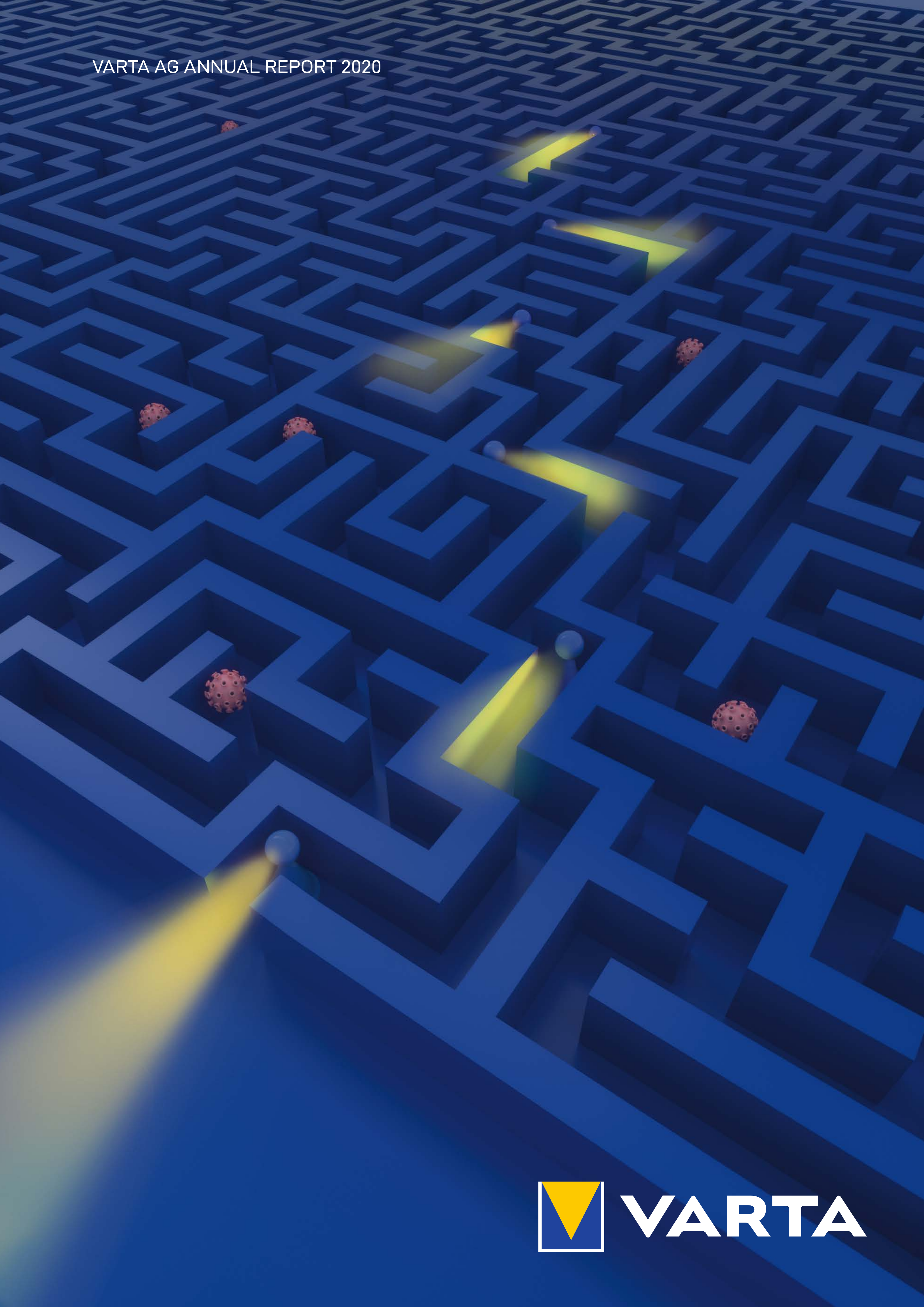
VARTA AG ANNUAL REPORT 2020



VARTA

Contents

Key Data

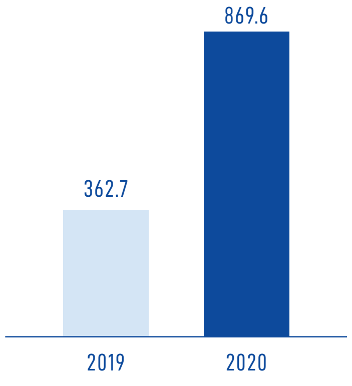
Multi-Year Overview

(€ k)	2014	2015	2016	2017	2018	2019	2020*
Revenue	169,038	195,093	213,815	242,157	271,650	362,692	869,583
EBIT	13,440	22,480	14,845	23,643	36,871	70,767	146,014
Amortization and depreciation	-7,428	-8,511	-8,922	-9,446	-10,518	-20,855	-66,617
EBITDA	20,868	30,991	23,767	33,089	47,389	91,622	212,631
Adjusted EBITDA	19,368	22,857	26,099	39,132	50,219	97,481	241,030
EBT	12,083	19,371	12,073	21,025	36,482	71,079	133,124
Consolidated result	7,886	11,596	9,410	13,544	25,703	50,464	95,508
Balance sheet total in € m	158.1	155.7	164.9	331.5	401.7	668.8	1,122.8
Cash flow from ongoing business activities	22,000	19,288	24,153	18,503	69,846	105,734	232,863
Cash flow from investment activities	7,119	-1,099	-21,613	-13,426	-58,982	-105,806	-372,969
Cashflow aus financing activities	-13,729	-28,531	-1,210	121,577	-114	94,882	19,886
FTE employees as of Dec, 31	1,792	1,879	2,012	2,112	2,256	2,834	4,584
Earnings per share (EPS) in €	1.3	16.5	0.59	0.36	0.66	1.28	2.36

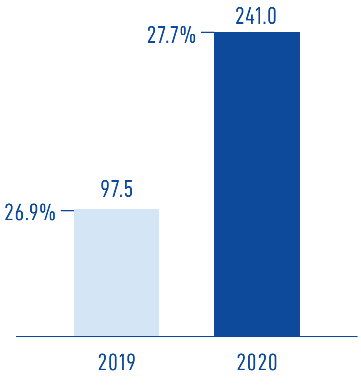
*Including first time consolidation of VARTA Consumer

We are accelerating growth

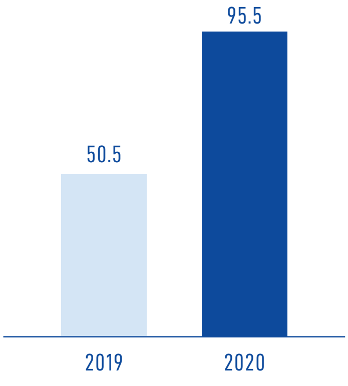
+139.8%
Revenue
€ m



+147.3%
Adjusted EBITDA
€ m



+89.3%
Consolidated result
€ m



Foreword from the Executive Board

Dear Shareholders,

We can now look back on what was an historic year for the Company. In 2020, we recorded growth of 140%, with organic growth alone amounting to just under 50%. This success is the result of a collaborative effort across all business segments, following which we have managed to once more conclusively exceed the exceptional results recorded in the prior year. VARTA continues to benefit from high demand for our miniaturized CoinPower lithium-ion cells. This segment remains our growth driver. However, it is clear, too, that our strategy is paying off in other areas. The decision to focus on the brand business within the Household Batteries segment is bearing fruit. The re-integration of this segment within VARTA AG has been a total success. We are able to put these additional revenues toward continuing our growth strategy. In addition, our high level of profitability and solid equity basis have allowed us both to finance further growth and make dividend payments to you, our shareholders, for the first time. This historic year has been underpinned by a redesigned brand profile, which underlines that we as a technology company are looking ahead with great optimism to a future in which we will remain innovative and, above all, grow further.

Our business developed even more positively than expected in the previous year. Group revenue grew by around € 870m. Scaling the business model ensured that growth in operating earnings outpaced that of revenue. Adjusted EBITDA rose by roughly 147% to around € 241m in 2020. In organic terms, this growth stands at approximately 90%. The adjusted EBITDA margin improved to around 27,7%.

In the Microbatteries & Solutions segment, we experienced highly dynamic growth of 49% to approximately € 508m in the past year. The driving force behind this development was incredibly strong growth in the market for Premium True Wireless Headsets (TWS), for which our CoinPower cells remain the first choice for manufacturers. Our cells offer the technological progress and quality required in their products. While the market is growing very dynamically, as leaders of technology and innovation VARTA's pace of growth is actually outstripping that of the market, having established a highly successful business model in this area. However, we were also able to further expand our market position for rechargeable batteries in the area of hearing aids. The same applies to our business with smart, modular energy solutions (power pack solutions). In the past year, we launched new projects together with our customers and were able to continue high levels of growth.

Another landmark event of the historic year 2020 was the successful integration of the Consumer business under the umbrella of VARTA AG. As a result of this, that which always belonged together has finally been reunited. As explained, the Household Batteries business is responsible for a significant portion of our growth. However, in the previous year the energy storage solutions business also recorded highly dynamic growth that outpaced the market. The energy revolution and the trend toward ever greater sustainability will ensure that this area remains of great interest.

And the key word here really is ‘sustainability’: Since the start of this year, our European lithium-ion cell plants are being powered by green electricity. By 2027, our aim is to operate all production facilities on a CO_2-neutral basis. We have also been successful in our efforts to substantially reduce the use of cobalt. All of these measures offer strategic benefits. VARTA is very well prepared for the future, when the issue of sustainability will increasingly become a priority for our customers and other stakeholders, not forgetting you, our valued shareholders, as well.

We are very optimistic with regard to the current fiscal year and remain firmly convinced that VARTA will register a positive business performance. Over the coming months, the new production facility for lithium-ion cells will be operational. This means that we will therefore have sufficient production capacities to react quickly and flexibly to customer demands. We are keeping an eye on core markets undergoing a period of structural change, where we have established and plan to maintain a very strong market position. Last but not least, we have managed to generate a record profit result despite the ongoing global pandemic. Up to now, COVID-19 has not impacted production processes at our locations, meaning we have been able to continue manufacturing without any interruptions. Our supply chains have likewise remained intact.

For 2021, VARTA is anticipating high-level organic growth and substantial double-digit revenue growth in percentage terms. Performance over the second half of the year will above all contribute to this development. Moreover, at the end of this year we shall be launching pilot production of our new, large, rounded lithium-ion cells in 21700 format in Ellwangen. A large portion of the funding we received within the framework of an Important Project of Common European Interest (IPCEF) is being put toward research and development processes linked to these cells, which will enable us to tap into new fields of business.
For you, this all means that your investment in VARTA will continue to be the right decision in future as well. VARTA is innovative, profitable and will continue to grow. And this is all thanks to our employees as well as you, our investors, for displaying such confidence in us. This is a real motivation for us to continue along the path to success together with you.

Herbert Schein
Chief Executive Oficer

Armin Hessenberger
Chief Financial Officer

Herbert Schein, CEO

Education
- Degree in electrical engineering

Career
- Since 2016: Chairman, Executive Board of VARTA AG
- Since 2011: CEO, VARTA Storage GmbH
- Since 2008: CEO, VARTA Microbattery GmbH
- With VARTA for more than 25 years
- An industry expert with long-standing expertise in battery technology
- Competencies cover the following areas: battery markets, innovations, technology, sales & marketing
- Extensive experience in the market launch of new products as well as production expansion in Europe and Asia
- Wide-ranging competencies in the area of strategic development of international business segments

Armin Hessenberger, CFO

Education

- Master of Business Administration, California State University Hayward (today CSU EastBay), graduated from IMADEC University, Vienna
- Degree in Commercial Sciences, specializing in Business Administration and Foreign Trade, WU Vienna

Career

- 2016–2020: Chief Business Officer, Montana Tech Components AG
- 2005–2016: Head of Controlling, Mayr-Melnhof Packaging International GmbH, also Chairman of the Board of Directors, Al-Ekbal, Amman, Jordan
- 1997–2005: Head of Web Development and Asset Management, also Head of Technology, Agip Austria GmbH, Vienna
- 1991–1997: Controlling, Solvay Österreich AG / Vienna
- 1990–1991: Commercial Services Coordinator, Hewlett Packard / Vienna

Foreword from the Chairman of the Supervisory Board

Dear Shareholders,

The history of VARTA is one of mobility and independence. VARTA has been part of people's lives for nearly 135 years. As leaders in technology and innovation, we develop the energy solutions of tomorrow, which offer clear added value in all areas of life: From energy efficient battery cells for mobile devices to smart energy storage solutions for single-family homes – with our expertise, we offer boundless potential for the development of every individual and actively help to shape the energy transformation across society as a whole. Because without forward-looking battery and energy storage solutions, not even the most innovative technology can unleash its potential.

It is precisely for this reason that more than 4,500 VARTA employees all over the world work each day to develop the best solutions for our customers in order to make the world a better place in the long run. This commitment is also reflected in our strategy of increasing our growth potential and corporate value from a social, ecological and economic point of view.

Therefore, I would like to take this opportunity to offer a huge thank you to all of our employees and to the Executive Board of the Company for their outstanding work over the past decade – and especially in 2020.

Under the leadership of the management, VARTA performed fantastically in 2020 and registered revenue growth of around 140% as well as an extraordinarily impressive profit for the year despite the coronavirus crisis and the challenging production conditions associated with it.

CoinPower as growth driver for the lithium-ion segment
Thanks to our sophisticated lithium-ion technology of VARTA CoinPower, today, the worldwide leading providers of premium headsets use our lithium-ion cells made in Germany across the board. We are also the favorite among local competitors on the Asian market. One reason for this is the unrivaled energy density and the unique product quality that has secured us a dominant market position in this segment.

VARTA strengthens its market leading position in the Hearing Aids segment
In 2020, we were also able to expand our market position and strengthen our market leading position in the area of primary and rechargeable hearing aid batteries.

Consumer Batteries returns to the VARTA Group
Another milestone was the successful integration of Consumer Batteries into the VARTA AG Group and the associated realignment of the business from a quality battery manufacturer into an leading innovations and technology group. To highlight this transformative processexternally , we launched an auspicious rebranding project for VARTA. The global rollout will take place in the fall of 2021. This rebranding process will redefine the VARTA brand, above all in the Consumer business.

