

# Quarterly statement Q3/2017

of the VARTA AG-Group period ended Sept. 30, 2017

# Greetings from the executive board

Dear Shareholders,

VARTA AG has completed the most successful nine months of the company's recent history:

With revenue growth of EUR 19.4 million or 12.1% compared to the same period of the previous year, we were able to generate a total revenue of EUR 180.2 million. We are pleased that this increase was achieved through organic growth in both segments – “Microbatteries” and “Power and Energy”.

At the same time, we were able to significantly increase our EBIT margin year-on-year by 6.6 percentage points to 14.7%. At EUR 26.5 million, EBIT for the first nine months is therefore already 78.6% higher than the EBIT for the whole year of 2016 (EUR 14.8 million). Adjusted by the costs necessary for the IPO and the one-time effect of a carve out of pension obligations, the EBITDA also reached a new record high of EUR 30.6 million, up 45.3% on the nine-month prior-year figure.

This positive development has been made possible by the consistent continuation of our strategy: Strengthening the continued enthusiastic demand for the essential product areas through continuous innovation and quality improvements, permanent efforts to improve production efficiency and consistent fixed cost management.

At EUR 151.4 million, sales in the “Microbatteries” segment grew by more than 13.4% year-on-year. Compared to the same period last year, this even represents a 45.0% EBITDA growth to EUR 35.8 million. Within the “Microbatteries” segment, two aspects must be highlighted especially: The demand for our microbatteries for hearing aids that we believe exceeded market growth and the rapid development of our Lithium-Ion microbatteries.

Compared to the the same period last year, the “Power and Energy” segment generated revenue growth of 8.9%. Within the segment, the strong development of the product group “stationary energy storage solutions” should be emphasized especially. Sales here grew by 37.5% compared to last year. Both EBIT and EBITDA in this segment are still negative. Many major projects are currently nearing market launch, so we expect a positive development from 2018 onwards.

The development is dependent on major projects, where the development phase with customers has been completed and sales are expected for 2018.

The highly successful IPO in October provided the company with opportunities to lay the groundwork for further growth, in particular in the “Microbatteries” segment. Immediately following the IPO, the largest known investment program of the VARTA AG Group to date was launched; an investment program based solely on building capacities to meet market demand and to consolidate the dominant role of VARTA AG Group in many areas.

We are convinced that the current capital market presence will provide the company with opportunity to continue to respond flexibly to market inquiries. A topic that our customers will also increasingly appreciate.

