thousands)		
		(audited)		**(unaudited)**
Inventories	34,649	32,450	43,153	44,677
Trade receivables	20,221	19,655	14,772	21,934
Trade payables and advances received from customers	(16,396)	(23,560)	(35,157)	(15,619)
Trade working capital	**38,474**	**28,545**	**22,768**	**50,992**

Trade working capital increased by €28,224 thousand from €22,768 thousand at December 31, 2015 to €50,992 thousand at September 30, 2016. The increase was primarily due to a significant decrease in trade payables. The higher amount of trade payables as of December 31, 2015 related to a contractual agreement reached in September 2015 on the use of the "VARTA" brand and related issues in the amount of €11,249 thousand (including VAT), the payment under which was only made in January 2016. The increase in trade working capital was also due, in part, to the increase in trade receivables from €14,772 thousand as of December 31, 2015 to €21,934 thousand as of September 30, 2016 in connection with the increase in sales volumes during that period and the slight seasonality in terms of higher cash collection and, therefore, lower trade receivables at year end compared throughout the year.

Trade working capital decreased by €5,777 thousand, or 20.2%, from €28,545 thousand at December 31, 2014 to €22,768 thousand at December 31, 2015. The decrease was primarily due to an increase of €11,597 thousand in trade payables and advances received from customers as of December 31, 2015 compared to December 31, 2014, as a result of the considerable increase in the volume of hearing aid microbatteries in 2015 compared to 2014, and was offset by an increase in inventories from €32,450 thousand at December 31, 2014 to €43,153 thousand at December 31, 2015 as a result of increased sales volumes during the financial year 2015, the corresponding need to meet delivery times under such orders, and an increase in energy storage modules in the fourth quarter of the financial year 2015. The increase in inventories as of year-end was also due, in part, to the weakening of the euro compared to the U.S. dollar and the corresponding translation effect as of the year-end date when preparing the Group's financial statements. In December 2015, VARTA Microbattery GmbH and VARTA Storage GmbH concluded a factoring agreement pursuant to which they agreed to sell trade receivables generated in the ordinary course of business. As of December 31, 2015, the Group had sold €7,077 thousand in receivables. See *I.XII.1.* "*—Quantitative and Qualitative Disclosures about Market Risk—Credit Risk*" below for more information on the Group's factoring arrangements.

Trade working capital decreased by €9,929 thousand, or 25.8%, from €38,474 thousand at December 31, 2013 to €28,545 thousand at December 31, 2014. The decrease was primarily due to an increase in trade payables and advances received from customers from €16,396 thousand at December 31, 2013 to €23,560 thousand at December 31, 2014 as a result of the launch of the Group's lithium-ion button cell and an increase in order volumes for hearing air microbatteries. The decrease was also due, in part, to a slight decrease in inventories, which was achieved through improvements in the Group's logistics management.

VIII. FINANCIAL POSITION

The table below presents the Company's statement of financial position as of December 31, 2013, 2014 and 2015 and as of September 30, 2016:

	As of December 31,			As of September 30,
	2013	**2014**	**2015**	**2016**
	(in € thousands)			
	(audited)			(unaudited)
ASSETS				
Intangible assets	5,501	7,947	20,099	20,617
Property, plant and equipment	42,685	44,223	46,868	50,612
Joint ventures and investments in associated companies	2,468	2,167	2,910	2,721
Loan receivables	33,533	19,111	6,689	2,818
Other financial assets	38	73	32	0
Deferred tax assets	7,140	6,005	1,873	4,443
Total non-current assets	**91,365**	**79,526**	**78,471**	**81,211**
Inventories	34,649	32,450	43,153	44,677
Loan receivables	—	—	—	3,063
Trade receivables	20,221	19,655	14,772	21,934
Receivables from income taxes	655	2,010	2,315	2,215
Other assets and receivables	6,722	3,666	5,994	10,584
Cash and cash equivalents	4,887	20,759	10,945	8,272
Total current assets	**67,134**	**78,540**	**77,179**	**90,745**
Total assets	**158,499**	**158,066**	**155,650**	**171,956**
EQUITY AND LIABILITIES				
Total equity	**52,215**	**53,525**	**54,927**	**61,645**
Liabilities to financial institutions	32,921	0	0	0
Other financial liabilities	7,650	20,000	12,676	27,730
Other provisions	392	328	14	14
Provisions for pensions and other post-employment benefits	14,762	22,968	21,472	24,178
Other liabilities	110	131	138	137
Total non-current liabilities	**55,835**	**43,427**	**34,300**	**52,059**
Liabilities to financial institutions	5,695	0	0	50
Other financial liabilities	3,755	19,580	6,419	12,468
Income tax liabilities	2,363	2,630	5,223	4,566
Other provisions	6,882	2,341	2,679	2,685
Provisions for pensions and other post-employment benefits	675	871	1,005	1,047
Trade payables and advances received from customers	16,396	23,560	35,157	15,619
Accruals	11,976	9,895	12,894	15,085
Other liabilities	2,707	2,237	3,046	6,732
Total current liabilities	**50,449**	**61,114**	**66,423**	**58,252**
Total liabilities	**106,284**	**104,541**	**100,723**	**110,311**
Total equity and liabilities	**158,499**	**158,066**	**155,650**	**171,956**

1. Statement of Financial Position as of September 30, 2016 Compared to December 31, 2015

a. Total non-current assets

Total non-current assets increased by €2,740 thousand, or 3.5%, from €78,471 thousand at December 31, 2015 to €81,211 thousand at September 30, 2016. The increase was primarily due to increases in property, plant and equipment and deferred tax assets as of September 30, 2016 compared to December 31, 2015. The increase was partly offset due to a decrease in loan receiveables from €6,689 as of December 31, 2015 to €2,818 thousand as of September 30, 2016 due to a re-classification to current loan receivables in the amount of €3,578 thousand and a repayment of €294 thousand.

b. Total current assets

Total current assets increased by €13,566 thousand, or 17.6%, from €77,179 thousand at December 31, 2015 to €90,745 thousand at September 30, 2016. The increase was primarily due to an increase in trade receivables from €14,772 thousand at December 31, 2015 to €21,934 thousand at September 30, 2016 due to generally higher sales volumes. The increase was also attributable to an increase in other assets from €5,994 thousand as of December 31, 2015 to €10,584 thousand as of September 30, 2016, resulting from prepayments in connection with a government grant for a research project for which the Group acts as coordinator.

c. Total equity

Total equity increased by €6,718 thousand, or 12.2%, from €54,927 thousand at December 31, 2015 to €61,645 thousand at September 30, 2016. The increase was primarily due to €5,687 thousand in total comprehensive income and the €1,976 thousand effect from the spin-off the Company's pension obligations. For additional information on the changes in equity, see the Consolidated Interim Statement of Changes in Equity and Note 8 of the Unaudited Condensed Consolidated Interim Financial Statements.

d. Total non-current liabilities

Total non-current liabilities increased by €17,759 thousand, or 51.8%, from €34,300 thousand at December 31, 2015 to €52,059 thousand at September 30, 2016. The increase was primarily due to an increase in other financial liabilities from €12,676 thousand at December 31, 2015 to €27,730 thousand at September 30, 2016 and related primarily to three loans received in the first nine months of 2016. For additional information, see Note 6.3 of the Unaudited Condensed Consolidated Interim Financial Statements.

e. Total current liabilities

Total current liabilities decreased by €8,171 thousand, or 12.3%, from €66,423 thousand at December 31, 2015 to €58,252 thousand at September 30, 2016. The decrease was attributable to a decrease of trade payables and advances received from customers from €35,157 thousand as of December 31, 2015 to €15,619 thousand as of September 30, 2106, related to a contractual agreement reached in September 2015 on using the "VARTA" brand and related issues, and was partly offset by an increase of other financial liabilities from €6,419 thousand as of December 31, 2015 to €12,468 thousand as of September 30, 2016.

2. Statement of Financial Position as of December 31, 2013, 2014 and 2015

a. Total non-current assets

Total non-current assets decreased by €1,055 thousand, or 1.3%, from €79,526 thousand at December 31, 2014 to €78,471 thousand at December 31, 2015. The decrease was primarily due to significant decreases in loans receivable from €19,111 thousand at December 31, 2014 to €6,689 thousand at December 31, 2015, which related to additional payments received for granted loans, including loans granted to MTC GmbH, and deferred tax assets from €6,005 thousand at December 31, 2014 to €1,873 thousand at December 31, 2015. The decrease was partly offset by a significant increase in intangible assets, from €7,947 thousand at December 31, 2014 to €20,099 thousand at December 31, 2015, as a result of the payment of €9,094 thousand in connection with the clarification and allocation of certain intellectual property rights related to the use of the VARTA trademark. For additional information, see Note 9 of the Combined Financial Statements.

Total non-current assets decreased by €11,839 thousand, or 13.0%, from €91,365 thousand at December 31, 2013 to €79,526 thousand at December 31, 2014. The decrease was primarily due to a decrease of loans receivable from €33,533 thousand at December 31, 2013 to €19,111 thousand at December 31, 2014 and which related to the significant increase in payments received for granted loans, in particular for granted loans to MTC GmbH.

b. Total current assets

Total current assets decreased by €1,361 thousand, or 1.7%, from €78,540 thousand at December 31, 2014 to €77,179 thousand at December 31, 2015. The decrease was primarily due to lower trade receivables, from €19,655 thousand at December 31, 2014 to €14,772 thousand at December 31, 2015, and cash and cash equivalents, from €20,759 thousand at December 31, 2014 to €10,945 thousand at December 31, 2015, and was offset by an increase in inventories from €32,450 thousand at December 31, 2014 to €43,153 thousand at December 31, 2015.

Total current assets increased by €11,406 thousand, or 17.0%, from €67,134 thousand at December 31, 2013 to €78,540 thousand at December 31, 2014. The decrease was primarily due to a significant increase in cash and cash equivalents of €20,759 thousand at December 31, 2014, compared to €4,887 thousand at December 31, 2013, as a result of payments received from granted loans to related parties.

c. Total non-current liabilities

Total non-current liabilities decreased by €9,127 thousand, or 21.0%, from €43,427 thousand at December 31, 2014 to €34,300 thousand at December 31, 2015. The decrease was primarily due to a decrease of other financial liabilities from €20,000 thousand at December 31, 2014 to €12,676 thousand at December 31, 2015 as a result of the use of proceeds from the sale and leaseback transaction with the Group's major shareholder to repay outstanding indebtedness.

Total non-current liabilities decreased by €12,408 thousand, or 22.2%, from €55,835 thousand at December 31, 2013 to €43,427 thousand at December 31, 2014. The decrease was primarily due to the repayment of the Group's variable rate financing agreement in the amount of €32,921 thousand in liabilities to financial institutions. The decrease was partly offset by VARTA Microbattery GmbH's entry into a loan agreement with the Group's shareholder, which resulted in an increase in other financial liabilities from €7,650 thousand as of December 31, 2013 to €20,000 thousand as of December 31, 2014.

d. Total current liabilities

Total current liabilities increased by €5,309 thousand, or 8.7%, from €61,114 thousand at December 31, 2014 to €66,423 thousand at December 31, 2015. The increase was primarily due to an increase in trade payable and advances received from customers, from €23,560 thousand as of December 31, 2014 to €35,157 thousand as of December 31, 2015, which related to the payment made in connection with the clarification and allocation of certain intellectual property rights related to the use of the VARTA trademark, and, to a lesser extent, to increases in income tax liabilities, accruals and other liabilities. This increase was only partly offset by a significant decrease in other financial liabilities, which related to the repayment of outstanding shareholder loans with the proceeds from the sale and leaseback transaction.

Total current liabilities increased by €10,665 thousand, or 21.1%, from €50,449 thousand at December 31, 2013 to €61,114 thousand at December 31, 2014. The increase was primarily due to the increase in other financial liabilities, from €3,755 thousand as of December 31, 2013 to €19,580 thousand as of December 31, 2014, and corresponding decrease in liabilities to financial institutions, from €5,695 thousand as of December 31, 2013, to €0 as of December 31, 2014, in connection with the repayment of the Group's variable rate financing agreement and entry into a loan agreement with the Group's shareholder.

IX. TOTAL CAPITAL EXPENDITURE AND INVESTMENTS

The Group's capital expenditure and investments in the nine months ended September 30, 2016 and the financial years ended December 31, 2015, 2014 and 2013 related primarily to investments in technical machinery and equipment for the production capacity expansion in the Microbatteries segment. The Company calculates total capital expenditure as the sum of additions to property, plant and equipment and additions to intangible assets. Total capital expenditure, as described below, does not reconcile with the line item "Acquisition of property and plant equipment and intangible assets" due to investments not due for payment and own work capitalized. See Notes 9 and 10 of the Combined Financial Statements for further explanation on the reconciliation to the total capital expenditure discussion below.

For the nine months ended September 30, 2016, total capital expenditures amounted to €11,050 thousand, of which €10,945 thousand related to property, plant and equipment and €105 thousand related to intangible assets. Capital expenditures related to property, plant and equipment for the nine months ended September 30, 2016 were primarily related to ongoing investments in technical equipment to further enhance automation in its CoinPower cell assembly line for the Group's operations in its Microbatteries segment. Capital expenditures related to intangible assets for the nine months ended September 30, 2016 were immaterial.

Apart from the recent investments mentioned above, the Group has not resolved on any significant investments for the remainder of the current financial year or beyond.

For the financial year ended December 31, 2015, total capital expenditures amounted to €31,647 thousand, of which €18,238 thousand related to property, plant and equipment and €13,409 thousand related to intangible assets. Capital expenditures related to property, plant and equipment for the financial year ended December 31, 2015 were primarily related to investments in further automation in its CoinPower cell assembly line for the Group's operations in its Microbatteries segment. Capital expenditures related to intangible assets related primarily to the payment of €9,094 thousand in connection with the clarification and allocation of certain intellectual property rights related to the use of the VARTA trademark. For additional information, see Note 9 of the Combined Financial Statements.

For the financial year ended December 31, 2014, total capital expenditures amounted to €11,548 thousand, of which €8,407 thousand related to property, plant and equipment and €3,141 thousand related to intangible assets. Capital expenditures related to property, plant and equipment for the financial year ended December 31, 2014 were primarily related to investments in technical equipment and machinery for the Group's Microbatteries segment, including in the Group's nickel-metal hydride cell automation line and zinc-air cell production line. Capital expenditures related to intangible assets related primarily to €3,000 thousand in additional research and development investments.

For the financial year ended December 31, 2013, total capital expenditures amounted to €13,284 thousand, of which €10,805 thousand related to property, plant and equipment and €2,479 thousand related to intangible assets. Capital expenditures related to property, plant and equipment for the financial year ended December 31, 2013 were primarily related to investments in technical equipment and machinery for the Group's Microbatteries segment, including in a joining and sealing machine, quality control machinery, components and cathode production machinery. Capital expenditures related to intangible assets related primarily to €2,300 thousand in additional research and development investments.

X. CERTAIN CONTRACTUAL COMMITMENTS

As of December 31, 2015, the Company's contractual commitments primarily consisted of operating lease obligations. The table below shows the Company's contractual obligations as of December 31, 2015 by the period in which they are due to mature:

	Payments due by period			
	Within 1 year	Due in 1–5 years	More than 5 years	Total
		(in € thousands)		
Operating lease obligations(1)	4,126	11,424	9,823	25,373
Purchase commitments from approved investments	1,161	—	—	1,161
Other purchase obligations(2)	20,043	32	—	20,075
Total contractual obligations	**25,330**	**11,456**	**9,823**	**46,609**

(1) Operating lease obligations primarily relate to leases of real property, production facilities and sales offices, including, the property and buildings located at the Group's headquarters in Ellwangen, Germany, following the consummation of a sale and leaseback transaction in December 2015.

(2) Other purchase obligations primarily relate to orders under supply contracts that were placed with suppliers to cover short-term requirements for commodities, components and semi-finished products.

XI. OFF BALANCE SHEET ARRANGEMENTS

The Group's off-balance sheet arrangements are limited to guarantees granted to rental and payment guarantees as well as other deferred liabilities relating to the spin-off of the Group's pension obligations in January 2016. See *L.XV.* "*Business—Employees*" for a description of the spin-off of such obligations.

Except as described above, the Group is not a party to any off balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on the Group's financial condition, results of operations, liquidity, capital expenditure or capital resources.

XII. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Group is, and upon completion of the Offering will be, exposed to various market risks, including credit and liquidity risks, foreign currency exchange rate risks and interest rate risks. For the period since January 1, 2013, the Group's financial risk management was handled by Montana Tech Components GmbH and VARTA Microbattery GmbH. Following the Offering, the Group's treasury department will be responsible for managing exposure to market risk that arises in connection with the Group's operations and financial activities.

The following sections discuss the Group's significant exposure to market risk. The following discussions do not address other risks that the Group faces in the normal course of business, including country risk and legal risk.

1. Credit Risk

The Group's credit risk arises from loans, trade and other receivables as well as cash and cash equivalents, although the main credit risk is associated with trade receivables, which, as of September 30, 2016 and December 31, 2015, amounted to €21,934 thousand and €14,772 thousand, respectively. The default risk relating to receivables is offset by carrying out precise measures, such as conducting credit rating checks, insuring in part receivables and setting up advance payment agreement. Credit risk relating to cash and cash equivalents is limited based on the Group's use of creditworthy financial institutions.

In December 2015, VARTA Microbattery GmbH and VARTA Storage GmbH, both subsidiaries of the Company, concluded a factoring agreement pursuant to which they agreed to sell trade receivables generated in the ordinary course of business. The receivables are sold at the end of the month, and the counterparty bank determines the amount of receivables to be purchased, up to a total amount of €10,000 thousand. The receivables are measured at fair value as of such date and sold to the counterparty bank at 90% of their fair value. The receivables paid during the course of the month are recorded as other financial liabilities to banks in the Group's financial statements. As of September 30, 2016 and December 31, 2015, the Group had sold €7,971 thousand and €7,077 thousand in receivables, respectively.

For additional information on the Group's credit risk, see Note 5.2 of the Combined Financial Statements.

2. Liquidity Risk

For the period since January 1, 2013, the treasury departments of MTC GmbH and VARTA Microbattery GmbH have monitored the security of liquidity. Control ranges from comparing forecast and actual payment flows to adjusting the maturity profiles of financial assets and liabilities. Material liquidity risks include general commercial risks, the risk of customers defaulting on payments and foreign exchange risks. Allocation of funds changed in the financial year 2014 from financial institutions to MTC GmbH. The Group uses an intercompany line of credit to ensure it can meet the financing requirements of its operations. Following completion of the Offering, the Company intends to replace the existing financing arrangements with related parties indirectly controlled by DDr. Tojner by third-party financing in the amount of approximately €30 million.

3. Commodity Risk

The Group buys commodities in different quantities and is subject to commodity risk from a change in prices. By analyzing the planned quantities of raw materials, the commodity price risk is determined and hedged using commodity swaps for nickel exposure. The remaining commodity risk is not considered material for the Group.

4. Currency Risk

The Group is exposed to transactional currency risk to the extent that its sourcing of raw materials and components is conducted in a different currency than its sales of products and services. For example, with respect to hearing aid microbatteries in the Healthcare segment, sales are largely invoiced in U.S. dollars while procurement is primarily conducted in the EU and microbattery cell production is exclusively in Germany. By contrast, in the Energy Storage Solutions segment, residential storage sales are currently almost exclusively invoiced in euros but the costs of the battery cells and components are primarily incurred in U.S. dollars (or local currencies pegged to the U.S. dollar). As a result, fluctuations in foreign currency exchange rates, particularly between the euro and U.S. dollar, impact both revenue and costs as reported by the Group in euro. However, foreign currency exposure from trade receivables exists to a very limited extent as the outgoing invoices of the Group's foreign subsidiaries are largely denominated in the local currency and purchases of inventory and/or services are mainly made in the local currency of such subsidiaries. This provides a significant degree of natural hedging.

5. Interest Rate Risk

The Group is exposed to interest rate risk in connection with the raising and investing of funds which involve floating rates. In the period under review, the Group has funded itself primarily using fixed interest rate loans from related parties. The Group has not had any floating interest rate liabilities to banks since 2014.

Neither the Group's financial assets (fixed term deposits) nor financial liabilities (liabilities to financial institutions) that have fixed interest rates are measured at fair value through profit and loss. These financial instruments are measured at amortized cost. Thus, an increase in interest rates would have no impact on the Group's earnings.

XIII. CRITICAL ACCOUNTING POLICIES

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities. Management re-evaluates its estimates on an ongoing basis and bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the value of such assets and liabilities that are not readily available from other sources.

The Company's significant accounting estimates are set out in Note 4 to the Combined Financial Statements included elsewhere in this Prospectus. The following describes estimates and judgments that are considered important when portraying the Company's financial position.

1. Useful Life of Non-Current Assets

Property, plant and equipment and intangible assets are stated at historical cost and depreciated or amortized on a straight-line basis over their respective useful lives. Factors such as wear and tear, age, technical standards and changes in demand are taken into consideration in the determination of the useful life. Any changes in these factors can lead to a decrease or increase in the economic life of an asset. In such cases, the residual carrying amount is written down over the remaining shorter or longer useful life, which results in higher or lower annual depreciation/amortization amounts. Any necessary adjustments to the depreciation/amortization period due to a change in expected useful life are treated as changes in estimates.

Some intangible assets are classified as having an indefinite useful life if an analysis of all relevant factors does not indicate an end to the period in which the asset contributes to the generation of cash flows. The analysis is reviewed annually to determine whether the assessment of an indefinite useful life is still justified.

2. Impairment of Non-Current Assets

The impairment test to measure the recoverable amount of the cash generating units ("**CGUs**") is based on corporate planning, discount rates, growth rate, terminal value, the expected inflation rate and currency rates. The relevant inflation rates are adjusted for the global economic trend to reflect current market expectations.

Impairment tests revealed that CGUs were fully recoverable as of the reporting dates. More information on the impairment tests conducted is provided in Note 9 of the Combined Financial Statements included elsewhere in this Prospectus. However, the assumptions made could be subject to changes that can lead to impairment losses in future periods.

3. Provisions for Pensions and Other Post-Employment Benefits

The Group has various post-employment and other employee benefit plans in place for portions of its workforce. In order to be able to determine the resulting assets and/or liabilities, it is necessary to identify the plans as defined benefit plans or defined contribution plans. For defined benefit plans, statistical assumptions are made to project the future trend.

Actuarial valuation methods are used to measure liabilities from post-employment and other employee benefits. The valuation is based on assumptions regarding discount rates, salary trends, workforce fluctuation and retirement age (demographic and financial variables). Should these assumptions change due to a change in the economic or new market conditions, the actual data could vary considerably from the actuarial reports and calculations. Any such variations could have a significant medium-term impact on the expenses and income from post-employment and other employee benefit arrangements.

As of December 31, 2015, the Group recognized provisions for pension and other post-employment benefits in the amount of €22,477 thousand, of which €1,005 thousand were recorded as current obligations. Additional information on provisions for pensions and other post-employment benefits is provided in Notes 16.1 and 16.2 of the Combined Financial Statements.

4. Other Provisions

Other provisions are recognized to cover various situations as part of the Group's ordinary course of business. Assumptions and estimates are used to determine the amount of the expected outflow of resources for each specific situation. The assumptions could be subject to changes that could lead to variations in future periods.

As of December 31, 2015, the Company reported provisions of €22,477 thousand for pensions and similar obligations. The valuation of these pension provisions is influenced by assumptions regarding the future development of wages and salaries or pensions as well as interest rates.

Provisions are recognised to cover various situations as part of the Group's ordinary course of business. Assumptions and estimates are used to determine the amount of the expected outflow of resources for each specific situation. The assumptions could be subject to changes that could lead to variations in future periods.

5. Deferred Taxes

Deferred taxes are recognized accounting for temporary differences between the carrying amounts in the IFRS financial statements and the tax base as well as for expected recoverable tax loss carryforwards. Deferred taxes are calculated on the basis of the tax rates expected under current legislation to apply to the period in which the temporary differences are expected to reverse and on the basis of an assessment of future taxable profit. Any changes in the tax rate or from expectations differing future taxable profits could make it improbable that deferred tax assets will be recovered and necessitate a value adjustment with regard to the respective assets. Moreover, changes in the tax rate could lead to adjustments in deferred tax liabilities.

XIV. ADDITIONAL INFORMATION FROM VARTA AG'S FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2015 PREPARED IN ACCORDANCE WITH HGB

Certain information from the audited unconsolidated financial statements of the Company prepared in accordance with the German Commercial Code (*Handelsgesetzbuch*) as of and for the financial year ended December 31, 2015 is described below. The Company's audited unconsolidated financial statements as of and for the financial year ended December 31, 2015 are included in the "*Financial Information*" section of this Prospectus.

Total assets and liabilities decreased from €30,690 thousand in the financial year ended December 31, 2014 to €10,706 thousand in the financial year ended December 31, 2015. Non-current assets decreased from €12,827 thousand in the financial year ended December 31, 2014 to €5,521 thousand in the financial year ended December 31, 2015. The decrease was primarily due to a reduction in financial assets from €12,800 thousand in the financial year ended December 31, 2014 to €5,502 thousand in the financial year ended December 31, 2015. Current assets decreased from €14,843 thousand in the financial year ended December 31, 2014 to €3,715 thousand in the financial year ended December 31, 2015. The decrease was attributable to a reduction in cash and cash equivalents from €12,112 thousand in the financial year ended December 31, 2014 to €872 thousand in the financial year ended December 31, 2015. Total equity decreased from €22,988 thousand in the financial year ended December 31, 2014 to €6,634 thousand in the financial year ended December 31, 2015.

The Company's net loss for the year increased from a net loss of €1,226 thousand in the financial year ended December 31, 2014 to a net loss of €2,194 thousand in the financial year ended December 31, 2015. The decrease was primarily attributable to the change from other finance income of €1,083 thousand in the financial year ended December 31, 2014 to other financial expense of €889 thousand in the financial year ended December 31, 2015, which was only partly offset by a decrease in other operating expenses over the same period.

J. INDUSTRY

The following section contains forecasts, statistics, data and other information relating to markets, market sizes, market shares, market positions and other industry data pertaining the Group's business and markets. The Group operates in industries and market segments for which it is difficult to obtain precise industry and market information. In addition, due to the breadth of the Group's business—operating in multiple product markets with sales in numerous geographic markets—comparable third-party market and industry information is not available across all of the Group's geographic markets. Unless otherwise indicated, such information is based on the Company's own analysis of multiple sources, including information obtained from customers, industry publications or reports.

Industry publications or reports generally state that the information they contain has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. Neither the Company nor the Underwriters have independently verified the accuracy of market data that were extracted or derived from these industry publications or reports. Market data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions.

The information provided below on the market environment, market developments, growth rates, market trends and on the competitive situation in the markets and segments in which the Group operates is based (to the extent not otherwise indicated) on the Company's assessments. These assessments, in turn, are based in part on internal observations of the market and on various market studies, third-party data, statistical information and reports.

I. OVERALL BATTERY MARKET

1. Primary and Secondary Battery Market

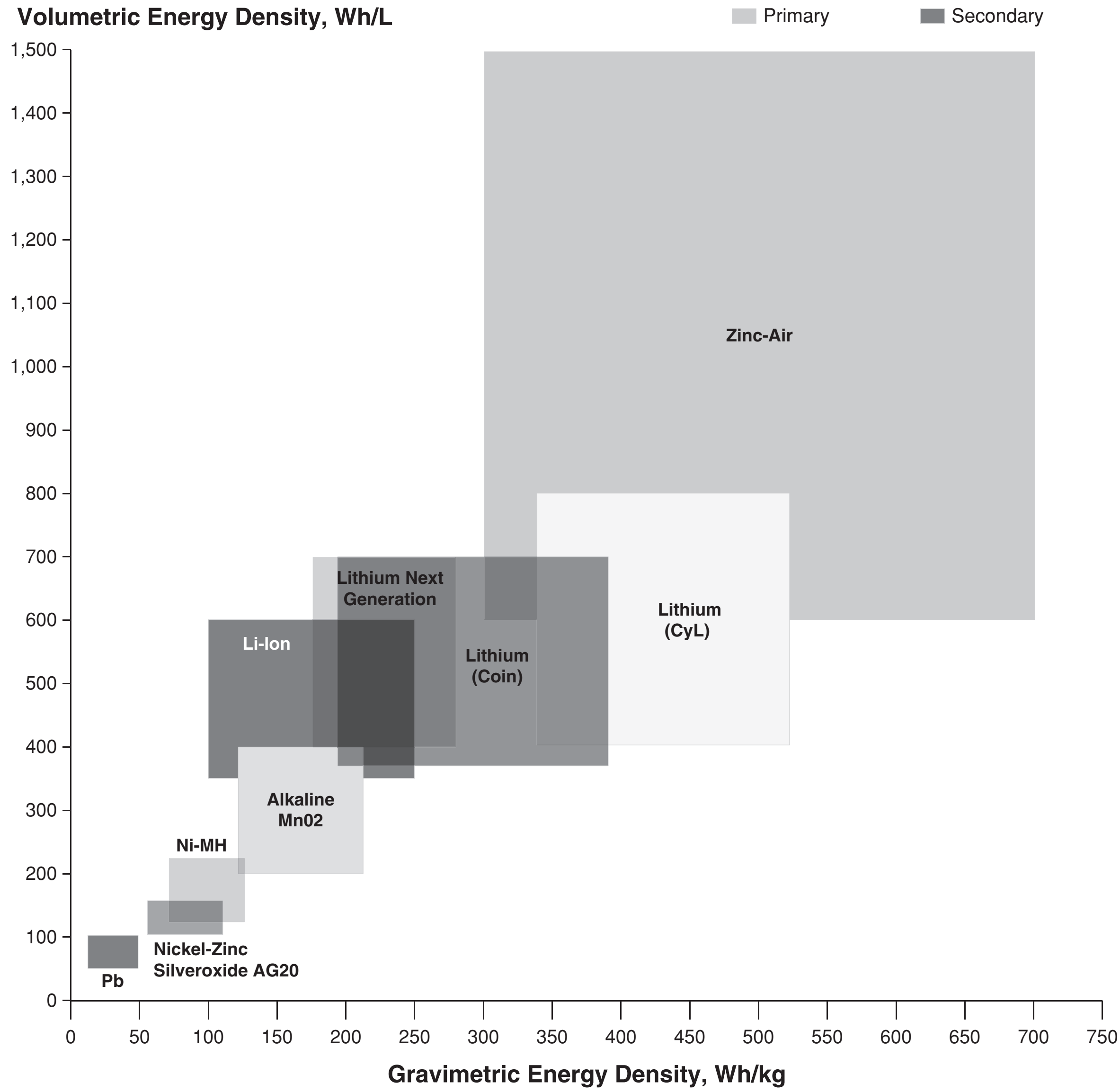
The battery market can be divided into two segments: non-rechargeable (primary) batteries and rechargeable (secondary) batteries. Primary batteries are used only once until the electrode materials in the battery cell have been irreversibly changed. A widely known example of primary batteries are alkaline batteries, *e.g.* for flashlights and other portable devices. Secondary batteries, in contrast, can be discharged and reused by reversing the current in the battery cell to restore the original composition of the electrodes. Well-known examples of secondary batteries are lead acid batteries for automobiles and lithium-ion batteries for portable electronic devices. Both primary and secondary batteries range in size from miniature cells to battery banks, depending on their application and intended use.

The Management believes that primary criteria customers consider when selecting a battery for a particular application include size, storage capacity and energy density, service life (or shelf life), safety, leakage resistance, peak power management, internal resistance, environmental impact, costs and self-discharge rates. In general, primary batteries have higher energy densities, longer shelf lives and lower self-discharge rates. They are therefore better suited for applications and uses requiring low electronic currents and where charging is impracticable or impossible, such as pacemakers, smart meters and certain hearing aids, wristwatches and electronic devices. Secondary batteries, by comparison, typically have shorter shelf lives and higher self-discharge rates but have low internal resistance.

Primary and secondary batteries are also classified by the chemistry of the battery cell. For example, the most common primary battery chemistries include zinc carbon, alkaline (alkaline-manganese dioxide), silver oxide, zinc-air, and lithium. Common secondary battery chemistries include lead acid, lithium ion, nickel metal hydride (NiMH) and nickel cadmium. The properties and characteristics of different battery chemistries, together with the requirements of the intended application—such as shelf life, size, current drain and ability to recharge—will often determine what is the most appropriate battery for a particular product.

The following chart illustrates the relative energy densities of different battery cell chemistries for primary and secondary batteries. In general, primary battery technologies are superior to secondary battery technologies in terms of energy density in relation to both volume and weight. Within the primary battery technologies zinc-air significantly outperforms other primary battery chemistries based on volume and weight in terms of energy density.

Energy Density of Primary and Secondary Batteries



Source: Company information; approximate values

The Group's primary battery portfolio includes alkaline cylindrical cells, zinc-air cells, lithium button and cylindrical cells, silver oxide button cells and alkaline-manganese button cells, among others. The Group's rechargeable battery portfolio includes lithium-ion button cells, lithium-ion and lithium-polymer batteries and NiMH button and cylindrical cells. Except for the Group's zinc-air, lithium cylindrical and silver oxide batteries, other primary batteries are purchased by the Group.

II. HEARING AID MICROBATTERY MARKET

The Management believes that the market for hearing aid microbatteries is primarily driven by the number of hearing aids sold. Zinc-air, which is used for non-rechargeable batteries, is the predominant battery chemistry used for hearing aid microbatteries for several reasons. Zinc-air's theoretical maximum energy density of approximately 1,500 Wh/L is much higher than rechargeable lithium-ion and nickel metal hydride microbatteries' maximum energy density of approximately 600 Wh/L and 230 Wh/L, respectively. The small size of zinc-air batteries of 0.05 cm^3 (11.6mm $\times$ 5.4mm) compared to 8.2 cm^3 of AA batteries also allows hearing aids to be less perceivable. Current generation of zinc-air batteries have superior peak power management to previous versions, which is crucial for streaming applications. Since 2015 there is an ongoing conversion to mercury free zinc-air batteries in Europe and selected other countries, with an improving environmental impact. Zinc-air batteries typically last for up to 10 days in hearing aids and are available in different sizes to suit different types of hearing aids. Hearing aids are typically used for 4 to

5 years. Rechargeable lithium-ion hearing aid batteries typically last for 1 to 2 days in a hearing aid. As a result of the higher energy density and longer-lasting use before a replacement battery is required, the Management believes that non-rechargeable hearing aid batteries continue to be the primary choice of battery for hearing aids.

Mercury oxide batteries were the first technology for hearing aids and were replaced by zinc-air technology 25 years ago. The Company estimates that zinc-air battery technology accounts for approximately 99% of all hearing aids today. Younger hearing battery technologies such as rechargeable NiMH account for less than 1%, while rechargeable Lithium-ion are still in the prototype phase. Both NiMH and Lithium-Ion rechargeable coin cell technologies power the hearing aid device for about 1 day.

1. Market Trends

The Management believes that the market for hearing aids and, in turn, hearing aid batteries, is driven by a combination of factors and trends, namely the aging demographic of the global population, the number of people with disabling hearing loss and the introduction of new features in hearing aids which require more energy and reduce battery life as well as the miniaturization of hearing aid devices and the corresponding requirements for batteries.

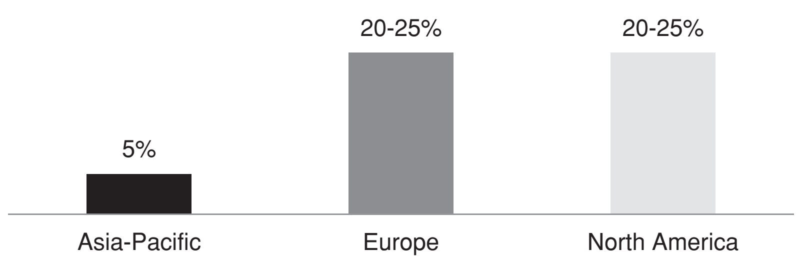
Based on the latest available online data from the U.S. Census Bureau as of August 2016, approximately 616 million people, or 8.5% of the global population are aged 65 and older. In Europe, North America and Asia, approximately 17.4%, 15.1% and 7.9% of the population in those regions, respectively, were 65 years of age or older. Based on the same data set, it is expected that approximately 1.6 billion people, or 16.7% of the global population will be aged 65 or over in 2050, with the regional percentages in each of Europe, North America and Asia rising to 27.6%, 22.5% and 18.9%, respectively. The table below sets out the population aged 65 and over by region for 2015, 2025 and 2050.

Population aged 65 and over (million)	2015	2025	2050	CAGR '15–'25	CAGR '25–'50	% of regional total population 2015	2025	2050
Africa	39.7	56.8	151.5	3.7%	4.0%	3.4	3.9	6.6
Asia	341.0	490.1	964.7	3.7%	2.7%	7.9	10.5	18.9
Europe	129.6	155.8	197.7	1.9%	1.0%	17.4	20.8	27.6
Latin America & the Caribbean	47.3	69.0	140.2	3.9%	2.9%	7.6	10.2	18.7
North America	54.0	74.4	98.8	3.3%	1.1%	15.1	19.3	22.5
Oceania	4.6	6.2	9.5	3.0%	1.7%	12.5	15.0	19.5
World	**616.2**	**852.2**	**1,562.4**	**3.3%**	**2.5%**	**8.5**	**10.7**	**16.7**

Source: U.S. Census Bureau, Online Database, August 2016

In 2012, the World Health Organization ("**WHO**") estimated, based on 42 population-based studies, that approximately 33% of the global population over the age of 65 is affected by disabling hearing impairment. Frost & Sullivan reported in 2014 that there is a considerable difference in the use of hearing aids among developed and emerging economies. The chart below illustrates market penetration by region in 2013 by the percent of hearing impaired people using hearing aids suggesting that the market is substantially underpenetrated.

Market penetration by region (2013)

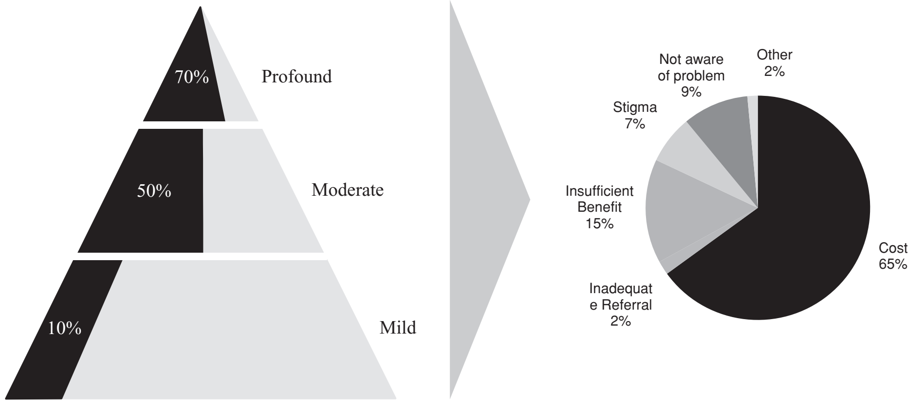


Source: Frost & Sullivan, August 2014

Besides the underpenetration by region, the market is also significantly underpenetrated in terms of severity of hearing damage. Only 70% of patients with a profound hearing damage use a hearing aid and only 50% of patients with a moderate hearing damage.

Thereby, cost is the primary reason for not purchasing a hearing aid. Given expectations of increasing purchase power in emerging countries, a larger number of people are expected to afford hearing aids in the future.

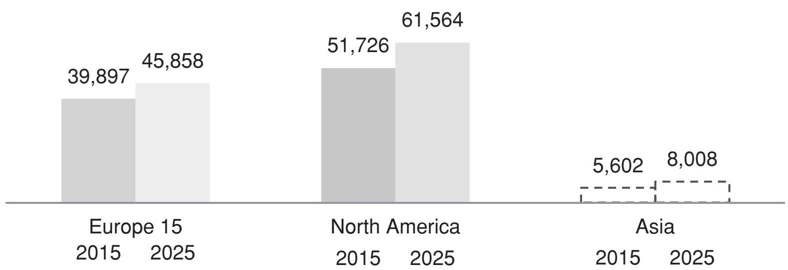
Market Penetration by Hearing Damage **Reasons for not purchasing hearing aids**



Source: Sonova Investor Presentation, July 2016

According to the ERS International Macroeconomic Data Sets, GDP per capita ($) and, therefore, wealth is expected to increase in Europe, North America and Asia until 2025. In terms of % growth, Asia is expected to have the strongest growth in GDP per capita. The chart below illustrates GDP per capita by region in 2015 and 2025. This suggests that people will be more likely to afford hearing aids.

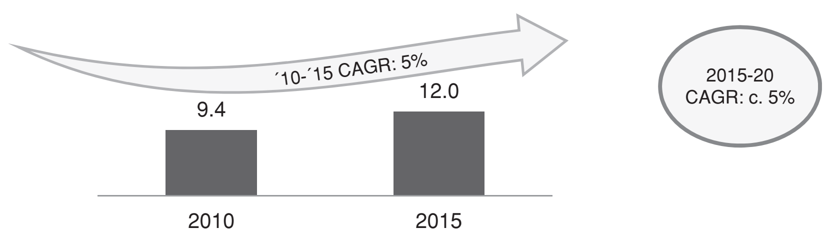
GDP Per Capita ($)



Source: ERS International Macroeconomic Data Sets

The above trends have lead to a continuous demand for hearing aids and hearing aid batteries. The market size for hearing aids was approximately 9.4 million in 2010, increasing by 5% annually to approximately 12.0 million hearing aids sold in 2015. The hearing aid market is expected to increase by approximately 5% annually from 2015 to 2020.

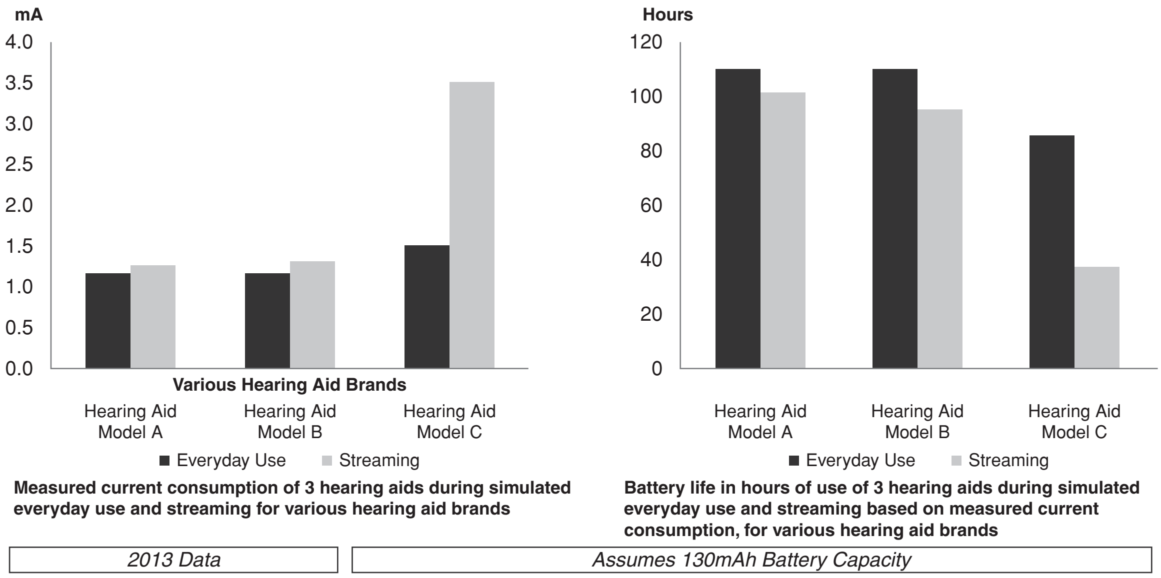
Number of hearing aids sold p.a. worldwide (million)



Source: Sonova Annual Report 2009/2010, Sonova Investor Presentation (October 2015)

Hearing aid sales have proven resilient to economic crisis and have grown on average at a higher rate than the G7 OECD real economic growth. For example the OECD real economic growth over the past five years was c.+1−2% annually while hearing aid sales grew by c.+4−5% annually over the same time period. Together with the broader demographic trend towards an aging and older population, which is expected to increase the demand for hearing aids overall, the hearing aids themselves are continuing to become more technologically advanced. New hearing aids today include smartphone-like features such as wireless connectivity (or streaming) and the ability to adjust hearing aid settings via remote control as well as digital hearing aids, receiver in-canal and invisible in-canal. Streaming significantly reduces the battery life of hearing aid batteries as it draws more energy from the battery, as illustrated in the chart below showing different hearing aid models and the impact of streaming on their power consumption and battery life.

Zinc-air battery life comparison (hearing aid with and without wireless streaming)



Source: Audiology Online

New features introduced in hearing aids requiring increased energy reduce the battery life and require users to change the battery more frequently, which is expected to continue to increase demand for non-rechargeable hearing aid batteries and, in turn, the hearing aid battery market in the future. Manufacturers continue to improve the everyday energy efficiency of hearing aids by introducing newer generations of batteries which are better able to support peak power and have higher battery storage capacities.

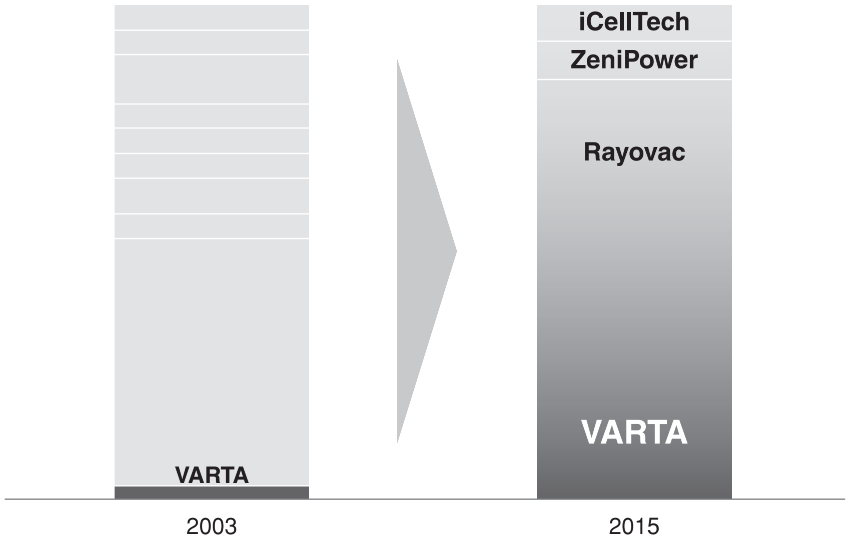
a. Non-rechargeable vs rechargeable

Management believes that rechargeable technology is not expected to be a substitute for primary batteries in hearing aids in the medium term. Rechargeable batteries are not compatible with existing hearing aids. Currently, society's older generation using hearing aids favors regular contact with audiologists and other retailers for replacement batteries as it is part of their weekly routine. The older generation is also technologically less experienced (the average age of a user is 72 years) and daily charging of the hearing aid poses as a hurdle to ensure the device is fully charged for use on the next day making rechargeable hearing aids less desirable. Nonetheless, the Group believes it is well positioned for rechargeables and has appropriate technologies in its portfolio providing NiMH rechargeable batteries for hearing aids for the past 10 years and using rechargeable lithium-ion coin cells in Entertainment & Industrial applications, but does not foresee rapid industry adoption due to a slowly moving hearing aid market. The average hearing aid is in use for approximately 4–5 years, and adoption of new hearing aids will at best be gradual with low launch volumes. In addition, audiologists and other retailers benefit from the recurring footfall from battery purchases. rechargeable lithium-ion batteries are not backwards compatible with existing hearing aids whereas rechargeable NiMH batteries are compatible.

2. Competition and Market Share

The hearing aid battery market has experienced consolidation in recent years, compared to 2003 when there was a clear market leader and a number of smaller manufacturers. The Company believes that its products and performance played a role in that consolidation, with it developing from a niche market participant in 2003 to what it believes to be one of the two largest global producers of hearing aid microbatteries, by volume, in 2015, as illustrated in the chart below based on information from the Company.

Development market share hearing aid battery market (2003–2015)



Source: Company estimates based on own number of batteries / volume sold

The consolidation resulted in several brand name competitors, such as Toshiba, Renata, Panasonic, Energizer and Duracell becoming private label customers of the Group.

The main competitors today are Rayovac, ZeniPower and iCellTech.

Rayovac:

Rayovac was founded in 1906 and is based in Wisconsin, USA. Rayovac produces non-rechargeable and rechargeable batteries, and mainly focused on the North and South American market. The product portfolio of Rayovac consists of hearing aid batteries, C-size, D-size and E-Block (9V-Block) batteries in primary and rechargeable technologies, as well as special micro batteries, *e.g.* for watches, garage door openers. In addition Rayovac produces portable chargers as well as lights. Rayovac as well as Varta Consumer Batteries are part of the stock exchange listed Spectrum Brands Holding.

ZeniPower:

ZeniPower is a Chinese manufacturer focusing on hearing aid batteries. They have patented their technology in China as well as in the U.S., and they are distributing to more than 40 countries. Their factories employ more than 300 staff. Since 2008, ZeniPower invests also in rechargeable lithium-ion batteries for consumer electronics, communication, and computer industry.

iCellTech:

ICell Tech was founded in 2000 and is based in South Korea. iCellTech produces hearing aid batteries. The product portfolio of the company consists of non-rechargeable Zinc-air batteries and covers most of the various sizes of hearing aid batteries. The company distributes to over 40 countries including, USA, Germany, UK, Swiss, Australia and China.

III. ENTERTAINMENT MICROBATTERY MARKET

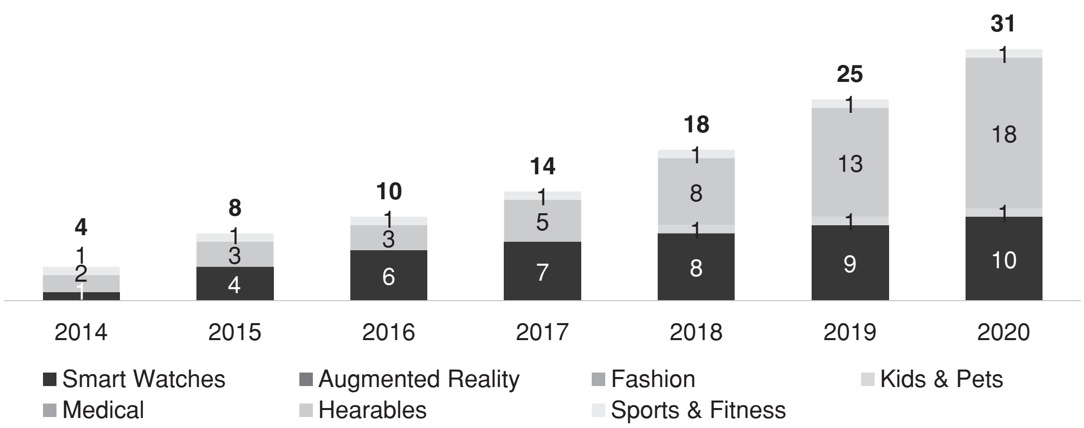
1. Wearables Market and Market Trends

Wearable technology and wearable electronics are broad terms often used to refer to electronically or electrically active parts and devices that are worn by people or in the items they wear. Wearable technology and wearable electronics are, in many cases, derived from or an extension of existing electronic devices such as computers, mobile phones, cameras and wristwatches. While there is no precise definition of the wearable technologies market, it could be broadly divided into two main sectors: (i) devices and (ii) apparel and textiles. The devices sector comprises discrete electronic hardware sold on its own for body wear or to be attached to body wear. Wearable products in the devices sector can include electronic watches and earphones, glasses, headgear, arm wear and legwear, shoes and even skin patches. The apparel and textiles sector, by comparison, comprises electronics integrated into or distributed through apparel, such as backpacks or bandage which monitor body functions.

The electronic device wearable market spans a range of applications and can be broadly divided by segments—namely (i) smart watches, (ii) augmented reality, (iii) fashion, (iv) kids & pets, (v) medical, (vi) hearables and (vii) sports & fitness—with each segment being driven by new advances in technology and new applications for such technology developments.

According to WiFore Consulting, the global market value for wearable electronic devices is projected to grow from approximately $8 billion in 2015 to approximately $31 billion in 2020 at a CAGR of 31%. The chart below illustrates the expected growth in market value by segment:

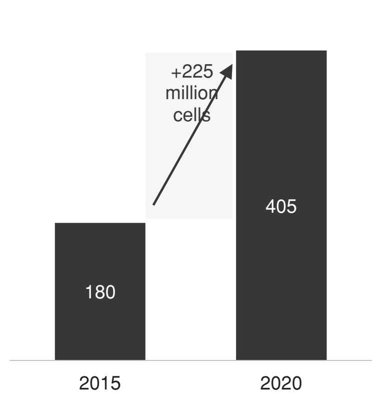
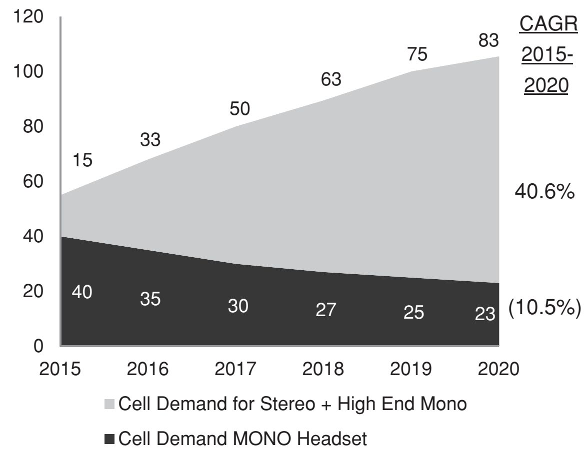
Electronic Device Wearable Market ($ billion, 2014–2020)



Source: WiFore Consulting, The Market for Smart Wearable Technology, February 2015

While the Group's Entertainment & Industrial product portfolio comprises NiMH button, lithium-ion button, NiMH cylindrical, lithium cylindrical and alkaline batteries, its main growth product is lithium-ion button cells which are primarily directed at premium wireless headsets, a niche segment of the overall wearable electronics market and would fall under the hearables segment in WiFore Consulting's projections. According to WiFore Consulting, the global market value of the hearables segment is projected to increase from approximately $3 billion in 2015 to approximately $18 billion in 2020, driven by increasing demand for wearable electronic devices and a continuing trend towards miniaturisation. The hearables segment is expected to grow at a CAGR of 43% (2015–2020). The Company expects that this growth will be driven by normal hearers who look to enhance their ability to hear clearly in noisy siutations and by mass adoption through the participation of large OEMs.

In the wearable devices product group, the Group targets the rechargeable "MICRO cells" segment of entertainment, where its advanced technology gives it a competitive edge. The market is expected to more than double in volume from 180 million cells in 2015 to 405 million cells in 2020, which reflects a CAGR (2015–2020) of 17.6%, driven by new wearable applications, the continuing trend towards miniaturization and a technological shift from primary to rechargeable batteries. In the rechargeable market, the Group focuses on premium wireless bluetooth headsets. These high-end devices demand high energy density and manufacturers are willing to pay a premium for the Group's advanced technology. The Bluetooth headset market is expected to technologically shift from mono to stereo and high-end mono. The Bluetooth headset market for stereo and high end mono is expected to grow by 40% annually from 2015 to 2020.

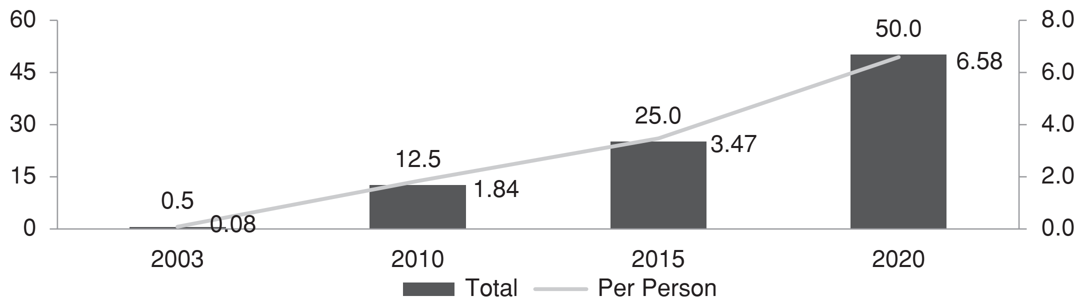
Rechargeable Microbattery Market in Volume (million)	**CoinPower: Cell demand Market Development for Mono & Stereo Bluetooth Headset (# of cells in millions)**
	

Source: Company estimates

The Management expects that a key driver of the growth in wearable electronic devices is the trend towards increasing wireless connectivity of electronic devices, particularly in entertainment devices.

The chart below illustrates the projected growth in the total number of connected devices globally from 2003 to 2020. Total number of connected devices is expected to continue to show the same growth of approximately 15% of the past 5 years for the period 2015 to 2020.

Internet of things: Number of globally connected devices (2003–2020) (in billion)



Source: BITKOM, Smart Home 2014: Market Development and Trends, April 2, 2014

One of the key enabling technologies to support the projected growth in wearable technologies market will be higher energy density lithium-ion microbatteries, ultra-low power silicon chips and printed electronics and batteries. Increased connectivity through new features and enhanced user interface in wearable electronic devices will require additional power from the battery source and will continue to drive the demand for longer-lasting primary and rechargeable batteries.

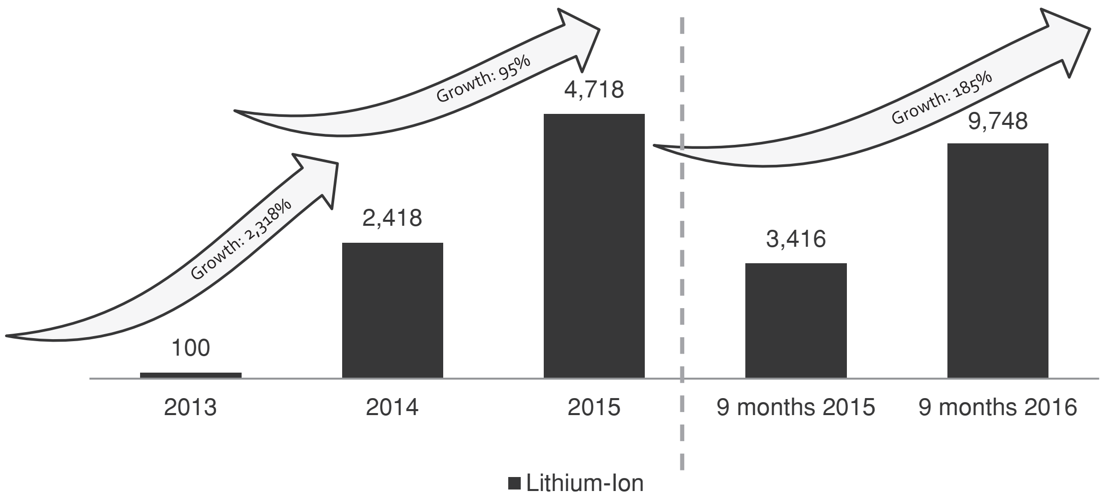
Furthermore, the trend towards miniaturization in electronic devices, is likely to continue. Consumers' preference for small and light devices in the wearable technologies market will require batteries which fit into smaller devices but which, at the same time, offer sufficient energy power and capacity to support the device's functions. This will likely also support the continued demand for smaller and higher energy density microbatteries in wearable electronic devices, including premium wireless headsets.

Battery capacity in mAh (VARTA lithium-ion micro cell) increased by 20% from 2015 to September 2016 and is expected by the Management to increase by 30% until 2018. Battery life and performance are key differentiators in consumer end products. Very rapid increase in number of interconnected devices as well as consumers' acceptance of owning more devices also increases the required battery power and number of batteries.

2. Competition and Market Share

The microbattery market in the Group's Entertainment and Industrial segment remains significantly fragmented with a considerable number of competitors. The Group's primary competitors in Entertainment & Industrial include FDK, GP, ChungPak, SYNERGY, LISHEN, RouteJD, Sony, ATL Amperex and Panasonic. Since the Group entered the market for Lithium microbatteries market in 2013, it believes it has significantly increased its market share in a short period of time and is positioned to become a leading global producer and marketer of rechargeable microbatteries for entertainment devices, in the sector of premium wireless headsets.

CoinPower Cells Sold Since 2013 (# of batteries sold indexed to 100 in 2013)



Source: Company information

IV. BATTERY STORAGE SYSTEMS

1. Battery Storage Systems Market and Market Trends

Within the broader energy storage solutions market, the Group is active in the battery storage segment, based on lithium-ion cell technology, which is predominantly used to store electricity from solar photovoltaic power sources. Solar photovoltaic power sources can be broadly divided into centralized, utility-scale photovoltaic plants and decentralized residential and commercial photovoltaic sources, all of which are part of renewable energies. The Group focuses on residential and commercial battery storage systems from photovoltaic power sources.

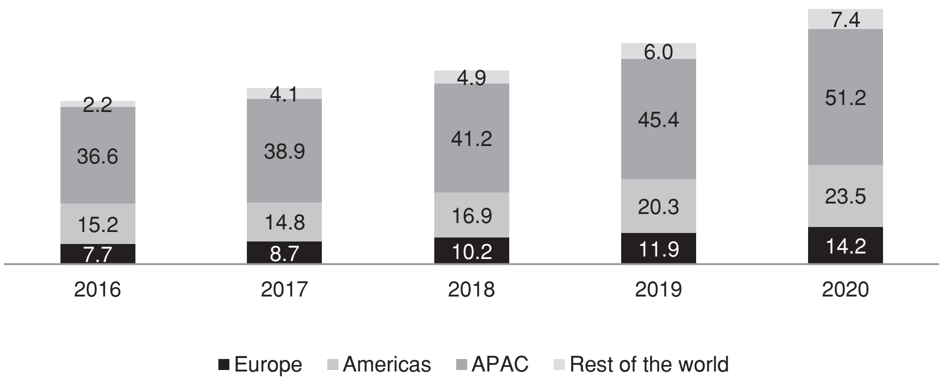
Increasing electricity prices and an evolving change in the mix of electricity generation towards increasing use of renewable sources of electricity, supported by changing consumer preferences and government incentive schemes, among other factors, have resulted in a shift in the electricity market of many countries and regions in recent years. However, as electricity production from renewable sources is volatile and does often not correspond with actual demand, particularly from solar and wind power sources, energy storage products provide a powerful solution to ensure electricity supply security while maintaining a market balance. As a result, the Group expects energy storage solutions to play an integral role in new power management concepts in the future.

Electricity from solar is an important part of the total renewable electricity generation, which plays already a crucial role in covering the increasing demand for electricity. According to Enerdata, total global electricity consumption increased from 17,429 terawatt hours ("**TWh**") in 2008 to 20,567 TWh in 2015, representing a CAGR of 2.4%. The growth in demand, combined with the aging and retirement of electricity generation facilities, has prompted public utilities and governments to invest in increased electricity production capacity. Together with the effects of increasing regulation of power plant emissions, the price of electricity for end consumers has generally increased in recent years. For example, the Energy Information Administration reports that the average price of retail electricity in the United States increased from 2008 through 2015 at a CAGR of 1.6%. Similarly, Eurostat reports that European residential electricity prices increased from 2008 through 2015 at a CAGR of 3.7%. As electricity prices have continued to increase and consumer awareness for environmental concerns and global warming has grown, consumers have begun to turn to renewable energy as an alternative source of electricity generation. This has likely, at least in part, been supported by governmental regulation and incentive schemes to help renewable energy sources achieve cost competitiveness with traditional methods of producing electricity. Eurostat reports that the average share of electricity from renewable energy in the EU28 countries increased from 14.4% in 2004 to 27.5% in 2014. Moreover, REN21 reports that solar PV capacity installations accounted for 23.6% of all renewable electricity generation capacity installed in Europe in 2015, an increase from 17.3% in 2011, and in 2015 solar was the third largest source of new electricity generating capacity after wind and hydro sources.

SolarPower Europe projects installed global solar PV capacity to increase at a CAGR of 22% from 227 gigawatts ("**GW**") in 2015 to more than 613GW in 2020.

Of this growth, the same source projects annual new installed solar capacity in certain markets to grow as illustrated below with Germany being the strongest growing market in Europe.

Global Annual Solar PV Installations (in GWp)



Source: SolarPower Europe

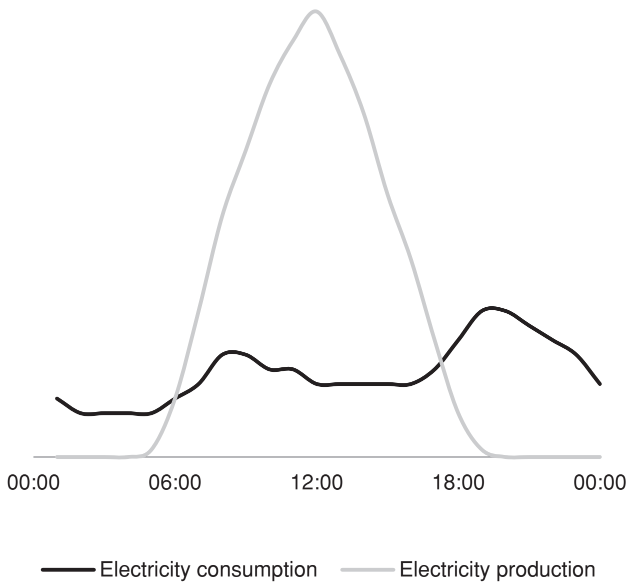
The solar market consists of three primary on-grid solar markets: (1) residential, (2) commercial & industrial and (3) utility-scale. Residential comprises primarily distributed solar photovoltaic systems for residential buildings, such as roof-mounted deployments smaller than 10 kW. Commercial comprises solar photovoltaic systems for commercial buildings with larger roof-mounted deployments in the range of 10 kW to 500 kW. And utility-scale markets relate to large-scale installations with typically ground-mounted deployments larger than 500 kW. As installed capacity grows—which SolarPower Europe expects to increase to 151 GW by 2020 from 97 GW in 2015 with a CAGR of 9.3% in Europe—residential and commercial solar photovoltaic plants are expected to also experience growth in demand as grid parity is achieved in more countries in Europe, the United States and Australia.

Grid parity refers to the point in time at which developing technologies, such as solar photovoltaic power, produce electricity for the same costs to consumers as the traditional utility providers charge their customers. While grid electricity prices have increased in the past, as described above, improvements in solar photovoltaic technology have allowed it to achieve grid parity in a number of markets, including Germany, Italy and Spain as well as a number of states in the United States. As grid parity is reached in some regions and countries, and governments scale back incentives, decentralized energy storage will be a key component to foster electricity own consumption.

The German residential and commercial energy storage market is driven by decreasing costs of electricity generated by solar photovoltaic systems, which leads to cost advantages for consumers, in particular, compared to electricity purchased from the utility grid. In addition, recent amendments to the German Renewables Energy Act (EEG), which are further reducing already decreased feed-in tariff levels, will likely support own consumption of photovoltaic-generated electricity. Depending on the photovoltaic system setup, residential battery energy energy storage solutions are typically able to increase the quote of own electricity consumption to 50%–65%.

The illustrative graph below depict the disparity in timing between supply and demand, without a battery energy storage system:

Illustrative Residential PV System Supply and Demand without Battery Energy Storage System (daily)



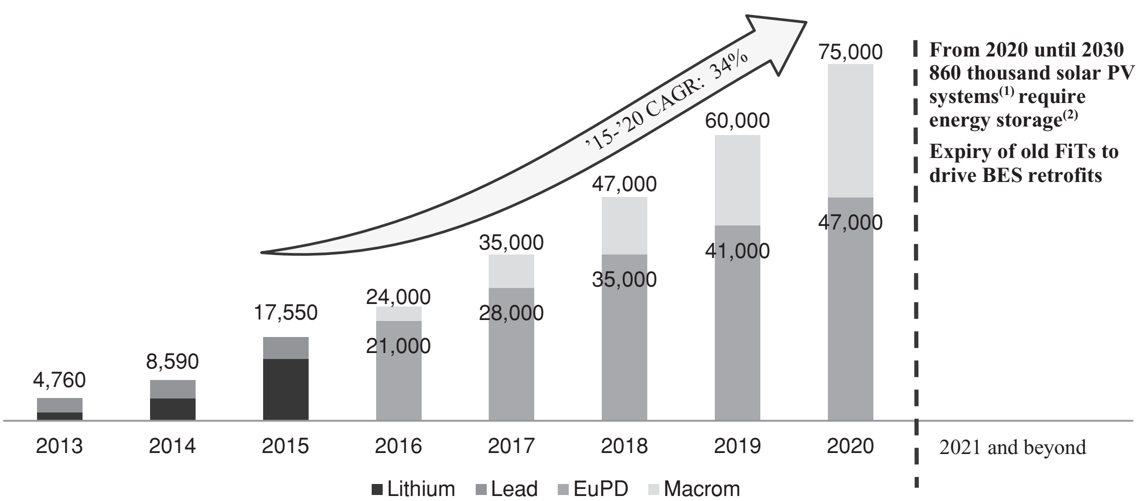
As decentralized solar photovoltaic electricity supply is not aligned to demand own consumption is potentially limited, in particular for residential solar photovoltaic systems. Battery energy storage systems largely solve that problem by storing electricity that is not used during production and releasing it when required for usage.

Similar to the solar energy market, the battery energy storage market can be broadly divided into (1) residential, (2) commercial & industrial and (3) utility-scale segments, with similar factors such as scale and capacity of the battery energy system distinguishing between the segments.

The energy storage market has experienced growth in recent years, with Germany expected to be a strong market for ongoing growth due to its size and relatively stable regulatory and political environment. Growth in battery energy storage system installations in Germany is expected to increase according to Macrom at a CAGR of 34% from 17,550 in 2015 to 75,000 in 2020 and according to EuPD Research at a CAGR of 25% from 15,500 in 2015 to 47,000 in 2020.