VARTA Storage – more than an energy solution for private households
Additionally, we have registered success with VARTA Storage Solutions and gained further market shares and substantial revenue growth as well.
Furthermore, due to the huge growth potential on offer here, we will be further capitalizing on this business segment in the future. Affordable green energy and energy independence for every homeowner is our goal here. And there's more – in the spirit of the shared economy concept, our aim is to support households so that in the future, they will be able to offer their surplus energy on the market. In doing so they will make a significant contribution to the liberalization of the energy market.

The large lithium-ion cells
The importance of our ideas and concepts was made especially clear in the previous year.
In June 2020, we were absolutely delighted to receive IPCEI funding of € 300m for the further development of lithium-ion technology from Federal Minister Peter Altmaier. This financial backing is a proof to the huge trust placed in us by the Federal Ministry for Economic Affairs and Energy (BMWi) and the federal states of Bavaria and Baden-Württemberg.

It will also make an enormous contribution for VARTA to accelerate the development of the next generation of lithium-ion batteries and bring new products to the market. On behalf of the Supervisory Board and the Executive Board, I would like to thank the political decision-makers in Germany in particular.

Innovations safeguard our future

Therefore, VARTA AG will continue to see technological accomplishments resulting from large investments in the areas of research and development. Together with a recruitment drive to bring new employees on board at our headquarters in Germany, these achievements shape the ongoing development of the company. As the Supervisory Board, together with the Executive Board, it is our aim to successfully continue along our chosen path and stand united behind our brand promise "TOMORROW" – for a better and sustainable future.

Prof. DDr. Michael Tojner

Prof. DDr. Michael Tojner

Education

- Postgraduate Studies Doctor of Laws, Vienna University
- Postgraduate Studies Doctor for Science of Management, Vienna University
- Harvard Business School & Stanford University

Career

- Since 2006: Montana Tech Components AG, Swiss industrial group with a focus on technology and innovation (CEO & owner)
- Since 1997: Global Equity Partners Beteiligungs-Management GmbH, Austria > 80 equity holdings primarily in high-tech and growth sectors (CEO & owner)
- Since 1998: WertInvest Beteiligungsverwaltungs GmbH, Austria Development and realization of architecturally ambitious real estate projects in Europe and the USA (CEO and owner)
- Since 1999: Lecturing activities at the Vienna University of Economics and Business

Supervisory Board Report for Fiscal Year 2020

The Supervisory Board of VARTA AG is pleased to report to you on the work undertaken by the company in fiscal year 2020. Like many businesses, the VARTA Group was not entirely unaffected by the global COVID-19 pandemic, although happily, the Company was able to manage this extraordinary situation very well, with the result that the Supervisory Board could focus on its core tasks in the reporting year.

In fiscal year 2020, the Supervisory Board performed the full scope of its duties in accordance with the law, the Articles of Association and the rules of procedure. We monitored and advised the Executive Board in its management of the Company on the basis of detailed written and oral reports from the Executive Board.

In addition, there was a regular exchange of information between the Chairman of the Supervisory Board and the Chairman of the Executive Board and Chief Financial Officer. The Supervisory Board was regularly briefed on intended business policy, corporate planning (including financial, investment and personnel planning), the profitability of the Company and the course of business, as well as the economic position of the Company and the Group.
The Supervisory Board was directly involved at an early stage in all decisions of fundamental importance to the Company and discussed these in detail with the Executive Board.

Where the approval of the Supervisory Board is required by law, the Articles of Association or the rules of procedure for decisions or measures of the Executive Board, the members of the Supervisory Board – partly on the basis of information from the committees – approved these after intensive scrutiny and discussion. A particular focus of our activities in the year under review was the Company's investment planning, which we dealt with in detail.

The Annual General Meeting was held on June 18, 2020. Due to the COVID-19 pandemic, this took place in the form of a virtual Annual General Meeting for the first time. The new format was subject to a great deal of interest among our shareholders: More than 72% of the share capital was represented at this digital event.

The change at Executive Board level, with Steffen Munz being replaced by Armin Hessenberger, accounted for a significant proportion of the Supervisory Board's work in the first half of 2020.

The Supervisory Board monitored Executive Board members on a regular basis and have been left in no doubt regarding the legality, expediency and correctness of their work. This close contact with the Executive Board was also maintained in the period between the Supervisory Board's regular meetings.

The Chairman and individual Supervisory Board members were in regular bilateral communication with the members of the Executive Board, advising on various business matters in the process. The Executive Board participated in all Supervisory Board meetings and provided comprehensive answers to all Supervisory Board questions. In accordance with Section 90 of the German Stock Corporation Act (AktG), the Executive Board regularly, promptly and comprehensively briefed the Supervisory Board, both verbally and in writing, on the key aspects of corporate planning and business development, the risk situation and risk management in addition to the economic situation of the company and the Group. The Supervisory Board also discussed all important business processes.

A total of four regular meetings, which were either held in person or by video conference call, and two extraordinary meetings held as video conference calls, as well as regular reports obtained from the Executive Board, allowed the Supervisory Board to keep abreast of the business situation and significant events. Moreover, the Supervisory Board adopted several resolutions by way of written circular.

For any discussions and clarifications required, Executive Board members are available for bilateral discussions with the Supervisory Board.

Supervisory Board Meetings and Committees in Fiscal Year 2020

The Executive Board reported in detail on the Company's strategic, operational and financial position at all Supervisory Board meetings.

During the first meeting on **Friday, March 27, 2020 (Balance Sheet Meeting)**, the Supervisory Board addressed the annual and consolidated financial statements 2019 before discharging the Executive Board for fiscal year 2019. The annual financial statements were distributed to all members of the Supervisory Board and discussed in detail at the meeting. The Supervisory Board subsequently reviewed the annual financial statements for 2019 and raised no objections before approving them. The annual financial statements for 2019 were therefore finalized on Friday, March 27, 2020. The proposal for the appointment of the auditor for the 2020 fiscal year was also adopted at this meeting. Furthermore, the agenda for the Annual General Meeting on June 18, 2020 was approved. Due to the COVID-19 pandemic, the Annual General Meeting was held as a virtual event. At each meeting, the Supervisory Board was also advised by the Chief Compliance Officer on the compliance system and, where necessary, any reported breaches.

On **Wednesday, May 20, 2020**, the second meeting in fiscal year 2020 was held. At this meeting, which was held as a video conference call due to the ongoing coronavirus crisis, the situation of the Company in the context of the global pandemic was discussed in particular. Moreover, additional investments to expand CoinPower production capacities were resolved, while the Supervisory Board also signed off on a proposal for the founding and organization of an internal financing arm of the Group.

The third meeting of the year took place in person on **Friday, September 4, 2020 in Traunkirchen, Austria**. At this meeting, the Supervisory Board focused, among other aspects, on the strategy and long-term planning of individual segments and Executive Board matters.

For the final meeting during the 2020 reporting period, the Supervisory Board convened via video conference call on **Thursday, November 26, 2020**. The main focus of this meeting was to resolve the budget for fiscal year 2021.

In summary, it can be stated that after extensive discussion, the Supervisory Board approved all business transactions and processes subject to mandatory submission. The Executive Board informed the Supervisory Board of all key events that were of material importance to assess the economic position and development of the Company.

Committee activities

There are four Supervisory Board Committees:

- Audit Committee
- HR Committee (this includes the Nomination and Remuneration Committee)
- Related Party Committee
- Investment Committee

The members of the Audit Committee are as follows:

- Dr. Harald Sommerer (Chairman)
- DDr. Michael Tojner
- Frank-Dieter Maier

The members of the HR Committee are as follows:

- DDr. Michael Tojner (Chairman)
- Dr. Harald Sommerer
- Sven Quandt

The members of the Related Party Committee are as follows:

- Sven Quandt (Chairman)
- Dr. Michael Pistauer
- Dr. Georg Blumauer

The members of the Investment Committee are as follows:

- DDr. Michael Tojner (Chairman)
- Frank-Dieter Maier
- Dr. Harald Sommerer

The committees work to prepare decisions and issues for meetings of the Supervisory Board as a whole. As far as legally permissible, the Supervisory Board transfers decision-making authority to its committees. The committee Chairmen regularly reported on key aspects of committee meetings during meetings of the Supervisory Board.

The Audit Committee held two meetings via video conference call in the reporting year. In the presence of the appointed auditors, the committee discussed the annual financial statements, the accounting process, the internal control system and corporate governance, among other aspects.

The HR Committee held three meetings in the reporting year. The members additionally coordinated matters and held votes in-between meetings. In particular, the HR committee dealt with the change at Executive Board level, with Armin Hessenberger selected to replace to the outgoing Steffen Munz, as well as other Executive Board matters and a new remuneration system for members of the Executive Board.

The Related Party Committee held four meetings via telephone or video conference calls in the reporting year. The members additionally coordinated matters and held votes in-between meetings. Among other aspects, the work of the Related Party Committee focused on rental arrangements among related parties. The committee also devised a process for dealing with related party transactions.

The Investment Committee convened for a single meeting in fiscal year 2020, which focused on the Company's investment plans in the reporting year.

Conflicts of Interest
In accordance with the German Corporate Governance Code (DCGK), every member of the Supervisory Board is obliged to disclose any conflicts of interest that may arise. The financial services contract agreed in fiscal year 2019 between VARTA AG and Montana Tech Components GmbH, a subsidiary company under the ownership of Prof. DDr. Michael Tojner, Chairman of the Supervisory Board, was extended. The extension was approved by the Supervisory Board. Prof. DDr. Michael Tojner was not involved in discussions on this matter, nor did he play any part in the Supervisory Board's resolution.

An existing rental contract between VARTA Microbattery GmbH and WertInvest Ellwangen Immobilien GmbH, a subsidiary under the ownership of Prof. DDr. Michael Tojner, Chairman of the Supervisory Board, was updated and supplemented. The Supervisory Board approved the changes to this contract. Prof. DDr. Michael Tojner was not involved in discussions on this matter, nor did he play any part in the Supervisory Board's resolution.

No further conflicts of interest arose over the course of fiscal year 2020.

Individualized disclosure of meeting participations for Supervisory Board members

NUMBER OF MEETINGS (PARTICIPATION IN %)	SUPERVISORY BOARD PLENARY SESSION	AUDIT COMMITTEE	HR COMMITTEE	INVESTMENT COMMITTEE	RELATED PARTY COMMITTEE
Prof. DDr. Michael Tojner Chairman	4/4 (100)	2/2 (100)	3/3 (100)	1/1 (100)	
Dr. Harald Sommerer Deputy Chairman	4/4 (100)	2/2 (100)	3/3 (100)	1/1 (100)	
Sven Quandt	4/4 (100)		3/3 (100)		4/4 (100)
Frank-Dieter Maier	4/4 (100)	2/2 (100)		1/1 (100)	
Dr. Michael Pistauer	4/4 (100)				4/4 (100)
Dr. Georg Blumauer	4/4 (100)				4/4 (100)

Annual and consolidated financial statements 2020 audited and approved

The Executive Board prepared the annual financial statements for fiscal year 2020 in accordance with the provisions of the German Commercial Code (HGB), the consolidated financial statements in compliance with IFRS provisions as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e HGB. The Executive Board additionally prepared the Management Report combined with the Group Management Report. These were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Stuttgart, who were appointed as auditors by the Annual General Meeting on June 18, 2020, who issued an unqualified audit statement in each case.

Preliminary versions of the documents were discussed at the Supervisory Board meeting on March 25, 2021, which was also attended by representatives of the auditors. These representatives reported on the focal points and the main results of their audit and addressed the key audit matters. The auditors were available to the members of the Supervisory Board for in-depth discussion. There were no circumstances that could indicate any bias on the part of the auditors.

The Audit Committee, which received the documents submitted by the Management Board and the auditor's reports for preliminary examination, reported to the Supervisory Board on the main content and results of its preliminary examination and made recommendations for Supervisory Board resolutions.

The Supervisory Board examined the annual and consolidated financial statements for fiscal year 2020, the Management Report combined with the Group Management Report and the Executive Board's proposal for the appropriation of profits, taking into account the Audit Committee's report. The Supervisory Board concurred with the results of the audit. On the basis of its own examination, the Supervisory Board determined that there were no objections to the annual and consolidated financial statements or the combined Management Report and Group Management Report. In accordance with the recommendation of the Audit Committee, the Supervisory Board approved the annual and consolidated financial statements, prepared by the Executive Board and including the Executive Board's proposal for the appropriation of profits at the supervisory Board Meeting on March 30, 2021. The annual financial statements of VARTA AG were adopted accordingly.

Moreover, the Supervisory Board also reviewed the separate, non-financial report and Group report, again concluding that no objections were to be raised here either.

The Supervisory Board also endorsed the Executive Board's intention to propose to the Annual General Meeting that net profit for the 2020 fiscal year (139,431,752.99 EUR) should be as follows:

Dividend payout of 2.48 EUR per share entitled to dividend payments, total
100,245,781.28 EUR
Earnings brought forward to new account
39,185,971.71 EUR
Net profit
139,431,752.99 EUR

The respective dividend total and the amount to be carried forward to new account outlined in the above proposal for the appropriation of profits are based on the share capital entitled to dividend payments as at March 30, 2021 in the amount of € 40,421,686.00 divided into a total of 40,421,686 shares.

Relationships with affiliated companies audited
The Executive Board prepared a report on relationships with affiliated companies for the 2020 fiscal year.
The auditors reviewed this report, reported on the results in writing and issued the following unqualified audit statement:
"Based on our audit and assessment in accordance with professional standards, we confirm that
1. the factual statements in the report are correct
2. the consideration paid by the Company for the legal transactions listed in the report was not unreasonably high."

The respective reports of the Executive Board and the auditor were also discussed at the aforementioned meeting of the Supervisory Board after preliminary examination by the Audit Committee. The representatives of the auditors participating in the meeting reported on the main results of their audit. The Supervisory Board approved the Executive Board's report on relationships with affiliated companies after its own examination and also agreed with the result of the examination of the audit report. Pursuant to its audit, the Supervisory Board determined that no objections were to be raised to the statement on relationships with affiliated companies made by the Executive Board in concluding its report.