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



Herbert Schein  
Chief Executive Officer



Dr. Michael Pistauer  
Chief Financial Officer

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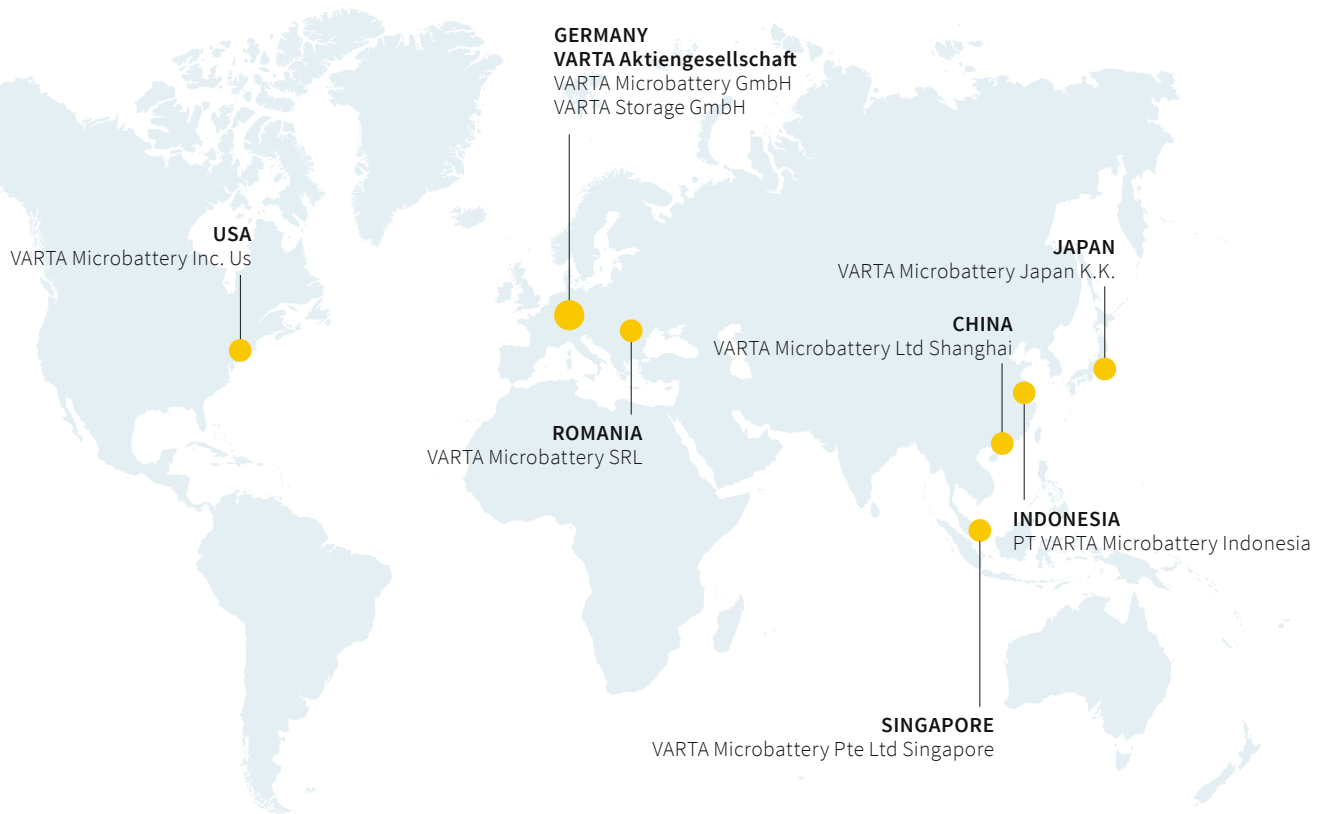
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# About VARTA AG

VARTA Aktiengesellschaft (VARTA AG)<sup>1</sup> is domiciled in Ellwangen (Jagst), Germany, and listed in the commercial register at Ulm District Court, Germany, under file number HRB 728059. The consolidated financial statements comprise the company and its subsidiaries (together referred to as the ‘Group’). The reporting date for VARTA AG, all its subsidiaries and for the consolidated financial statements is December 31.

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

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



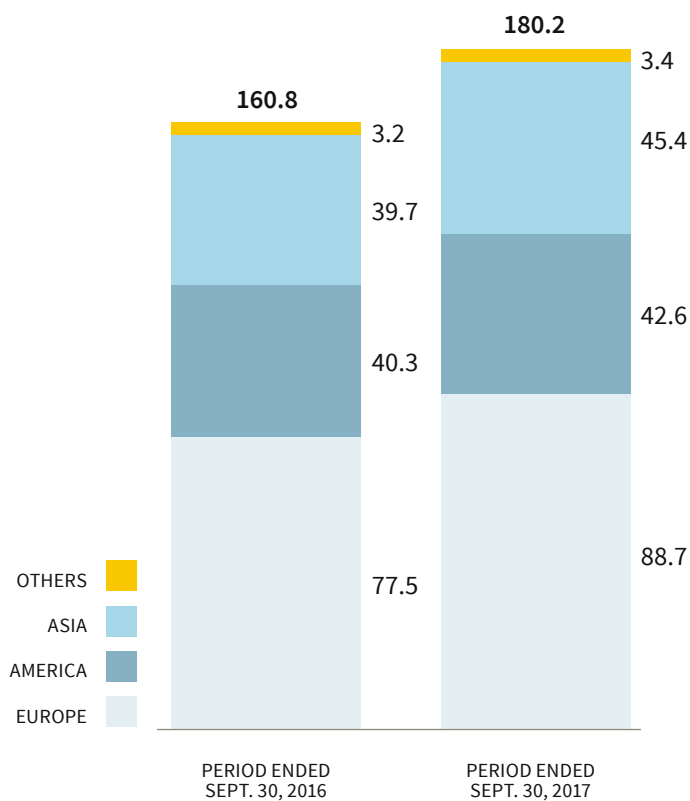
1) Please note that VARTA AG and its operative subsidiaries VARTA Microbattery GmbH and VARTA Storage GmbH, belonging to the Montana Tech Components group, are not the sole successors to the old VARTA AG, having been split-up into three parts in the year 2002, and not the sole owner of the VARTA trademarks.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