By volume of installations, EuPD Research and Macrom expect the German market to develop as illustrated below:

Germany—Market Potential Battery Energy Storage Systems per year (# of pieces)



Source: EuPD Research, Macrom

(1) Source: German Solar Industry Association (BSW-Solar), June 2011 (Total number of installed PV systems as of the end of 2010)

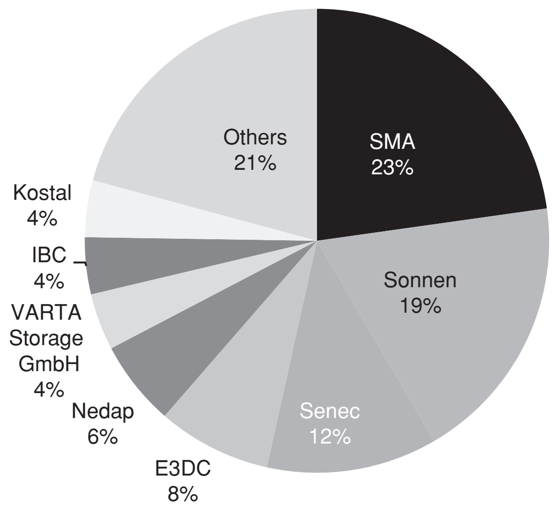
(2) Based on the assumption that all solar PV systems installed as of end 2010 require energy storage after the expiration of the feed-in tariffs for these systems after 20 years (at the maximum).

Future growth is underpinned by the developments described above and could support the BES market growth in other European countries—such as Italy, Spain and the United Kingdom—as well as the United States and Australia.

2. Competition and Market Share

In battery energy storage, the Group competes primarily with Sonnen, E3DC, SENEC.IES, SMA, LG and Tesla. According to Macrom, the Group had a market share in energy storage systems of approximately 4% in Germany in 2015:

Battery Energy Storage Units installed in Germany by Manufacturer (2015)



Source: Macrom

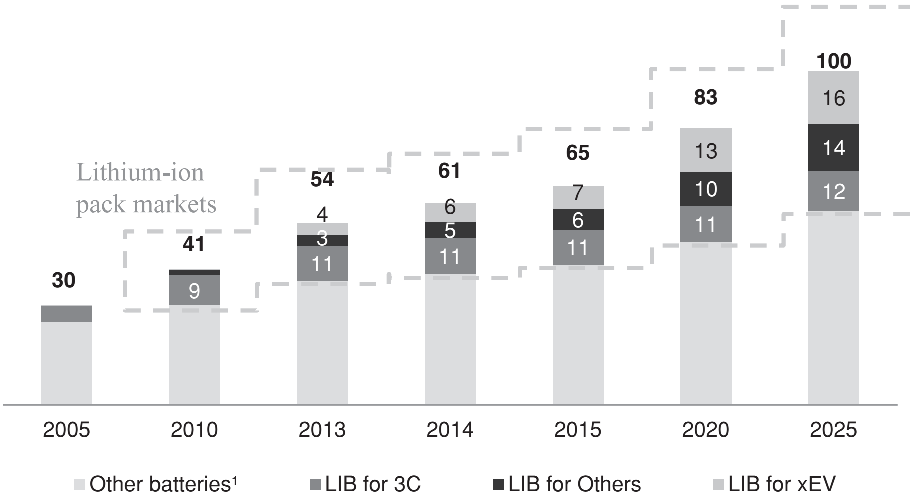
V. POWER PACKS MARKET

1. Power Packs Market and Market Trends

Power pack solutions ("**PPS**") are rechargeable battery pack solutions and systems for mobile power supply needs. They are used in a wide variety of end market products and applications, such as domestic appliances, commercial uses including camera systems and point-of-sale terminals, medical pumps, communication equipment and navigation systems and robotics. Many PPS applications require the battery packs to be customized to a certain degree, which can include battery size, shape and chemistry, depending on the intended use and end product specifications. Due to the extensive range of applications, the level of customization or relative value-add and order volumes can vary significantly. In that way, the market is difficult to divide into clear segments but is broadly based on the combination of customization and volume.

The most relevant market indicator for the power pack solutions business is the worldwide rechargeable battery pack market. VARTA is focused on the lithium-ion packs segment of this market with portable and other applications being the relevant sub-segments. Relevant main market trends are the health, wellness and wellbeing megatrend and its effect on respective portable applications as well as residential and industrial robotic applications.

Rechargeable Battery Market for Lithium-ion Packs (in $ billion)

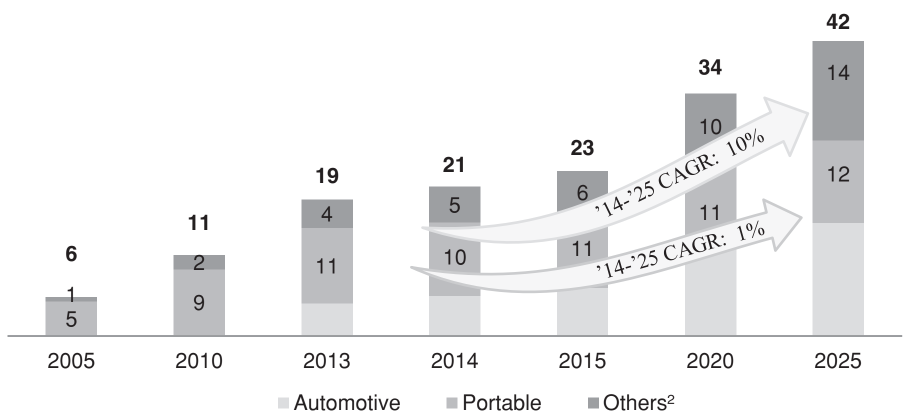


LIB = Lithium-ion battery; 3C = Computer, Communications, Consumer electronics;
xEV = Plug-in vehicle

Source: Avicenne

(1) Other batteries: Lead acid, NiCd, NiMH, etc.

Lithium-ion Pack Market by Application Area (in $ billion)



Source: Avicenne

(1) Batteries for power tools, E-bikes, industrial, medical, etc.

The addressable market for VARTA is characterized by customers active in high-end niche markets, medium order volumes, a high value add for the power packs and their crucial role in the final product. The current total market potential ist between €500 million and €800 million on a global basis, with Europe and the USA representing the most attractive markets followed by Asia.

2. Competition and Market Share

With respect to PPS, the Group competes in Europe primarily with BMZ as well as several smaller battery assemblers in each country. In North America, the Group's competitors are primarily Inventus Power, Eletrochem and a number of smaller battery assemblers.

K. REGULATION

The Group's products and business operations are subject to numerous laws, rules and regulations at supranational, national, state and municipal levels as well as technical and management standards.

The Group's business activities in Germany are subject to a wide array of regulatory requirements under German and European Union ("**EU**") law. Since many EU regulations are directly applicable in all EU member states, the Group's business is subject to these regulations in the other EU member states in which it is active. While member states are obligated to implement EU directives into national law, the method of implementation is at the discretion of the respective member state. Thus, the implementation of the directives applicable to the Group's business may vary from one EU member state to another.

However, given the harmonized European regulatory background and despite the fact that EU member states may go beyond the environmental protection standards required, the regulatory environment in most other EU member states, as well as in the member states of the European Economic Area, is in principle comparable to that in Germany, insofar as the regulatory matter has been addressed by EU law.

The Group expects that in almost all of the countries in which it does business—which includes also jurisdictions not explicitly specified in this section—laws, rules and regulations, including environmental laws and regulations, will become more comprehensive and stringent in the future. It further expects that many laws and regulations will continue to be harmonized at the EU level over the near- to medium-term. Member states will, however, remain free to adopt laws and regulations that are more stringent than those required by the EU, provided that the regulation on EU level is not meant to be exhaustive. The failure to comply with these laws and regulations may make the Group subject to civil liability, fines or even criminal sanctions.

As the regulatory framework applicable to the Group's business operations is subject to revision and continuous development, it is difficult to accurately predict the future cost of compliance with applicable regulatory requirements and technical standards. Additional or more stringent laws, rules, regulations and technical standards could increase the Group's costs or limit its ability to continue business operations in the same manner as it has done in the past. See *A. "Risk Factors"*.

The following provides only a brief overview of certain selected areas of regulation applicable to the Group's business operations, focusing the EU and German regulatory framework.

I. REGULATION RELATING TO THE PRODUCTS

Batteries and energy storage systems are subject to various regulation at international, EU and national levels and govern, inter alia, the requirements to place such products on the market or information obligations vis-à-vis consumers regarding the safe handling and disposal of such products. Additionally, regulatory provisions may apply, *inter alia*, in view of the intended use of the product (*e.g.,* the use of batteries in medical devices), the electronic emissions of the product as well as general product safety requirements.

1. Battery Specific Legislation

a. EU Battery Directive

The European Directive 2006/66/EC on Batteries and Accumulators and Waste Batteries and Accumulators ("**Battery Directive**") aims to cut the amount of hazardous substances in batteries and accumulators exposed in the environment by reducing, inter alia, mercury, cadmium and lead in accumulators and by treating and re-using the amounts used.

The Battery Directive prohibits the placement of most batteries and accumulators with a certain amount of mercury or cadmium on the market. The Directive 2013/56/EU, which amended the Battery Directive ("**Amended Battery Directive**"), strengthened the fixed thresholds for these substances.

Until September 30, 2015, mercury-containing button cells for hearing aids were exempted from compliance with the fixed thresholds under the Amended Battery Directive. As of October 1, 2015, the fixed thresholds also apply to button cells for hearing aids.

To date, the Group's products manufactured for the European market do not contain cadmium or mercury, whereas the Group still produces mercury containing batteries for hearing aids for markets outside the EU, *e.g.* for Japan. In these jurisdictions the placement on the market of mercury containing batteries is in compliance with applicable national law. The Group continues to closely observe legal amendments as the list of prohibited substances may be extended or thresholds may be decreased which may require, inter alia, changes to design of the Group's products and the Group's production processes.

The Battery Directive further governs the collection, treatment, recycling, and disposal of waste batteries and accumulators in order to ensure that a high proportion of spent batteries and accumulators are collected and recycled. In that regard, producers of batteries and accumulators must, inter alia, mark all batteries or accumulators with the symbol indicating separate collection and provide end-users with information about the potential environmental impacts of the product, the necessity of separate collection and the collection and recycling arrangement in place. Producers placing batteries and accumulators on the market must bear the costs associated with the collecting, treating and recycling of batteries and accumulators and with respective information campaigns. Recently, the fixed targets for collection and recycling activities are enhanced with effect from September 26, 2016 which might impact the Group's costs associated with the disposal of batteries and accumulators.

b. German Battery Act

The German Act Concerning the Placing on the Market, Collection and Environmentally Compatible Waste Management of Batteries and Accumulators (*Batteriegesetz*, "**German Battery Act**") implements the European framework laid down in the Battery Directive into German legislation.

Key provisions of the German Battery Act include:

- prohibition of certain batteries containing harmful substances;
- batteries may only be placed on the market if it is ensured that end consumers can return them;
- end consumers are required to return used batteries to the distributor or a designated collection;
- retailers are required to inform consumers about their return obligation;
- producers and distributors are required to take back used batteries free of charge;
- producers are required to recycle them and dispose of non-recyclable batteries;
- producers are required to set up a collective take-back system or to join such system; and
- producers of batteries containing harmful substances are required to label them accordingly.

The Group believes that it is in material compliance with the applicable German Battery Act. In particular, it entered into several agreements with different service providers governing, inter alia, the collection, treating and recycling of spent batteries.

c. Regulation regarding use of batteries in products

The Group's batteries are partly used in medical devices. Therefore, laws, rules and regulations concerning medical devices might apply in almost all of the Group's target markets which includes but is not limited to the jurisdictions specified in the following. The Group expects that the applicable rules will become more comprehensive and stringent in the future what might imply, inter alia, administrative costs to comply with eventually enhanced product placing requirements.

d. EU Medical Devices Directive

Directive 93/42/EC concerning medical devices, as last amended by Directive 2007/47/EC (the "**Medical Devices Directive**"), details the essential requirements manufacturers and importers must meet to apply the CE mark (for devices which are considered to meet the essential requirements set forth in the Medical Devices Directive) and legally market or sell their devices in the EU. The aim of the directive is to ensure a high level of protection for human health and safety, operation of the single market and to achieve the results for which the devices are intended. Because of the many types of devices covered by the Medical Devices Directive, the specific requirements depend on the classification and intended use of the device.

The Group's microbatteries for hearing aids are intended to be specifically used together with a medical device in order to serve medical purposes and hence classify as an accessory for a medical device. They must thus meet the requirements for accessories for medical devices under the Medical Devices Directive. This includes in particular the manufacturer's obligation to register at the competent authority, to declare that the product concerned meet the provisions of the Medical Devices Directive, to affix the CE marking of conformity when the product is being placed on the market as well as documentation obligations.

Additionally, the Group manufactures products such as power packs which are not exclusively manufactured for medical devices but are, inter alia, used for medicinal purposes or integrated in medical devices. The Medical Devices Directive states requirements also for such components of medical devices. E. g. such products must meet the essential requirement that the product is designed and manufactured in such a way that, when used under the conditions and for the purposes intended, it will not compromise the clinical condition for the safety of patients, or the safety and health of the user.

However, regardless of whether the batteries are placed on the market individually or incorporated in medical devices, the batteries must meet the product requirements set out in the Battery Directive.

On May 25, 2016, the EU agreed on new rules on medical devices. It is expected that the respective Medical Devices Regulation will be formally adopted by the Council and the European Parliament and published in 2016. The revised rules on medical devices will, *inter alia*,

- extend the scope of the regulatory framework concerning medical devices;
- broaden the power for assessment bodies;
- enable a better coordination between national surveillance authorities and with the EU Commission;
- improve the traceability of medical devices throughout the supply chain; and
- enhance access rights to essential information on how medical devices have been assessed.

The revised rules will take effect three years after the publication of the Medical Devices Regulation. The revised rules might require changes, inter alia, in the internal processes or in the product information what may cause administrative costs for the Group.

e. German Medical Devices Act

In Germany, the Medical Devices Directive is implemented by the Act on Medical Devices ("**Medizinproduktegesetz**") as well as implementing ordinances. In view of the expected legislative changes on the EU level, substantial amendments of these legal instruments can be expected as well.

The Group believes that it is in material compliance with the Medical Device Directive as well as with regard to the implementing legislation.

2. Regulation regarding Electrical and Electronic Equipment

a. EU Waste Electrical and Electronic Equipment Directive

The Directive 2012/19/EU on waste electrical and electronic equipment ("**WEEE Directive**"), which repeals the former Directive 2002/96/EC effective as of February 15, 2015, calls for selective collection of electrical and electronic equipment waste, selective treatment of certain components and waste recovery through recycling (material and energy recovery). It requires EU member states to set up recycling programs for electrical and electronic equipment waste.

Producers of electrical and electronic equipment must inform users in private households about, inter alia, the obligation to separately collect electrical and electronic equipment waste and the return and collection systems available to them. Further, producers must label equipment with reference to EU standards (*e.g.* EN 50419 standard, in particular) with a symbol on all electrical and electronic equipment indicating that these products must be collected separately.

As of August 15, 2018, the scope of the WEEE Directive will be extended to all equipment designed for use with a voltage rating not exceeding 1000 V for alternating current and 1500 V for direct current, depending on electric currents or electromagnetic fields in order to work properly as well as to equipment for the generation, transfer or measurement of such currents, irrespective of whether it is used in private households or intended for professional use. The Group does not expect that these legal amendments will materially affect the Group's operation of business.

Batteries and accumulators incorporated in waste electrical and electronic equipment can be collected on the basis of the WEEE Directive. However, after collection, the batteries will be removed from the waste electrical and electronic equipment and be subject to the recycling requirements of the Battery Directive.

Most of the Group's products do not qualify as WEEE. However, a few of the Group's products such as chargers for rechargeable batteries for hearing aids, chargers for e-bikes or energy storage systems are subject to the WEEE Directive. As far as the WEEE Directive applies, the Group is in material compliance with the WEEE Directive.

b. German Electrical and Electronic Equipment Act

The German Electrical and Electronic Equipment Act (*Elektro- und Elektronikgerätegesetz*) transposes the WEEE Directive into German law. It intends to further high-quality re-use and recycling. To this end, the utilization of re-usable components of waste electrical and electronic equipment is given priority over recycling, and recycling is given priority over disposal.

A key provision of the German Electrical and Electronic Equipment Act is that the producer of WEEE is required to take back WEEE from private households collected by public waste management authorities and to recycle or dispose of such WEEE using qualified treatment facilities. For WEEE intended for professional use, the producer has to create acceptable facilities to take back WEEE and to dispose WEEE.

All producers are required to register with the WEEE register (*Stiftung Elektro-Altgeräte-Register*), in order to preclude producers from placing electrical and electronic equipment on the market without complying with their take-back and waste management obligations. Further, producers have to provide to the WEEE register an annual guarantee for the event of insolvency to guarantee financing of the return and disposal of their products.

As far as the German Electrical and Electronic Equipment Act applies, the Group believes it is in material compliance with this act and respective German implementing legislation. In particular, the Group registered the concerned products with the WEEE register and entered into two framework agreements with the WEEE register in order to provide the required guarantees.

3. Regulation regarding Use of Hazardous Substances in Electrical and Electronic Equipment

a. EU RoHS Directive

Directive 2011/65/EU on the restriction of the use of certain hazardous substances in electrical and electronic equipment ("**RoHS Directive**"), as revised by Directive 2015/863/EU, restricts the use of hazardous substances in products and in individual product components in order to protect human health and the environment. At its core, the RoHS Directive requires that newly marketed electrical and electronic equipment may substantially not contain any lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyl (PBB), polybrominated diphenyl ether (PBDE) and, as of July 22, 2019, Bis(2-ethylhexyl) phthalate (DHEP), Butyl benzyl phthalate (BBP), Dibutyl phthalate (DBP), Diisobutyl phthalate (DIBP), or other substances that are hazardous to health. Starting from July 22, 2014, these substance restrictions are and, respectively, will gradually be extended to new product categories, *e.g.* for medical devices, RoHS Directive restrictions applies from July 22, 2014 on. The restriction of DEHP, BBP, DBP and DIBP applies for medical devices from July 22, 2021 onwards.

Manufacturers of products covered by RoHS Directive are required, inter alia, to prepare technical documentation and draw up an EU Declaration of conformity and affix the CE marking of conformity on the final product.

Except for the mercury containing batteries for hearing aids produced for markets outside the EU, the Group believes that it is in material compliance with the chemical composition requirements of RoHS Directive. However, since the Battery Directive (and not the RoHS Directive) applies to the Group's batteries, these products are, in principle, not CE marked, except for batteries with protective circuit boards and hearing aid batteries which fall under the scope of the Electromagnetic Compatibility Directive 2014/30/EU, respectively, the Medical Devices Directive. Accordingly, the Group closely monitors legal amendments of RoHS Directive.

b. German Ordinance on the Restriction of Hazardous Substances in Electrical and Electronic Equipment

The RoHS Directive is implemented in Germany by the Ordinance on the Restriction of Hazardous Substances in Electrical and Electronic Equipment (*Elektro- und Elektronikgeräte-Stoff-Verordnung*, "**ElektroStoffV**").

c. EU Electromagnetic Compatibility Directive

The Electromagnetic Compatibility Directive 2014/30/EU ("**EMC Directive**") repealed former Directive 2004/108/EC from April 20, 2016. The EMC Directive limits electromagnetic emissions from equipment and governs the immunity of equipment in order that equipment does not disturb, respectively, is not disturbed by radio and telecommunication emissions.

The Group produces batteries with protective circuit boards as well as large energy storage systems falling in the scope of the EMC Directive. For these categories of products, the Group declared conformity and marked the devices with the CE marking of conformity. Currently, it is for the Group's costumers to declare the EMC conformity of most of the Group's products. The responsibility for declaration will change, when products are placed on the market by the Group itself.

d. German Act on the Electromagnetic Compatibility

The Electromagnetic Compatibility Directive 2004/108/EC was transposed in Germany by the Act on the Electromagnetic Compatibility (*Gesetz über die elektromagnetische Verträglichkeit von Betriebsmitteln*, "**EMVG**"). The recast EMD has not been implemented into national law although the deadline for transposition expired on April 20, 2016. On June 28, 2016, the German Federal Government adopted the proposal for a revised EMVG. On July 7, 2016, the German Federal Parliament discussed the draft in a first reading.

e. EU Low Voltage Directive and implementing national legislation

The recast Directive 2014/35/EU on the harmonization of the laws of the EU member states relating to the making available on the market of electrical equipment designed for use within certain voltage limits ("**Low Voltage Directive**") applies to electrical equipment designed for use with a nominal voltage between 50 and 1,000V for alternating current and between 75V and 1,500V for direct current. The Low Voltage Directive aims to ensure that electrical equipment is used safely and in applications for which it was made for. Electrical equipment in conformity with the Low Voltage Directive must as a rule be labelled with the CE marking.

Most of the Group's products do not fall in the scope of the Low Voltage Directive. However, some battery chargers and large energy storage systems produced by the Group are covered. The concerned products wear the CE mark of conformity.

The new Low Voltage Directive was implemented into German law by the First Ordinance to German Product Safety Act (*Erste Verordnung zum Produktsicherheitsgesetz*).

4. General Product Safety Requirements

a. General Product Safety Directive and Product Liability Directive

Directive 2001/95/EC of the European Parliament and the Council of December 3, 2001, as last amended by Regulation (EC) No 596/2009 of the European Parliament and of the Council of June 18, 2009, on general product safety ("**GPSD**") applies in the absence of specific provisions among the EU regulations governing the safety of products concerned, or if sectoral legislation is insufficient.

Under the GPSD, manufacturers must place on the market only products which comply with the general safety requirement further detailed in the GPSD. Manufacturers must provide consumers with the necessary information in order to assess a product's inherent threat, particularly when this is not immediately obvious, and take precautions against such risks (*e.g.*, withdraw products from the market, inform consumers, recall products, etc.).

Distributors are also obliged to supply products that comply with the general safety requirement, to monitor the safety of products on the market and to provide the necessary documents ensuring that the products can be traced. If the manufacturers or the distributors discover that a product is dangerous, they must notify the competent authorities and, if necessary, cooperate with them. Unsafe products may be listed in an EU-wide publicly accessible database.

On February 13, 2013, the Commission adopted a proposal for a new regulation on consumer product safety aiming to strengthen the manufacturers obligations with respect to the indication of origin and traceability and to achieve a higher level of protection of safety and health of consumers. Currently, the legislative process is interrupted due to disagreements between member states.

The Group is also subject to provisions on product liability and may therefore be held liable in cases of damage caused by a defective product. Council Directive 85/374 EEC of July 25, 1985 concerning liability for defective products, as amended by Directive 1999/34/EC of the European Parliament and of the Council of May 10, 1999 ("**PLD**"), applies to movables which have been industrially produced, whether or not incorporated into another movable or into an immovable. It establishes the principle of objective liability, *i.e.*, liability without fault of the producer, in cases of damage caused by a defective product. The PLD does not in any way restrict compensation for non-material damage under national legislation.

b. German Product Safety Act and German Product Liability Act

In Germany, the GPSD has been implemented by the German Product Safety Act (*Produktsicherheitsgesetz*). Further details are determined in various governmental ordinances on the safety of specific products and product groups. A violation of the requirements of European and/or national laws may be sanctioned with a fine and, in severe cases, with a criminal sanction. The German Product Liability Act (*Produkthaftungsgesetz*) implements PLD with a limited producer's total liability to €85 million resulting from a death or personal injury and caused by identical items with the same defect.

II. REGULATION ON CHEMICALS

1. REACH

The manufacturing, handling, use and trading of chemicals is regulated in the EU and its member states. The EU requires control of the use of chemical products within its borders, requiring all affected industries to ensure and demonstrate the safe manufacture, use and disposal of chemicals. The Regulation (EC) No. 1907/2006 on Registration, Evaluation, Authorization and Restriction of Chemicals ("**REACH Regulation**"), which came into effect on June 1, 2007, requires the registration of all chemical substances or preparations manufactured in, or imported into, the EU over a registration process of several years. Registration of certain chemicals with the European Chemicals Agency ("**ECHA**") has been compulsory since June 1, 2008. For pre-registered substances, three registration deadlines are applicable, depending on their tonnage and certain hazard criteria. The first two deadlines, December 1, 2010 and May 31, 2013, have already passed. The third deadline for substances exceeding one Ton per year is May 31, 2018. Registration involves the submission of various data depending on the tonnage of the substance to be manufactured or imported and the specific risks associated with each substance. Due to the data required, registration of substances with ECHA can impose a substantial financial burden upon chemical manufacturers or importers.

Currently, the Group is in the process of registration for two substances and is evaluating the registration of other substances. The Group closely observes legal amendments by the EU, as the scope of substances subject to the registration obligation might be broadened.

The REACH Regulation requires formal documentation of the relevant data required for hazard assessments for each substance registered as well as development of risk assessments for their registered uses. Under certain circumstances, the performance of a chemical safety assessment is mandatory and a chemical safety report assuring the safe use of the substance must be submitted. If there is no (pre-) registration of the substance, it is impermissible to produce this chemical in the EU or to import it (*i.e.*, "no data no market" principle). Therefore, registration is a requirement for the use of any substance used in technically important processes by manufacturers or importers.

The data by importers or manufacturers is collected in substance information exchange forums ("**SIEF**") to allow an exchange among producers and users of chemicals. Therefore, purchasers of registered chemicals must inform their sellers about the intended use of the chemicals, as the importer or producer must add this information to its documentation.

Furthermore, the REACH Regulation establishes legal requirements for substances that are considered as particularly harmful to human health or environment. Substances of concern might be, inter alia, identified as substances of very high concern ("**SVHC**") and included in the so-called "candidate list" maintained by ECHA. From the date of inclusion, EU and EEA suppliers of such substances have to provide their customers with a safety data sheet. EU or EEA suppliers of articles which contain SVHC on the candidate list in a concentration above 0.1% weight per weight (**"w/w"**) have to provide sufficient information to allow safe use of the article to their customers or upon request, to a consumer within 45 days of the receipt of the request. Additionally, EU and EEA producers or importers of articles have to notify ECHA if their article contains a substance on the candidate list, provided that the substance is present in those articles in quantities totalling over one tonne per producer or importer per year and if the substance is present in those articles above a concentration of 0.1% (w/w). Such notification is not required, if the producer or importer of an article can exclude exposure of humans and the environment during the use and disposal of the article or if the substance has already been registered for that use.

SVHC listed in the candidate list might be transferred to the authorization list of Annex XIV to the REACH Regulation. Once a SVHC is included in the authorization list, manufacturer, importer or downstream user shall, in principle, no longer place these substance on the market for a use or use it himself, unless such placement on the market or the use of the substance has been authorized by ECHA and the European Commission. The authorization requirement does not apply to the placing on the market or the use of an article which contains an Annex XIV substance. However, in principle, the incorporation of an Annex XIV substance into an article is a use which is subject to the authorization requirement.

To the date, the Group does not supply SVHC included in the candidate list and thus, the obligation to make available safety data sheet does not apply to the Group's products. Anyhow, the Group produces a very few articles that contain candidate SVHC. The Group believe it is in material compliance with the information and notification requirements for SVHC containing articles as established under the REACH Regulation. To date, the Group's products that qualify as articles do not contain any substances that are listed in the Annex XIV to the REACH Regulation. The Group closely observes legal amendments by the EU, as from time to time additional substances may be added to the candidate list or to the authorization list contained in Annex XIV and trigger notification, information or, respectively, authorization requirements. In case of an eventual ban of a substance, the Group would have to substitute the concerned SVHC contained in the article by an alternative substance. If substitution is not feasible, the product could possibly no longer be produced in the EU.

Further, the REACH Regulation restricts or bans the manufacturing, import or use of certain substances listed in Annex XVII. To date, the Group's products are in material compliance with the current edition of the Annex XVII of REACH. In case of legal amendments which the Group closely monitors the Group might face costs associated with the substitution of the concerned substance.

2. German Chemicals Act

The REACH Regulation is implemented by the German Chemicals Act (*Chemikaliengesetz*) into national law. The German Chemicals Act mainly establishes additional national requirements. The Ordinance on the Prohibition of Certain Hazardous Substances (*Chemikalien-Verbotsverordnung*) contains requirements that must be complied with when marketing dangerous materials, such as proof of competence and notification, information and recording duties. The Chemicals Sanctions Ordinance (*Chemikalien-Sanktionsverordnung*) governs sanctions for non-compliance with environmental requirements in EU environmental law.

3. EU Classification, labelling and packaging Regulation

In addition, the REACH Regulation was accompanied by the Regulation (EC) No. 1272/2008 on classification, labeling and packaging of substances and mixtures ("**CLP Regulation**"), as amended by Regulation (EC) No. 1297/2014/EU of December 5, 2014, including comprehensive implementing legislation.

The CLP Regulation seeks to ensure that EU workers and consumers are clearly informed of the hazards associated with chemicals by means of a system of classification and labelling. The aim is to ensure that the same hazards are described and labelled in the same way in all EU countries. It provides uniform requirements for the classification, labelling and packaging of chemical substances and mixtures according to the United Nations' Globally Harmonized System of classification and labelling of chemicals ("**GHS**"). It requires companies to classify, label and package appropriately their hazardous chemicals before placing them on the market.

Only few of the Group's product are covered by the CLP Regulation. The Group believes that it is in material compliance with the requirements of the CLP Regulation.

III. REGULATION OF PRODUCTION FACILITIES AND STORAGE SITES

1. Emissions—General

In many countries, the emission of air pollutants, noise, odors and vibrations is governed by specific laws and regulations. The operation of industrial facilities is typically subject to permits, and operators of these facilities are required to prevent impermissible emissions. Operators of facilities are required to maintain all installations in compliance with the respective permits in terms of the reduction of certain emissions and implementation of safety measures. In some cases, a continuous improvement or retrofitting of installations to maintain facilities at "state of the art" safety standards may be required. Compliance with these requirements is monitored by local authorities, and operators may be required to submit emission reports on a regular basis. Non-compliance with maximum emission levels or other requirements imposed by the competent authority may result in administrative fines, subsequent orders or in severe cases in the withdrawal of the permit by the competent authority, provided that such measures respect the principle of proportionality.

The Group holds various permits under the German Emission Control Act (*Bundes-Immissionsschutzgesetz*, "**BImschG**") in conjunction with the 4th German Emission Control Ordinance (*Bundes-Immissionsschutzverordnung*, "**BImschV**"), *inter alia*, for the operation of a zinc powder-/gel mixery plant, of a mixery plant for the production of nickel containing powders, of a plant for the production of electrodes for nickel metal hydride button cells and facilities to store hazardous substances. Changes to the permitted production facilities require the notification to the competent authority. If the change is substantial or the competent authority is requiring so, a revised permit is needed. The execution of a notification, and, respective a permit procedure causes administrative costs and might result in additional requirements by the competent authority and thus additional costs for the improvement or retrofitting of installations.

Currently, the Group filed a notification for the operation of a cathode line production facility. This facility is subject to the 31st German Emission Control Ordinance (BImschV) that governs the limitation of emissions of volatile organic compounds when using organic solvents in certain installations.

2. Regulation of Hazardous Incidents

Operators of facilities storing hazardous goods in larger quantities are required to comply with safety standards set forth in Council Directive 2012/18/EU on the control of major-accident hazards involving dangerous substances ("**Seveso III Directive**") and the respective national implementing law. As the replaced Directive 96/82/EC ("**Seveso II Directive**") before, the provisions of the directive are designed to prevent major accidents involving dangerous substances, such as emissions, fires and larger explosions, and to limit detrimental consequences in the event of an accident. The degree of additional safety requirements depends on the amounts of various classes also of hazardous substances stored in the relevant facility. The Seveso III Directive aims to increase the rights for citizen to access information and justice as well the public participation in decision-making.

The deadline for transposal of Seveso III Directive expired on May 31, 2015. On April 27, 2016, the German Federal Government adopted two proposals to implement Seveso III Directive. The proposals include, inter alia, the amendment of certain provisions of the German Federal Emission Act and its implementing ordinances as, *e.g.*, the twelfth ordinance under the German Federal Emissions Control Act (German Hazardous Incidents Ordinance, *Störfall-Verordnung*), the Environmental Impact Assessment Act (*Umweltverträglichkeitsprüfungsgesetz*) and the Environmental Legal Remedies Act (*Umweltrechtsbehelfgesetz*). The German Federal Government aims to finalize the legislative procedure for the revised provisions in 2016, in order to prevent the Commission to bring the infringement proceeding already introduced to the European Court of Justice.

Once the Seveso III Directive is transposed into national law, it is likely that the Group's production facilities in Ellwangen will be subject to the Seveso III regime. The Group expects that this would entail material costs for structural measures and continuous expenses, in order to comply with the requirements as set forth by Seveso III.

3. Production, Possession and Handling of Waste

The Directive 2008/98/EC on waste (the "**Waste Framework Directive**") governs the collection, transport, recovery and disposal of waste. The Waste Framework Directive requires the member states to take appropriate measures for the prevention of waste and to ensure that waste is recovered or disposed of without endangering human health or causing harm to the environment. Member states must include permitting, registration and inspection requirements.

In many jurisdictions in which the Group operates, it is subject to statutory provisions regarding waste management. These provisions may govern permissible methods of, and responsibility for, the generation, handling, possession, discharge and recycling of waste depending on the dangers posed by the waste, among other things. In particular, the discharge of waste is often restricted to licensed facilities. Under the German Act on Recycling (*Kreislaufwirtschaftsgesetz*), generators, owners, collectors and transporters of waste must demonstrate to the competent authority and to other parties that they have properly disposed of hazardous waste (*gefährliche Abfälle*) by proof of waste disposal (*Entsorgungsnachweis*). Documentation requirements include certain details regarding the handling, type, amount and origin of hazardous waste. In many European jurisdictions, plants must use licensed contractors for the disposal of hazardous or non-hazardous waste.

The Group believes that it is in material compliance with the waste management laws. In particular, the Group cooperates with several service providers in waste management matters.

4. Regulation for the Transport of Dangerous Goods

While the majority of goods transported for and on behalf of the Group are non-dangerous goods, the absolute volume of dangerous goods is still relevant. In particular, certain category of batteries (*e.g.*, lithium containing batteries) are subject to the regulations for the transport of dangerous goods.

The transport of dangerous goods is governed by international conventions under the auspices of the United Nations Economic Commission for Europe (“**UNECE**”), the European Agreement concerning the International Carriage of Dangerous Goods by Road (“**ADR**”) and the European Agreement concerning the International Carriage of Dangerous Goods by Inland Waterways (“**ADN**”), as well as by the Regulations concerning the International Carriage of Dangerous Goods by Rail (“**RID**”) as set forth in Appendix C to the Convention concerning International Carriage by Rail (“**COTIF**”). These international treaties contain basic regulations relating to the transport of hazardous substances as well as the packaging of these goods in the signatory states. They have been enacted in the EU as part of Directive 2008/68/EC on the inland transport of dangerous goods and have been implemented into national legislation by the German Act on the Carriage of Dangerous Goods (*Gefahrgutbeförderungsgesetz*). This Act regulates the permission of transporting goods, labelling of packages, requirements for the construction and identification of containers and tanks, certificates of qualification and transport documentation, protection measures during the transport as well as loading, unloading, handling and carriage procedures.

The transport via aircraft is subject to different standards such as the International Civil Aviation Organization’s (“**ICAO**”) Technical Instructions for the Safe Transport of Dangerous Goods by Air and, the International Air Transport Association’s Dangerous Goods Regulation (“**IATA DGR**”).

The Group believes it is in material compliance with the applicable regulations on the transport of dangerous goods. The Group closely and proactively monitors amendments to the applicable regulations and, if needed, seizes appropriate measures. Such measures might include, *inter alia*, changes in the design of the Group’s products as well as the production processes.

5. Regulation on the Use of Water Resources

Under the national law of some jurisdictions in which the Group operates, water permits may be granted for specific periods of time, or may be reviewed after a certain period, and, therefore, must be renewed frequently. In certain circumstances such water permits may be revoked without compensation. Appropriate permits to use and discharge water must be obtained and maintained during the operation of the Group’s facilities and sites.

6. EU Water Framework Directive

The Water Framework Directive No. 2000/60/EC, establishing a framework for European Community action in the field of water policy, commits EU member states to achieving a good qualitative and quantitative status of all bodies of water by 2015. Its main goals include expanding the scope of water protection to all waters, including surface waters and groundwater, water management based on river basins, a “combined approach” of emission limit values and quality standards.

7. German Water Resources Act and legislation of the German States

The Water Framework Directive has been implemented in German federal and state law, *inter alia* by the German Water Resources Act (*Wasserhaushaltsgesetz*).

In Germany, the certain uses of water requires permits or licenses under the German Federal Water Resources Act or relevant laws of the German states. Permits under the German Federal Water Resources Act may be revoked or amended and operative restrictions imposed without compensation in certain circumstances. In addition, when wastewater is discharged into the public sewer system, state laws require permits for such wastewater discharge (*Indirekteinleitergenehmigungen*).

Further, the use is strictly regulated to avoid any contamination of ground or surface water, such as through the disposal of sewage or waste water and the handling of potentially dangerous materials. For example, the discharge of any pollutant substances into the surface water may be subject to a permit, whereas the discharge of any such substances into the ground water may generally be impermissible.

The Group's facilities make use of public water resources, including groundwater, by drawing water from rivers, discharging wastewater into public waters and other forms of use. If the Group's permits or licenses were to be revoked, the Group would need to find alternative water supply or discharge solutions.

Requirements under water law, as well as the terms of the permits held, may affect the Group's operations by restricting, inter alia, the discharge of pollutant substances and waste water exceeding certain temperatures and certain maximum levels, including storm-water run-offs, directly or indirectly into public waters or by ordering, *e.g.*, structural measures to prevent leakages. If insufficient protection against spills or uncontrolled release of substances are identified in the future, the Group could incur capital expenditures for technical improvements or maintenance to ensure future compliance.

8. Regulation on Contamination

The operation of production facilities involves the risk of environmental damage, such as soil and groundwater contamination, *e.g.* by tanks containing liquids hazardous to water. In that respect, the Group is subject to national provisions that may impose obligations related to remediation measures or compensation on it.

Under the German Federal Soil Protection Act (*Bundes-Bodenschutzgesetz*) and several regulations promulgated thereunder, owners of land and operators of facilities are required to prevent any contamination of the soil by taking necessary precautions. If any soil contamination (*schädliche Bodenveränderung*) has occurred, or where pollution was caused in the past (*Altlasten*, "past-pollution"), owners of land, operators of facilities, the party having caused the pollution or its universal successor (*Gesamtrechtsnachfolger*) and the previous owner if such owner transferred title to the real property after March 1, 1999 and knew, or should have known, of the contamination or past pollution, may be held responsible for investigation and remediation measures and cost thereof. In certain cases, a party may even be held liable for the entire cost of remediation, irrespective of its fault, the lawfulness of disposal or the actions of other parties. Non-compliance with the obligations under the applicable laws and regulations may result in administrative fines or, in certain cases, criminal liability.

A plot of land of the production site in Ellwangen is registered as suspected past pollution area (*Altlastenverdachtsfläche*) in the register of contaminated sites (*Altlastenkataster*). In the past, material remediation measures such as the excavation of soil, soil vapor extraction or hydraulic measures were carried out. In 2011, the Group entered into an agreement governed by public law with the regional district (*Landratsamt*). Accordingly, the Group must continuously monitor certain criteria and carry out, if needed, remediation measures such as the pumping and treating of contaminated water which entails current cost.

At some of the Group's sites, asbestos has been used in the construction of buildings, *e.g.* for roof panels. Currently, the Group is not aware of any requirement under applicable environmental laws that requires the remediation of bound or encapsulated asbestos. If, however, a building were to be demolished or refurbished, precautions may be necessary and the material must be properly disposed by licensed contractors.

9. Environmental Damage Regulation

The Group is subject to Directive 2004/35/EC on environmental liability with regard to the prevention and remedying of environmental damage, as implemented into member state law.

The German Environmental Damage Act (*Umweltschadensgesetz*) provides for an obligation to prevent damage to the environment and to remedy such damage regardless of fault. The Group's obligations thereunder reach beyond the rules of German civil liability for ground water and soil contamination and cover environmental losses that may not be eligible for compensation under other laws. The obligations and liabilities under the German Environmental Damage Act constitute public law obligations to avoid or remedy environmental damage. In addition, non-governmental environmental organizations may institute legal proceedings in the event the relevant authority has failed to take the necessary steps for enforcement.

10. German Act on Environmental Liability

If damage is caused by one of the Group's facilities to persons or property, the Group may also be held strictly liable under the German Act on Environmental Liability (*Umwelthaftungsgesetz*). Liability under this statute may arise for damage caused by substances or gases that spread through soil, air or water. The statute applies, *inter alia*, to the nickel metal hydride mixery and the nickel metal hydride foam facility of the Group. Under the statute, there is a presumption that any damage has been caused by a facility if the facility is generally capable of causing the damage in question. In case the Group's sites will fall under the German Hazardous Incidents Ordinance in the future, the Group might be required to provide financial security (*Deckungsvorsorge*) for environmental damage in the sites.

11. Health and Safety

The Group must comply with applicable laws and regulations to protect employees against occupational injuries in all jurisdictions in which the Group operates. Under such laws and regulations, employers typically must establish the conditions and the flow for work in a manner that effectively prevents dangers to employees. In particular, employers must observe certain medical and hygienic standards and comply with certain occupational health and safety requirements, such as permissible maximum levels for noise at work, the use of personal protective equipment and requirements relating, *e.g.* relating to the handling of hazardous such as carcinogenic substances.

12. German Occupational Health and Safety Requirements

German occupational safety regulation is heavily influenced by the requirements of EU law and is contained in the German Act on Occupational Protection (*Arbeitsschutzgesetz*, "**ArbSchG**") and in the German Act on Occupational Safety (*Arbeitssicherheitsgesetz*, "**ASiG**"), which require employers to provide for their employees' safety. These general obligations are substantiated in several ordinances under the respective laws, which are further detailed in technical guidelines. Germany's occupational safety regulatory regime also includes the German Ordinance on Facility Safety (*Betriebssicherheitsverordnung*, "**BetrSichV**"), the German Ordinance on Requirements for Workplaces (*Arbeitsstättenverordnung*, "**ArbStättV**") and a number of technical guidelines enacted under these ordinances.

Inter alia, the Group is subject to the Ordinance on Hazardous Substances (*Gefahrstoffverordnung* "**GefStoffV**") which contains provisions regarding the handling and storage of hazardous, inter alia, carcinogenic substances. It particularly sets forth provisions for the protection of employees which deal with hazardous substances and requires compliance with additional notification and safety requirements. The provisions require the priority of technical and organizational measures over personal protective equipment, a principle which is further enhanced by the recent revision of the Ordinance on Hazardous Substances. Ongoing changes, *inter alia*, in the state of the art regarding the handling and storage of hazardous substances might incur costs, *e.g.* for changing operational sequences. Compliance with employment safety regulations is subject to regulatory supervision. The Group believes that it is in material compliance with applicable occupational health and safety law.

13. Overview of Regulatory Framework in Other Jurisdictions

In the jurisdictions in which the Group operates outside the EU, in particular in the United States, Japan, China and Indonesia, the Group faces a wide range of laws and regulations, the majority of which deal with the same general themes discussed above. These regulations vary from jurisdiction to jurisdiction.

L. BUSINESS

I. OVERVIEW

The Group produces and markets microbatteries and energy storage solutions for a wide range of applications and end markets. The Group believes it is one of the two largest worldwide producers and marketers of hearing aid microbatteries, by volume, and that it is positioned to become a leading global producer and marketer of rechargeable microbatteries for entertainment devices, such as premium wireless headsets, and various industrial applications. The Group believes its market positions are attributable to the high quality, reliability and technology of its products, supported by its innovation capabilities and in-house research and development activities. The Group believes it is well-positioned to capitalize on the growing markets for microbatteries and energy storage solutions, which are being driven by an aging global population, growing technological connectivity, increasing miniaturization and the growing market for renewable energy.

The Group's business operations, which it conducts through its operating subsidiaries, are divided into two operating segments: Microbatteries and Energy Storage Solutions. The Microbatteries segment is focused on the production of microbatteries for hearing aids and entertainment devices, primarily premium wireless headsets, as well as other applications in industrial and original equipment manufacturers', OEM as defined, end products, such as back-up batteries for handheld scanners and point of sale terminals. The Energy Storage Solutions segment is primarily focused on the design, system integration and assembly of stationary energy storage systems for residential households and power pack solutions for OEM customers in various end markets, such as portable industrial, communications, medical and humanoid robotic applications.

The Group's integrated design, production and assembly operations provide complete, design-to-manufacture solutions to meet customers' needs globally. The Group operates five production facilities in Germany, Romania, Indonesia and China, with distribution centers in the United States, Europe and Asia and direct sales to customers in over 75 countries around the world.

The Group's production facilities are supported by research and development as well as engineering and design-in teams comprising approximately 130 full-time employees, nearly all of which are based in Germany and comprise approximately 15% of the Group's full-time employees in Germany. The Group believes it has a strong track record for innovation and research and development in microbatteries, particularly in primary zinc-air and rechargeable lithium-ion microbattery cell technologies, supported by the Group's research projects with various industrial partners, universities and research institutions over many years.

For the financial year ended December 31, 2015, the Group generated revenue of €195.1 million. During that period, the Microbatteries and Energy Storage Solutions segments comprised 80.9% and 17.7% of revenue, respectively, excluding intra-Group reconciliations. Within the Microbatteries segment, revenue from sales of Healthcare products accounted for 66.9% of Microbatteries segment revenue, and revenue from sales of Entertainment & Industrial products accounted for 33.1%, excluding intra-Group reconciliations. For the nine months ended September 30, 2016, the Group generated revenue of €160.8 million. For that period, the Microbatteries and Energy Storage Solutions segments comprised 83.0% and 16.1% of revenue, respectively, excluding intra-Group reconciliations, with revenue from sales of Healthcare products accounting for 64.2% of Microbatteries segment revenue. The Group is headquartered in Ellwangen, Germany, and had a total of 2,033 employees worldwide (full-time equivalents) as of September 30, 2016.

II. COMPETITIVE STRENGTHS

The Group believes that the following competitive strengths will allow it to execute its strategy:

- **Strong market positions in core products:** The Group believes it is one of the two largest worldwide producers and marketers of hearing aid microbatteries, by volume, and that it is positioned to become a leading global producer and marketer of rechargeable microbatteries for entertainment devices, in the sector of premium wireless headsets, and OEM applications. The Group believes that the high quality, reliability and technology of its batteries and energy storage solutions, combined with its manufacturing and design-to-manufacture capabilities, have allowed it to significantly increase its market positions over the last decade. Since 2005, the Group has increased its sales of microbatteries for Healthcare and Entertainment & Industrial applications from approximately 250 million to over 900 million total microbatteries in 2015, a significant majority of which were zinc-air hearing aid microbatteries, due, in part, to its investment in a highly automated production site in Germany that has helped to increase production quantity as well as quality while lowering production costs. The Group's planned addition of a new highly automated battery final assembly facility in Europe will allow it to further expand its assembly capacity in the coming years. Together with the Group's in-house research and development activities, long-standing customer relationships and production and distribution capabilities, the Group believes that its strong market positions, together with its brand recognition in certain products, provide it with competitive advantages to capitalize on continuing growth trends in the healthcare and entertainment and industrial microbattery markets.

- **Technology, innovation and product quality expertise:** The Group's battery product portfolio and energy storage solutions are characterized by high quality performance and material properties supported by proprietary production technology and design-to-manufacture services. For example, in the Entertainment segment, high energy density and life cycle stability in the Group's rechargeable lithium-ion coin cells are important to the desired performance of customers' end products in applications such as premium wireless headsets. The quality and technology of the Group's products has helped it to secure design-in projects with several major wireless headset manufacturers. In addition, proprietary production automation, partly designed and developed internally, allows the Group to maintain consistent battery quality while protecting its production knowhow and increasing production efficiency to serve retail and private label customers, particularly in the hearing aid microbatteries market. The Group's innovation and technological expertise is further supported by its research and development and engineering and design-in teams of approximately 130 employees. The Group believes that its technological expertise will allow it to continue to develop high quality microbatteries and serve as a strong technological basis on which to grow its Energy Storage Solutions segment.

- **Well-positioned to benefit from current trends:** The Group believes it is strategically well-positioned to benefit from current trends across its business segments. The markets for microbatteries and energy storage solutions are characterized by underlying growth supported by a number of secular trends. The aging of the growing global population, particularly in Europe, the United States and Asia, is expected to drive growing demand for hearing aids, with additional hearing aid features, such as streaming, driving the demand for hearing aid batteries. Furthermore, the relatively low current percentage of hearing impaired people using hearing aids suggests there is significant potential for increasing penetration. In addition, the trends toward increasing technological connectivity and miniaturization, which drive the development of new devices like wireless headsets, will continue to support demand for the Group's microbatteries. In the Energy Storage Solutions segment, the Group believes that the cell battery expertise it has acquired in its other segments will help it to capitalize on the expected growth in the markets for residential energy storage solutions in line with the increasing interest in green technologies and renewable energy.

- **Strong financial base:** From 2013 to 2015, the Group's revenue, on a combined basis, grew at a compound annual growth rate of 10.7%, underpinned by organic revenue growth in each of the Group's two business segments. Over the same period, the EBITDA and EBITDA margin of the Microbatteries segment, increased from €20.2 million and 15.8% in the financial year ended December 31, 2013 to €29.3 million and 18.5% in the financial year ended December 31, 2015, respectively. These improvements were driven by the Group's continuing focus on cost discipline and production scale to support margin improvements in the Microbatteries segment, while continuing to invest in building long-term scale in the Energy Storage Solutions segment. The Group expects its very low leverage, combined with its working capital management, scale effects from continued volume growth and disciplined growth capital expenditures, to continue to support its growth and cash generation.

- **Experienced management team:** The Group has a strong and highly experienced management team. The Group's Chief Executive Officer has been with the Group, VARTA Microbattery GmbH and, prior to 2002, the former VARTA AG for approximately 25 years and is supported by business division heads and a management team with extensive experience in the industry. The Group also benefits from the commitment of its ultimate major shareholder, Montana Tech Components AG, as a long-term partner to support its growth. The Group believes that the collective industry knowledge and experience of its management team will enable them to continue to grow the Group's business and execute its strategies.

III. STRATEGY

The key elements of the Group's strategy include the following:

- **Achieve and maintain leading markets position in the Group's segments and markets:** The Group aims to maintain and extend its global market position in the Microbatteries segment to become the clear global market producer of hearing aid batteries and further grow its business in Entertainment & Industrial products to become a leading global producer and marketer of rechargeable microbatteries for entertainment devices. In the Energy Storage Solutions segment, the Group is targeting further internationalization and penetration of the European market to become one of the top three providers of residential energy storage systems in Europe. Due to the Group's established market presence and current market positions in each of these segments, the Group believes that it is well-positioned to build on its success in the Microbatteries segment while expanding its customer base, particularly for power pack solutions, and increasing sales in the Energy Storage Solutions segment to improve its market share of the fragmented market in Europe.
- **Maintain focus on operational excellence and profitability in Microbatteries:** The Group continues to focus on operational excellence to deliver products and solutions which offer the best combination of quality, innovation and technology while optimizing production processes to increase profitability. To this end, the Group will continue to invest in its research and development capabilities and strive to continuously improve its proprietary process technology geared to high volume production. In particular, the Group intends to further expand its production capacity for rechargeable coin cells in order to achieve greater economies of scale while achieving a more competitive cost structure. In the Energy Storage Solutions segment, the Group is focused on growing its sales team force to drive sales growth and market share.
- **Continue to be a technological leader in innovation and development:** The Group aims to provide its customers with high quality batteries and technologically advanced energy storage systems and will continue to work to develop new performance-enhancing microbattery cell technologies and customized storage solutions. The Group believes that its focus on technology development in the areas of rechargeable coin cells and primary and rechargeable hearing aid batteries will further increase the performance and appeal of its microbatteries for end products in the Microbatteries segments. In the Energy Storage Solutions segment, the Group aims to continue to leverage its design-to-manufacture expertise to win new customers for highly customized power pack solutions and capitalize on the pipeline of opportunities in the commercial storage segment.
- **Pursue growth opportunities in Energy Storage Solutions through selective acquisitions and complement acquisition growth strategy with internal investment:** In the Energy Storage Solutions segment, the Group intends to expand its project management and service capabilities as well as drive sales growth and market share by pursuing targeted acquisitions in existing and new geographies, primarily in Europe. The Group believes such acquisitions would strengthen its vertical integration and sales and distribution channels and allow it to leverage its increased scale advantages in sales, marketing, procurement and production. At the same time, the Group seeks to complement its acquisition growth strategy through internal investments, including in a new large-scale, automated battery assembly plant in Europe for power pack solutions.

IV. HISTORY OF THE GROUP

The Group has its roots in the long history and tradition of the legacy VARTA AG (prior to its divestitures in 2002), which dates back to the founding of Accumulatoren-Fabrik Tudorschen Systems Büsche & Müller OHG by Adolph Müller in Hagen, Germany, in 1887. Several years later, in 1890, the company was renamed Accumulatoren-Fabrik Aktiengesellschaft AFA ("**AFA**") and AFA founded VARTA GmbH in 1904. After AFA's acquisition by the German industrialist Quandt family in the 1920s, which subsequently owned the company for many decades, AFA continued to grow and established itself as an international battery manufacturer.

For many decades, in Germany and abroad, AFA manufactured and marketed on a large scale batteries for use in industry, lead acid starter batteries for cars and standardized consumer batteries for use in electronic devices, including small round and button cell batteries, so-called microbatteries. In 1962, AFA was renamed VARTA Aktiengesellschaft.

In 1969, Neil Armstrong became the first man to set foot on the moon. His camera was equipped with VARTA batteries. In 1970, VARTA AG commenced the manufacture of alkaline batteries in Ellwangen.

Two years later, in 1972, it commenced production of button cells in Singapore and, in 1991, expanded battery assembly for the Ellwangen, Germany, works to Batam, Indonesia.

After the sale of the VARTA AG's industrial batteries business division to British Tire and Rubber in 1995, the remaining business divisions—portable batteries and automotive batteries—were split up and spun off in 2001 and 2002 into three separate operating subsidiaries of VARTA AG: VARTA Microbattery GmbH, VARTA Gerätebatterie GmbH and VARTA Automotive GmbH.

In 2002, VARTA Automotive GmbH (today Johnson Controls Hybrid and Recycling GmbH), the automotive batteries division, was sold to Johnson Controls, Inc. From 2002 to 2005, VARTA Gerätebatterie GmbH (today VARTA Consumer Batteries GmbH & Co. KGaA) was sold, in several steps, to Rayovac Corporation (now part of Spectrum Brands, Inc.) Between 2001 and 2007, VARTA Microbattery GmbH remained a subsidiary of VARTA AG. In 2007, it was sold by VARTA AG to a company associated with Global Equity Partners Group and then integrated into the group of companies belonging to Montana Tech Components AG.

All Group companies belong to the corporate group of Montana Tech Components AG since their respective acquisition or foundation. In 2007, a related party of Montana Tech Components AG acquired VARTA Microbattery GmbH. In 2009, VARTA Microbattery entered into a research and development joint venture with Volkswagen AG to form VW-VM Forschungsgesellschaft GmbH & Co. KG.

In 2011, ETV Holding GmbH (formerly ETV Holding AG), a related party of Montana Tech Components AG, acquired all of the shares of ATRAV Beteiligungs GmbH and GOPLA Beteiligungsgesellschaft mbH, which together held approximately 93% of VARTA AG. As a result, VARTA AG became an indirect subsidiary of Montana Tech Components AG, the Group's current ultimate shareholder. At that time, VARTA AG ceased to be active in the battery business and was mainly concentrated on the administration of its own assets, in particular the sale and liquidation of remaining assets relating to its former battery activities and former battery subsidiaries. In 2016, through certain restructuring activities within the Montana Tech Components AG corporate group, the current Group was established, and VARTA AG became the parent and holding company of VARTA Microbattery GmbH and VARTA Storage GmbH. As a result, the Group is one of the three independent successors of the old VARTA AG.

V. OPERATIONS AND SEGMENTS

The Group's business operations, conducted primarily through its operating subsidiaries VARTA Microbattery GmbH and VARTA Storage GmbH, are divided into two business segments: Microbatteries and Energy Storage Solutions. The Microbatteries segment comprises two product groups: Healthcare and Entertainment & Industrial. The Group focuses on the production of microbatteries for hearing aids in the Healthcare product group and entertainment devices, primarily premium wireless headsets, as well as other applications in industrial and original equipment manufacturers' ("**OEM**") end products in the Entertainment & Industrial product group. The Energy Storage Solutions segment primarily focuses on the design, system integration and assembly of power pack solutions and stationary energy storage systems for residential households, OEM and other commercial applications.

The Group's Microbattery business unit is dedicated to the development and marketing of microbatteries, including hearing aid batteries and other primary and rechargeable microbatteries. Primary batteries are generally used in end products for which customers need to replace the battery from time to time, such as hearing aids or watches, or for which the use of rechargeable batteries is not currently practicable. Rechargeable batteries, by comparison, are frequently integrated in products which can be recharged through another battery or be recharged via an electrical outlet or wirelessly. The key criteria customers consider when selecting a microbattery for a particular application include storage capacity, size, weight, service life, peak current, leakage resistance, internal resistance and self-discharge rates.

The Group's primary battery portfolio includes alkaline cylindrical cells, zinc-air cells, lithium button and cylindrical cells, silver oxide button cells and alkaline-manganese button cells, among others. The Group's rechargeable battery portfolio includes lithium-ion button cells, lithium-ion and lithium-polymer batteries and NiMH button and cylindrical cells. Except for the Group's zinc-air, lithium cylindrical and silver oxide batteries, all other primary batteries are purchased by the Group for production and assembly purposes.

1. Microbatteries

The Group produces, assembles and sells microbatteries for hearing aids under the Group's PowerOne, Engion, ENR TOP and ecopack brands. The Group also manufactures and provides microbatteries to private label brands such as Phonak, Sivantos and Duracell.

2. Healthcare

The Group is one of the two largest worldwide producers and marketers of hearing aid microbatteries, by volume, and believes that the success of its hearing aid microbatteries is due to their innovation, power, reliability, long service life and the Group's ability to offer rechargeable nickel-metal hydride and lithium technology. The Group's market position is supported by its custom machine design and highly automated proprietary production processes, which help to ensure quality consistency and limit manual operations. In 2015, the Group sold over 900 million microbatteries for Healthcare and Entertainment & Industrial applications—a significant majority of which were zinc-air hearing aid microbatteries—to customers such as leading hearing aid producers, retail chains, government healthcare providers and private labels to other distributors. In 2013 and 2014, the Group sold over 700 million and 800 million microbatteries, respectively. In the nine months ended September 30, 2015 and 2016, the Group sold over 650 million and 750 million microbatteries, respectively. As a result, the Group's average selling price for microbatteries, based on the actual number of microbatteries sold, amounted to €0.179 in 2013, €0.172 in 2014, €0.174 in 2015 and €0.176 and €0.174 for the first nine months of 2015 and 2016, respectively. Furthermore, in 2015, the Group's hearing aid microbattery production was more than seven times higher than in 2005, with the number of microbattery units per labor minute being approximately 240 units in 2015 compared to approximately 95 units in 2005. This increase in production output, together with the corresponding increase in manufacturing process efficiencies, has helped the Group to increase its market share and profitability significantly in the hearing aid microbatteries market over the same period.

The Group's product line for hearing aid microbatteries comprises standard, mercury-free zinc-air cells and rechargeable nickel-metal hydride (NiMH) and lithium-ion) cells. Standard and mercury-free microbatteries range from 100 mAh to 650 mAh. The Group's power one rechargeable hearing aid microbatteries range from 12 mAh to 100 mAh. The product features, such as the housing and sealing of the battery, enhance safety, shelf life and reliability under extreme environmental conditions.

3. Entertainment & Industrial

In the Microbatteries segment, the Group also manufactures and markets microbatteries for numerous applications in the growing consumer electronic end markets, such as premium Bluetooth headsets, watches, laptops, and backup batteries for handheld scanners and point of sale terminals, among others. The Group also offers microbatteries for use in various OEM and other applications, such as smoke detectors and metering. Microbatteries used in such end market applications are in many cases important components of the end product's design and performance, and the Group works closely with OEM customers to ensure the design requirements are compatible with the Group's microbatteries. They can define the end product's shape, size, weight, and ergonomics, and the microbattery's performance determines factors such as run time and charge time. For example, the Group's cylindrical coin cell design offers a better form factor fit to the shape of the ear and are preferred by OEM customers manufacturing premium in-ear headsets because the headsets can be designed to fit the ear better than if a prismatic-shaped battery were used. In 2015, the Group supplied its primary and rechargeable microbatteries to a premium and diversified customer base, including, among others, Robert Bosch, Hewlett Packard, Bose, Plantronics, Jabra, Motorola and Qundis.

The Group's product line of microbatteries for these end market applications include a wide selection of primary and rechargeable batteries—as well as lithium-ion, lithium primary, zinc-air, nickel metal hydride and silver oxide technologies—available with different voltages, capacities, sizes and weights. In 2015, sales of primary zinc accounted for a significant majority of the Group's net sales in the Healthcare product group, with sales of lithium primary button and silver oxide batteries comprising considerably smaller portions of net sales. In 2015, in the Group's Entertainment and Industrial product group, sales of rechargeable nickel metal hydride comprised slightly less than half of net sales, with primary lithium cylindrical comprising approximately one third of net sales. The Group remains focused on its lithium-ion rechargeable batteries given its expectation for the future growth of the rechargeable microbattery market.

4. Energy Storage Solutions

a. Power Packs

The Group's Energy Storage Solutions segment is active in the development of Power Pack Solutions ("**PPS**"). PPS products are complex battery solutions designed and manufactured for a wide range of applications and multiple end markets. The Group's PPS product offering comprises three product lines of rechargeable packs—namely CellPac PLUS, CellPac BLOX and CellPac LITE—which are differentiated by the level of customization required.

CellPac PLUS is the Group's customized battery design and assembly service to provide customers with an end-to-end battery design solution, from the initial specification through to the mass assembly of the power pack. CellPac PLUS is marketed to customers active in high-end niche markets where customized power pack solutions are required for the final product, particularly applications with multi-cell requirements, electronics functions and user-removable batteries. Applications include portable industrial applications (such as infrared cameras and payment terminals), medical applications (such as surgical instruments, infusion pumps, monitors, respirators and hospital communications), professional communication applications (such as satellite phones and terminals, security handsets and emergency call devices) and humanoid robotic applications. CellPac PLUS power packs are sold and distributed directly to customers by the Group.

CellPac PLUS customers work with a dedicated group of VARTA technicians and project managers experienced in battery design, construction, certification and implementation to ensure that the final custom battery pack meets the specific customer requirements. The Group's design-to-manufacture and project management services also enhance its market understanding with key customers in medical, light mobility and industrial markets to position the Group to develop long-term customer relationships.

The CellPac BLOX line, recently launched in the third quarter of 2016, offers semi-customized lithium-ion rechargeable power packs based on selected standard cell and module components but combinable with additional custom parts and features available compared to CellPac LITE (described below). It is directed at OEM customers whose design-cycles are short and engineering costs and time to market are limited. Customers can select from standard cell and protection circuit module components as well as a lithium-ion or polymer soft pack battery with 150 mAh to 5200 mAh to fit their application requirements. CellPac BLOX power packs are marketed via the Group's distributors for onward sales to OEMs.

CellPac LITE offers a range of pre-configured lithium-ion power packs for standard applications. CellPac LITE power packs are made exclusively of cylindrical or prismatic lithium batteries fitted with both electronic and electromechanical protection. With CellPac LITE, customers receive a plug and play battery solution that can be connected directly to their application. Like CellPac BLOX, CellPac LITE power packs are marketed via the Group's distributors for sale to OEMs.

In 2015, the Group sold over 2 million power packs, and a significant majority of revenue generated from the sale of power packs in 2015 related to CellPac PLUS power packs. From 2013 to 2015, the volume of cells assembled increase from 3.6 million in 2013 to 3.7 million in 2014 and 4.5 million in 2015.

b. Residential Storage Solutions

The Group's residential energy storage solutions are sophisticated stationary battery storage systems capable of storing energy in lithium-ion cells, such as from photovoltaic cells on the roof of a building, and allow customers to utilize energy generated at a later point in time. As a result, customers can use their own generated electricity whenever they need it.

The residential energy storage solution systems comprise a battery module unit, a current sensor and sensor unit. The current sensor acts as an instrument to measure the current draw or feed into the public grid and is installed directly behind the electricity meter inside the fuse box for measuring the current flow through the house connection line. The sensor unit, mounted on the current sensor, transmits the current sensor measurement data to the energy storage system. Each of the Group's residential energy storage solutions is compatible with different power sources, such as photovoltaic systems, wind power turbines or combined heat and power units ("CHP").

The Group's Residential Storage product offering comprises three battery storage systems product lines: VARTA element, VARTA home and VARTA family.

VARTA element is the basic product in the residential storage system product line. It is available in three sizes, according to storage capacity, and is available in six colors. VARTA element 3 and VARTA element 6, the two smaller sizes, can each be retrofitted, or upgraded, to VARTA element 9. Usable storage capacities in the VARTA element line range from 2.9 kWh for element 3 to 8.6 kWh for element 9.

VARTA home and VARTA family are the medium-sized and large residential storage systems in the product line, respectively, in terms of nominal battery capacity and usable storage capacity. They are directed primarily at single-family households and offer three-phase emergency power capability to provide security against the risk of power outages. The VARTA home and VARTA family products are based on a modular concept, with storage capacity adjustable to individual customer requirements. If a customer's energy consumption increases, additional modules can be supplemented to the existing product and, thereby, grow with a household's energy requirements.

In 2015, the Group sold over 450 residential energy storage systems. From 2013 to 2015, the total kWh sold through residential energy storage systems increased from 1,264 kWh in 2013 to 1,832 kWh in 2014 and 3,399 kWh in 2015. For the nine months ended September 30, 2015 and 2016, the total kWh sold through residential energy storage systems increased from 2,411 kWh to 5,709 kWh. A significant majority of the costs in connection with the Group's residential energy storage systems relate to the procurement of components and materials. Labor costs for assembly of the storage systems comprise only a small portion of the total costs.

c. Commercial Storage Solutions

The Group's commercial storage solutions product offering comprises stationary energy storage systems with power ranges from 20 kW to 120 kW and capacity of 26 kWh to 500 kWh. Through the Group's advisory and planning experts, the Group is able to offer tailored energy concepts to cater to customers' particular requirements and applications. The Group's commercial energy storage systems primarily address commercial, industrial and large residential customers in a wide range of applications, including small and medium enterprises, commerce and industry, local off-grid systems, municipal utilities, self-consumption for condominiums and agricultural applications. The Group expects to begin generating revenues from commercial storage solution in 2017.

VI. PRODUCTION FACILITIES AND REAL PROPERTY

The Group's headquarters are located in Ellwangen, Germany. The Group leases all buildings and properties across it business operations, including its property, buildings and sales offices worldwide.

The property and buildings located in Ellwangen were the subject of sale and leaseback transactions with a wholly-owned indirect subsidiary of the Group's primary shareholder consummated in December 2015. For additional information on the sale and leaseback transactions, see *N.* "*Related Party Transactions*".

The following table provides an overview of certain information related to the Group's production facilities:

Location	Use of Facility	Approximate Area (m^2)	Production/Assembly Capacity (million)
Ellwangen (Germany)	Headquarters and battery cell production; R&D for electro-chemical systems	102,262	1,217
Nördlingen (Germany)	Energy storage system production; R&D for energy storage systems	10,577	3,000
Brasov (Romania)	Battery assembly; packaging	4,167	270
Shanghai (China)	Battery assembly	1,986	16
Batam (Indonesia)	Battery assembly (two separate facilities)	4,865	66

In addition to the production facilities listed above, the Group maintains sales offices in Rye, New York (USA), La Garenne-Colombes (France), Taipei (Taiwan), Hong Kong (China) and Singapore.

VII. SOURCES AND AVAILABILITY OF RAW MATERIALS AND COMPONENTS

Nickel and zinc are, by volume, the principal processed raw materials used by the Group in the manufacture of its products, with silver, however, being the second principal material in terms of cost. Additional processed raw materials required for the Group's production processes include lithium, mercury, cobalt, gold and rare earth materials. Given the volumes of hearing aid microbatteries produced by the Group in Europe, purchase volumes of direct and indirect materials for the Group's production activities are sourced, to a considerable degree, in the EU, followed by Japan and South Korea, China, other southeast Asian countries and North America. The prices and availability of these materials have fluctuated in recent years and may be the subject of significant price fluctuations in the future due to, among other things, currency fluctuations, transportation costs, governmental regulations, prices controls, economic conditions or other unforeseen circumstances. In the past, the Group has not experienced significant interruptions in the availability of these raw materials, and it believes that it will continue to have access to adequate quantities of these materials for its business operations. For additional discussion of risks relating to raw materials, see *A.I.6*. "*Risk Factors—Risks Related to the Market and Business of the Group—The Group is dependent on third-party suppliers to deliver raw materials and components for its products*".

The Group purchases processed raw materials and components from a number of suppliers. However, the Group also uses single source suppliers for a limited number of processed raw materials and components, even though, in many cases, alternative suppliers exist. This is due primarily to the time and effort required to qualify suppliers as well as to ensure that the quality of raw materials from such suppliers consistently meets the Group's requirements. For the supply of nickel and certain nickel compounds, the Group's most significant raw material by value, the Group regularly enters into hedging arrangements to protect itself against sudden price fluctuations.