Members of the Supervisory Board in Fiscal Year 2020
The Supervisory Board of VARTA AG comprises the following members:
- Prof. DDr. Michael Tojner, Chairman (since August 30, 2016)
- Dr. Harald Sommerer, Deputy Chairman (since April 14, 2016)
- Frank-Dieter Maier (since April 14, 2016)
- Sven Quandt (since April 14, 2016)
- Dr. Georg Blumauer (since August 30, 2016)
- Dr. Michael Pistauer (since May 21, 2019)

The Supervisory Board would like to express its thanks to the Executive Board and all the employees for their successful work and commitment displayed during an unprecedented fiscal year 2020.
I would also like to thank you, our valued shareholders, for your continued faith in VARTA AG and the VARTA AG share.

Ellwangen, March 30, 2021

For the Supervisory Board

Prof. DDr. Michael Tojner
Chairman

Sven Quandt, Frank-Dieter Maier, Dr. Harald Sommerer,
Prof. DDr. Michael Tojner, Dr. Michael Pistauer, Dr. Georg Blumauer

VARTA Vision

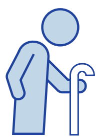
We are defining the future of battery technology to empower a more independent life.

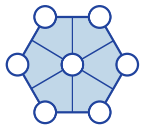
VARTA Mission

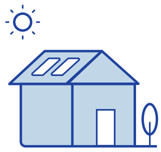
Through continuous investments in research and development, we set the benchmark in battery technology and customization to strive for market leadership in our business segments.

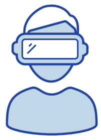
VARTA Success Factors

External Factors


Demographic change


Digital networking

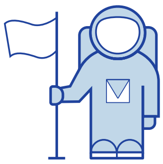

Renewable energies


Technological progress

We are excellently positioned to benefit from long-term growth trends.

Internal Factors


Made in Germany


130 years of success


Technology leadership

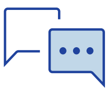

Strong financial profile

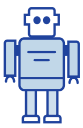
VARTA AG combines many years of experience with trend-setting technology in an unique way that sets standards in mass production.

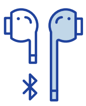
Product Applications


Wearables

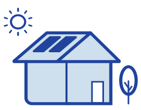

Hearing Aids


IT / Communications


Industrial robotics


True Wireless Stereo

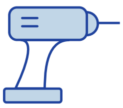

Medical


Residential Storage Systems


Commercial Storage Systems


Automotive


Home & Garden


Power Tools


Household

Batteries are the decisive components for 21st century applications.

Growth of the headset market

For more freedom to go.

Corded devices are almost obsolete in the wearables growth market. The entertainment technology of the future is mobile, wireless, and has a long battery life.
VARTA are contributing to this with **cutting-edge lithium-ion-solutions**. Because after all, what use is the best mobile gadget without the best energy solution?

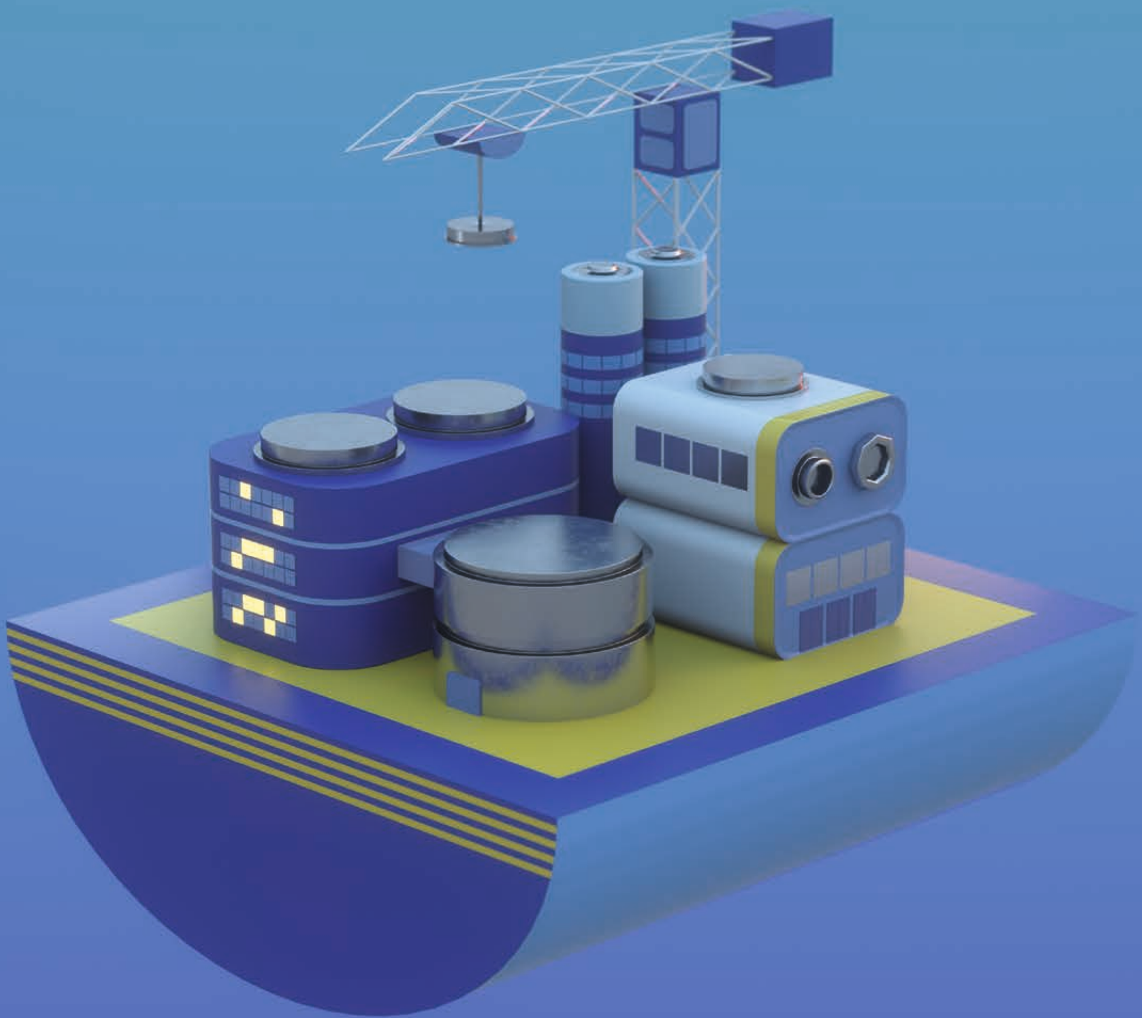
No restrictions despite pandemic

Staying smart through extraordinary times.

The start of the new decade could hardly have been more challenging. The coronavirus pandemic and the measures to contain it all around the world have ranged from a profound impact on people and the economy to the temporary suspension of entire industries and to political upheaval. Thanks to our crisis management, we at VARTA have succeeded in bucking the trend to come through this crisis without any **reductions or delays** in production and without short-time work or lay-offs for any of our employees, an achievement of which we are immensely proud.

Raising guidance

Growing into the future together.



VARTA is looking ahead with great optimism to the future. There is a clear trend at cell phone manufacturers: Cables are a thing of the past. In the near future, the only interface to the devices will be wireless. It can therefore be expected that the trend toward True Wireless Stereo (TWS) headsets will be consolidated and even accelerated moving forward. The technological advancements made in the area of TWS, which VARTA has played an active role in shaping, are progressing rapidly. VARTA is exceptionally well equipped to deal with such developments. For example, the pace of production is being raised by more than 50% this year, which will ensure we operate even more efficiently.

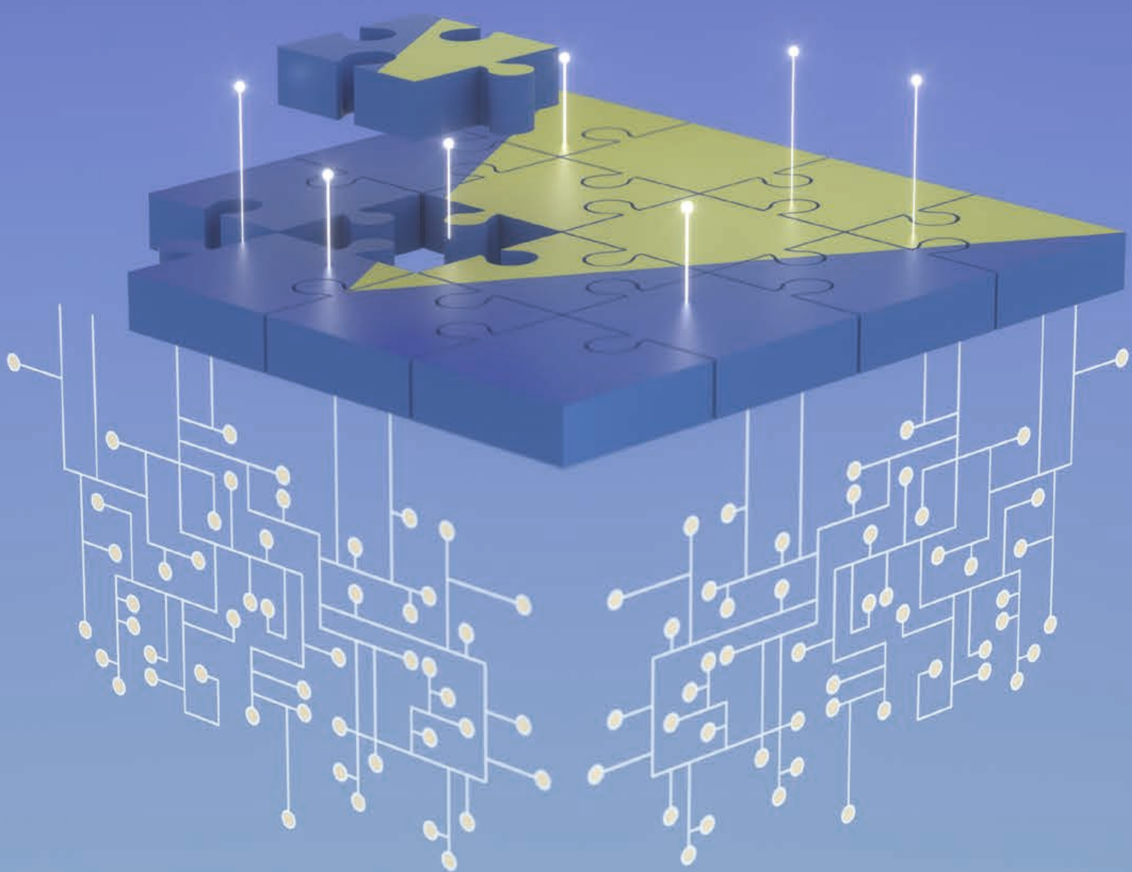
New plant in Nördlingen

Nördlingen goes on stream.

In order to meet the enormous and continuously growing demand in the microbatteries segment in the future, VARTA have built a cutting-edge production plant covering an area of more than 15,000 m² on two levels in Nördlingen. From the second half of the year, the new plant will begin manufacturing the latest generation of lithium-ion batteries on highly automated production lines.

Takeover and integration of VARTA Consumer

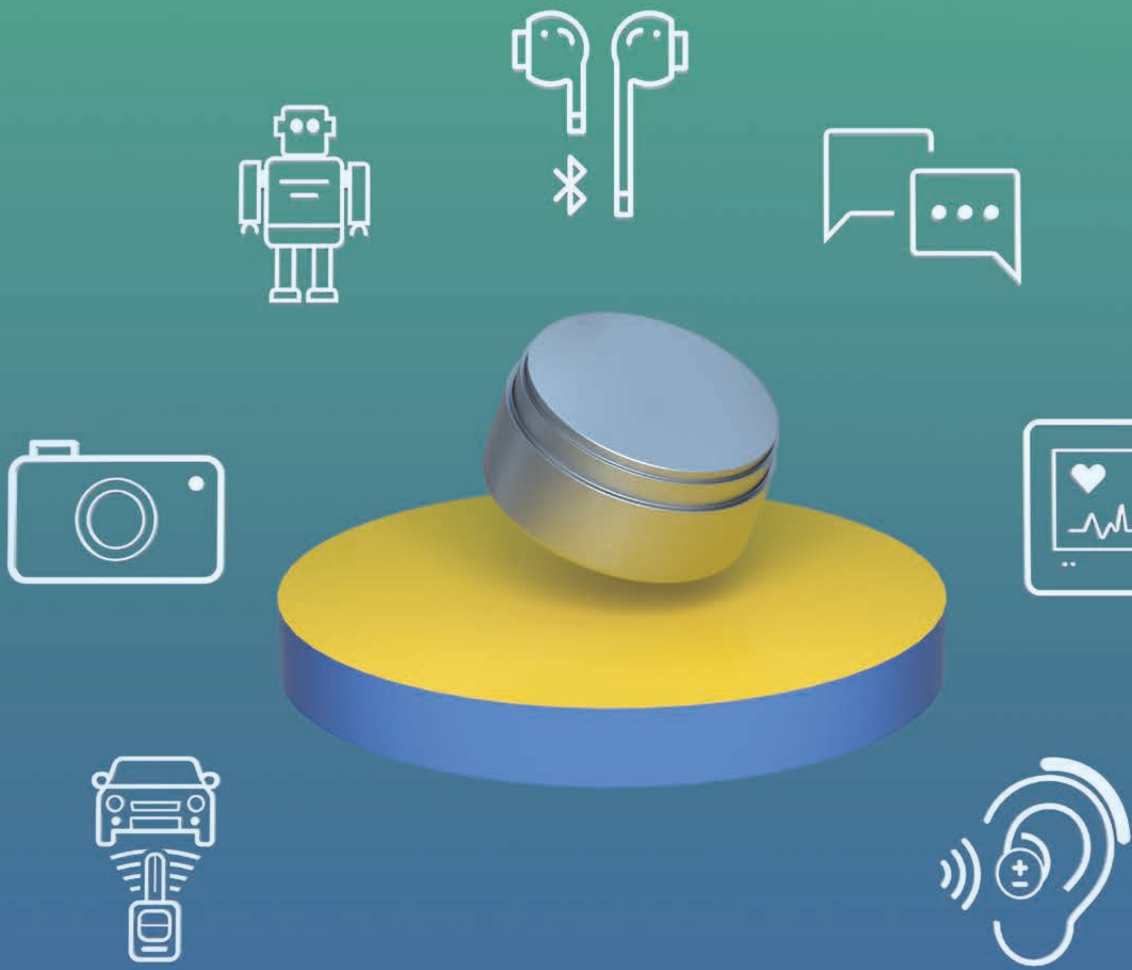
Uniting what belongs together.