# Key figures of VARTA AG Group

(IN KEUR) UNAUDITED ACCORDING TO IFRS	PERIOD ENDED SEPT. 30, 2017	PERIOD ENDED SEPT. 30, 2016	CHANGE IN KEUR	CHANGE IN %
<b>Net revenue</b>	<b>180,172</b>	<b>160,753</b>	<b>19,419</b>	<b>12.1%</b>
<i>thereof "Microbatteries"</i>	151,363	133,478		
<i>thereof "Power and Energy"</i>	28,241	25,933		
<b>EBIT</b>	<b>26,510</b>	<b>12,986</b>	<b>13,524</b>	<b>104.1%</b>
in % of net revenue	14.7%	8.1%		
Depreciation and amortization	6,955	6,571	384	5.8%
<b>EBITDA</b>	<b>33,465</b>	<b>19,557</b>	<b>13,908</b>	<b>71.1%</b>
in % of net revenue	18.6%	12.2%		
<i>Adjustments</i>				
<i>Listing and IPO expenses</i>	777	1,519		
<i>Carve out pension obligations</i>	-3,629	0		
<b>Adjusted EBITDA</b>	<b>30,613</b>	<b>21,076</b>	<b>9,537</b>	<b>45.3%</b>
in % of net revenue	17.0%	13.1%		
<b>EBT</b>	<b>23,292</b>	<b>10,763</b>	<b>12,529</b>	<b>116.4%</b>
in % of net revenue	12.9%	6.7%		
<b>Group result</b>	<b>17,700</b>	<b>8,655</b>	<b>9,045</b>	<b>104.5%</b>
Cash flow from operating activities	12,263	-1,020		
Cash flow from investment activities	-12,236	-20,510		
Cash flow from financing activities	-2,771	18,979		
FTE employees as reference date September 30	2,069	2,045		
Earnings per share (EPS) in EUR	0.55	0.52		

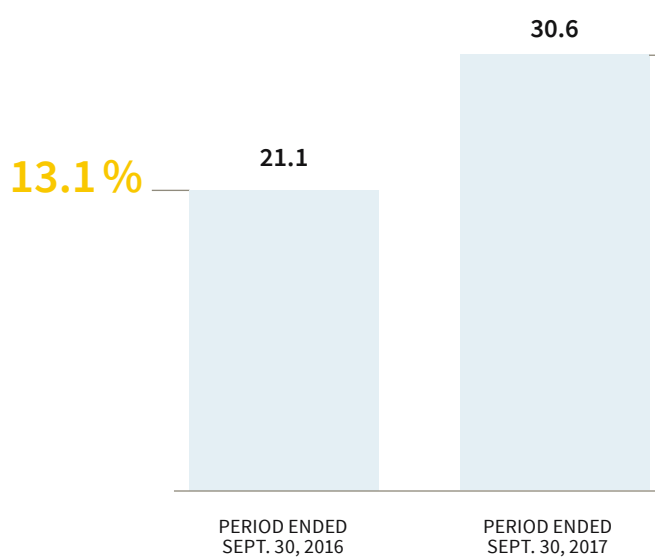
(IN KEUR) UNAUDITED ACCORDING TO IFRS	SEPT. 30, 2017	DEC. 31, 2016	CHANGE IN KEUR	CHANGE IN %
<b>Balance sheet figures</b>				
Balance sheet total	181,758	164,928	16,830	10.2%
Long-term assets	90,794	81,640	9,154	11.2%
Short-term assets	90,964	83,288	7,676	9.2%
<i>thereof liquid funds</i>	9,128	12,347	-3,219	-26.1%
Equity capital	81,446	65,291	16,155	24.7%
in % of balance sheet total	44.8%	39.6%		
<i>thereof subscribed capital</i>	29,600	29,600	0	0
Long-term liabilities	41,647	44,585	-2,938	-6.6%
Short-term liabilities	58,665	55,052	3,613	6.6%
Net financial debt	12,921	12,540	381	3.0%
Trade working capital	49,896	36,205	13,691	37.8%