Significant portions of the Group's purchasing volumes are based on purchase orders and corresponding confirmations. As a result, only a limited amount of sourcing is subject to framework supply agreements, which primarily relate to processed raw materials such as silver oxide cells or metal mesh and semi-finished goods for standard, high volume products. Where such agreements exist, they typically include terms of six to twelve months.

Purchasing of raw materials and finished and semi-finished components that the Group uses in the production of its products is generally centralized through the Group's headquarters in Ellwangen. However, the Group has also established procurement operations in Singapore to coordinate and manage sourcing requirements of certain raw materials for its production facilities in China and Indonesia. Procurement is centralized in Ellwangen and Singapore in order to optimize pricing for the various requirements of the Group's production facilities in Germany and Romania and China and Indonesia, respectively. The Group's procurement teams in Ellwangen and Singapore are also frequently involved in product development at an early stage in order to ensure optimization of supply chain management from the earliest stages of production.

The Group is not materially dependent on any single supplier. Its top ten suppliers typically account for approximately 30% of the total purchasing volume in a given year.

VIII. SALES AND MARKETING

As of September 30, 2016, the Group employed a sales force of approximately 40 employees, which comprises business unit directors and key account managers as well as the Group's sales personnel in its sales offices in Germany, France, China, Japan, Singapore, Taiwan, the United Kingdom and the United States. The Group also works with a broad network of independent sales agents to ensure broad international coverage.

Marketing is organized broadly between the Group's segments. The marketing teams support the expansion of the Group's business through maintaining close contact with the Group's sales force. They design and implement short and mid-term marketing strategies, develop new business opportunities and monitor relevant market trends.

IX. DISTRIBUTION

In the Microbatteries segment, the Group enjoys access to all major sales channels. The Group markets and sells its PowerOne hearing microbatteries through global customers and distributors, with mass retail sales also made through certain customers, such as Duracell and Energizer, who distribute and sell the Group's hearing aid microbatteries under their own brand names or labels. In 2015, approximately 21% of total microbatteries sold were through mass retail channels, with approximately 18% through the Group's tender business and the remainder through professional business channels.

With respect to OEM customers and applications, the Group generally sells and distributes its products directly to OEM customers using third-party logistics providers for delivery. In 2015, direct sales to OEM customers accounted for approximately 78% of sales in the Entertainment & Industrial product group of the Microbatteries segment. However, the Group also markets and sells such products through wholesale electronic components distributors who operate on a national, European or, in some cases, global scale and accounted for approximately 15% of sales in the Entertainment & Industrial product group of the Microbatteries segment in 2015.

In the Energy Storage Solutions segment, the Group generally distributes its power pack solutions and stationary energy storage systems through multi-level distribution channels. The Group markets and sells its products primarily to wholesale distributors, who sell to installers and, in turn, to the end customer. In Germany, Austria and Switzerland, where the Group is currently active in residential and commercial stationary energy storage solutions, the Group currently contracts with 37 wholesalers who work with over 1,800 installers for its residential and commercial stationary energy storage solution systems. Fully customized energy storage solutions are manufactured at the Group's production facilities in China or Indonesia, depending on the location of the customer. Fully customized energy storage solutions are only available from the Group directly, with the support of the Group's sales agents and representatives, as a result of the high level of consultancy involved.

X. COMPETITION

In the Microbatteries segment, the Group competes with different groups of competitors based on the product group and market segment in which the customer operates. In the hearing aid microbattery market, which has experienced considerable consolidation in recent years, the Group's primary competitors are Rayovac, which belongs to US-based Spectrum Brands, Inc., and, to a lesser extent, iCellTech and ZeniPower. In the microbattery market for OEM end customers and applications, which remains much more fragmented than the hearing aid microbattery market, the Group's primary competitors include a number of global companies, such as FDK, GP, ChungPak, SYNERGY, LISHEN, RouteJD, Sony, ATL Amperex and Panasonic, among others.

In the Energy Storage Solutions segment, the Group competes primarily with Sonnen, E3DC, SENEC.IES, SMA, LG and Tesla. With respect to PPS, the Group competes in Europe primarily with BMZ as well as several smaller battery assemblers in various EU countries. In North America, the Group's competitors are primarily Inventus Power, Electrochem and, as in Europe, a number of smaller battery assemblers

XI. RESEARCH AND DEVELOPMENT

The Group's production operations are supported by a research and development as well as engineering and design-in team of approximately 130 employees. The Group conducts research and development activities with a focus on innovation, product and process enhancements as well as quality and cost improvements. The Group believes that its research and development experience and expertise are key differentiating factors and competitive strengths. The Group's headquarters in Ellwangen, Germany, has research and development activities focused on electrochemical systems, while the Group's location in Nördlingen, Germany, focuses on energy storage system.

Each year, the Group invests a significant amount in research and development and works with numerous industrial partners, universities and research institutes on research projects such as lithium sulphur and aluminum ion cells and the development of lithium-ion cells with silicon anodes. Additional areas of research and development activities in new technologies and materials include:

- New lithium-ion technologies—future applications will require rechargeable batteries with maximum energy density;

- Nanomaterials and nanotechnologies—for the improvement of product properties;
- Energy storage—storage of energy from the environment, vibrations, light and heat; and
- Printed batteries—fully printed, ultra-thin and flexible primary battery solutions for the future.

When available, the Group's subsidiaries also use public funding to support its research and development activities. In the past, such funding has been provided from the European Union as well as certain ministries of the German government. The Group's subsidiaries retain sole ownership of any intellectual property derived in whole or in part from public funding. Where funding at the EU and German levels is awarded on a consortium basis, members of such consortiums, including the Group's subsidiaries, typically agree to license any intellectual property they develop during the course of the project to each other at favorable rates. The Group typically has approximately 15 to 20 publicly-funded research and development projects at any given time of the year.

In September 2009, and as amended and restated in December 2015, VARTA Microbattery GmbH and Volkswagen AG entered into a cooperative research joint venture, VW-VM Forschungsgesellschaft mbH & Co. KG, with the aim to, among other things, develop the next generation of lithium-ion cells for hybrid and/or electric cars. This technology can be used for microbatteries and also supports the Group's knowhow for energy storage solutions. The joint venture pools the core competencies of VARTA Microbattery GmbH and Volkswagen AG for electrochemical storage and reliable mobility, respectively. The joint venture's research and development activities are located in Ellwangen, Germany, and are conducted by approximately 30 scientists, engineers and laboratory technicians. For further information on the joint venture agreement with Volkswagen AG, see *L.XVI.4.* "*—Material Contracts—Joint Venture Agreement*".

XII. INTELLECTUAL PROPERTY

The Group's entities currently own approximately 150 registered (or in the process of registration) patents, utility models and registered designs worldwide, approximately 100 of which are owned by VARTA Microbattery GmbH and approximately 40 of which are shared between VARTA Microbattery GmbH and VW-VM Forschungsgesellschaft mbH & Co. KG, the Group's joint venture with Volkswagen AG. The Group also relies on unpatented proprietary expertise, continuing technological process innovations and other business and trade secrets and knowhow to develop and maintain its competitive position.

The Group's entities currently also own approximately 30 registered (or in the process of registration) trademarks across a total of approximately 120 countries worldwide. Most of these are registered in the EU, United States, Japan and China. These trademarks relate, in particular, to the Group's VARTA, Engion and PowerOne brand names (word marks) and logos (word and figurative marks) as well as certain other trademarks. Whereas the Group's Engion and PowerOne trademarks are solely owned by VARTA Microbattery GmbH, some of the Group's VARTA trademarks and certain other trademarks belonging to the former trademark portfolio of the old VARTA AG (prior to the year 2002) are still held either (i) by VARTA AG in trust for its three former subsidiaries VARTA Microbattery GmbH, Johnson Controls Hybrid and Recycling GmbH and VARTA Consumer Batteries GmbH & Co. KGaA, or (ii) through joint ownership by two or all three former VARTA-subsidiaries, because, in these cases, the respective trademark splits following from the contractual allocations of the VARTA trademark rights between the three former VARTA-subsidiaries are either not yet implemented in the respective trademark registers or in some countries, due to technical, legal or other trademark register related reasons, cannot or only partially executed in the respective trademark registers. In addition, the lists of goods and services of the Group's VARTA trademarks contained in the trademark registers may not be completely identical with the allocations of VARTA trademark rights to VARTA Microbattery GmbH under the agreements. However, all parties to the agreements believe that the contractual allocations of VARTA trademark rights thereunder (and under other agreements on VARTA trademark rights) prevail over the entries in the trademark registers.

In 2002, VARTA AG's battery activities were split up and spun off into three newly founded subsidiaries, namely VARTA Automotive GmbH (today: Johnson Controls Hybrid and Recycling GmbH), to which VARTA AG's Automotive Batteries' business division was transferred, VARTA Gerätebatterie GmbH (today: VARTA Consumer Batteries GmbH & Co. KGaA), to which VARTA AG's business unit Consumer Batteries (batteries in standard IEC sizes above the size classes of microbatteries that are mainly distributed via retail stores to end-consumers) was transferred, and VARTA Microbattery GmbH, to which VARTA AG's business unit Microbatteries (batteries in the size classes of microbatteries, especially button cells, and portable batteries of a variety of different special electrochemical battery technologies, in particular lithium or lithium-ion technology, without any restriction on size unless in a IEC standard size) was transferred. These three subsidiaries were subsequently sold by VARTA AG. In 2002, VARTA Automotive GmbH was sold by VARTA AG to Johnson Controls, Inc. From 2002 to 2005, VARTA Gerätebatterie GmbH was sold in several steps to Rayovac Corporation, now part of Spectrum Brands, Inc. In 2007, VARTA Microbattery GmbH was sold to a company associated with Montana Tech Components AG. As a result of these sales and according to the various agreements on the allocation and use of VARTA trademark rights entered into between VARTA AG and one or more of its three former VARTA subsidiaries in this context, Johnson Controls, Inc. acquired the rights to the VARTA trademarks in the automotive battery sector and partly in the industrial battery sector and VARTA Consumer Batteries GmbH & Co. KGaA (belonging to Spectrum Brands, Inc.) acquired the rights to the VARTA trademarks in the consumer battery sector.

Various agreements between members of the Group, Johnson Controls, Inc. and VARTA Consumer Batteries GmbH & Co. KGaA govern the ownership and usage rights and obligations of the parties in connection with the VARTA trademarks. Consequently, the ownership and the right to the use of the various trademarks in the portfolio of VARTA trademarks is contractually allocated among VARTA Microbattery GmbH, Johnson Controls, Inc. and VARTA Consumer Batteries GmbH & Co. KGaA. Based on these contractual arrangements, VARTA Microbattery GmbH holds the right to use the VARTA trademarks for various microbattery products, *i.e.* (a) batteries in the size classes of microbatteries, especially button cells, including microbatteries in the automotive and industrial sector, and (b) portable batteries using a variety of different special electrochemical battery technologies, in particular lithium or lithium-ion technology, without any restriction on size unless in a IEC standard size, but excluding (i) hearing aid batteries (that are produced and sold by VARTA Microbattery GmbH under the trademark PowerOne), (ii) portable batteries of certain technologies and/or in a IEC standard size, and (iii) battery packs consisting of cells above a certain size, and for stationary (storage) batteries, including, *inter alia*, stationary energy storage systems for residential, commercial, utility and manufacturing applications (excluding batteries of lead acid chemistry). Johnson Controls, Inc. holds the right to use the VARTA trademarks in the automotive sector (excluding microbatteries in the automotive sector) and partly in the industrial battery sector (for mobile industrial batteries and stationary batteries of lead acid chemistry). VARTA Consumer Batteries GmbH & Co. KGaA holds the right to use the VARTA trademarks in the consumer batteries sector (portable batteries above the size classes of microbatteries, standard IEC sizes only if the batteries are of certain battery technologies, and battery packs consisting of cells above a certain size). Furthermore, according to the distribution agreement entered into between VARTA Microbattery GmbH and VARTA Consumer Batteries GmbH & Co. KGaA in October 2002, VARTA Microbattery GmbH has granted VARTA Consumer Batteries GmbH & Co. KGaA an exclusive license to use the VARTA trademarks for the distribution of its various microbattery products in retail channels, with the option for VARTA Consumer Batteries GmbH & Co. KGaA to extend this exclusive license in perpetuity after termination of the distribution agreement against payment.

With respect to the Group's VARTA company names, each Group company is generally entitled to use its current company name for its respective business purposes (*e.g.*, VARTA AG for holding and parent company functions, VARTA Microbattery GmbH and VARTA Storage GmbH as operating subsidiaries producing and selling batteries and VW-VM Forschungsgesellschaft mbH & Co. KG as a research and development joint venture with Volkswagen AG) and business segments in which it is currently active (*e.g.*, VARTA Microbattery GmbH for microbatteries and VARTA Storage GmbH for energy storage solutions). VARTA AG, VARTA Microbattery GmbH and VARTA Storage GmbH are also permitted to use the other VARTA company signs (such as the VARTA company logo) for their current activities as long as these VARTA company signs as well as their VARTA company names are used merely in a manner to identify the respective company according to the applicable trademark law, and are not used as a VARTA trademark. The Group companies, especially VARTA AG, must observe certain restrictions when using their VARTA company names and the other VARTA company signs. In particular, VARTA AG and the other Group companies must refrain from using their VARTA company names and other VARTA company signs in a manner that misrepresents a single company or group of companies to be the sole successor to the old VARTA AG prior to the year 2002 or the sole owner of the VARTA trademarks. Furthermore, they must take all necessary and appropriate measures to avoid the potentially misleading impression that the Group or VARTA AG is identical with the old VARTA AG (corporate group) prior to the year 2002 or that it is the sole VARTA group of companies existing today.

The Group is not aware of any pending or threatened legal proceedings or claims against third parties for infringement of a Group's patent, utility model, design, trademark, company sign or other intellectual property right or of any such proceedings or claims brought against any of the Group's patents, utility models, designs, trademarks, company names or other company signs or other intellectual property rights or against their use or against any of the Group's products (including their designations), designations, communications or other activities allegedly infringing third parties' intellectual property rights that could have a material adverse effect on the Group's business if the Group would not prevail in such proceedings or claims.

XIII. INFORMATION TECHNOLOGY SYSTEMS

The Group relies on a number of IT systems to support its business operations. It has implemented application-specific measures such as stable and redundantly-designed IT systems, backup processes, virus and access protection and encryption systems as well as standardized IT infrastructure and applications. The Group regularly tests and updates its IT systems. In addition, employees receive regular training on information and data protection. Risk management related to IT systems and applications is conducted using standardized applications as well as an internal control system.

XIV. ENVIRONMENTAL, HEALTH AND SAFETY MATTERS

The Group pursues a rigorous policy of sustainability in all of its corporate divisions, with the assessment of all new product developments based on ecological considerations. Internal environmental guidelines are also part of its selection of suppliers.

The Group is committed to environmental protection. For example, the Group believes it is the only vendor to offer a complete range of environmentally-friendly NiMH rechargeable batteries for hearing aids. In addition to its batteries being long-lasting and reliable, they are virtually entirely recyclable. The Group strives to continually improve its performance and management systems. Its environmental management is ISO 14001:2004 certified. In addition, its energy management system in accordance with DIN ISO 50001:2011.

The Group's operations exposes its employees to risk of injury or death. Health and safety laws, regulations and other legislation, including future amendments to such laws, regulations and legislation, may increase the Group's costs of doing business, restrict its operations, or result in the application of fines, revocation of permits and shutdown of its production facilities. The Group may not at all times be in full compliance with the laws and regulations applicable to it. Any violation of such laws or regulations could result in lengthy investigations, substantial fines, criminal sanctions, temporary or permanent shutdown of the affected operations or facilities, the suspension or revocation of authorizations, permits or licenses, and damage the Group's reputation.

For a description of certain material regulations applicable to the Group's business operations, see *K. "Regulation"*.

Some of the production sites of the former VARTA AG have a long history of industrial production, storage and other activities related to battery production. These include sites in Argentina, Brazil, Norway and Sweden. In 2011, VARTA AG entered into a framework agreement with L.A.I. Finance N.V. in connection with the disposition of nearly all of its then remaining subsidiaries (including those in Argentina, Brazil, Norway and Sweden) and pursuant to which all legal and contractual risks, including all known and potential future environmental risks, were transferred to L.A.I. Finance N.V. for a consideration of €12 million. Pursuant to the framework agreement, L.A.I. Finance N.V. agreed to indemnify VARTA AG against such risks. The indemnity is supported by a guarantee from Global Equity Partners Beteiligungs-Management GmbH, a company wholly-indirectly owned by DDr. Tojner, in the amount of €20 million until December 31, 2031 or the earlier return of the guarantee in original form. Although the Group is not aware of any material outstanding site remediation or environmental cleanup obligations, it could incur significant additional monitoring and/or cleanup costs as a result of additional contamination discovered in the future at any of its locations. See *A.I.14* "*Risk Factors—Risks Related to the Markets and Business of the Group—The Group could become liable for site remediation or other environmental matters*".

XV. EMPLOYEES

The table below provides a breakdown of the number of the Group's employees (full-time equivalents, "**FTE**") as of December 31, 2013, 2014 and 2015 as well as September 30, 2016, respectively:

	As of December 31,			As of September 30,
	2013	2014	2015	2016
FTE	1,845	1,760	1,843	1,990
Apprentices	39	32	36	43
Total	**1,884**	**1,792**	**1,879**	**2,033**

	As of December 31,			As of September 30,
	2013	2014	2015	2016
Germany	787	823	820	840
thereof Microbatteries segment	747	763	775	783
thereof Energy Storage Solutions segment	40	60	45	57
Rest of World	1,097	969	1,059	1,193
Total	**1,884**	**1,792**	**1,879**	**2,033**

As of the date of this Prospectus, the number of the Group's FTEs does not differ significantly from the number as of September 30, 2016.

The Group has two works' councils (*Betriebsräte*) and has certain pension commitments and obligations with respect to a number of active and inactive employees.

The Group believes that its relationship with employees is good. The Group has not been subject to significant strikes or work stoppages in the past several years.

Since 2002, pensions of the Company's employees have been managed by VARTA Pensionsverwaltung e.V. (until 2014) and VARTA Pensions-Treuhand e.V. (from 2014) pursuant to trust agreements with the respective entities. In June 2016, the Company entered into an agreement with VRT Pensionen GmbH, a company founded by an indirect subsidiary of Montana Tech Components AG, pursuant to which the pension obligations and pension assets were spun off to VRT Pensionen GmbH. The spin-off took retroactive effect as of January 1, 2016. Pursuant to the spin-off arrangement with VRT Pensionen GmbH, the Company remains subject to the liabilities in connection with the spin-off for a period of 10 years. See *N.V.1.* "*Related Party Transactions—Other—Spin-off of Pension Obligations*". In addition, in November 2016, VARTA Microbattery GmbH entered into an agreement with VRT Pensionen GmbH, pursuant to which, effective as of January 1, 2017, VRT Pensionen GmbH (i) will be added as debtor for the pension obligations of VARTA Microbattery GmbH if and to the extent they existed as per June 30, 2016 and become due and payable after January 1, 2017 and (ii) assumed *vis-à-vis* VARTA Microbattery GmbH the fulfilment of all payment obligations under such pension obligations. See *T.I. "Recent Developments and Outlook—Recent Developments"*.

XVI. MATERIAL CONTRACTS

1. Sale and Leaseback Transaction

In December 2015, VARTA Microbattery GmbH entered into a sale and leaseback transaction with WertInvest Ellwangen Immobilien GmbH, an entity wholly indirectly-controlled by DDr. Tojner, with respect to the property and buildings situated on such property at the Group's headquarters in Ellwangen, Germany. The purchase price of the transaction was €15.1 million, and the monthly lease pursuant to the sale and leaseback agreement amounts to €125,000 (excluding VAT). The term of the sale and leaseback transaction is unlimited. In connection with the entering into the agreement, VARTA Microbattery GmbH provided cash security in the amount of €750,000. Pursuant to the terms of the agreement, VARTA Microbattery GmbH holds a right of first refusal *in rem* (*dingliches Vertragsrecht*) in the event of any sale of the property and fixed assets as well as an option to repurchase under certain circumstances, including the termination of the lease agreement by WertInvest Ellwangen Immobilien GmbH, the initiation of insolvency or similar proceedings against WertInvest Ellwangen Immobilien GmbH or in the event that DDr. Tojner ceases to hold a majority interest in WertInvest Ellwangen Immobilien GmbH. As a result of the sale and leaseback transaction, €6,634 thousand of income from the sale of fixed assets was reported in the financial year ended December 31, 2015.

2. Factoring Framework Agreement

In December 2015, VARTA Microbattery GmbH and VARTA Storage GmbH, both subsidiaries of the Company, entered into a factoring framework agreement with NORD/LB Luxembourg S.A. Covered Bond Bank ("**NORD/LB**") in connection with the sale and assignment of trade receivables generated in the ordinary course of business to NORD/LB. The receivables are sold at the end of the month, and the counterparty bank determines the amount of receivables to be purchased, up to a total amount of €10,000 thousand. The receivables are measured at fair value as of such date and sold to the counterparty bank at 90% of their fair value. The receivables paid during the course of the month are recorded as other financial liabilities to banks in the Group's financial statements. The factoring framework agreement has an initial term of one year and may be extended by mutual agreement of the parties. As of December 31, 2015, the Group had sold €7,077 thousand in receivables. As of September 30, 2016, VARTA Microbattery GmbH and VARTA Storage GmbH had sold receivables in a total amount of €7,971 thousand pursuant to the factoring agreement. The factoring framework agreement contains customary warranties, guarantees and information obligations of the seller and no liability of the seller for deficiencies related to creditworthiness (*bonitätsmäßige Ausfälle*).

3. Agreement with TU München

In February 2014, VARTA Storage GmbH, a subsidiary of the Company, entered into a research and development agreement with the Technische Universität München ("**TUM**") with respect to the provision of research and development services regarding decentralized stationary energy storage to allow for the efficient use of renewable energies and to support the grid stability to TUM for a total compensation of approximately €13.1 million over the term of the agreement. For the financial year ended December 31, 2015, VARTA Storage GmbH received €4,275,075 in compensation for services provided under the research and development agreement. The agreement is set to expire at the end of 2016. For the financial year ending December 31, 2016, VARTA Storage GmbH will receive total compensation of €1,969,450 pursuant to the agreement.

4. Joint Venture Agreement

In September 2009, VARTA Microbattery GmbH, a subsidiary of the Company, and VW KRAFTWERK GmbH, a subsidiary of Volkswagen Aktiengesellschaft, entered into a joint venture agreement related to the establishment of VW-VM Forschungsgesellschaft mbH & Co. KG, with each party holding a 50% interest in VW-VM Forschungsgesellschaft mbH & Co. KG. The purpose of the joint venture is, among other things, to cooperate in the conduct of research and development on lithium cells for both mobile applications, such as motor vehicles, and stationary applications. VARTA Microbattery GmbH supports the joint venture through the provision of employees, rental areas and services. By a notarial deed dated December 23, 2015, Volkswagen Aktiengesellschaft, VW KRAFTWERK GmbH and VARTA Microbattery GmbH agreed to extend the business operations of the joint venture until the end of 2017. If a further extension of the joint venture agreement does not occur by June 30, 2017, VW-VM Forschungsgesellschaft mbH & Co. KG will be liquidated by the end of 2020. Both parties to the agreement are entitled to use the development results achieved by the joint venture for their own operations and to grant sub-licenses to specified companies. The right of use is subject to an individual licensing agreement which will, in particular, set out the license fee to be paid to VW-VM Forschungsgesellschaft mbH & Co. KG. Upon a liquidation of the joint venture, VARTA Microbattery GmbH and Volkswagen Aktiengesellschaft become equal co-owners of the rights pertaining to these development results.

5. Trademark and Domain Names Protection and Delimitation Agreements

In October 2002, in connection with the spinoff and sale of VARTA AG's former business divisions, the Company entered into two separate trademark and domain names protection and delimitation agreements (the "**TPDAs**") with its three former subsidiaries relating to the allocation and use of the VARTA trademark rights and VARTA domain names. The TPDAs have an unlimited term and continue to delineate the use of the trademark rights and domain names detailed thereunder. See also *L.XII.* "*—Intellectual Property*" above.

6. Loan from VARTA Microbattery GmbH to Auditas GmbH

In October 2012, as amended in September 2013 and March 2015, VARTA Microbattery GmbH, as lender, entered into a loan agreement with Auditas GmbH (formerly Vital Energie GmbH), as borrower, and a customer of the Group, for the provision of (i) a convertible loan in the amount of €500,000 and (ii) a loan in the amount of €750,000, with an interest rate of 3-month EURIBOR plus 5.00% per annum, which can be drawn in one or more tranches of €100,000 with a notice period of 10 days. The principal amount of the loan decreases by €150,000 annually, with final repayment due on December 31, 2018. As of September 30, 2016, €1,100,000 thousand was outstanding under the convertible loan and loan agreement with Auditas GmbH.

XVII. LEGAL PROCEEDINGS

In November 2013, Johnson Controls, Inc. and Johnson Controls Hybrid and Recycling GmbH filed a request for arbitration with the International Chamber of Commerce against VARTA Microbattery GmbH to seek clarification of the parties' respective rights to certain VARTA trademarks and signs following the divestiture of the former VARTA AG in 2002. In August 2014, the claimants filed additional claims before the arbitral tribunal seeking to integrate two preliminary injunctions against another Group entity and the Group's shareholder, Montana Tech Components AG, and thereby resolve all disputes between the parties with respect to the rights to certain VARTA trademarks and signs. In July 2015, before the arbitral tribunal issued its decision in the matter, the parties, including VARTA AG and Montana Tech Components AG, entered into a settlement agreement against payment of €9,094 thousand to clarify and realign certain intellectual property rights with respect to the use of such trademarks, company names and other company signs. For additional information on the allocation and use of certain VARTA trademarks and signs, see *L.XII.* "*—Intellectual Property*" above.

The Group is from time to time party to legal and arbitration proceedings in the ordinary course of business. Except as described above, the Group is currently not and has not been in the past twelve months, a party to any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Group is aware) which may have, or have had in the recent past, significant effects on the Company's and/or the Group's financial position or profitability.

XVIII. INSURANCE

The Group maintains insurance coverage under insurance policies and in amounts that it believes are appropriate and consistent with customary industry practice, including comprehensive business liability coverage (*Betriebshaftpflichtversicherung*) for the Group's business operations, property and business interruption insurance, accident and casualty insurance, electronics insurance, transport insurance, travel insurance and credit insurance.

The Issuer has also obtained directors and officers liability insurance for the members of its Management Board and Supervisory Board, which covers expenses and financial losses, capped at a certain amount, that the Group's Management Board and Supervisory Board members may incur in connection with their conduct and the exercise of their duties as directors or officers of the Issuer. As required under applicable German law, each member of the Management Board remains personally responsible, in the event they are adjudged to have personal liability, for 10% of the total amount of such liability, up to an amount that equals one point five times such member's total annual fixed remuneration.

The Group believes that its existing insurance coverage, including the amounts of coverage and the terms on which it is provided, provides reasonable protection, taking into account the costs for the insurance coverage and the potential risks to the Group's business operations. However, the Group cannot provide any assurances that losses will not be incurred or that claims will not be filed against the Issuer and its Group companies which exceed the scope of the existing insurance coverage.

M. SHAREHOLDER INFORMATION

I. SHAREHOLDER STRUCTURE

Prior to the Offering, 98% of the ordinary shares in the Company were held by VGG GmbH and 2% were held by ETV Montana Tech Holding GmbH, both of which are wholly-owned direct subsidiaries of Montana Tech Components AG. DDr. Michael Tojner, chairman of the Supervisory Board, is the major shareholder of Montana Tech Components AG. VGG GmbH will provide 2,499,999 shares to cover possible over-allotments (the Over-Allotment Shares, as already defined).

The following table sets forth certain information with respect to the direct ownership of ordinary shares of the Company before and after consummation of the Offering (assuming both no exercise of the Greenshoe Option and full exercise of the Greenshoe Option):

			Upon completion of the Offering							
			Assuming placement at the low end of the price range				**Assuming placement at the high end of the price range**			
	Prior to the Offering		**Assuming no exercise of the Greenshoe Option**		**Assuming full exercise of the Greenshoe Option**		**Assuming no exercise of the Greenshoe Option**		**Assuming full exercise of the Greenshoe Option**	
	Number	**Percent**	**Number**	**Percent**	**Number**	**Percent**	**Number**	**Percent**	**Number**	**Percent**
VGG GmbH(1)(3)	29,008,000	98.0	29,008,000	62.7	26,508,001	57.3	29,008,000	69.7	27,208,000	65.4
ETV Montana Tech Holding GmbH(2)(3)	592,000	2.0	592,000	1.3	592,000	1.3	592,000	1.4	592,000	1.4
Free float	—	—	16,666,666	36.0	19,166,665	41.4	12,000,000	28.9	13,800,000	33.2
Total	**29,600,000**	**100.0**	**46,266,666**	**100.0**	**46,266,666**	**100.0**	**41,600,000**	**100.0**	**41,600,000**	**100.0**

(1) VGG GmbH is an Austrian limited liability company wholly-owned and held directly by Montana Tech Components AG.

(2) ETV Montana Tech Holding GmbH is an Austrian limited liability company wholly-owned and held directly by Montana Tech Components AG. Therefore, Montana Tech Components AG indirectly holds 100% of the shares in the Company.

(3) As to a possible exchange of shares of the Company with a value of up to €5.0 million held by either VGG GmbH and/or ETV Montana Tech Holding GmbH for shares in Montana Tech Components AG (Switzerland) held by its shareholders, see *C.VIII. "Market Protection Agreement/Selling Restrictions (Lock-up)"*.

Except as disclosed above, the Company is not aware of any person who, as of the date of this Prospectus, directly or indirectly holds a stake in the Company's equity (or associated voting rights) that is required to be disclosed pursuant to Section 21 *et seqq.* of the German Securities Trading Act (*Wertpapierhandelsgesetz*).

Following the completion of the Offering, the Chief Executive Officer will use a portion of the net cash bonus payment received to acquire shares of the Company from VGG GmbH at a 20% discount to the Offer Price. In addition, in connection with the Offering, the Chief Financial Officer will receive an option to acquire shares of the Company from VGG GmbH at a 20% discount to the Offer Price, which he currently intends to exercise shortly after the completion of the Offering. For further details, see *C.XI.* "*The Offering—Interest of Persons Involved in the Offering*". Directors' dealings notifications will be filed in accordance with applicable law upon the acquisition of such shares.

II. MANAGEMENT STOCK OPTION PROGRAM

Upon completion of the Offering, VGG GmbH intends to establish a stock option program for the benefit of the members of the Management Board and certain employees of the Issuer and its consolidated companies. Approximately 50 employees will be entitled to participate in such stock option program. For further details, see *P.VII.* "*Description of Share Capital and Related Information—Management Stock Option Program*".

N. RELATED PARTY TRANSACTIONS

In accordance with IAS 24, transactions with persons or companies which are, *inter alia*, members of the same group as the Group or which are in control of, or controlled by, the Company and managed by the management of the Company must be disclosed, unless they are already consolidated in the Group's combined financial statements. Control exists if a shareholder owns more than one half of the voting rights in the respective company or, by virtue of an agreement, has the power to govern the financial and operating policies of the company so as to obtain benefits from its activities. The disclosure requirements under IAS 24 also extend to transactions with associated companies (including joint ventures) as well as transactions with persons who have significant influence on the Company's financial and operating policies, including close family members and intermediate entities. Set forth below is a summary of transactions with related parties for the financial years ended December 31, 2013, 2014 and 2015 and as well as for the nine months ended September 30, 2016 and until the date of the Prospectus. Further information, including quantitative amounts of related party transactions, is contained in the Note 32 of the Combined Financial Statements included in the section "*Financial Information*" of this Prospectus.

I. SERVICE AGREEMENTS

1. Service Agreement between VARTA AG and ETV Beteiligungs GmbH

In November 2011, as amended in September 2013, the Company, as principal, and ETV Beteiligungs GmbH ("**ETV**"), as agent, entered into a service agreement for the provision of services related to: (i) financial, accounting, tax planning, controlling, strategic tax advice, (ii) strategic advice, (iii) organizational advice and support, (iv) provision of personnel and (vi) legal advice at agreed daily rates. The term of the service agreement was unlimited. In September 2013, the service agreement was amended to grant ETV a success fee of 30% of the realized profit from the winding up of certain pension obligations of VARTA Pensionsverwaltung e.V. and the successful management of the pension assets and obligations. For the financial year ended December 31, 2015, €967,500 was booked for services rendered under the service agreement. Following the spin-off of certain pension obligations of VARTA AG in 2016, the main agreement and the amendment to the service agreement were terminated with effect as of January 1, 2016.

2. Service Agreements with Montana Tech Components AG

In December 2011, Montana Tech Components AG, as service provider, entered into service agreements with each of VARTA Microbattery GmbH, VARTA Microbattery Inc. and VARTA Microbattery Private Limited, each as a respective service recipient, in connection with the provision of services related to (i) human resources, (ii) marketing and sales support, (iii) production and logistics and (iv) business development and strategy consulting. The term of the service agreements is unlimited, and the agreements can be terminated by either party upon 30 days' prior notice at month's end. Service fees payable under the service agreements are determined according to the profit and loss account of the service provider based on total costs incurred calculated according to the net cost-plus method. Service fees are payable in advance quarterly payments based on figures determined by the service provider's budget. For the financial year ended December 31, 2015, a total of €1,115,000 was pre-paid by VARTA Microbattery GmbH, VARTA Microbattery Inc. and VARTA Microbattery Private Limited to Montana Tech Components AG under the service agreements for services rendered in 2015. As actual services rendered in 2015 only amounted to €969,270, the balance of €145,730 was repaid by Montana Tech Components AG to the three companies in May 2016. The service agreements with Montana Tech Components AG have been terminated with effect as of June 30, 2016.

3. Service Agreements with Montana Tech Components GmbH

In December 2007, Montana Tech Components GmbH, as service provider, entered into service agreements with each of VARTA Microbattery GmbH, VARTA Microbattery Inc. and VARTA Microbattery Private Limited, each as a respective service recipient, in connection with the provision of services related to (i) coordination and general management, (ii) controlling, finance and accounting, (iii) legal advice, tax and management consultancy and (iv) other miscellaneous support services. The service agreements automatically renew on an annual basis unless terminated, and the agreements can be terminated by either party upon three months' prior notice at month's end. Service fees payable under the service agreements are determined based on budgeted estimates. Service fees are payable in advance quarterly payments based on estimated value of expected costs in line with the budget. For the financial year ended December 31, 2015, a total of €788,000 was pre-paid by VARTA Microbattery GmbH, VARTA Microbattery Inc. and VARTA Microbattery Private Limited to Montana Tech Components GmbH under the service agreements for services rendered. As actual services rendered in 2015 amounted to €862,538, the balance of €74,538 was paid by the three companies in May 2016. The service agreements with Montana Tech Components GmbH have been terminated with effect as of June 30, 2016.

II. TRADEMARK MANAGEMENT AGREEMENTS

1. Trademark Management Agreement between VARTA AG and ETV Beteiligungs GmbH

In September 2012, as amended with effect as of January 2013, the Company entered into a trademark management agreement with ETV pursuant to which ETV agreed to manage and administer the various VARTA trademarks, for which the Company acts as legal trustee, in exchange for the exclusive right to hold and use (including the concession, granting and transfer of such usage) such trademarks, to the extent legally permissible. Pursuant to the trademark management agreement, the Company and ETV agreed to a certain split of revenues from the use of the VARTA trademarks. The term of the agreement is 20 years, with early termination rights expressly excluded unless for good cause. In the event of a termination, all rights and obligations of the parties will cease to exist with the exception of the granted trademark rights, and all revenues generated due to ETV's previous efforts will continue to be payable for 10 years following termination as if the agreement had not been terminated. The agreement was terminated with effect as of December 31, 2015 against no additional consideration. In the financial year ended December 31, 2015, €201,095 was booked for services rendered under the trademark management agreement. Following the termination effective as of December 31, 2015, all rights and obligations of the parties have ceased and no further amounts will be payable under the trademark management agreement.

2. Trademark Management Agreement between VARTA Microbattery GmbH and ETV Beteiligungs GmbH

In August 2013, VARTA Microbattery GmbH entered into a trademark management agreement with ETV pursuant to which ETV agreed, with effect from January 1, 2013, to manage and administer the various VARTA trademarks held by VARTA Microbattery GmbH in exchange for the exclusive right to hold and use (including the concession, granting and transfer of such usage) such trademarks, to the extent legally permissible. Pursuant to the trademark management agreement, the management fee payable to ETV pursuant to the agreement amounts to 1% of the annual consolidated revenue of VARTA Microbattery GmbH and its consolidated subsidiaries. The term of the agreement is 5 years, and either party may terminate the trademark agreement with 12 months' notice as of the end of the month. For the financial year ended December 31, 2015, €1,770,632 was booked for services rendered under the trademark management agreement. The trademark agreement was terminated with effect as of December 31, 2015 against consideration of €120,000, which was booked as of and for the nine months ended September 30, 2016. Following the termination effective as of December 31, 2015, all rights and obligations of the parties have ceased and no further amounts will be payable under the trademark management agreement.

III. LICENSE AGREEMENTS

1. License Agreement with VARTA Storage GmbH

In October 2012, the Company, ETV and VARTA Storage GmbH entered into a license agreement pursuant to which the Company transferred the non-exclusive right to VARTA Storage GmbH, with the express approval of ETV, to the unlimited use of the VARTA trademarks. Beginning with the financial year ended December 31, 2013, the annual net license fee payable to the Company pursuant to the license agreement amounted to 1% of the annual consolidated revenue of VARTA Storage GmbH and its consolidated subsidiaries, with an annual minimum license fee of €100,000. The license agreement was concluded for a term until the end of 2015 and expired on December 31, 2015. For the financial year ended December 31, 2015, payment of €187,278 was made from VARTA Storage GmbH to the Company for services rendered under the license agreement (whereby 70% of such amount was paid to ETV on the basis of the trademark management agreement between VARTA AG and ETV Beteiligungs GmbH described above).

2. License Agreement with VARTA Micro AG

In September 2012, as amended with effect as of August 2013, the Company, ETV and VARTA Micro AG entered into a license agreement pursuant to which the Company transferred the non-exclusive right to VARTA Micro AG, with the express approval of ETV, to the unlimited use of the VARTA trademarks. Beginning with the financial year ended December 31, 2013, the annual net license fee payable to the Company pursuant to the license agreement amounted to €100,000. The license agreement was concluded for a term until the end of 2015 and expired on December 31, 2015. For the financial year ended December 31, 2015, €100,000 was booked for services rendered under the license agreement (whereby 70% of such amount was paid to ETV on the basis of the trademark management agreement between VARTA AG and ETV Beteiligungs GmbH described above under II.1).

3. License Agreement with ETV Beteiligungs GmbH

In August 2013, VARTA Microbattery GmbH, VARTA Storage GmbH and ETV entered into a license agreement pursuant to which VARTA Microbattery GmbH granted the non-exclusive right to VARTA Storage GmbH for the use of the VARTA and ENGION trademarks for the present and future energy storage systems produced and marketed by it. Beginning with the financial year ended December 31, 2013, the net license fee payable to VARTA Microbattery GmbH pursuant to the license agreement amounted to 1% of the annual consolidated revenue of VARTA Storage GmbH and its consolidated subsidiaries, with a minimum annual license fee of €100,000. The license agreement was concluded for an initial term until the end of 2015 and expired on December 31, 2015. For the financial year ended December 31, 2015, €187,278 was booked for services rendered under the license agreement (whereby 70% of such amount was paid to ETV on the basis of the trademark management agreement between VARTA Microbattery GmbH and ETV Beteiligungs GmbH described above under II.1).

IV. FINANCING ARRANGEMENTS

1. Loan from the Company to Global Equity Partners

In August 2014, the Company, as lender, entered into a loan agreement with Global Equity Partners Beteiligungs-Management Deutschland GmbH, as borrower, a company wholly-indirectly controlled by DDr. Tojner, the chairman of the Company's supervisory board, for the provision of a loan in the amount of €25,000 with an interest rate of 3.00% per annum and a maturity date of December 31, 2018, on which principal and interest are payable. The borrower may, at its option, repay the loan and accrued interest, in part or in whole, prior to the maturity date. As of September 30, 2016, €26,477.34 including accrued interest was outstanding under the loan agreement with Global Equity Partners.

2. Loan from the Company to Pertrix

In May 2014, the Company, as lender, entered into a loan agreement with Pertrix GmbH & Co. KG, as borrower, a subsidiary of Equity Partners Beteiligungs-Management Deutschland GmbH, for the provision of a loan in the amount of €1,500,000 with an interest rate of 3.00% per annum and a payment date of December 31, 2020. Interest on the loan is payable on a monthly basis, and the lender is entitled to demand the provision of certain real property as security for the loan. The borrower may, at its option, repay the loan, in part or in whole, prior to the maturity date. As of September 30, 2016, €1,086,946.69 was outstanding under the loan agreement with Pertrix GmbH & Co. KG.

3. Loan Agreements between the Company and Montana Tech Components GmbH

In August 2013, as amended in June 2014, the Company, as lender, and Montana Tech Components GmbH, as borrower, entered into a loan agreement for the provision of a loan in the amount of €8 million with an interest rate of 3.00% per annum, payable on a quarterly basis, with a term until September 30, 2014. The borrower may, at its option, repay the loan, in part or in whole, prior to the maturity date.

In December 2013, as amended in June 2014, the Company, as lender, and Montana Tech Components GmbH, as borrower, entered into a loan agreement for the provision of a loan in the amount of €6,450,000 with an interest rate of 3.00% per annum, payable on a quarterly basis, with a term until September 30, 2014. The borrower may, at its option, repay the loan, in part or in whole, prior to the maturity date.

In September 2014, as amended in June 2016, the Company, as lender, and Montana Tech Components GmbH, as borrower, consolidated and amended the two loan agreements described above into a single loan agreement and rolled over the outstanding receivables into a revolving credit in the amount of €15 million with an interest rate of 0.3% per annum, payable annually, until December 31, 2016. As of September 30, 2016, €3,063,082.02 was outstanding under such new loan agreement with Montana Tech Components GmbH.

4. Loan Agreements between the Company and Michael Tojner Industriebeteiligungs und—beratungs GmbH

In February 2012, as amended from time to time, the Company, as lender, and Michael Tojner Industriebeteiligungs und—beratungs GmbH, as borrower, entered into a secured loan agreement for the provision of a loan in the amount of €24 million with an interest rate of 5.0% per annum until August 31, 2012, 6.0% per annum from September 1, 2012 until December 31, 2012 and 8.0% per annum from December 31, 2012 until December 31, 2015, payable at the end of the loan agreement at December 31, 2015 (as amended). In December 2014, all outstanding amounts under the loan agreement were repaid in full.

In June 2014, the Company, as lender, and Michael Tojner Industriebeteiligungs und—beratungs GmbH, as borrower, entered into a loan agreement for the provision of a loan in the amount of €1.7 million with an interest rate of 3.0% per annum, payable on a quarterly basis, with a term until July 31, 2014. In August 2014, all outstanding amounts under the loan agreement were repaid in full.

In January 2015, the Company, as lender, and Michael Tojner Industriebeteiligungs und—beratungs GmbH, as borrower, entered into a secured overdraft facility for the provision of a current account advance (available for drawdown in tranches on one or more occasions prior to April 30, 2015) in the amount of up to €12 million with an interest rate of 6.0% per annum, payable on a quarterly basis, with a term until June 30, 2016. As of December 15, 2015, €9,010.943.30 was outstanding. The repayment claim in the amount of €9,008,730.49 was distributed as a dividend in kind to ETV Montana Tech Holding GmbH on December 15, 2015 and the remaining portion of the receivable was repaid in January 2016, as a result of which payment claims ceased to exist.

In May 2015, the Company, as lender, and Michael Tojner Industriebeteiligungs und—beratungs GmbH, as borrower, entered into a secured overdraft facility for the provision of a current account advance (available for drawdown in tranches on one or more occasions prior to July 15, 2015) in the amount of €2.5 million with an interest rate of 6.0% per annum, payable on a quarterly basis, with a term until June 30, 2016. As of December 15, 2015, €2,582,166.67 was outstanding. The claim in the amount of €2,500,000 was disbursed as a dividend in kind to ETV Montana Tech Holding GmbH on December 15, 2015 and the remaining portion of the receivable was repaid in January 2016, as a result of which payment claims ceased to exist.

In September 2015, the Company, as lender, and Michael Tojner Industriebeteiligungs und—beratungs GmbH, as borrower, entered into a secured overdraft facility for the provision of a current account advance (available for drawdown in tranches on one or more occasions prior to September 30, 2015) in the amount of €1,750,000 million with an interest rate of 6.0% per annum, payable on a quarterly basis, with a term until June 30, 2016. As of December 15, 2015, €1,773,916.67 was outstanding. A claim in the amount of €1,750,000 has been disbursed as a dividend in kind to ETV Montana Tech Holding GmbH on December 15, 2015. The remaining portion of the receivable in the amount of €23,916.67 was repaid by Michael Tojner Industriebeteiligungs und—beratungs GmbH in January 2016, as a result of which payment claims ceased to exist.

5. Loan Agreement between Montana Tech Components GmbH and VARTA Microbattery GmbH

In September 2015, Montana Tech Components GmbH, as lender, and VARTA Microbattery GmbH, as borrower, entered into a revolving loan agreement for the provision of a loan in the amount of €20 million, with a commitment fee of 0.70% per annum and an interest rate of 4.00% per annum, payable on a quarterly basis, until April 30, 2017. As of November 30, 2015, the revolving loan agreement was reduced to an amount of €15 million. The borrower may, at its option, repay the loan, in part or in whole, prior to the maturity date. As of September 30, 2016, €7,627,400.01 was outstanding under the loan agreement.

For the financial year ended December 31, 2015, the commitment fee amounted to €8,000.82. For the period from January 1, 2016 until March 31, 2016, the commitment fee amounted to €22,838.29 and was paid in the second quarter of 2016.

6. Loan Agreement between Montana Tech Components GmbH and VARTA Microbattery GmbH

In January 2016, Montana Tech Components GmbH, as lender, and VARTA Microbattery GmbH, as borrower, entered into a loan agreement for the provision of a loan in the amount of €10,937,500 with an interest rate of 4.00% per annum, payable on a quarterly basis, with a term until August 31, 2016. The borrower may, at its option, repay the loan, in part or in whole, prior to the maturity date. As of September 30, 2016, €6,937,500 was outstanding under the loan agreement.

7. Loan Agreement between VGG GmbH (formerly VARTA Gruppe GmbH) and VARTA Storage GmbH

In September 2015, VGG GmbH (formerly VARTA Gruppe GmbH), as lender, and VARTA Storage GmbH, as borrower, entered into a revolving loan agreement for the provision of a loan (available for drawdown on one or more occasions) in the amount of €22,500,000 with a commitment fee of 0.7% per annum and an interest rate of 6.0% per annum, with a term until April 30, 2017. The borrower may, at its option, repay outstanding amounts under the loan agreement, in part or in whole, prior to the maturity date. As of December 16, 2015, the lender agreed to a cancellation of debt in the amount of €6,000,000, subject to the following condition subsequent: for each business year between 2016 and 2025 in which the profit (*Jahresüberschuss*) of VARTA Storage GmbH exceeds €1,000,000, the cancellation of debt shall be partially reversed in the amount of such excess over €1,000,000, provided, however, that if the profit (*Jahresüberschuss*) of VARTA Storage GmbH exceeds €2,000,000, €1,000,000 plus half of the profit exceeding €2,000,000 shall be reversed. As of September 30, 2016, €13,902,963 was outstanding under the loan agreement.

8. Loan Agreement between VGG GmbH (formerly VARTA Gruppe GmbH) and VARTA Micro AG

In June 2015, as amended in June 2016, VGG GmbH (formerly VARTA Gruppe GmbH), as lender, and VARTA Micro AG, as borrower, entered into a loan agreement for the provision of a loan in the amount of €400,000 with an interest rate of 6.00% per annum, payable on a quarterly basis, with a term until December 31, 2016. The borrower may, at its option, repay outstanding amounts under the loan agreement, in part or in whole, prior to the maturity date. As of June 30, 2016, the lender agreed to a cancellation of debt in the amount of €200,000, subject to the following condition subsequent: For each business year between 2016 and 2026 in which the profit (*Jahresüberschuss*) of VARTA Micro AG exceeds €1,000,000, the cancellation of debt shall be partially reversed in the amount of such excess over €1,000,000, provided, however, that if the profit (*Jahresüberschuss*) of VARTA Micro AG exceeds €2,000,000, €1,000,000 plus half of the profit exceeding €2,000,000 shall be reversed. As of September 30, 2016, €200,000 under the loan agreement was outstanding.

9. Loan Agreement between VGG GmbH (formerly VARTA Gruppe GmbH) and VARTA Microbattery s.r.l.

In January 2015, as amended in June 2016, VGG GmbH (formerly VARTA Gruppe GmbH), as lender, and VARTA Microbattery s.r.l., as borrower, entered into a loan agreement for the provision of a loan in the amount of €1,000,000 with an interest rate of 6.00% per annum, payable on a quarterly basis, with a term until December 31, 2016. The borrower may, at its option, repay outstanding amounts under the loan agreement, in part or in whole, prior to the maturity date. As of September 30, 2016, €1,000,000 was outstanding under the loan agreement.

10. Loan Agreements between the Company and Herbert Quandt Stiftung

Herbert Quandt Stiftung typically provides the Company with monetary funds so that the Company is able to grant sponsorships in the name of Herbert Quandt Stiftung. No written loan agreement exist. Fund are being transferred to the Company by applying interest of 3.37% p.a. As of September 30, 2016, €543,132 was outstanding.

11. Sale and Lease back Agreement between VARTA Microbattery GmbH and WertInvest Ellwangen Immobilien GmbH

In December 2015, VARTA Microbattery GmbH entered into a sale and leaseback transaction with WertInvest Ellwangen Immobilien GmbH, an entity indirectly-controlled by DDr. Tojner, with respect to the owned property and buildings situated on such property at the Group's headquarters in Ellwangen, Germany. The purchase price was €15.1 million, and the monthly lease pursuant to the sale and leaseback agreement amounts to €125,000 (excluding VAT). The term of the sale and leaseback agreement is unlimited. In connection with the entering into the agreement, VARTA Microbattery GmbH provided cash security in the amount of €750,000. Pursuant to the terms of the agreement, VARTA Microbattery GmbH holds a right of first refusal *in rem* (*dingliches Vorkaufsrecht*) in the event of any sale of the property and fixed assets as well as an option to repurchase under certain circumstances, including the termination of the lease agreement by WertInvest Ellwangen Immobilien GmbH, the initiation of insolvency or similar proceedings against WertInvest Ellwangen Immobilien GmbH or in the event that DDr. Tojner ceases to hold a majority interest in WertInvest Ellwangen Immobilien GmbH. As a result of the sale and leaseback transaction, €6,634 thousand of income from the sale of fixed assets was reported under other operating income in the Combined Financial Statements for the financial year ended December 31, 2015. See also *L.XVI.1.* "*Business—Material Contracts—Sale and Leaseback Transaction*".

12. Loan Arrangement between the Company and VARTA Unterstützungskasse GmbH

In the past, VARTA Unterstützungskasse GmbH, a former subsidiary of the Company, provided the Company with funds to enable the Company to settle pension obligations towards former employees of the Company for, and in the name of, VARTA Unterstützungskasse GmbH. Funds were transferred to the Company with an interest rate of 1.37% per annum. In the course of the spin-off of all pension obligations from the Company to VRT Pensionen GmbH, the underlying payable was transferred to VRT Pensionen GmbH. For a brief description of the spin-off of the pension obligations, see "*—Other*" below. As of September 30, 2016, no amount was outstanding under the loan arrangement.

V. OTHER

1. Spin-off of Pension Obligations

In June 2016, the Company entered into an agreement with VRT Pensionen GmbH, a company founded by an indirect subsidiary of Montana Tech Components AG, pursuant to which the pension assets and obligations of the Company and its employees were spun off to VRT Pensionen GmbH. The spin-off took retroactive effect as of January 1, 2016. Pursuant to the spin-off arrangement with VRT Pensionen GmbH, the Company remains subject to the liabilities in connection with the spin-off for a period of 10 years. For additional information, see Notes 16, 34 and 36 of the Combined Financial Statements.

2. Assumption Agreement regarding Pension Obligations of VARTA Microbattery GmbH

In November 2016, VARTA Microbattery GmbH entered into an agreement with VRT Pensionen GmbH, pursuant to which, effective as of January 1, 2017, VRT Pensionen GmbH (i) will be added as debtor for the pension obligations of VARTA Microbattery GmbH if and to the extent they existed as per June 30, 2016 and become due and payable after January 1, 2017 and will assume *vis-à-vis* VARTA Microbattery GmbH the fulfilment of all payment obligations under such pension obligations. VARTA Microbattery GmbH is obliged to pay a consideration of €11,500 thousand for such assumption of its pension obligations. Such consideration has to be treated by VRT Pensionen GmbH as "plan assets" pursuant to IAS 19.8, and VRT Pensionen GmbH agreed to enter into a contractual trust arrangement with a pension association (*e.g.*, VARTA Pensions-Treuhand e.V.), which will administer such funds exclusively for the purpose of fulfilling payment obligations under the above pension obligations. Payment obligations of VRT Pensionen GmbH under the assumption agreement, which are not covered by plan assets pursuant to IAS 19.8, are secured by an irrevocable guarantee by VGG GmbH towards VARTA Microbattery GmbH up to an amount of €8,000 thousand. See *T.I. "Recent Developments and Outlook—Recent Developments"*.

3. Capital Decrease of Company and Outstanding Obligations to ETV Montana Tech Holding AG

In December 2015, ETV Montana Tech Holding GmbH, as 100% shareholder of the Company at that time, adopted the decision to reduce the share capital of the Company from €1,000,000 by €900,000 to

€100,000 by way of a formal capital decrease pursuant to Sec. 22 *et seqq* AktG. The reduction amount of the share capital was repaid in July 2016 after the lapse of the statutory six-month waiting period.

4. Contribution of VARTA Microbattery by VGG GmbH in VARTA AG by means of Capital Increase Against Contribution in Kind

Effective June 29, 2016, VGG GmbH transferred all of the shares in VARTA Microbattery GmbH to the Company as a contribution in kind. As a result of the contribution in kind, the share capital of the Company increased by €29,500,000, with €39,432 transferred into the Company's capital reserves. For additional information, see Note 36 of the Combined Financial Statements.

5. Lease Agreement with WertInvest Immobilientreuhand GmbH

In May 2012, WertInvest Immobilientreuhand GmbH, as lessor, an entity indirectly-controlled by DDr. Tojner, and the Company, as lessee, entered into a lease agreement with respect to a roof-top advertising board in Vienna, Austria. The lease agreement is concluded for a fixed term until December 31, 2018. The monthly lease amounts to €15,366.40 (excluding VAT).

O. GENERAL INFORMATION ABOUT VARTA AKTIENGESELLSCHAFT AND THE GROUP

I. HISTORY AND DEVELOPMENT OF THE GROUP

The origins of the Group date back to as early as the year 1887. Following a series of corporate reorganizations, the then existing business units focused on microbatteries were merged into VARTA AKTIENGESELLSCHAFT in 1972. In 2001 and 2002, the old business divisions of VARTA AKTIENGESELLSCHAFT were split up. As a result, the Group is one of the three independent successors of the old VARTA AKTIENGESELLSCHAFT. For further information on the history of the Group, see *L.IV.* "*Business—History of the Group*". The legal and commercial name of the Issuer is VARTA AKTIENGESELLSCHAFT.

II. REGISTERED OFFICE, FINANCIAL YEAR, TERM, CORPORATE PURPOSE

The registered office of VARTA AKTIENGESELLSCHAFT is in Ellwangen (Jagst), Germany, and it is registered with the commercial register (*Handelsregister*) maintained by the local court (*Amtsgericht*) of Ulm, Germany, under HRB 728059. The Company's business address is Daimlerstr. 1, 73479 Ellwangen (Jagst), Germany, tel. +49 (0) 7961 921699, Internet address: http://www.varta-ag.com. The Company's most recent Articles of Association are dated August 24, 2016.

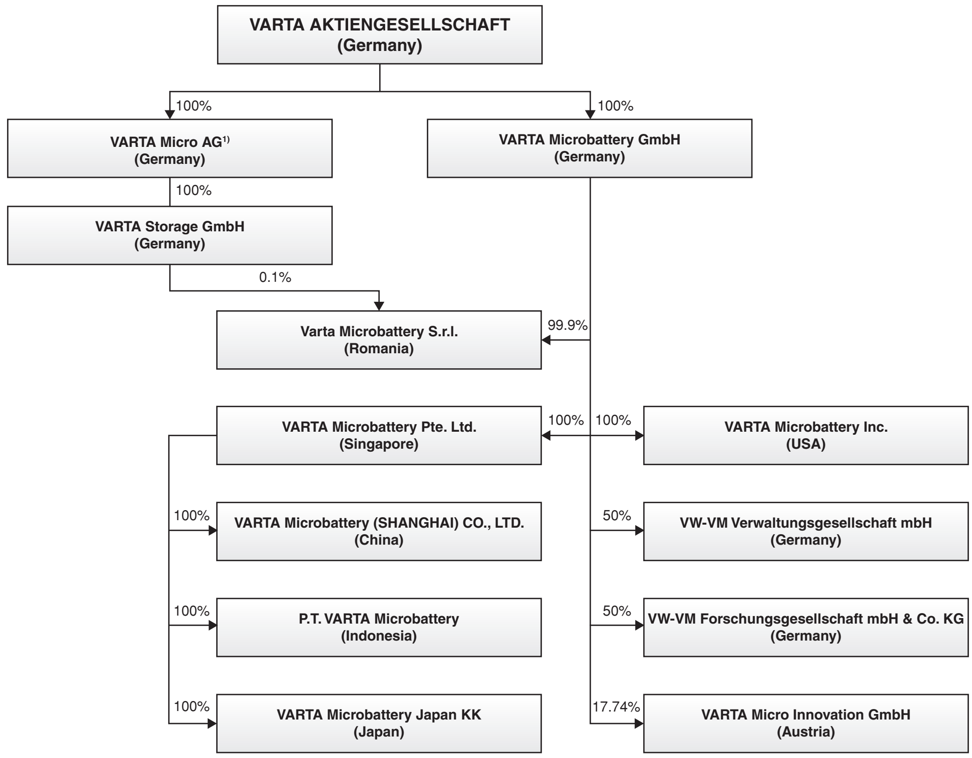
The Company has been formed for an indefinite period of time. The financial year of the Company is the calendar year.

In accordance with Section 2 of the Company's Articles of Association, the corporate purpose of the Company is the holding, acquisition, management and disposal of shares, especially shares in companies in the field of the development, production and distribution of energy systems and energy storage systems, the provision of services of all kind, especially services for companies and/or in the name of companies, in which the Company holds shares, and the development, the production and the distribution of selected energy systems and energy storage systems. Furthermore, the purpose of the Company consists in the management of own assets, especially the realisation and settlement of assets, contracts, liabilities and shares with regard to the business segments formerly operated by the Company and its subsidiaries. The Company may also engage in activities specified above, in particular, carry out individual transactions. The Company may directly and indirectly engage in all activities which are suitable for serving the purpose of the Company. Further, the Company may, in particular, establish, acquire, sell or participate in branches and other enterprises in Germany and abroad. Furthermore, the Company may limit its activities to a part of the fields of activity mentioned above.

III. GROUP STRUCTURE

As the parent company of the Group, VARTA AKTIENGESELLSCHAFT exercises certain Group management functions such as strategy, mergers and acquisitions and integration, risk management, Group accounting and controlling, treasury, legal, taxation, investor relations, Group marketing and public relations. The operating business of the Group is conducted exclusively by the relevant direct and indirect operating subsidiaries of the Company.

The following chart shows in simplified form the current structure of the Group with all subsidiaries of VARTA AKTIENGESELLSCHAFT and its respective direct and indirect shareholdings:



[1] currently in the process of being merged with and into VARTA Storage GmbH (Germany)

IV. NOTICES, PAYING AGENT

Company notices are published in the Federal Gazette (*Bundesanzeiger*) in accordance with the Company's Articles of Association, unless publication is required by law in another form. To the extent that relevant statutory provisions provide that declarations or information must be disclosed to the shareholders without providing a specific form, it is sufficient if such declarations or information appear on the Company's website. Notices relating to shares are also published in the Federal Gazette. Notices required under applicable laws governing stock exchange transactions will also be published in the Federal Gazette.

Notices relating to the approval of this Prospectus or any supplements thereto will be published in the form contemplated for this Prospectus in compliance with the provisions of the German Securities Prospectus Act (*Wertpapierprospektgesetz*), in particular by way of publication at the Company's website: http://www.varta-ag.com/investor-relations/. Printed copies of the Prospectus can be obtained at the Company's registered office at Daimlerstr. 1, 73479 Ellwangen (Jagst), and from UniCredit at Arabellastraβe 12, 81925 Munich, Germany, and from Jefferies at Jefferies International Limited, Niederlassung Frankfurt, Bockenheimer Landstraβe 24, 60323 Frankfurt am Main, Germany.

The paying agent is UniCredit.

V. INFORMATION CONCERNING SIGNIFICANT SUBSIDIARIES

The table below provides an overview of the significant holding and operating subsidiaries of the Group, *i.e.*, equity interests whose carrying value amounts to at least 10% of the combined equity or at least 10% of the combined net profit of the Group. All shares in affiliated companies have been fully paid in.

The names of the significant subsidiaries and the Company's share of subscribed share capital have not changed since September 30, 2016.

Name	Country of incorporation	Interest held directly or indirectly by the Company
VARTA Micro AG	Germany	100.00%
VARTA Microbattery GmbH	Germany	100.00%
VARTA Microbattery Pte. Ltd.	Singapore	100.00%
P.T. VARTA Microbattery	Indonesia	100.00%

P. DESCRIPTION OF SHARE CAPITAL AND RELATED INFORMATION

I. SHARE CAPITAL AND SHARES

The share capital of the Company currently amounts to €29,600,000. It is divided into 29,600,000 ordinary shares (*Stammaktien*). The shares in the Company are bearer shares (*Inhaberaktien*) with no par value (*Stückaktien*), each with a notional amount of the share capital of €1.00 per share. The share capital of the Company has been fully paid in.

Each share carries one vote at the Company's general shareholders' meeting. There are no restrictions on voting rights and the shares carry full dividend entitlement.

In the event that the Company is dissolved, the Company's assets remaining after settlement of its liabilities will be distributed among the shareholders in proportion to their share in the Company's share capital.

The Management Board determines the form of the share certificates as well as the dividend coupons and renewal coupons. Global certificates may be issued. Pursuant to Section 4(5) of the Company's Articles of Association, shareholders are not entitled to receive definitive share certificates (*Aktienurkunden*) for their shares.

The Company's current share capital is represented by one or more global share certificate without dividend coupons, which is held with Clearstream Banking Aktiengesellschaft, Mergenthalerallee 61, 65760 Eschborn, Germany.

II. DEVELOPMENT OF THE SHARE CAPITAL

The Company's share capital has been increased in several stages to the current amount of €29,600,000.

In 1973, the Company was incorporated in the form of a German stock corporation (*Aktiengesellschaft*) with a registered capital of DM101,200,000. Thereafter, several measures concerning the share capital were taken. On May 19, 1999, the general shareholders' meeting of the Issuer resolved to transform its share capital of then DM98,940,000 into €50,587,218.73 and to increase its share capital from €50,587,218.73 by €70,061,27 to €50,657,280 from company funds. On December 13, 2006, the general shareholders' meeting of the Issuer resolved to decrease the share capital of the Issuer from €50,657,280 by €45,710,208 to €4,947,000. On December 9, 2014 and December 4, 2015, respectively, the general shareholders' meetings of the Issuer resolved to further decrease the share capital of the Issuer from €4,947,000 by €3,947,000 to €1,000,000 and further from €1,000,000 by €900,000 to €100,000. On April 13, 2016, the general shareholders' meeting resolved to increase the share capital of the Issuer from €100,000 by €4,900,000 to €5,000,000 against contribution in kind of all shares in VARTA Microbattery GmbH (see *L IV. "Business—History of the Group"*). After completion of the contribution, but prior to the registration of the capital increase with the Commercial Register (*Handelsregister*), on June 29, 2016, the general shareholders' meeting resolved to amend its resolution from April 13, 2016 and resolved to instead increase the share capital of the Issuer from €100,000 by €29,500,000 to €29,600,000 against the same contribution in kind. The capital increase was registered with the Commercial Register (*Handelsregister*) of the Issuer on July 5, 2016.

On November 16, 2016, the extraordinary general shareholders' meeting of the Company resolved, in connection with the Offering, to increase the registered share capital of the Issuer against contribution in cash and under exclusion of the subscription rights of the existing shareholders of the Company from €29,600,000 by up to €16,666,666 to up to €42,266,666 through the issuance of up to 16,666,666 new ordinary no par value bearer shares (*Stückaktien*) in the Company (the New Shares, as defined) with a notional value each of €1.00 in the share capital. The New Shares are offered in the Offering that is the subject matter of this Prospectus. The implementation of this capital increase is expected to be registered in the Commercial Register (*Handelsregister*) at the local court of Ulm on or about November 30, 2016.

Furthermore, the extraordinary general shareholders' meeting on November 16, 2016 authorized the Management Board to apply for the admission to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, on the sub-segment thereof with additional post-admission obligations (Prime Standard) of all shares of the Company.

III. AUTHORIZATION TO ISSUE CONVERTIBLE BONDS AND OTHER INSTRUMENTS

The Management Board is authorized, with the approval of the Supervisory Board, to issue until August 23, 2021, once or repeatedly, bonds with warrants, convertible bonds, profit participation rights, and/or participating bonds (or combinations of these instruments) (collectively, the "**Bonds**") having a total par value of up to €29,600,000 with or without term restrictions and to grant the holders or creditors (collectively, the "**Holders**") option rights or obligations or conversion rights or obligations to shares of the Issuer with a maximum proportion of the share capital of €11,840,000 in accordance with the terms and conditions of the Bonds. Bonds may also be issued by a subordinate company of the Group. In this case, the Management Board is authorized, with the approval of the Supervisory Board, to assume the guarantee for such Bonds for the Company and to grant or impose option rights or obligations or conversion rights or obligations to the holders or creditors of such Bonds. The authorization to issue Bonds sets out certain parameters which include the following:

The Bonds can carry fixed or variable interest, whereby the interest may depend partially or completely on the amount of the Issuer's dividend. The Bonds may also be mandatorily convertible at the end of the term or earlier or provide for the right of the Issuer to grant the holders of Bonds shares of the Issuer *in lieu* of repayment of the Bonds. In the event of an option being exercised or of a conversion, and in the event of fulfillment of option or conversion obligations, the Issuer may at its discretion either grant new shares from conditional capital or authorized capital, or existing Issuer shares or shares of another publicly listed company. The terms and conditions of the Bonds may also provide for the right of the Issuer not to grant shares, but rather to pay the equivalent value in cash. The option or conversion price for a share amounts to—with the exception of the cases in which an option or conversion obligation is provided for—(i) at least 80% of the volume-weighted average closing price of the share of the Issuer in the Xetra trading system (or a comparable subsequent system) of Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) on the last 20 trading days before the date on which the resolution on the issue of the Bonds is adopted by the Management Board, or (ii) in the event of subscription rights being granted, at least 80% of the volume-weighted average closing price of the Company share in the Xetra trading system (or a subsequent system) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) in the period from the start of the subscription period up to and including the day before notification is given of the definitive terms and conditions of the Bonds pursuant to Section 186(2) German Stock Corporation Act (*Aktiengesetz*).

The terms and conditions of the Bonds may also provide for certain anti-dilution mechanisms pursuant to which the option or conversion rights and obligations may be adjusted to retain value, if during the term of the Bonds the financial value of the existing option or conversion rights and obligations is diluted and no subscription rights are granted as compensation. Shareholders have, in principle, subscription rights to the Bonds. The Bonds may also be acquired by one or several banks, pursuant to Section 186(5) sentence 1 German Stock Corporation Act (*Aktiengesetz*), subject to the obligation to offer them to shareholders for subscription. If the Bonds are issued by a company in which the Issuer holds a direct or indirect majority participation, the Issuer ensures that shareholders of the Issuer are granted subscription rights.

The terms and conditions of the Bonds may provide for a substitution right. In this case, the Company may, instead of granting new shares, pay a certain amount of money equal to the volume-weighted average market price of the Company's shares in the Xetra trading system (or a subsequent system) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) during a time period specified in the terms and conditions of the Bonds. The terms and conditions of the Bonds may also provide that the Bonds which grant option or conversion rights or option or conversion obligations may be converted to existing shares of the Company from conditional capital or to existing shares of another listed company or that the option right may be fulfilled by delivering such shares. They may also provide that the Bonds may be fulfilled by new shares from authorized capital if and when the Conditional Capital 2016 is not resolved upon or is not sufficient to fulfil all option and conversion rights.

The Management Board may with the consent of the Supervisory Board exclude subscription rights to the Bonds in certain cases and under certain conditions, including (i) if the Bonds are issued for cash payment, provided that the issue price is not significantly lower than the theoretical market price in accordance with recognized financial methods and that the Bonds carry option or conversion rights and/or option or conversion obligations to shares with a proportionate amount of the share capital which must not exceed 10% of the Issuer's share capital at the time said authorization comes to effect or—in case such amount is lower—the authorization is exercised, (ii) if the Bonds are issued against contributions in kind or (iii) for fractional amounts.