At VARTA, we underwent a restructuring in 2020. Existing units were divided into two new segments under the roof of VARTA AG : In future the microbatteries business and the "Power Pack Solutions" area will be combined in the "Microbatteries & Solutions" segment. Due to the expected strong growth in lithium-ion batteries, it will be possible to significantly increase the number of employees in the new "Microbatteries & Solutions" segment. "Household Batteries" focuses on the consumer business with its own sales, marketing and production.

The new CoinPower Generation A4

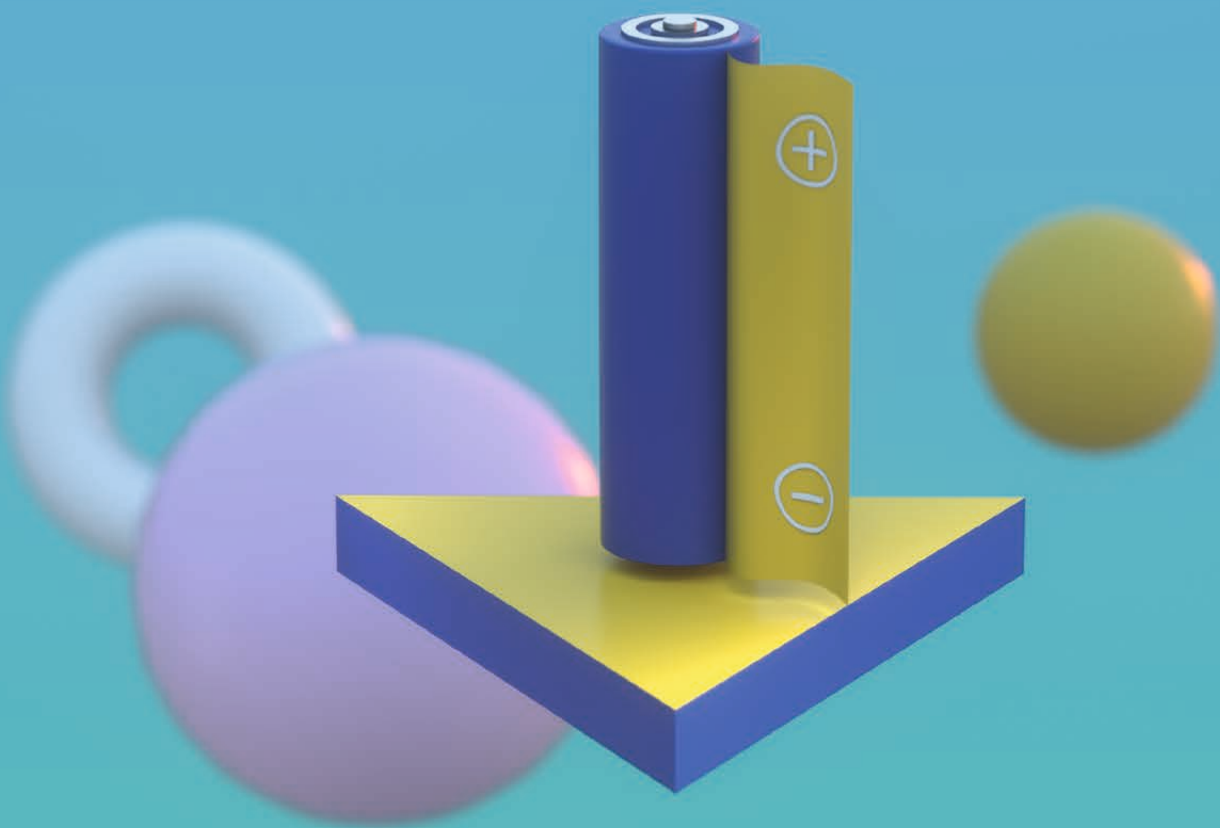
Macro freedom from micro batteries.



The demands for the technology of the future are clear: Smaller, lighter, fewer wires, more mobile. Keeping up with demand requires battery solutions that do not stand in the way of new technologies but rather open up new horizons. This is exactly what our brand new VARTA CoinPower Generation A4 with significantly higher energy density.

Printed electronics for medicine and leisure

New formats for a new era.



Just 20 years ago, it would have been impossible to imagine being able to watch your favorite films, find the love of your life or control household appliances on your phone. Yet today, these are all part and parcel of everyday life. Innovations set tomorrow's standards and as innovation leaders in the area of energy solutions, VARTA is participating in a range of research projects in close cooperation with scientific establishments and universities. For example, VARTA is taking part in the BEWELL project. The aim of the project is to develop integration and production technologies needed for wearable smart skin patches and smart wrist devices including smart watches.

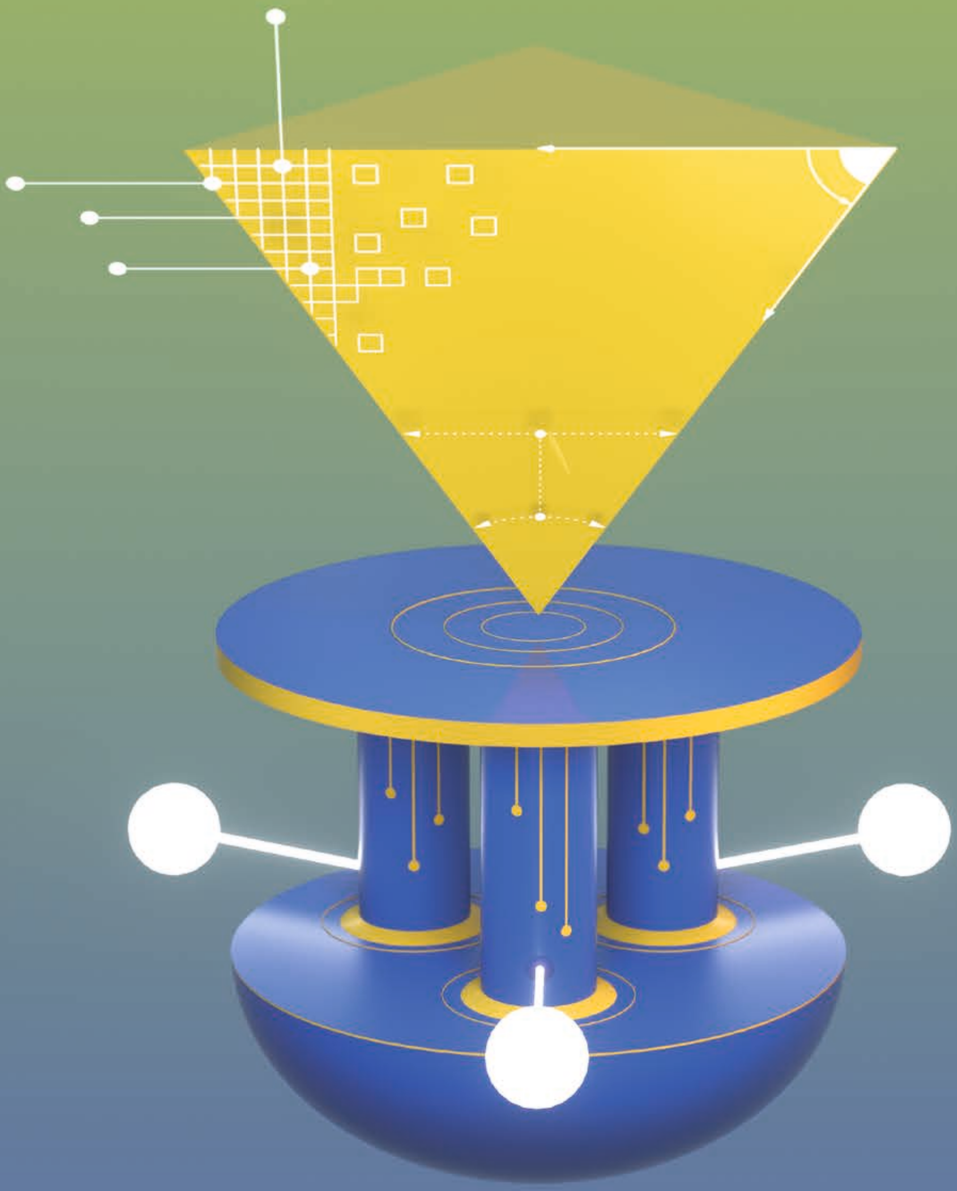
Positioning on the global market

Discovering today what will be crucial tomorrow.

The world is moving closer together, new markets are emerging, old ones are disappearing. As a globally networked market player based in Germany, VARTA is a leading player in the mobile battery technology segment. To maintain our leading edge, we must prepare ourselves today for tomorrow and recognize what will be important in the future. Because the future is becoming more digital, more global and more mobile – and it won't wait.

VARTA sharpens corporate identity

Identity comes from within.



Authenticity can never be copied – this applies equally to people and brands. For this reason, VARTA embarked on a comprehensive brand process in 2020.
The project allowed us to sharpen the brand and derive the essence of our brand profile: **“Empowering Independence”**. This is defined by the three brand pillars of **Explorer**, **Tomorrow** and **Performance**. This is not only our identity in the present, but also our internal compass for the future.

Sustainability needs goals

2027: Carbon-neutral

For us at VARTA, the somewhat overused term "sustainability" is not just an empty phrase, but rather a real concern. This is why we are trying to minimize our energy usage in production as much as possible and making ambitious demands, not just of ourselves but our suppliers too. We have set ourselves the target of drastically reducing our use of problematic raw materials and making our production plants carbon-neutral by 2027. Today, we already have 80% less cobalt in our lithium-ion button cells compared with the majority of our Asian competitors.

VARTA receives IPCEI public funding for the development of new battery formats

Funding innovation

The IPCEI funding received has enabled VARTA to make massive advances in innovation. In addition to the development of small format lithium-ion cells with higher energy densities, the focus of the funding program will also be on transferring innovative VARTA technology to larger formats, such as for robots and in mobility sectors. To this end, the German federal government and federal states have made funding of up to € 300m available to VARTA AG for a period until the end of 2024, for which we say a huge "thank you!"

VARTA wins the German Innovation Award

And the winner is... VARTA!

We at VARTA have impressed the top-class jury of researchers and entrepreneurs! Out of nine nominated top companies, we were chosen as the winners of the German Innovation Award 2020 out of nine nominated top enterprises for our new technology to increase the energy density of lithium-ion batteries. In addition to product innovations, other criteria that are taken into account when selecting the winner include pioneering business models, processes and services as well as organizational and marketing innovations. We are hugely proud of the fact that we were able to impress in all of these areas.

Product Categories: An overview

Lithium-ion button cells

The VARTA CoinPower series is the perfect energy solution for modern electronic equipment such as true-wireless Bluetooth headsets, wearable technologies, medical equipment and much more. The smallest dimensions, outstanding mechanical stability and the highest energy densities have now made the miniaturization of the latest devices possible. The premium cells are "Made in Germany" on fully automated production lines.

Hearing aid batteries

With our "power one" brand, we are the only manufacturer in the world which, in addition to zinc-air batteries, also offers a complete range of rechargeable batteries. These are produced in Ellwangen on fully automated production lines in the largest and most cutting-edge hearing aid battery production facilities.

Energy storage systems

VARTA pulse is now available in the neo version. With its VS-XMS flexible expandable operating system, the VARTA pulse neo is ready for all future requirements. In addition to direct interaction with a wide variety of end devices, cross-product cascading is also possible – and all this without additional hardware.

Lithium-ion battery packs

VARTA's application-specific batteries (ASB) are a modular battery range which enables the development team to focus on its product without additional development, equipment or certification costs for the batteries themselves. The modular design of the lithium-ion batteries means that they can be operated in parallel in order to supply the right amount of energy for any application.

Consumer Batteries

With its Consumer Batteries segment, VARTA AG with its production headquarters in Germany is the European market leader in the household battery segment. In addition to batteries, the range also includes rechargeable batteries, power banks, chargers and lights. The innovative, top quality products are developed and manufactured using state-of-the-art technology and with the expertise of internationally qualified specialists. In addition to its innovative strength, the wide-ranging product mix and the quality and design of the products all contribute to what make this range unique. For VARTA, the intense focus on consumer lifestyles and close cooperation with the retail market are essential in order to be able to respond to current device trends quickly and flexibly with the best energy solutions.

Highlights 2020

Successful acquisition by VARTA AG of Consumer Batteries business

With the acquisition of VARTA Consumer from Energizer Holdings, Inc., VARTA AG has created a leading global manufacturer of battery solutions with a comprehensive product portfolio. With this business acquisition, the global VARTA brand rights for portable and microbatteries as well as energy storage systems have been reunited under the umbrella of VARTA AG and in so doing, has strengthened the brand image of VARTA products in all segments. Herbert Schein, CEO of VARTA AG, comments: "We are delighted with the successful conclusion of the transaction. We have used this unique opportunity to unite what belongs together."

Expansion of production capacities for lithium-ion-batteries to 200 million cells

The VARTA AG Group continues to experience very dynamic growth. This is a consequence of unabated high consumer demand for lithium-ion-batteries. This is why the Executive Board of VARTA AG has decided to once again significantly expand its production capacities: Last year, the planned capacities had already been raised to more than 150 million cells annually but now, VARTA AG will expand its annual production capacities to 200 million cells. This will be implemented by the end of 2021. Along with its major investments in lithium-ion-batteries, the VARTA AG Group will also create around 600 jobs in this segment.

VARTA on the ball – official Bayern Munich club partner

Two strong, energetic brands form a partnership: VARTA AG is now the official partner of the German soccer record champions, FC Bayern Munich. The cooperation includes the mutual use of brand rights as well as joint marketing of VARTA products. Andreas Jung, Head of Marketing at FC Bayern Munich AG, comments: "From its headquarters in southern Germany, VARTA has grown into a national industry leader and a global success story and so the parallels with FC Bayern are plain to see. This is just one of the many reasons why we are delighted to launch this new cooperation."

Energy storage system "pulse" is test winner in battery effectiveness and standby consumption

VARTA pulse is the most efficient AC-coupled energy storage system for photovoltaic systems with five kilowatt peak. This is the conclusion reached by HTW Berlin – the University of Applied Sciences. The study carried out by the university analyzed the energy efficiency of 21 storage systems for solar power plants. In addition to overall efficiency, VARTA's energy storage system also received a battery effectiveness rating of 98% and the energy storage system achieved a top value in standby mode: The system only consumes 2 W energy when it is not in operation. "We are continuously working to make our energy storage systems as efficient as possible. Our task now is to continue to exploit the potential", says Bengt Stahlschmidt, General Manager Energy Storage Systems at VARTA.