Revenues broken down by specific geographic location in million EUR unaudited IFRS



**+ 12.1%**  
Net revenue

Adjusted EBITDA in million EUR unaudited IFRS



**+ 45.3%**  
Adjusted EBITDA

# Business and framework conditions

According to the economic forecast of the International Monetary Fund (IMF) of October 2017, global economic growth for 2017 is expected to be 3.6%. For the coming year, the IMF forecasts global growth of 3.7%. This assessment by the IMF therefore corrects the most recent forecast upwards by 0.1 percent. All in all, the global economy thus continues to grow, with markets where VARTA AG Group is operating, benefiting as well.

The demand for products in the “Microbatteries” segment at times depends on the development of the hearing aids and consumer electronics industries. For example according to WiFore, both sectors are showing continued positive development trends.

In particular the ongoing trend towards small “hearables and wearables” connected to the smartphone has been generating tailwind for VARTA AG Group.

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

# Earnings, financial position and net assets

Earnings, financial and net assets of VARTA AG Group in the first nine months of 2017 were very positive. Consolidated sales of VARTA AG Group as at September 30, 2017 amounted to KEUR 180,172, hence 12.1% above the previous year (2016: KEUR 160,753).

Adjusted by the one-off effect of debt assumption and IPO costs, EBITDA amounts to KEUR 30,613, i.e. 45.3% above the previous year (2016: KEUR 21,076).

IPO costs until September 30, 2017 were KEUR 777. The positive one-off effect pertains to a debt assumption to pension obligations (carve out of pension obligations) in the first half of 2017, with a positive effect in the amount of KEUR 3,629. This result is recognized as "other operating income" in the consolidated income statement.

The year-on-year jump in earnings is primarily due to the growth in sales in the "Microbatteries" segment on the one hand and the disproportionate development of personnel (+5.4% year-on-year) and material costs (+ 4.4% year-on-year) on the other hand.

At KEUR 26,510, the EBIT is already more than double the previous year's figure (2016: KEUR 12,986).

The result of the research company involved at equity has changed only slightly compared to June 30, 2017. The expected annual result of the joint venture was already taken into account mid-year. This consideration also results in a negative increase in the net income for the period ended September 30, 2017 compared to September 30, 2016.

At 24.0%, the Group's consolidated tax rate was below the German tax rate, but clearly exceeded the previous year's figure (approx. 19.6%), which could be reduced by exploiting losses carried forward.

As at September 30, 2017, the consolidated net income of KEUR 17,700 has more than doubled year-on-year (Dec. 31, 2016: KEUR 9,410).

The impact of the IPO on the balance sheet will affect only in the fourth quarter of 2017, as the IPO took place in October.

However, the cash flow development from operating activities in the first nine months was positive, and at KEUR 12,263 fully covered investment activities.

On the asset side, investments have been made consequently in equipment. Most of the investments made during the first nine months of the year were used to expand lithium-ion production capacities. This approach will be reinforced with the funds generated from the IPO.

At KEUR 49,896, the trade working capital has decreased slightly compared to September 30, 2016 (September 30, 2016: KEUR 50,992).



# Segment reporting

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

## Microbatteries

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

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

In the "Microbatteries" segment, sales increased by 13.4% year-on-year. The EBITDA saw an above-average increase during the same period. During the first nine months, the EBITDA is KEUR 35,790 compared to KEUR 24,688 in 2016. This 45.0% increase is attributable to the above-average increase in sales over costs (in particular fixed costs).