To the extent that profit participation rights or participating bonds are issued that do not carry option or conversion rights and/or option or conversion obligations, the Management Board shall be authorized, with the approval of the Supervisory Board, to exclude subscription rights of shareholders overall if these profit participation rights or participating bonds are structured in the same way as bonds, *i.e.*, do not constitute any membership rights in the Issuer, do not grant any participation in liquidation proceeds and the amount of interest is not calculated on the basis of the amount of net income, unappropriated net income, or the dividend. In this case, the interest and the issue price of the profit participation rights or participating bonds shall also correspond to comparable borrowings under current market conditions on the issue date. The Management Board is authorized, with the approval of the Supervisory Board, to stipulate further particulars and terms of the Bonds in accordance with the parameters of the authorization.

IV. AUTHORIZED CAPITAL

As of the date of this Prospectus, the Issuer has the following two authorized capitals:

1. Authorized Capital 2016/I

Pursuant to Section 4(3) of the Articles of Association together with Section 202 of the German Stock Corporation Act (*Aktiengesetz*), the Management Board is authorized to increase the registered capital of the Issuer until August 23, 2021 with the consent of the Supervisory Board once or repeatedly, by up to a total of €11,840,000 by the issuance of up to 11,840,000 new Issuer's shares with no par value against contributions in cash and/or in kind (the "**Authorized Capital 2016/I**"). The new Issuer's shares may be taken over by one or more credit institutions with the obligation to offer them to the shareholders for subscription ("indirect subscription right"). In principle, the shareholders are to be offered subscription rights. The Management Board, however, is authorized to exclude the subscription right of the shareholders with the consent of the Supervisory Board for one or more capital increases in the context of the Authorized Capital 2016/I, in particular (i) for the purpose of excluding fractional amounts from the shareholders' subscription rights; (ii) for the purpose of granting subscription rights to holders of conversion or option rights related to bonds to be issued by the Company or an affiliated company; (iii) in case of capital increases against contributions in kind, in particular for the purpose of acquiring companies, company parts or interests in companies, and also for company mergers; and (iv) in the event of a capital increase against cash contributions provided that the issue price of the new shares is not substantially (in the sense of Section 186(3) sentence 4 of the German Stock Corporation Act (*Aktiengesetz*)) lower than the stock exchange price of shares of the Company carrying the same rights and the shares issued by excluding the subscription right in accordance with Section 186(3) sentence 4 of the German Stock Corporation Act (*Aktiengesetz*) in aggregate do not exceed 10% of the share capital, either at the time of this authorization entering into effect or at the time of exercise of this authorization. Shares issued or to be issued for servicing bonds with conversion or option rights or an obligation to convert shall count against this limitation if such bonds were issued during the term of this authorization with the shareholders' subscription rights being excluded by analogous application of Section 186(3) sentence 4 of the German Stock Corporation Act (*Aktiengesetz*). Further, the number of treasury shares sold shall count towards this limitation if the sale occurs during the term of this authorization with the shareholders' subscription rights being excluded in accordance with Section 186(3) sentence 4 of the German Stock Corporation Act (*Aktiengesetz*).

The shares may also be acquired by one or several credit institutions or an enterprise operating under Section 53b(1) sentence 1 or (7) of the German Banking Act (*Gesetz über das Kreditwesen*), subject to the obligation to offer them to shareholders for subscription.

The Management Board is authorized to determine any further details of the capital increase and its implementation, subject to the Supervisory Board's approval.

2. Authorized Capital 2016/II

In addition, pursuant to Section 4(4) of the Articles of Association together with Section 202 of the German Stock Corporation Act (*Aktiengesetz*), the Management Board is authorized to increase the registered capital of the Issuer until August 23, 2021 with the consent of the Supervisory Board once or repeatedly, by up to a further total of €2,960,000 by the issuance of up to 2,960,000 new Issuer's shares with no par value against contributions in cash and/or in kind (the "**Authorized Capital 2016/II**"). The purposes for which such Authorized Capital 2016/II may be used as well as the terms and conditions under which the Management Board may exclude the subscription rights of shareholders with the consent of the Supervisory Board for one or more capital increases in the context of such Authorized Capital 2016/II are identical to those of the Authorized Capital 2016/I.

V. CONDITIONAL CAPITAL

As of the date of this Prospectus, the Issuer has the following conditional capital:

Conditional Capital 2016

Pursuant to Section 4(5) of the Articles of Association, the Issuer's share capital is conditionally increased by up to €11,840,000 by issuance of up to 11,840,000 new no par value bearer shares (the "**Conditional Capital 2016**"). The conditional capital increase may only be used to grant shares when options or conversion rights are exercised or option or conversion obligations are fulfilled *vis-à-vis* the holders of Bonds issued on the basis of the authorization resolution of the extraordinary general shareholders' meeting of August 24, 2016 (see *P.III.* "*—Authorization to Issue Convertible Bonds and Other Instruments*"). The new shares will be issued at the option and conversion price to be stipulated in each instance in accordance with the aforementioned authorization. The conditional capital increase shall only be implemented to the extent to which the holders of Bonds that are issued or guaranteed by the Issuer or by a subordinate company of the Group on the basis of the authorization resolution of the extraordinary general shareholders' meeting of August 24, 2016 (see *P.III.* "*—Authorization to Issue Convertible Bonds and Other Instruments*"), make use of their option or conversion rights or fulfill the option or conversion obligations arising out of such Bonds, and insofar as other forms of fulfillment are not used. The newly issued shares as a result of the exercising of option or conversion rights or the fulfillment of option or conversion obligations shall participate in the profits, starting at the beginning of the financial year in which they are issued. To the extent permitted by law, the Management Board may determine with the approval of the Supervisory Board that, by derogation from Section 60(2) of the German Stock Corporation Act (*Aktiengesetz*), the newly issued shares participate in the profits for a previous financial year. The Management Board is authorized, with the approval of the Supervisory Board, to determine any other details concerning implementation of the conditional capital increase.

VI. AUTHORIZATION TO ACQUIRE AND SELL TREASURY SHARES

The Issuer currently does not hold any of its own shares, nor does a third party on behalf of the Issuer. However, by resolution of the extraordinary general shareholders' meeting on August 24, 2016, the Issuer is authorized to purchase up to a total of 10% of its share capital existing at the time of the adoption of the resolution or—if such amount is lower—at the time of the exercise of this authorization, on or before August 23, 2021.

At the discretion of the Management Board, the shares can be acquired in one or more tranches through a stock exchange, by means of a public offer to all shareholders or a public solicitation to submit offers or by means of an issuance of put options to shareholders. The authorization provides for certain thresholds by defining a minimum and maximum consideration for the acquisition of a treasury share. In principle, the consideration for a treasury share may not exceed and may not fall below the arithmetic means of the market price without ancillary acquisition costs for one share of the Issuer in the Xetra trading at the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) in the ten exchange trading days prior to the conclusion of the acquisition contract or—in case of a public offer—prior to the publication of the decision to submit a public offer or—in case of a public solicitation—prior to the final decision of the Management Board on the public solicitation or—in case of an issuance of put options—prior to the publication of the buyback offer, by more than 10%.

The treasury shares may be used for any purpose permitted by law. Apart from a disposal through a stock exchange or an offer granting subscription rights to all shareholders, the Management Board is authorized, with the consent of the Supervisory Board, to sell the treasury shares against cash consideration under exclusion of subscription rights, provided that the selling price is not significantly lower than the market price and that the amount of treasury shares to be sold does not exceed 10% of the registered share capital at the time the disposal is resolved or—if such amount is lower—at the time the authorization is exercised. The number of treasury shares sold shall count towards this limitation if the sale occurs during the term of this authorization with the shareholders' subscription rights being excluded in accordance with Section 186(3) sentence 4 of the German Stock Corporation Act (*Aktiengesetz*). Further, shares issued or to be issued for servicing bonds with conversion rights or obligations or options rights or obligations shall count against this limitation if such bonds were issued during the term of this authorization with the shareholders' subscription rights being excluded by analogous application of Section 186(3) sentence 4 of the German Stock Corporation Act (*Aktiengesetz*). Moreover, the treasury shares can be sold under exclusion of subscription rights in the course of mergers or the acquisition of companies, to current or former employees of the Issuer or its affiliates, in order to list shares of the Company at foreign stock exchanges where they had previously not been admitted to trading or for the purpose of excluding fractional amounts from the shareholders' subscription rights. The Management Board is further authorized to sell treasury shares in order to satisfy the rights of creditors of bonds carrying conversion or option rights or, respectively, conversion obligations issued by the Issuer or its companies; the shares may also be retired.

In addition, the Issuer is authorized to acquire, on or before August 23, 2021, treasury shares up to a total maximum of 5% of the registered share capital existing at the time of the adoption of the resolution or—if such amount is lower—at the time of the exercise of this authorization, by use of derivatives (put or call options or a combination of both). The option transactions must be entered into with a financial institution or through the stock exchange. The shareholders are not entitled to enter into option transactions with the Issuer. The authorization provides for certain thresholds with regard to the exercise price (excluding acquisition costs) which may not exceed or fall below the arithmetic means of the market price of the Issuer's shares in the Xetra trading on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) during the last ten exchange trading days prior to the conclusion of the respective option transaction by more than 10%.

VII. MANAGEMENT STOCK OPTION PROGRAM

The members of the Management Board and certain employees of the Issuer and its consolidated subsidiaries will be entitled to participate in a long term stock option program to be established by VGG GmbH following the Offering (the "**Stock Option Program 2016**").

Under the Stock Option Program 2016, VGG GmbH intends to grant to the participants options, free of charge, to acquire shares in the Company in the aggregate amount of €11,000,000, subject to completion of the Offering, the listing of the Company's shares on the Frankfurt Stock Exchange and the approval of the Supervisory Board. To implement the Stock Option Program 2016, VGG GmbH will enter into separate option agreements with each beneficiary.

The exercise price for the stock options will be equal to the Offer Price less a 20% discount. Beneficiaries may only exercise up to 25% of their stock options each year. In addition, the stock options must be exercised within two weeks of the public announcement of the Company's annual or semi-annual financial results, subject to restrictions under applicable insider trading rules and the rules on directors' dealings.

The stock options expire two weeks after the public announcement of the annual result of the fifth year following the granting of the stock options. Generally, options not exercised also expire in the event of death or upon termination of the stock option holder's employment relationship with the Company or any of its affiliated companies.

Approximately 50 employees will be entitled to participate in the Stock Option Program 2016. The members of the Management Board will participate in the Stock Option Program 2016 and will each be granted stock options in the amount of €100,000.

The stock options are not transferrable.

As of the date of this Prospectus, no stock options have yet been granted to the beneficiaries.

VIII. GENERAL PROVISIONS GOVERNING ALLOCATION OF PROFITS AND DIVIDEND PAYMENTS

In the case of a capital increase, the entitlement to dividends for new shares can be determined in deviation from Section 60 of the German Stock Corporation Act (*Aktiengesetz*) (Section 22(4) of the Company's Articles of Association). See *D.* "*Reasons for the Offering and Use of Proceeds*".

IX. GENERAL PROVISIONS RELATING TO LIQUIDATION OF THE COMPANY

Apart from liquidation as a result of insolvency proceedings, the Company may be liquidated only with a vote of 75% or more of the share capital represented at the general shareholders' meeting at which such a vote is taken. Pursuant to the German Stock Corporation Act (*Aktiengesetz*), in the event of the Company's liquidation, any assets remaining after all of the Company's liabilities have been settled will be distributed *pro rata* among its shareholders. The German Stock Corporation Act (*Aktiengesetz*) provides for certain protections for creditors which must be observed in the event of liquidation.

X. GENERAL PROVISIONS GOVERNING CHANGES IN THE SHARE CAPITAL

According to the German Stock Corporation Act (*Aktiengesetz*), the share capital of a stock corporation may be increased against contributions in cash or in kind by resolution of the general shareholders' meeting which must be adopted by a simple majority of the votes cast and a majority of at least three-quarters of the share capital represented at the adoption of the resolution, unless the corporation's Articles of Association require a different majority; if the share capital is increased by issuing non-voting preference shares or the subscription rights of the shareholders are excluded, the Articles of Association may only require a larger majority. Pursuant to the Company's Articles of Association, an increase of the share capital against contributions in cash or in kind requires a simple majority of the votes cast and a simple majority of the share capital represented at the adoption of the resolution, unless preference shares are issued or the subscription rights of shareholders are excluded.

The general shareholders' meeting may also create authorized capital. The creation of authorized capital requires a resolution with a majority of three-quarters of the share capital represented at the adoption of the resolution which authorizes the Management Board to issue shares up to a certain amount within a period of no more than five years. The nominal amount of the authorized capital may not exceed 50% of the share capital existing at the time of the authorization.

In addition, the general shareholders' meeting may create conditional capital for the issuance of shares to holders of convertible bonds or other securities that grant the holder the right to subscribe for shares, of shares that serve as consideration in a merger with another company, or of shares that were offered to executives and employees; a resolution with a majority of three-quarters of the share capital represented is required in each case. The nominal amount of the conditional capital may not exceed 10%, if the conditional capital is created for the purpose of issuing shares to executives and employees, or, in all other cases, 50% of the share capital existing at the time the resolution is adopted.

A resolution on the reduction of the share capital requires a majority of three quarters of the share capital represented when the resolution is adopted.

If a change in the share capital results in an increase or decrease in the voting rights, the total number of voting rights as well as the date of effectiveness of the increase or decrease must be published by the company and the BaFin must be informed, as required by Section 26a of the German Securities Trading Act (*Wertpapierhandelsgesetz*), immediately, at the latest within two trading days. The shareholders may be subject to disclosure requirements according to the German Securities Trading Act (*Wertpapierhandelsgesetz*). See *P.XIII. "—Disclosure Requirements for Shareholdings and Takeover Bids*".

XI. GENERAL PROVISIONS GOVERNING SUBSCRIPTION RIGHTS

According to the German Stock Corporation Act (*Aktiengesetz*), each shareholder has, in principle, a right to subscribe for the new shares issued within the scope of a capital increase (including securities convertible into shares, securities with warrants to purchase shares, securities with profit participation or participation certificates) to maintain its existing share in the share capital. Subscription rights are freely transferable and may be traded on German stock exchanges during a fixed period before the expiration of the subscription period. Pursuant to the German Stock Corporation Act (*Aktiengesetz*), the subscription period may not be shorter than two weeks. The general shareholders' meeting may exclude subscription rights with a majority of the votes cast and, at the same time, at least three-quarters of the share capital represented at the adoption of the resolution. An exclusion of subscription rights further requires a report of the Management Board, which must show, in order to justify the exclusion of subscription rights, that the company's interest in excluding the subscription rights outweighs the interest of the shareholders in the subscription rights being granted. In the absence of such objective justification, an exclusion of subscription rights may be permissible for an issuance of new shares if the company increases the capital against cash contributions, the amount of the capital increase does not exceed 10% of the existing share capital and the issuance price of the new shares is not substantially lower than the stock exchange price.

It is not considered an exclusion of subscription rights if new shares are acquired by a credit institution, which undertakes to offer the new shares to those persons who would otherwise have subscription rights.

XII. EXCLUSION OF MINORITY SHAREHOLDERS

Pursuant to the provisions in Sections 327a *et seqq*. of the German Stock Corporation Act (*Aktiengesetz*) regarding the so-called "squeeze-out" process, the general shareholders' meeting of a stock corporation may resolve upon the request of a shareholder holding at least 95% of the share capital (the "**Main**

Shareholder") on the transfer of the shares of the remaining minority shareholders to the Main Shareholder in exchange for granting reasonable cash compensation.

The amount of the cash compensation to be granted to the minority shareholders must take into account "the circumstances of the company" at the time the resolution is adopted by the general shareholders' meeting. The amount of the compensation is determined by the full value of the enterprise which is normally determined using the capitalized earnings method (*Ertragswertverfahren*).

The shareholding requirements for a squeeze-out are lowered if the squeeze-out takes place in connection with the merger of a subsidiary into the parent company. According to Section 62(5) of the German Transformation Act (*Umwandlungsgesetz*), the general shareholders' meeting of a transferring stock corporation may, within three months after the signing of the merger agreement, adopt a squeeze-out resolution in accordance with Section 327a of the German Stock Corporation Act (*Aktiengesetz*) if the acquiring company is a German stock corporation, partnership limited by shares (*Kommanditgesellschaft auf Aktien*) or European public company (*Societas Europea*) that holds at least 90% of the registered share capital. After registration of the squeeze-out with the commercial register, the merger can be implemented without a further resolution by the general shareholders' meeting of the subsidiary.

In addition to the squeeze-out process under the German Stock Corporation Act (*Aktiengesetz*) summarized above, Sections 39a and 39b of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) permit the so-called squeeze-out under the law on takeovers. Under these provisions, a bidder holding at least 95% of the voting share capital in a target company (within the meaning of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*)) after a public takeover offer or mandatory offer can generally file a motion with the district court (*Landgericht*) of Frankfurt am Main for the transfer of the other voting shares in exchange for the grant of reasonable compensation by means of a court order within three months after expiration of the acceptance period. A resolution of the general shareholders' meeting is not necessary. The type of compensation must correspond to the consideration in the takeover offer or the mandatory offer; cash compensation must always be offered as an alternative. The consideration offered in connection with the takeover or mandatory offer is deemed to be reasonable if the bidder has acquired shares equal to at least 90% of the share capital affected by the offer. In addition, shareholders have a sell-out right. During squeeze-out proceedings under the law on takeovers initiated upon the motion of the bidder, the provisions on a squeeze-out under stock corporation law do not apply, and they are only applicable after a final conclusion of the squeeze-out proceedings under takeover law.

Pursuant to the provisions in Sections 319 *et seqq*. of the German Stock Corporation Act (*Aktiengesetz*) regarding the so-called integration process (*Eingliederung*), the general shareholders' meeting of a stock corporation can resolve upon the integration into another company if the future principal company holds at least 95% of the shares in the company to be integrated. The existing shareholders in the integrated company have a claim for reasonable compensation which must as a general rule be granted in the form of own shares in the principal company. The amount of the compensation must be determined using the so-called merger value ratio (*Verschmelzungswertrelation*) between the two companies, *i.e.*, the exchange ratio which would be considered reasonable in the event of merging the two companies. In contrast to the rules governing squeeze-outs, integration is only possible if the future principle company is a stock corporation domiciled in Germany.

XIII. DISCLOSURE REQUIREMENTS FOR SHAREHOLDINGS AND TAKEOVER BIDS

Upon admission of the Company's shares on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, on the sub-segment thereof with additional post-admission obligations (Prime Standard), the provisions of the German Securities Trading Act (*Wertpapierhandelsgesetz*) governing disclosure requirements for shareholdings apply.

Section 21 of the German Securities Trading Act (*Wertpapierhandelsgesetz*) provides that any shareholder who, through acquisition, sale or otherwise, reaches, exceeds or falls below 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% or 75% of the voting rights in a listed company whose country of origin is Germany must notify the respective company and the BaFin without undue delay, but no later than four trading days after the event, of having reached, exceeded or fallen below the threshold values and must also disclose the amount of its current share of the voting rights. The notification period commences at the time when the shareholder required to give the notification has actual knowledge or should have had knowledge under the circumstances that its share of voting rights reached, exceeded or fell below the stated thresholds. The knowledge of the shareholder required to give the notification is irrevocably assumed two trading days after the event at the latest. Deviating from this, in case the percentage of voting rights has reached, exceeded or fallen below the thresholds due to a change of the total number of voting rights, the notification period begins at the point when the shareholder required to give the notification learns that the threshold is met, however no later than the publication of the change of the total number of voting rights by the company.

Except for the threshold at 3%, corresponding disclosure obligations of shareholders towards the Company and the BaFin apply for reaching, exceeding, or falling below the above-mentioned threshold values when the relevant shareholder holds instruments that (i), on maturity, grant the holder the unconditional right to acquire previously issued voting shares of an issuer whose country of origin is Germany, when due, or grant the holder a margin of discretion regarding the right to acquire these shares or (ii) are referenced to previously issued shares and have a comparable economic effect to the instruments under (i), regardless of whether they confer the right to physical delivery (Section 25 of the German Securities Trading Act (*Wertpapierhandelsgesetz*)). In particular, such instruments comprise transferable securities, options, futures, swaps, forward rate agreements and contracts for differences. The voting rights from shares and voting rights obtainable through instruments will be aggregated.

The notification may be drafted in either German or English and sent either in writing or via fax. The notification will have to be issued via the mandatory use of a standard form. According to Section 24 of the German Securities Trading Act (*Wertpapierhandelsgesetz*), the shareholder required to give the notification is exempted from the reporting obligation if the notification has been made by its parent company or in the case that its parent company is also a subsidiary by the parent company of its parent company.

The company must publish this notification without undue delay, but no later than three trading days after receipt of the notification via media outlets where it can be assumed that the notice will be disseminated in all member states of the European Union and in all non-member states of the European Union that are parties to the Agreement on the European Economic Area in accordance with Section 20 of the German Securities Trading Reporting and Insider List Ordinance (*Wertpapierhandelsanzeige- und Insiderverzeichnisverordnung*) and submit the publication to the BaFin. The company must also transmit the notification to the company register (*Unternehmensregister*) maintained electronically by the German Federal Ministry of Justice within the meaning of Section 8b of the German Commercial Code (*Handelsgesetzbuch*) for storage without undue delay, but not prior to the publication.

Section 22 of the German Securities Trading Act (*Wertpapierhandelsgesetz*) contains various rules in connection with this requirement which are supposed to ensure that the shareholding is attributed to the person who actually controls the voting rights relating to the shares. For example, shares held by a third person will be attributed to another person if that other person exercises control over the person holding the shares. This also applies to shares which are held by a third person on behalf of another person or a person controlled by such other person as well as voting rights which the person can exercise free of instructions as a proxy. Any arrangements regarding the exercise of voting rights in a general shareholders' meeting will be considered "acting in concert" and result in the mutual attribution of voting rights, unless limited to a single arrangement regarding different matters, repeated arrangements regarding a single matter or coordination with regard to several items on the agenda of a single general shareholders' meeting. Also, coordination outside the general shareholders' meeting may constitute "acting in concert" and result in the mutual attribution of voting rights if the shareholders intend to change the target company's strategic direction permanently and substantially, *e.g.*, by a fundamental change in the business model or the disposition of significant parts of the target company's business.

In case of non-compliance with the disclosure obligation, for example failing to file a notice or providing false information, the shareholder is precluded from exercising the rights relating to these shares (including voting rights and the right to receive dividends) for the duration of the failure in accordance with the provision of Section 28 of the German Securities Trading Act (*Wertpapierhandelsgesetz*). If the disclosure requirements are violated in a willful or grossly negligent manner, any rights relating to the shares will be suspended for a six-month period even if accurate and complete disclosure is ultimately made. Furthermore, a fine can be imposed in the case of non-compliance with the disclosure requirements, and the BaFin will publish its measures and sanctions taken on its website. The Articles of Association of the Company do not contain any provisions going beyond the legally prescribed duties to notify shareholdings. With regard to the current shareholdings, see *M.I.* "*Shareholder Information—Shareholder Structure*".

Moreover, pursuant to Section 27a of the German Securities Trading Act (*Wertpapierhandelsgesetz*), a shareholder reaching or exceeding 10% or more of the voting rights relating to shares of an issuer must inform the issuer of the objective being pursued through the acquisition of voting rights and the sources of the funds used for the purchase, in each case within 20 trading days from such shareholder acquiring the relevant percentage of the shares. In particular, the shareholder must disclose whether it intends to (i) pursue any strategic objectives with respect to the company (as opposed to profits from trading in the shares), (ii) acquire further voting rights within the following twelve months, (iii) exert any influence or control over the company's management or supervisory board and (iv) make any significant changes to the company's capital structure, especially with respect to debt-to-equity ratio and dividend policy. However, the company may waive that obligation in its articles of association. If the above objectives change, such change needs to be disclosed to the issuer within 20 trading days of such change.

Furthermore, under the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*), any shareholder whose portion of voting rights reaches or exceeds 30% of the voting rights of the company must publish this fact, including the percentage of his share of the voting rights, without undue delay and no later than seven calendar days after the fact by announcing this on the internet and by means of an electronic information distribution system for financial information and must subsequently submit a public mandatory offer directed at all holders of ordinary shares of the company unless an exemption from this obligation has been granted. The German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) contains a number of provisions which are supposed to ensure that the shareholding is attributed to the person who actually controls the voting rights relating to the shares. If the notification about reaching or exceeding the 30% threshold or the submission of the public mandatory offer does not occur, during the time such submission occurs, the shareholder is precluded from exercising any rights relating to these shares (including the voting rights and the right to receive dividends) and must pay interest to the shareholders of the target company. Furthermore, a fine can be imposed in these situations. Shareholders who already hold at least 30% of the voting rights in the company or to whom at least 30% of the voting rights in the company are attributed prior to the admission of the shares to trading on the regulated market are exempt from these requirements.

XIV. DISCLOSURE OF TRANSACTIONS OF PERSONS DISCHARGING MANAGERIAL RESPONSIBILITIES

Since July 3, 2016, the new European legal regime under the Market Abuse Regulation is in effect and will be directly applicable to the Company and its shareholders as of the application to the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) to list the shares of the Company on the regulated market.

Pursuant to Article 19 of the Market Abuse Regulation, persons discharging managerial responsibilities within the Company and, as applicable, persons who have a close link with such persons (being "persons closely associated with a person discharging managerial responsibilities") must notify the BaFin and the Company of all transactions conducted on their own account and relating to the shares of the Company or debt instruments of the Company (if any) which are admitted to trading on a EU regulated market or multilateral trading facility or to derivatives or other financial instruments linked thereto. The disclosure must be made promptly and no later than three business days following the completion of each individual transaction. The Company shall ensure that such information is made public promptly and no later than three business days after the transaction. The Company is required pursuant to Section 15 of the German Securities Trading Act (*Wertpapierhandelsgesetz*) to submit such published information to the company register (*Unternehmensregister*) and to inform the BaFin of the publication.

For the purpose of the Market Abuse Regulation, "persons discharging managerial responsibilities within the Company" include (i) members of the administrative, management or supervisory bodies of the Company and (ii) senior executives having regular access to inside information relating, directly or indirectly, to the Company, and the power to make managerial decisions affecting the future developments and business prospects of the Company. Persons closely associated with a person discharging managerial responsibilities within the Company include the following persons:

- the spouse of the person discharging managerial responsibilities, or any partner of that person considered by national law as equivalent to the spouse,
- according to national law, dependent children of the person discharging managerial responsibilities,
- other relatives of the person discharging managerial responsibilities, who have shared the same household as that person for at least one year on the date of the transaction concerned,
- any legal person, trust estate or other trust, or any association without legal personality, whose managerial responsibilities are discharged by a person discharging managerial responsibilities within

the Company or by another person closely associated with such person, or which is directly or indirectly controlled by such a person, or that is set up for the benefit of such a person, or whose economic interests are substantially equivalent to those of such person.

XV. DISCLOSURE OF SHORT SELLING POSITIONS

Regulation (EU) No. 236/2012 of the European Parliament and of the Council of March 14, 2012 on short selling and certain aspects of credit default swaps (the "**EU Short Selling Regulation**"), the European Commission's delegated regulation for the purposes of detailing it, and the German EU Short Selling Implementation Act (*EU-Leerverkaufs-Ausführungsgesetz*) of November 15, 2012 only permit the short selling of shares when specific criteria are met. Under the provisions of the EU Short Selling Regulation, significant net short selling positions in shares must be reported to the BaFin and also published if they exceed a specific percentage. The reporting and publication process is detailed in the German Regulation on Net-Short Positions (*Netto-Leerverkaufspositionsverordnung*) of December 17, 2012. The net short selling positions are calculated by offsetting the short positions a natural person or legal entity has in the shares issued by the issuer concerned with the long positions such person or entity has in such securities. The details are regulated in the EU Short Selling Regulation and the other regulations the European Commission has enacted on short selling. In certain situations described in detail in the EU Short Selling Regulation, the BaFin may restrict short selling and comparable transactions after notifying the European Securities Market Association.

Q. MANAGEMENT AND GOVERNING BODIES

I. OVERVIEW

The Company's governing bodies are the Management Board (*Vorstand*), the Supervisory Board (*Aufsichtsrat*) and the general shareholders' meeting (*Hauptversammlung*). The powers vested in these bodies are set forth in the German Stock Corporation Act (*Aktiengesetz*), the Company's Articles of Association (*Satzung*) and the internal rules of procedure (*Geschäftsordnungen*) for the Management Board and the Supervisory Board.

The Management Board manages the Company's business in accordance with the provisions of the relevant statutes, the Company's Articles of Association and the internal rules of procedure for the Management Board including the business distribution plan (*Geschäftsverteilungsplan*). It represents the Company in its dealings with third parties.

The Management Board is responsible for the management of the entire Company and decides on fundamental questions of business policy, company strategy and on annual long-term planning. Further, it bears responsibility for the preparation of the quarterly and half-year reports and the annual financial statements of the Company and the consolidated financial statements, ensures compliance with the legal provisions and the Company's internal guidelines, and works towards adherence to these throughout group companies. In particular, it ensures that adequate risk management and risk control systems are set up within the Company.

The Management Board is obligated to report to the Supervisory Board on a regular basis, in detail and in a timely manner on the business situation, in particular the business policy, the company planning, including financial, investment and personnel planning, the profitability of the Company, the course of business, the Company's risk situation and risk management as well as on transactions significant to profitability and liquidity.

The Supervisory Board appoints the members of the Management Board and is authorized to remove them from office for cause (*aus wichtigem Grund*). The Supervisory Board is required to supervise the Management Board in its management of the Company. Pursuant to the German Stock Corporation Act (*Aktiengesetz*), the Supervisory Board is not authorized to perform management tasks. Pursuant to the rules of procedure of the Management Board, certain actions or transactions require the prior approval of the Supervisory Board, unless such actions or transactions were already approved by the Supervisory Board as part of the budget plan. Such actions or transactions include the following:

- the yearly budget plan for the following financial year of the Company and multiple year plan of the Company;
- acquisition and sale of real property, rights equivalent to real property, encumbrance and development of real property, if the value exceeds €300,000 in the individual case and real property lease agreements, if the value exceeds €200,000 in the individual case excepted shall be existing real property lease agreements;
- acquisition of, charges on or sales of shareholdings in companies, establishment or closure of production sites or permanent establishments and participation in companies, if the value exceeds €500,000 in the individual case;
- dissolution of, charges on, sale or other disposals of the Company's participations in affiliated companies and the direct or indirect sale of the whole company or of parts of the assets of the affiliated company, as far as the value of the transaction exceeds €500,000 in the individual case;
- pledges on, acquisition and sale of items of the fixed assets if the value exceeds €300,000 in the individual case;
- investment plans if their scope exceeds €200,000 in the individual case and exceeds, all together in a business year, €500,000 regardless if the investments are made in one financial year or if they are spread over several financial years according to the plan;
- conclusion, amendment, annulment or termination of company agreements and agreements pursuant to the German Transformation Act (*Umwandlungsgesetz*), integrations and squeeze outs, takeover offers;
- conclusion, amendment or termination of shareholder, joint venture, cooperation agreements and silent partnership agreements;

- issuance of notes, bonds and/or promissory notes (*Schuldschein*) and/or similar financing including securities for such financing;
- taking out or granting of financial credits, if the credit amount exceeds in the individual case €200,000 and exceeds, all together in a business year, €500,000;
- assumption of suretyships, guarantees, comfort letters or similar obligations as well as providing collateral for external liabilities outside the course of ordinary business and outside the participation in a corporate cash pooling system, if the value exceeds in the individual case €200,000 and exceeds, all together in a business year, €500,000;
- material changes to or outsourcing of current business activities, entering into material new lines of business or (partial or entire) abandonment of material existing lines of business;
- adoption and amendment of rules of procedure for the Management Board;
- transactions between the Company or a subsidiary on the one hand and a member of the Management Board or persons closely associated with such a member on the other hand with a transaction value of €10,000 per individual case;
- agreements with affiliated companies (other than subsidiaries directly or indirectly wholly-owned by the Company) or with companies in which the Company holds a minority interest, to the extent such agreements are not entered into at arm's length;
- initiation, settlement or other ways of resolving legal or administrative or arbitration proceedings to which a company of the Group is or may become a party, with a dispute value of more than €250,000; and
- other business that fundamentally changes the Company's assets, capital and profit situation or its risk exposure.

The Management Board also requires the prior approval of the Supervisory Board if it is participating in

- transactions listed above;
- capital measures, liquidation, mergers, demergers or other measures in terms of the German Transformation Act (*Umwandlungsgesetz*) as well as a material recapitalisation, material reorganisation (*Umstrukturierung*), material restructuring (*Restrukturierung*) and consolidation of material business segments;
- the conclusion, amendment or termination of inter-company agreements; and
- the appointment and dismissal of managing directors or members of the advisory or supervisory board of an affiliated company by way of instruction, consent, vote or in any other way.

The Supervisory Board may also provide for further transactions which require its consent.

The members of the Management Board and the Supervisory Board are subject to fiduciary duties and duties of care towards the Company. The members of these bodies must take a wide range of interests into consideration, including those of the Company, its shareholders, its employees, its creditors and, to a limited extent, the general public. In addition, the Management Board must consider the shareholders' rights to equal treatment and equal information. In the event that the members of the Management Board or the Supervisory Board breach their duties, they are jointly and severally liable to the Company. Under German law, however, a shareholder generally does not have standing to sue members of the Management Board or Supervisory Board directly if he or she believes that these have breached their duties to the Company. Only the Company has the right to claim damages from the members of the Management Board or Supervisory Board, in which case the Company is represented by the Management Board when claims are made against members of the Supervisory Board and the Supervisory Board when claims are made against members of the Management Board. According to a ruling of the German Federal Court of Justice (*Bundesgerichtshof*), the supervisory board is obligated to assert claims for compensatory damages against the management board that are likely to be successful, unless important company interests conflict with such an assertion of claims and such grounds outweigh, or are at least comparable to, the grounds in favor of asserting the claims. In the event that the relevant body with powers to represent the company decides not to pursue such claims, then such claims of the company for compensatory damages must nevertheless be asserted against members of the management board or the supervisory board if the general shareholders' meeting of the company passes a resolution to this effect by a simple majority vote. Such general shareholders' meeting of a company may appoint a special representative (*besonderer Vertreter*) to assert such claims. Shareholders whose aggregate holdings amount to at least 10% or €1,000,000 of a company's share capital may apply to the court to appoint a special representative to assert claims for compensatory damages. In the event of such an appointment, the special representative becomes solely responsible for asserting the claims of the company for compensatory damages in lieu of the otherwise competent governing body of the company. In addition, if there are facts supporting the claim that the company has been damaged by fraud or gross breaches of duty, shareholders whose aggregate holdings amount to at least 1% or €100,000 of the company's share capital have the option, under certain circumstances, of being granted permission by the competent court to file a lawsuit in their own name, but on account of the company for compensatory damages to the company against members of the governing bodies. Such a lawsuit will be dismissed if the company itself files a lawsuit for compensatory damages.

A company may only waive claims for compensation against members of the management board and the supervisory board, or settle such claims, three years after such claim has arisen but only (a) if the shareholders resolve to do so in a shareholders' meeting by resolution with simple majority and (b) where a majority of the shareholders, together holding shares which represent at least 10% of the share capital, do not object to this in the minutes of the meeting.

Under Section 142 of the German Stock Corporation Act (*Aktiengesetz*), the general shareholders' meeting of the company may appoint, by a majority resolution, an auditor (a "**Special Auditor**", *Sonderprüfer*) to review procedure, in particular in relation to management. If the general shareholders' meeting of the company rejects a motion to appoint a Special Auditor, the court must appoint a Special Auditor at the request of shareholders whose aggregate holdings amount to at least 1% or €100,000 of the company's share capital in case the facts justify the suspicion that irregularities or gross violations of the law or of the articles of association have been committed. If the general shareholders' meeting of the company does appoint a Special Auditor, the court, however, must appoint a second Special Auditor if such appointment appears to be appropriate considering the qualifications of the first auditor and is requested by shareholders whose aggregate shareholding amounts to at least 1% or €100,000 of the company's share capital.

In accordance with Section 127a of the German Stock Corporation Act (*Aktiengesetz*), shareholders and shareholder associations can use the shareholder forum (*Aktionärsforum*) of the German Federal Gazette (*Bundesanzeiger*), which is available through the Company Register's (*Unternehmensregister*) website, to call upon other shareholders to jointly, or through third party representation, request a special audit, appoint a special representative, demand that a general shareholders' meeting of the Company is convened or exercise their voting rights in a general shareholders' meeting of the Company.

German law prohibits individual shareholders (or any other person) from exercising their influence on the company so as to cause a member of the management or supervisory board to act in a manner that would be detrimental to the company. Shareholders with a controlling influence may not use their influence to cause the company to act against its interests unless a domination agreement (*Beherrschungsvertrag*) exists between the shareholder and the company and the influence is exercised within the scope of certain mandatory statutory provisions or the damages are compensated for. Anyone who uses his or her influence to cause a member of the management or supervisory Board, a procurated officer (*Prokurist*), or an authorized agent (*Handlungsbevollmächtigter*) to act in a manner that would be detrimental to the company or its shareholders is liable for the damage incurred by the company and its shareholders as a result thereof. Moreover, if members of the management Board or the supervisory Board breach their duties they are jointly and severally liable for the resulting damages.

Listed German stock corporations are obliged to disclose target figures for female representation (women's quota) in the management board and supervisory board and for the two leadership levels below the management board. There is no minimum level with respect to the target figures. These self-imposed targets must be implemented at the latest by June 30, 2017. In the event that a stock corporation does not meet its targets until the end of the relevant term, such non-compliance must be explained in the annual report. By resolution dated November 14, 2016, the Supervisory Board determined a share of 0% of female members for the Supervisory Board to be reached until June 30, 2017. The target for female participation in the Management Board was set at 0% until June 30, 2017. As the Management Board consists of only two members who have just recently been appointed and as it is currently not intended to enlarge the Management Board, an increase in the share of female members is not expected within the next year. The Supervisory Board will, however, consider adequate female representation if a new member of the Management Board will have to be appointed before June 30, 2017 in case that one of the current members resigns or that the Supervisory Board decides to increase the number of members of the Management Board.

II. MANAGEMENT BOARD

1. General

Pursuant to Section 6(1) of the Company's Articles of Association, the Management Board consists of a minimum of two members. The number of Management Board members is otherwise determined by the Supervisory Board. The Supervisory Board may appoint one member of the Management Board to act as chairman of the Management Board and may appoint another member of the Management Board to act as deputy chairman of the Management Board. The members of the Management Board are appointed by the Supervisory Board for a maximum term of five years. Both reappointments and extensions of terms of office for a maximum of five years are permissible. The Supervisory Board may remove a Management Board member prior to the termination of such member's term of office for cause, such as gross violations of his or her duties or if the general shareholders' meeting approves a motion of no confidence relating to the relevant Management Board member.

Unless otherwise provided by mandatory law or provisions in the Articles of Association, resolutions of the Management Board are adopted with a simple majority of the votes cast. If the Management Board consists of more than two members, the chairman has the casting vote in case of a tied vote.

2. Current Members of the Management Board

The Company is represented by two members of the Management Board or by one member together with a procurated officer (*Prokurist*) or by one member, provided that the Supervisory Board granted such member the authority to represent the Company alone.

The following table lists the current members of the Management Board, their age, the date on which they were first appointed, the date on which their current appointment is scheduled to end, their position as well as their other positions in administrative, management and supervisory bodies and as partners in partnerships outside the Group during the past five years:

Name	Age	Member since	Appointed until	Position	Other memberships in administrative, management or supervisory bodies or as partners in partnerships in the previous five years (current memberships unless otherwise indicated)
Herbert Schein	51	2016	2021	Chief Executive Officer (CEO)	—
Dr. Michael Pistauer .	47	2016	2018[1]	Chief Financial Officer (CFO)	• Forstinger Österreich GmbH (member of the supervisory board) until 2013 • Virtus Eins Beteiligungs GmbH (managing director) until 2013 • Mezzanin Finanzierungs AG (member of the management board) until 2014 • EK Mittelstandsfinanzierungs AG (member of the management board) until 2016 • Aluflexpack Novi d.o.o. (member of the supervisory board) • Century Betriebs AG (member of the management board) • Communications Laboratories GmbH (managing director) • IndustrieCapital Eins GmbH (managing director) • Mezzanin Finanzierungs GmbH (managing director) • Pi-Beteiligungs- und Unternehmensberatungs GmbH (managing director) • Snews GmbH (managing director) • Virtus Vier Beteiligungs GmbH (managing director)

(1) Appointment will be automatically extended until April 2019, April 2020 and April 2021, respectively, if the Supervisory Board does not revoke the appointment prior to the respective extension.

Herbert Schein was born in Oettingen, Germany, in 1965. Mr. Schein joined the Group 25 years ago and has since held various positions, including global marketing and sales manager and (since 2007) chairman of the management board of VARTA Microbattery GmbH and (since 2012) chairman of the management board of VARTA Storage GmbH. Mr. Schein earned a degree in electrical engineering.

Dr. Michael Pistauer was born in Salzburg, Austria, in 1969. Dr. Pistauer worked at Arthur Andersen Wien from 1997 to 2004, where he built up and managed Arthur Andersen Corporate Finance GmbH. In 2005, he helped to restructure INKU AG and served as its sole member of the management board from 2006 to 2007. Dr. Pistauer is the founder of several companies, including Steffel Austria GmbH, LX Group, Sedeo GmbH and Weixelbaumer GmbH. Dr. Pistauer earned a doctoral degree in business administration.

The members of the Management Board can be contacted at the Company's address.

3. Service Contracts, Compensation and Share Ownership

The service contract of Herbert Schein will expire in October 2021. The service contract of Dr. Michael Pistauer will expire in April 2018, but will automatically be extended for a subsequent one year period until April 2019, April 2020 and April 2021, respectively, if his appointment as a member of the Management Board is not revoked by the Supervisory Board in accordance with applicable law. Dr. Pistauer is entitled to terminate the service contract with a notice period of two months to the end of a month, however, at the earliest as of April 30, 2017. Under their current service contracts, each Management Board member receives annual remuneration comprising a fixed base salary and variable remuneration (bonus). The bonus for Dr. Michael Pistauer is determined by the Supervisory Board. The bonus for Herbert Schein amounts to 3% percentage of the Company's operating EBIT on a consolidated basis as defined in the service agreement.

The general shareholders' meeting of the Company resolved on November 16, 2016 that the compensation granted by the Company to the members of the Management Board will not be individually disclosed in the annual financial statements and the consolidated financial statements of the Company pursuant to an exemption available under the German Commercial Code (*Handelsgesetzbuch)* for the financial year commencing on January 1, 2016 and for the four financial years following that financial year and will instead be provided only as information on the aggregate compensation of the Management Board. In the financial year ended December 31, 2015, the then three members of the Management Board received total compensation from Group companies in the amount of approximately €270 thousand in addition to compensation in kind, such as use of a Company car and, as applicable, accomodations in Ellwangen, Germany. Since August 2016, the Management Board comprises two members, Herbert Schein und Dr. Michael Pistauer. The members of the Management Board also receive an allowance for a company car for business and private use. All service contracts of the members of the Management Board provide that in the case of sickness compensation will continue to be paid for four months. In case of a premature termination of the service contract by the Company without important cause in the meaning of §626 German Civil Code (*Bürgerliches Gesetzbuch*), each member of the Management Board is entitled to a severance payment, which may not exceed an amount equal to two years' annual compensation and may not compensate for more than the remaining term of the service contract. The service contracts include an offer by the respective member of the Management Board to conclude a post-contractual non-compete agreement. The Company may accept this offer in writing at the latest nine months prior to the end of the service agreements and in case of a termination without cause within one month upon delivery of the termination notice. In case of acceptance, the compensation payment will amount to a certain percentage of their last remuneration.

The members of the Management Board are covered under a D&O insurance policy, the costs of which are borne by the Company (see *L.XVIII.* "*Business—Insurance*"). In line with statutory requirements under the German Stock Corporation Act (*Aktiengesetz*), the D&O insurance provides for a deductible of 10% of each insured event limited, however, to a maximum of 1.5 times the annual fixed compensation.

The members of the Management Board receive customary insurance benefits but no pension payments or retirement benefits in their capacity as members of the Management Board.

In connection with the Offering, the Company's Chief Financial Officer agreed to acquire shares from VGG GmbH in an amount of €500,000 at a 20% discount to the Offer Price promptly following the Offering and will be subject to the same selling (lock-up) restrictions as the Company as described in *C.VIII.* "*The Offering—Market Protection Agreement/Selling Restrictions (Lock-Up)*". In addition, pursuant to an agreement dated December 2011, as amended in March 2012 and October 2016, and in recognition of his long-term service and contributions to the growth of the business of the Group over many years, the Company's Chief Executive Officer will receive a significant one-off payment, payable by VGG GmbH or its affiliates, upon completion of the Offering. An amount of such net cash payment of approximately €1.0 million will be used to acquire shares of the Company from VGG GmbH, at a 20% discount to the Offer Price, promptly following the Offering. Such shares acquired by the Chief Executive Officer will be subject to the same selling (lock-up) restrictions as the existing shareholders of the Company as described in *C.VIII.* "*The Offering—Market Protection Agreement/Selling Restrictions (Lock-Up)*". The gross amount of the one-off payment is dependent on the valuation of the Company and is expected to be substantially higher than the amount to be invested in shares of the Company. As a result, each of the members of the Company's Management Board has a financial interest in the Offering.

Under the Stock Option Program 2016 to be established by VGG GmbH upon completion of the Offering, VGG GmbH will grant to the beneficiaries under such program options to acquire shares in the Company in the aggregate amount of €11,000,000. The members of the Management Board will participate in the Stock Option Program 2016 and will each be granted stock options in the amount of €100,000. For additional information on the Stock Option Program 2016, see *P.VII.* "*Description of Share Capital and Related Information—Management Stock Option Program*".

4. Certain Other Information on the Members of the Management Board

No potential conflicts of interests between any duties to the Company and the private interests and/or other duties of the Company's Management Board members exist. No family relationships exist between the members of the Management Board or between the members of the Company's Management Board and members of the Company's Supervisory Board. The Company has not granted any loans to members of the Management Board or assumed any sureties or guarantees for them. There are no agreements with principal shareholders, customers, suppliers or other persons under which a member of the Management Board is appointed to the Management Board.

None of the members of the Management Board has been convicted in relation to fraudulent offenses in the last five years. During this period, no member of the Management Board has been associated in his capacity as a member of an administrative, management or supervisory board, as a partner with unlimited liability, founder or senior manager with any bankruptcies, receiverships or liquidations. No public incriminations and/or sanctions have been brought against the members of the Management Board by statutory or regulatory authorities (including designated professional bodies) in the last five years, nor have these individuals ever been disqualified by a court from acting as a member of the administrative, management or supervisory body of a company or from acting in the management or the conduct of affairs of any company.

III. SUPERVISORY BOARD

1. General

The Supervisory Board currently consists of six members. It is not subject to employment codetermination as provided by the German One-Third Employee Representation Act (*Drittelbeteiligungsgesetz*) or the German Codetermination Act (*Mitbestimmungsgesetz*). The members of the Supervisory Board were elected by the shareholders at the general shareholders' meeting of April 13, 2016 and August 24, 2016 in accordance with the provisions of the Articles of Association and of Sections 95 and 96 of the German Stock Corporation Act (*Aktiengesetz*).

The Supervisory Board members are elected pursuant to the Company's Articles of Association in conjunction with Section 102 of the German Stock Corporation Act (*Aktiengesetz*) for a maximum period ending upon termination of the general shareholders' meeting that resolves on the discharge (*Entlastung*) of the Supervisory Board members for the fourth financial year after the commencement of their term of office. The financial year in which their term of office has commenced will not count for purposes of calculating such period. Supervisory Board members may be reelected.

According to the Company's Articles of Association, the members may resign from office, with or without cause, in the latter case with a notice period of two full calendar months by submitting a written notice to the Management Board and giving notice to the chairman of the Supervisory Board.

At the same time as appointing the members of the Supervisory Board, the general shareholders' meeting of the Company may appoint substitute members for each Supervisory Board member, who, in accordance with specific determinations by the general shareholders' meeting of the Company, may become members of the Supervisory Board if elected Supervisory Board members leave office before the end of their term and no successor has been appointed. The term of the substitute member expires at the end of the general shareholders' meeting of the Company during which a successor for the departing Supervisory Board member is elected with a majority of at least three quarters of the votes cast, but no later than the expiration of the departing Supervisory Board member's term.

The Supervisory Board will elect a chairman and a deputy chairman from among its members. This election is to be held following the general shareholders' meeting at which the Supervisory Board members to be elected by the general shareholders' meeting have been newly elected; this meeting does not need to be convened separately. If the chairman or the deputy chairman retires from office prematurely, the Supervisory Board must hold new elections without undue delay.

Under mandatory statutory provisions and the Articles of Association, the Supervisory Board is authorized to establish internal rules of procedure and form committees from among its members. The internal rules of procedure of the Supervisory Board are dated September 7, 2016. In addition to the functions and tasks of the Supervisory Board described above, the Supervisory Board is authorized to make amendments to the Articles of Association that only affect their wording.

German law provides that at least one member of the Supervisory Board of publicly listed companies has to be considered an independent expert with expertise in the fields of accounting or auditing. On the Supervisory Board, Dr. Harald Sommerer is considered to be such independent expert.

As a rule, the Supervisory Board shall hold at least two meetings within each half calendar year. A meeting of the Supervisory Board shall also be convened whenever this is requested by a member of the Supervisory Board or by the Management Board, stating purpose and reasons for the meeting. Meetings of the Supervisory Board are called by its chairman or if it is prevented from doing so, by the deputy with 7 days advance notice. The day on which the notice is sent and the day of the meeting itself are not included when calculating this period. In urgent cases, the chairman may shorten the notice period to three days and convene the meeting orally or by telephone. The chairman acts as chair of the meetings and determines the order in which the items on the agenda are discussed and the method and sequence of voting. The rules of procedure of the Supervisory Board provide that all members must have been properly invited to the meeting and at least three members must participate in voting on a resolution in order to constitute a quorum. For calculating the quorum, any member who is present but abstains from voting is deemed to have participated in the vote. Absent members may participate in the casting of votes by having their votes submitted in writing, by telefax or any other customary means of communication (*e.g.* by e-mail). If there is a tied vote on the Supervisory Board, the chairman will have a casting vote. The rules of procedure of the Supervisory Board provide that resolutions may be passed without a meeting in writing, by telephone, orally, by fax, by e-mail or by other customary means of communication if all members of the Supervisory Board participate in the resolution or if the chairman of the Supervisory Board decides upon the type of voting and no member of the Supervisory Board objects within the reasonable notice period determined by the chairman. Unless otherwise provided by mandatory law, Supervisory Board resolutions are adopted by a simple majority of the votes cast.

2. Current Members of the Supervisory Board

The following table lists the current members of the Supervisory Board, their age, the date on which they were first appointed, as well as their other positions in administrative, management and supervisory bodies and as partners in partnerships outside the Group over the past five years.

Name	Age	Member since	Appointed until	Position	Other memberships in administrative, management or supervisory bodies or as partners in partnerships in the previous five years (current memberships unless otherwise indicated)
DDr. Michael Tojner	50	2016	2021	Chairman	• "Erzengel" Michael Beteiligungsverwaltungs GmbH, Austria (managing director) • A.A.A. Beteiligungs-Invest GmbH, Austria (managing director) • Aluflexpack Novi d.o.o., Croatia (member of the supervisory board) • ASTA Elektrodraht GmbH, Austria (member of the supervisory board) • ASTA Energy Transmission Components GmbH, Austria (managing partner) • ASTA Industrie GmbH, Austria (managing partner) • Central European Growth IV Beteiligungs-Invest GmbH, Austria (managing director) • DDr. Michael Tojner Immobilientreuhand Ges.m.b.H., Austria (managing director) • Dorotheum GmbH, Austria (member of the supervisory board) • Eff zwanzigneun Beteiligungsverwaltung GmbH, Austria (managing director) • Michael Tojner Finance-Beratung GmbH, Austria (managing partner) • ESI Beta Immobilienentwicklung- und verwertung GmbH, Austria (managing partner)

Name	Age	Member since	Appointed until	Position	Other memberships in administrative, management or supervisory bodies or as partners in partnerships in the previous five years (current memberships unless otherwise indicated)
					• ESI Epsilon Immobilienbeteiligungs- und entwicklungs GmbH, Austria (managing partner) • ETV Beteiligungs GmbH, Austria (managing partner) • ETV Montana Tech Holding GmbH, Austria (managing partner) • ETV Pensionen GmbH, Germany (managing director) • GEP Beteiligungs Invest GmbH, Austria (managing director) • Global Equity Partners Beteiligungs-Management Deutschland GmbH, Germany (managing director) • Global Equity Partners Beteiligungs-Management GmbH, Austria (managing director) • Hahl Pedex Group GmbH, Austria (managing director) • Haus Tojner KG, Austria (general partner) • Hoher Markt 12 Projektentwicklungs GmbH, Austria (managing director) • JP Immobilien Invest ZWEI GmbH, Austria (managing director) • L.A.I. Beteiligungs-Invest GmbH, Austria (managing director) • LF 1-3 Immobilienentwicklungs und -verwertungs GmbH, Austria (managing director) • MARYLAND Beteiligungs Beratungs GmbH, Austria (managing director) • Metropolis Beteiligungsverwaltung GmbH, Austria (managing director) • Michael Tojner Industriebeteiligungs und -beratungs GmbH, Austria (managing director) • Montana Aerospace Components Inc., US (member of board of directors) • Montana AS Beteiligungs Holding AG, Switzerland (member of board of directors) • Montana Tech Components AG, Switzerland (member of board of directors) • Montana Tech Components GmbH, Austria (managing director) • MTC US Corp., US (member of board of directors) • MTIB Beteiligungsverwaltung KG, Austria (general partner) • SANDO Holding GmbH, Austria (managing director) • SLOVOFRUIT spol. s.r.o. Slovakia (managing director) • Universal Alloy Corp Europe S.R.L., Romania (member of board of directors) • Universal Alloy Corporation USA (UAC), US (member of the supervisory board) • VGG GmbH, Austria (managing director) • VI Immobilienmanagement GmbH, Germany (managing director) • VRT Pensionen GmbH, Germany (managing director) • VIM GmbH, Germany (managing director)

Name	Age	Member since	Appointed until	Position	Other memberships in administrative, management or supervisory bodies or as partners in partnerships in the previous five years (current memberships unless otherwise indicated)
					• VW-VM Forschungsgesellschaft mbH & Co. KG, Germany (member of board of directors) • VW-VM Verwaltungsgesellschaft mbH, Germany (member of board of directors) • WertInvest Beteiligungs- und Immobilienberatungs GmbH, Austria (managing director) • WertInvest Beteiligungstreuhand GmbH, Austria (managing director) • WertInvest Beteiligungsverwaltungs GmbH, Austria (managing director) • WertInvest Buchbergerstraße Immobilien GmbH, Austria (managing director) • WertInvest Ellwangen Immobilien GmbH, Germany (managing director) • WertInvest HighTech Unternehmensbeteiligungen GmbH, Austria (managing director) • WertInvest Hotelbetriebs GmbH, Austria (managing director) • WertInvest Immobilien Alpha GmbH, Austria (managing director) • WertInvest Immobilien Beta GmbH, Austria (managing director) • WertInvest Immobilien Iota GmbH, Austria (managing director) • WertInvest Immobilienentwicklungs GmbH, Austria (managing director) • WertInvest Immobilientreuhand GmbH, Austria (managing director) • WertInvest Park Holding GmbH, Austria (managing director) • WertInvest Schlossstraße Immobilien GmbH, Austria (managing director) • WertInvest und JP Immobilien- und Beteiligungsverwaltungs GmbH, Austria (managing director) • WIM Projektmanagement GmbH, Austria (managing director)
Dr. Harald Sommerer	49	2016	2021	Deputy chairman	• Zumtobel Group AG (CEO) until 2013 • H.F.R.C. Private Trust (CEO) • Kapsch TrafficCom AG (member of the supervisory board)
Dr. Georg Blumauer	42	2016	2021	Member	• Century Betriebs AG (member of the supervisory board) • GBI Immobilien Zeta GmbH (managing director) • Global Equity Partners Beteiligungs-Management Deutschland GmbH (managing director) • MVP Immobilien und Beteiligungen GmbH (member of the supervisory board) • Starbet Gaming Entertainment AG (member of the supervisory board)
Dr. Franz Guggenberger . . .	55	2016	2021	Member	• ANZ Immobilien Verwaltung GmbH (managing director) • Amax Consult GmbH (managing director)

Name	Age	Member since	Appointed until	Position	Other memberships in administrative, management or supervisory bodies or as partners in partnerships in the previous five years (current memberships unless otherwise indicated)
					• Astra Vermögens- und Beteiligungsverwaltungsgesellschaft mbH (managing director) • BDC Privatstiftung (member of the management board) • Brillant Immobilien Beteiligungs GmbH (managing director) • Gunos Beteiligungsverwaltungs GmbH • H. LEX Privatstiftung (member of the management board) • Hasch & Partner Anwaltsgesellschaft mbH (managing partner) • Holder Privatstiftung (member of the management board) • Montana Tech Components AG (member of the board of administration) • MP Privatstiftung (member of the management board) • Privatstiftung zur Förderung der Wissenschaft und universitären Forschung (member of the management board) • Sand, Schotter & Kies Vertriebs- und Verarbeitungs GmbH (managing director) • Stone Rohstoff Beteiligungs GmbH (managing director) • Zeller Privatstiftung (member of the management board)
Frank-Dieter Maier	78	2016	2021	Member	• ASTA Elektrodraht GmbH & Co. KG (member of the supervisory board) • Basic Lebensmittelhandel AG (member of the supervisory board) • Multiplast AG (member of the supervisory board) • MultiPet GmbH (member of the supervisory board) • Multiport GmbH (member of the supervisory board) • Vishay Intertechnology Inc. (member of the supervisory board)
Sven Quandt	60	2016	2021	Member	• ETV Montana Tech Holding AG (member of board of directors) • Montana Tech Components AG (member of board of administration) • S. Qu. Vermögensberatung GmbH & Co. KG (managing director) • S. Qu. Vermögensberatung GmbH Beteiligungsgesellschaft (managing director) • X-raid GmbH (managing director) • 3Q GbR (managing partner)

DDr. Michael Tojner was born in Steyr, Austria, in 1966. Dr. Tojner has a longstanding experience in investment, private equity and venture capital financing. He founded in particular the WertInvest group and the Global Equity Partners group. He is also the founder of Montana Tech Components AG and serves as chairman of its management board. In addition, he holds positions as managing director and member of the supervisory board of several companies, both affiliated and unaffiliated to Montana Tech Components AG. DDr. Tojner participated in executive programs at Harvard Business School and Stanford University and holds a Ph.D. in management and business studies from Vienna University of Economics and Business Administration as well as a Ph.D. in law from Faculty of Law of the University of Vienna.

Dr. Harald Sommerer was born in Vienna, Austria, in 1967. From 1991 to 1995, Dr. Sommerer worked in the foreign exchange trading and sales department of Creditanstalt Bankverein. From 1997 to 2010, he was a member of the management board of AT&S Austria Technologie & Systemtechnik AG, where he served as Chief Financial Officer from 1997 to 2005 and as Chief Executive Officer from 2005 to 2010. From 2010 to 2013, he assumed the position of Chief Executive Officer of Zumtobel Group. Dr. Sommerer holds a Masters of Management from J.L. Kellogg Graduate School of Management (USA) and a doctoral degree in social and economic sciences from Wirtschaftsuniversität Wien.

Dr. Georg Blumauer was born in Vienna, Austria, in 1974. Dr. Blumauer worked as legal advisor for Montana Tech Components AG and held several positions as managing director and member of the supervisory board of affiliated companies. He served as member of the Management Board from 2013 to 2016. Dr. Blumauer is an attorney at law and admitted to the bar in Austria and New York.

Dr. Franz Guggenberger was born in St. Lorenzen, Italy, in 1961. Dr. Guggenberger works as an independent lawyer since 1995 and cooperates with the Group since many years. Dr. Guggenberger served as the chairman of the Supervisory Board from 2011 to 2016. He was reappointed as a member of the Supervisory Board in 2016. He also served as a member of the supervisory board of several other companies. Dr. Guggenberger earned a doctoral degree in law from the University of Innsbruck. He is an attorney-at-law and admitted to the bar in Austria.

Frank-Dieter Maier was born in Karlsruhe, Germany, in 1938. Mr. Maier worked as manager for Daimler-Benz AG and served as a member of the supervisory board of EFKON AG and as managing director of TEMIC Microelectronic GmbH until 2011. He also served as member of the supervisory board at AEG Elektrofotografie GmbH and Preh GmbH until 2011. Mr. Maier is a member of the supervisory board of several subsidiaries of the Company as well as several unaffiliated companies. Mr. Maier earned a degree in engineering from the University of Karlsruhe.

Sven Quandt was born in Frankfurt/Main in 1956. Mr. Quandt has been affiliated with the Company for many years. He became a member of the Supervisory Board in 1979. Mr. Quandt is the owner of X-raid GmbH, S. Qu. Vermögensberatung GmbH & Co. KG and S. Qu Vermögensberatung GmbH Beteiligungsgesellschaft. Mr. Quandt is a member of the board of administration of Montana Tech Components AG. Mr. Quandt earned a diploma of commerce from the University of Munich.

The members of the Supervisory Board can be contacted at the Company's address.

3. Compensation and Share Ownership

In the financial year 2015, the then appointed members of the Supervisory Board received a total compensation of €40,000 in addition to reimbursement of expenses.

In accordance with the provisions of the Company's current Articles of Association, the remuneration paid to the Supervisory Board members comprises a fixed annual remuneration of €30,000, including reimbursement of expenses. The chairman and the deputy chairman of the Supervisory Board shall each receive a fixed annual remuneration of €50,000, including reimbursement of expenses.

Members of the Supervisory Board that were not members of the Supervisory Board for the whole financial year receive the aforementioned compensation *pro rata temporis* in the amount of the twelfth part per month or part thereof. The Company reimburses the VAT (if any) to each Supervisory Board member allotted to its payments.

The Company has obtained D&O insurance coverage for, among others, the members of the Supervisory Board, the costs of which are borne by the Company.

DDr. Tojner is the major shareholder of Montana Tech Components AG, which indirectly, through VGG GmbH and ETV Montana Tech Holding GmbH, holds 100% of the shares in the Company. Apart from this shareholding, the members of the Supervisory Board do not directly or indirectly hold any shares or options on shares in the Company as of the date of the Prospectus. See *M. "Shareholder Information"*.

There are no service agreements between the Company, its subsidiaries, and any of its Supervisory Board members under which a Supervisory Board member would receive benefits from the Company or its subsidiaries on termination of his or her activity. Also, as of the date of the Prospectus, there are no other service agreements between the Company and any of the Supervisory Board members as member of the Supervisory Board. The members of the Company's Supervisory Board receive no pension payments or retirement benefits in their capacity as members of the Supervisory Board.

4. Committees

Under the Articles of Association, the Supervisory Board may form committees from among its members and authorize such committees to perform specific tasks. The committees' tasks, authorizations and processes are determined by the Supervisory Board. Where permissible by law, important powers of the Supervisory Board may also be transferred to the committees. On September 7, 2016, the Supervisory Board resolved to form a Human Resources (HR) Committee and an Audit Committee. No remuneration committee has been formed since the HR Committee will assume the role of a nomination and compensation committee. Other committees may be formed as and when required.

HR Committee: Pursuant to the rules of procedure of the Supervisory Board, the HR Committee shall consist of three members. As of the date of the Prospectus, the HR Committee consists of DDr. Tojner (chairperson), Mr. Sommerer (vice chairperson) and Mr. Quandt. It is responsible for making recommendations to the Supervisory Board regarding candidates to be appointed as new members of the Management Board, for making recommendations on bonus payments to be made to all employees based on recommendation from the Management Board and for the preparation of presentations for the Supervisory Board regarding all issues involving the remuneration of the members of the Management Board, which are to be resolved upon by the Supervisory Board.

Audit Committee: Pursuant to the rules of procedure of the Supervisory Board, the Audit Committee shall consist of three members. The chairman of the Audit Committee shall have specialist knowledge and experience in the application of accounting principles and internal control processes and shall not be the chairman of the Supervisory Board or a former member of the Management Board, whose appointment ended less than two years prior to his appointment as chairman of the Audit Committee. As of the date of the Prospectus, the Audit Committee consists of Mr. Sommerer (chairperson), DDr. Tojner (vice chairperson) and Mr. Maier. The Audit Committee is responsible for matters concering accounting and the supervision of the accounting process, the effectiveness of the internal control system, the risk management and the internal audit system, the audit of the annual financial statements, in particular the independence of the auditor, additional services rendered by the auditor, the granting of the audit engagement letter to the auditor, the identification of core audit areas and the fees agreement.

5. Certain Information on the Members of the Supervisory Board

None of the members of the Supervisory Board has been convicted in relation to fraudulent offenses over the last five years. During this period, no member of the Supervisory Board has been associated in his capacity as a member of an administrative, management or supervisory board, as a partner with unlimited liability, founder or senior manager with any bankruptcies, receiverships or liquidations. No public incriminations and/or sanctions have been brought against the members of the Supervisory Board by statutory or regulatory authorities (including designated professional bodies) in the last five years nor have these individuals ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company.

Apart from their function as members of a corporate body and the relationship of DDr. Michael Tojner with the Company as further described under *Q.III.3 "—Supervisory Board-Compensation and Share Ownership"*, the members of the Supervisory Board do not have any other legal relationships with the Company and have no potential conflicts of interest with regard to their obligations *vis-à-vis* the Company, on the one hand, and their private interests or other obligations on the other hand. No family relationships exist between the members of the Supervisory Board or between members of the Company's Supervisory Board and the members of the Company's Management Board. As of the date hereof, the Company has not granted any loans to members of the Supervisory Board or assumed any sureties or guarantees for them. There are no employment contracts between the Company or its subsidiaries, on the one hand, and one or more members of the Supervisory Board on the other hand, which provide for a severance payment or other benefits in the case of termination of the employment contract. There are no agreements with principal shareholders, customers, suppliers or other persons under which a member of the Supervisory Board was appointed to the Supervisory Board.

IV. GENERAL SHAREHOLDERS' MEETING

General shareholders' meetings (ordinary and extraordinary) are held either at the registered office of the Company or of any of its subsidiaries, at a place within 100 kilometers of the Company's registered office, at the seat of a German stock exchange where shares of the Company are listed or in a German city with more than 500,000 inhabitants. Each ordinary share (*Stammaktie*) entitles the shareholder to one vote in the respective general shareholders' meetings.

Unless otherwise provided by mandatory law and the Company's Articles of Association, resolutions are adopted by a simple majority of the votes cast and, if a capital majority is required, with the simple majority of the share capital represented at the adoption of a resolution. According to mandatory law, resolutions of fundamental importance require, in addition to the majority of votes cast, a majority of three quarters of the share capital represented at the adoption of the resolution. Resolutions of fundamental importance include in particular:

- changes of the corporate purpose of the Company;
- share capital increases, if preference shares are issued, and share capital decreases;
- creation of authorized or conditional share capital;
- exclusion of the subscription rights of shareholders;
- mergers, split-ups, spin-offs as well as the transfer of all assets of the Company;
- an agreement to transfer all of the Company's assets pursuant to Section 179a of the German Stock Corporation Act (*Aktiengesetz*);
- entering into inter-company agreements (*Unternehmensverträge*) (in particular domination agreements and profit and loss transfer agreements (*Beherrschungs- und Ergebnisabführungsverträge*));
- change of the corporate form of the Company; and
- dissolution of the Company.

General shareholders' meetings are convened by the Management Board. The Supervisory Board must convene a general shareholders' meeting whenever the interests of the Company so require. Upon request of shareholders holding an aggregate of 5% or more of the registered share capital, the Management Board is obligated to call a general shareholders' meeting. This demand must be made in writing, stating the purpose of the meeting and be directed to the Management Board. Using the same procedure, shareholders whose aggregated shares constitute at least 5% of the Company's share capital or an interest of €500,000 may demand that items be submitted for vote at a general shareholders' meeting of the Company. In addition, shareholders must prove that they have owned their shares for at least three months and that they will hold their shares until their motion has been decided upon. If the demand is not met by the Company, a court may authorize the shareholders who issued the demand to convene the general shareholders' meeting of the Company. The convening notice or publication must make reference to such authorization. Shareholders or shareholders associations can use the shareholder forum of the German Federal Gazette (*Bundesanzeiger*), which is available through the Company Register's (*Unternehmensregister*) website, to either put forward a joint request or to put forward a request on behalf of the shareholders for a general shareholders' meeting.

The annual general shareholders' meeting, which decides on the discharge of the Management Board and the Supervisory Board, profit distributions, appointment of the auditor and the approval of the annual accounts, must be held within the first eight months of each financial year.

The German Stock Corporation Act (*Aktiengesetz*) requires the Company to publish notices of general shareholders' meetings in the Federal Gazette (*Bundesanzeiger*) at least 30 days before the day of the meeting. When calculating the notice period the day on which the invitation is sent and the day of the shareholders' meeting are disregarded.

According to Section 17(1) of the Company's Articles of Association, shareholders who wish to attend the annual shareholders' meeting and exercise their right to vote must register with the Company and provide proof of their authorization. This registration must be made in text form (*Textform*) in accordance with Section 126b German Civil Code (*Bürgerliches Gesetzbuch*) in German or English and must reach the Company at the address stated in the invitation at least six days prior to the general shareholders' meeting. The day of the receipt of the registration and the day of the shareholders' meeting are not counted for this purpose.