The VARTA Group receives IPCEI public funding to advance the development of its innovative lithium-ion-technology

VARTA AG is continuing to drive forward the ongoing development of its lithium-ion technology with funding provided as part of an "Important Project of Common European Interest". One area of focus will be the transfer of innovative VARTA technologies to larger formats. The Federal Ministry for Economic Affairs and Energy (BMWi) and the federal states of Bavaria and Baden-Württemberg are supporting the battery industry in Germany and Europe with funding of up to € 300m for the period until the end of 2024. The Federal Minister for Economic Affairs and Energy, Peter Altmaier, comments: "The development of an innovative and sustainable battery cell production system in Germany is a high priority for us. In light of the transformation taking place in energy and transport, it is an imperative in order to stay competitive, create new jobs and ensure prosperity."

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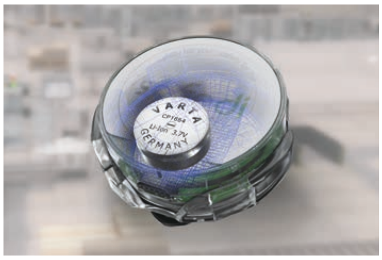
PRODUKT
DES JAHRES 2020

VARTA "pulse neo" chosen as "Product of the Year 2020"

In a nationwide user survey carried out by haustec.de, the online specialist portal for the building services engineering sector, the VARTA "pulse neo" energy storage system was chosen as "Product of the Year 2020" in the "Energy" category, meaning that VARTA has been able to defend its title from the previous year. More than 3,200 readers of the specialist portal took part in this year's survey. They had four weeks to vote on building technology innovations in a total of nine categories. Products from over 100 different manufacturers were up for the vote. "This is one of the leading user surveys in the building industry. This is why we are especially delighted that our energy storage system did so well and achieved first place", says Bengt Stahlschmidt, General Manager Energy Storage Systems at VARTA.



"SAFEDI" close contact tracing systems alert when social distancing during the current coronavirus pandemic – VARTA Coin-Power supplies the energy

"Please maintain social distancing" is surely one of the most common sentences heard or read during the current coronavirus pandemic. Now "SAFEDI" sensor system can make it obsolete. Based on the further development of Bluetooth technology, SAFEDI can now determine the distance between two or more people in close proximity quickly and contact-free. As soon as individuals start moving even closer toward one another, SAFEDI sends out an optical signal as a warning. If two people undercut the minimum social distance, the system generates continuous optical and acoustic signals.
"A reliable energy source is needed so that the clip can reliably fulfill its purpose. Naturally, VARTA CoinPower, with its stand-out high quality and reliability, is the first choice", explains Philipp Miehlich, General Manager, Entertainment VARTA AG.

2020 Highlights

Laying the foundation stone in the presence of Minister-President Markus Söder for the lithium-ion battery cell plant in Nördlingen

"In Nördlingen, we have developed the most cutting-edge lithium-ion battery cell plant for the major growth market of wearables and the Internet of Things", says VARTA AG CEO, Herbert Schein. "It is unique in the world. VARTA AG is the global market and innovation leader for small lithium-ion batteries (CoinPower). It took just a few months to go from the planning stage of the expansion to the start of construction", he continues. The laying of the foundation stone took place in the presence of the Minister-President of Bavaria, Markus Söder and the State Secretary from the Bavarian Ministry of Economic Affairs, Regional Development and Energy, Roland Weigert.

Naïo technologies and VARTA together revolutionise agricultural robotics

The aim of both Naïo and VARTA is to offer farmers the opportunity to use a robot 24/7 without having to worry about the electricity supply. VARTA sees an emergent growth market in agricultural robotics: "With our contribution of expert knowledge and experience in Agrobots, Naïo Technologies is able to focus on its core competency as market leader: Combining robotics and agriculture. With VARTA, the robots are able to work more efficiently as our energy management solution makes charging quicker, simpler and more flexible.

VARTA supplies energy for the Internet of Medical Things (IoMT)

At the Virtual Compamed 2020, VARTA presented its wide product portfolio of microbatteries for smart medical applications. One highlight was the hydrogen generator cells used for smart pills, among other applications. In addition, with its latest CoinPower series, VARTA is offering efficient lithium-ion cells for applications such as insulin pumps and smart monitoring systems for infants, senior citizens and athletes. "Thanks to the Internet of Things, the medical sector will make a quantum leap over the next few years and VARTA will play a decisive role in this", says Philipp Miehlich, General Manager, Entertainment VARTA AG.

The world of hearing aid batteries at a click

power one World is inviting you on a journey of discovery through the world of hearing aid batteries. The aim of this interactive website is to stimulate dialog. For example, videos provide up-to-date information on the latest product developments and offer glimpses into the world of hearing aid batteries. Visitors to the website can download all the information on the power one brand and its products in the download section. As well as a press page, power one World includes a conference room which invites visitors to attend online discussions. Anyone with a specific question or who needs more information can get in touch directly with the power one World Team.

Future Battery Forum brings together the top decision-makers in the battery sector

Where is battery technology headed on its journey? The top representatives of the segment discussed this and other questions at the Future Battery Forum, which took place on December 10-11. The founding partners for the event, which took place for the first time this year, were VARTA, the Wacker Neuson Group and Akasol. The first Future Battery Forum took place under the heading of "Battery technologies 2025: Routes to transformation". The aim of the forum was to bring together the most important players in the battery industry, foster international exchange, generate new ideas, create synergies and provide a platform to answer the most pressing questions regarding the future. VARTA was represented in the program with two keynote speakers.

VARTA supplies CR2032 cells for Covid-19 antibody tests

"Senova", a German manufacturer of medical lab equipment for in-vitro diagnostics and "ams", an Austrian sensor specialist, are developing a high-precision antibody test for the SARS-CoV-2 virus. The electricity supply is provided by VARTA's CR2032 lithium-ion button cells. A primary cell must be incorporated into every test. The manufacturers are promising ten times greater sensitivity compared with other rapid result tests. Another advantage of the electronic antibody test is its decentralized use, e.g. in doctor's surgeries. The test no longer has to be sent to a lab for analysis.

VARTA develops and supplies smart batteries and chargers for Desoutter's smart assembly tools

In summer 2020, the assembly specialist Desoutter launched its first smart battery and charger solutions for the automobile and off-road industry, the aviation and space industry as well as for general mechanical and plant engineering. Desoutter chose VARTA to specify, design and assemble the battery and charger. Mass production has now kick-started supply. The result is smart batteries with smart electronics, increased safety and robustness as well as significantly higher capacity and a longer service life. All this has helped to reduce operating costs for Desoutter's customers.

VARTA Consumer Batteries presents FC Bayern Munich special edition

VARTA presents four bestsellers in its exclusive FC Bayern design: The FC Bayern Power Bank as well as the FC Bayern flashlight, key lamp and headlight. The exclusive VARTA FC Bayern Special Edition is now available for purchase both online and in-store. VARTA and FC Bayern Munich have been working together since the start of the year. It is an electrifying partnership between two global players who can both look back on a long history crowned with success, consistency and tradition, and who today are among the best in their fields. Now, the two businesses, which successfully came together back in February 2020, are also growing together at product level. The result is four successful VARTA Consumer products in the exclusive FC Bayern special edition.

Share Performance

The stock exchange year of 2020 was characterized by huge fluctuations. The first quarter was dominated by the onset of the COVID-19 pandemic and resulted in significant price falls. Over the course of the rest of the year, these losses were recovered, with the result that the markets finished up for the year as a whole. The DAX grew by 3.6%, while the MDAX went up by 8.8% and the TecDAX rose by 6.6%. The VARTA AG share also experienced highs and lows in 2020. At the start of the year, the share performance suffered from a short seller attack, further exacerbated by the effects of the pandemic. New record highs were achieved at the end of August. However, these were not quite fully sustained until the end of the year. Therefore, at -2.6%, performance for the year came in below the benchmark indices.

Market capitalization and trading volume significantly up

The market capitalization and trading volume of the VARTA AG share have continued to improve. As at year-end 2020, the company was valued at around € 4.9bn on the stock market (2019: € 4.8bn). In order to ensure that VARTA AG shares are attractive to new international investor groups, a particular focus of Investor Relations was to increase the average trading volume of the shares. Over the course of 2020, an average of 301,330 shares were traded each day (2019: 94,692 shares). This equates to an increase in the average trading volume of 218%.

Dividend payout

VARTA AG has announced that it will be making dividend payments for the first time and has proposed that the Annual General Meeting resolves a dividend payout of around € 100m. This equates to a value of € 2.48 per share and is in recognition of an extraordinarily good fiscal year 2020.

Further internationalization of the shareholder structure

As at year-end, VARTA AG's shareholder structure was of an international nature. In addition to the anchor investor Montana Tech Components AG, to which 55.9% of the shares are attributable, the focus of the shares is on the countries USA, United Kingdom, France and Germany as well as other European countries. Shares are mainly held by institutional investors with long-term horizon in particular. The proportion of shares held in free float stood at 44.1% as at year-end.

Index improvement

Since December 23, 2019, VARTA AG has been listed on the select indices of the MDAX and TecDAX. While the Company's position as measured by market capitalization improved only marginally by one or two places, its ranking as measured by volume of shares traded increased significantly, and VARTA AG is now very well positioned. The Company improved from 47th place to 13th place on the MDAX and from 22nd place to 7th place on the TecDAX. With a daily trading volume of up to two million shares, the VARTA AG share also holds an appeal for global investment firms.

Going global virtually: Capital market communications targeting all corners of the world

During the stock market year of 2020, the global pandemic saw a realignment of globally focused capital market communications. When in-person meetings were no longer possible, one-on-one discussions, roadshows and conferences took place online. In some cases, this led to a significant increase in contacts overall. In general, the company mainly took part in multi-day roadshows (14) and capital market conferences (12). Regionally, the focus was on Germany, the United Kingdom and the USA, each with six largely international events. Four events took place in France and one each in Italy, Switzerland, the Nordic region and Asia. In addition, VARTA AG intensified its contacts with the sales departments of various national and international banks. There was a marked increase in direct telephone contacts with private investors

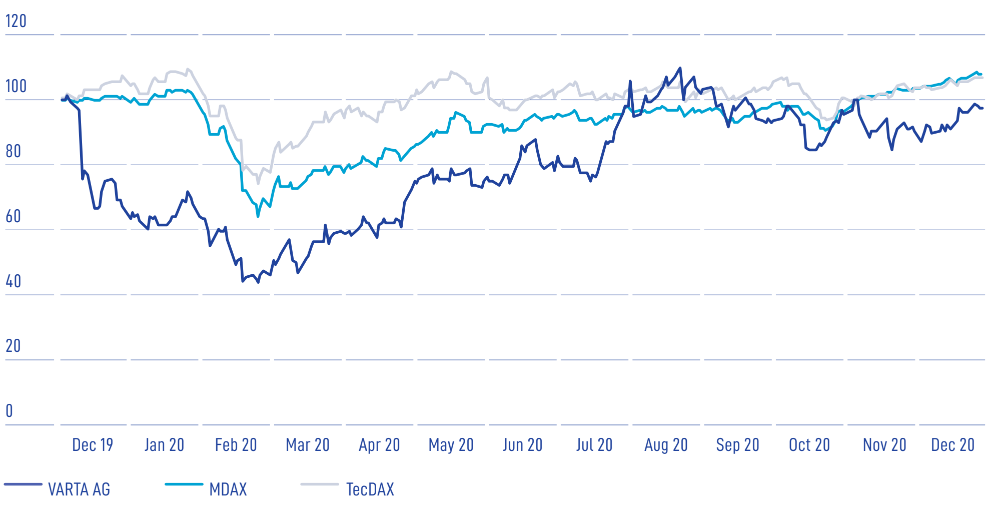
Further increase in analyst coverage

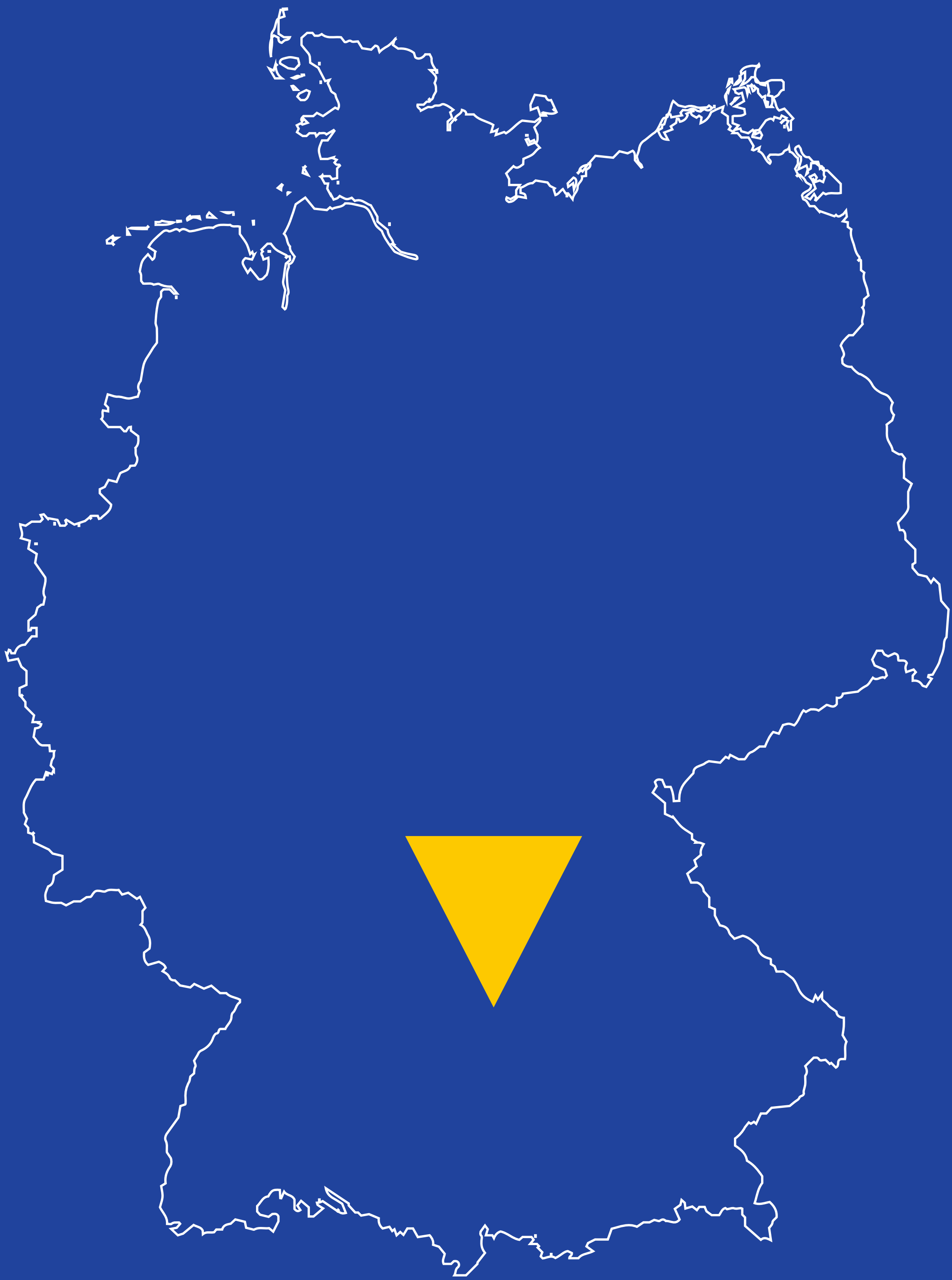
The coverage of VARTA AG increased from six to eight analysts compared with 2019. Gaining additional global securities analysts for research purposes remains one of the IR team's central objectives, so that market participants may have a wide range of research opinions at their disposal. Further extending this coverage will remain a priority in 2021 as well. The focus will not only be on numbers, but also on coverage for specific countries. In this context, the US and Asian markets will be our priority.