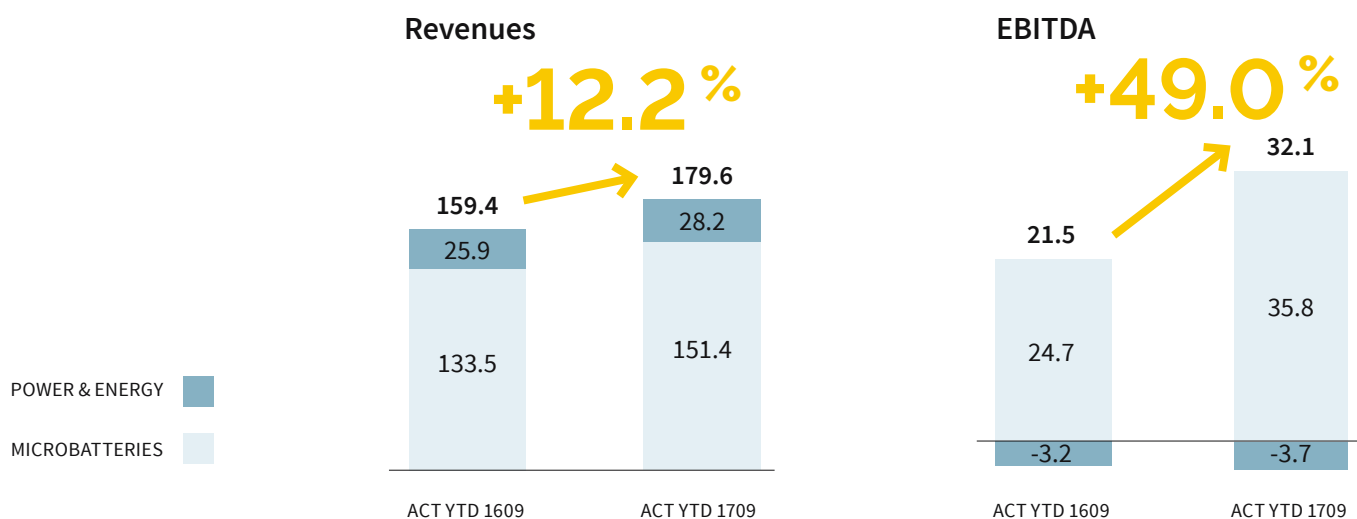
Most of the investments made in the first nine months were used for the "Microbatteries" segment. The focus here in turn was placed on the continuous build-up of lithium ion production capacities.

## Power and Energy

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

In the "Power and Energy" segment, revenue increased by 8.9% year-on-year. The EBITDA remained negative during the first 9 months. The development is dependent on major projects, where the development phase with customers has been completed and sales are expected from 2018 onwards.

## Development of revenues and EBITDA of the segments (in million EUR)



(IN TEUR)	MICROBATTERIES		POWER AND ENERGY		Σ SUM		RESTATED		CONSOLIDATED FINANCIAL STATEMENTS	
	PERIOD ENDED SEPT. 30, 2017	PERIOD ENDED SEPT. 30, 2016	PERIOD ENDED SEPT. 30, 2017	PERIOD ENDED SEPT. 30, 2016	PERIOD ENDED SEPT. 30, 2017	PERIOD ENDED SEPT. 30, 2016	PERIOD ENDED SEPT. 30, 2017	PERIOD ENDED SEPT. 30, 2016	PERIOD ENDED SEPT. 30, 2017	PERIOD ENDED SEPT. 30, 2016
Revenue	151,363	133,478	28,241	25,933	179,604	159,411	568	1,342	180,172	160,753
Depreciation and amortization	-5,953	-5,490	-997	-847	-6,950	-6,337	-5	-234	-6,955	-6,571
Material effect on income and expenses	0	0	0	0	0	0	2,852*	-1,519	2,852	-1,519
EBIT	29,837	19,198	-4,733	-4,018	25,104	15,180	1,406	-2,194	26,510	12,986
EBITDA	35,790	24,688	-3,736	-3,171	32,054	21,517	1,411	-1,960	33,465	19,557