The Management Board is authorized to determine that the shareholders may attend the general shareholders' meeting also without being present at the place where it is held and without a proxy and may exercise their rights in whole or in part by means of electronic communication (online participation) or may submit their votes, without attending the meeting, in writing or by means of electronic communication (absentee voting). Should the Management Board use this authorization, it will specify the details of this procedure at the time of convening the general shareholders' meeting.

Neither German law nor the Company's Articles of Association restrict the right of non-resident or foreign shareholders to hold shares or to exercise any voting rights attached to these shares.

V. CORPORATE GOVERNANCE

The Company takes good corporate governance to mean responsible enterprise management and supervision geared to sustainable value creation. In particular, the Company strives to further foster the trust placed in the Group by investors, business partners and employees, and the public at large. The Company also attaches great importance to the efficient conduct of their work by the Management Board and Supervisory Board, good cooperation between these bodies and with the Company's staff, and to open and transparent corporate communications.

The corporate structure of the Company is based on the responsible, transparent and efficient leadership and control of the Company. The Company therefore identifies itself with the objectives of the German Corporate Governance Code as established on February 26, 2002 and last amended on May 5, 2015 (the "**Governance Code**"). The Management Board and the Supervisory Board as well as all management personnel and employees of the Company are required to comply with these objectives. The Management Board of the Company is responsible for compliance with the principles of corporate governance.

The Governance Code includes recommendations (*Empfehlungen*), that the Company "shall" (*soll*) follow, and suggestions (*Anregungen*), that the Company "should" (*sollte* or *kann*) follow, for the management and supervision of companies listed on German stock exchanges with regard to good corporate governance. Topics include shareholders and general shareholders' meetings, management and supervisory boards, transparency, accounting and the auditing of financial statements. The current version of the Governance Code is available on the website of the Commission of the German Corporate Governance Code (http://www.corporate-governance-code.de). While suggestions of the Governance Code are not mandatory, Section 161 of the German Stock Corporation Act (*Aktiengesetz*) requires the management and supervisory boards of a listed company to annually disclose which recommendations have been complied with, and in the event of noncompliance, to provide the reason for such non-compliance. This declaration must be made permanently accessible to shareholders. The contents of the declaration do not bind the Management Board or Supervisory Board for the future, however, any deviation from the previous declaration triggers the obligation to submit, publish and provide shareholders with an amended declaration in due course. In contrast, deviations from the suggestions contained in the Governance Code need not be disclosed.

The main recommendations of the Governance Code in the current version include the following:

- The remuneration of members of the management board should contain a fixed component and a component based on economic performance, and a cap should be specified and individual information is to be provided in the notes to the consolidated financial statements in reference to remuneration of the individual members of the management board.
- The members of the management board shall disclose any conflicts of interest to the supervisory board.
- The supervisory board shall form committees; in particular, an audit committee should be set up to deal with issues of accounting and risk management, the necessary independence of the auditor, and the awarding of audit engagements to auditors, as well as the determination of the special areas emphasized in the audit and the agreement on fees.
- The number of former members of the management board on the supervisory board shall be limited, and services on governing entities of major competitors of the company and advisory activities for major competitors of the company by members of the supervisory board shall be restricted.
- Transparency in dealings with shareholders shall be ensured; this includes the use of appropriate communication media such as the Internet and publication of the most important dates for regularly recurring announcements to shareholders with sufficient advance notice, additional use of English on websites, and the issuance of interim reports.
- Transactions with related parties shall be disclosed in the notes to the financial statements.

- A declaration of independence concerning business, financial, personal, or other relationships between the auditor and the company shall be obtained before engaging the auditors, and regular reports shall be made concerning the independence of the auditors.

Prior to the listing of the shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), the Company is not subject to the obligation to render a declaration as to compliance with the Governance Code. In accomplishing its goal of sustainably enhancing its value, the Company is guided extensively by the principles of the Governance Code, with the aid of which it has largely brought itself into line with the standards of German listed enterprises. The Company currently complies, and intends to comply after the listing of the shares, with all recommendations in the Governance Code except for the following:

- No. 4.1.5: According to recommendation no. 4.1.5 of the Governance Code, the management board shall take diversity into consideration and, in particular, aim for an appropriate consideration of women when filling managerial positions in the enterprise. The management board shall lay down targets for increasing the share of women on the two management levels below the management board. Until now, the Management Board has not explicitly taken into account diversity and appropriate share of women when filling managerial positions. The Management Board, however, intends to take these criteria into consideration in the future and specifically intends to keep the share of women on the first and second level levels of management below the Management Board at a minimum of 30% in the future.
- No. 4.2.3 para. 2: According to recommendation no. 4.2.3 para. 2 of the Governance Code, the supervisory board must make sure that the variable compensation elements of management board members are in general based on a multi-year assessment. The service contracts of the members of the Management Board do not provide for such a multi-year assessment. The Company takes the view that such a multi-year assessment is not required to evaluate the performance of the members of the Management Board. Furthermore, the amount of compensation shall be capped, both overall and for individual compensation components. The service contracts of the members of the Management Board do not include caps for the variable compensation elements. With regard to Dr. Pistauer, the Company is convinced that the Supervisory Board, which is responsible for determining his bonus, will decide on an amount appropriate as a reward for his responsibility and performance. As Mr. Schein's variable compensation element is related to the Company's EBIT, the Company does not see a need at the moment to insert a cap in his service agreement, but will seek to amend his contract if the EBIT increases to a level where the variable compensation element seems inappropriate.
- No. 4.2.4 and 4.2.5: According to the Governance Code's recommendations, the compensation of the members of the management board shall be disclosed by name, divided into fixed and variable components as well as fringe benefits. These recommendations are not complied with because the shareholders' meeting of the Company held on November 16, 2016 resolved that the compensation of the members of the Management Board shall not be disclosed by name in the annual consolidated financial statements of the Company to be prepared for the fiscal years 2016 up to (and including) 2019 in accordance with Sections 286(5), 314(2) sentence 2, 315a(1) of the German Commercial Code (*Handelsgesetzbuch*). For the duration of this "opt out" resolution, the Company will abstain from including the disclosures recommended under No. 4.2.5 para. 3 of the Governance Code in the Company's compensation report.
- No. 5.1.2 para. 1: According to recommendation no. 5.1.2 para. 1 of the Governance Code, the supervisory board shall respect diversity when appointing the management board, shall determine targets in terms of the share of women on the management board and shall ensure together with the management board that there is a long-term succession planning. The Supervisory Board intends to take diversity into consideration when appointing the members of the Management Board in the future. There is no target in terms of the share of women at the moment due to the small size of both the Company and the Management Board. At the moment, the Company does not deem a long-term succession planning necessary.
- No. 5.1.2 para. 2: According to recommendation no. 5.1.2 para. 2 of the Governance Code, the maximum possible appointment period of five years should not be the rule for first time appointments. The Company complies with this recommendation with regard to Dr. Pistauer. Mr. Schein has been appointed for a period of five years since he has been working with the Group for 25 years and the Company is therefore convinced of his abilities and high performance. A re-appointment prior to one year before the end of the appointment period with a simultaneous termination of the current appointment shall only take place under special circumenstances. The possibility to re-appoint a

member of the Management Board is necessary for the Company to allow for swift reactions of the Supervisory Board and give it enough leeway to fulfil its duties.

- No. 6: The recommendations in no. 6 of the Governance Code refer to the implementation of transparency within the Company. The Company complies with these recommendations except for investors who are also a member of the Supervisory Board.

VI. GROUP COMPLIANCE

In connection with the Offering, the Company intends to establish and implement a Group-wide compliance system. The Company intends, in particular, to adopt a code of conduct as a guideline for management and employees and improve the monitoring of compliance by, among other things, clarifying responsibilities and establishing reporting lines in order to ensure that the conduct of all personnel will be at all times in compliance with applicable statutory and regulatory rules and regulations.

R. TAXATION

I. TAXATION IN GERMANY

The following section presents a number of key German taxation principles which generally are or can be relevant to the acquisition, holding or transfer of shares both by a shareholder (an individual, a partnership or corporation) that has a tax domicile in Germany (that is, whose place of residence, habitual abode, registered office or place of management is in Germany) and by a shareholder without a tax domicile in Germany. The information is not exhaustive and does not constitute a definitive explanation of all possible aspects of taxation that could be relevant for shareholders. The information is based on the tax law in force in Germany as of the date of this Prospectus (and its interpretation by administrative directives and courts) as well as typical provisions of double taxation treaties that Germany has concluded with other countries. Tax law can change—sometimes retrospectively. Moreover, it cannot be ruled out that the German tax authorities or courts may consider an alternative assessment to be correct that differs from the one described in this section.

This section cannot serve as a substitute for tailored tax advice to individual shareholders. Shareholders are therefore advised to consult their tax advisers regarding the tax implications of the acquisition, holding or transfer of shares and regarding the procedures to be followed to achieve a possible reimbursement of German withholding tax (Kapitalertragsteuer). Only such advisors are in a position to take the specific tax-relevant circumstances of individual shareholders into due account.

1. Taxation of the Company

As a rule, the taxable profits generated by German corporations are subject to corporate income tax (*Körperschaftsteuer*). The rate of the corporate income tax is a standard 15% for both distributed and retained earnings, plus a solidarity surcharge (*Solidaritätszuschlag*) amounting to 5.5% on the corporate income tax liability (*i.e.*, 15.825% in total).

In general, dividends (*Dividenden*) or other profit shares that the Company derives from domestic or foreign corporations are effectively 95% exempt from corporate income tax, as 5% of such receipts are treated as a non-deductible business expenses, and are therefore subject to corporate income tax (and solidarity surcharge). However, as an exception to the above, dividends that the Company receives or received from domestic or foreign corporations after February 28, 2013, are subject to corporate income tax (including solidarity surcharge thereon) and trade tax, if the Company holds a direct participation of less than 10% in the share capital of such corporation at the beginning of the calendar year (hereinafter in all cases, a "**Portfolio Participation**"—*Streubesitzbeteiligung*). Participations of at least 10% acquired during a calendar year are deemed to have been acquired at the beginning of the calendar year. Participations in the share capital of other corporations which the Company holds through a partnership (including those that are co-entrepreneurships (*Mitunternehmerschaften*)) are attributable to the Company only on a *pro rata* basis at the ratio of the interest share of the Company in the assets of relevant partnership.

The Company's gains from the disposal of shares in a domestic or foreign corporation are in general effectively 95% exempt from corporate income tax (including the solidarity surcharge thereon), regardless of the size of the participation and the holding period. 5% of the gains are treated as non-deductible business expenses and are therefore subject to corporate income tax (plus the solidarity surcharge thereon) at a rate of 15.825%. Conversely, losses incurred from the disposal of such shares are generally not deductible for corporate income tax purposes. Currently, there are no specific rules for the taxation of gains arising from the disposal of Portfolio Participations.

Additionally, German corporations are also usually subject to trade tax (*Gewerbesteuer*) with respect to their taxable trade profit (*Gewerbeertrag*) generated at their permanent establishments maintained in Germany (*inländische Betriebstätten*). Trade tax generally ranges from approximately 7% to 18.2% of the taxable trade profit depending on the municipal trade tax multiplier applied by the relevant municipal authority (*Hebesatz*). When determining the income of the corporation that is subject to corporate income tax, trade tax may not be deducted as a business expense. In principle, profits derived from the sale of shares in another domestic and foreign corporation are treated in the same way for trade tax purposes as for corporate income tax. Contrary to this, profit shares derived from domestic and foreign corporations are only effectively 95% exempt from trade tax, if the Company either held an interest of at least 15% in the share capital of the company making the distribution at the beginning of the relevant assessment period or—in the case of foreign corporations—if the Company has held a stake of this size since the beginning of such period (trade tax participation exemption privilege—*gewerbesteuerliches Schachtelprivileg*). If the participation is held in a foreign corporation as per Article 2 of Council Directive

2011/96/EU of November 30, 2011 (the "**Parent-Subsidiary Directive**") with its registered office in another member state of the European Union, the trade tax participation exemption privilege becomes applicable from an interest of 10% in the share capital of the foreign corporation at the beginning of the relevant assessment period. Otherwise, the profit shares will be subject to trade tax in full. Additional restrictions apply for profit shares originating from foreign corporations which do not fall under Article 2 of the Parent-Subsidiary Directive.

The provisions of the so-called interest barrier (*Zinsschranke*) limit the degree to which interest expenses are deductible from the tax base. Accordingly, as a rule, interest expenses exceeding interest income are deductible in an amount of up to 30% of the EBITDA as determined for tax purposes in a given financial year, although there are exceptions to this rule. Non-deductible interest expenses must be carried forward to subsequent financial years. EBITDA that has not been fully utilised can under certain circumstances be carried forward to subsequent years and may be deducted subject to the limitations set out above. For trade tax purposes, 25% of the interest expenses deductible after applying the interest barrier are added when calculating the taxable trade profit. Therefore, for trade tax purposes, the amount of deductible interest expenses is only 75% of the interest expenses deductible for purposes of corporate income tax.

Under certain conditions, negative income of the Company that has not been offset by current year positive income can be carried forward or back into other assessment periods. Loss carry-backs to the immediately preceding assessment period are only permissible up to €1,000,000 (€511,500 until 2012) for corporate income tax but not at all for trade tax purposes. Negative income not offset positive income for corporate income and trade tax purposes can be carried forward to following taxation periods (tax loss carry-forward). If in such following taxation period the taxable income or the taxable trade profit exceeds the €1,000,000 threshold (up to which such income can be offset with the tax loss carry forward in full), only 60% of the excess amount can be offset by tax loss carry-forwards. The remaining 40% of the taxable income is subject to tax in any case (minimum taxation—*Mindestbesteuerung*). Unused tax loss carry-forwards can, as a rule, be carried forward indefinitely and deducted pursuant to the rules set out regarding future taxable income or trade income. However, if more than 25% or more than 50% of the Company's share capital or voting rights respectively is/are transferred to a purchaser or group of purchasers within five years, directly or indirectly, or if a similar situation arises (harmful share acquisition—*schädlicher Beteiligungserwerb*), the Company's unutilized losses and interest carry-forwards (possibly also EBITDA carry-forwards) will generally be forfeited in part (in case of a participation of more than 25% but no more than 50%) or in full (in case of a participation of more than 50%) and may not be offset against future profits, certain exceptions apply.

2. Taxation of Shareholders

a. Income Tax Implications of the Holding, Sale and Transfer of Shares

In terms of the taxation of shareholders of the Company, a distinction must be made between taxation in connection with the holding of shares (*R.I.2.b.* "*—Taxation of Dividends*") and taxation in connection with the sale of shares (*R.I.2.e.* "*—Taxation of Capital Gains*") and taxation in connection with the gratuitous transfer of shares (*R.I.2.h.* "*—Inheritance and Gift Tax*").

b. Taxation of Dividends

Withholding Tax

As a general rule, the dividends distributed to the shareholder are subject to a withholding tax (*Kapitalertragsteuer*) of 25% and a solidarity surcharge of 5.5% thereon (*i.e.*, 26.375% in total plus church tax, if applicable). This, however, will not apply if and to the extent that dividend payments are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; Section 27 of the German Corporate Income Tax Act (Körperschaftsteuergesetz*—"**KStG**")); in this case, no withholding tax will be withheld. The assessment basis for the withholding tax is the dividend approved by the general shareholders' meeting.

If shares—as it is the case with the shares in the Company—are admitted for collective custody by a securities custodian bank (*Wertpapiersammelbank*) pursuant to Section 5 German Act on Securities Accounts (*Depotgesetz*) and are entrusted to such bank for collective custody (*Sammelverwahrung*) in Germany, the withholding tax is withheld and passed on for the account of the shareholders by the domestic credit or financial services institution (*inländisches Kredit- oder Finanzdienstleistungsinstitut*) (including domestic branches of such foreign enterprises), by the domestic securities trading company (*inländisches Wertpapierhandelsunternehmen*) or the domestic securities trading bank (*inländische Wertpapierhandelsbank*) which keeps or administers the shares and disburses or credits the dividends or disburses the dividends to a foreign agent or by the central securities depository (*Wertpapiersammelbank*) to which the shares were entrusted for collective custody if the dividends are disbursed to a foreign agent by such central securities depository (*Wertpapiersammelbank*) (hereinafter in all cases, the "**Dividend Paying Agent**"). The Company does not assume any responsibility for the withholding of the withholding tax.

In general, the withholding tax must be withheld without regard to whether and to which extent the dividend is exempt from tax at the level of the shareholder and whether the shareholder is domiciled in Germany or abroad.

However, withholding tax on dividends distributed to a company domiciled in another EU Member State within the meaning of Article 2 of the Parent-Subsidiary Directive, may be refunded upon application and subject to further conditions. This also applies to dividends distributed to a permanent establishment of such a parent company in another Member State of the European Union or to a parent company that is subject to unlimited tax liability in Germany, provided that the participation in the Company is actually part of such permanent establishment's business assets. Further requirements for the refund of withholding tax under the Parent-Subsidiary Directive are that the shareholder has directly held at least a 10% of the company's registered capital for one year and that a respective application is filed with the German Federal Central Tax Office (*Bundeszentralamt für Steuern, Hauptdienstsitz Bonn-Beuel*, An der Küppe 1, 53225 Bonn, Germany).

With respect to distributions made to other shareholders without a tax domicile in Germany, the withholding tax rate can be reduced in accordance with the double taxation treaty if Germany has entered into a double taxation treaty with the shareholder's country of residence and if the shares neither form part of the assets of a permanent establishment or a fixed place of business in Germany, nor form part of business assets for which a permanent representative in Germany has been appointed. The withholding tax reduction is generally granted by the German Federal Central Tax Office (*Bundeszentralamt für Steuern*) upon application in such a manner that the difference between the total amount withheld, including the solidarity surcharge, and the reduced withholding tax actually owed under the relevant double taxation treaty (generally 15%) is refunded by the German Federal Central Tax Office.

Forms for the reimbursement from the withholding at source procedure are available at the German Federal Central Tax Office (http://www.bzst.bund.de) as well as at German embassies and consulates.

If dividends are distributed to corporations subject to limited taxation, *i.e.*, corporations with no registered office or place of management in Germany and if the shares neither belong to the assets of a permanent establishment or fixed place of business in Germany nor are part of business assets for which a permanent representative in Germany has been appointed, two-fifths of the tax withheld at the source can generally be refunded even if not all of the prerequisites for a refund under the Parent-Subsidiary Directive or the relevant double taxation treaty are fulfilled. The relevant application forms are available at the German Federal Central Tax Office (at the address specified above).

The aforementioned possibilities for a refund of withholding tax depend on certain other conditions being met (particularly the fulfillment of so-called substance requirements—*Substanzerfordernisse*).

In a ruling dated October 20, 2011, the European Court of Justice ("**ECJ**") held that the German taxation of dividends distributed by German corporations to companies located in another EU Member State violated EU law because these dividends would, if the shareholding does not reach the minimum participation of 10% provided for in the Parent-Subsidiary Directive, economically be subject to higher taxation than dividends which are distributed to companies with their registered offices in the Federal Republic of Germany. According to the judgment of the ECJ, the German taxation of dividends also violated the Treaty on the EEA because dividends which are distributed to companies with their registered offices in Iceland or Norway would economically be subject to a higher taxation than dividends distributed to companies with their registered office in the Federal Republic of Germany.

The legislator reacted to the ECJ's ruling dated October 20, 2011 by enacting the Act for the implementation of the ECJ's ruling dated October 20, 2011 (*Gesetz zur Umsetzung des EuGH-Urteils vom 20. Oktober 2011 in der Rechtssache C-284/09*, (BR-Drucks. 146/13/B)) which provides for (i) new rules for the taxation of dividends from Portfolio Participations received after February 28, 2013 (see *R.I.1. "—Taxation of the Company"*) and (ii) for a mechanism under which corporations domiciled in the EU or EEA, which do not fall under the Parent-Subsidiary Directive, can apply for a refund of withholding tax on the dividends received until February 28, 2013 if certain prerequisites are met. Please note that such a refund might in certain situations also be available with regard to withholding tax imposed on dividends received after February 28, 2013 if corporate shareholders, which are domiciled in the EU or EEA, directly hold at least 10% in the equity capital of the Company at the beginning of the relevant calendar year or acquire a stake of at least 10% in the equity capital of the Company in the course of the relevant calendar year, but do not fulfill the requirements provided for by the Parent-Subsidiary Directive at the time they apply for such refund. Shareholders affected by these rules are recommended to consult their tax advisors.

The Dividend Paying Agent which keeps or administrates the shares and pays or credits the capital income is required to create so called pots for the loss set off (*Verlustverrechnungstöpfe*) to allow for setting off of negative capital income with current and future positive capital income. A set off of negative capital income at a Dividend Paying Agent with positive capital income at a different Dividend Paying Agent is not possible and can only be achieved in the course of the income tax assessment at the level of the respective investor. In this case the taxpayer has to apply for a certificate confirming the amount of losses not offset with the Dividend Paying Agent where the pots for the loss set off exists. The application is irrevocable and has to reach the Dividend Paying Agent until 15th December of the respective year. Otherwise the losses will be carried forward to the following year by the Dividend Paying Agent.

Withholding tax will not be withheld by a Dividend Paying Agent if the taxpayer provides the Dividend Paying Agent with an application for exemption (*Freistellungsauftrag*) to the extent the capital income does not exceed the annual lump sum allowance (*Sparerpauschbetrag*) of €801 (€1,602 for married couples filing jointly) as outlined on the application for exemption. Furthermore, no withholding tax will be levied if the taxpayer provides the Dividend Paying Agent with a non-assessment certificate (*Nichtveranlagungsbescheinigung*) to be applied for with the competent tax office of the investor.

c. Taxation of Dividends of Shareholders with a Tax Domicile in Germany

Shares Held as Non-Business Assets

Dividends distributed to shareholders with a tax domicile in Germany whose shares are held as non-business assets form part of their taxable capital investment income, which is subject to a special uniform income tax rate of 25% plus solidarity surcharge of 5.5% thereon (*i.e.*, 26.375% in total plus church tax, if applicable). The income tax owed for this dividend income is in general satisfied by the withholding tax withheld by the Dividend Paying Agent (flat-rate withholding tax—*Abgeltungsteuer*). Income-related expenses cannot be deducted from the shareholder's capital investment income (including dividends), except for an annual lump-sum deduction (*Sparer-Pauschbetrag*) of €801 (€1,602 if jointly assessed). However, the shareholder may request that his capital investment income (including dividends) along with his other taxable income be subject to progressive income tax rate (instead of the uniform tax rate for capital investment income) if this results in a lower tax burden (*Günstigerprüfung*). This request may only be exercised consistently for all capital investment income and be exercised jointly in case of married couples filing jointly. In this case the withholding tax will be credited against the progressive income tax and any excess amount will be refunded. Pursuant to the current view of the German tax authorities (which has recently been confirmed by a decision of the German Federal Tax Court (*Bundesfinanzhof*)), income-related expenses cannot be deducted from the capital investment income, except for the aforementioned annual lump-sum deduction.

Exceptions from the flat rate withholding tax apply upon application for shareholders who have a shareholding of at least 25% in the Company and for shareholders who have a shareholding of at least 1% in the Company and work for the Company in a professional capacity.

With regard to dividends received after December 31, 2014, an automatic procedure for deducting church tax applies unless the shareholder has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office. The church tax payable on the dividend is withheld and passed on by the Dividend Paying Agent. In this case, the church tax for dividends is satisfied by the Dividend Paying Agent withholding such tax. Church tax withheld at source may not be deducted as a special expense (*Sonderausgabe*) in the course of the tax assessment, but the Dividend Paying Agent may reduce the withholding tax (including the solidarity surcharge) by 26.375% of the church tax to be withheld on the dividends. If the shareholder has filed a blocking notice and no church tax is withheld by a Dividend Paying Agent, a shareholder subject to church tax is obliged to declare the dividends in his income tax return. The church tax on the dividends is then levied by way of a tax assessment.

As an exemption, dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; Section 27 KStG*) and are paid to shareholders with a tax domicile in Germany whose shares are held as non-business assets, do—contrary to the above—not form part of the shareholder's taxable income. If the dividend payment funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; Section 27 KStG*) exceeds the shareholder's acquisition costs, negative acquisition costs will arise which can result in a higher capital gain in case of the shares' disposal (cf. below). This will not apply if (i) the shareholder or, in the event of a gratuitous transfer, its legal predecessor, or, if the shares have been gratuitously transferred several times in succession, one of his legal predecessors at any point during the five years preceding the (deemed, as the case may be,) disposal directly or indirectly held at least 1% of the share capital of the Company (a "**Qualified Holding**") and (ii) the dividend payment funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; Section 27 KStG*) exceeds the acquisition costs of the shares. In such a case of a Qualified Holding, a dividend payment funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; Section 27 KStG*) is deemed a sale of the shares and is taxable as a capital gain if and to the extent the dividend payment funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; Section 27 KStG*) exceeds the acquisition costs of the shares. In this case, the taxation corresponds with the description in the Section *R.I.2.e.* "*—Taxation of Capital Gains*" made with regard to shareholders maintaining a Qualified Holding.

Shares Held as Business Assets

Dividends from shares held as business assets of a shareholder with a tax domicile in Germany are not subject to the flat-rate withholding tax. The taxation depends on whether the shareholder is a corporation, a sole proprietor or a partnership (co-entrepreneurship). The withholding tax (including the solidarity surcharge and church tax, if applicable) withheld and paid by the Dividend Paying Agent will be credited against the shareholder's income or corporate income tax liability (including the solidarity surcharge and church tax, if applicable) or refunded in the amount of any excess.

Dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; Section 27 KStG*) and are paid to shareholders with a tax domicile in Germany whose shares are held as business assets are generally fully tax-exempt in the hands of such shareholder. To the extent the dividend payments funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; Section 27 KStG*) exceed the acquisition costs of the shares, a taxable capital gain should occur. The taxation of such gain corresponds with the description in the Section *R.I.2.e.* "*—Taxation of Capital Gains*" made with regard to shareholders whose shares are held as business assets (however, as regards the application of the 95% exemption in case of a corporation this is not undisputed).

(i) **Corporations**: If the shareholder is a corporation with a tax domicile in Germany, the dividends are in general effectively 95% exempt from corporate income tax and the solidarity surcharge. 5% of the dividends are treated as a non-deductible business expenses and are therefore subject to corporate income tax (plus the solidarity surcharge) at a total tax rate of 15.825%. In other respects, business expenses actually incurred in direct relation to the dividends may be deducted. However, pursuant to the Act for the implementation of the ECJ's ruling dated October 20, 2011 (*Gesetz zur Umsetzung des EuGH-Urteils vom 20. Oktober 2011 in der Rechtssache C-284/09*, (BR-Drucks. 146/13/B)), dividends that the shareholder received and receives after February 28, 2013, are no longer exempt from corporate income tax (including solidarity surcharge thereon), if the shareholder only held (or holds) a Portfolio Participation at the beginning of the calendar year. Participations of at least 10% acquired during a calendar year are deemed have been acquired at the beginning of the calendar year. Participations which a shareholder holds through a partnership (including those that are co-entrepreneurships (*Mitunternehmerschaften*)) are attributable to the shareholder only on a *pro rata* basis at the ratio of the interest share of the shareholder in the assets of relevant partnership.

    Dividends (after deducting business expenses economically related to the dividends) are subject to trade tax in the full amount, unless the requirements of the trade tax participation exemption privilege are fulfilled. In this latter case, the dividends are not subject to trade tax; however, trade tax is levied on the amount considered to be a non-deductible business expenses (amounting to 5% of the dividend). Trade tax ranges from approximately 7% to 18.2% of the taxable trade profit depending on the municipal trade tax multiplier applied by the relevant municipal authority.

(ii) **Sole Proprietors**: If the shares are held as business assets by a sole proprietor with a tax domicile in Germany, only 60% of the dividends are subject to progressive income tax (plus the solidarity surcharge) at a total tax rate of up to approximately 47.5% (plus church tax, if applicable), so-called partial income method (*Teileinkünfteverfahren*). Only 60% of the business expenses economically related to the dividends are tax-deductible. If the shares belong to a domestic permanent establishment in Germany of a business operation of the shareholder, the dividend income (after deducting business expenses economically related thereto) is not only subject to income tax but is also fully subject to trade tax, unless the prerequisites of the trade tax participation exemption privilege are fulfilled. In this latter case the net amount of dividends, *i.e.*, after deducting directly related expenses, is exempt from trade tax. As a rule, trade tax can be credited against the shareholder's personal income tax, either in full or in part, by means of a lump-sum tax credit method, depending on the level of the municipal trade tax multiplier and certain individual tax-relevant circumstances of the taxpayer.

(iii) **Partnerships**: If the shareholder is a commercially active or commercially tainted partnership (co-entrepreneurship) with a tax domicile in Germany, the income or corporate income tax is not levied at the level of the partnership but at the level of the respective partner. The taxation for every partner depends on whether the partner is a corporation or an individual. If the partner is a corporation, the dividends contained in the profit share of the shareholder will be taxed in accordance with the principles applicable for corporations (see *(i)* "*—Corporations*" above). If the partner is an individual, the taxation is in line with the principles described for sole proprietors (see *(ii)* "*—Sole Proprietors*" above). Upon application and subject to further conditions, an individual as a partner can have his personal income tax rate lowered for earnings not withdrawn from the partnership.

In addition, the dividends are generally subject to trade tax in the full amount at the partnership level if the shares are attributed to a German permanent establishment of the partnership. If a partner of the partnership is an individual, the portion of the trade tax paid by the partnership pertaining to his profit share will generally be credited, either in full or in part, against his personal income tax by means of a lump-sum method—depending on the level of the municipal trade tax multiplier and certain individual tax-relevant circumstances of the taxpayer. Due to a lack of case law and administrative guidance, it is currently unclear how the new rules for the taxation of dividends from Portfolio Participations (see *(i)* "*—Corporations*" above) might impact the trade tax treatment at the level of the partnership. Shareholders are strongly recommended to consult their tax advisors. Under a literal reading of the law, if the partnership fulfils the prerequisites for the trade tax exemption privilege at the beginning of the relevant assessment period, the dividends (after the deduction of business expenses economically related thereto) should generally not be subject to trade tax. However, in this case, trade tax should be levied on 5% of the dividends to the extent they are attributable to the profit share of such corporate partners to whom at least 15% of the shares in the Company are attributable on a look-through basis, since such portion of the dividends should be deemed to be non-deductible business expenses. The remaining portion of the dividend income attributable to other than such specific corporate partners (which includes individual partners and should, under a literal reading of the law, also include corporate partners to whom, on a look-through basis, only Portfolio Participations are attributable) should not be subject to trade tax.

d. Taxation of Dividends of Shareholders without a Tax Domicile in Germany

Shareholders without a tax domicile in Germany, whose shares are attributable to a German permanent establishment or fixed place of business or are part of business assets for which a permanent representative in Germany has been appointed, are liable for tax in Germany on their dividend income. In this respect, the provisions outlined above for shareholders with a tax domicile in Germany whose shares are held as business assets apply accordingly (see *R.I.2.c.* "*—Taxation of Dividends of Shareholders with a Tax Domicile in Germany—Shares Held as Business Assets*"). The withholding tax (including the solidarity surcharge) withheld and passed on will be credited against the income or corporate income tax liability or refunded in the amount of any excess.

In all other cases, any German tax liability for dividends is satisfied by the withholding of the withholding tax by the Dividend Paying Agent. Withholding tax is only reimbursed in the cases and to the extent described above under *R.I.2.b.* "*—Withholding Tax.*"

Dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; Section 27 KStG*) are generally not taxable in Germany.

e. Taxation of Capital Gains

Taxation of Capital Gains of Shareholders with a Tax Domicile in Germany

Shares Held as Non-Business Assets

Gains on the disposal of shares acquired after December 31, 2008 by a shareholder with a tax domicile in Germany and held as non-business assets are generally—regardless of the holding period—subject to a uniform tax rate on capital investment income in Germany (25% plus the solidarity surcharge of 5.5% thereon, *i.e.*, 26.375% in total plus any church tax if applicable).

The taxable capital gain is computed from the difference between (i) the proceeds of the disposal and (ii) the acquisition costs of the shares and the expenses related directly and materially to the disposal. Dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; Section 27 KStG*) reduce the original acquisition costs; if dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; Section 27 KStG*) exceed the acquisition costs, negative acquisition costs—which can increase a capital gain—can arise in case of shareholders, whose shares are held as non-business assets and do not qualify as Qualified Holding.

Only an annual lump-sum deduction of €801 (€1,602 if jointly assessed) may be deducted from the entire capital investments income. It is generally not possible to deduct income-related expenses in connection with capital gains, except for the expenses directly related in substance to the disposal which can be deducted when calculating the capital gains. Losses on disposals of shares may only be offset against gains on the disposal of shares.

If the shares are held in custody or administered by a domestic credit institution, domestic financial services institution, domestic securities trading company or a domestic securities trading bank, including domestic branches of foreign credit institutions or financial service institutions, or if such an office executes the disposal of the shares and pays out or credits the capital gains (a "**Domestic Paying Agent**"), the tax on the capital gains will in general be satisfied by the Domestic Paying Agent withholding the withholding tax on investment income in the amount of 26.375% (including the solidarity surcharge) on the capital gain and transferring it to the tax authority for the account of the seller.

However, the shareholder can apply for his total capital investment income together with his other taxable income to be subject to progressive income tax rate as opposed to the uniform tax rate on investment income, if this results in a lower tax liability (*Günstigerprüfung*). This request may only be exercised consistently for all capital investment income and be exercised jointly in case of married couples filing jointly. In this case the withholding tax is credited against the progressive income tax and any resulting excess amount will be refunded; limitations on offsetting losses are applicable. Further, pursuant to the current view of the German tax authorities (which has recently been confirmed by a decision of the German Federal Tax Court (*Bundesfinanzhof*)), income-related expenses are non-deductible, except for the annual lump-sum deduction. Further, the limitations on offsetting losses are also applicable under the income tax assessment.

If the withholding tax or, if applicable, the church tax on capital gains is not withheld by a Domestic Paying Agent, the shareholder is required to declare the capital gains in his income tax return. The income tax and any applicable church tax on the capital gains will then be collected by way of assessment.

An automatic procedure for deducting church tax applies unless the shareholder has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office and, church tax on capital gains is withheld by the Domestic Paying Agent and is deemed to have been paid when the tax is deducted. A deduction of the withheld church tax as a special expense is not permissible, but the withholding tax to be withheld (including the solidarity surcharge) is reduced by 26.375% of the church tax to be withheld on the capital gains.

Regardless of the holding period and the time of acquisition, gains from the disposal of shares are not subject to a uniform withholding tax but to progressive income tax in case of a "Qualified Holding". In this case the partial income method applies to gains on the disposal of shares, which means that only 60% of the capital gains are subject to tax and only 60% of the losses on the disposal and expenses economically related thereto are tax deductible. Even though withholding tax is withheld by a Domestic Paying Agent in the case of a Qualified Holding, this does not satisfy the tax liability of the shareholder. Consequently, a shareholder must declare his capital gains in his income tax returns. The withholding tax (including the solidarity surcharge and church tax, if applicable) withheld and paid will be credited against the shareholder's income tax on his tax assessment (including the solidarity surcharge and any church tax if applicable) or refunded in the amount of any excess.

Shares Held as Business Assets

Gains on the sale of shares held as business assets of a shareholder with a tax domicile in Germany are not subject to uniform withholding tax. The taxation of the capital gains depends on whether the shareholder is a corporation, a sole proprietor or a partnership (co-entrepreneurship). Dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; Section 27 KStG*) reduce the original acquisition costs. In case of disposal a higher taxable capital gain can arise herefrom. If the dividend payments exceed the shares' book value for tax purposes, a taxable capital gain can arise.

(i) Corporations: If the shareholder is a corporation with a tax domicile in Germany, the gains on the disposal of shares are in general effectively 95% exempt from corporate income tax (including the solidarity surcharge) and trade tax, currently, regardless of the size of the participation and the holding period. 5% of the gains are treated as a non-deductible business expenses and are therefore subject to corporate income tax (plus the solidarity surcharge) at a tax rate amounting to 15.825% and trade tax (depending on the municipal trade tax multiplier applied by the municipal authority, generally between approximately 7% and 18.2%). As a rule, losses on disposals and other profit reductions in connection with shares (*e.g.*, from a write-down) cannot be deducted as business expenses. Currently, there are no specific rules for the taxation of gains arising from the disposal of Portfolio Participations.

(ii) Sole Proprietors: If the shares are held as business assets by a sole proprietor with a tax domicile in Germany, only 60% of the gains on the disposal of the shares are subject to progressive income tax (plus the solidarity surcharge) at a total tax rate of up to approximately 47.5%, and, if applicable, church tax (partial-income method). Only 60% of the losses on the disposal and expenses economically related thereto are tax deductible. If the shares belong to a German permanent establishment of a business operation of the sole proprietor, 60% of the gains of the disposal of the shares are, in addition, subject to trade tax.

Trade tax can be credited towards the shareholder's personal income tax, either in full or in part, by means of a lump-sum tax credit method—depending on the level of the municipal trade tax multiplier and certain individual tax-relevant circumstances of the taxpayer.

(iii) Partnerships: If the shareholder is a commercially active or commercially tainted partnership (co-entrepreneurship) with a tax domicile in Germany, the income or corporate income tax is not levied at the level of the partnership but at the level of the respective partner. The taxation depends on whether the partner is a corporation or an individual. If the partner is a corporation, the gains on the disposal of the shares as contained in the profit share of the partner will be taxed in accordance with the principles applicable for corporations (see *(i "—Corporations*" above). For capital gains in the profit share of a partner that is an individual, the principles outlined above for sole proprietors apply accordingly (partial-income method, see above under *(ii)* "*—Sole Proprietors*"). Upon application and subject to further conditions, an individual as a partner can obtain a reduction of his personal income tax rate for earnings not withdrawn from the partnership.

In addition, gains on the disposal of shares are subject to trade tax at the level of the partnership, if the shares are attributed to a domestic permanent establishment of a business operation of the partnership: Generally, at 60% as far as they are attributable to the profit share of an individual as the partner of the partnership, and, currently, at 5% as far as they are attributable to the profit share of a corporation as the partner of the partnership. Losses on disposals and other profit reductions in connection with the shares are currently not considered for the purposes of trade tax if they are attributable to the profit share of a corporation, and are taken into account at 60% in the context of general limitations if they are attributable to the profit share of an individual.

If the partner of the partnership is an individual, the portion of the trade tax paid by the partnership attributable to his profit share will generally be credited, either in full or in part, against his personal income tax by means of a lump-sum method—depending on the level of the municipal trade tax multiplier and certain individual tax-relevant circumstances of the taxpayer.

Withholding Tax

In case of a Domestic Paying Agent, the gains of the sale of shares held as business assets are in general subject to withholding tax in the same way as shares held as non-business assets by a shareholder (see *R.I.2.c. "—Taxation of Capital Gains of Shareholders with a Tax Domicile in Germany—Shares Held as Non-Business Assets*"). However, the dividend paying agent will not withhold the withholding tax, if (i) the shareholder is a corporation, association of persons or estate with a tax domicile in Germany, or (ii) the shares belong to the domestic business assets of a shareholder, and the shareholder declares so to the Domestic Paying Agent using the designated official form and certain other requirements are met. If withholding tax is nonetheless withheld by a Domestic Paying Agent, the withholding tax (including the solidarity surcharge and church tax, if applicable) withheld and paid will be credited against the income or corporate income tax liability (including the solidarity surcharge and church tax, if applicable) or will be refunded in the amount of any excess.

f. Taxation of Capital Gains of Shareholders without a Tax Domicile in Germany

Capital gains derived by shareholders with no tax domicile in Germany are only subject to German tax if the selling shareholder has a Qualified Holding in the Company or the shares belong to a domestic permanent establishment or fixed place of business or are part of business assets for which a permanent representative in Germany has been appointed.

In case of a Qualified Holding, 5% of the gains on the disposal of the shares are currently in general subject to corporate income tax plus the solidarity surcharge, if the shareholder is a corporation. If the shareholder is a private individual, only 60% of the gains of the disposal of the shares are subject to progressive income tax plus the solidarity surcharge (partial-income method). However, most double taxation treaties provide for exemption from German taxation and assign the right of taxation to the shareholder's country of residence. According to the tax authorities there is no obligation to withhold withholding tax at source in the case of a Qualified Holding if the shareholder submits to the Domestic Paying Agent a certificate of domicile issued by a foreign tax authority.

With regard to gains or losses of the disposal of shares belonging to a domestic permanent establishment or fixed place of business or which are part of business assets for which a permanent representative in Germany has been appointed, the above-mentioned provisions pertaining to shareholders with a tax domicile in Germany whose shares are business assets apply *mutatis mutandis (*see *R.I.2.e. "—Taxation of Capital Gains—Taxation of Capital Gains of Shareholders with a Tax Domicile in Germany—Shares Held as Business Assets*"). The Domestic Paying Agent can refrain from deducting the withholding tax if the shareholder declares to the Domestic Paying Agent on an official form that the shares form part of domestic business assets and certain other requirements are met.

g. Special Treatment of Companies in the Financial and Insurance Sectors and Pension Funds

If financial institutions or financial services providers hold or sell shares that are allocable to their trading book pursuant to Section 1a of the German Banking Act (*Gesetz über das Kreditwesen*), they will neither be able to use the partial income method nor have 60% of their gains exempted from taxation nor be entitled to the effective 95% exemption from corporate income tax plus the solidarity surcharge and any applicable trade tax. Thus, dividend income and capital gains are fully taxable. The same applies to shares acquired by financial institutions in the meaning of the German Banking Act for the purpose of generating profits from short-term proprietary trading. The preceding sentence applies accordingly for shares held in a permanent establishment in Germany by financial institutions, financial service providers, and finance companies tax resident in another member state of the European Union or in other signatory states of the EEA Agreement. Likewise, the tax exemption described earlier afforded to corporations for dividend income and capital gains from the sale of shares does not apply to shares that qualify as a capital investment in the case of life insurance and health insurance companies, or those which are held by pension funds.

However, an exemption to the foregoing, and thus a 95% effective tax exemption, applies to dividends obtained by the aforementioned companies, to which the Parent-Subsidiary Directive applies.

h. Inheritance and Gift Tax

The transfer of shares to another person *mortis causa* or by way of gift is generally subject to German inheritance or gift tax if:

(i) the place of residence, habitual abode, place of management or registered office of the decedent, the donor, the heir, the donee or another acquirer is, at the time of the asset transfer, in Germany, or such person, as a German national, has not spent more than five continuous years outside of Germany without maintaining a place of residence in Germany, or

(ii) the decedent's or donor's shares belonged to business assets for which there had been a permanent establishment in Germany or a permanent representative had been appointed, or

(iii) the decedent or the donor, at the time of the succession or gift, held a direct or indirect interest of at least 10% of the Company's share capital either alone or jointly with other related parties.

The small number of double taxation treaties in respect of inheritance and gift tax which Germany has concluded to date usually provide for German inheritance or gift tax only to be levied in the cases under (i) and, subject to certain restrictions, in the cases under (ii). Special provisions apply to certain German nationals living outside of Germany and to former German nationals.

i. Other Taxes

No German capital transfer taxes, value-added-tax, stamp duties or similar taxes are currently levied on the purchase or disposal or other forms of transfer of the shares. However, an entrepreneur may opt to subject disposals of shares, which are in principle exempt from value-added-tax, to value-added-tax if the sale is made to another entrepreneur for the entrepreneur's business. Wealth tax is currently not levied in Germany.

j. International Exchange of Information

Based on the so-called "OECD Common Reporting Standard", the states which have committed themselves to implement this standard (**Participating States**) will exchange potentially taxation-relevant information about financial accounts which an individual holds in a Participating State other than his country of residence. This procedure will commence in 2017 with information for the year 2016 (in case of the so-called "Early Adopters") and in 2018 with information for the year 2017 (all other Participating States, respectively). The same applies starting on January 1, 2016 for the Member States of the European Union (except as of January 1, 2017 as regards Austria). Due to an extension of the Directive 2011/16/EU on administrative cooperation in the field of taxation (**Mutual Assistance Directive**), the Member States will from that date onwards exchange financial information on notifiable financial accounts of individuals which are resident in another Member State of the European Union. This procedure will commence in 2017 with information for the year 2016 (except as of January 1, 2017 as regards Austria).

In Germany, the amended EU Mutual Assistance Directive and the OECD Common Reporting Standard were implemented by the Act on the Exchange of Financial Accounts Information (*Finanzkonten-Informationsaustauschgesetz*—**FKAustG**) which became effective as of December 31, 2015.

So far, the exchange of information on savings interest income was mainly regulated by the EU Savings Tax Directive. It provided for an exchange of information between authorities of the Member States regarding interest payments and equivalent payments by paying agents of a Member State (within the meaning of such directive) to a private individual with domicile for tax purposes in another Member State, and in the case of Austria, for a withholding of tax from such payments for a transitional period. In order to prevent an overlap between the EU Savings Tax Directive and the amended Mutual Assistance Directive, with effect as of January 1, 2017 (Austria) or January 1, 2016 (all other Member States), respectively, the EU Savings Tax Directive was repealed (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on payments made before those dates). Reporting and withholding requirements may arise on the basis of national laws, transitional provisions regarding the EU Savings Tax Directive (notwithstanding its repeal) and implementation measures of the Mutual Assistance Directive.

A number of non-EU countries and certain dependent or associated territories of certain Member States have adopted measures which are similar to the EU Savings Tax Directive (either provision of information or transitional withholding). These measures apply until further amendments to the OECD Common Reporting Standard and the amended Mutual Assistance Directive, respectively.

Shareholders should get information about, and where appropriate, take advice on the impact of the regulations regarding the international exchange of information and the implementation into national law on their investment.

k. The Proposed Financial Transaction Tax (FTT)

On February 14, 2013, the EU Commission adopted a proposal for a Council Directive (the "**Draft Directive**") on a common financial transaction tax ("**FTT**"). According to the Draft Directive, the FTT shall be implemented in eleven EU Member States (Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain; the "**Participating Member States**"). The FTT as provided under the Draft Directive was originally scheduled to be applicable as of January 1, 2014. In 2015, Estonia stated that it will not participate in implementing the proposed FTT.

The proposed FTT has a very broad scope and could, if introduced in the form of the proposal apply to certain dealings in the Shares in certain circumstances.

Ten EU Member States (including Germany) had announced that they intend to reach an agreement with regard to the FTT by the end of June 2016, focussing initially on the taxation of shares and certain derivatives, which however did not take place. The FTT has not been implemented yet. As to the further implementation of any FTT there is currently no detailed plan or timetable available.

Nevertheless, the FTT remains subject to negotiation between the EU Member States and was (and most probably will be) the subject of legal challenge. It may still be adopted and be altered prior to its adoption, the timing of which remains unclear. Moreover, once any directive has been adopted (the "**Directive**"), it will need to be implemented into the respective domestic laws of the participating EU Member States and the domestic provisions implementing the Directive might deviate from the Directive itself. Finally, additional EU Member States may decide to participate in or to dismiss the implementation. The participation of at least nine EU Member States is necessary to enact a Directive without the participation of all EU Member States in the so-called enhanced cooperation legislation procedure.

Prospective shareholders should consult their own tax advisers in relation to the consequences of the FTT.

II. TAXATION IN AUSTRIA

1. Tax Aspects for Austrian Resident Shareholders

The following is a brief summary of certain Austrian tax law considerations relating to an investment in the shares based on Austrian tax laws applicable as of the date of this Prospectus. Those laws and the application thereof are subject to change, possibly with retroactive effect. This summary only describes tax implications relating to shareholders who are Austrian tax residents and does not address any tax law consequences relating to an investment in the shares that arise under the laws of any other jurisdiction. This section is for general information purposes only and does not purport to address all aspects of Austrian taxation that may be relevant for shareholders who plan to acquire shares and does therefore not purport to be a comprehensive description of all the tax considerations which may be relevant for a decision to invest in, hold or dispose of the shares. The summary is not a substitute for obtaining individual tax advice from a tax law advisor. Prospective shareholders are therefore urged to consult their own tax advisers as to the particular tax consequences and tax refund procedures of their acquiring, holding or disposing of the shares, including the applicability and effect of local, foreign and other tax laws and tax regulations and possible changes in tax law and tax regulations prior to investing, since only a specific tax law advice may evaluate the individual tax situation of shareholders in light of their particular facts and circumstances.

Also, tax considerations relevant to shareholders that are subject to a special tax regime such as, *e.g.*, private foundations (*Privatstiftungen*), governmental authorities, investment or pension funds or credit institutions are not addressed herein.

2. General

Individuals resident in Austria are subject to Austrian income tax (*Einkommensteuer*) on their worldwide income (unlimited tax liability). Individuals are considered Austrian tax residents if they have either a domicile (*Wohnsitz*) or their habitual place of abode (*gewöhnlicher Aufenthalt*) in Austria. Corporations resident in Austria are subject to Austrian corporate income tax (*Körperschaftsteuer*) on their worldwide income (unlimited tax liability). Corporations are considered resident in Austria if either their place of effective management (*Ort der Geschäftsleitung*) is in Austria or if they have their legal seat (*Sitz*) in Austria. Non-resident individuals or corporations are subject to Austrian corporate income tax only on income from certain Austrian sources (limited tax liability), *e.g.*, if the shares were held through an Austrian business.

Both, in case of unlimited and limited tax liability, Austria's right to tax may be restricted or reduced by applicable double tax treaties.

Except for Austrian withholding taxes that have to be withheld at source, it is the responsibility of the relevant shareholder to comply with Austrian tax laws, in particular, to file an annual tax return. The Company does not assume any responsibility for the withholding of Austrian withholding tax, if any.

3. Taxation of Dividends

a Resident Individuals

If the shares are held by the shareholders through a securities account with an Austrian bank or with a domestic branch of a foreign bank (an "**Austrian Depository Bank**"), the Austrian Depository Bank will deduct the 27.5% Austrian withholding tax on any dividends paid on the shares as a withholding agent. The Austrian Depository Bank may withhold less than 27.5%, since it may credit any actually paid foreign withholding taxation up to 15% of the respective dividends. Distributions paid from the Company's capital contribution account are not taxed as dividends and may, if the sum of such distributions exceeds the acquisition costs of the shareholder, lead to taxable capital gains.

For resident individuals, the dividend withholding tax constitutes a final taxation (*Endbesteuerungswirkung*) finally settling the tax burden of such resident individual for the dividends; no further Austrian income tax will be payable in this respect and the dividends do not have to be included in such resident individual's annual income tax return (*Einkommensteuererklärung*).

If an Austrian resident shareholder does not hold the shares through an Austrian Depository Bank, the resident individual will have to declare his or her dividend income in the annual income tax return; the special tax rate of 27.5% will also apply as well as the effect of a final taxation (*Endbesteuerungswirkung*).

If the 27.5% flat income tax rate is higher than the resident shareholder's personal income tax rate, the shareholder may opt to have the dividends taxed at the personal income tax rate; whether such option is beneficial has to be determined on an individual basis.

Under the double tax treaty between Germany and Austria, Germany may also levy taxes on dividends paid on the shares to Austrian tax residents. Those German taxes may, however, not exceed 15% of the gross amount of the dividends. Any taxes paid for (or by) an Austrian resident individual in Germany up to the amount of 15% of the gross dividend income can be credited against the individual's income tax liability in Austria. The described treatment may, however, not apply if the shares are held in a German permanent establishment (*Betriebsstätte*) or a German fixed base (*feste Einrichtung*).

Expenses and costs (*Aufwendungen und Ausgaben*) that are directly connected with the shares are not tax effective.

b Resident Corporations

Dividend paid on the shares to Austrian corporate shareholders is generally exempt from taxation in Austria. The exemption applies, because the Company has the legal form of corporations listed in the EU Parent Subsidiary Directive (90/435/EEC) and is not exempt from (corporate) tax in Germany and a potential corporate income tax is levied on the Company's income at a rate of at least 15%. If this exemption would not apply, dividends received by Austrian corporate shareholders would be subject to corporate income tax at the general corporate income tax rate of 25%.

If the shares are held by corporate shareholders through an Austrian Depository Bank, the bank will deduct the 25% Austrian withholding tax, unless the shareholder files a declaration of exemption (*Befreiungserklärung*) with the Austrian Depository Bank. If withholding taxation is imposed it would be refunded (or credited onto the corporate shareholder's tax liability).

Under the double tax treaty between Germany and Austria, Germany may also levy taxes on dividends. German withholding taxes may, however, not exceed 15% of the gross amount of such dividends or, if the direct shareholding is at least 10% and if shares are held by a corporation, German withholding taxes may not exceed 5% of the gross amount of such dividends; German laws implementing the EU Parent-Subsidiary Directive may even reduce the tax burden.

Expenses and costs (*Aufwendungen und Ausgaben*) that are directly connected with dividends paid on the shares are not tax effective, unless the exception for the deduction of interest expenses for debt financed participations applies.

4. Austrian Partnerships

If the shares are held by an Austrian partnership which is in principle considered as transparent for tax purposes, *i.e.,* the profit of the partnership will be attributed to the various partners, the tax treatment of dividends distributed by the Company to the partnership depends on the tax status of the respective partner. For certain corporate shareholders such as, *e.g.*, pension funds, special tax rules may apply.

5. Taxation of Capital Gains

a. Taxation of Capital Gains of shareholders with a Tax Domicile in Austria

Shares Held as Non-Business Assets

Generally income arising with respect to the shares in the form of realized capital gains (*Einkünfte aus realisierten Wertsteigerungen*) qualifies as 'investment income' (*Einkünfte aus Kapitalvermögen*) and is, as such, taxed under a special regime at a flat 27.5% tax rate. Realized capital gains are the difference between (i) the amount realized (*e.g.*, the sale proceeds, the redemption or other pay-off amount, or the fair market value in case of a deemed realization) and (ii) the acquisition costs. If distributions from the Company's capital contribution account exceed a shareholder's acquisition costs, the excess would also be taxed as capital gains.

For shares held as non-business assets, the acquisition costs do not include ancillary acquisition costs (*Anschaffungsnebenkosten*). An average price is determined regarding shares, not acquired at the same time, but held in the same securities account with the same securities identification number. Expenses and costs (*Aufwendungen und Ausgaben*) that are directly connected with investment income are not tax effective.

Capital gains are not only taxed upon an actual disposition or redemption of the shares, but also upon a deemed realization, particularly upon giving up the residency status in Austria (*i.e.*, move abroad, unless in case of final taxation if the Austrian custodian is notified), or upon withdrawals (*Entnahmen*) and other transfers of shares from one securities account to another one. In both cases exemptions are available upon request, regarding the loss of the residency status if the shareholder moves to an EU Member State (deferral of tax) and regarding withdrawals and other transfers from a securities account if an information procedure is fulfilled and the shares are held as non-business assets.

If the shares are held through a securities account with an Austrian Depositary Bank, 27.5% withholding tax is to be deducted by the Austrian Depositary Bank. The 27.5% withholding tax generally results in a final income taxation; an option to assess the income at the progressive income tax rate exists (in particular relevant for shareholders whose regular personal income tax rate is lower than 27.5%). If no withholding tax is imposed (*e.g.*, because the shares are held through a foreign paying agent), the investment income arising from the shares has to be included in the shareholder's income tax return in accordance with the law and will generally be subject to the special 27.5% flat tax.

Losses from shares held as private assets may only be offset with other investment income (excluding, *inter alia*, interest income from bank deposits and other claims against banks) and cannot offset any other income. Mandatory loss-offsetting rules to be handled by Austrian custodians apply. A carry-forward of losses is not possible in this context.

Shares Held as Business Assets

Generally, the same rules as described in the previous heading apply regarding shares that are held as business assets by tax residents who are individuals. The most important differences are the following:

- Realized capital gains, contrary to dividends, have to be included in the annual tax return, since despite a 27.5% withholding taxation that is also imposed in the context of shares held as business assets if an Austrian Depositary Bank is involved, no final income taxation applies.

- Write-downs and realized losses regarding the shares held as business assets may be offset with positive income from realized capital gains of such financial assets, income from derivatives and with income from appreciations in value of such assets in the first place; 55% of the remaining losses may be offset against other income or carried forward. The custodian agent does not implement the offsetting of losses (as mentioned above) with respect to deposit accounts that are not privately held; instead losses are taken into account upon assessment.
- The acquisition costs of shares held as business assets may also include ancillary costs incurred upon the acquisition.

It is noted that expenses and costs (*Aufwendungen und Ausgaben*) directly connected with investment income are also not tax effective in case the shares are held as business assets.

Corporations

Capital gains derived from a disposition of the shares by corporate shareholders are subject to corporate income tax at the general corporate income tax rate of 25%, unless the participation exemption applies (minimum holding period one year, minimum percentage of participation 10%, no low taxation of the Company, not opted out of the exemption).

If the corporate shareholders hold shares through a securities account with an Austrian Depository Bank, the bank, as withholding agent, will deduct up to 25% Austrian withholding tax. Corporate shareholders holding the shares as business property and deriving capital gains from the disposition of shares may avoid the application of such withholding tax by filing a declaration of exemption (*Befreiungserklärung*) with the Austrian withholding tax agent.

Losses can be taken into account in the course of the annual tax assessment. If no declaration of exemption is submitted, the retained withholding tax can be charged towards the corporate tax debt or refunded with a potentially exceeding amount.

In December 2014, the European Council adopted directive 2014/107/EU amending provisions on the mandatory automatic exchange of information between tax administrations and thus implementing OECD rules of a Common Reporting Standard. It extended the scope of that exchange to include interest, dividends and other types of income held by private individuals and certain entities. Austrian law implementing Directive 2014/107/EU came into force on January 1, 2016 and provides that information exchange will be applicable for taxable periods from January 1, 2017. However, certain information about opening of new accounts in Austria will be collected from October 1, 2016 already. As equivalent provisions are applicable in all participating countries, there will be full tax transparency regarding dividends and capital gains deriving from the shares from 2017 at the latest.

b. No Inheritance and Gift Tax, but Notification

The Austrian inheritance and gift tax (*Erbschafts- und Schenkungssteuer*) was abolished in 2008. However, certain gift notification obligations may apply in case gratuitous transfers of assets exceed specific thresholds.

The gratuitous transfer of assets to (Austrian or foreign) private law foundations and comparable legal estates is subject to foundation tax (*Stiftungseingangssteuer*) pursuant to the Austrian Foundation Tax Act (*Stiftungseingangssteuergesetz*). Such tax is triggered if the transferor and/or the foundation at the time of transfer have a domicile, their habitual abode, their legal seat or their place of effective management in Austria. The tax basis is the fair market value of the assets transferred minus any debts, calculated at the time of transfer. The tax rate is in general 2.5%, with a higher rate of 25% applying in special cases.

c. Other Taxes

No Austrian stock exchange transfer tax or other financial transaction tax, value-added tax or stamp duty will be levied on the purchase, sale or other disposition of the shares.

S. UNDERWRITING

I. SUBJECT OF AND ARRANGEMENTS ON UNDERWRITING

The Company, the Company's existing shareholders and the Underwriters entered into an Underwriting Agreement on November 17, 2016 with respect to the offer and sale of the shares which are the subject of the Prospectus (the "**Underwriting Agreement**").

The Offering consists of a total of 19,166,665 ordinary bearer shares of the Company with no par value (*Stückaktien*), each such share with a notional value of €1.00 in the share capital and full dividend rights as of and for the financial year beginning January 1, 2016, comprising 16,666,666 New Shares and 2,499,999 Over-Allotment Shares.

The Offering consists of (i) an offer to the public in Germany and Austria; and (ii) private placements to institutional investors in certain jurisdictions outside Germany and Austria, including a private placement in the United States of America to persons who are QIBs as defined in Rule 144A under the Securities Act. All offers and sales outside the United States of America will be made in compliance with Regulation S under the Securities Act. The Offering is expected to commence on November 18, 2016 and to end on November 29, 2016. The Offer Price per offered share will be determined using the order book prepared during the bookbuilding process. Pricing is expected to take place on or about November 29, 2016.

Under the terms of the Underwriting Agreement and subject to certain conditions, each Underwriter is obliged to acquire the maximum number of Offer Shares set forth below opposite such Underwriters' name:

Underwriter	Maximum number of Offer Shares to be acquired[(1)]	Percentage of Offer Shares (in%)
Jefferies	6,333,333	38.0
UniCredit	6,333,333	38.0
HSBC	3,166,667	19.0
Erste Group	833,333	5.0

(1) Excluding exercise of Greenshoe Option.

In the Underwriting Agreement, UniCredit agreed to subscribe for the account of the Underwriters by way of disclosed representation (*offene Stellvertretung*), for the Offer Shares at the lowest issue price on November 29, 2016, and the Underwriters agreed to acquire the Offer Shares with a view to offering them to investors in this Offering subject to certain conditions. The Underwriters agreed to remit to the Company the difference between the Offer Price and the lowest issue price, being €1.00 per Offer Share, at the time the Offer Shares are delivered, which is expected to be on the same day as the first day of trading of the Company's shares on the Frankfurt Stock Exchange. VGG GmbH further agreed to provide the Underwriters with up to 2,499,999 Over-Allotment Shares with regard to a potential over-allotment which may sell such shares as part of the Offering. The Underwriters agreed to remit the purchase price of any sold Over-Allotment Shares to VGG GmbH if and to the extent the Greenshoe Option is exercised.

The obligations of the Underwriters are subject to various conditions, including, among other things, (i) the conclusion of a pricing agreement, (ii) the absence of a material adverse change (*e.g.*, a material loss or interference with respect to the Company or the Group's business from fire, explosion, flood or other calamity, or from any labor dispute or court or governmental action, order or decree, or a material change to the Company's share capital or the long-term debt of the Group or a material adverse change or any development involving a prospective material adverse change, in or affecting the condition, business, prospects, management, consolidated financial position, shareholders' equity or results of operations of the Group, or a not only temporary suspension or material limitation in trading in securities generally on the Frankfurt Stock Exchange, the London Stock Exchange or the New York Stock Exchange), which, in any such case described in this clause (ii), in the reasonable judgment of the Joint Global Coordinators would make it impractical or inadvisable to proceed with the Offering or the delivery of the offered shares on the terms and in the manner contemplated in the Prospectus, (iii) receipt of customary certificates, legal opinions and letters, and (iv) the making of necessary filings and the receipt of necessary approvals in connection with the Offering.

The Underwriters have provided and may, from time to time, provide services to companies of the Group and the existing shareholders in the ordinary course of business and may extend credit to and have regular business dealings with companies of the Group and the existing shareholders in their capacity as financial institutions (for a more detailed description of the interests of the Underwriters in the Offering, see *C.XI. "The Offering—Interests of Parties Involved in the Offering"*).

The Offering proceeds received by the Company will among other things be used to repay indebtedness in order to strengthen the financial position and equity base of the Company and to support growth (see *D. "Reasons for the Offering and Use of Proceeds"*).

II. COMMISSIONS

The Underwriters will offer the Offer Shares at the Offer Price. The Company and VGG GmbH will pay the Underwriters commissions that are structured as follows:

- a commission of 3% assuming gross proceeds of €150.0 million from the sale of the New Shares;
- a discretionary incentive fee of up to 1% of the aggregate gross proceeds of all Offer Shares (including Over-Allotment Shares) payable at the Company's absolute discretion regarding the New Shares and the Company's and VGG GmbH's absolute discretion regarding the Over-Allotment Shares for which the Greenshoe Option has been exercised.

The decision to pay any discretionary fee and the determination of its amount are within the sole discretion of the Company and VGG GmbH (following internal consultation), and the split between the Joint Global Coordinators, HSBC and Erste Group Bank AG is fixed pro rata to their underwriting quotas. The Company and VGG GmbH have also agreed to reimburse the Underwriters for certain costs and expenses (according to an internal split), including legal fees of their advisers. Commissions and the reimbursement of costs and expenses by the Company represent a major part of the costs of the Company expected in connection with the Offering. See also *D. "Reasons for the Offering and Use of Proceeds*".

III. GREENSHOE OPTION AND SECURITIES LOAN

To cover a potential over-allotment, up to 2,499,999 ordinary bearer shares with no par value (*Stückaktien*) will be made available by VGG GmbH in the form of a securities loan (*Wertpapierdarlehen*) to Jefferies for the account of the Underwriters. In addition, VGG GmbH will further grant the Underwriters the option to acquire up to a number of shares equal to the number of Over-Allotment Shares against payment of the Offer Price (Greenshoe Option) in order to satisfy their retransfer obligation under the securities loan. The Greenshoe Option may be exercised at maximum to the extent that shares of VGG GmbH have been placed by way of over-allotment. The Greenshoe Option shall be exercisable by Jefferies as stabilization manager in agreement with the other Underwriters and will terminate 30 calendar days after commencement of the stock exchange trading of the shares.

IV. TERMINATION/INDEMNIFICATION

Under the Underwriting Agreement, the Company agreed to indemnify the Underwriters from certain liability risks arising in connection with the Offering. The Underwriting Agreement provides that the Underwriters may, under certain circumstances, terminate the Underwriting Agreement, including after the Offer Shares have been allotted and listed. Reasons for termination include, in particular, if (i) there has been any material change or development reasonably likely to result in a material change to the share capital of the Company, (ii) there has been any material change or development reasonably likely to result in a material change in the long-term debt of the Company or the Group, (iii) there has been any material adverse change, or any development involving a prospective material adverse change, in or affecting the condition, business, prospects, management, consolidated financial position, shareholders' equity or results of operations of the Group or such as would prevent the Company from performing any of its obligations under the Underwriting Agreement, (iv) the Company or the Group has incurred any liability or obligation, direct or contingent, or entered into any material transaction not in the ordinary course of business, other than in each case as disclosed in the Prospectus, (v) there is a not only temporary suspension or material limitation of trading in securities generally on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), the London Stock Exchange or the New York Stock Exchange (other than for technical reasons), (vi) a general moratorium is imposed on commercial banking activities in Frankfurt am Main, London, or New York by the relevant authorities, (vii) a material disruption takes place in commercial banking or securities settlement, payment or clearance services in Germany, the United Kingdom or the United States, (viii) there has been a material adverse change in national or international financial, political, or economic conditions or currency exchange rates or currency controls which could have an adverse impact on the financial markets in Germany, the United Kingdom or the United States, (ix) there has been an outbreak or escalation of hostilities in Germany, the United Kingdom or the United States or Germany, the United Kingdom or the United States have declared a national emergency or war or (x) the occurrence of any acts of terrorism or any other calamity or crisis or any change in financial, political or conomic conditions or currency exchange rates in Germany, the United Kingdom or the United States.

If the Underwriting Agreement is terminated, the Offering will not take place, in which case any allotments already made to investors will be invalidated and investors will have no claim for delivery. Claims with respect to subscription fees already paid and costs incurred by an investor in connection with the subscription will be governed solely by the legal relationship between the investor and the financial intermediary to which the investor submitted its purchase order. Investors who engage in short-selling bear the risk of being unable to satisfy their delivery obligations.

V. SELLING RESTRICTIONS

The distribution of the Prospectus and the sale of the Offer Shares is restricted by law in certain jurisdictions. Pursuant to the Underwriting Agreement, no action has been or will be taken by the Company or the Underwriters that will permit a public offering of the Offer Shares anywhere other than Germany and Austria or the possession or distribution of this document in any other jurisdiction in which action for that purpose may be required by applicable law or regulation.

Accordingly, neither this Prospectus nor any advertisement or any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession the Prospectus comes are required to inform themselves about or observe any such restrictions, including those set forth below. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

1. United States

The Offer Shares have not been and will not be registered under the Securities Act or under the securities laws of any state of the United States. The Offer Shares may not be offered, sold or delivered, directly or indirectly, within or into the United States except pursuant to an exemption from, or in transactions not subject to, the registration and reporting requirements of the U.S. securities laws and in compliance with all other applicable provisions of U.S. law. Accordingly, the Offer Shares are being offered and sold outside the United States only pursuant to Regulation S, and within the United States only to QIBs pursuant to Rule 144A, under the Securities Act.

2. European Economic Area

In relation to each EEA member state, an offer to the public of any shares may not be made in that EEA member state (other than the offers in Germany and Austria contemplated herein once the Prospectus has been approved by the BaFin and published in accordance with the Prospectus Directive as implemented in Germany and Austria and notified by the BaFin to the FMA), except that an offer to the public in that EEA member state of any of the shares may be made at any time under the following exemptions from the Prospectus Directive:

a. at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

b. at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Joint Global Coordinators for any such offer; or

c. in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer (as set forth in clauses (a) to (c)) of the shares shall result in a requirement for the publication by the Company or any Underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive or of a supplement to the Prospectus pursuant to Article 16 of the Prospectus Directive and each person who initially acquires shares or to whom any offer is made (other than a person in Germany or Austria) will be deemed to have represented, warranted and agreed to and with the Underwriters and the Company that it is a "qualified investor" within the meaning of the law in that EEA member state implementing Article 2(1)(e) of the Prospectus Directive.

For purposes of this section, the expression an "offer to the public" in relation to any shares in any EEA member state means the communication in any form and by any means of sufficient information on the terms of the offer and any shares so as to enable an investor to decide to purchase the shares, as the same may be varied in that member state. The expression "Prospectus Directive" includes any amendments thereto, including the Directive 2010/73/EG, which amends the Prospectus Directive and any relevant implementing measure in each EEA member state.

3. United Kingdom

Each Underwriter undertook that it: (i) has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity within the meaning of section 21 of the Financial Services and Markets Act 2000 ("**FSMA**") received by it in connection with the issue or sale of any shares in circumstances in which section 21(1) of the FSMA does not apply to the Company; and (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares in, from or otherwise involving the United Kingdom. In addition, each Underwriter undertook that it will comply, in connection with the Offer Shares, with all applicable laws and regulations in each jurisdiction in which it offers, sells, or delivers any of the shares or has in its possession, or distributes any of the offering documents or any other material or communication relating to the Offer Shares.