Virtual Annual General Meeting approves all agenda items by a large majority

On June 18, 2020, the shareholders supported all agenda items with a majority of at least 88%, in particular the proposal by the Executive Board and the Supervisory Board to not pay out any dividends but to retain the net profit in order to support VARTA AG's comprehensive investment program. Attendance stood at 72.5% and therefore slightly below the figure of 88% reached in the previous year, when the Annual General Meeting was still allowed to go ahead in person.

VARTA AG versus benchmark indices





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quality, safety and efficiency.

Contents

Consolidated management report for fiscal year 2020
VARTA Aktiengesellschaft, Ellwangen (Jagst)

This report combines the management report of both VARTA Aktiengesellschaft (VARTA AG) and the VARTA AG Group.

1. Group structure

1.1. BUSINESS MODEL

VARTA Aktiengesellschaft, Ellwangen, Germany (VARTA AG) is the parent company of the corporate Group. VARTA AG has been listed on the Frankfurt Stock Exchange in the Prime Standard segment since October 2017, in addition to being included on the select indices of the MDAX and TecDAX since December 23, 2019. The description below provides a (simplified) overview of the Group as at the balance sheet date.

VARTA AG is a company headquartered in Ellwangen, Jagst. The business activities of VARTA AG encompass the development, production and sale of microbatteries, household batteries and energy storage solutions in addition to research and development processes for these products.

On January 2, 2020, the Company concluded the acquisition of the Europe-based VARTA Consumer Batteries business (VARTA Consumer), which focuses on household batteries, from the US company Energizer Holdings, Inc., and integrated the new unit in the Household Batteries segment. VARTA Consumer also includes a number of subsidiaries, with its primary production base located in Dischingen, Germany. With this corporate acquisition, the worldwide VARTA trademarks for household and microbatteries as well as energy storage systems have been reunited back under the umbrella of VARTA AG. This strengthens the brand profile of VARTA products across all segments.

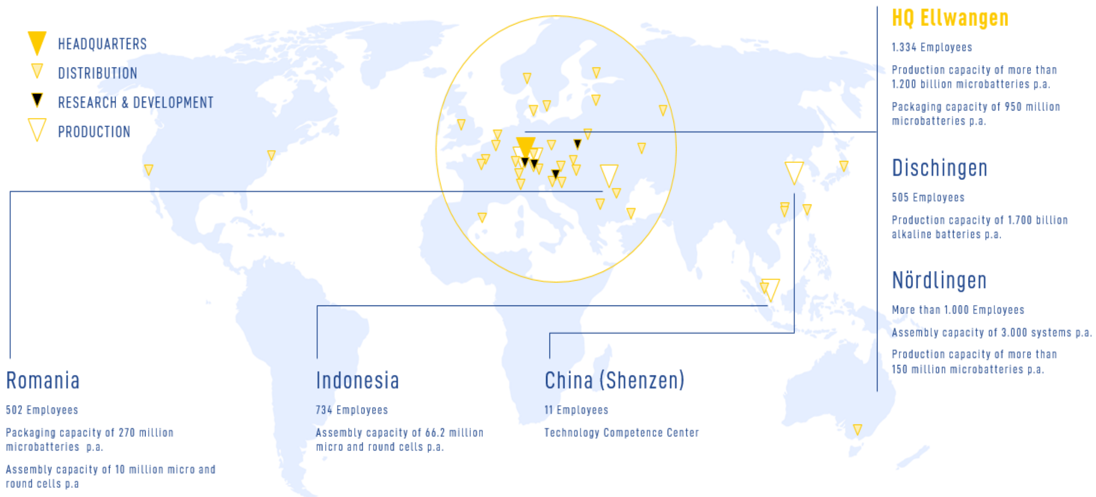
The business activities of the VARTA AG Group are divided into two separate business segments: Microbatteries & Solutions and Household Batteries.
The "Microbatteries & Solutions" segment focuses on the OEM business for microbatteries and the lithium-ion battery pack business. The "Household Batteries" segment covers the battery business for end customers, and includes household batteries, rechargeable batteries, chargers, portable power (power banks), lights and energy storage systems.

The Group develops, produces and sells a comprehensive battery portfolio that ranges from microbatteries, household batteries and energy storage systems all the way to customer-specific battery solutions for a wide range of applications and end customer markets. Extensive experience in the field of materials research and the development of various electrochemical battery systems paired with expertise in process development and mass production form the basis from which the Group is able to develop new and innovative products.

Since the end of 2020, the Group has operated five production and battery manufacturing plants in Germany, Romania and Indonesia in addition to distribution centers in the USA, Europe and Asia, from which direct sales to customers in more than 75 countries around the world are coordinated. Operating on a global basis today, VARTA AG can proudly look back on 135 years of company history.

The Group's battery solutions offer the highest levels of quality, reliability and performance. There is a focus on battery systems with high energy densities for primary batteries and rechargeable batteries on the basis of lithium-ion technology. Regarding semi-customized or fully-customized battery solutions, VARTA offers its customers comprehensive advice and strategic planning in terms of the right choice of components to ensure the most efficient energy supply for any given application.

The following organigram depicts the Group structure including subsidiaries operating in different countries.



Segments and organizational structure

MICROBATTERIES & SOLUTIONS

The "**Microbatteries & Solutions**" segment focuses on the OEM business for microbatteries and the lithium-ion battery pack business. VARTA AG is a leading manufacturer of microbatteries for hearing aids and rechargeable microbatteries in the area of Entertainment. The Company boasts reputable firms as clients and manufactures batteries in numerous key electro-chemical systems as well as in a variety of structural shapes and sizes, while the range of applications extends from hearing aid batteries to wireless headsets all the way through to automotive applications operated by way of microbatteries. The Healthcare and Entertainment & Industrial divisions work together in a synergistic manner. The Group can call on extensive industry experience in the construction of high-performance, safe and needs-based lithium battery packs within the Power Pack Solutions segment – for medical technology, robotics, connectivity and telecommunications. The product portfolio ranges from customer-specific battery packs to fully configured standard batteries that can be used immediately.

HOUSEHOLD BATTERIES

The "**Household Batteries**" segment covers the battery business for end customers, including household batteries, rechargeable batteries, chargers, portable power (power banks), lights and energy storage systems. With the Consumer Batteries segment, VARTA AG is a European market leader in the area of household batteries with production located in Germany. The innovative, high-quality products are developed and manufactured using cutting-edge technology and by leveraging the expertise of internationally qualified specialists. A combination of innovative capacity, breadth, quality and design make the product range unique. For VARTA, a pronounced focus on consumer lifestyles and close working relationship with retail partners are essential in order to react quickly and flexibly to emerging device trends with optimum energy solutions. By developing and manufacturing energy storage solutions within its "Energy Storage" business segment, VARTA is contributing to the energy revolution. The energy storage solutions developed by VARTA in the home and mass storage markets range from compact, basic models such as the wall-mounted VARTA pulse neo to large-scale storage solutions including the VARTA flex storage for commercial applications. The AC-coupled systems feature integrated battery inverters and can be combined with all sources of green energy without the need for additional PV inverters. This makes them suitable for all new installations and retrofit projects. The smart energy management system also ensures optimal use of self-produced solar energy and is designed to significantly increase domestic solar power use.

1.2. Strategy and goals

As part of its annual budget planning, the VARTA AG Group defines its goals and strategies for the following fiscal year. The Group is ideally positioned to take advantage of the relevant growth trends across both segments. These include demographic changes, technological progress, increased connectivity (Internet of Things) and renewable energies (growing awareness of recyclable materials), for example. As of January 1, 2020, the Group redefined its two segments as described under 1.1. Further information on the Group's objectives can be found in the "Outlook" under Chapter 11.

Demographic change

Both increasing life expectancy and increased customer acceptance due to advances made in hearing aid technology are leading to rising demand for hearing aid batteries. VARTA serves this market with zinc-air and rechargeable lithium-ion batteries.

Technological progress

The unabated trend towards wireless devices across all areas is increasing the demand for reliable, predominantly rechargeable energy solutions of the highest quality. At the same time, there is a trend towards smaller devices with increased functionality, leading to demand for high energy density batteries.

Connectivity

The advances made in connectivity and convergence due to the Internet of Things, further developments in telecommunications and the wider prevalence of smart solutions are driving demand for batteries in a wide range of industries such as IT, telecommunications and the healthcare sector.

Renewable energies

The increased importance of renewable energies, energy efficiency, independence from fossil fuels and European Union (EU) climate targets are leading to sustainable growth rates in the field of intermediate energy storage solutions.

The VARTA AG Group focuses on the following growth areas and objectives in this respect:

Strengthening and expanding global market position in core products
In fundamental terms, the Group focuses on business areas in which it strives to attain long-term market-leading positions. This target is unchanged from the prior year.

In the Healthcare area, the company aims to consolidate and expand its market position on the back of further innovations. Similarly to the Healthcare area, the Group has developed a leading position for True Wireless Stereo Headsets (TWS) in particular. The aim here is to further expand this leading position in order to capitalize on strong market growth to an above-average extent. In the area of Power Packs, the focus is on major customers that operate on a global basis. The European market share is to be strengthened in particular.
In the area of Consumer Batteries, the company is pursuing a growth strategy for consumer batteries focused on the VARTA brand. By contrast, the focus in the Entertainment area (TWS) is on securing growth by gaining new clients. Trends towards sustainability, increased environmental awareness and rising demand for energy self-sufficiency should support our growth ambitions in the area of intermediate energy storage solutions.

Greater innovation dynamic and technology leadership
The Group is working on the development of new, innovative products using fully automated high-speed production lines in Germany, above all in the Microbatteries & Solutions segment. Within this segment, the Company covers the entire value-added chain, from materials research to the finished product, including customer-friendly packaging concepts. On account of the very high level of demand for rechargeable lithium-ion batteries for the Entertainment area (TWS), the Group significantly expanded production capacities last year.
The Group has secured a competitive edge on the back of a combination of a strong market position, internal research and development activities and long-term customer relationships, allowing the Group to benefit from sustained growth trends that remain dynamic in nature in the markets for microbatteries in the healthcare, entertainment and industrial sectors. The Group aims to supply its customers with the highest quality batteries and battery solutions. It will continue to work towards developing innovative, high-performance button cell technologies and customized smart battery solutions.

Strong financial profile enabling focus on profitable growth
The Group intends to capitalize on further growth opportunities by investing substantially in the expansion of production capacities and by making selective acquisitions. The Group expects that its strong financial profile, together with a low debt ratio, prudent use of working capital and its focus on high-growth investments, should allow it to further increase its cash flow capacity.

1.3. Corporate management
The VARTA AG Group is managed on the basis of internally defined financial and non-financial metrics to pursue a strategy centered on sustained value growth. The Executive Board has not changed its internal control and management mechanisms in comparison with the prior year. As was the case in the previous year, the following metrics were applied for corporate management purposes: Revenue, adjusted EBITDA and CAPEX. The management control system also represents the basis for VARTA AG's external reporting and is monitored by the Supervisory Board within the scope of its control function.

Financial and non-financial indicators
Revenue is one of the most important key indicators to measure growth at the VARTA AG Group. It is also the most important metric for corporate Group management. As part of the budgeting process, revenue is broken down by individual segment and monitored on an ongoing basis.

Adjusted EBITDA (operating earnings before interest, taxes, depreciation and amortization adjusted for special effects) represents a sustainable earnings indicator for the Group. At the same time, adjusted EBITDA is a suitable control variable to effectively assess the operating earnings capacity of the Group and/or the two segments.

As was the case in the prior fiscal year, the Executive Board defined as special effects (where applicable) costs related to an IPO and capital increase, impacts on the profit and loss account resulting from the reimbursement claim from an assumption of debt in connection with pension obligations, effects from the share-based remuneration, disposal effects from sale and lease-back transactions, potential restructuring costs and expenses in connection with M&A transactions. In accordance with this definition, the earnings effect from share-based remuneration and from expenses incurred in connection with the acquisition of the VARTA Consumer Group, in particular the associated restructuring and integrations costs, as well as the reverse effects of the purchase price allocation related to the first-time consolidation of inventories were adjusted in fiscal year 2020. The specification of the definition owes to the fact that the acquisition of the VARTA Consumer Group represents the completion of a first major transaction.