\*Capitalized asset of the pension obligation in amount of KEUR 3,629 and IPO-related expenses in amount of KEUR 777 (September 30, 2016: KEUR 1.519)

# Employees

The consolidated workforce of VARTA AG Group has developed below-average compared to sales. The number of employees is calculated based on full-time employees, part-time employees are included on a prorated basis (Full Time Equivalent (FTE)). As at September 30, 2017, VARTA AG Group employed 2,069 FTE.

This corresponds to a year-on-year increase in the workforce by 1.2% (September 30, 2016: 2,045 FTE). There also is a tendency to more employees in non-German speaking countries.

## Report on opportunities and risks

A detailed description of the company's opportunities and risks is included in prospectus of the VARTA AG Group.

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

## Consolidated interim financial statements

### Consolidated statement of financial position (unaudited) IFRS

(IN KEUR)	SEPT. 30, 2017	DEC. 31, 2016
<b>ASSETS</b>		
Intangible assets	20,883	20,844
Property, plant and equipment	56,705	51,981
Joint ventures and investments in associated companies	1,124	3,384
Loan receivables and other financial assets	1,415	1,610
Deferred tax assets	3,024	3,821
Other assets	7,643	0
<b>Total non-current assets</b>	<b>90,794</b>	<b>81,640</b>
Inventories	49,011	42,611
Loan receivables and other financial assets	0	2,815
Trade receivables	21,170	15,676
Income tax receivables	318	482
Other assets	11,337	9,357
Cash and cash equivalents	9,128	12,347
<b>Total current assets</b>	<b>90,964</b>	<b>83,288</b>
<b>Total ASSETS</b>	<b>181,758</b>	<b>164,928</b>

(IN KEUR)	SEPT. 30, 2017	DEC. 31, 2016
<b>EQUITY AND LIABILITIES</b>		
Share capital	29,600	29,600
Capital Reserves	2,681	2,681
Other Reserves	45,946	27,434
Other components of equity	3,219	5,576
<b>Total equity</b>	<b>81,446</b>	<b>65,291</b>
Other financial liabilities	20,063	21,758
Other provisions	14	14
Provisions for pensions and other post-employment benefits	21,450	22,681
Other liabilities	120	132
<b>Total non-current liabilities</b>	<b>41,647</b>	<b>44,585</b>
Liabilities to financial institutions	10	0
Other financial liabilities	1,986	3,129
Income tax liabilities	6,040	4,164
Other provisions	4,289	2,993
Provisions for pensions and other post-employment benefits	1,018	983
Trade payable and advances from customers	20,285	22,082
Accruals	17,754	14,266
Other liabilities	7,283	7,435
<b>Total current liabilities</b>	<b>58,665</b>	<b>55,052</b>
<b>Total liabilities</b>	<b>100,312</b>	<b>99,637</b>
<b>Total EQUITY AND LIABILITIES</b>	<b>181,758</b>	<b>164,928</b>

## Consolidated income statement (unaudited) IFRS

(IN KEUR)	PERIOD ENDED SEPT. 30, 2017	PERIOD ENDED SEPT. 30, 2016
<b>Revenue</b>	<b>180,172</b>	<b>160,753</b>
Increase/decrease in finished goods and work in progress	1,006	3,282
Other operating income	12,777	7,857
Cost of materials	-73,260	-70,166
Personnel expenses	-60,640	-57,532
Depreciation and amortization expenses	-6,955	-6,571
Other operating expenses	-25,813	-23,118
<b>Operating profit (EBIT) before IPO-related expenses</b>	<b>27,287</b>	<b>14,505</b>
IPO-related expenses	-777	-1,519
<b>Operating result</b>	<b>26,510</b>	<b>12,986</b>
Interest income	61	99
Interest expenses	-665	-1,293
Other financial income	594	661
Other financial expenses	-948	-501
<b>Financial result</b>	<b>-958</b>	<b>-1,034</b>
Share of loss of at equity accounted investees	-2,260	-1,189
<b>Income before taxes</b>	<b>23,292</b>	<b>10,763</b>
Income taxes	-5,592	-2,108
<b>Result for the period</b>	<b>17,700</b>	<b>8,655</b>