4. Canada

The Offer Shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Offer Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with the Offering.

T. RECENT DEVELOPMENTS AND OUTLOOK

I. RECENT DEVELOPMENTS

In November 2016, VARTA Microbattery GmbH entered into an agreement with VRT Pensionen GmbH, an affiliate of Montana Tech Components AG, pursuant to which, effective as of January 1, 2017, such affiliate (i) agreed to be added as additional debtor for all pension obligations of VARTA Microbattery GmbH if and to the extent they existed as per June 30, 2016 and become due and payable after January 1, 2017 and (ii) *vis-à-vis* VARTA Microbattery GmbH will assume fulfilment of the payment obligations under such pension promises (*Schuldbeitritt mit Erfüllungsübernahme*). VARTA Microbattery GmbH is obliged to pay a consideration of €11,500 thousand for such accession to its pension obligations and the undertaking to assume and perform its payment obligations thereunder. Such consideration has to be treated by VRT Pensionen GmbH as "plan assets" pursuant to IAS 19.8, and VRT Pensionen GmbH agreed to enter into a contractual trust arrangement with a pension association (*e.g.*, VARTA Pensions-Treuhand e.V.), which will administer such funds exclusively for the purpose of fulfilling payment obligations under the above pension obligations. The Company expects such debt accession agreement to be implemented shortly after completion of the Offering. In addition, VGG GmbH issued an irrevocable guarantee on first demand to VARTA Microbattery GmbH for the fulfilment of those payment obligations of VRT Pensionen GmbH under the afore-mentioned agreement on the accession to the pension obligations which are not covered by plan assets pursuant to IAS 19.8, however limited to a maximum amount of €8,000 thousand and to be reduced by all payments made by VRT Pensionen GmbH under the above debt accession agreement.

II. OUTLOOK

Management expects the Group's total revenue and overall profitability to continue to benefit from the underlying growth of the markets for microbatteries and energy storage solutions, including from secular trends such as an aging global population, increasing technological connectivity and miniaturization and growing interest in green technology and renewable energy. Overall profitability is expected by the management to remain strong in the short term due, in part, to new customers added in 2016, and to continue to be broadly in line with market growth over the medium term. In the Energy Storage Solutions segment, management is targeting achievement of a positive EBITDA contribution in 2018 following the ongoing ramp-up phase in power pack solutions and residential energy storage systems. However, in the interim as well as over the medium term, management expects that the overall profitability of the Group will continue to be influenced, to a significant degree, by the stability and profitability of its Microbatteries segment, with the Entertainment & Industrial product group expected to begin to contribute to the segment's EBITDA in the next year.

GLOSSARY

APAC	refers to Asia-Pacific.
Austria	refers to the Republic of Austria (*Republik Österreich*).
BaFin	refers to the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*).
CAGR	refers to compound annual growth rate.
BES	refers to battery energy storage.
Cent	Euro Cent. The money unit that equals 1/100 of one Euro.
CEO	Chief Executive Officer.
CET	Central European Time.
CFO	Chief Financial Officer.
CHP	Combined heat and power.
CyL	cylindrical.
EBIT	refers to earnings before interest and taxes.
EBITDA	refers to earnings before interest, taxes, depreciation and amortization.
EEA	refers to the economic area encompassing all of the members of the European Union and the European Free Trade Association.
ERS	refers to Economic Research Service.
EU	refers to the European Union.
Euro, Euros or €	refers to the single currency of the participating member states in the third stage of the European Economic Union pursuant to the Treaty Establishing the European Community.
FiT	refers to "feed-in tariff", a policy mechanism designed to accelerate investment in renewable energy technologies by providing a fee (a "tariff") above the retail rate of electricity.
FMA	refers to the Austrian Financial Markets Authority (*Finanzmarktaufsichtsbehörde*).
FSMA	refers to the UK Financial Services and Markets Act 2000.
GDP	refers to gross domestic product.
Germany	refers to the Federal Republic of Germany.
Governance Code	refers to the German Corporate Governance Code in its current version.
GW	Gigawatt.
GWp	Gigawatt peak.
G7	refers to the group of seven industrialized nations consisting of Canada, France, Germany, Italy, Japan, the United Kingdom and the United States.
HGB	German Commercial Code (*Handelsgesetzbuch*).
IFRS	refers to the International Financial Reporting Standards, including International Accounting Standards and Interpretations issued by the International Accounting Standards Board.
IDW	Institute of Public Auditors in Germany.

KStG	refers to the German Corporate Income Tax Act (*Köperschaftsteuergesetz*).
kW	Kilowatt.
kWh	Kilowatt hour. The amount of energy generated in one hour with the effect of 1 kW.
Li-Ion	refers to lithium-ion.
mAh	Ampere-hour, a unit of electric current over time.
mm	millimeter.
MW	Megawatt. 1 MW is equivalent to 1,000 kW.
MWh	Kilowatt hour. The amount of energy generated in one hour with the effect of 1 MW.
NAV	Net Asset Value.
NiMH	refers to nickel-metal hydride, a type of rechargeable battery.
OECD	refers to the Organisation for Economic Co-operation and Development.
Pb	refers to lead.
Private label	refers to products or services manufactured or provided by one company for offer and sale under another company's brand.
PPS	refers to power pack solutions.
PV	photovoltaic.
Regulation S	Regulation S under the United States Securities Act of 1933, as amended.
Securities Act	refers to the United States Securities Act of 1933, as amended.
TWh	Terawatt hour.
UK	United Kingdom.
United States	refers to the United States of America.
W	Watt, a unit of power.
Wh/kg	Watt-hours per kilogram.
Wh/L	Watt-hours per liter.
w/w	Weight per weight.

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF VARTA AKTIENGESELLSCHAFT AS OF AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016

(UNAUDITED)

VARTA AKTIENGESELLSCHAFT

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)

(KEUR)	Note	Sept. 30, 2016	Dec. 31, 2015
Assets			
Intangible assets		20,617	20,099
Property, plant and equipment	**10**	50,612	46,868
Joint ventures and investments in associated companies	**11**	2,721	2,910
Loan receivables	**5**	2,818	6,689
Other investments		0	32
Deferred tax assets	**19**	4,443	1,873
Total non-current assets		**81,211**	**78,471**
Inventories		44,677	43,153
Loan receivables	**5**	3,063	0
Trade receivables	**5**	21,934	14,772
Income tax receivables		2,215	2,315
Other assets	**5/12**	10,584	5,994
Cash and cash equivalents		8,272	10,945
Total current assets		**90,745**	**77,179**
TOTAL ASSETS		**171,956**	**155,650**
Liabilities and Equity			
Net assets attributable to the Group		0	50,138
Share capital	**7**	29,600	0
Capital reserves	**7**	2,665	0
Other reserves	**7**	24,976	0
Other components of equity	**7**	4,404	4,789
Equity attributable to the Group		**61,645**	**54,927**
Total equity		**61,645**	**54,927**
Other financial liabilities	**5**	27,730	12,676
Other provisions		14	14
Provisions for pensions and other post-employment benefits	**9**	24,178	21,472
Other liabilities		137	138
Total non-current liabilities		**52,059**	**34,300**
Liabilities to financial institutions		50	0
Other financial liabilities	**5**	12,468	6,419
Income tax liabilities	**19**	4,566	5,223
Other provisions		2,685	2,679
Provisions for pensions and other post-employment benefits	**9**	1,047	1,005
Trade payables and advances received from customers	**13**	15,619	35,157
Accruals	**5**	15,085	12,894
Other liabilities	**14**	6,732	3,046
Total current liabilities		**58,252**	**66,423**
Total liabilities		**110,311**	**100,723**
Total Liabilities and Equity		**171,956**	**155,650**

VARTA AKTIENGESELLSCHAFT

CONSOLIDATED INTERIM STATEMENT OF PROFIT AND LOSS (UNAUDITED)

(KEUR)	Note	Period ended Sept. 30, 2016	Period ended Sept. 30, 2015
Revenue	**6**	**160,753**	**146,411**
Changes in inventories of finished goods and work in progress		3,282	4,960
Other operating income		7,857	6,671
Raw materials and consumables used	**16**	−70,166	−63,638
Personnel expenses		−57,532	−51,999
Depreciation and amortization expenses		−6,571	−6,322
Other operating expenses	**17**	−23,118	−24,733
Operating result before IPO-related expenses		**14,505**	**11,350**
IPO-related expenses		−1,519	0
Operating result		**12,986**	**11,350**
Interest income	**18**	99	1,439
Interest expenses		−1,293	−1,822
Other financial income		661	157
Other financial expenses		−501	−515
Financial result		**−1,034**	**−741**
Share of loss of at equity accounted investees		−1,189	−1,017
Income before taxes		**10,763**	**9,592**
Income taxes	**19**	−2,108	−4,366
Result for the period		**8,655**	**5,226**

VARTA AKTIENGESELLSCHAFT

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

(KEUR)	Note	Period ended Sept. 30, 2016	Period ended Sept. 30, 2015
Result for the period		**8,655**	**5,226**
Items that will not be reclassified to profit or loss			
Remeasurement of post-employment benefit plans	**9**	−4,212	1,528
Related income taxes	**19**	1,244	−212
		−2,968	**1,316**
Items that are or may be reclassified subsequently to profit or loss			
Changes in fair value of cash flow hedges and reclassified items in profit and loss		143	−53
Foreign currency translation differences		−488	1,820
Related income taxes	**19**	−40	15
		−385	**1,782**
Other comprehensive income for the period		**−3,353**	**3,098**
Total comprehensive income for the period		**5,302**	**8,324**

Earnings per share* (EUR)	Note	Period ended Sept. 30, 2016	Period ended Sept. 30, 2015
Undiluted earnings per share	8	0.5	8.3
Diluted earnings per share	8	0.5	8.3

* Earnings per share represents the shares of VARTA AG

VARTA AKTIENGESELLSCHAFT

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

(KEUR)	Note	Period ended Sept. 30, 2016	Period ended Sept. 30, 2015
Cash flow from operating activities			
Income before taxes		10,763	9,592
Net financial result excluding other financial income and other financial expenses		1,194	383
Share of loss in at equity accounted investees		1,189	1,017
Depreciation and amortization expenses		6,571	6,322
Gains and losses from disposals of property and plant equipment and intangible assets		18	45
Gains and losses from disposals of financial assets		−421	0
Own work capitalized		−2,534	−2,939
Other non-cash income and expenses		−4,168	1,845
Subtotal		*12,612*	*16,265*
Changes in working capital			
Inventories		−1,933	−7,362
Trade receivables and other current assets		−12,006	−6,662
Trade payables and other current liabilities		−266	−837
Provisions and liabilities from employee benefits		4,591	−1,317
Subtotal		*−9,614*	*−16,178*
Income taxes paid		−4,018	−1,324
CASH FLOW FROM OPERATING ACTIVITIES		**−1,020**	**−1,237**
Cash flow from investing activities			
Acquisition of property and plant equipment and intangible assets		−21,031	−12,115
Proceeds from sale of property and plant equipment and intangible assets		102	10
Loans granted		0	−14,457
Loans granted to related parties		0	−20
Payments made into the capital reserve of joint venture	11	−1,000	−2,000
Payments received from granted loans		378	7,512
Payments received from disposal of financial assets		421	0
Payments received from granted loans to related parties	**5**	521	7,008
Interest received		99	396
CASH FLOW FROM INVESTING ACTIVITIES		**−20,510**	**−13,666**
Cash flow from financing activities			
Acquisition of VARTA Micro AG and VARTA Microbattery S.R.L.		−560	0
Capital reduction and founding		−900	−3,947
Payments for IPO-related expenses		−160	0
Issuance of interest-bearing financial liabilities from related parties	**5**	21,784	6,617
Issuance of interest-bearing financial liabilities		50	434
Repayment of interest-bearing financial liabilities from related parties		0	−1,152
Repayment of interest-bearing financial liabilities		−218	−6
Interest paid		−1,017	−1,569
CASH FLOW FROM FINANCING ACTIVITIES		**18,979**	**377**
Net change in cash and cash equivalents		**−2,551**	**−14,526**
Cash and cash equivalents at beginning of period		10,945	20,759
Effect of exchange rate changes		−122	405
Cash and cash equivalents at end of period		**8,272**	**6,638**

VARTA AKTIENGESELLSCHAFT

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

(in KEUR)	Net assets	Other components of equity	Total equity attributable to the Group	Non-controlling interests	Total equity
Balance at January 1, 2015	**51,014**	**2,594**	**53,525**	**0**	**53,525**
Total comprehensive income					
Result for the period	**5,226**	0	**5,226**	0	**5,226**
Other comprehensive income	**1,316**	1,782	**3,098**	0	**3,098**
Total comprehensive income	**6,542**	**1,782**	**8,444**	0	**8,324**
Balance at September 30, 2015	**57,556**	**4,293**	**61,849**	**0**	**61,849**

(in KEUR)	Net assets attributable to the Group	Share capital	Capital reserves	Other reserves	Other components of equity: Exchange rate differences	Other components of equity: Hedging Reserve	Total equity attributable to the Group	Non-controlling interests	Total equity
Balance at January 1, 2016	**50,138**	**0**	**0**	**0**	**4,876**	**−87**	**54,927**	**0**	**54,927**
Restructuring									
Changes of net assets due to shareholder transactions	−560	0	0	0	0	0	**−560**	0	**−560**
Set up of the Group structure in terms of IFRS 10	−49,578	29,600*	689	19,289	0	0	**0**	0	**0**
Effect from spin-off of pension obligation	0	0	1,976	0	0	0	**1,976**	**0**	**1,976**
Total comprehensive income									
Result for the period	0	0	0	8,655	0	0	**8,655**	0	**8,655**
Other comprehensive income	0	0	0	−2,968	−488	103	**−3,353**	0	**−3,353**
Total comprehensive income	**0**	**0**	**0**	**5,687**	**−488**	**103**	**5,302**	**0**	**5,302**
Balance at September 30, 2016	**0**	**29,600**	**2,665**	**24,976**	**4,388**	**16**	**61,645**	**0**	**61,645**

* Including capital increase of KEUR 29,500 (please refer to Note 7 "Equity")

VARTA AKTIENGESELLSCHAFT

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. General information

VARTA Aktiengesellschaft (Ellwangen, Germany), in the following VARTA AG, is a company located in Germany. These condensed consolidated interim financial statements as of and for the nine months period ended September 30, 2016 comprise VARTA AG and its subsidiaries, together referred to as the 'Group'.

The Group is an internationally leading and globally active manufacturer of retail and OEM batteries and has been operating for more than 125 years. The operating activities include the production, distribution and the research and development of battery systems for electronic devices and energy storage systems.

The Group was restructured in 2016 due to the plan to place the shares of VARTA AG on the Frankfurter stock exchange. Before the restructuring there was no Group in terms of IFRS 10. Accordingly, these condensed consolidated interim financial statements are the first consolidated financial statements of the Group. For the 2015, 2014 and 2013 financial years, combined financial statements were prepared. All companies that are included in the combined financial statements were controlled by Montana Tech Components AG (Reinach, Switzerland), in the following MTC, during the reporting period of the combined financial statements but have been legally transferred to VARTA AG. VARTA AG is also controlled by MTC.

In the context of the legal restructuring, the following companies have been transferred to VARTA AG since January 1, 2016:

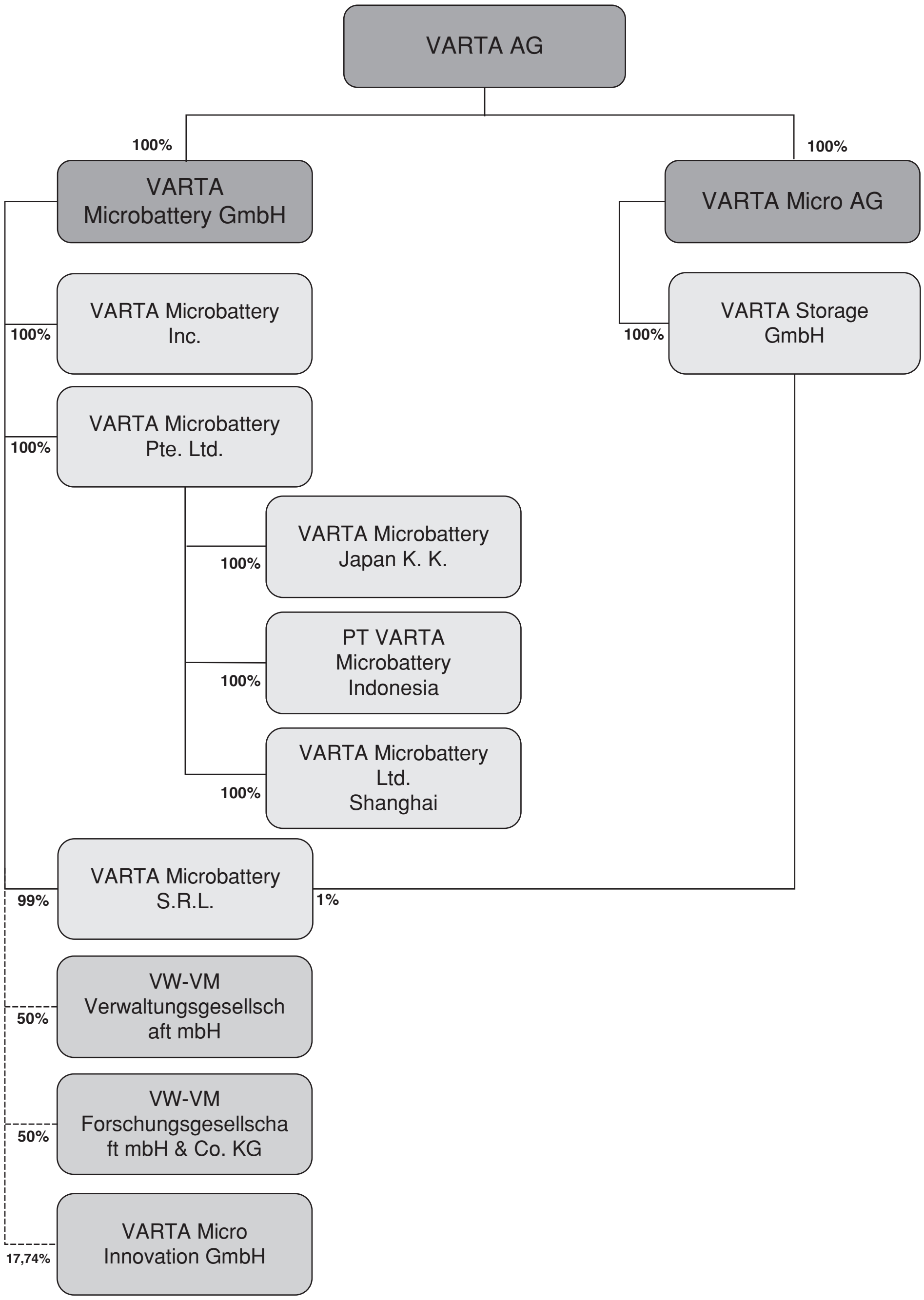
- As of April 15, 2016 (effective date) 100% of the shares in VARTA Micro AG (Ellwangen, Germany) acquired from MTC for a purchase price of KEUR 550.
- As of June 29, 2016 (effective date) 100% of the shares in VARTA Microbattery GmbH (Ellwangen, Germany) were transferred as contribution in kind to VARTA AG.

As VARTA Microbattery GmbH and VARTA Micro AG hold shares in other companies, these shares have been transferred as well:

- VARTA Microbattery GmbH holds 100% of the shares in VARTA Microbattery Inc. (New York, USA), VARTA Microbattery Pte. Ltd. (Singapore), VARTA Microbattery Ltd. Shanghai (Shanghai, China), PT VARTA Microbattery Indonesia (Batam, Indonesia) and VARTA Microbattery Japan K.K. (Tokyo, Japan). These companies are controlled by VARTA Microbattery GmbH in terms of IFRS 10.
- Moreover, VARTA Microbattery GmbH holds 50.0% in VW-VM Forschungsgesellschaft mbH & Co.KG (Ellwangen, Germany) and VW-VM Verwaltungsgesellschaft mbH (Ellwangen, Germany) as well as 17.7% in VARTA Micro Innovation GmbH (Graz, Austria). These companies are not controlled by VARTA Microbattery GmbH in terms of IFRS 10. VW-VM Forschungsgesellschaft mbH & Co.KG (Ellwangen, Germany) and VW-VM Verwaltungsgesellschaft mbH (Ellwangen, Germany) are both Joint Ventures in terms of IFRS 11.
- VARTA Micro AG holds 100% of the shares in VARTA Storage GmbH (Nördlingen, Germany). The company is controlled by VARTA Micro AG in terms of IFRS 10. A downstream merger is currently initiated.
  - As of September 22, 2016 (effective date), VARTA Microbattery GmbH and VARTA Storage GmbH acquired 100.0% of the shares in VARTA Microbattery S.R.L. (Brasov, Romania) from VGG GmbH (Vienna, Austria) for a purchase price of KEUR 10. VARTA Microbattery GmbH acquired 99.9% and VARTA Storage GmbH acquired 0.1% of the shares. Accordingly, the company is controlled indirectly by VARTA AG in terms of IFRS 10.

1. General information (Continued)

Consequently, the following group structure emerged:



The management board of VARTA AG consists of the following persons:

- Herbert Schein
  since April 14, 2016
- Dr. Michael Pistauer
  since April 14, 2016

1. General information (Continued)

- DDr. Michael Tojner,
  until August 28, 2016
- Dr. Georg Blumauer,
  until April 14, 2016
- Hannes Höhmüller,
  until April 14, 2016

The supervisory board of VARTA AG consists of the following persons:

- DDr. Michael Tojner,
  since August 30, 2016 (chairman)
- Dr. Harald Sommerer,
  since April 13, 2016 (vice-chairman)
- Dr. Franz Guggenberger,
  until April 30, 2016 and since August 30, 2016
- Dr. Georg Blumauer,
  since August 30, 2016
- Frank-Dieter Maier,
  since April 13, 2016
- Sven Quandt,
  since April 13, 2016
- Christian Hosp,
  until April 13, 2016
- Katharina Eidler,
  until April 13, 2016

As of September 07, 2016, DDr. Michael Tojner was appointed to chairman and Dr. Harald Sommerer was appointed to vice chairman of the supervisory board.

2. Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the Group's combined financial statements for the 2015, 2014 and 2013 financial years.

The condensed consolidated interim financial statements comprise a consolidated interim statement of financial position, a consolidated interim statement of profit and loss, a consolidated interim statement of comprehensive income, a consolidated interim statement of cash flows, a consolidated interim statement of changes in equity and condensed notes to the financial statements for January 1, to September 30, 2016 and the comparative period of 2015.

In the course of the consolidation, all internal Group balances, revenues and expenses as well as all unrealized profits or losses from transactions within the Group of consolidated companies were eliminated when preparing the interim financial statements. Furthermore, a capital consolidation was performed for the existing parent-subsidiary relationships within the Group.

The condensed consolidated interim financial statements do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last combined financial statements.

2. Basis of preparation (Continued)

The reporting currency of the interim financial statements is the euro. Amounts are stated in thousand euros (KEUR).

These condensed consolidated interim financial statements were prepared on a going concern basis according to IAS 1.25.

Except from the combination methods, the same accounting policies and measurement methods used in the combined financial statements for December 31, 2015, 2014 and 2013 were applied in preparing the condensed consolidated interim financial statements and in presenting the prior-year comparative figures. A detailed description of these methods is shown in the notes of the combined financial statements for the financial years as of December 31, 2015, 2014 and 2013.

For the condensed consolidated interim financial statements, IFRS 10 is to be applied for the first time, because all companies that are included in the condensed consolidated interim financial statements were legally transferred to and controlled by VARTA AG. In accordance with IFRS 10, the group controls a company when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the company. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Accordingly, these condensed consolidated interim financial statements are the first consolidated financial statements of the Group. For comparison period, combined financial statements were prepared.

3. Significant judgements and assumptions

In preparing these condensed consolidated interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the combined financial statements as of and for the year ended December 31, 2015, 2014 and 2013.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

4. Significant accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's combined financial statements for the year ended December 31, 2015, 2014 and 2013, except for the following mandatory standards and amendments to standards, which were adopted for the first time in 2016.

4. Significant accounting policies (Continued)

IFRS 14	Regulatory Deferral Accounts
IFRS 11	Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interest
IAS 16, IAS 38	Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization
Annual Improvements 2012–2014 Cycle	IFRS 7 Financial Instruments, IAS 19 Employee Benefits, IAS 34 Interim Financial Reporting
IAS 1	Amendments to IAS 1 Disclosure Initiative

The newly adopted standards and amendments to standards had no material effects on the condensed consolidated interim financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Since the Group intends to place the shares of VARTA AG on the Frankfurter stock exchange, expenses occurred that are specific to the initial public offering. The expenses that are related to the issuance of new shares have been capitalized and are shown under other current assets (refer to note 12 "Other assets"). Once the equity transaction took place, the asset will be derecognized and a deduction from equity will be recognized.

The acquisition of VARTA Micro AG and VARTA Microbattery S.R.L. as well as the contribution in kind of VARTA Microbattery GmbH into VARTA AG (refer to note 1 "General information" describing the legal restructuring of the group in 2016) are transactions under common control, because the entities are controlled by MTC. VARTA AG applied "book value accounting" in terms of these transactions. As a result, the book values from a combined basis in 2015 have been carried forward to 2016 in order to show the financial position and results on a continuing basis for the economic activities of the VARTA Group. Due to the legal restructuring of the group in 2016, the share capital of VARTA AG and the presentation of the equity has been adjusted accordingly (refer to note 7 "Equity"). The IFRS contain no specific guidance in terms of the presentation of comparative information in the course of common control transactions. VARTA decided not to restate the presentation of equity in 2015 but adjusting equity presentation in 2016 when legal setup of the group took place.

5. Risk management

5.1. Financial risk management

The Group is exposed to the following risks from financial instruments:

- Credit risk
- Liquidity risk
- Foreign currency risk
- Interest rate risk
- Commodity risk

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's combined financial statements as of December 31, 2015, 2014 and 2013.

There have been no changes in the risk management department or in any risk management policies since the year-end.

5. Risk management (Continued)

5.2. Measurement of fair values

Significant unobservable inputs and valuation adjustments are regularly reviewed by the Group.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Input other than quoted prices included within level 1 that is observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

  The valuation of derivatives is based on a discounted cash flow model using foreign currency rates, commodity prices and interest rates at the end of the reporting period. The fair value of other financial assets and liabilities equals the present value of the future expected cash flows, discounted at risk-adjusted interest rates appropriate to the instruments' terms at the end of the reporting period. In case of unobservable input factors such as internal credit spreads, instruments are classified as level 3.
- Level 3: Input not based on observable market data for the assets or liability (unobservable input data).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. During the nine month period to September 30, 2016 no reclassifications between different levels of the fair value hierarchy occurred.

5.3. Carrying amounts and fair values

The carrying amounts and the fair values of the Group's financial instruments are presented by category. The carrying amounts of the financial instruments not recognized at fair value through profit or loss approximate their fair values.

(in KEUR)	Sept. 30, 2016	Level 1	Level 2	Level 3
Financial instruments at fair value through profit or loss				
Derivative financial instruments—Liabilities	−18	0	−18	0
Total	**−18**	**0**	**−18**	**0**

(in KEUR)	Dec. 31, 2015	Level 1	Level 2	Level 3
Financial instruments at fair value through profit or loss				
Derivative financial instruments—Liabilities	−161	0	−161	0
Total	**−161**	**0**	**−161**	**0**

5. Risk management (Continued)

(in KEUR)	Sept. 30, 2016	Dec. 31, 2015
Cash and cash equivalents	**8,272**	**10,945**
Loans	5,881	6,689
Trade receivables	21,934	14,772
Other assets*	6,304	1,974
Loans and receivables	**34,119**	**23,435**
Total financial assets	**42,391**	**34,380**
Derivative financial instruments	**18**	**161**
Derivative financial liabilities designated as hedging instruments	**18**	**161**
Liabilities to financial institutions	50	0
Other financial liabilities**	40,181	18,934
Trade payables***	15,554	35,089
Accruals****	6,729	5,631
Other liabilities*****	5,793	2,266
Measured at amortized cost	**68,306**	**61,920**
Total financial liabilities	**68,324**	**62,081**

* Excluding other tax receivables of KEUR 2,758 (Dec. 31, 2015: KEUR 3,722) and prepaid expenses of KEUR 1,522 (Dec. 31, 2015: KEUR 298).

** Thereof interest-bearing Sept. 30, 2016: KEUR 38,439 (Dec. 31, 2015: KEUR 17,032): excluding derivative instruments KEUR 17 (Dec. 31, 2015: KEUR 161)

*** Excluding current prepayments received of KEUR 65 (Dec. 31, 2015: KEUR 68); vendor liabilities > 1 year shown in B/S in other non-current payables

**** Excluding accrued liabilities for employee benefits of KEUR 8,356 (Dec. 31, 2015: KEUR 7,263)

*****Excluding deferred income of KEUR 2 (Dec. 31, 2015: KEUR 147) and tax payables and payables within the scope of social security of KEUR 1,074 (Dec. 31, 2015: KEUR 771)

On September 30, 2016, the group has only financial instruments measured at fair value which belong to level 2 and level 3.

During the nine months ended September 30, 2016, non-current loan receivables decreased by KEUR 3,872. This is due to a reclassification to current loan receivables in the amount of KEUR 3,578 and a repayment of KEUR 294. The loan receivables were mainly granted to a related party.

The trade receivables increased by KEUR 7,162. This is basically due to a higher sales volume.

The non-current financial liabilities increased by KEUR 15,054. This is mainly caused by VARTA calling in three granted loans in the amount of KEUR 7,447, KEUR 7,408 and KEUR 200 during the nine months ended Sept. 30, 2016. This loans received from MTC companies have a maximum remaining term of 3 years. The interest rate of the loans outstanding as of September 30, 2016 is between 4.5% + EURIBOR and 6.0% + Ø EOINIA.

Also in June 2016, VGG GmbH (Vienna, Austria) waived a portion of its KEUR 400 loan receivable due from VARTA Micro AG (Ellwangen, Germany) (included in the consolidated group) in exchange for a debtor warrant. The debtor warrant stipulates that the loan liability, including interest, will come into force again to the extent that minimum net income is generated within ten years after the debt waiver. If the waived amount is not fully repaid by June 30, 2026, then the remaining difference is forfeited definitively and irrevocably.

The declared debt waiver means the original loan liability of KEUR 200 was derecognized and at the same time an obligation from the expected repayments stipulated by the debtor warrant was recognized as a liability at fair value. The transactions were recorded in the income statement on a net basis of no impact on profit or loss. The obligation from the debtor warrant measured at fair value equaled KEUR 200 as of

5. Risk management (Continued)

the reporting date. As the applicable credit spread was based on unobservable data from comparable internal transactions, the warrant is classified as level 3 of the fair value hierarchy.

The current other financial liabilities increased by KEUR 6,049. In January 2016, the Group entered into a loan agreement with a MTC company for the provision of a loan in the amount of KEUR 10,938 with an interest rate of 4.0%, payable on a quarterly basis, until December 31, 2016. As of September 30, 2016, KEUR 6,938 were outstanding under the loan agreement. The money of the loan was used for a payment made to Johnson Control Inc. to clarify and realign certain intangible property rights, which is described further in the combined financial statements as of and for the period ended December 31, 2015.

6. Segment reporting

6.1. Information about reportable segments

The Group's chief operating decision maker ("CODM") is the management board of the group. The operating segments were determined based on the information reviewed by the management board for the purpose of allocating resources and assessing performance. The management board assesses the performance of the operating segments based on the measure of EBIT (earnings before interests and tax). Therefore, interest and financing elements are not included in this figure. Gains or losses of associates and joint ventures accounted for by the equity method are not included either.

The following table presents revenue and profit information for the Group's operating segments for the nine months ended September 30, 2016 and the comparative period 2015, respectively.

6. Segment reporting (Continued)

(in KEUR)	Microbatteries		Energy Storage Solutions		Σ Sum		Reconciliation		Interim consolidated financial statements	
	Period ended Sept. 30, 2016	Period ended Sept. 30, 2015	Period ended Sept. 30, 2016	Period ended Sept. 30, 2015	Period ended Sept. 30, 2016	Period ended Sept. 30, 2015	Period ended Sept. 30, 2016	Period ended Sept. 30, 2015	Period ended Sept. 30, 2016	Period ended Sept. 30, 2015
Revenues	133,478	119,566	25,933	24,852	159,411	144,418	1,342	1,993	160,753	146,411
Depreciation and Amortisation	−5,490	−5,327	−847	−948	−6,337	−6,275	−234	−48	−6,571	−6,322
Material items of income and expense	0	0	0	0	0	0	−1,519*	0	−1,519*	0
EBIT	19,198	19,039	−4,018	−2,531	15,180	16,508	−2,194	−5,158	12,986	11,350

* IPO-related expenses in amount of KEUR 1,519 (see Note 17 "Other operating expenses")

6. Segment reporting (Continued)

6.2. Reconciliation of reportable segment profit or loss

A reconciliation of total EBIT to total profit before income tax is provided as follows:

(in KEUR)	Period ended Sept. 30, 2016	Period ended Sept. 30, 2015
EBIT	12,986	11,350
Financial result	−1,034	−741
Share of profit (loss) of at equity accounted investees	−1,189	−1,017
Income before taxes	**10,763**	**9,592**

6.3. Geographic segment information

(in T€)	Period ended Sept. 30, 2016		Period ended Sept. 30, 2015	Dec. 31, 2015
	Revenue*	Non-current assets**	Revenue*	Non-current assets**
Europa	77,520	68,966	71,337	64,616
America	40,326	86	37,465	105
Asia	39,669	2,177	34,259	2,246
Other	3,238	0	3,350	0
Total Group	**160,753**	**71,229**	**146,411**	**66,967**

* Revenue is based on the customer's registered office.

** For this purpose non-current assets include only property, plant and equipment and intangible assets.

6.4. Products and services

(in T€)	Period ended Sept. 30, 2016		Period ended Sept. 30, 2015	Dec. 31, 2015
	Revenue	Trade receivables	Revenue	Trade receivables
Product sales	155,307	21,527	139,497	14,560
Sale of services	5,446	407	6,914	212
Total Group	**160,753**	**21,934**	**146,411**	**14,772**

The proceeds from product sales largely included "Microbatteries" and "Energy Storage Solutions" (see note 6.1 "Information about reportable segments"). The sales in the nine month ended September 30, 2016 from the segment "Microbatteries" includes sales from the product groups Healthcare in amount of KEUR 85,677 and Entertainment and Industrial in amount of KEUR 47,801. In the nine month ended September 30, 2015 the segment "Microbatteries" includes sales from Healthcare in amount of KEUR 79,860 and Entertainment and Industrial in amount of KEUR 39,706.

7. Equity

As of September 30, 2016 VARTA AG's share capital amounts to KEUR 29,600 and its capital reserve to KEUR 2,665.

With regard to the development of equity, refer to the consolidated interim statement of changes in equity.

7. Equity (Continued)

Changes in equity for the period from January 1, 2015 to September 30, 2015 are presented using a combined structure. As of September 30, 2016, the legal rise of the Group in terms of IFRS 10 is presented in equity. Thus the net assets attributable to the shareholders of the Group that were presented as net assets in the combined prior-year period, are allocated to the individual components of equity.

Due to the transfer of VARTA Microbattery GmbH as a contribution in kind to VARTA AG, the share capital of VARTA AG was increased from KEUR 100 by KEUR 29,500 to KEUR 29,600. An amount of KEUR 39 of the contribution in kind has exceeded the increase of the share capital. This amount was transferred to capital reserve. Based on the fact, that this transaction is a transaction under common control and VARTA Microbattery GmbH was part of the combined financial statements as of and for the period ended December 31, 2015, there were no effects on the condensed consolidated interim financial statements of the group, except the presentation of parent company's legal equity of these condensed consolidated interim financial statements.

The acquisition of VARTA Micro AG in the amount of KEUR 550 is presented as a withdrawal of equity since VARTA Micro AG was part of the combined financial statements as of and for the period ended December 31, 2015. The acquisition is a shareholder transaction. VARTA Micro AG was part of the combined financial statements as of and for the period ended December 31, 2015, so there were no effect on the condensed consolidated interim financial statements of the group, except the presentation of parent company's legal equity of these condensed consolidated interim financial statements.

During the nine month period to September 30, 2016 no dividends were paid to the shareholders of the Group.

8. Earnings per share

The calculation of earnings per share* is derived from the profit attributable to shareholders and the weighted average number of shares outstanding. There were no dilution effects (e.g. triggered by issuing new shares) during the reporting periods, which needed to be disclosed separately.

	Period ended Sept. 30, 2016	Period ended Sept. 30, 2015
Earnings attributable to shareholders in KEUR	5,302	8,324
Average number of shares outstanding	10,220	1,000
Basic earnings in EUR per share	0.5	8.3
Diluted earnings in EUR per share	0.5	8.3

* Earnings per share represents the shares of VARTA AG

The number of shares has developed in 2015 through 2016 as follows:

	number of shares
Jan. 1, 2015	1,000,000
Sept. 30, 2015	1,000,000
Dec. 31, 2015	100,000
Sept. 30, 2016	29,600,000

The shares are non-par-value shares.

9. Pensions

The pension obligations of all employees which are part of the Group (active and inactive) are included in the combined financial statements as of and for the period ended December 31, 2015.

9. Pensions (Continued)

With economic effect on January 1, 2016 the pension obligations (KEUR 28,976) and related pension assets (KEUR 27,000) of VARTA AG were split off to VRT Pensionen GmbH (Dillingen/Saar, Germany), in the following VRT. This amounts includes also a participation and a loan of the VARTA Unterstützungskasse GmbH (Hannover, Germany). The sole shareholder of VRT is Koch H&K Industrieanlagen GmbH (Dillingen/Saar, Germany), in the following H&K. H&K is indirectly controlled by DDr. Tojner and therefore a related party of VARTA AG.

VARTA AG transferred the pension obligations and the related assets without increasing the share capital of VRT and without receiving shares or interests in VRT by increasing its equity by an amount of KEUR 1,976. There is a legal liability of VARTA AG for about ten years after the split off date.

As a consequence of the split off described above, the provision for pensions and other post-employment benefits decreased by KEUR 1,976. However, due to changes in the discount rate, there was an overall increase in the provisions for pensions from KEUR 22,477 by KEUR 2,749 to KEUR 25,226.

10. Property, plant and equipment

The Property, plant and equipment increased by KEUR 3,744. This is mainly caused by investments in technical equipment, partially compensated by current depreciation

11. Joint ventures and investments in associated companies

The joint ventures and investments in associated companies decreased by KEUR 189. The annual earnings of the joint venture VW-VM Forschungsgesellschaft mbH & Co. KG for the nine month ended September 30, 2016 equaled KEUR −1.189. This is nearly compensated by a cash deposit in amount of KEUR 1,000 in March (KEUR 500) and June 2016 (KEUR 500).

12. Other assets

Other assets increased by KEUR 4,590. This is mainly due to government grants for research projects, and here with the amount of KEUR 3,192 substantially for receivables from prepayments on trust to team members of a specific project (SINTBAT), for which a group company acts as coordinator. Furthermore there are some more research projects, which caused an increase in the receivables of KEUR 489. There is also a decrease of other tax receivables in the amount of KEUR 964 and an increase in prepaid expenses in the amount of KEUR 1,224.

Because of the sale and lease back transaction at the end of the year 2015, a cash bond in amount of KEUR 750 had to be paid to the new holder of the properties.

Moreover, the increase is due to capitalized expenses of the intended initial public offering (IPO) in the amount of KEUR 538. The qualifying expenses that relate to the issuance of new shares have to be recognized as an asset before the actual IPO takes place.

13. Trade payables

Trade payables decreased by KEUR 19,538. The high trade payables on December 31, 2015 are mainly due to a contractual agreement reached in September 2015 on using the "VARTA" brand and the related issues in amount of KEUR 11,249 (including VAT).

The trade payables with companies of the MTC—Group were reduced about KEUR 1,838.

Due to last payments before holiday season on yearend, the trade payables per December 31, 2015 are on a higher volume compared to September 30, 2016.

14. Other liabilities

Other current liabilities increased by KEUR 3,686. This is due to an increase of other tax payables amounting to KEUR 391. Moreover the increase is caused by prepayments received for research projects, also including a project where a group company acts as coordinator for a project (SINTBAT).

15. Other operating income

The difference between other operating income for the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015 is mainly caused by government grants. The Group recognized during the nine months ended Sept. 30, 2016 KEUR 2,618 (nine months ended Sept. 30, 2015: KEUR 615). In the year 2016 there are many new projects which are supported by any research association.

16. Raw materials and consumables used

The difference between raw materials and consumables used for the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015 is mainly caused by higher expenses for materials and supplies and by higher costs of merchandising sales. Both is caused by higher revenues in the nine months ended September 30, 2016.

The expenses for materials and supplies in the nine months ended September 30, 2016 were KEUR 51,735 (nine months ended September 30, 2015: KEUR 41,812). The costs of merchandising sales in the nine months ended September 30, 2016 were KEUR 10,999 (nine months ended September 30, 2015: KEUR 14,533).

17. Other operating expenses

In the other operating expenses are three special effects. On the one hand the decrease in amount of KEUR 1,615 is caused by the expenses for listing on the stock exchange in amount of KEUR 1,519, which are reported in a separate line in profit and loss statement. These expenses include all expenses which are necessary for the preparation for listing on the stock exchange, but not qualified to be reported as per IAS 32.

On the other hand there is an increase of rental and leasing expenses in the amount of KEUR 1,168, because of the sale and lease back transaction agreed in December 2015. This increase is completely compensated by reduced expenses with related companies of the MTC Group (refer to Note 20 “Related Parties”).

18. Interest Income

The difference between interest income for the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015 is mainly caused by the split off of the pension obligations and related assets, which contains mostly loans with their rate of interest (nine months ended September 30, 2015: KEUR 848).

19. Income taxes

The difference between income taxes for the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015 is mainly caused by deferred taxes. The Group recognized during the nine months ended September 30, 2016 deferred tax income amounting to KEUR 1,403 (nine months ended September 30, 2015: KEUR −1,487).

The tax rate increased from 28.4% to 29.0% because of a higher community-based trade tax rate in Ellwangen.

20. Related parties

The condensed interim financial statements do not include all related party transactions and disclosures required in the annual financial statements; they should be read in conjunction with the Group's combined financial statements as of December 31, 2015, 2014 and 2013.

The "Trademark Management Agreements" and the "License Agreements" with MTC companies were terminated compared to September 30, 2015. Also the "Service Agreements" with MTC companies have been terminated with effect as of June 30, 2016. Therefore the expenses with MTC companies decreased by KEUR 2,648 from KEUR 3,428 in the nine months ended September 30, 2015 to KEUR 780 in the nine month ended September 30, 2016.

Also there are equity-transactions with related parties to establish a legally group structure (refer to Note 1 "General information" and Note 7 "Equity").

21. Events after the reporting period

There are no significant events after the reporting period.

Ellwangen, October 27, 2016

VARTA Aktiengesellschaft

Chief Executive Officer	*Chief Financial Officer*
- Herbert Schein -	- Dr. Michael Pistauer -

AUDITED COMBINED
FINANCIAL STATEMENTS OF VARTA GROUP
AS OF AND FOR THE
FINANCIAL YEARS ENDED
DECEMBER 31, 2015, 2014 AND 2013
IN ACCORDANCE WITH IFRS, TAKING INTO ACCOUNT
THE BASIS OF PREPARATION
AS SET OUT IN NOTE 2 THEREOF

VARTA GROUP

COMBINED STATEMENT OF FINANCIAL POSITION

(KEUR)	Note	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013	Jan. 1, 2013
Assets					
Intangible assets	**9**	20,099	7,947	5,501	2,649
Property, plant and equipment	**10**	46,868	44,223	42,685	38,362
Joint ventures and investments in associated companies	**11**	2,910	2,167	2,468	4,559
Loan receivables	**5/30**	6,689	19,111	33,533	32,781
Other investments		32	73	38	38
Deferred tax assets	**15**	1,873	6,005	7,140	8,153
Other assets	**5**	0	0	0	30
Total non-current assets		**78,471**	**79,526**	**91,365**	**86,572**
Inventories	**13**	43,153	32,450	34,649	32,082
Trade receivables	**5**	14,772	19,655	20,221	16,438
Income tax receivables	**31**	2,315	2,010	655	752
Other assets	**5**	5,994	3,666	6,722	7,031
Cash and cash equivalents	**14**	10,945	20,759	4,887	5,985
Total current assets		**77,179**	**78,540**	**67,134**	**62,288**
TOTAL ASSETS		**155,650**	**158,066**	**158,499**	**148,860**
Liabilities and equity					
Net assets attributable to the Group	**17**	50,138	51,014	51,477	49,474
Other components of equity	**17**	4,789	2,511	−281	1,062
Equity attributable to the Group		**54,927**	**53,525**	**51,196**	**50,536**
Non-controlling interests	**19**	0	0	1,019	1,061
Total equity		**54,927**	**53,525**	**52,215**	**51,597**
Liabilities to financial institutions	**20**	0	0	32,921	26,472
Other financial liabilities	**21**	12,676	20,000	7,650	0
Other provisions	**22**	14	328	392	441
Provisions for pensions and other post-employment benefits	**16**	21,472	22,968	14,762	16,411
Other liabilities	**24**	138	131	110	331
Total non-current liabilities		**34,300**	**43,427**	**55,835**	**43,655**
Liabilities to financial institutions	**20**	0	0	5,695	4,393
Other financial liabilities	**21**	6,419	19,580	3,755	1,670
Income tax liabilities	**31**	5,223	2,630	2,363	3,008
Other provisions	**22**	2,679	2,341	6,882	9,568
Provisions for pensions and other post-employment benefits	**16**	1,005	871	675	597
Trade payables and advances received from customers	**5**	35,157	23,560	16,396	18,653
Accruals	**23**	12,894	9,895	11,976	12,440
Other liabilities	**24**	3,046	2,237	2,707	3,279
Total current liabilities		**66,423**	**61,114**	**50,449**	**53,608**
Total liabilities		**100,723**	**104,541**	**106,284**	**97,263**
TOTAL LIABILITIES AND EQUITY		**155,650**	**158,066**	**158,499**	**148,860**

VARTA GROUP

COMBINED INCOME STATEMENT

(KEUR)	Note	2015	2014	2013
Revenue	**8/25**	**195,093**	**169,038**	**159,288**
Changes in inventories of finished goods and work in progress		6,775	−2,902	1,277
Other operating income	**28**	17,839	11,631	12,022
Raw materials and consumables used	**26**	−85,456	−62,885	−66,109
Personnel expenses	**27**	−69,016	−61,488	−57,555
Depreciation and amortization expenses	**9/10**	−8,511	−7,428	−5,634
Other operating expenses	**29**	−34,244	−32,526	−30,719
Operating result		**22,480**	**13,440**	**12,570**
Interest income	**30**	1,976	2,341	2,026
Interest expenses	**30**	−3,097	−3,096	−2,016
Other financial income	**30**	15	905	684
Other financial expenses	**30**	−746	−1,206	−870
Financial result		**−1,852**	**−1,056**	**−176**
Share of loss of at equity accounted investees	**11**	−1,257	−301	−2,091
Income before taxes		**19,371**	**12,083**	**10,303**
Income taxes	**31**	−7,775	−4,197	−2,209
Result for the period		**11,596**	**7,886**	**8,094**
thereof attributable to the Group		11,596	7,886	8,113
thereof attributable to non-controlling interests	19	0	0	−19

VARTA GROUP

COMBINED STATEMENT OF COMPREHENSIVE INCOME

(KEUR)	Note	2015	2014	2013
Result for the period		**11,596**	**7,886**	**8,094**
Items that will not be reclassified to combined profit or loss				
Remeasurement of post-employment benefit plans	16	2,211	−5,756	1,821
Related income taxes	31	−523	1,076	−195
		1,688	**−4,680**	**1,626**
Items that are or may be reclassified subsequently to combined profit or loss				
Changes in fair value of cash flow hedges and reclassified items in profit and loss	5	−6	−95	−112
Foreign currency translation differences	5	2,282	2,846	−1,248
Related income taxes	31	2	41	17
		2,278	**2,792**	**−1,343**
Other comprehensive income for the period		**3,966**	**−1,888**	**283**
Total comprehensive income for the period		**15,562**	**5,998**	**8,377**
thereof attributable to the Group*		15,562	5,998	8,419
thereof attributable to non-controlling interests	19	0	0	−42

* The comprehensive income belongs completly to Montana Tech Components AG

Earnings per share* (EUR)	Note	2015	2014	2013
Undiluted earnings per share	18	17	1	2
Diluted earnings per share	18	17	1	2

* Earnings per share represents the shares of VARTA AG

VARTA GROUP

COMBINED STATEMENT OF CASH FLOWS

(KEUR)	Note	2015	2014	2013
Cash flow from operating activities				
Income before taxes		19,371	12,083	10,303
Net financial result excluding other financial income and other financial expenses		1,121	755	−10
Share of loss in at equity accounted investees	**11**	1,257	301	2,091
Depreciation and amortization expenses	**9/10**	8,511	7,428	5,634
Gains and losses from disposals of property and plant equipment and intangible assets		−6,564	131	14
Own work capitalized		−4,223	−3,994	−3,457
Other non-cash income and expenses	**7**	3,003	−4,343	−4,709
Subtotal		*22,476*	*12,361*	*9,866*
Changes in working capital				
Inventories		−9,431	3,590	−3,090
Trade receivables and other current assets		3,594	4,672	−3,762
Trade payables and other current liabilities		6,159	1,096	−1,375
Provisions and liabilities from employee benefits		−1,564	3,374	797
Subtotal		*−1,242*	*12,732*	*−7,430*
Income taxes paid		−1,946	−3,093	−1,899
CASH FLOW FROM OPERATING ACTIVITIES		**19,288**	**22,000**	**537**
Cash flow from investing activities				
Acquisition of property and plant equipment and intangible assets	**7/9/10**	−14,278	−9,678	−9,414
Proceeds from sale of property and plant equipment and intangible assets		15,110	65	340
Loans granted	**11**	−12,884	−1,700	−836
Loans granted to related parties	**32**	0	−8,290	−14,522
Payments made into the capital reserve of joint venture		−2,000	0	0
Loans granted to associated companies		0	0	−750
Payments received from granted loans		5,438	11,379	16,053
Payments received from granted loans to related parties		7,049	12,248	0
Payments received from granted loans to associated companies		0	750	0
Interest received		466	2,345	2,022
CASH FLOW FROM INVESTING ACTIVITIES		**−1,099**	**7,119**	**−7,107**
Cash flow from financing activities				
Capital increases		0	211	250
Capital reduction	**17**	−3,947	0	0
Dividend paid		0	0	−8,000
Payments for the acquisition of non-controlling interests		0	−950	0
Issuance of interest-bearing financial liabilities from related parties		3,439	28,806	7,629
Issuance of interest-bearing financial liabilities		0	0	12,865
Repayment of interest-bearing financial liabilities from related parties		−25,819	0	0
Repayment of interest-bearing financial liabilities		−72	−39,474	−5,212
Interest paid		−2,132	−2,322	−1,967
CASH FLOW FROM FINANCING ACTIVITIES		**−28,531**	**−13,729**	**5,565**
Net change in cash and cash equivalents		**−10,342**	**15,390**	**−1,005**
Cash and cash equivalents at beginning of period		20,759	4,887	5,985
Effect of exchange rate changes		528	482	−93
Cash and cash equivalents at end of period	**14**	**10,945**	**20,759**	**4,887**

VARTA GROUP

COMBINED STATEMENT OF CHANGES IN EQUITY

(in KEUR)	Notes	Net assets	Other components of equity	Total equity attributable to the Group	Non-controlling interests	Total euity
Balance at January 1, 2015		**51,014**	**2,511**	**53,525**	**0**	**53,525**
Total comprehensive income						**0**
Result for the period		11,596	0	11,596		**11,596**
Other comprehensive income		1,688	2,278	3,966		**3,966**
Total comprehensive income		**13,284**	**2,278**	**15,562**	**0**	**15,562**
Contributions and distributions						
Capital decrease		−900	0	−900		**−900**
Dividends	**32**	−13,258	0	−13,258		**−13,258**
Other		−2	0	−2		**−2**
Total contributions and distributions		**−14,160**	**0**	**−14,160**	**0**	**−14,160**
Balance at December 31, 2015		**50,138**	**4,789**	**54,927**	**0**	**54,927**

(in KEUR)	Notes	Net assets	Other components of equity	Total equity attributable to the Group	Non-controlling interests	Total euity
Balance at January 1, 2014		**51,477**	**−281**	**51,196**	**1,019**	**52,215**
Total comprehensive income						
Result for the period		7,886	—	7,886		**7,886**
Other comprehensive income		−4,680	2,792	−1,888		**−1,888**
Total comprehensive income		**3,206**	**2,792**	**5,998**	**0**	**5,998**
Contributions and distributions						
Capital increase		211	0	211		**211**
Capital decrease	**32**	−3,947	0	−3,947		**−3,947**
Other		−2	0	−2		**−2**
Total contributions and distributions		**−3,738**	**0**	**−3,738**	**0**	**−3,738**
Changes in ownership interests						
Acquisitions of non-controlling interests	**19/35**	69	0	69	−1,019	**−950**
Total changes in ownership interests		**69**	**0**	**69**	**−1,019**	**−950**
Total contributions and distributions as well as changes in ownership interests		**−3,669**	**0**	**−3,669**	**−1,019**	**−4,688**
Balance at December 31, 2014		**51,014**	**2,511**	**53,525**	**0**	**53,525**

VARTA GROUP

COMBINED STATEMENT OF CHANGES IN EQUITY (Continued)

(in T€)	Notes	Net assets	Other components of equity	Total equity attributable to the Group	Non-controlling interests	Total equity
Balance at January 1, 2013		**49,474**	**1,062**	**50,536**	**1,061**	**51,597**
						0
Total comprehensive income						**0**
Result for the period		8,113	—	8,113	−19	**8,094**
Other comprehensive income		1,649	−1,343	306	−23	**283**
Total comprehensive income		**9,762**	**−1,343**	**8,419**	**−42**	**8,377**
Contributions and distributions						
Capital increase		250	0	250		**250**
Dividends		−8,000	0	−8,000		**−8,000**
Other		−9	0	−9		**−9**
Total contributions and distributions		**−7,759**	**0**	**−7,759**	**0**	**−7,759**
Balance at December 31, 2013		**51,477**	**−281**	**51,196**	**1,019**	**52,215**

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. General information

These are the combined financial statements of VARTA, consisting of VARTA Aktiengesellschaft (VARTA AG), Ellwangen, Germany, VARTA Micro AG, Ellwangen, Germany and its subsidiaries, VARTA Microbattery S.R.L., Brasov, Romania, and VARTA Microbattery GmbH, Ellwangen, Germany, and its subsidiaries. Collectively, these companies are referred to as "the Group".

The Group is an internationally leading and globally active manufacturer of retail and OEM batteries and has been operating for more than 125 years. The operating activities include the production, distribution and the research and development of battery systems for electronic devices and energy storage systems.

The headquarters of the Group are located in Ellwangen, Daimlerstr. 1, Germany. The ultimate parent company of the Group is Montana Tech Components AG ("MTC"), Reinach, Switzerland.

The reporting date for the Group and for the combined financial statements is December 31, 2015 with the comparative figures for the years 2014 and 2013 and the opening balance on January 1, 2013.

The Group will be restructured in 2016, making VARTA AG the legal parent of the Group (see Note 36 "Events after the reporting period"). Until the restructuring takes place, there is no legal form of a group in terms of IFRS 10. Therefore, combined financial statements are prepared.

For the 2015, 2014 and 2013 financial years, the Group's entities were under common control of MTC and were managed as one business. Key management personnel of the Group is subject of Note 32 "Related parties".

These combined financial statements have been prepared in preparation of a potential listing of shares of VARTA AG. Pursuant to E.U. Prospectus Regulation No. 809/2004, an issuer's listing prospectus must include historical financial information covering the previous three fiscal years. At the time of issuance, the issuer, VARTA AG, has a "complex financial history" as defined in E.U. Prospectus Regulation No. 211/2007. The combined financial statements comprise combined income statements, combined statements of comprehensive income, combined statements of financial position, combined statements of cash flows, combined statements of changes in equity and notes to the combined financial statements for the 2015, 2014 and 2013 financial years.

2. Basis of preparation

2.1. Statement of compliance

The combined financial statements of the Group for the 2015, 2014 and 2013 financial years have been prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) as well as the related interpretations of the IFRS Interpretation Committee (IFRS IC)—formerly Standing Interpretations Committee (SIC), as endorsed by the European Union. The term IFRS also includes all valid International Accounting Standards (IAS).

The assets and liabilities in the combined statements of financial position are classified in accordance with IAS 1 as current/non-current with the criteria defined by IAS 1.54 ff. The combined income statements are prepared using the "nature of expense" method.

2.2. Basis of the combined financial statements

These combined financial statements will constitute the Group's first financial statements in accordance with IFRS. The Group has applied IFRS 1, First-Time Adoption of International Financial Reporting Standards (IFRS 1) in its adoption of IFRS. In particular, the Group has applied the simplification provisions set out in IFRS 1.D16(a). Accordingly, the Group adopted the values of the assets and liabilities recognized in the IFRS consolidated financial statements of MTC since assets and liabilities of the Group for the 2015, 2014 and 2013 financial years were included in the IFRS consolidated financial statements of MTC. Purchase price allocation effects of fair value step-ups on assets and goodwill related to the acquisition of the Group by MTC in the years 2007 and 2012 are not included in these combined financial statements.

2. Basis of preparation (Continued)

The individual reporting packages of the entities comprising the Group are prepared in accordance with the accounting policies of the parent which are the same accounting policies as of the Group.

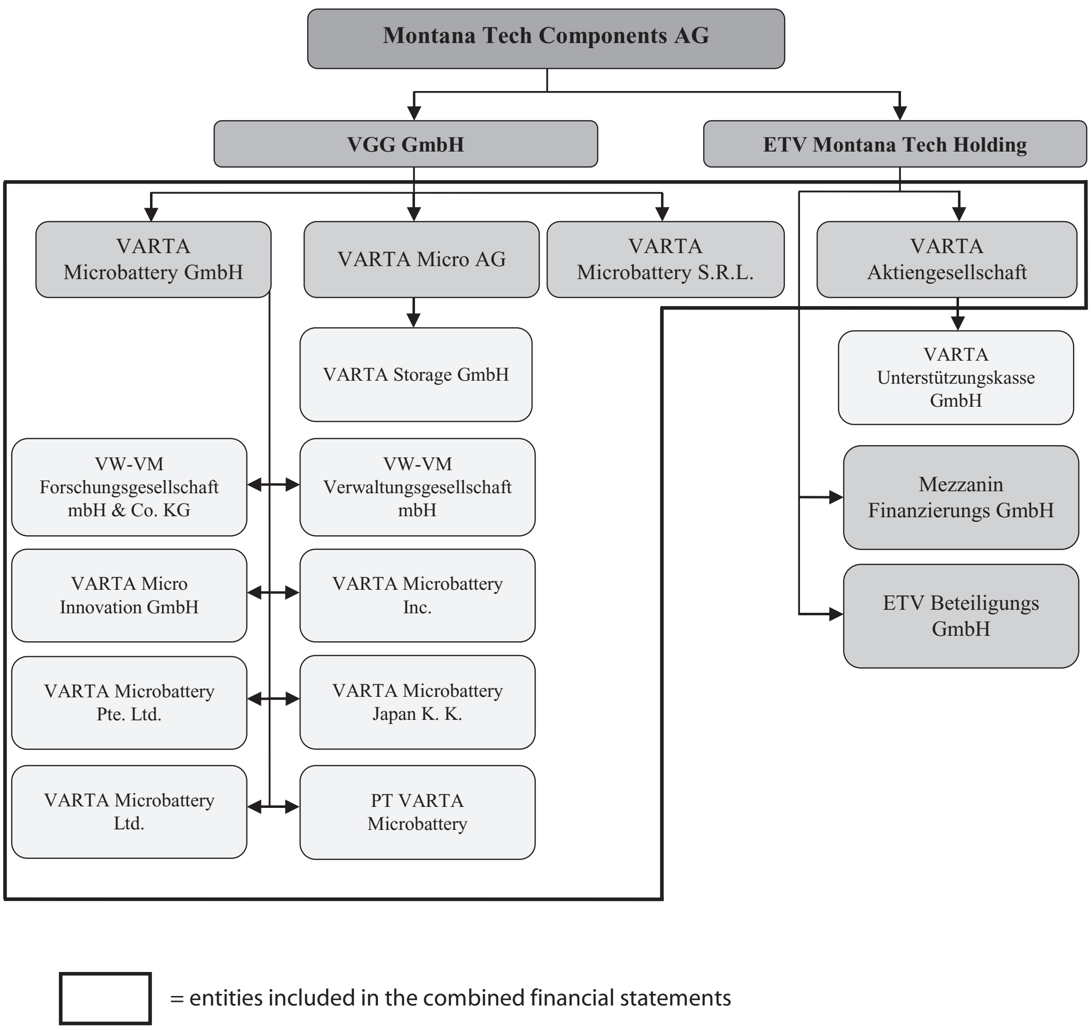
The IFRS provide no guidelines for the preparation of combined financial statements, which is therefore subject to the rules given in IAS 8.12. IAS 8.12 requires consideration of the most recent pronouncements of other standard setting bodies, other financial reporting requirements and recognized industry practices.

The new foundations VARTA Microbattery Japan K.K., Japan and VARTA Microbattery S.R.L., Rumania, which were founded in 2014 (see Note 6 "Material changes in the combined group"), are also under common control.

2.3. Scope of combination

These combined financial statements include the accounts of the Group's managed operations that have been combined, as if together for the periods presented. The combined financial statements comprise all companies controlled directly or indirectly by VARTA AG, VARTA Micro AG, VARTA Microbattery S.R.L. and VARTA Microbattery GmbH. Control is understood to mean situations where the corresponding company holds the majority of the voting rights in an entity (including potential voting rights) or, as a result of a controlling position, directly or indirectly governs its financial and operating policies so as to obtain benefits from its activities.

As of December 31, 2015, the legal entities of the Group are organized as illustrated in the following chart:



2. Basis of preparation (Continued)

During the periods presented in these combined financial statements, the Group solely consisted of legal entities which historically have conducted their activities exclusively on behalf of the Group. The Group is therefore solely comprised of assets, liabilities, revenues and expenses directly attributable to the legal entities.

Intragroup gains and losses, expenses and income, as well as receivables and liabilities between combined companies are eliminated. Transactions with companies no longer a part of the new Group of combined companies are presented as transactions with related parties.

Joint ventures in which the Group has a direct or indirect investment of 50%, or for which management responsibility is shared equally, are accounted for using the equity method in accordance with IAS 28.

Companies in which the Group holds at least 20% of voting rights but less than 50%, or over which the Group has a significant influence, are accounted for using the equity method and reported under investments in associated companies.

The pension obligations of all employees, which are part of the Group (active and inactive) are included in the combined financial statements. With economic effect on January 1, 2016 certain pension obligations and related assets were split off to VRT Pensionen GmbH, Dillingen, Germany, (see Note 36 "Events after the reporting period").

A table presenting all companies included in these combined financial statements is provided in Note 35 "Scope of combination".

2.4. Going concern

The combined financial statements were prepared on a going concern basis according to IAS 1.25.

2.5. Measurement basis

The assets included in the combined financial statements are recognized on a historical cost basis. Excluded from this basis are derivative financial instruments, financial assets held for trading and available-for-sale financial assets, all of which are recognized at fair value. Non-current assets held for sale and asset groups are recognized at the lower of the carrying amount and fair value less expected costs to sell.

2.6. Functional currency and presentation currency

The currency of the Group is euro. Unless otherwise indicated, all amounts are stated in thousands of euros (KEUR).

The functional currency of the respective Group companies is normally based on the company's primary economic environment and generally corresponds to the local currency. The euro is the functional currency for the majority of the Group's companies, which is why these combined financial statements have been prepared in euros.

2.7. Significant assumptions and estimates

Accounting under IFRS requires management make significant assumptions and estimates which have impact on the reported income, expenses, assets, liabilities and contingent liabilities at the time of recognition. Estimates in accordance with IFRS used in preparation of MTC's consolidated financial statements remain unchanged for purpose of preparation of the combined financial statements. Circumstances, which provide new information to past events, but have arisen subsequent to the respective reporting dates are not adjusted for.

2. Basis of preparation (Continued)

Note 4 "Significant assumptions and estimates" describes the significant estimates made by the management under the IFRS that have significant effects on the combined financial statements as well as estimates with respect to which there is a substantial risk that significant adjustments will be necessary in the subsequent year.

2.8. Current/ non-current classification

An asset is classified as current if it is expected to be realized or consumed within the Group's normal operating cycle of one year or if it is held for trading. All other assets are classified as non-current.

A liability is classified as current if it is expected to be settled within the Group's normal operating cycle using operating cash flows or if it is due to be settled within one year after the reporting date. All other liabilities are classified as non-current.

3. Significant accounting policies

3.1. Currency translation

The individual companies prepare their financial statements in the functional currency, which is usually the local currency. In the combined financial statements, assets and liabilities denominated in a foreign currency are translated into euros using the exchange rate on the reporting date. Equity is stated at historical exchange rates. Expenses and income are translated into euros using average exchange rates for the respective periods. Differences arising from translation are reported in the combined statements of comprehensive income. Translation gains and losses are recognized in the combined income statements only when the respective subsidiary is sold.

Transactions denominated in foreign currency are translated into the functional currency at the exchange rate on the date of the transaction. Outstanding foreign currency monetary items are translated using the rate on the reporting date and non-monetary items using the historical rate. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date of revaluation. With the exception of translations related to available-for-sale financial assets, foreign exchange gains and losses arising from translation using the rate on the reporting date are recognized under "other financial result".

The currency translation exchange rates with a material impact on the combined financial statements are as follows:

	Annual average exchange rate for the period ended			Closing rate as of			
One euro equals to	**2015**	**2014**	**2013**	**Dec. 31, 2015**	**Dec. 31, 2014**	**Dec. 31, 2013**	**Dec. 31, 2012**
US Dollar (USD)	1.1095	1.3285	1.3281	1.0887	1.2141	1.3791	1.3194

3.2. Financial instruments

3.2.1. *Non-derivate financial instruments*

The Group classifies its non-derivative financial assets into the following categories:

- available-for-sale financial assets;
- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments.

Non-derivative financial instruments comprise investments in equity and debt instruments, trade receivables, other receivables, cash and cash equivalents, loans, trade payables and other liabilities.

3. Significant accounting policies (Continued)

Non-derivative financial instruments are initially recognized at fair value plus any directly attributable transaction costs, with the exception of financial instruments designated as financial assets at fair value through profit or loss. Subsequent measurements of non-derivative financial instruments is described below.

Cash and cash equivalents comprise cash, bank deposits and fixed deposits and securities with an original maturity of up to three months.

Available-for-sale financial assets

Certain investments made by the Group in equity and debt instruments are designated as available for sale. Those financial instruments are, therefore, measured at fair value and the changes in fair value are reported in the combined statements of comprehensive income. Excluded from this treatment are impairment losses (see Note 3.8 "Impairment"), which are recognized in the combined income statements. Upon derecognition of the financial asset, cumulative gains or losses recognized in the combined statements of comprehensive income are reported in the combined income statements. Securities for which no appropriate market price is available and for which the fair value cannot be reliably determined are measured at cost.

Financial assets at fair value through profit or loss

A financial instrument is designated at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Upon initial recognition, all directly allocable transaction costs are recognized in the combined income statements.

Loans and receivables

Loans and receivables are measured at amortized cost using the effective interest method less impairment losses.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity other than those financial assets assigned to any of the other categories described above.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Group is recognized as a separate asset or liability.

A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, including any interest expense, are recognized in profit or loss.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

3. Significant accounting policies (Continued)

3.2.2. *Derivate financial instruments*

Currency risk and commodity price risk are hedged at the Group. In the majority of cases, the provisions of IAS 39 "Hedge Accounting" are applied. Derivate financial instruments are used exclusively to hedge risks arising from operating activities. A 12-month liquidity forecast is the basis for exchange rate hedging of planned cash flows (see Note 5.2 "Financial risk management").

Forward foreign exchange transactions and commodity swaps are carried at fair value on inception of the contract. They are subsequently measured at fair value. Changes in the measurement of the effective portion of a derivate are initially recognized directly in equity in the reserve for cash flow hedges and only recognized in the combined income statements upon realization of the underlying transaction; the ineffective portion is recognized immediately in the combined income statements.

These hedges are tested prospectively for effectiveness using the critical terms match method. Retrospectively, the dollar offset method in combination with the hypothetical derivative method is used.

Derivatives are initially recognized on the trade date.

3.2.3. *Equity*

The difference between assets and liabilities is presented as net assets. Since equity is defined in paragraph 49 of the IASB Framework as the residual interest in the assets of an entity after deducting all liabilities, the residual amount of all assets and liabilities allocated to the Group was regarded as equity, which represents the net assets. The resulting capital structure presented for the Group in these combined financial statements is not indicative for the capital structure of the Group if it had been a standalone entity during the financial reporting periods presented.

3.3. Intangible assets

3.3.1. *Goodwill*

There is no goodwill recognized in the combined financial statements for the Group.

3.3.2. *Research and development*

Research costs incurred for the purpose of obtaining new technological knowledge or basic understanding are recognized as an expense. Development costs incurred to achieve new or significantly improved products or processes are capitalized provided that the Group can demonstrate all of the following

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalized development costs are recognized at cost less cumulative amortization and any impairment losses (see Note 3.8 "Impairment"). Other development costs are recognized as an expense in the combined income statements.