The necessity for investments as a result of the huge demand for the Group's products is monitored by the Executive Board using the CAPEX metric. This refers to payments made to purchase intangible assets and property, plants and equipment. In this context, the Executive Board reviews the effective capital allocation on the basis of yields on invested capital. CAPEX is a metric applied as a control mechanism solely at VARTA AG Group level. It covers investments excluding M&A transactions.

These previously mentioned financial indicators represent the key steering variables at Group level.

Net working capital (provisions plus trade receivables and contract assets less trade payables, current advance payments, contract liabilities and customer bonus accruals) is also used as an important management metric. Net working capital is applied as a control variable exclusively at VARTA AG Group level.

The change in employee numbers remains an important key performance indicator on account of the dynamic growth enjoyed by the Group and the acquisition of the VARTA Consumer Group.

1.4. Separate non-financial Group report

The separate non-financial Group report is published on the website (https://www.varta-ag.com/de/unternehmen/corporate-social-responsibility) at the latest four months after the reporting date for the consolidated financial statements.

1.5. Management and Control

In 2020, the Executive Board of VARTA AG comprised three members: Herbert Schein (CEO), Steffen Munz (CFO) and Armin Hessenberger, who joined the Executive Board on October 1, 2020. On December 31, 2020 Armin Hessenberger has taken on the responsibilities of CFO from Steffen Munz. The Executive Board members share joint responsibility for the management of the company.

As at December 31, 2020 the Supervisory Board was composed of the following members: Prof. DDr. Michael Tojner (Chairman), Dr. Harald Sommerer (Vice Chairman), Frank Dieter Maier, Sven Quandt, Dr. Georg Blumauer and Dr. Michael Pistauer.

1.6. Corporate Management Declaration

The corporate management declaration in accordance with Section 289f of the German Commercial Code (HGB), which also contains the declaration of conformity in accordance with the German Corporate Governance Code (DCGK) pursuant to Section 161 of the German Stock Corporation Act (AktG), is published on the VARTA AG website (www.varta-ag-com/investor-relations).

2. Economic report

2.1. Markets and influencing factors

The markets in which the VARTA AG Group operates and the influence factors to which it is exposed have remained practically identical in comparison with the prior year. The VARTA AG Group manufactures and sells batteries around the world, benefiting from a positive consumer landscape despite its relative independence from the macroeconomic environment. This infers that any negative trends in the macroeconomic environment would not entail any direct consequences for the business model, as the majority of products are unaffected by the economic cycle. For example, they tend to be used in medical settings or in consumer segments.

In geographical terms, revenue distribution is highly diversified. Most of our products are sold in Europe, followed by Asia and North America (see 3.1 Earnings situation). This therefore means that dependency on individual countries and their respective economic development is comparatively low. Due to the market and customer structure, the Asian market plays the largest role; many major manufacturers of wireless headsets produce their products in this region. The key influencing factors are discussed as part of the following Chapter (2.2 "Macroeconomic and industry-related framework conditions").

2.2. Macroeconomic and industry-related framework conditions

The existing macroeconomic framework conditions in 2020 in the relevant markets to the VARTA AG Group continued to develop positively. The Company was not adversely impacted by the Covid-19 pandemic. Demographic trends are key to the sales of batteries for healthcare applications, while it is trends in consumer electronics that exert the greatest influence on sales of batteries for entertainment applications and the trend towards wireless products that most impacts the sales of products in the Solutions segment. The Consumer Batteries segment is benefiting from structural growth across a broad product portfolio (batteries, rechargeable batteries, chargers, portable power/power banks). The trend towards renewable energies is one of the key growth drivers within the Energy Storage segment.

Increased life expectancy of people across all societies in addition to rising acceptance of hearing aids both serve to support sales of such products and therefore also of batteries for hearing aids too. In this context, the UN expects the global population of people aged 65 or over to increase from 9.3% in 2020 to approximately 16% in 2050 (United Nations: World Population Ageing 2020 Highlights). At the same time, life expectancy is continually rising. In 2019, this stood at 72.6 years on a global basis, and is expected to rise to 77.1 years by 2050 (United Nations: World Population Prospects 2019 Highlights). The human requirement for hearing aids is therefore also set to rise. Research conducted by Stifel Bank puts expected sales development at around 4% growth, which would be achieved primarily by higher unit volumes. The market is estimated to be worth around $ 14bn. High demand for available hearing aids (OTC) and product innovations related to the rechargeable coin-shaped batteries used in these products are having a positive effect.

The area of Entertainment is benefiting from the unabated high level of customer demand for high-tech consumer products, in particular for wireless premium headsets with rechargeable lithium-ion cells. Improvements to the operating time and expanded functionality will see the market share of wireless headsets increased further. The more wireless devices that are developed, particularly for micro-applications (e.g. headsets), the stronger the position of the VARTA AG Group here. In this regard, a study conducted by Counterpoint concludes that sustained strong growth for these batteries is expected, while the market share for coin-shaped batteries is likewise expected to increase substantially. The expectation is that the market share will rise from around 42% in the previous fiscal year to roughly 50% in 2022.

In the Power & Energy segment, demand for power tool batteries is likely to be boosted by the switch from corded to cordless end devices, for which ever more high-performance batteries are sought. According to Arvienne, a global revenue increase from $ 1.7bn to $ 3.5bn is expected for the period between 2017 and 2030.

2.3. Business development

General comments from the Executive Board regarding the economic situation

The VARTA AG Group can look back with pride on a highly successful 2020. Key events during the 2020 fiscal year included the very high level of demand for lithium-ion batteries for wireless lifestyle products, the expansion of production capacities in this area due to the level of demand, high demand for zinc-air batteries used in hearing aids in addition to the very successful development of business in terms of stationary energy storage solutions and the first-time consolidation of the VARTA Consumer business acquired at the beginning of the year. In 2020, a triple-digit improvement in Group revenue of 139.8% to € 869.6m was recorded. Excluding the first-time consolidation of VARTA Consumer, organic growth amounts to 47.2%. After registering high-level revenue growth and by scaling the business model, growth in consolidated operating earnings has once again outpaced that of revenue. Adjusted EBITDA rose by € 143.5m to € 241.0m. Excluding VARTA Consumer, the increase would have amounted to 91.7%. It was especially positive to note that both the Microbatteries & Solutions and Household Batteries segments sustained high growth impetus and continued their very positive development.

Comparison of business development with prior year guidance

The consolidated financial statements from last year contained guidance for 2020 on the basis of the key performance indicators listed below. Overall, the positive business development was continued as expected in the fiscal year under review.

KPI	GUIDANCE FOR 2020	FISCAL YEAR 2020
Financial indicators: Group		
Revenue	Significant sales growth at stable currency exchange rates	Huge sales growth at stable currency exchange rates
Adjusted EBITDA	Huge increase	Huge increase
CAPEX	Significant increase	Huge increase
Financial indicators: Microbatteries & Solutions segment		
Revenue	Significant sales growth	Huge sales growth
Adjusted EBITDA	Huge increase in relation to sales	Huge increase in relation to sales
Financial indicators: Household Batteries segment		
Revenue	Huge increase	Huge increase
Adjusted EBITDA	Significant increase	Huge increase

3. Development of earnings, financial position and net assets

3.1. Earnings situation

Consolidated income statement for the period January 1, 2020 to December 31, 2020

(€ k)	2020	2019
Revenue	**869,583**	**362,692**
Increase/decrease in finished goods and unfinished goods	-4,175	643
Own work capitalized	4,980	4,313
Other operating income	37,390	7,760
Cost of materials	-315,547	-123,527
Personnel expenses	-257,088	-114,406
Other operating expenses	-122,512	-45,853
EBITDA	**212,631**	**91,622**
Depreciation	-66,617	-20,855
Operating earnings (EBIT)	**146,014**	**70,767**
Financial income	336	601
Financial expenses	-5,334	-1,127
Other financial income	1,953	3,488
Other financial expenses	-9,845	-2,644
Financial result	**-12,890**	**318**
Profit and loss shares in companies recognized in the balance sheet under the equity method	0	-6
Earnings before taxes	**133,124**	**71,079**
Income tax expenses	-37,616	-20,615
Consolidated result	**95,508**	**50,464**
Appropriation of profit:		
Shareholders of VARTA AG	95,411	50,390
Non-controlling interests	97	74

Revenue

Revenue at the VARTA AG Group increased by 139.8% from € 362.7m to € 869.6m in fiscal year 2020. Sales increased in both segments. The Household Batteries segment was influenced by the first-time consolidation of VARTA Consumer. Organic growth at Group level amounted to 47.2%.

In the Microbatteries & Solutions segment revenue was up 49.1% from € 340.9m to € 508.1m. By far the strongest revenue growth was again achieved in rechargeable lithium-ion cells for high-tech consumer products, especially for premium wireless headsets (TWS). This is a consequence of unabated high customer demand in a rapidly growing market. In the area of hearing aid batteries, the company is benefiting from structural growth and the trend towards rechargeable hearing aids.

Revenue in the Household Batteries segment increased from € 21.4m to € 361.1m and therefore grew by € 339.8m. VARTA Consumer, which was consolidated for the first time, performed significantly better than expected. The high demand for energy storage solutions has contributed to very high growth rates in this sub-segment.

The following chart shows the breakdown of Group revenue on a regional basis. The markets in Europe and Asia are the most important sales regions for VARTA. The high rate of growth in Europe is mainly due to the first-time consolidation of VARTA Consumer. Business in Asia developed very favorably. Owing to the market and customer structure, many large manufacturers of wireless headphones have their products produced here. Further information about the geographical distribution of the segments can be found in Section 6 "Segment Reporting" of the Notes to the Consolidated Accounts.

(€ k)	2020 REVENUE	2019 REVENUE	CHANGE (%)
Europe	463,983	143,196	224.0%
Asia	331,219	154,860	113.9%
North America	58,403	60,161	-2.9%
Other	15,978	4,475	257.1%
Group Total	**869,583**	**362,692**	**139.8%**

Expenses and other operating income
The cost of materials in the reporting year totaled € 315.5m as against € 123.5m in the prior year, corresponding to an increase of 155.4%. The disproportionate increase in comparison with revenue is primarily due to higher cost of materials ratios of VARTA Consumer, which was consolidated for the first time.

Personnel expenses increased at a lower rate than revenue, rising by 124.7% from € 114.4m to € 257.1m. This year-on-year increase was primarily the result of the first-time consolidation of VARTA Consumer and a rise in staff numbers to support growth in the area of CoinPower. Furthermore, collective pay increases in Germany and inflation-based wage increases abroad are leaving its mark here. Personnel costs include expenses for share-based remuneration in the amount of € 1.1m (2019: € 2.9m).

Other operating expenses increased by 167.2% overall from € 45.9m to € 122.5m. Of this increase of € 76.6m, a total of € 58.8m is attributable to VARTA Consumer, with the remaining companies accounting for € 17.8m. This is mainly due to the increase in legal and consulting expenses in connection with the acquisition of the VARTA Consumer companies in the amount of € 3.3m. Moreover, expanded production capacities led to additional energy expenditure of € 1.9m and higher maintenance costs of € 2.4m compared with the previous year. The increase in outgoing freight and customs duties of € 1.3m is due to the sharp rise in sales volumes. A provision of € 2.4m was made for warranty guarantees.

Other operating income rose by € 29.6m from € 7.8m in the previous year to € 37.4m in 2020. A total of € 23.2m is attributable to VARTA Consumer, which was consolidated for the first time. The total of grants recognized as revenue under the balance sheet item other operating income amounted to € 10.0m in fiscal year 2020.

Adjusted EBITDA
Adjusted EBITDA (operating earnings before interest, taxes, depreciation and amortization adjusted for special effects) represents a sustainable earnings indicator for the Group. At the same time, adjusted EBITDA is a suitable control variable for the Executive Board to assess the operating earnings capacity of the Group and/or the two segments. As special effects, the non-cash expenses for share-based remuneration in the amount of € 1.1m (2019: € 2.9m) and the expenses from M&A transactions of € 0.9m (2019 € 3.0m) were adjusted. In addition, the first-time and in each case one-off special effects arising from the purchase price allocation as part of the first-time consolidation of VARTA Consumer (not affecting liquidity) amounting to € 8.7m as well as the restructuring costs incurred as a result of the integration of VARTA Consumer amounting to € 17.6m and integration

costs amounting to € 0.1m were adjusted in fiscal year 2020. The following table shows the reconciliation from EBITDA to adjusted EBITDA:

(€ k)	2020	2019
EBITDA	212,631	91,622
Expenses from share-based remuneration	1,086	2,853
Measurement of inventories PPA - VARTA Consumer	8,661	0
Expenses for M&A transactions - VARTA AG Group	916	3,006
Integration costs for VARTA Consumer	129	0
Restructuring costs for VARTA Consumer	17,607	0
adjusted EBITDA	**241,030**	**97,481**

Adjusted EBITDA rose from € 97.5m to € 241.0m during fiscal year 2020. This corresponds to growth of 147.3% in comparison with the previous year. Excluding VARTA Consumer, which was consolidated for the first time, this improvement stands at 91.7%. The rise in adjusted EBITDA from organic growth can be attributed to the very high and profitable revenue growth in lithium-ion cells and hearing aid batteries. In addition, the disproportionately low increase in expenses due to the scaling of the business model has had a positive impact on the financial result. The VARTA Consumer business, consolidated for the first time, contributed € 54.2m to the rise in adjusted EBITDA.

Operating earnings (EBIT)

The operating result more than doubled on a year-on-year basis from € 70.8m to € 146.0m. The slightly lower increase in comparison with revenue development is due to a rise in depreciation and amortization from € 20.9m in 2019 to € 66.6m in 2020. The main reasons for this were the high investments in property, plant and equipment for the expansion of production capacities and the first-time consolidation of VARTA Consumer. In addition, the reduction of useful lives for CoinPower assets from 80 to 57 months due to the increased intensity of use had an impact on depreciation during 2020.

Financial result

The financial result decreased in the reporting year from € 0.3m in 2019 to € -12.9m in 2020. This is largely the result of the increase in value of the debtor warrant for the debt waiver of VGG GmbH, Vienna, Austria, vis-à-vis VARTA Storage GmbH, from which VARTA AG incurred an additional obligation of € 5.5m. In addition, charges related to foreign exchange effects (advance payments and loans in USD) increased in the amount of € 2.5m compared with the previous year.