## Consolidated statement of profit or loss and other comprehensive income (unaudited) IFRS

(IN KEUR)	PERIOD ENDED SEPT. 30, 2017	PERIOD ENDED SEPT. 30, 2016
<b>Profit</b>	<b>17,700</b>	<b>8,655</b>
<b>Items that will not reclassified to profit or loss</b>		
Remeasurement of the defined benefit liability (asset), net of tax	1,154	-4,212
Related tax	-342	1,244
	<b>812</b>	<b>-2,968</b>
<b>Items that are or may be reclassified subsequently to profit or loss</b>		
Cash flow hedges – effective portion of changes in fair value	419	143
Foreign currency translation differences	-2,654	-488
Related tax	-122	-40
	<b>-2,357</b>	<b>-385</b>
<b>Other comprehensive income, net of tax</b>	<b>-1,545</b>	<b>-3,353</b>
<b>Total comprehensive income</b>	<b>16,155</b>	<b>5,302</b>

## Interim consolidated statement of cash flow (unaudited) IFRS

(IN KEUR)	PERIOD ENDED SEPT. 30, 2017	PERIOD ENDED SEPT. 30, 2016
<b>Net cash from operating activities</b>	<b>12,263</b>	<b>-1,020</b>
<b>Net cash used in investing activities</b>	<b>-12,236</b>	<b>-20,510</b>
<b>Cash flows from financing activities</b>	<b>-2,771</b>	<b>18,979</b>
<b>Net increase/decrease in cash and cash equivalents</b>	<b>-2,744</b>	<b>-2,551</b>
Cash and cash equivalents at January 1	12,347	10,945
Effect of movements in exchange rates on cash held	-475	-122
<b>Cash and cash equivalents at September 30</b>	<b>9,128</b>	<b>8,272</b>

## Consolidated statement of changes in equity (unaudited) IFRS

(IN KEUR)	SHARE CAPITAL	RESERVES	RETAINED EARNINGS	OTHER RESERVES		TOTAL EQUITY
				TRANSLATIONS RESERVE	HEDGING RESERVE	
<b>Balance at January 1, 2017</b>	<b>29,600</b>	<b>2,681</b>	<b>27,434</b>	<b>5,548</b>	<b>28</b>	<b>65,291</b>
Profit	0	0	17,700	0	0	17,700
Other comprehensive income	0	0	812	-2,654	297	-1,545
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>18,512</b>	<b>-2,654</b>	<b>297</b>	<b>16,155</b>
<b>Balance at September 30, 2017</b>	<b>29,600</b>	<b>2,681</b>	<b>45,946</b>	<b>2,894</b>	<b>325</b>	<b>81,446</b>

# Explanatory notes to the quarterly statement

The quarterly statement of VARTA AG Group for the period from January 1 to September 30, 2017 was prepared on the basis of the International Financial Reporting Standards (IFRS), published by the International Accounting Standards Board (IASB) as applicable in the EU.

The accounting and valuation methods used are the same as those used in the consolidated financial statements as of December 31, 2016.

There have been no significant changes to the contingent liabilities since December 31, 2016.

The financial statements prepared as of September 30, 2017 were not audited pursuant to Sec. 317 HGB (German Commercial Code) and were not reviewed by an auditor.

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

# Financial Calendar

Publication consolidated financial statements Dec. 31, 2017 (FY)	April 10, 2018
Publication quarterly statement Q1/2018	April 25, 2018
General meeting	June 19, 2018
Publication half-year report June 30, 2018 (HY)	August 28, 2018
Publication quarterly statement Q3/2018	October 25, 2018

## Imprint

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### Concept and Design

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