3. Significant accounting policies (Continued)

3.3.3. ***Other intangible assets***

Other intangible assets include concessions, which comprise trademarks and patents, as well as licenses and other intangible assets, which in the Group mostly relate to capitalized, acquired customer relationships.

Intangible assets with determinable useful lives are recognized at cost less cumulative amortization and any impairment losses (see Note 3.8 "Impairment"). Subsequent investments are capitalized if it is probable that they will increase the future economic benefit. All other expenses are charged directly to profit or loss at the time of recognition. Intangible assets are amortized straight-line over their estimated useful lives, starting on the date on which they are available for use. The estimated useful life for concessions, licenses and other intangible assets is 3 to 10 years.

Intangible assets with indefinite useful lives are not amortized but subjected to an annual impairment test (see Note 3.8 "Impairment").

3.4. Property, plant and equipment

Property, plant and equipment is measured at cost less cumulative depreciation and any impairment losses. Items of property, plant and equipment with varying useful lives are recognized individually and depreciated separately. Subsequent investments are only capitalized to the extent that they increase the economic benefit of the fixed asset. All other expenses for property, plant and equipment are recognized immediately as an expense.

With the exception of land, all property, plant and equipment is depreciated on a straight-line basis over the following expected useful lives:

Buildings	20–33 years
Technical equipment and machinery	5–20 years
Other equipment	2–15 years

The method of depreciation, the useful life and the assumed residual value, if not immaterial, are reviewed each year.

When assets are disposed of, the difference between the net proceeds and the net carrying amount of the assets is recognized as a gain or loss in other operating income or expenses, respectively.

3.5. Leases

Leased assets are capitalized if the Group bears substantially all the risk and rewards from the use of the leased asset and is therefore regarded as the beneficial owner (finance lease). Finance leases are capitalized under non-current assets at the lower of the fair value of the leased property and the present value of the minimum lease payments; a lease liability is recognized in the same amount. Leased assets are depreciated over the shorter of the lease term and the useful life of the asset. After initial recognition, leased assets are measured in accordance with the valuation principles applicable to the asset in question.

If the lease is not a finance lease, the leased asset is not capitalized on the combined statements of financial position. Instead, the lease payments are recognized as an expense in the combined income statements as of the due date.

3.6. Trade receivables

Trade receivables are recognized at amortized cost, which generally corresponds to the principal amount less any valuation allowances for credit risk (see Note 5.2 "Financial risk management").

Experience adjustments are made in addition to any necessary specific valuation allowances for known receivables risk.

3. Significant accounting policies (Continued)

Receivables are derecognized or offset against the corresponding specific valuation allowances as soon as there is sufficient evidence that the receivable will definitely not be recovered.

3.7. Inventories

Inventories are recognized at the lower of cost or net realizable value. The net realizable value is the expected, average selling price less estimated cost to complete and selling expenses.

Internally generated products are measured at the cost of production and purchased products at the cost of purchase. The cost of production includes direct materials and direct labor costs as well as the allocable portion of overheads. Fixed production overheads are based on the normal capacity of the production facilities. Inventories are generally measured using the first-in, first-out (FIFO) formula. Allowances are made when the net realizable value is below the carrying amount.

3.8. Impairment

3.8.1. *Financial assets*

Financial assets not classified as at fair value through profit or loss, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

Financial assets measured at amortized cost

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between

3. Significant accounting policies (Continued)

the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss previously recognized in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed through profit or loss. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss. The group uses an account of impairment and loss (see Note 9 "Intangible assets").

3.8.2. ***Non-financial assets***

The carrying amounts of non-financial assets are assessed for indications of impairment as of each reporting date, except for assets from employee benefits (see Note 3.9 "Provisions for pensions and other post-employment benefits"), inventories (see Note 3.7 "Inventories") and deferred tax assets (see Note 3.17 "Income taxes"). If there are any such indications, the recoverable amount is determined.

The recoverable amount is determined at the same time each year for intangible assets not yet available for use or with an indeterminable useful life.

The recoverable amount of an asset or a cash-generating unit (CGU) is the higher of the value in use and the fair value less costs to sell. To determine the value in use, the estimated future cash flows are discounted to present value. For the impairment test, assets are reflected at the lowest level for which cash flows are separately identifiable. If the cash flow of an asset is not separately identifiable, the impairment test is conducted on the basis of the CGU to which the asset belongs.

An impairment loss exists if the carrying amount of an asset or of a cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in combined income statements. Impairment losses recognized for a cash-generating unit or a group of cash-generating units are allocated to the assets of the unit or group. Except for individual assets of a unit or a group whose fair values less costs to sell cover its carrying amount.

In the case of impairment losses of other assets, an annual impairment test is performed as to whether there are indications that the loss may have decreased or may no longer exist. If the reasons for a previously recognized impairment loss no longer apply, the impairment loss is reversed provided that the reversal does not cause the carrying amount to exceed the cost of acquisition or construction less depreciation.

3.9. Provisions for pensions and other post-employment benefits

The Group provides defined benefit and defined contribution plans for portions of the workforce in addition to the government retirement benefits. The pension plans provide age-related benefits and benefits in the event of death or invalidity. Defined benefit plans pursuant to IAS 19 "Employee benefits" exist in Germany and Singapore.

Defined contribution plans

In the case of defined contribution plans, the expenses reported in the combined income statements correspond with the contributions made by the employer.

Defined benefits plans

For all significant defined benefit plans, the defined benefit obligation ("DBO") is determined each year by independent actuaries by calculating the present value of the DBO using the projected unit credit method. The fair value of plan assets is then deducted. The discount rate is based on the interest rate for high-quality corporate bonds with almost identical maturities as those of the defined benefit obligations. Plan costs resulting from employee service in the current period (current service cost) are recognized in the combined income statements.

3. Significant accounting policies (Continued)

Any increase in plan costs from past employee services that is attributable to new or improved plan benefits (past service cost) is recognized on a straight-line basis as an expense from post-employment or other employee benefits until the benefits concerned are vested. To the extent that the benefits are vested immediately, the past service cost is recognized right away.

The Group determines the net interest expense (income) of net debt (asset) from defined benefit plans for the reporting period by using the discount rate that was used for the evaluation of the benefit obligation at the beginning of the annual period. This discount rate is applied to the net defined benefit liability (asset) at that time. Any changes in net defined benefit liability (asset) resulting from contributions and benefit payments during the reporting period are taken into consideration. Net interest expense is recognized in the combined income statements.

Remeasurements of the net defined benefit liability (asset) should be recognized immediately in the combined statements of comprehensive income. The remeasurement includes actuarial profits and losses, the return on plan assets (without interest) and the effect of any asset ceiling (without interest).

In case of a change in plan benefits or if the plan is shortened, resulting changes regarding benefits of working hours to be offset later or profit/losses incurred in case of a reduction are recognized in the combined income statements. The Group recognizes profits or losses of the compensation of a defined benefit plan at the time of the compensation.

Excess amounts are only recognized if they are actually available to the Group in the form of future contribution payments or reductions.

3.10. Government grants

Government Grants that compensate for expenses incurred are recognized in the combined income statements on a systematic basis in the periods in which the corresponding expenses are recognized.

3.11. Trade and other payables

Trade and other payables are measured at amortized cost.

3.12. Accruals

Accruals refer to future expenditures that are uncertain in terms of their amount or timing but where the uncertainty is less than in the case of provisions. Accruals include liabilities for items or services received or supplied that have neither been paid for nor invoiced or formally agreed upon. They also include current liabilities to employees (for instance bonuses or holiday entitlements). Accruals are carried in the amount of the expected utilization.

3.13. Liabilities to financial institutions and other financial liabilities

Upon initial recognition, these liabilities are recognized at fair value less directly attributable transaction costs. They are subsequently measured at amortized cost, with the difference between the fair value and the amount payable being recognized in the combined income statements using the effective interest method.

Liabilities to financial institutions and other financial liabilities are only reported as non-current if the repayment date is unconditionally more than one year after the reporting date. Amounts that can be utilized on a revolving basis are reported as non-current if the entire drawdown period for the financing exceeds the one-year period.

3.14. Provisions

A provision is a liability of uncertain timing or amount. Provisions are recognized if the Group has a present obligation to a third party based on a past event, an outflow of resources to settle the obligation is

3. Significant accounting policies (Continued)

probable and the amount of the obligation can be reliably estimated. Provisions are discounted if the effect is material.

Provisions where the outflow of resources is likely to occur within the next year are classified as current, and all other provisions as non-current.

Asset retirement obligations are capitalized in the amount of the discounted value of the obligation when it is created. At the same time, a provision is created in the same amount. The asset is depreciated over its useful life. The provision is accreted to its present value on an annual basis.

3.15. Revenue and earnings recognition

After deducting value added taxes and credits for returns and rebates, revenue from the sale of goods is recognized at the date on which the risks and rewards of ownership of the goods have been transferred to the customer. The revenue from product sales mainly includes sales in the segments "Microbatteries" and "Energy Storage Solutions".

The transfer of risks and rewards varies depending on the individual terms of the sales agreement (Incoterms). Therefore transfer of risk and rewards can occur when placing the goods locally for disposal up to handover the goods at customers warehouse.

Revenue from rendering services is recognized by reference to the stage of completion of the service at the end of the reporting period. The stage of completion is assessed based on surveys of work performed. This item includes mainly services from sales of research results to research institutes, from performed IT services and product design services.

3.16. Financial result

Net interest expense (income) includes income from financial assets and cash and cash equivalents as well as expenses from liabilities to financial institutions and other financial liabilities. Interest income and expenses are recognized in the combined income statements in the period in which they are incurred using the effective interest method.

The Group capitalizes borrowing costs incurred in connection with the acquisition of a qualifying asset in accordance with IAS 23.4. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Other financial income/other financial expenses include dividend income, gains from the sale of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, impairment of financial assets and translation differences arising from foreign exchange transactions. Dividend income is recognized in the combined income statements when the right to receive payment is established.

3.17. Income taxes

Income taxes include both current and deferred taxes on income. Usually, income taxes are recognized in the combined income statements unless they refer to an item that is recognized directly in the combined statements of comprehensive income.

Current income taxes are charged on taxable profit based on the tax rates applicable at the reporting date including expenses for taxes from past periods.

Under the balance sheet liability method, deferred taxes are calculated for all temporary differences between the carrying amount of an asset or liability on the combined statements of financial position and its tax base. Deferred taxes are measured at the tax rates applicable or expected to be applicable to the Group entity in question.

Deferred taxes are not recognized for the following temporary differences: initial recognition of goodwill, initial recognition of an asset or liability associated with a transaction affecting neither taxable profit or

3. Significant accounting policies (Continued)

accounting profit and temporary differences on investments in subsidiaries, provided it is probable that the temporary differences will not be realized in the foreseeable future.

Deferred tax assets are only recognized on losses carried forward that can be offset and deductible temporary differences to the extent that it is probable that they will be utilized against future taxable profits.

3.18. Segment reporting

The segment information for the 2015, 2014 and 2013 reporting periods on the basis of the Group's internal reporting are provided, in order to assess the type and financial impact of the business activities conducted by the Group as well as to assess the economic environment in which the Group operates. In doing so, internal management reporting—which was finalized in 2016 on the basis of the Group's realignment—is authoritative. This reporting structure, which is also relevant for future reporting, was mapped retrospectively for 2013 to 2015.

The Group is set up as a matrix as, on the one hand, business is organized according to the "Microbatteries" and "Energy Storage Solutions" segments and, on the other hand, it is also geographically structured. However, no budget allocation is made based on a regional perspective and financial information for regular control is not provided. Thus, a product-level and not a regional-level perspective is decisive for segment reporting.

The CODM ("Chief Operation Decision Maker") makes the assessments. The CODM within the meaning of IFRS 8 is the Management Board of VARTA AG, as the Management Board regularly checks the segments in terms of their profitability and resource allocation based on internal management reporting. The profitability of each segment is assessed based on EBIT. EBIT means "earnings before interests and taxes" and thus comprises the operating income (earnings) before interest and taxes. As a consequence, this figure does not include interest and financing elements. Also not considered are profit shares of entities included in the combined financial statements, which are accounted for using the equity method.

The following operational business segments are reported on individually pursuant to IFRS 8.

Microbatteries

The Microbatteries segment focuses on manufacturing and selling microbatteries for hearing aids under the powerone, Energy TOP (ENR TOP), engion and ecopack brand names and as well as private labels. We also offer silver oxide batteries for wrist watches and primary lithium button cells. Our success in the area of hearing aids is driven by innovation strength, reliability, long life, consistent quality and proximity with customers. The market position is secured through our own production automation processes and our ability to provide customers with services ranging from design to production. The Microbatteries segment's customers include, for example, leading hearing aid manufacturers, retailer chains and government institutions.

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

Energy Storage Solutions

The Energy Storage Solutions segment represents one of the leading companies in the area of energy storage. Based in Nördlingen, Germany, the company specializes in manufacturing and selling battery energy storage systems for private and commercial storage applications. In addition, we design energy

3. Significant accounting policies (Continued)

solutions which are tailored to meet the precise needs of our customers. Our solutions for a very demanding market include providing the necessary project planning and procedures to help obtain official approvals and designing and implementing batteries for class I and II devices.

3.19. New and amended IFRS

The following new and revised standards and amendments to standards have been issued by the reporting date and come into force in annual periods beginning after 2015. They are also available for early adoption. None of them were applied earlier in these combined financial statements. Their impacts on the combined financial statements of the Group have not been systematically analyzed.

Standard/ Interpretation	Title of Standards/ Interpretation of Amendments	Effective Date
Adopted by the EU Commission:		
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Ventures	Jan. 1, 2016
Amendments to IAS 1	Disclosure Initiative	Jan. 1, 2016
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization	Jan. 1, 2016
Improvements to IFRS 2012–2014	Amendments to IFRS 5, IFRS 7, IAS 19, IAS 34	Jan. 1, 2016
Not yet adopted by the EU Commission:		
Standards:		
IFRS 9 (2014)	Financial Instruments	Jan. 1, 2018
IFRS 14 (2014)(1)	Regulatory Deferral Accounts	Jan. 1, 2016(1)
IFRS 15 (2015)	Revenue from Contracts with Customers	Jan. 1, 2018
IFRS 16 (2016)	Leases	Jan. 1, 2019
Amendments:		
Amendments to IAS 7 (2016)	Disclosure Initiative	Jan. 1, 2017
Amendments to IAS 12 (2016)	Recognition of Deferred Tax Assets for Unrealized Losses	Jan. 1, 2017
Clarifications to IFRS 15 (2016)	Revenue from Contracts with Customers	Jan. 1, 2018
Amendments to IFRS 10 and IAS 28 (2014)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	n/a

(1) The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard.

4. Significant assumptions and estimates

The combined financial statements include the following significant items whose carrying amounts depend substantially on the underlying assumptions and estimates:

Useful life of non-current assets

Property, plant and equipment and intangible assets acquired for a consideration are stated at historical cost and depreciated or amortized on a straight-line basis over their respective useful lives. Factors such as wear and tear, age, technical standards and changes in demand are taken into consideration in the determination of the useful life. Any changes in these factors can lead to a decrease or increase in the economic life of an asset. In such cases, the residual carrying amount is written down over the remaining shorter or longer useful life, which results in higher or lower annual depreciation/amortization amounts. Any necessary adjustments to the depreciation/amortization period due to a change in expected useful life are treated as changes in estimates.

Some intangible assets are classified as having an indefinite useful life if an analysis of all relevant factors does not indicate an end to the period in which the asset contributes to the generation of cash flows. The analysis is reviewed each year to determine whether the assessment of an indefinite useful life is still justified.

Impairment of non-current assets

The impairment test to measure the recoverable amount of the CGUs is based on corporate planning, discount rates, growh rate, terminal value, the expected inflation rate and currency rates. The relevant inflation rates are adjusted for the global economic trend to reflect current market expectations.

Impairment tests revealed that CGUs were fully recoverable as of the reporting dates. More information on the impairment tests conducted is given in Note 9 "Intangible assets". However, the assumptions made could be subject to changes that can lead to impairment losses in future periods.

Provision for pensions and other post-employment benefits

The Group has various post-employment and other employee benefit plans in place for portions of the workforce. In order to be able to determine the resulting assets and/or liabilities, it is necessary to identify the plans as defined benefit plans or defined contribution plans. For defined benefit plans, statistical assumptions are made to project the future trend.

Actuarial valuation methods are used to measure liabilities from post-employment and other employee benefits. The valuation is based on assumptions regarding discount rates, salary trends, workforce fluctuation and retirement age (demographic and financial variables). Should these assumptions change due to a change in the economic situation or new market conditions, the actual data could vary considerably from the actuarial reports and calculations. Any such variations could have a significant medium-term impact on the expenses and income from post-employment and other employee benefit arrangements. Additional information on post-employment and other employee benefit arrangements is provided in Note 16.2 "Post-employment benefits".

Other provisions

Other provisions are recognized to cover various situations as part of the ordinary course of business. Assumptions and estimates are used to determine the amount of the expected outflow of resources for each specific situation. The assumptions could be subject to changes that could lead to variations in future periods.

Product warranties are granted when selling products. Provisions are set up for this purpose. The valuation is based on histrorical data from recent events.

There are only current provisions set up for product warranties. For products of the segment "Energy Storage Solutions" there are no empirical values or relevant market data in order of longterm use.

4. Significant assumptions and estimates (Continued)

The carrying amounts of the provisions are specified in Note 22 "Other Provisions".

Deferred taxes

Deferred taxes are recognized in respect of temporary differences between the carrying amounts in the combined financial statements and the tax base as well as for expected recoverable tax loss carry forwards. Deferred taxes are calculated on the basis of the tax rates expected under current legislation to apply to the period in which the temporary differences are expected to reverse and on the basis of an assessment of future taxable profit. Any changes in the tax rate or from expectations differing future taxable profits could make it improbable that deferred tax assets will be recovered and necessitate a value adjustment with regard to the respective assets. Moreover, changes in the tax rate could lead to adjustments in deferred tax liabilities. The carrying amounts of deferred taxes are shown in the combined statements of financial position and are broken down into the individual statements of financial position items in Note 15 "Deferred tax assets".

5. Risk management

5.1. Internal Control System

The Management of VARTA AG and VARTA Microbattery GmbH have set up internal monitoring and control systems for financial reporting to guarantee consistency of the relevant accounting rules and ensure sound reporting. Thus, this provides appropriate security regarding the reliability of financial reporting to enable a reliable assessment of the Group's net assets, financial position and results of operations.

Each control system, regardless of how effectively it has been designed, has certain limitations. Thus, even internal monitoring and control systems that have been assessed as being effective cannot provide complete security regarding the preparation and presentation of financial statements.

Estimates and assumptions regarding the future were made when recognizing and measuring items. The estimates and assumptions that can have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are presented within the individual items in the notes to the financial statements. Overall, however, no risks were identified that could lead to a material adjustment of the Group's net assets, financial position, and results of operations presented in the combined financial statements.

5.2. Financial risk management

The Group's financial risk management was handled by Montana Tech Components GmbH's ("MTC GmbH") and VARTA Microbattery GmbH's management during the reporting periods (see Note 32 "Related parties"). The primary objective of financial risk management is to identify and monitor those financial risks facing the Group and to establish efficient safeguards. Financial risks arise from operating activities and the financing structure. These risks especially include credit, liquidity, currency and interest rate risks as well as the market risk of commodities.

Besides identifying, analyzing and assessing financial risks, the management of MTC GmbH and VARTA Microbattery GmbH make decisions regarding the use of financial instruments in order to manage these risks. These decisions follow a risk-adverse strategy.

The following sections provide an overview of the extent of individual risks as well as the objectives, principles and processes for measuring, monitoring and hedging financial risks.

Credit risk (default risk)

The credit risk in the Group arises from loans, trade and other receivables as well as cash and cash equivalents, although the main credit risk involves trade receivables. The default risk relating to receivables is offset by carrying out precise measures such as conducting credit rating checks, insuring in part receivables, setting up advance payment agreements and dunning. The fact that the Group policies

5. Risk management (Continued)

stipulate that cash and cash equivalents may be invested only in such financial institutions that have first-class creditworthiness means the credit risk relating to cash at banks is also limited.

The carrying amount of the financial assets equates to the maximum credit risk, which was largely made up as follows as of the reporting date:

	Carrying amounts			
(KEUR)	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013	Jan. 1, 2013
Cash and cash equivalents	10,945	20,759	4,887	5,985
Trade receivables	14,772	19,655	20,221	16,438
Loans	6,689	19,111	33,533	32,781
Other assets*	1,974	2,163	5,336	5,465
Total financial assets	**34,380**	**61,688**	**63,977**	**60,669**

* Excl. other tax receivables of KEUR 3,722 (Dec. 31, 2014: KEUR 1,148; Dec. 31, 2013: KEUR 1,202; Jan. 1, 2013: KEUR 1,356) and prepaid expenses of KEUR 298 (Dec. 31, 2014: KEUR 355; Dec. 31, 2013: KEUR 184; Jan. 1, 2013: KEUR 240).

Two Group companies concluded a factoring agreement with a bank in December 2015 with a term until December 17, 2016. This includes selling trade receivables generated in the course of ordinary business as soon as the respective debtor receives the corresponding invoice and by stating the payment deadline. The receivables are sold at the end of the month. At this time the bank decides within a scope of a total volume of KEUR 10,000 on the amount of the receivables to be purchased. The receivables are measured at fair value, 90% of these receivables are sold to the bank. The receivables paid during the course of the month are disclosed as other financial liabilities to banks (see Note 21 "Other financial liabilities").The Group had sold KEUR 7,077 in receivables as of December 31, 2015. There are no risks remaining with the Group of the sold receivables.

KEUR 3,577 (Dec. 31, 2014: KEUR 15,558; Dec. 31, 2013: KEUR 20,567; Jan. 1, 2013: KEUR 6,043) in loans including interest was extended to related companies (refer to Note 32 "Related parties") and KEUR 3,112 (Dec. 31, 2014: KEUR 3,553; Dec. 31, 2013: KEUR 12,966; Jan. 1, 2013: KEUR 26,738) was granted to third parties as of the reporting date.

Other assets mainly included KEUR 300 in receivables from associated companies and a KEUR 856 claim due to subsidized projects as of December 31, 2015.

Gross carrying amounts less adjustments, which were recognized pursuant to IAS 39, were assumed when calculating the credit risk. Collateral received or other credit rating improvements are not considered in the process.

The maximum credit risk is considered low because the intrinsic default risk of business partners in the underlying transaction is partially covered by credit insurance in the amount of KEUR 9,652 (Dec. 31, 2014: KEUR 7,869; Dec. 31, 2013: KEUR 7,081; Jan. 1, 2013: KEUR 4,651). The applicable criteria for assessing creditworthiness are stipulated in the agreements with the credit insurance and in internal guidelines. Furthermore, the fact the Group's customer base is made up of a multitude of customers means the credit risk is not concentrated.

Regardless of their due dates, outstanding receivables must meet the criteria of the Group's risk assessment. Generally, financial assets do not face any default risks if these—based on past experience and a creditworthiness check—can be classified as "fully recoverable". Impairment losses are not recognized for such receivables. There are no financial assets for which terms and conditions were renegotiated.

5. Risk management (Continued)

The trade receivables after impairment were as follows:

(KEUR)	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013	Jan. 1, 2013
Trade receivables	15,389	20,396	20,839	16,891
Impairment losses	−617	−741	−618	−453
Trade receivables—net	**14,772**	**19,655**	**20,221**	**16,438**

The probability of future cash flows from receivables impaired, is low rated.

The development of total impairment losses recognized on trade receivables was as follows:

(KEUR)	2015	2014	2013
At start of financial year	741	618	453
Allocated	64	112	250
Utilized	−53	0	0
Reversed	−185	−41	−70
Currency translation differences	50	52	−15
Total impairment losses	**617**	**741**	**618**

A receivable is fully written off as soon as irrecoverability becomes known or the receivable is 501 days overdue. Impairment losses for receivables that are between 180 and 500 days overdue are recognized as follows:

- > 180 days: 25% write-down
- > 270 days: 50% write-down
- > 360 days: 75% write-down

In order to address concerns from prior years, material outstanding receivables—adjusted for insured receivables, receivables already written off and receivables from the public sector—are written down annually by recognizing a general provision for bad debt. The impairment rate is calculated annually using the 5-year average of the ratio of outstanding receivables and non-recoverable receivables.

The probability of receiving future payments from receivables already written down was assessed as being low at the time of preparing the financial statements.

5. Risk management (Continued)

The following overview provides information on overdue trade receivables:

(KEUR)	Dec. 31, 2015			Dec. 31, 2014			Dec. 31, 2013			Jan. 1, 2013		
	Carrying amount before bad debt allowance	Bad debt allowance	Net	Carrying amount before bad debt allowance	Bad debt allowance	Net	Carrying amount before bad debt allowance	Bad debt allowance	Net	Carrying amount before bad debt allowance	Bad debt allowance	Net
From 1 to 10 days overdue	960	−63	897	2,489	−42	2,447	2,098	−17	2,081	2,523	−27	2,496
From 11 to 30 days overdue	732	−12	720	612	−23	589	2,862	−61	2,801	1,521	−24	1,497
From 31 to 60 days overdue	375	−2	373	481	−16	465	1,664	−22	1,642	204	−7	197
From 61 to 180 days overdue	47	−2	45	616	−105	511	626	−192	434	261	−40	221
From 181 to 360 days overdue	97	−64	33	−105	−299	−404	17	−16	1	48	−34	14
More than 360 days overdue	316	−296	20	234	−145	89	200	−199	1	243	−228	15
Total Group	**2,527**	**−439**	**2,088**	**4,327**	**−630**	**3,697**	**7,467**	**−507**	**6,960**	**4,800**	**−360**	**4,440**

Overdue net trade receivables mainly involved receivables relating to longstanding customer relationships. Based on past experience, the Group does not expect any material defaults.

Liquidity risk

Treasury of MTC GmbH and VARTA Microbattery GmbH regularly monitors the security of liquidity. Control ranges from constantly comparing forecast and actual payment flows to adjusting the maturity profiles of financial assets and liabilities. Material liquidity risks include general commercial risks, the risk of customers defaulting on payments and foreign exchange risks. Allocation of funds changed in the fisical year 2014 from financial instituts to MTC GmbH. The Group uses an intercompany line of credit with MTC GmbH to ensure it can meet the financing requirements of its operations.

The following overview shows the non-discounted contractual maturities of the non-derivative and derivative financial liabilities. There are no changes in the default risk of financial liabilities over time. The table includes both interest and principal cash flows.

5. Risk management (Continued)

December 31, 2015

(KEUR)	Carrying amounts	Contractual cash flows	Immediately	Up to 3 months	3 to 12 months	1 to 5 years	More than 5 years
Non-derivative financial liabilities							
Other financial liabilities*	18,934	21,008	0	4,110	1,796	7,073	8,029
Trade payables**	35,089	35,089	14,023	21,066	0	0	0
Accruals***	5,631	5,631	0	0	5,631	0	0
Other liabilities****	2,266	2,266	197	167	1,902	0	0
Total non-derivative financial liabilities	**61,920**	**63,994**	**14,220**	**25,343**	**9,329**	**7,073**	**8,029**

* Excluding derivative financial instruments of KEUR 161; including a debtor warrant amounting to KEUR 6,000 with expected maturity of more than 5 years which could be repaid significantly earlier under certain circumstances (see Note 21 "Other financial liabilities")

** Excluding current prepayments received of KEUR 68 (vendor liabilities > 1 year shown in B/S in other non-current payables)

*** Excluding accrued liabilities for employee benefits of KEUR 7,263

**** Excluding deferred income of KEUR 147, tax payables and payables within the scope of social security of KEUR 771

(KEUR)	Carrying amounts	Contractual cash flows	Immediately	Up to 3 months	3 to 12 months	1 to 5 years	More than 5 years
Derivative financial liabilities							
Commodity swap (cash flow hedges)	161	161	0	0	161	0	0
Total derivative financial liabilities	**161**	**161**	**0**	**0**	**161**	**0**	**0**
Total Group	**62,081**	**64,155**	**14,220**	**25,343**	**9,490**	**7,073**	**8,029**

December 31, 2014

(KEUR)	Carrying amounts	Contractual cash flows	Immediately	Up to 3 months	3 to 12 months	1 to 5 years	More than 5 years
Non-derivative financial liabilities							
Other financial liabilities*	39,425	41,304	815	0	2,173	38,316	0
Trade payables**	23,265	23,265	5,517	17,726	22	0	0
Accruals***	3,201	3,201	0	0	3,201	0	0
Other liabilities****	1,457	1,457	304	1,153	0	0	0
Total non-derivative financial liabilities	**67,348**	**69,227**	**6,636**	**18,879**	**5,396**	**38,316**	**0**

* Excluding derivative financial instruments of KEUR 155

** Excluding current prepayments received of KEUR 295 (vendor liabilities > 1 year shown in B/S in other non-current payables)

*** Excluding accrued liabilities for employee benefits of KEUR 6,694

**** Excluding deferred income of KEUR 137, tax payables and payables within the scope of social security of KEUR 774

5. Risk management (Continued)

(KEUR)	Carrying amounts	Contractual cash flows	Immediately	Up to 3 months	3 to 12 months	1 to 5 years	More than 5 years
Derivative financial liabilities							
Commodity swap (cash flow hedges)	155	155	0	0	155	0	0
Total derivative financial liabilities	**155**	**155**	**0**	**0**	**155**	**0**	**0**
Total Group	**67,503**	**69,432**	**6,636**	**18,879**	**5,551**	**38,316**	**0**

December 31, 2013

(KEUR)	Carrying amounts	Contractual cash flows	Immediately	Up to 3 months	3 to 12 months	1 to 5 years	More than 5 years
Non-derivative financial liabilities							
Liabilities to financial institutions	38,616	41,014	0	1,712	4,984	34,318	0
Other financial liabilities*	11,273	11,684	901	0	2,743	8,040	0
Trade payables**	16,094	16,094	2,517	13,577	0	0	0
Accruals***	4,308	4,308	0	0	4,308	0	0
Other liabilities****	1,533	1,533	203	305	1,025	0	0
Total non-derivative financial liabilities	**71,824**	**74,633**	**3,621**	**15,594**	**13,060**	**42,358**	**0**

* Excluding derivative financial instruments of KEUR 132

** Excluding current prepayments received of KEUR 302 (vendor liabilities > 1 year shown in B/S in other non-current payables)

*** Excluding accrued liabilities for employee benefits of KEUR 7,668

**** Excluding deferred income of KEUR 120, tax paybales and payables within the scope of social security payables of KEUR 832, and liabilities of KEUR 332 to joint ventures, which are to be offset against rent and service receivables

(KEUR)	Carrying amounts	Contractual cash flows	Immediately	Up to 3 months	3 to 12 months	1 to 5 years	More than 5 years
Derivative financial liabilities							
Commodity swaps (cash flow hedges)	9	9	0	9	0	0	0
Forward exchange transactions (cash flow hedges)	119	119	0	0	119	0	0
Total derivative financial liabilities	**128**	**128**	**0**	**9**	**119**	**0**	**0**
Total Group	**71,952**	**74,761**	**3,621**	**15,603**	**13,179**	**42,358**	**0**

Market risk

The market risk include foreign exchange risks and interest rate risks, which are presented below.

Commoditiy risk

The Group buys commodities in different quantities and is subject to commodity risk from a change in prices. By analyzing the planned quantities of raw materials the commodity price risk is determined and hedged using commodity swaps for the nickel exposure. The remaining commodity risk is not considered material for the Group.

Currency risk

The Group buys and sells merchandise based on the functional currency of the three regions mainly in euro (Europe) und US dollar (US, Asia). Foreign currency exposure from trade receivables exists to a very limited extent as the outgoing invoices of the foreign companies are largely denominated in the local currency and purchases of inventory and/or services are mainly made in the local currency of the subsidiaries. This provides natural hedging.

5. Risk management (Continued)

Interest-bearing liabilities were denominated in euro and US dollar as of the reporting date, which corresponded to the functional currencies of the respective group companies so that in the Group's view, in respect of the existing forward exchange contracts, there is no material currency risk.

The following overview shows the financial assets and liabilities per currency pair denominated in currencies other than the functional currency of the group company holding these financial instruments.

(KEUR)	Dec. 31, 2015 EUR/USD	Dec. 31, 2014 EUR/USD	Dec. 31, 2013 EUR/USD	Jan. 1, 2013 EUR/USD
Cash and cash equivalents	2,809	999	763	688
Trade receivables	1,622	2,124	1,628	1,808
Intercompany receivables	9,953	5,926	5,496	2,591
Trade payables	11,000	2,937	2,630	2,761
Intercompany loans	8,864	13,920	7,722	7,503
Intercompany payables	2,880	2,160	4,693	812
Total gross currency exposure	**−8,360**	**−9,968**	**−7,158**	**−5,989**
Forward exchange contracts	8,864	13,508	7,722	7,503
Total net currency exposure	**504**	**3,540**	**564**	**1,514**

Sensitivity analysis

A change in the following functional currency compared to the foreign currency from the currency pair in the amount of the below percentage points would have increased (reduced) the earnings shown in the combined financial statements by the below amounts as of December 31. This analysis assumes that all other variables, in particular interest rates, remain constant.

(KEUR)		Profit (+) / loss (−)	
December 31, 2015			
EUR/USD	+/− 11.2%	−264	264

(KEUR)		Profit (+) / loss (−)	
December 31, 2014			
EUR/USD	+/− 5.9%	−57	57

(KEUR)		Profit (+) / loss (−)	
December 31, 2013			
EUR/USD	+/− 7.7%	−4	4

The volatility for the individual relevant currency pairs was calculated using the historical data for the last 250 exchange rate days (prior to the respective reporting date). Annual volatility was determined on the basis of the daily exchange rate development (change in current rate vs. the prior year) by extrapolating these daily volatilities.

The sensitivity analysis shows that this would not have had any material impact on the Group's equity from the currency pairs.

Interest rate risk

The interest rate is divided up between changes in future interest payments due to fluctuations in the market interest rate and an interest-related risk of a change in the market value; de facto that the market value of a financial instrument changes due to fluctuations in the market interest rate.

5. Risk management (Continued)

The Group faces interest rate risks due to raising and investing funds that involve floating rates, although the Group funds itself primarily using fixed interest-bearing loans from related parties. There have not been any floating-rate liabilities to banks since 2014.

There were the following interest-bearing financial instruments as of the reporting date.

	Carrying amounts			
(KEUR)	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013	Jan. 1, 2013
Fixed-interest instruments				
Financial assets*	6,771	19,195	33,541	32,789
Financial liabilities**	6,258	26,925	11,273	1,670
Variable rate instruments				
Financial assets*	10,863	20,675	4,879	5,977
Financial liabilities**	12,676	12,500	38,616	30,865

* Includes cash at banks and fixed-term deposits along with loan receivables

** Includes liabilities to financial institutions, other borrowings

Sensitivity analysis for fixed-interest financial instruments

Neither financial assets (fixed-term deposits) nor financial liabilities (liabilities to financial institutions) in the Group that have fixed interest rates are measured at fair value through profit and loss. These financial instruments are measured at amortized cost. Thus, an increase in interest rates would have no impact on the Group's earnings.

Sensitivity analysis for floating-rate financial instruments

An increase in interest rates by one percentage point would have—in consideration of hedging floating-rate financial instruments by fixed interest rates—reduced Group earnings by KEUR 13 (2014: increased by KEUR 59; 2013: decreased by KEUR 241). Reducing the interest rate by one percentage point would have increased the Group's earnings by KEUR 13 (2014: reduced by KEUR 59; 2013: increased by KEUR 241). This includes taking into account a possible reduction of interest rates to below 0%. This analysis assumes that all other variables, especially foreign currency translation effects, remain constant.

The sensitivity analysis shows that this would not have material impact on the Group's equity from the interest rate risk.

Derivative financial instruments

The Group uses derivative financial instruments mainly to reduce the risks from changes in exchange rates and commodity prices. This includes using forward exchange contracts and commodity swaps to reduce the short-term effects of fluctuations in exchange rates and commodity prices. All the corresponding contracting parties are well-known international financial institutions with which the Group regularly conducts business. Accordingly, the Group views the risk of non-fulfillment on the part of a contracting party and thus the risk of related losses as being low. The gains and losses from the presented derivative financial instruments equaled KEUR 1,655 (2014: KEUR 1,365; 2013: KEUR −519).

Derivatives are concluded under the German Master Agreement for Financial Derivative Transactions, which may allow a netting of outstanding positions. This contract does not meet the criteria for offsetting in the combined statements of financial position in accordance with IAS 39.42. Under certain conditions such as a default or insolvency of a contractual party, there is a legally enforcable right for offsetting of outstanding transactions. As of the reporting date, there are no amounts netted in combined statements of financial position. The potential net amount under a master agreement equals the gross book value of the derivatives, as there are no netting potentials as of the reporting date.

5. Risk management (Continued)

The following table shows the derivative financial instruments as of the reporting date:

December 31, 2015

	Currency	Nominal amount (in thousands of the original currency)	Fair value (KEUR)	thereof recognized directly in equity	Maturity
Commodity swap	USD	700	−161	−161	Up to 1 year
Forward exchange contract	USD	9,650	17	0	Up to 1 year
Total Group			**−144**	**−161**	

KEUR −155 (2014: KEUR −9; 2013: KEUR 52) was reclassified from the combined statements of comprehensive income to the combined income statements in the 2015 financial year.

December 31, 2014

	Currency	Nominal amount (in thousands of the original currency)	Fair value (KEUR)	thereof recognized directly in equity	Maturity
Commodity swap	USD	1,092	−155	−155	Up to 1 year
Forward exchange contract	USD	16,400	137	0	Up to 1 year
Total Group			**−18**	**−155**	

December 31, 2013

	Currency	Nominal amount (in thousands of the original currency)	Fair value (KEUR)	thereof recognized directly in equity	Maturity
Forward exchange contract	USD	10,650	−70	0	Up to 1 year
Forward exchange contract	IDR	43,200,000	−16	0	Up to 1 year
Forward exchange contract	SGD	13,800	−33	0	Up to 1 year
Commodity swap	USD	697	−13	−13	Up to 1 year
Commodity swap	USD	334	4	4	Up to 1 year
Total Group			**−128**	**−9**	

The liquidity analysis of the derivative financial instruments was presented already in the first portion of this section under "Liquidity risk".

Categories of financial instruments

The following table shows the carrying value of the financial instruments by category. In the case of the derivative financial instruments the carrying amounts differ from the fair values. The carrying amounts of the remaining financial instruments correspond to the fair values.

(KEUR)	2015	Level 1	Level 2	Level 3
Financial instruments at fair value through profit or loss				
Derivative financial instruments—Assets	17	0	17	0
Derivative financial instruments—Liabilities	−161	0	−161	0
Total	**−144**	**0**	**−144**	**0**

5. Risk management (Continued)

(KEUR)	2014	Level 1	Level 2	Level 3
Financial instruments at fair value through profit or loss				
Derivative financial instruments—Assets	137	0	137	0
Derivative financial instruments—Liabilities	−155	0	−155	0
Total	**−18**	**0**	**−18**	**0**

(KEUR)	2013	Level 1	Level 2	Level 3
Financial instruments at fair value through profit or loss				
Derivative financial instruments—Assets	4	0	4	0
Derivative financial instruments—Liabilities	−132	0	−132	0
Total	**−128**	**0**	**−128**	**0**

(KEUR)	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013	Jan. 1, 2013
Cash and cash equivalents	10,945	20,759	4,887	5,985
Loans	6,689	19,111	33,533	32,781
Trade receivables	14,772	19,655	20,221	16,438
Other assets*	1,974	2,163	5,336	5,465
Loans and receivables	**34,380**	**61,688**	**63,977**	**60,669**
Total financial assets	**34,380**	**61,688**	**63,977**	**60,669**
Derivative financial instruments	161	155	132	0
Derivative financial liabilities designated as hedging instruments	**161**	**155**	**132**	**0**
Liabilities to financial institutions	0	0	38,616	30,865
Other financial liabilities**	18,934	39,425	11,273	1,670
Trade payables***	35,089	23,265	16,094	17,962
Accruals****	5,631	3,201	4,308	4,677
Other liabilities*****	2,266	1,457	1,533	1,209
Measured at amortized cost	**61,920**	**67,348**	**71,824**	**56,383**
Total financial liabilities	**62,081**	**67,503**	**71,956**	**56,383**

* Excluding other tax receivables of KEUR 3,722 (Dec. 31, 2014: KEUR 1,148; Dec. 31, 2013: KEUR 1,202; Jan. 1, 2013: KEUR 1,356) and prepaid expenses of KEUR 298 (Dec. 31, 2014: KEUR 355; Dec. 31, 2013: KEUR 184; Jan. 1, 2013: KEUR 240).

** Excluding derivative instruments KEUR 161 (Dec. 31, 2014: KEUR 155; Dec. 31, 2013: KEUR 132; Jan. 1, 2013: KEUR 0)

*** Excluding current prepayments received of KEUR 68 (Dec. 31, 2014: KEUR 295; Dec. 31, 2013: KEUR 302; Jan. 1, 2013: KEUR 691); vendor liabilities > 1 year shown in B/S in other non-current payables

**** Excluding accrued liabilities for employee benefits of KEUR 7,263 (Dec. 31, 2014: KEUR 6,694; Dec. 31, 2013: KEUR 7,668; Jan. 1, 2013: KEUR 7,763)

*****Excluding deferred income of KEUR 147 (Dec. 31, 2014: KEUR 137; Dec. 31, 2013: KEUR 120; Jan. 1, 2013: KEUR 0), tax payables and payables within the scope of social security of KEUR 771 (Dec. 31, 2014: KEUR 774; Dec. 31, 2013: KEUR 832; Jan. 1, 2013: KEUR 746) and liabilities of KEUR 0 to joint ventures, which are not be offset against rent and service receivables (Dec. 31, 2014: KEUR 0; Dec. 31, 2013: KEUR 332; Jan. 1, 2013: KEUR 1,655)

Calculation of fair value

Certain accounting policies and disclosure requirements call for calculating the fair value of both financial and non-financial assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

5. Risk management (Continued)

The group holds financial instruments measured at fair value. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Input other than quoted prices included within level 1 that is observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

  The valuation of derivatives is based on a discounted cash flow model using foreign currency rates, commodity prices and interest rates at the end of the reporting period. The fair value of other financial assets and liabilities equals the present value of the future expected cash flows, discounted at risk-adjusted interest rates appropriate to the instruments' terms at the end of the reporting period. In case of unobservable input factors such as internal credit spreads, instruments are classified as level 3.
- Level 3: Input not based on observable market data for the assets or liability (unobservable input data).

As of the reporting date, the Group has exclusively financial instruments measured at fair value that were classified as level 2 and level 3.

Capital management

The Group's capital was managed by MTC GmbH and VARTA Microbattery GmbH during the reporting periods. Considerations regarding the requirements placed on the amount of equity are geared towards the requirements of the Montana Tech Components Group.

6. Material changes in the combined group

Since 2013 until 2015 the number of companies included in the combined financial statements developed as follows:

	2015		2014		2013	
	Fully consolidated	Consolidated at equity	Fully consolidated	Consolidated at equity	Fully consolidated	Consolidated at equity
Balance as of Jan. 1	**10**	**2**	**9**	**2**	**10**	**2**
Consolidated for the first time in the reporting year						
Newly founded companies			2			
Mergers			−1		−1	
As of Dec. 31	**10**	**2**	**10**	**2**	**9**	**2**

The companies included in combined group are listed in Note 35 (refer to Note 35 "Scope of combination")

Material changes in 2015

There were no changes in the combined group in 2015.

Material changes in 2014

There were two new establishments and one merger in 2014. There were no further changes in the combined group.

The new establishments involved the following companies:

- VARTA Microbattery Japan K.K., Japan
- VARTA Microbattery S.R.L., Romania

GOPLA Beteiligungsgesellschaft mbH was merged into VARTA AG in 2014.

6. Material changes in the combined group (Continued)

Material changes in 2013

ATRAV Beteiligungs GmbH was merged into GOPLA Beteiligungsgesellschaft mbH in 2013. There were no further changes in the combined group.

7. Combined statements of cash flows

The other non-cash income and expense were largely from currency effects of KEUR 800 (2014: KEUR 1,509; 2013: KEUR −763) and movements in the combined statements of comprehensive income recognized directly in equity of KEUR 2,205 (2014: KEUR −7,073; 2013: KEUR −3,930).

The item "Acquisition of property and plant equipment and intangible assets" is not reconcilable with the additions to intangible assets and property, plant and equipment due to the open items, which were not due to payment, from investments of KEUR 13,446 (Dec. 31, 2014: KEUR 289; Dec. 31, 2013: KEUR 2,404; Jan. 1, 2013: KEUR 1,992) [translated using the average annual rate produces a difference of KEUR 13,146 (2014: KEUR −2,125; 2013: KEUR 415] and own work capitalized of KEUR 4,223 (Dec. 31, 2014: KEUR 3,994; Dec. 31, 2013: KEUR 3,457; Jan. 1, 2013: KEUR 3,674). The open items from investments in the prior year were counted in their entirety in the following year and allocated to acquisition of property and plant equipment and intangible assets.

8. Segment reporting

Segment information is disclosed on the basis of the management approach for the "Microbatteries" and "Energy Storage Solutions' segments (see Note 3.18 Segment reporting).

The accounting policies for segment reporting are based on the IFRS principles used in these combined financial statements. The Group measures the success of its segments according EBIT as EBIT provides Management the most relevant information for assessing the results of specific segments in relation to other companies active in these sectors. The earnings attributable to the companies included in the combined financial statements and accounted for using the equity method are not included in segment reporting as these are not a component of reportable EBIT and are otherwise not regularly reported to the CODM. The elimination of intragroup activities between the segments is shown aggregated in the reconciliation column. Furthermore, the reconciliation column contains items that cannot be directly allocated to a specific segment, e.g. the effects from the sale and leaseback transaction (see Note 12 "Leasing").

8. Segment reporting (Continued)

The following shows the indicators used by the Group to assess the performance of the operating segments:

Information according to reportable segment

	Microbatteries			Energy Storage Solutions			Σ Sum			Reconciliation			Combined financial statements		
(KEUR)	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013
Revenue	157,858	137,397	127,941	34,574	28,714	27,496	192,432	166,111	155,437	2,661	2,927	3,851	195,093	169,038	159,288
Depreciation and Amortization	−7,154	−6,365	−5,088	−1,283	−989	−469	−8,437	−7,354	−5,557	−74	−74	−77	−8,511	−7,428	−5,634
Material items of income and expense	0	0	0	0	0	0	0	0	0	6,634	−1,069	0	6,634	−1,069	0
EBIT	**22,112**	**18,172**	**15,135**	**−3,854**	**−2,216**	**−2,212**	**18,257**	**15,956**	**12,923**	**4,223**	**−2,516**	**−353**	**22,480**	**13,440**	**12,570**

The reconciliation contains the following items:

	2015				2014					2013			
(KEUR)	Not allocated to the core business	Consolidation effects	Holding	Sum	Not allocated to the core business	Consolidation effects	Holding	Others	Sum	Not allocated to the core business	Consolidation effects	Holding	Sum
Revenue	*2,661*	*0*	*0*	*2,661*	*2,927*	*0*	*0*		*2,927*	*3,851*	*0*	*0*	*3,851*
Items of income and expense	*3,858*	*0*	*−2,296*	*1,562*	*−1,812*	*−497*	*−2,065*	*−1,069*	*−5,443*	*−4,476*	*2,312*	*−2,040*	*−4,204*
EBIT	***6,519***	***0***	***−2,296***	***4,223***	***1,115***	***−497***	***−2,065***	***−1,069***	***−2,516***	***−625***	***2,312***	***−2,040***	***−353***

8. Segment reporting (Continued)

The column "Not allocated to the core business" contains income and expenses that are not allocable to either of the segments. The revenues are composed of IT services totaling KEUR 796 (2014: KEUR 1,067; 2013: KEUR 854) and disposal fees totaling KEUR 921 (2014: KEUR 717; 2013: KEUR 632). Moreover, the sale and leaseback transaction is shown in this column (see Note 12 "Leasing"). The sale caused other operating income totaling KEUR 6,634 (2014: KEUR 0; 2013: KEUR 0). The view in the EBIT line also includes a total of costs, which could not be assigned to any segment.

The column "Holding" contains impact of VARTA AG.

Consolidation effects, which resulted from changes in the combined group, are shown in the "Consolidation" column. In fiscal year 2014, these effects came primarily from GOPLA Beteiligungsgesellschaft mbH and amounted to KEUR −497 (2013: KEUR −201).

The reconciliation of segments' EBIT to income before taxes of the Group is given in the following table:

(KEUR)	2015	2014	2013
EBIT	22,480	13,440	12,570
Financial result	−1,852	−1,056	−176
Share of profit (loss) of at equity accounted investees	−1,257	−301	−2,091
Income before taxes	**19,371**	**12,083**	**10,303**

Geographic segment information

The following presentation shows the Group's revenue broken down by specific geographic location. When presenting this information on a geographic basis, the segment's revenue is based on the geographic locations of the customers and the segment's assets at the geographic locations of the assets.

	2015		2014		2013		Jan. 1, 2013
(KEUR)	Revenue*	Non-current assets**	Revenue*	Non-current assets**	Revenue*	Non-current assets**	Non-current assets**
Europe	94,532	64,617	92,513	49,946	88,030	46,021	38,387
Americas	49,682	105	39,070	109	38,764	118	35
Asia	46,314	2,245	34,007	2,115	29,463	2,047	2,589
Other	4,565	0	3,448	0	3,031	0	0
Total Group	**195,093**	**66,967**	**169,038**	**52,170**	**159,288**	**48,186**	**41,011**

* Revenue is based on the customer's registered office.

** For this purpose non-current assets include only property, plant and equipment and intangible assets.

Products and services

The Group's revenue and trade receivables can be broken down according to the following products and services:

	2015		2014		2013		Jan. 1, 2013
(KEUR)	Revenue	Trade receivables	Revenue	Trade receivables	Revenue	Trade receivables	Trade receivables
Product sales	185,746	14,560	161,730	18,997	155,758	18,053	16,429
Sale of services	9,347	212	7,309	658	3,530	2,168	9
Total Group	**195,093**	**14,772**	**169,038**	**19,655**	**159,288**	**20,221**	**16,438**

8. Segment reporting (Continued)

Key accounts

There were no transactions in 2015 nor in the prior years with a single external customer whose revenue accounted for 10% or more of the Group's revenue.

9. Intangible assets

(KEUR)	Customer relationships and similar intangible assets	Trademarks	Development costs	Total
COST				
As of January 1, 2013	**1,161**	**5**	**2,374**	**3,540**
Currency translation differences	−2	0	0	**−2**
Additions	179	0	2,300	**2,479**
Reclassifications	79	0	488	**567**
As of December 31, 2013	**1,417**	**5**	**5,162**	**6,584**
Currency translation differences	6	0	0	**6**
Additions	141	0	3,000	**3,141**
Reclassifications	169	0	0	**169**
As of December 31, 2014	**1,733**	**5**	**8,162**	**9,900**
Currency translation differences	4	0	0	**4**
Additions	9,462	953	2,994	**13,409**
Reclassifications	24	0	0	**24**
As of December 31, 2015	**11,223**	**958**	**11,156**	**23,337**
ACCUMULATED AMORTIZATION				
As of January 1, 2013	**886**	**5**	**0**	**891**
Currency translation differences	1	0	0	**1**
Additions	191	0	0	**191**
As of December 31, 2013	**1,078**	**5**	**0**	**1,083**
Currency translation differences	3	0	0	**3**
Additions	222	0	645	**867**
As of December 31, 2014	**1,303**	**5**	**645**	**1,953**
Currency translation differences	2	0	0	**2**
Additions	285	30	968	**1,283**
As of December 31, 2015	**1,590**	**35**	**1,613**	**3,238**
CARRYING AMOUNTS				
Carrying amounts on January 1, 2013	275	0	2,374	**2,649**
Carrying amounts on December 31, 2013	339	0	5,162	**5,501**
Carrying amounts on December 31, 2014	430	0	7,517	**7,947**
Carrying amounts on December 31, 2015	9,633	923	9,543	**20,099**

Internally generated intangible assets in the amount of KEUR 2,994 were recognized in 2015 (2014: KEUR 3,000; 2013: KEUR 2,300).

KEUR 9,326 in research and development expenses were recognized in profit or loss in the year 2015 (2014: KEUR 8,964; 2013: KEUR 9,049).

Intangible assets were not subject to any restraints on disposal during the financial year ended 2015 (December 31, 2014: KEUR 7,947; December 31, 2013: KEUR 5,501; January 1, 2013: KEUR 2,649).

KEUR 9,094 of the additions in 2015 were primarily the result of a payment made to clarify and realign certain intangible property rights. This payment was based on a contractual agreement reached in

9. Intangible assets (Continued)

September 2015 between, on the one hand, Montana Tech Components AG, VARTA AG and VARTA Microbattery GmbH and, on the other hand, Johnson Control Inc. on using the "VARTA" brand and the related issues. The acquired intangible property rights are assets with an indefinite useful life. The payment transaction will be done in February 2016.

Impairment test for intangible assets with an indefinite useful life

An impariment test is determined annually as of December 31 for intangible assets having an indeterminable useful life. The carrying amount of the CGUs, which included the "VARTA" brand of KEUR 9,094, were compared with the recoverable amounts pursuant to IAS 36. The recoverable amount of the CGUs is the higher of value in use and fair value less costs to sell. To determine the value in use, the estimated future cash flows are discounted to net present value. For impairment testing we take the smallest group of assets that independently generates cash inflows (cash generating units). For this purpose we allocated the "VARTA" brand to the relevant "Microbatteries" and "Energy Storage Solutions" CGUs. There is an impairment loss if the CGUs carrying amount exceeds the estimated recoverable amount. Any impairment losses are recognized in profit or loss. The impairment of a CGU or a group of CGUs is first allocated to intagable assets with indefinit useful life and then proportionalety to the other assets of the unit or the group. Excluded from this are individual assets of a unit or group whose fair values less cost to sell exceed their carrying amounts.

The carrying amount of the brand in the amount of KEUR 9,094 was allocated to the individual CGUs as follows: "Microbatteries" KEUR 6,894 and "Energy Storage Solutions" KEUR 2,200.

The recoverable amount of the individual CGUs was estimated on the basis of the respective net present value of the future cash flows, which will presumably be generated by the CGUs (value in use).

Key assumptions when estimating the values in use were as follows:

(percent)	CGU Microbatteries	CGU Energy Storage Solutions
Discount rate (WACC)	8.19	8.19
Growth rate	1.70	1.70
Tax rate	30.00	30.00

Data from current long-term budget planning for 2016 to 2020 was used to calculate the recoverable amounts of CGUs. The data is based on past experience and market observations. The most recently available period (2018 for Microbatteries and 2020 for Energy Storage Solutions) from long-term planning was applied as a basis for determining perpetual annuity. An extended observation period was selected for Energy Storage Solutions because this segment is being set up. The discount rate is a after-tax rate which was estimated based on the historical industry weighted average cost of capital (WACC) with a possible equity ratio and a market interest rate. This discount rate is adjusted for a risk premium, which reflects the increased overall risk of equity investment and the specific risk of each CGU.

A uniform growth rate was used to calculate the free cash flow in perpetual annuity, which puts amortization on equal footing with capital spending (CAPEX) and sets the net working capital change to 0.

A sensitivity analysis involved changing variables such as the growth and discount rates (WACC) as follows:

(percent)	CGU Microbatteries	CGU Energy Storage Solutions
Discount rate (WACC)	**+1.00**	**+1.00**
Growth rate	**−1.00**	**−1.00**

There was no need to recognize any impairment losses under any of the aforementioned constellations.

10. Property, plant and equipment

(KEUR)	Land	Buildings	Technical equipment and machinery	Other facilities	Construction in progress and advance payments	Property, plant and equipment
COST						
As of January 1, 2013	**302**	**9,015**	**29,655**	**10,594**	**8,584**	**58,150**
Currency translation differences	0	−5	9	−32	0	**−28**
Additions	0	236	1,547	1,862	7,160	**10,805**
Disposals	0	0	−674	−140	−16	**−830**
Reclassifications	11	950	3,525	747	−5,800	**−567**
As of December 31, 2013	**313**	**10,196**	**34,062**	**13,031**	**9,928**	**67,530**
Currency translation differences	0	21	−116	104	3	**12**
Additions	0	250	3,304	2,069	2,784	**8,407**
Disposals	0	0	−907	−643	0	**−1,550**
Reclassifications	0	35	8,267	1,153	−9,624	**−169**
As of December 31, 2014	**313**	**10,502**	**44,610**	**15,714**	**3,091**	**74,230**
Currency translation differences	0	17	281	192	4	**494**
Additions	0	60	2,818	1,251	14,109	**18,238**
Disposals	−313	−10,327	−408	−167	0	**−11,215**
Reclassifications	0	0	668	596	−1,288	**−24**
As of December 31, 2015	**0**	**252**	**47,969**	**17,586**	**15,916**	**81,723**

(KEUR)	Land	Buildings	Technical equipment and machinery	Other facilities	Construction in progress and advance payments	Property, plant and equipment
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES						
As of January 1, 2013	**0**	**1,063**	**14,045**	**4,680**	**0**	**19,788**
Currency translation differences	0	−1	107	−13	0	**93**
Additions	0	380	3,243	1,820	0	**5,443**
Disposals	0	0	−346	−133	0	**−479**
As of December 31, 2013	**0**	**1,442**	**17,049**	**6,354**	**0**	**24,845**
Currency translation differences	0	4	−129	81	0	**−44**
Additions	0	391	3,944	2,226	0	**6,561**
Disposals	0	0	−735	−620	0	**−1,355**
As of December 31, 2014	**0**	**1,837**	**20,129**	**8,041**	**0**	**30,007**
Currency translation differences	0	4	131	153	0	**288**
Additions	0	399	4,501	2,328	0	**7,228**
Disposals	0	−2,157	−397	−114	0	**−2,668**
As of December 31, 2015	**0**	**83**	**24,364**	**10,408**	**0**	**34,855**
CARRYING AMOUNTS						
Carrying amount on January 1, 2013	302	7,952	15,610	5,914	8,584	**38,362**
Carrying amounts on December 31, 2013	313	8,754	17,013	6,677	9,928	**42,685**
Carrying amounts on December 31, 2014	313	8,665	24,481	7,673	3,091	**44,223**
Carrying amounts on December 31, 2015	0	169	23,605	7,178	15,916	**46,868**

10. Property, plant and equipment (Continued)

The focus of investments in the year 2015 was on coin power batteries, hearing aid battery development and quality assurance. Key projects included upgrading existing production facilities and expanding production capacity.

Property, plant and equipment were not subject to any restraints on disposal during the 2015 financial year (Dec. 31, 2014: KEUR 44,223; Dec. 31, 2013: KEUR 42,685; Jan. 1, 2013: KEUR 38,362). The contractual obligations from the purchases of property, plant and equipment equaled KEUR 1,161 (Dec. 31, 2014: KEUR 9,401; Dec. 31, 2013: KEUR 1,424; Jan. 1, 2013: KEUR 958).

Disposal in 2015 in the area of land and buildings involved selling real estate of VARTA Microbattery GmbH in Ellwangen (refer to the explanations in Note 12 "Leasing" for more information).

11. Joint ventures and investments in associated companies

The carrying amounts of the joints ventures and investments in associated companies equal:

(KEUR)	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013	Jan. 1, 2013
VOLKSWAGEN VARTA Microbattery Forschungsgesellschaft mbH & Co. KG, Ellwangen, Germany	2,880	2,138	2,439	4,531
VOLKSWAGEN VARTA Microbattery Verwaltungsgesellschaft mbH, Ellwangen, Germany	17	16	16	15
Total carrying amounts for joint ventures	**2,897**	**2,154**	**2,455**	**4,546**
VARTA Micro Innovation GmbH, Graz, Austria	13	13	13	13
Total carrying amounts for associated companies	**13**	**13**	**13**	**13**
Total carrying amounts for joint ventures and investments in associated companies	**2,910**	**2,167**	**2,468**	**4,559**

The joint venture, with strategically nature, VOLKSWAGEN VARTA Microbattery Forschungsgesellschaft mbH & Co. KG (renamed in January 2016 to VW-VM Forschungsgesellschaft mbH & Co. KG), which provides the Group with research services that are primarily designed to develop high-performance battery cells used to power electric or plug-in hybrid vehicles. The company's research objectives have so far been achieved.

The KPIs of VOLKSWAGEN VARTA Microbattery Forschungsgesellschaft mbH & Co. KG are:

(KEUR)	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013	Jan. 1, 2013
Non-current assets	5,117	3,167	4,807	6,435
Current assets	2,717	3,066	3,150	2,883
Non-current loans and borrowings	0	0	1,500	0
Other non-current liabilities	0	0	0	0
Current loans and borrowings	300	0	0	0
Other current liabilities	909	725	371	405

	2015	2014	2013
Revenue	1,606	5,333	197
Depreciation and amortization	−1,249	−1,650	−1,708
Interest expenses	−4	−32	−17
Income tax expenses	0	−1	−1
Net loss for the year	−2,884	−970	−4,551

The Group had obligations to contribute KEUR 9,098 in VOLKSWAGEN VARTA Microbattery Forschungsgesellschaft mbH & Co. KG in 2010. This included contributing KEUR 1,474 in trademark rights, which was fully rendered in 2010, and a cash contribution of KEUR 2,330, of which the final outstanding KEUR 430 (2011: KEUR 658 and 2010: KEUR 1,242) was paid in 2012. Furthermore, additional contribution obligations in the amount of KEUR 5,294 were netted against receivables from

11. Joint ventures and investments in associated companies (Continued)

rent and services. In the year 2015 another cash deposit in the amount of KEUR 2,000 was paid. The annual earnings of VOLKSWAGEN VARTA Microbattery Forschungsgesellschaft mbH & Co. KG for 2015, which are allocable to the Group, equaled KEUR −1,257 (2014: KEUR −301; 2013: KEUR −2.091) and are disclosed under "share of loss of at equity accounted investees".

12. Leasing

KEUR 1,860 in expenses for operating leases was disclosed in the income statements in the financial year ended (2014: KEUR 1,116; 2013: KEUR 1,197).

The total of future minimum lease payments due to non-cancelable operating leases equaled:

(KEUR)	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013	Jan. 1, 2013
Leasing commitments up to 1 year	4,126	1,793	1,212	1,270
Leasing commitments between 1 and 5 years	11,424	3,138	1,233	1,625
Leasing commitments over 5 years	9,823	659	713	700
Total minimum lease payments	**25,373**	**5,590**	**3,158**	**3,595**

As part of a land sale, the real estate of VARTA Microbattery GmbH was sold in 2015 to WertInvest Ellwangen Immobilien GmbH, which is a related company from the combined Group's perspective (refer to the explanations in Note 32 "Related parties"). VARTA Microbattery GmbH then leased back the real estate from WertInvest Ellwangen Immobilien GmbH (sale and leaseback). The increase in future lease obligations largely pertains to expenses relating to this lease. Furthermore, this item includes expenses for IT hardware and building.

There were no assets in the financial years 2013 to 2015 which should have been capitalized on the basis of a finance lease.

13. Inventories

The inventories can be broken down to the following items as follows:

(KEUR)	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013	Jan. 1, 2013
Raw materials and supplies	17,561	14,203	16,047	12,631
Tools and spare parts	0	0	45	47
Work in process	8,618	7,555	8,541	7,895
Finished goods and merchandise	16,974	10,692	10,016	11,509
Inventories	**43,153**	**32,450**	**34,649**	**32,082**
Impairment loss recognized in the income statement	2,278	973	0	372*

* Pertains to Jan. 1, 2012 to Dec. 31, 2012

No inventories were pledged as security for liabilities at December 31, 2015 (Dec. 31, 2014: KEUR 3,680; Dec. 31, 2013: KEUR 29,717; Jan. 1, 2013: KEUR 28,655).

14. Cash and cash equivalents

Cash and cash equivalents can be broken down as follows:

(KEUR)	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013	Jan. 1, 2013
Cash	11	13	8	8
Cash at banks	10,863	20,675	4,879	5,977
Time deposits with an original term of up to 3 months	71	71	0	0
Total	**10,945**	**20,759**	**4,887**	**5,985**

15. Deferred tax assets

Deferred tax assets and liabilities are attributable to the following items:

(KEUR)	Deferred tax assets	Deferred tax liabilities	Dec. 31, 2015—net	Deferred tax assets	Deferred tax liabilities	Dec. 31, 2014—net	Deferred tax assets	Deferred tax liabilities	Dec. 31, 2013—net	Deferred tax assets	Deferred tax liabilities	Jan. 1, 2013—net
Intangible assets	1,214	5,875	−4,661	1,214	1,214	0	1,214	1,214	0	1,214	1,214	0
Property, plant and equipment	0	1,768	−1,768	317	1,617	−1,300	438	872	−434	548	228	320
Financial assets	0	0	0	0	0	0	0	29	−29	0	0	0
Inventories	731	59	672	523	15	508	728	107	621	553	149	404
Trade receivables	146	4	142	155	0	155	130	0	130	75	0	75
Other current assets	2,688	5	2,683	466	39	427	0	1	−1	0	27	−27
Non-current liabilities to financial institutions	0	0	0	47	0	47	0	105	−105	0	150	−150
Other non-current liabilities	170	20	150	17	0	17	18	0	18	34	0	34
Non-current liabilities due to employee pension programs	2,519	0	2,519	2,819	0	2,819	2,034	0	2,034	2,298	0	2,298
Current liabilities to financial institutions	0	0	0	0	0	0	0	0	0	6	0	6
Current provisions	28	8	20	0	0	0	0	4	−4	0	0	0
Other current liabilities	284	0	284	329	0	329	349	0	349	407	0	407
Tax loss carryforwards	1,832	0	1,832	3,003	0	3,003	4,561	0	4,561	4,786	0	4,786
Netting	−7,739	−7,739	0	−2,885	−2,885	0	−2,332	−2,332	0	−1,768	−1,768	0
Total	**1,873**	**0**	**1,873**	**6,005**	**0**	**6,005**	**7,140**	**0**	**7,140**	**8,153**	**0**	**8,153**

Deferred taxes were recognized for temporary differences at investments in subsidiaries only if taxes will be levied upon reversal of these differences.

16. Provisions for pensions and other post-employment benefits

16.1. Composition of the provisions for pensions and other post-employment benefits

(in KEUR)	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013	Jan. 1, 2013
Post-employment benefits	16,995	19,541	12,398	13,445
Severance payments	3,446	1,999	1,032	1,290
Long-service awards	519	498	461	489
Partial retirement	1,517	1,801	1,546	1,784
Total	**22,477**	**23,839**	**15,437**	**17,008**
thereof current	1,005	871	675	597
thereof non-current	21,472	22,968	14,762	16,411

16.2. Post-employment benefits

There are both defined-benefit and defined-contribution pension schemes within the combined group for a part of the employees. In the case of defined contribution plans, the companies pay contributions based on statutory or contractual requirements, or on a voluntary basis, to government or private retirement pension organizations. Payment of the contributions does not give rise to any further benefit obligations for the companies. The current contributions are presented as an expense in the corresponding year. The pension schemes are largely based on defined benefit plans, although a difference is made between unfunded and externally funded pension systems.

The pension provisions for the defined benefit plans are determined in accordance with IAS 19—"Employee Benefits"—using the internationally accepted projected unit credit method. Under this method, future obligations are measured based on the proportion of benefits earned at the year-end reporting date. Measurement takes into account actuarial assumptions regarding the discount rates, salary and pension trends, turnover rates as well as life expectations, which are determined for each group companies in relation to the relevant economic conditions. Actuarial gains and losses result from discrepancies between actual developments compared to prior year's assumptions as well as due to changes in assumptions. These are recognized directly in equity in the period of their origination, net of deferred tax.

These pension schemes provide benefits upon reaching old-age and in the case of death or disability. There are defined benefit obligations in Germany and Singapore, although Germany has the most significant pension plan. These obligations are funded by provisions recognized in the combined statements of financial position. A majority of these pension obligations were spun off in 2016 (refer to Note 36 "Events after the reporting period").

The Group's defined benefit plans show as net obligation from the following components:

(KEUR)	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013	Jan. 1, 2013
Present value of defined-benefit obligations as of the reporting date	45,778	50,158	48,398	50,935
Fair value of plan assets	−28,783	−30,617	−36,000	−37,490
Net obligations (+) / net assets (−) on the combined statements of financial position	**16,995**	**19,541**	**12,398**	**13,445**

16. Provisions for pensions and other post-employment benefits (Continued)

Plan assets are mainly comprised of VARTA AG's plan assets and the reinsurance policy at VARTA Microbattery GmbH.

(KEUR)	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013	Jan. 1, 2013
VARTA AG				
Fund	0	0	34,482	36,166
Securities	2,266	7,006	0	0
Investment	34	0	0	0
Loans	23,653	18,913	0	0
Cash and cash equivalents	968	3,006	35	116
Reinsurance	25	24	24	0
Total	**26,946**	**28,949**	**34,541**	**36,282**
VARTA Microbattery GmbH				
Reinsurance	1,809	1,639	1,449	1,208
Total	**1,809**	**1,639**	**1,449**	**1,208**

The assets used to fund VARTA AG's pension obligations are administered by VARTA Pensions-Treuhand e.V., Cologne, Germany, on a fiduciary basis. VARTA Pensions-Treuhand e.V. exclusively disposes over the funds to fulfill VARTA AG's pension obligations. Plan assets at VARTA AG are made up of loan receivables, shares in funds and jouissance rights as well as reinsurance policies, and are subject to general market risks.

Plan assets for other companies located in Germany consists exclusively of reinsurance policies; there are no plan assets for the companies outside Germany. The different characteristics found in the composition of plan assets minimizes the general risk.

The payments due within the next financial years as a result of pension commitments equal KEUR 1,005 (2014: KEUR 871; 2013: KEUR 675). The durations of the material pensions plans equal a period of up to 15 years.

The German defined benefit plan insures the staff of the affiliated companies against the risks of old age, death and disability.

Retirement benefits are set up in the form of a lifelong pension that is established by multiplying the vested pension capital (made up of wage-dependent employee and employer contributions) at retirement age with the statutory conversion rate. Death benefits equal 60% of the (expected) retirement pension, disability benefits 40% of the insured wages.

16. Provisions for pensions and other post-employment benefits (Continued)

The development of provisioning requirements and changes in plan assets for defined benefit plans are as follows:

(KEUR)	Net obligations			Fair value of plan assets			Present value of benefit obligations		
	2015	**2014**	**2013**	**2015**	**2014**	**2013**	**2015**	**2014**	**2013**
Fair value or present value as of January 1	**19,541**	12,398	13,445	**−30,617**	−36,000	−37,490	**50,158**	48,398	50,935
Recognized in the income statement									
Employer's current service cost	**442**	310	304				**442**	310	304
Prior service cost	**−46**	−59	0				**−46**	−59	0
Interest income/interest expense	**414**	1,814	530	**−475**	−922	−868	**889**	2,736	1,398
Plan settlements	**0**	−14	−12				**0**	−14	−12
	810	2,051	822	**−475**	−922	−868	**1,285**	2,973	1,690
Recognized in OCI									
(i) Actuarial adjustments:									
Actuarial gains/losses	**−2,922**	3,521	−1,042				**−2,922**	3,521	−1,042
—thereof: experience adjustments to benefit obligations	*−2,922*	*3,521*	*−1,042*				*−2,922*	*3,521*	*−1,042*
—thereof: change in demographic assumptions underpinning benefit obligations	*0*	*0*	*0*				*0*	*0*	*0*
—thereof: change in financial assumptions regarding benefit obligations	*0*	*0*	*0*				*0*	*0*	*0*
Income/expenses due to the financial position, excluding interest income/expenses	**−170**	1,772	−588	**−170**	1,772	−588			
(ii) Currency translation differences:	**33**	33	−11	**0**	0	0	**33**	33	−11
	−3,059	5,326	−1,641	**−170**	1,772	−588	**−2,889**	3,554	−1,053
Other									
Post-employment benefits paid directly by the employer	**−297**	−234	−218				**−297**	−234	−218
Employer contributions	**0**	0	−10	**0**	0	−10			
Employee contributions	**0**	0	0	**−125**	−169	−198	**125**	169	198
Benefits paid	**0**	0	0	**2,604**	4,702	3,154	**−2,604**	−4,702	−3,154
	−297	−234	−228	**2,479**	4,533	2,946	**−2,776**	−4,767	−3,174
Fair value or present value as of December 31	**16,995**	19,541	12,398	**−28,783**	−30,617	−36,000	**45,778**	50,158	48,398
thereof benefit entitlements covered by provisions	275	232	13,685				275	232	13,685
thereof funded benefit entitlements	45,503	49,926	34,713				45,503	49,926	34,713

16. Provisions for pensions and other post-employment benefits (Continued)

Actuarial assumptions

The actuarial assumptions of the key benefits plans (VARTA Microbattery GmbH (VMB), Germany, and VARTA AG (VAG)), Germany are as follows:

	Dec. 31, 2015		Dec. 31, 2014		Dec. 31, 2013		Jan. 1, 2013	
	VMB	VAG	VMB	VAG	VMB	VAG	VMB	VAG
Discount rate (%):	2.38	2.06	2.00	1.60	3.30	2.70	3.00	2.40
Expected pay increases (%)	2.50	0.00	2.50	0.00	2.50	0.00	2.50	0.00
Expected rise in pensions (%)	1.75	1.50	2.00	1.50	2.00	1.50	2.00	1.50
Staff fluctuation (%)	0.50	0.00	0.50	0.00	0.50	0.00	0.50	0.00
Male retirement age (years)	65		65		65		65	
Female retirement age (years)	65		65		65		65	

The actuarial assumptions are redetermined at the end of each financial year. The actuarial assumptions for these plans are used to determine the liabilities at year-end and the cost of defined benefit plans of the following year.

Sensitivity analysis

A change in the material aforementioned actuarial assumptions used to determine the DBO as of December 31, 2015, would increase or decrease the corresponding DBO of the respective company as follows (assuming all other parameters remain unchanged):

Change in the DBO of VARTA AG, Germany, by an increase/decrease in the parameters:

(KEUR)	Increase	Decrease
Discount rate (+/− 0.25%)	−667	615
Future pension growth (+/− 0.25%)	575	−632

Change in the DBO of VARTA Microbattery GmbH, Germany, by an increase/decrease in the parameters:

(KEUR)	Increase	Decrease
Discount rate (+/− 0.25%)	−1,434	1,649
Future pension growth (+/− 0.25%)	1,018	−925

16.3. Severance payments

Severance provisions are set up to cover staff's statutory and contractual claims in Indonesia. Severance payments largely include termination benefits. The provisions are calculated analogous to the pensions using the projected unit credit method.

The severance provisions were comprised as follows in the combined statements of financial position:

(KEUR)	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013	Jan. 1, 2013
Present value of provisions for severance payments as of the reporting date (DBO)	3,446	1,999	1,032	1,290
Obligations on the combined statements of financial position (provisions for severance payments)	**3,446**	**1,999**	**1,032**	**1,290**

16. Provisions for pensions and other post-employment benefits (Continued)

The development of the severance provision is shown below:

(KEUR)	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013	Jan. 1, 2013
Present value of provisions for severance payments as of January 1	**1,999**	**1,032**	**1,290**	**1,001**
Currency translation differences	253	213	−49	−23
Employer's current service cost	324	261	249	266
Actuarial gains (−) / losses (+)	881	463	−191	135
Benefits paid	−11	−4	−29	−29
Other	0	34	−238	−60
Present value of provisions for severance payments as of December 31	**3,446**	**1,999**	**1,032**	**1,290**

The severance expenses are comprised as follows:

(KEUR)	2015	2014	2013
Employer's current service cost	324	724	251
Expenses recognized in the combined income statements	**324**	**724**	**251**
Actuarial gains (−) / losses (+)	881	0	0
Actuarial adjustments recognized in the statement of comprehensive income	**881**	**0**	**0**
Severance costs in the reporting period	**1,205**	**724**	**251**

The actuarial assumptions used as a basis for calculation for Indonesia were as follows:

	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013	Jan. 1, 2013
Discount rate (%)	9.0	8.3	9.0	6.0
Expected pay increases (%)	11.5	9.0	9.0	9.0
Staff fluctuation (%)	0.0	0.0	0.0	0.0
Male retirement age (years)	55	55	55	55
Female retirement age (years)	55	55	55	55

17. Equity

The changes in the various components of equity in 2013 through 2015 are shown in the Group's combined statements of changes in equity.

Net assets attributable to the Group

The net assets attributable to the Group were calculated by aggregating the equity of the Group, the equity of its direct and indirect subsidiaries and the net assets of the Group's operations. The other changes in net assets attributable to the Group relate to the accumulated comprehensive income and to contributions or withdrawals by the owner. Also included in this item are all remeasurements of the net defined benefit liability for pension or other post-employment benefits that are recognized outside the combined income statements.

Other components of equity

The other components of equity include exchange differences and changes in fair values of cash flow hedges both including related tax effects.

18. Earnings per share

The calculation of earnings per share* is derived from the profit attributable to shareholders and the weighted average number of shares outstanding. There were no dilution effects (e.g. triggered by issuing new shares) during the reporting periods, which needed to be disclosed separately.

	2015	2014	2013
Earnings attributable to shareholders in KEUR	15,562	5,998	8,377
Average number of shares outstanding in thousend	941	4,578	4,740
Basic earnings in EUR per share	17	1	2
Diluted earnings in EUR per share	17	1	2

* Earnings per share represents the shares of VARTA AG

The number of shares has developed in 2013 through 2015 as follows:

	number of shares
Jan. 1, 2013	4,947,000
Dez. 31, 2013	4,947,000
Dez. 31, 2014	1.000.000
Dez. 31, 2015	100.000

The shares are non-par-value shares.

19. Non-controlling interest

In the context of non-controlling interests, the following table summarizes the information of VARTA AG before any intra-group eliminations:

(KEUR)	Dec. 31, 2013	Jan. 1, 2013
Non-controlling interest percentage	**4.25%**	**4.25%**
Non-current assets	26,238	26,438
Current assets	4,501	5,424
Non-current liabilities	100	21
Current liabilities	6,668	6,876
Net assets	**23,971**	**24,965**
Net assets attributable to non-controlling interests	1,019	1,061

(KEUR)	2013
Non-controlling interest percentage	**4.25%**
Revenue	0
Result	−445
OCI	−550
Total comprehensive income	**−995**
Profit allocated to non-controlling interests	−19
OCI allocated to non-controlling interests	−23

The cashflow of the VARTA AG in the 2013 financial year was KEUR −242. The non-controlling interests did not receive a dividend for the 2013 financial year.

20. Liabilities to financial institutions

There were no liabilities to financial institutions at yearend 2015. There was syndicated loan financing at financial institutions until September 30, 2014, which was fully repaid in 2014.

20. Liabilities to financial institutions (Continued)

December 31, 2013

(KEUR)	Original currency	Matures in	Interest type	Effective interest rate (%)	Credit limit in the presentation currency	Carrying amount in the presentation currency
Loans	EUR	Dec. 31, 2014	Floating rate	3.0	10,000	5,695
Loans	EUR	Dec. 31, 2016	Floating rate	3.1	30,000	13,187
Loans	EUR	Dec. 31, 2016	Floating rate	3.1	0	4,000
Loans	EUR	Dec. 31, 2016	Floating rate	3.0	15,000	7,000
Loans	EUR	Dec. 31, 2016	Floating rate	3.1	0	3,500
Loans	EUR	Dec. 31, 2016	Floating rate	3.1	0	4,500
Loans	EUR	Dec. 31, 2016	Floating rate	2.0	0	734
Total liabilities to financial institutions						**38,616**
thereof non-current liabilities to financial institutions						32,921
thereof short-term liabilities to financial institutions						5,695

January 1, 2013

(KEUR)	Original currency	Matures in	Interest type	Effective interest rate (%)	Credit limit in the presentation currency	Carrying amount in the presentation currency
Loans	EUR	Dec. 31, 2016	Floating rate	2.79	10,000	10,000
Loans	EUR	Dec. 31, 2016	Floating rate	2.79	15,000	9,000
Loans	EUR	Dec. 31, 2016	Floating rate	2.81	30,000	7,472
Loans	EUR	Dec. 31, 2013	Floating rate	2.81	30,000	4,014
Loans	USD	Dec. 31, 2013	Floating rate	3.72	0	379
Total liabilities to financial institutions						**30,865**
thereof non-current liabilities to financial institutions						**26,472**
thereof short-term liabilities to financial institutions						**4,393**

In the case of floating-rate liabilities, the fair market value equals the disclosed carrying amount.

21. Other financial liabilities

Other financial liabilities were comprised as follows:

(KEUR)	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013	Jan. 1, 2013
Loans	8,076	36,456	7,650	0
Finance lease liabilities	0	0	0	21
Other financial liabilities	11,019	3,124	3,755	1,649
Other financial liabilities	**19,095**	**39,580**	**11,405**	**1,670**
thereof current	6,419	19,580	3,755	1,670
thereof non-current	12,676	20,000	7,650	0

21. Other financial liabilities (Continued)

There was a loan due to the companies of the Montana Tech Components Group in the amount of KEUR 14,076 as of the reporting date December 31, 2015 (Dec. 31, 2014: KEUR 36,456; Dec. 31, 2013: KEUR 7,650; Jan. 1, 2013: KEUR 0). This was increased by KEUR 26,000 in 2014 due to refinancing a syndicate loan with the banks. This was partially repaid in 2015 using funds from the sale and leaseback transaction.

Other financial liabilities included outstanding obligations to an associated company to contribute KEUR 331 as of December 31, 2013 (Jan. 1, 2013: KEUR 1,324). Liabilities arising from brand and management agreements equaled KEUR 1,902 as of December 31, 2015 (Dec. 31, 2014: KEUR 1.687; Dec. 31, 2013: KEUR 1,690; Jan. 1, 2013: KEUR 0) (refer to Note 32.1 "Related companies"). A factoring agreement has been in place since December 2015, so that receivables already paid in the amount of KEUR 2,208 were disclosed as other financial liabilities to the factor as of December 31, 2015 (refer to 5.2 "Financial risk management").

In 2015, VGG GmbH, Vienna, Austria, waived as part of a debt restructuring a KEUR 6,000 portion of its loan receivable due from VARTA Storage GmbH, Nördlingen, (included in the combined group) in exchange for a debtor warrant. The debtor warrant stipulates that the loan liability, including interest, will come into force again to the extent that minimum net income is generated within ten years after the debt waiver. If the waived amount is not fully repaid by December 31, 2025, then the remaining difference is forfeited definitively and irrevocably.

The declared debt waiver means the original loan liability of KEUR 6,000 was derecognized and at the same time an obligation from the expected repayments stipulated by the debtor warrant was recognized as a liability at fair value. The transactions were recorded in the combined income statements on a net basis of no impact on profit or loss. The obligation from the debtor warrant measured at fair value equaled KEUR 6,000 as of the reporting date. The fair value is measured using a discounted cash flow model including risk-adjusted interest rates appropriate to the instruments' terms at the end of the reporting period. Expected future cash flows are based on an internal business planning. As the applicable credit spread was based on unobservable data from comparable internal transactions, the warrant is classified as level 3 of the fair value hierarchy.

The loan liability in the combined statements of financial position is derecognized in the same item in which the repayment obligation from the debtor warrant is recognized under other financial liabilities and thus also does not affect financial position.

In 2015, furthermore, there were financial liabilities in the amount of KEUR 748 (Dec. 31, 2014: KEUR 796; Dec. 31, 2013: KEUR 880; Jan. 1, 2013: KEUR 931) to foundations and benefits funds.

There are no agreements in the combined financial statements, which need to be qualified as finance leases.

22. Other Provisions

The other provisions in the years from 2013 to 2015 were made up as follows:

(KEUR)	Onerous contracts and impending losses	Reorganizations	Guarantees, warranties etc.	Decommissioning, restoration and similar liabilities	Miscellaneous provisions	Total in 2015
As of January 1, 2015	**192**	**0**	**1,329**	**403**	**745**	**2,669**
Added	11	0	1,179	0	272	1,462
Utilized	−29	0	−671	−26	−119	−845
Reversed	−141	0	−172	−352	−61	−726
Currency translation differences	0	0	54	3	76	133
As of December 31, 2015	**33**	**0**	**1,719**	**28**	**913**	**2,693**
Date of maturity						
Current	33	0	1,719	28	899	2,679
Non-current	0	0	0	0	14	14
Total other provisions	**33**	**0**	**1,719**	**28**	**913**	**2,693**

(KEUR)	Onerous contracts and impending losses	Reorganizations	Guarantees, warranties etc.	Decommissioning, restoration and similar liabilities	Miscellaneous provisions	Total in 2014
As of January 1, 2014	**222**	**604**	**1,819**	**3,537**	**1,092**	**7,274**
Added	0	0	739	0	266	1,005
Utilized	−2	−38	−570	−2,985	−422	−4,017
Reversed	−28	−648	−725	−152	−248	−1,801
Currency translation differences	0	82	66	3	57	208
As of December 31, 2014	**192**	**0**	**1,329**	**403**	**745**	**2,669**
Date of maturity						
Current	192	0	1,329	89	731	2,341
Non-current	0	0	0	314	14	328
Total other provisions	**192**	**0**	**1,329**	**403**	**745**	**2,669**

(KEUR)	Onerous contracts and impending losses	Reorganizations	Guarantees, warranties etc.	Decommissioning, restoration and similar liabilities	Miscellaneous provisions	Total in 2013
As of January 1, 2013	**242**	**606**	**2,415**	**580**	**6,166**	**10,009**
Added	5	38	331	4,049	191	4,614
Utilized	0	−15	−421	−24	−4,682	−5,142
Reversed	−25	0	−479	−999	−365	−1,868
Currency translation differences	0	−25	−27	−69	−218	−339
As of December 31, 2013	**222**	**604**	**1,819**	**3,537**	**1,092**	**7,274**
Date of maturity						
Current	222	604	1,819	3,154	1,083	6,882
Non-current	0	0	0	383	9	392
Total other provisions	**222**	**604**	**1,819**	**3,537**	**1,092**	**7,274**

22. Other Provisions (Continued)

Onerous contracts and impending losses

The onerous contracts and impending losses item exclusively includes provisions for onerous contracts from projects at VARTA Microbattery GmbH from 2013 to 2015. It was possible to reverse KEUR 141 in 2015 due to completion of these projects.

Restructuring

The restructuring provision as of December 31, 2013, in the amount of KEUR 604 (Jan. 1, 2013: KEUR 606) was fully exhausted respectively terminated in 2014.

Warranties, guarantees, etc.

Product warranties are granted when selling products. Provisions are set up to cover these warranties. Provisions for warranties are calculated based on effective returns in the past and damage claims and generally cover an appropriate guarantee and grace period.

Decommissioning, restoration and similar liabilities

It was possible to reverse the restoration provision (set up for restoring the soil in Ellwangen) at VARTA Microbattery GmbH, Ellwangen, following the real estate spin-off (refer to explanations in Note 12 "Leasing") in the amount of KEUR 352 to KEUR 28 (Dec 31, 2014: KEUR 403; Dec. 31, 2013: KEUR 3,537; Jan 1, 2013: KEUR 580) in the 2015 financial year. VARTA AG reported a warranty provision of KEUR 2,950 in 2013. This, however, was compensated for by a receivable from a third party in the same amount.

Miscellaneous provisions

Other provisions are largely for asset retirement obligations of KEUR 453 (Dec. 31, 2014: KEUR 407; Dec. 31, 2013: KEUR 366; Jan. 1, 2013: KEUR 482) and provisions for commissions of KEUR 145 (Dec. 31, 2014: KEUR 83; Dec. 31, 2013: KEUR 343; Jan. 1, 2013: KEUR 1,250).

In the case of the provisions, it is assumed that there will be an outflow of funds within the next five years.

23. Accruals

Accruals include the following material items:

(KEUR)	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013	Jan. 1, 2013
Employee bonuses	2,791	2,390	2,407	2,279
Vacation entitlements, overtime and compensation with time off	2,640	3,010	4,123	4,326
Other accrued liabilities for personnel	1,679	1,165	1,024	1,047
Audits, tax consulting and legal advice	491	603	922	814
Outstanding invoices	343	190	253	696
Customer bonuses, allowances and cash discounts	3,563	1,322	2,739	2,550
Other accrued liabilities	1,387	1,215	508	728
Total accruals	**12,894**	**9,895**	**11,976**	**12,440**

24. Other liabilities

Other non-current liabilities included non-current liabilities as of the reporting date, which contained accrued expenses of KEUR 138 (Dec. 31, 2014: KEUR 131; Dec. 31, 2013: KEUR 110; Jan. 1, 2013: KEUR 331) from a lease.

24. Other liabilities (Continued)

Current liabilities mainly included customs liabilities of KEUR 1,094 (Dec. 31, 2014: KEUR 662; Dec. 31, 2013: KEUR 739; Jan. 1, 2013: KEUR 677) and tax liabilities of KEUR 684 (Dec. 31, 2014: KEUR 723; Dec. 31, 2013: KEUR 691; Jan. 1, 2013: KEUR 515).

25. Revenue

The sale of products and provision of services generated revenue in the years from 2013 to 2015.

(KEUR)	2015	2014	2013
Revenue	**195,093**	**169,038**	**159,288**
thereof from product sales	185,746	161,730	155,758
thereof selling services	9,347	7,308	3,530

The proceeds from product sales largely included "Microbatteries" and "Energy Storage Solutions" sales (see Note 8 "Segment reporting"). The sales from the segment "Microbatteries" includes sales from the product groups Healthcare in amount of KEUR 105,640 (2014: KEUR 94,165; 2013: KEUR 86,972) and Entertainment and Industrial in amount of KEUR 52,218 (2014: KEUR 43,230; 2013: KEUR 40,969).

Revenue from services rendered during the financial year ended largely included KEUR 3,613 (2014: KEUR 4,014; 2013: KEUR 1,804) in proceeds from selling research services to research institutes, KEUR 796 (2014: KEUR 1,067; 2013: KEUR 854) in revenue from providing IT services and KEUR 713 (2014: KEUR 476; 2013: KEUR 654) in product design services.

26. Raw materials and consumables used

(KEUR)	2015	2014	2013
Expenses for raw materials	57,242	33,337	37,111
Cost of merchandise materials	18,267	22,298	20,788
Other costs of materials	3,855	3,023	3,466
Subcontracting	4,490	3,727	3,312
Other	1,602	500	1,432
Cost of materials	**85,456**	**62,885**	**66,109**

The position "Other costs of materials" contains consumable material, which is procured directly for manufacturing or customer orders and will consumed without storage.

Expenses for packaging material, temporary personnel, waste disposal and external packaging are included in the position "Other".

27. Personnel expenses

Personnel expenses include the following items:

(KEUR)	2015	2014	2013
Wages and salaries	57,520	51,423	48,297
Compensation payments	56	80	85
Social security contributions	5,442	4,709	4,316
Employee benefit expense	4,267	3,778	3,595
Other personnel expenses	1,731	1,498	1,262
Total	**69,016**	**61,488**	**57,555**

27. Personnel expenses (Continued)

Employee benefit expenses are made up as follows:

(KEUR)	2015	2014	2013
Defined-contribution pension plans	3,871	3,498	3,250
Defined benefit plans	396	280	345
Total	**4,267**	**3,778**	**3,595**

The expenses for the defined benefit plans include the employer's contributions to German statutory pension insurance, which are to be viewed as contributions to a defined contribution plan. The entire expenses for these contributions equaled KEUR 3,592 in 2015 (2014: KEUR 3,346; 2013: KEUR 3,023). These pertain to employer contributions under statutory pension plans. Contributions not yet calculated or not yet paid as of the reporting date are allocated to the proper period and disclosed under other liabilities/provisions.

The Group employed 1,895 people as of the end of 2015 (2014: 1,795; 2013: 1,885). An average of 1,846 people were employed in 2015 (2014: 1,812; 2013: 1,956).

28. Other operating income

Other operating income includes the following items:

(KEUR)	2015	2014	2013
Income from the sale of property, plant and equipment	6,634	1	8
Own work capitalized	4,223	3,994	3,457
Income from the clearing of rent and services rendered in respect of joint venture companies	2,904	2,633	2,687
Subsidies and government grants	1,585	945	1,247
Reversal of provisions and accrued liabilities	1,002	2,941	3,027
Other	1,491	1,117	1,596
Other operating income	**17,839**	**11,631**	**12,022**

Public grants received from 2013 to 2015 relate to VARTA Microbattery GmbH and VARTA Storage GmbH and were not linked to any condition. These grants involve projects funded by the German Federal Ministry of Education and Research and the EU Commission. These grants equaled KEUR 1,585 in 2015 (2014: KEUR 945, 2013: KEUR 1,247) and were mainly for research projects in the area of micro batteries and energy storage. These grants were recognized as other operating income upon emergence of claims to these.

Gains from the sale of property, plant and equipment in the 2015 financial year included KEUR 6,634 in income from sale and leaseback transactions.

29. Other operating expenses

Other operating expenses include the following items:

(KEUR)	2015	2014	2013
Expenses payable to related companies	5,131	4,683	4,651
Maintenance	3,439	3,271	3,116
Energy expenses	3,043	2,918	3,374
Marketing and advertising	2,703	2,424	2,021
Rent and leasing	2,391	1,755	1,589
Travel expenses	2,103	1,728	1,682
Legal, audit and consulting costs	2,087	2,103	2,223
Commissions	1,858	1,493	1,494
Telephone, postage & IT	1,757	1,224	1,026
Freight out & customs duties	1,736	1,350	1,367
Fees for engineering and professional services	1,127	617	615
Warranties	1,020	574	242
Licenses and patent fees	896	797	894
Insurance	467	758	722
Other selling and distribution expenses	429	393	316
Miscellaneous other operating expenses	4,057	6,438	5,387
Other operating expenses	**34,244**	**32,526**	**30,719**

30. Financial result

Interest income is applicable to cash and cash equivalents and loans and receivables (especially loans with related companies). The main interest earned in 2013 to 2015 was from related companies. A loan extended to a related company was distributed as a dividend in kind at the end of 2015 and has thus exited the group of combined companies. This means material interest income is no longer expected starting 2016. The interest expense is applicable to liabilities measured at amortized cost.

Other finance income and other finance costs are broken down as follows:

(KEUR)	2015	2014	2013
Exchange rate gains	15	379	684
Other finance income	0	526	0
Other financial income	**15**	**905**	**684**
Exchange rate losses	693	662	29
Other financial expenses of affiliated companies	0	544	799
Other financial expenses in relation to third parties	53	0	42
Other financial expenses	**746**	**1,206**	**870**

31. Income taxes

The effective tax rate equaled 40.14% in the year under review (2014: 34.73%; 2013: 21.44%). The corporate income tax rate was 15%, solidarity surcharge was 5.5% of the corporate tax and the community-based trade tax rate was 12.6%. The effective tax expense is broken down as follows:

(KEUR)	2015	2014	2013
Income before tax (EBT)	19,371	12,083	10,303
Group income tax rate	28.43%	28.43%	28.43%
Expected (theoretical) tax expense	−5,507	−3,435	−2,929
Effect of different tax rates within the Group	−389	257	940
Tax-exempt income	0	212	2
Effect of non-capitalized tax loss carryforwards arising from current profit/loss	−841	−158	−315
Use of non-capitalized tax loss carryforwards	63	75	154
Capitalization of previously unrecognized loss carryforwards	0	31	33
Non-deductible expenses	−694	−183	−437
Tax income/tax expense -prior year	−206	−367	−68
Other	−201	−629	411
Income tax expenses	**−7,775**	**−4,197**	**−2,209**

Income tax expenses included current tax expense of KEUR 4,055 (2014: KEUR 1,837; 2013: KEUR 1,524) and expenses from deferred taxes of KEUR 3,720 (2014: KEUR 2,360; 2013: KEUR 685), which was largely due to temporary differences.

The combined statements of comprehensive income reported income tax of KEUR 2 (2014: KEUR 41; 2013: KEUR 17) for cash flow hedges. The income tax on remeasurements of defined benefit plans equaled KEUR −523 (2014: KEUR 1,076; 2013: KEUR −195). Both items are recognized in other comprehensive income.

The Group has the following non-capitalized, unused tax loss carry-forwards for corporate income tax purposes:

(KEUR)	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013
Expiration date:			
In the coming financial year—within 1 year	0	0	0
Within 2 years	1,294	0	0
Within 3 years	0	1,468	3
Within 4 years	0	0	1,543
Within 5 years	0	0	0
Within 6 years	0	0	0
Within 7 years	0	0	0
After more than 7 years (or later)	0	0	0
No expiration term	1,602	1,973	3,500
Creditable tax loss carryforwards	**2,896**	**3,441**	**5,046**

At the time when the financial statements were prepared the probability that accumulated tax loss carryforward can be offset against future profits by the affected companies was rated low.

A debt waiver by a related company resulted in an utilization (refer to the explanations in Note 21 "Other financial liabilities") of a tax loss carryforward at the amount of KEUR 6,000.

Capitalization of deferred taxes on unused loss carryforwards is reassessed annually and based on Management's current assumptions and estimates. Deferred tax assets on tax loss carryforward are capitalized if it is probable that future taxable profit will be available within the next five years based on the earnings situation of the individual companies or income tax group. Thus, we refrain from capitalization of deferred tax assets on tax loss carryforward in countries or for companies where the use of tax loss carryforwards is not foreseeable in the future.

31. Income taxes (Continued)

In 2015, based on the aforementioned estimates, deferred taxes on tax loss carryforward were capitalized in the amount of KEUR 1,832 (2014: KEUR 3,003; 2013: KEUR 4,561). In doing so, the respective country-specific tax provisions and options were taken into account.

32. Related parties

The following persons and companies were identified as related parties as of and for the periods ended December 31, 2015, December 31, 2014 and December 31, 2013:

- MTC as the ultimate parent and all companies that are controlled, jointly controlled or significantly influenced by MTC, directly and indirectly;
- All companies that are controlled, jointly controlled or significantly influenced by members of the key management personnel, directly and indirectly;
- DDr. Michael Tojner as the ultimate controlling party and all companies that are controlled, jointly controlled or significantly influenced by DDr. Tojner, directly and indirectly;
- Key management personnel and their family members;
- VARTA Unterstützungskasse GmbH, Hannover, Germany.

The related party transactions of the Group are presented according to the categories specified below:

Related companies:

- Other companies controlled, jointly controlled or significantly influenced by MTC and MTC itself (in the following "MTC companies");
- Other companies controlled, jointly controlled or significantly influenced by DDr. Tojner (in the following "DDr. Tojner Companies");
- Joint ventures of the Group;
- Associated companies of the Group;
- Post-employment benefit plans.

Related persons:

- Persons having authority and responsibility for planning, directing and controlling activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group ("Key management personnel").

32.1. Related companies

The sale and purchase of assets and services to or from related companies included the following items in 2015, 2014 and 2013:

	2015			2014		2013	
	Transaction volume			Transaction volume		Transaction volume	
(KEUR) Transaction type	Sales of goods and services	Purchases of goods and services	Other sales*	Sales of goods and services	Purchases of goods and services	Sales of goods and services	Purchases of goods and services
Transactions with MTC companies	855	5,131	0	621	5,752	623	4,652
Transactions with DDr. Tojner companies	0	0	15,106	0	0	188	0
Transactions with joint ventures	3,168	0	0	3,642	556	4,349	90
Transactions with associated companies	0	30	0	62	0	113	0
Total	**4,023**	**5,161**	**15,106**	**4,325**	**6,308**	**5,273**	**4,742**

* Includes mainly a sale and leaseback transaction

32. Related parties (Continued)

The outstanding amounts from transactions with related companies included the following items as of December 31, 2015, December 31, 2014, December 31, 2013 and January 1, 2013:

(KEUR)	Dec. 31, 2015		Dec. 31, 2014		Dec. 31, 2013		Jan. 1, 2013	
	Amounts outstanding		Amounts outstanding		Amounts outstanding		Amounts outstanding	
Transaction type	Receivables	Payables	Receivables	Payables	Receivables	Payables	Receivables	Payables
Transactions with MTC companies	3,651	17,656	15,703	42,746	20,338	11,557	6,050	1,144
Transactions with DDr. Tojner companies	3,300	530	2,650	545	12,586	612	25,698	592
Transactions with joint ventures	306	0	0	0	750	0	0	0
Transactions with associated companies	0	27	762	0	0	0	9	0
Transactions with post-employment benefit plans	32	218	32	251	32	268	32	340
Total	**7,289**	**18,431**	**19,147**	**43,542**	**33,706**	**12,437**	**31,789**	**2,076**

The outstanding receivables and liabilities are unsecured.

Transactions with MTC companies

Transactions with MTC companies included the following items in 2015, 2014 and 2013:

(KEUR)	2015		2014		2013	
	Transaction volume		Transaction volume		Transaction volume	
Transaction type	Sales of goods and services	Purchases of goods and services	Sales of goods and services	Purchases of goods and services	Sales of goods and services	Purchases of goods and services
Services	804	3,029	280	3,136	133	1,874
Licenses / trademarks	51	2,102	341	2,616	490	2,778
Total	**855**	**5,131**	**621**	**5,752**	**623**	**4,652**

The outstanding amounts from transactions with related MTC companies included the following items as of December 31, 2015, December 31, 2014, December 31, 2013 and January 1, 2013:

(KEUR)	Dec. 31, 2015		Dec. 31, 2014		Dec. 31, 2013		Jan. 1, 2013	
	Amounts outstanding		Amounts outstanding		Amounts outstanding		Amounts outstanding	
Transaction type	Receivables	Payables	Receivables	Payables	Receivables	Payables	Receivables	Payables
Services	73	577	131	490	31	1,963	7	663
Licenses and trademarks	0	2,103	13	1,827	490	1,830	0	481
Loans and related interest	3,578	14,076	15,559	36,482	19,817	7,764	6,043	0
Equity transactions	0	900	0	3,947	0	0	0	0
Total	**3,651**	**17,656**	**15,703**	**42,746**	**20,338**	**11,557**	**6,050**	**1,144**

MTC companies repaid KEUR 11,981 in loans during the 2015 financial year. There was a receivable of KEUR 3,578 from Montana Tech Components GmbH as of the December 31, 2015.

An MTC company provided funding in the amount of KEUR 13,495 during the 2015 financial year. Furthermore, loans received from Montana Tech Components GmbH, Vienna, in the amount of KEUR 25,819 were repaid. To do so, funds freed up from the sale and leaseback transaction were used (refer to Note 12 “Leasing”).

32. Related parties (Continued)

The declared debt waiver by VGG GmbH, Vienna, for the benefit of VARTA Storage GmbH, Nördlingen, which is included in the combined group, means the loan liability of KEUR 6,000 was derecognized and at the same time an obligation from the expected repayments stipulated by the debtor warrant was recognized as a liability (refer to Note 21 "Other financial liabilities").

KEUR 38,984 in syndicated loan financing with banks was refinanced in 2014 by taking out a KEUR 36,456 loan from Montana Tech Components GmbH, Vienna. Moreover, there was a loan receivable of KEUR 10,563 from Montana Tech Components GmbH in 2014.

A capital reduction of KEUR 900 (2014: KEUR 3,947; 2013: KEUR 0) was carried out in 2015 at VARTA AG, which is included in the combined financial statements.

A KEUR 14,522 loan was extended to Montana Tech Components GmbH, Vienna, in 2013.

The loans granted to MTC companies have a maximum remaining term of 1 year. The interest rate on the principal loans outstanding as of December 31, 2015 is 0.3% (2014: 0.3%–6%; 2013: 3%–6%).

The loans received from MTC companies have a maximum remaining term of 4 years. The interest rate on the loans outstanding as of December 31, 2015 is between 4% and 6% + Ø EOINIA (2014: 4.5%–6%; 2013: 6%).

Transactions with DDr. Tojner Companies

Assets worth KEUR 15,106 were sold in 2015. As part of a land sale, this included spinning off the real estate of VARTA Microbattery GmbH in the amount of KEUR 15,100 to WertInvest Ellwangen Immobilien GmbH, which is a related company from the combined Group's perspective (refer to the explanations in Note 12 "Leasing").

The outstanding amounts from transactions with DDr. Tojner companies included the following items:

(KEUR) Transaction type	Dec. 31, 2015 Amounts outstanding Receivables	Dec. 31, 2015 Amounts outstanding Payables	Dec. 31, 2014 Amounts outstanding Receivables	Dec. 31, 2014 Amounts outstanding Payables	Dec. 31, 2013 Amounts outstanding Receivables	Dec. 31, 2013 Amounts outstanding Payables	Jan. 1, 2013 Amounts outstanding Receivables	Jan. 1, 2013 Amounts outstanding Payables
Loans and related interest	3,300	530	2,650	545	12,586	612	25,698	592
Total	**3,300**	**530**	**2,650**	**545**	**12,586**	**612**	**25,698**	**592**

A loan granted in 2015 worth KEUR 15,000 was partly repaid during 2015. The remaining loan in the amount of KEUR 13,259 (including the interest due and not paid of KEUR 273) was paid out as a dividend in kind at year-end.

A loan granted (including interest) due December 31, 2014, was repaid in the amount of KEUR 10,936 in 2014 and KEUR 15,165 in 2013. Thus, the outstanding loan as of the 2012 reporting date in the amount of KEUR 24,883 was fully repaid.

Furthermore, a KEUR 600 loan granted due on June 31, 2015 with an interest rate of 6% was granted to a DDr. Tojner Company. Due to the merger described below in the section "Transactions with associated companies" the loan was transferred to an associated company in 2014.

The loans received from DDr. Tojner companies do not have a fixed maturity. These loans have an interest rate of 3.37%.

The loans granted to DDr. Tojner companies have a maximal remaining term of 5 years. The interest rate on the loans outstanding as of December 31, 2015 is between 3% and 6% (2014:3%–8%; 2013: 8%).

32. Related parties (Continued)

Transactions with joint ventures

For the reported periods the material joint venture of the Group is VOLKSWAGEN VARTA Microbattery Forschungsgesellschaft mbH Co. KG. Transactions with the joint venture included the following items in 2015, 2014 and 2013:

(KEUR) Transaction type	2015 Transaction volume Sales of goods and services	2015 Transaction volume Purchases of goods and services	2014 Transaction volume Sales of goods and services	2014 Transaction volume Purchases of goods and services	2013 Transaction volume Sales of goods and services	2013 Transaction volume Purchases of goods and services
Provision of personnel	2,541	0	2,265	0	2,272	0
Services	228	0	725	0	902	0
Operating lease	399	0	652	0	1,175	0
Other	0	0	0	556	0	90
Total	**3,168**	**0**	**3,642**	**556**	**4,349**	**90**

Besides operating activities, a loan was granted in 2015 of which the joint venture called KEUR 300. Another loan was granted in 2013 of which the joint venture called KEUR 750, which was fully repaid in the 2015 financial year.

The loan granted to the joint venture has no fixed maturity term. The interest rate on the principal loan outstanding as of December 31, 2015 is 0.50% (2014: 3% + 3M-EURIBOR; 2013: 3% + 3M-EURIBOR).

Refer to explanations in Note 11 "Joint ventures and investments in associated companies" for more information on investments in joint ventures.

Transactions with associated companies

For the reported periods the only associated company of the Group is VARTA Micro Innovation GmbH. In 2014, VARTA Micro Innovation GmbH was merged with VAM Entwicklungs GmbH, Graz, Austria.

As described above in the section "Transactions with DDr. Tojner companies", VAM Entwicklungs GmbH received a KEUR 600 loan in 2013. Due to the merger of VARTA Micro Innovation GmbH with VAM Entwicklungs GmbH in 2014 the loan was transferred to VARTA Micro Innovation GmbH. In addition, the loan was increased by KEUR 150 in 2014. The receivable amounted to KEUR 762 as of December 31, 2014. The loan was fully repaid in the 2015 financial year.

Please see the explanations in Note 11 "Joint ventures and investments in associated companies" for more information on investments in associated companies.

Transactions with post-employment benefit plans

The amounts outstanding from transactions with VARTA Unterstützungskasse GmbH, included the following items as of December 31, 2015, December 31, 2014, December 31, 2013 and January 1, 2013.

(KEUR) Transaction type	Dec. 31, 2015 Amounts outstanding Receivables	Dec. 31, 2015 Amounts outstanding Payables	Dec. 31, 2014 Amounts outstanding Receivables	Dec. 31, 2014 Amounts outstanding Payables	Dec. 31, 2013 Amounts outstanding Receivables	Dec. 31, 2013 Amounts outstanding Payables	Jan. 1, 2013 Amounts outstanding Receivables	Jan. 1, 2013 Amounts outstanding Payables
Employee benefit expenses	0	218	0	251	0	268	0	340
Loans and related interest	32	0	32	0	32	0	32	0
Total	**32**	**218**	**32**	**251**	**32**	**268**	**32**	**340**

VARTA Unterstützungskasse GmbH provided the Group with funds to enable the Group to settle pension obligations for, and in the name of, VARTA Unterstützungskasse GmbH. Funds were transferred to the Group with an interest rate of 1.37% per annum.

32. Related parties (Continued)

There were no material employee benefit expenses in the financial years 2015, 2014 and 2013.

32.2. Related persons

The remuneration received by the key management personnel was as follows:

(KEUR)	2015	2014	2013
Short-term employee benefits	2,852	2,759	2,497
Other long-term benefits	169	134	1
Post employment benefit (service cost)	13	12	20
Remuneration to key management personnel	**3,034**	**2,905**	**2,518**

33. Executives of VARTA AG

As of August 12, 2016 the Management Board of VARTA AG consists of the following persons:

- DDr. Michale Tojner, Chairman
- Herbert Schein, Chief Executive Officer
- Dr. Michael Pistauer, Chief Financial Officer

As of August 12, 2016 the Supervisory Board of VARTA AG consists of the following persons:

- Dipl.-Ing. Frank-Dieter Maier
- Dr. Harald Sommerer
- Sven Quandt

34. Contingent liabilities

(KEUR)	2015	2014	2013
Lease commitments			
Due 2016 / 2015 / 2014	4,126	1,793	1,212
Due 2017–2021 / 2016–2020 / 2015–2019	11,424	3,138	1,233
Due after 2021 / 2020 / 2019	9,823	659	713
Service obligations			
Due 2016 / 2015 / 2014	378	378	410
Due 2017–2021 / 2016–2020 / 2015–2019	32	97	146
Purchase commitments from approved investments			
Due 2016 / 2015 / 2014	1,161	9,454	1,424
Other purchase obligations			
Due 2016 / 2015 / 2014	20,043	11,798	10,862
Due 2017–2021 / 2016–2020 / 2015–2019	32		
Total	**43,403**	**24,572**	**13,917**

The remaining purchase obligations largely related to orders and supply contracts, which were placed with various suppliers to cover the short-term need for commodities, preliminary products and semi-finished parts.

Furthermore, we wish to point out risks from legacy liabilities existing at VARTA AG. The former properties of VARTA AG / its former subsidiaries served primarily as production sites for manufacturing batteries and show all legacy liabilities typical in the industry. A buyer of all foreign and German investments has assumed these current and potential future risks and relieved VARTA AG of these; however, VARTA AG remains liable for this exposure vis-à-vis third parties. An affiliated company of the buyer has secured this indemnification by way of a guarantee issued in the amount of KEUR 20,000 and

34. Contingent liabilities (Continued)

with a term until 2031. VARTA AG has assessed these risks and not set up any provisions. Only if the risks exceed the buyer's and guarantor's coverage potential or they cannot fulfill their contractual obligations does this then represent a corresponding burden for VARTA AG.

As of the reporting date, there were pension obligations, which were previously recognized by a former related company in the amount of KEUR 5,051 (2014: KEUR 5,339; 2013: KEUR 5,711), but due to an insolvency are attributable to VARTA AG, Ellwangen. The aforementioned figures are based on the contribution assessment base for the German Pension Guarantee Fund Mutual Insurance Company ("Pensionssicherungsverein VVaG") in accordance with Section 10 (3) no. 1 in conjunction with Section 11 (2) of the Occupational Retirement Pensions Improvement Act (BetrAVG) Calculation was based on the Prof. Dr. Klaus Heubeck's 2005 G mortality tables and using a discount factor of 6%. The Company's economic situation means no claims on the liability are expected.

On January 30, 2014 the general meeting of VARTA AG decided to transfer the shares of the minority shareholders to the majority shareholder GOPLA Beteiligungsgesellschaft mbH ("GOPLA") for a cash consideration of EUR 4.51 per share. The consideration was based on an external valuation report. The squeeze-out became effective with the entry in the commercial register on March 12, 2014. Therefore, 210,379 shares have been transferred to GOPLA with a total consideration of KEUR 950. After the squeeze-out former minority shareholders initiated a legal proceeding against GOPLA before the Regional Court of Stuttgart. Due to the merger with VARTA AG the risks from the legal proceeding were transferred to the Group. An indication of the trial's duration and outcome is currently not possible (see Note 35 "Scope of combination").

35. Scope of combination

For the reported periods, the following companies were included in these combined financial statements:

Since/until	Name of company	Registered office	Country	Currency	Capital share	Share capital
Since 2012/09	VARTA AKTIENGESELLSCHAFT	Ellwangen	Germany	EUR	100.00%	100,000
Since 2012/09	VARTA Micro AG	Ellwangen	Germany	EUR	100.00%	100,000
Since 2007/12	VARTA Microbattery GmbH	Ellwangen	Germany	EUR	100.00%	5,000,000
Since 2012/04	VARTA Storage GmbH	Nördlingen	Germany	EUR	100.00%	100,000
Since 2007/12	VARTA Microbattery Ltd Singapore	Singapore	Singapore	USD	100.00%	1,971,544
Since 2007/12	VARTA Microbattery Ltd Shanghai	Shanghai	China	CNY	100.00%	42,142,757
Since 2007/12	PT VARTA Microbattery Indonesia	Batam	Indonesia	USD	100.00%	249,900
Since 2014/10	VARTA Microbattery Japan K.K.	Tokyo	Japan	USD	100.00%	385,485
Since 2014/01	VARTA Microbattery S.R.L.	Brasov	Romania	EUR	100.00%	10,092
Since 2007/12	VARTA Microbattery Inc. Us	Rye, NY	United States	USD	100.00%	2,800,000
Since 2009/10	VOLKSWAGEN VARTA Microbattery Forschungsgesellschaft mbH & Co. KG*	Ellwangen	Germany	EUR	50.00%	400,000
Since 2009/09	VOLKSWAGEN VARTA Microbattery Verwaltungsgesellschaft mbH*	Ellwangen	Germany	EUR	50.00%	25,000
Since 2009/08	VARTA Micro Innovation GmbH**	Graz	Austria	EUR	17.74%	70,000
2012/09–2014/12	GOPLA Beteiligungsgesellschaft mbH	Ellwangen	Germany	EUR	100.00%	24,200,000
2012/09–2013/06	ATRAV Beteiligungs GmbH	Hanover	Germany	EUR	100.00%	25,000

* Recognized at-equity

** Recognized at costs

On March 12, 2014, GOPLA acquired the remaining 4.25% of the issued shares of VARTA AG for a purchase consideration of KEUR 950. After the acquisition, GOPLA hold 100% of the shares of VARTA AG before GOPLA was merged with VARTA AG. The carrying amount of the non-controlling interests in VARTA AG on the date of acquisition was KEUR 1,019. The Group derecognized non-controlling

35. Scope of combination (Continued)

interests of KEUR 1,019 and recorded an increase in equity attributable to the Group of KEUR 69 (see Note 19 "Non-controlling interest" and Note 34 "Contingent liabilities").

36. Events after the reporting period

Legal restructuring of the Group

All companies that included in the combined financial statements were controlled by MTC during the reporting period. In the course of the legal restructuring, these companies have been or will be legally transferred to VARTA AG (see also Note 35 "Scope of combination"). VARTA AG will prepare consolidated financial statements in terms with the IFRS in prospective.

In the context of the legal restructuring, the following companies have been transferred to VARTA AG since January 1, 2016:

- As of April 15, 2016 (effective date) 100% of the shares in VARTA Micro AG were acquired from VGG GmbH for a purchase price of KEUR 550. As VARTA Micro AG is a part of these combined financial statements, the acquisition of the shares will be presented as withdrawal from equity.
- As of June 29, 2016 (effective date) 100% of the shares in VARTA Microbattery GmbH were transferred as contribution in kind to VARTA AG. Based on the contribution in kind the share capital of VARTA AG increased by KEUR 29,500. An amount of KEUR 39 of the contribution in kind has excessed the increase of the share capital. This amount was transferred into the capital reserve. Based on the fact, that this transaction is a transaction under common control and VARTA Microbattery GmbH is a part of these combined financial statements, there will be no further effects on the prospective consolidated financial statements of the group, except the presentation of parent company's legal equity of these prospective consolidated financial statements.

As VARTA Microbattery GmbH and VARTA Micro AG hold shares in other companies, these shares have been transferred as well:

- VARTA Microbattery GmbH holds 100% of the shares in VARTA Microbattery Inc., VARTA Microbattery Pte. Ltd. Shanghai, VARTA Microbattery Ltd. Singapore and PT VARTA Microbattery Indonesia. These companies are controlled by VARTA Microbattery GmbH in terms of IFRS 10.
- Moreover, VARTA Microbattery GmbH holds 50% in VW-VM Forschungsgesellschaft mbH & Co.KG and VW-VM Verwaltungsgesellschaft mbH as well as 17.74% in VARTA Micro Innovation GmbH. These companies are not controlled by VARTA Microbattery GmbH in terms of IFRS 10. VW-VM Forschungsgesellschaft mbH & Co.KG and VW-VM Verwaltungsgesellschaft mbH are both Joint Ventures in terms of IFRS 11.
- VARTA Micro AG holds 100% of the shares in VARTA Storage GmbH. The company is controlled by VARTA Micro AG in terms of IFRS 10.

Pension obligation

As described in Note 34 "Contingent liabilities", the pension obligations of all employees which are part of the Group (active and inactive) are included in the combined financial statements.

With economic effect on January 1, 2016 the pension obligations (KEUR 28,976) and related pension assets (KEUR 27,000) of VARTA AG were split off to VRT Pensionen GmbH ("VRT"), Dillingen/Saar. This amounts includes also a participation and a loan of the VARTA Unterstützungskasse GmbH. The sole shareholder of VRT is Koch H&K Industrieanlagen GmbH ("H&K"), Dillingen/Saar. H&K is indirectly controlled by DDr. Tojner and therefore a related party of VARTA AG.

36. Events after the reporting period (Continued)

VARTA AG transferred the pension obligations and the related assets without increasing the share capital of VRT and without receiving shares or interests in VRT by increasing its equity by an amount of KEUR 1,976.

Ellwangen, August 12, 2016

VARTA Aktiengesellschaft

Chairman	*Chief Executive Officer*	*Chief Financial Officer*
- DDr. Michael Tojner -	- Herbert Schein -	- Dr. Michael Pistauer -

INDEPENDENT AUDITOR'S REPORT ON COMBINED FINANCIAL STATEMENTS

To VARTA Aktiengesellschaft, Ellwangen (Jagst)

We have audited the accompanying combined financial statements, which comprise the combined statements of financial position as at December 31, 2015, 2014 and 2013, the combined income statements, combined statements of comprehensive income, combined statements of cash flows and combined statements of changes in equity for the years then ended and notes to the combined financial statements, prepared by VARTA Aktiengesellschaft (the "Reporting Entity") for the VARTA operations of Montana Tech Components AG, Reinach, Switzerland, as described in Note 2 (The "Basis of preparation").

1) Management's Responsibility for the Combined Financial Statements

Reporting Entity's Management is responsible for the preparation of these combined financial statements that give a true and fair view in accordance with International Financial Reporting Standards, as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error.

2) Auditor's Responsibility

Our responsibility is to express an opinion on the combined financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Reporting Entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Reporting Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

3) Opinion

In our opinion, the combined financial statements give a true and fair view of the financial position of the VARTA Group as at December 31, 2015, 2014 and 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards, as adopted by the EU.

4) Emphasis of matter

Without modifying our opinion, we draw attention to the fact that, as described in Note 2 to the combined financial statements the VARTA Group has not operated as a separate group of entities. These combined financial statements are, therefore, not necessarily indicative of results that would have occurred if the VARTA Group had been a separate stand-alone group of entities during the years presented or of future results of the VARTA Group.

Stuttgart, August 17, 2016

KPMG AG
Wirtschaftsprüfungsgesellschaft

Göttgens	Bauer
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	*(German Public Auditor)*

AUDITED UNCONSOLIDATED FINANCIAL STATEMENTS
OF
VARTA AKTIENGESELLSCHAFT,
AS OF AND FOR THE FINANCIAL YEAR
ENDED DECEMBER 31, 2015 (HGB)

VARTA AKTIENGESELLSCHAFT

BALANCE SHEET

ASSETS	Note	Dec. 31, 2015 KEUR	Dec. 31, 2014 KEUR
Property, plant and equipment		19	27
Financial assets		5.502	12.800
Fixed assets	(4)	**5.521**	**12.827**
Receivables and other assets	(5)	2.843	2.731
Cash and cash equivalents		872	12.112
Current assets		**3.715**	**14.843**
Prepaid expenses		1	61
Excess of assets over liabilities from offsetting	(6)	1.469	2.959
Total assets		**10.706**	**30.690**
EQUITY AND LIABILITIES			
Subscribed capital	(7)	100	1.000
Capital reserve	(8)	650	650
Revenue reserves	(9)	8.078	8.078
Accumulated deficit/retained earnings	(9)	−2.194	13.260
Equity		6.634	22.988
Provisions	(10)	**1.493**	**2.507**
Liabilities to foundations	(11)	530	545
Other liabilities	(12)	2.047	4.648
Liabilities		**2.577**	**5.193**
Deferred income		2	2
Total equity and liabilities		**10.706**	**30.690**

VARTA AKTIENGESELLSCHAFT

INCOME STATEMENT

	Note	2015 KEUR	2014 KEUR
Other operating income		+356	+580
Personnel expenses	(14)	−39	−38
Depreciation of property, plant and equipment		−1	−8
Other operating expenses		−2.362	−3.534
Other finance income/expense	(15)	−889	+1.083
Interest income	(16)	+653	+898
Loss from continuing operations		**−2.282**	**−1.019**
Income taxes	(17)	+88	−207
Net loss for the year		**−2.194**	**−1.226**
Profit/loss carried forward from the prior year		+0	+4.875
Reversal of revenue reserves		+0	+9.611
Accumulated deficit/retained earnings		**−2.194**	**+13.260**

VARTA AKTIENGESELLSCHAFT
NOTES TO THE FINANCIAL STATEMENTS

(1) General

VARTA Aktiengesellschaft's (VARTA AG) financial statements have been prepared in accordance with German commercial law (HGB) and the provisions of the German Stock Corporation Act (AktG) and the figures are shown in thousand euro (KEUR). Following complete delisting in September 2012, VARTA AG is a small corporation as defined by Section 267 HGB. The Company made use of the simplification rules found in Sections 274a and 288 HGB.

The accounting policies used in prior year's financial statements were used for the valuation of assets and liabilities in this year's financial statements.

The Company's financial year is the same as the calendar year.

To improve clarity, individual items are aggregated in the income statement and described separately in the notes to the financial statements.

The statutory classification format for the balance sheet has been augmented to include the item "Liabilities to foundations".

The income statement was prepared using the total cost method.

ETV Montana Tech Holding AG, Vienna, is the parent company of VARTA AG. The separate financial statements prepared by VARTA AG are submitted to the operator of the Federal Gazette, who then sends these to the company register. In addition, VARTA AG has been included in the consolidated financial statements of Montana Tech Components AG in Reinach, Switzerland, since October 1, 2012. The consolidated financial statements prepared by this company are filed at the applicable register court in Aargau (in the Swiss Canton of Aargau).

(2) Accounting policies

Property, plant and equipment are stated at cost and, where subject to depreciation, reduced by accumulated depreciation. Assets are depreciated over their expected useful life on a straight-line basis. Additions to movable fixed assets are depreciated on a pro-rata basis in their year of acquisition, starting in the month they were put into operation. Low-value assets (individual acquisition costs of between EUR 100.00 and 400.00 net) are written off in full in the year there were acquired.

Shares in affiliated companies, investments and securities held as investments are stated at cost. Interest-bearing loans are stated at nominal value, non-interest-bearing loans or low-interest loans are discounted to their present value.

Impairment losses are recognized where the value of fixed assets determined in accordance with the above principles exceeds their fair value as of the balance sheet date and lasting impairment is assumed.

Receivables and other assets are stated at nominal value less allowances for discernible individual risks. Receivables bearing no or low interest and having terms of more than one year are discounted.

In accordance with Section 246 (2) sentence 2 HGB, assets to which no creditors have access and whose sole function is to fulfill pension commitments are offset against the corresponding provisions for pensions and similar obligations. Any positive net asset balance resulting from offsetting is shown on the balance sheet under "Excess of plan assets over pension liabilities and other long-term commitments".

Provisions for pensions and similar obligations are calculated using actuarial principles based on the projected unit credit method. The foundation for this includes the legally applicable discount rate, pension increase and Prof. Dr. Klaus Heubeck's 2005 G mortality tables.

Provisions and accruals with a remaining term of more than one year are discounted in accordance with Section 253 (2) HGB. In accordance with Section 253 (2) HGB as introduced by the German Accounting Law Modernization Act (BilMoG), provisions are to be measured as of January 1, 2010, according to a uniform discount rate with matching maturities as calculated and published by the German Central Bank (Deutsche Bundesbank).

(2) Accounting policies (Continued)

Other provisions are measured such that they appropriately and sufficiently take into account all discernible risks and contingent liabilities. Provisions are recognized at the settlement amount deemed necessary according to prudent commercial judgment.

Liabilities are stated at their settlement amounts.

In accordance with Section 246 (2) sentence 2 HGB, the balance of expenses and income from discounting pension obligations and from the assets earmarked for offsetting are shown as a separate item under net finance income/costs.

Income taxes include current taxes. Current taxes include the taxes expected in the year under review according to the corresponding applicable tax rates and adjustments to taxes for prior years.

The carrying amount at which the contingent liabilities is disclosed, reflects the scope of liability at the reporting date.

(3) Currency translation

Receivables and payables denominated in foreign currency are stated at the average exchange rates prevailing on the date of the transaction. Book losses from changes in exchange rates as of the balance sheet date are recognized. In accordance with Section 256a HGB, items are measured at the average spot exchange rate on the balance sheet date if their remaining terms equal one year or less.

(4) Fixed assets

	Cost			
	As of Dec. 31, 2014	Additions	Disposals	As of Dec. 31, 2015
Property, plant and equipment	**35**	**11**	**26**	**20**
—Shares in affiliated companies	38	0	6	32
—Other loans	12,762	0	7,292	5,470
Financial assets	**12,800**	**0**	**7,298**	**5,502**
Fixed assets	**12,835**	**11**	**7,324**	**5,522**

	Accumulated amortization and depreciation				Book value	
	As of Dec. 31, 2014	Additions	Disposals	As of Dec. 31, 2015	As of Dec. 31, 2015	As of Dec. 31, 2014
Property, plant and equipment	**8**	**1**	**8**	**1**	**19**	**27**
—Shares in affiliated companies	0	—	—	0	32	38
—Other loans	0	—	—	0	5,470	12,762
Financial assets	**0**	**—**	**—**	**0**	**5,502**	**12,800**
Fixed assets	**8**	**1**	**8**	**1**	**5,521**	**12,827**

Other loans include KEUR 3,578 (PY: KEUR 10,563) in receivables from affiliated companies and a KEUR 1,866 (PY: KEUR 2,173) receivable from former affiliated companies, which is paid annually to VARTA AG on a systematic basis.

Further disclosures pursuant to Section 285 no. 11 HGB:

Name	Registered office	Equity KEUR	Earnings KEUR	Capital share %
VARTA Unterstützungskasse GmbH	Hanover	218	−32	100.00

The information corresponds to the financial statements, prepared according to the respective country-specific regulations.

(5) Receivables and other assets

	2015 KEUR	thereof with a remaining term of more than 1 year KEUR	2014 KEUR	thereof with a remaining term of more than 1 year KEUR
Trade receivables	30	—	—	—
Receivables from affiliated companies	287	—	208	—
Other short-term loans	108	—	—	—
Other assets	2,418	—	2,523	—
	2,843	—	2,731	—

Receivables from affiliated companies involve trade receivables from affiliated companies and result largely from the licensing agreement (KEUR 287; PY: KEUR 200) concluded in 2012.

Other assets mainly relate to receivables from income taxes.

(6) Excess of assets over liabilities from offsetting

	2015 KEUR	2014 KEUR
	1,469	2,959

In accordance with Section 246 (2) sentence 2 HGB, assets to which no other creditors have access and which are only used to fulfill pension or similar long-term commitments are offset against these liabilities. Tax assessments meet the requirements for offsetting.

The assets used to fund VARTA AG's pension obligations have been administered by VARTA Pensions-Treuhand e.V. on a fiduciary basis since May 2014. VARTA Pensions-Treuhand e.V. exclusively disposes over the funds to fulfill VARTA AG's pension obligations. The fair value of the plan assets for the payment of pension obligations according to plan equaled KEUR 26,921 as of the balance sheet date. This also includes cash and cash equivalents in the amount of KEUR 968. The fair value corresponds to amortized cost.

The fair value of the reinsurance policy equaled KEUR 25 as of the balance sheet date (PY: KEUR 24).

Provisions for pensions and similar obligations are calculated actuarially based on biometric probabilities (applying Heubeck's 2005 G mortality tables) using the projected unit credit method. Anticipated future increases in remuneration and pensions are taken into account in determining obligations. Currently, a trend for the running company pension assumes an annual increase of 1.5% in ongoing pension payments. The underlying interest rate for discounting the pension provisions equaled 3.48%; this is the average market rate of interest for the past seven financial years as determined and published by the Deutsche Bundesbank for instruments with an assumed remaining term of 10 years. The available plan assets are offset against the pension obligations.

An excess of assets over liabilities is disclosed if the fair value of the plan assets exceeds the liabilities being offset.

The pension provisions equaled KEUR 25,476 as of the balance sheet date (PY: KEUR 26,033).

The net balance of the fair value of the actuarial reserve and the pension obligations led to an excess of plan assets over pension liabilities of KEUR 1,469 as of the balance sheet date of December 31, 2015 (PY: KEUR 2,959).

(7) Subscribed capital

After reducing capital by KEUR 900, share capital equaled KEUR 100 as of December 31, 2015 (PY: KEUR 1,000), and is divided into 100,000 non-par value shares. In accordance with Section 225 AktG, repayment is not earlier than after six months in 2016 (refer to the explanation on other liabilities).

(8) Capital reserves

	2015 KEUR	2014 KEUR
Capital reserve	650	650

(9) Revenue reserves/ accumulated deficit/ retained earnings

	2015 KEUR	2014 KEUR
Legal reserve	8,078	8,078
Revenue reserves	8,078	8,078
Accumulated deficit/retained earnings	−2,194	+13,260

In accordance with the rules governing the restriction on distribution pursuant to Section 268 (8) HGB, there was an amount of KEUR 1,469, as of December 31, 2015, which was covered by the legal reserve. The restriction on distribution corresponds to the amount disclosed under "Excess of plan assets over plan liabilities". Deferred taxes did not impact the calculation of the amount barred from distribution.

A dividend in the amount of the 2014 retained earnings of EUR 13,259 was agreed and paid out.

(10) Provisions

	2015 KEUR	thereof with a remaining term up to 1 year KEUR	2014 KEUR	thereof with a remaining term up to 1 year KEUR
Tax provisions	1,307	—	1,307	—
Other provisions	186	172	1,200	1,186
	1,493	172	2,507	1,186

The provisions with remaining terms of more than five years equaled KEUR 14 (PY: KEUR 14).

(11) Liabilities to foundations

	2015 KEUR	thereof with a remaining term up to 1 year KEUR	2014 KEUR	thereof with a remaining term up to 1 year KEUR
Herbert Quandt-Stiftung (Foundation Herbert Quandt) of VARTA AG	530	—	545	—

There were no liabilities with a remaining period to maturity of more than five years in the financial year under review and the prior year. The assets of VARTA AG's Herbert Quandt-Stiftung are invested as an interest-bearing loan at VARTA AG and not secured by liens or similar rights.

(12) Other liabilities

	2015 KEUR	thereof with a remaining term up to 1 year KEUR	2014 KEUR	thereof with a remaining term up to 1 year KEUR
Trade payables	12	12	79	79
Liabilities to affiliated companies	1,976	1,976	4,400	4,400
Tax liabilities	—	—	—	—
Liabilities related to social security	59	59	38	38
Other liabilities	—	—	131	131
	2,047	2,047	4,648	4,648
(thereof hedged by liens and similar rights)	(—)		(—)	

Liabilities to affiliated companies largely include KEUR 218 (PY: KEUR 251) in liabilities to VARTA Unterstützungskasse GmbH, Ellwangen, as well as KEUR 900 (PY: KEUR 3,947) to the shareholder due to capital reduction, which is paid out in the 2016 financial year.

There were no liabilities with a remaining term of more than five years as of the balance sheet date.

(13) Contingent liabilities

	2015 KEUR	2014 KEUR
Other contingent liabilities	5,051	5,339

VARTA AG's other contingent liabilities pertain to obligations from transferred pension commitments. The figures are based on the contribution assessment base for the German Pension Guarantee Fund Mutual Insurance Company (Pensionssicherungsverein VVaG) in accordance with Section 10 (3) no. 1 in conjunction with Section 11 (2) of the German Occupational Retirement Pensions Improvement Act (BetrAVG). Calculation was based on the Prof. Dr. Klaus Heubeck's 2005 G mortality tables and using a 6% discount rate. Due to the Company's economic situation, no claims on the liability are expected.

The Company has no contingent liabilities to affiliated companies. Furthermore, there are no commitments arising from guarantees.

Furthermore, we wish to point out risks from legacy liabilities existing at VARTA AG. The former properties of VARTA AG or its former subsidiaries served primarily as production sites for manufacturing batteries and show all legacy liabilities customary in the industry. A buyer of all foreign and German investments has assumed these current and potential future risks and relieved VARTA AG of these; however, VARTA AG remains liable for this exposure vis-à-vis third parties. An affiliated company of the buyer has secured this indemnification by way of a guarantee issued in the amount of EUR 20 million and with a term until 2031. VARTA AG has assessed these risks in consideration of contractual compensation claims and does not expect any claims from this liability. Only if the aforementioned risks exceed the buyer's and guarantor's coverage potential or they cannot fulfill their contractual obligations this represents a corresponding burden for VARTA AG.

At the shareholders' meeting of VARTA AG, held on January 30, 2014, it was decided to transfer the shares of the former minority shareholder to the majority shareholder, Gopla Beteiligungsgesellschaft mbH (Gopla), in exchange for cash compensation of EUR 4.51 per share. The cash amount was based on an external appraisal. The squeeze-out became effective on March 12, 2014, upon entry in the commercial register. Thus, an additional 210,379 shares were transferred to Gopla. The total squeeze-out amount equaled EUR 948,809.29. After the squeeze-out, former minority shareholders initiated appraisal proceedings against Gopla—and against VARTA AG after the merger—at the Stuttgart Regional Court. It is currently not possible to estimate the length and outcome of the proceedings.

(14) Personnel expenses

	2015 KEUR	2014 KEUR
Pension expenses	39	38

Pension and other benefits relate to contributions to Pensions-Sicherungs-Verein aG.

(15) Other finance income/expense

	2015 KEUR	2014 KEUR
Income from plan assets	1,132	1,849
Interest allocations to the pension provisions	−2,021	−766
	−889	1,083

Commensurate with offsetting pension and similar obligations against related earmarked assets pursuant to Section 246 (2) sentence 2 HGB, the expenses and income resulting from compounding and discounting liabilities—pursuant to Section 253 (2) sentence 2 HGB—are to be netted against the related expenses and income from plan assets.

Interest income was disclosed under other finance income/costs in the prior year and has now been reclassified. A portion of this income is now shown as income from plan assets (KEUR 90), the remainder increased interest income by KEUR 851. Prior year's figures have been adjusted accordingly.

(16) Interest income/loss

	2015 KEUR	2014 KEUR
Other interest and similar income	653	630
Interest and similar income to affiliated companies	23	290
Interest and similar expenses	−20	−19
Interest and similar expenses to affiliated companies	−3	−3
	653	898

(17) Income taxes

Actual tax expense	2015 KEUR	2014 KEUR
Tax income relating to other periods	90	1
Current year	−2	−208
	88	−207

(18) Corporate bodies

Below is a list of the members of the Supervisory Board and Board of Directors:

Members of the Supervisory Board

Frank-Dieter Maier (Chairman since April 13, 2016)
Pensioner

Dr. Harald Sommerer (Deputy Chairman since April 13, 2016)
Entrepreneur

(18) Corporate bodies (Continued)

Sven Quandt (since April 13, 2016)
Entrepreneur

Dr. Franz Guggenberger (until April 14, 2016)
Lawyer

Christian Hosp (until April 14, 2016)
Management Board

Katharina Eidler (née Pekovits, until April 14, 2016)
Representative of the shareholders

Members of the Board of Directors

Dr. Dr. Michael Tojner (CEO)
President of the Management Board of Montana Tech Components AG

Dr. Michael Pistauer (since April 14, 2016)
CFO

Herbert Schein (since April 14, 2016)
CEO

Hannes Höhmüller (until April 14, 2016)
CFO

Dr. Georg Blumauer (until April 14, 2016)
Lawyer

(19) Related-party transactions report

VARTA AG's Board of Directors prepared the related party transactions report (no statutory audit requirement) for the financial year under review. This concludes with the following closing statement:

The Board of Directors states that the Company received fair consideration for each legal transaction based on the circumstances that were known to the Board at the time the legal transactions were conducted. No actions subject to reporting under Section 312 AktG were either performed or omitted.

Ellwangen, August 12, 2016
VARTA Aktiengesellschaft
Board of Directors

Dr. Dr. Michael Tojner	Dr. Michael Pistauer	Herbert Schein

VARTA AKTIENGESELLSCHAFT,

AUDITOR'S REPORT

To VARTA Aktiengesellschaft, Ellwangen (Jagst)

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system of VARTA Aktiengesellschaft, Ellwangen (Jagst), for the financial year from January 1 to December 31, 2015. The maintenance of the books and records and the preparation of the annual financial statements in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, based on our audit.

We conducted our audit of the annual financial statements in accordance with Section 317 of the German Commercial Code (HGB) and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records and the annual financial statements are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of VARTA Aktiengesellschaft in accordance with German principles of proper accounting.

Stuttgart, August 12, 2016

KPMG AG
Wirtschaftsprüfungsgesellschaft

Göttgens	Hundshagen
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	*(German Public Auditor)*

Ellwangen (Jagst), Frankfurt am Main, Vienna **November 17, 2016**

VARTA AKTIENGESELLSCHAFT

signed Herbert Schein	signed Michael Pistauer

Jefferies International Limited

signed Rob Leach	signed Mark Pohlmann

UniCredit Bank AG

signed Alexander Vart	signed Guido Höing

HSBC Trinkaus & Burkhardt AG

signed Achim Schäcker	signed Thomas Wohlgefahrt

Erste Group Bank AG

signed Günther Artner	signed Ignaz Bodenstorfer