Taxes

Tax expenses increased primarily on the back of the pre-tax result rising from € 20.6m in 2019 to € 37.6m in 2020. This produced an effective tax ratio of 28.3% (2019: 29.0%), in relation to the pre-tax result. For further details on taxes, please refer to the notes of the consolidated accounts under Chapter 36 "Income tax expenses".

3.2. Asset and financial position

Consolidated balance sheet as at December 31, 2020

(€ k)	DECEMBER 31, 2020	DECEMBER 31, 2019
ASSETS		
Non-current assets	686,904	288,462
Current assets	435,899	380,368
Total assets	**1,122,803**	**668,830**

(€ k)	DECEMBER 31, 2020	DECEMBER 31, 2019
EQUITY AND LIABILITIES		
Equity	499,075	414,802
Non-current liabilities	246,041	88,779
Current liabilities	377,687	165,249
Total liabilities	623,728	254,028
Total equity and liabilities	**1,122,803**	**668,830**

Non-current assets
Non-current assets rose by € 398.4m from € 288.5m in 2019 to € 686.9m in the year under review. This notable rise is mainly due to the increase in property, plant and equipment from € 247.9m as at December 31, 2020 to € 596.6m. Owing to the high demand for rechargeable lithium-ion cells for high-tech consumer products, especially for premium wireless headphones (TWS), production capacities at the two existing German production sites were ramped up and investments were also made in a new production facility in Nördlingen. This accounts for around € 332m in total. A total of € 64.0m is attributable to VARTA Consumer, which was consolidated for the first time. Other assets are essentially unchanged and have increased only marginally from € 17.9m at year-end 2019 to € 19.9m at the end of 2020.

Current assets
Current assets increased from € 380.4m as at December 31, 2019 to € 435.9m as at December 31, 2020. As a result of the increased revenue volume and the first-time consolidation of VARTA Consumer, trade receivables rose by € 68.2m. In addition, inventories went up by € 69.3m. Conversely, the outflow of funds from the payment of the provisional purchase price for VARTA Consumer essentially led to the reduction of cash and cash equivalents by € 122.9m. Cash and cash equivalents increased by € 40.0m due to the utilization of the first tranche of a syndicated loan.

Equity/equity ratio
Equity rose from € 414.8m as at December 31, 2019 to € 499.1m as at December 31, 2020. The equity ratio at year-end stood at 44.4% (2019: 62.0%). The main reason for the decline in the equity ratio was the acquisition of VARTA Consumer including all assets and liabilities, as well as the expenditure for investments to finance the company's growth.

Non-current liabilities
Non-current liabilities increased by € 157.3m from € 88.8m on December 31, 2019 to € 246.0m as at December 31, 2020 . The increase is mainly due to the pension obligations, leasing liabilities and deferred tax liabilities assumed from the VARTA Consumer acquisition (around € 74m). The utilization of the first tranche of a syndicated loan increased the non-current liabilities of VARTA AG by € 40.0m.

Current liabilities
Current liabilities increased from € 165.2m to € 377.7m . Of this, around € 152m is attributable to the VARTA Consumer acquisition, primarily for the assumed tax liabilities,

leasing liabilities, contract liabilities, trade payables and accrued liabilities. In the existing VARTA AG Group, higher tax liabilities (€ 22.1m), the increase in trade payables (€ 7.6m) and advance payments received from customers (€ 10.0m) led to an increase in current liabilities.

Net working capital
Net working capital rose from € 18.0m as at year-end 2019 to € 56.5m as at December 31, 2020. This corresponds to an increase of € 38.5m year on year. The net working capital ratio is 6.5% (compared to 5.0% as at December 31, 2019).

Cash flow statement

(€ k)	2020	2019
Cash and cash equivalents as at January 1	**244,781**	**149,741**
Cash flow from ongoing business activities	232,863	105,734
Cash flow from investment activities	-372,969	-105,806
Cash flow from financing activities	19,886	94,882
Net change in cash and cash equivalents	**-120,220**	**94,810**
Effects of exchange rate fluctuations	-2,672	230
Cash and cash equivalents as at December 31	**121,889**	**244,781**

Cash flow from ongoing business activities in the reporting year amounts to € 232.9m and is therefore € 127.1m up on the prior year's figure. This is mainly due to the increase in the operating result.
The negative cash flow from investment activities in 2020 rose sharply by € 267.2m to € 373.0m (2019: € 105.8m). The increase stems firstly from the acquisition of the shares in VARTA Consumer Batteries in the amount of € 81.5m, resulting from the final purchase price of € 110.9m less the acquired cash holdings in the amount of € 29.4m, and secondly from the increase related to investments in property, plant and equipment for the demand-driven expansion of production capacities for lithium-ion button cells. Payments for investments in intangible assets and property, plant and equipment (CAPEX) amount to € 302.2m (2019: € 102.8m).

Cash flow from financing activities decreased in the year under review from € 94.9m in 2019 to € 19.9m in 2020. The Group received € 40.0m from drawing the first tranche of a syndicated loan in 2020.

Cash and cash equivalents decreased mainly due to the higher investment activity. As at December 31, 2020, they amounted to € 121.9m (2019: € 244.8m).

4. Research and development

For the VARTA AG Group, expenses associated with research and development activities in fiscal year 2020 rose to € 20.9m (previous year: € 15.5m). This produces an R&D expense ratio of 2.4% in relation to sales, compared with 4.3% in the previous year. The decline in percentage terms can mainly be attributed to the significant expansion of the circle of consolidation (VARTA Consumer).

Microbatteries & Solutions segment
The focus on technological leadership was shaped by a targeted further development of the segment's expertise in the field of rechargeable lithium-ion cells for high-tech consumer products, in particular for Premium True Wireless Stereo Headsets (TWS). To this end, the emphasis was predominantly placed on further increasing energy densities, the evaluation and qualification of new materials for CoinPower batteries, the use of less expensive raw materials and the development of more efficient production processes. In

the reporting year, the Company was the beneficiary of a commitment for public subsidies of roughly € 300m overall. Around € 100m of this sum is to be used to finance the described further development of lithium-ion technology. The second tranche of approximately € 200m is being put towards the construction of a pilot plant for large-format cells, work for which started in the year under review.

Expenses incurred in relation to research and development activities for the Microbatteries & Solutions segment between January and December 2020 totaled € 15.0m (previous year: € 12.0m). This produces an R&D expense ratio of 3.0% in relation to sales (previous year: 3.5%). The depreciation of capitalized development costs in fiscal year 2020 totaled € 0.6m. The capitalization ratio stood at 8.7% (previous year: 2.7%). In the Microbatteries segment, the focus was above all on the development of smaller and higher-performance button cells.

Household Batteries segment

In the Household Batteries segment, a new R&D Center was opened in which significant performance improvements of up to 6% for AA and AAA-sized alkaline batteries was achieved on the back of improved testing possibilities. In order to follow the sustainability trend of plastic-free packaging, new, automated packaging systems were also installed, which offered additional efficiency and flexibility gains for various different packaging formats. Overall, the competitiveness of VARTA alkaline batteries was further raised owing to a series of additional measures at the Dischingen plant, such as the use of new driverless transportation systems, for example.
In the area of energy storage systems, the focus for the VARTA pulse and pulse neo products was on the integration of new countries by expanding software solutions and securing the requisite certifications for this. Expanded communications facilitated by applications in the smart home segment was another focus of the pulse neo, as well as further optimizations of product-related services and product visualizations in addition to an expansion of the functionalities offered by the VARTA element product.

The rise in expenses related to research and development activities in the Household Batteries segment was influenced by the first-time consolidation of VARTA Consumer in the reporting year, coming in at € 5.9m for the 2020 fiscal year. In the prior year, only the Energy segment was contained here (€ 3.5m). This produces an R&D expense ratio of 1.6% in relation to sales (previous year: 16.2%). The depreciation and amortization of capitalized development costs for 2020 totaled € 1.6m (previous year: €0.5m). The capitalization ratio stood at 9.9% (previous year: 29.4%).

5. Investments excluding M&A (CAPEX)

The Group refers to investments in intangible assets and property, plant and equipment as CAPEX. This is an important control variable for high-growth manufacturing companies. In 2019, VARTA AG launched an extensive investment program with the aim of significantly expanding capacities in the Microbatteries segment and constructing a pilot plant for large-format cells.

In the reporting year, expenditure related to the purchase of intangible assets and property, plant and equipment totaled € 302.2m (previous year: € 102.8m).

The majority of investments in property, plant and equipment served to expand production capacity of lithium-ion button cells in response to demand in addition to financing the new building at the Nördlingen production facility and the construction of a pilot plant for large-format cells. Replacement investments to renew production equipment, to develop new products and for quality assurance measures continue to be necessary at regular intervals.

6. Earnings situation: segments

Since the beginning of the year, a re-segmentation of operating business has been taking place at the Company, with the Microbatteries & Solutions segment now comprising the Healthcare, Entertainment and Power Pack Solutions business areas. The second segment of Household Batteries covers the VARTA Consumer Batteries business in addition to energy storage solutions. Both segments made a positive contribution to the high level of revenue and profit growth. The Microbatteries & Solutions segment in particular was able to continue its highly dynamic growth and further improve profitability. By far the strongest growth was again achieved in rechargeable lithium-ion cells for high-tech consumer products, especially for premium wireless headsets (hearables). The Household Batteries segment developed better than expected too.

Microbatteries & Solutions

	2020	2019*	Change in%
Revenue (€ k)	508,132	340,862	49.1%
Adjusted EBITDA (€ k)	186,993	95,484	95.8%
Adjusted EBITDA margin	36.8%	28.0%	8.8 PP

* Previous year's figures adjusted to reflect re-segmentation (retrospective pro-forma adjustment)

Revenue in the Microbatteries & Solutions segment increased in fiscal year 2020 from € 340.9m to € 508.1m. This equates to highly dynamic revenue growth of 49.1% year on year. By far the strongest revenue growth is again being recorded in the area of rechargeable lithium-ion batteries for high-tech consumer products, particularly premium true wireless headsets (hearables). This is a consequence of continued high customer demand in a market that continues to grow very dynamically. Our global market position for hearing aid batteries was further expanded in a market that is subject to structural growth. The Group is currently benefiting from its highly robust business model for primary hearing aid batteries. In the Power Pack Solutions business, the high level of growth was sustained on the back of new client projects initiated in the previous year. Adjusted EBITDA rose from € 95.5m to € 187.0m (+95.8%), which equates to above-average growth in comparison with revenue development. This increased revenue can be attributed to strong growth in comparatively high margin product groups in addition to the disproportionately low rise in fixed costs related to scaling the business model. This produces an adjusted EBITDA margin of 36.8% in relation to revenue. The year-on-year improvement in the adjusted EBITDA margin amounts to 8.8 percentage points.

Household Batteries

	2020	2019*	Change in%
Revenue (€ k)	361,147	21,382	1,589.0%
Adjusted EBITDA (€ k)	54,036	1,997	2,605.9%
Adjusted EBITDA margin	15.0%	9.3%	5.7 PP

* Previous year's figures adjusted to reflect re-segmentation (retrospective pro-forma adjustment)

The Household Batteries segment covers the Consumer Batteries business and energy storage solutions. In the previous year, only the energy storage solutions business was contained in the segment reporting. Following the first-time consolidation of VARTA Consumer Batteries, revenue and adjusted EBITDA both increased significantly. VARTA Consumer Batteries also developed better than anticipated over the reporting period. Owing to a focus on the brand business, there was a step-change improvement in profitability on an intra-year basis. The energy storage solutions business recorded highly dynamic growth that outpaced the market in the reporting year.

The following table illustrates the transition from the previous segment reporting to the new system:

(€ m)	2020	2019	Change in%
Microbatteries			
Revenue	452.3	301.5	50.0%
adjusted EBITDA	180.1	94.4	90.8%
adjusted EBITDA-Margin	39.8%	31.3%	8.5 PP
Power & Energy			
Revenue	81.2	60.8	33.6%
adjusted EBITDA	6.7	3.1	118.4%
adjusted EBITDA-Margin	8.3%	5.1%	3.2 PP
Total VARTA excl. acquisition of VARTA Consumer			
Revenue*	533.8	362.7	47.2%
adjusted EBITDA	186.8	97.5	91.7%
adjusted EBITDA-Margin	35.0%	26.9%	8.10 PP
Consumer Batteries			
Revenue	335.7	0	
adjusted EBITDA	54.2	0	
adjusted EBITDA-Margin	16.1%	0	
Total VARTA incl. acquisition of VARTA Consumer			
Revenue	869.6	0	
adjusted EBITDA	241.0	0	
adjusted EBITDA-Margin	27.7%	0	

* incl. revenues not allocated to any segment.

7. Information about VARTA AG

The management report of VARTA AG and consolidated management report for fiscal year 2020 are combined pursuant to Section 315 (3) HGB in conjunction with Section 298 (3) HGB.

Description of the company
VARTA AG is a holding company that exclusively performs tasks related to the management of the Group and its operating subsidiaries. The following numbers and explanations refer to the annual financial statements of VARTA AG prepared according to the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG).

Earnings situation
Revenue in fiscal year 2020 stood at € 1.3m (2019: € 0.8m). This figure essentially results from royalties pertaining to VARTA Storage GmbH totaling € 1.3m. In the same period, other operating income increased from € 2.2m in the previous year to € 2.7m in 2020. The main reason for this was the on-charging of sponsoring expenses to various subsidiaries in the amount of € 0.9m. Other operating income developed in the opposite direction due to lower exchange rate gains, which arose primarily from USD translation effects.

Other operating expenses amounted to € 8.9m in 2020 (2019: € 10.8m) and include, among other things, fees for consulting and auditing costs of € 2.6m (2019: € 4.4m), losses from currency translation of € 1.7m (2019: € 2.1m), advertising and public relations expenses of € 1.5m (2019: € 0.5m), the use of various services from affiliated companies amounting to € 0.9m (2019: € 0.5m) and the remuneration for the members of the Supervisory Board in the amount of € 0.4m (2019: € 0.2m). The decrease in other operating expenses is primarily due to the elimination of the one-off costs for the capital increase in the 2019 fiscal year of € 1.6m. The consulting fees in connection with the acquisition of VARTA Consumer Batteries were incurred mainly in 2019. For this reason, consulting and auditing costs have decreased in the year under review. The conclusion of a new sponsorship agreement led to increased expenses in the area of advertising and public relations. The majority of these expenses are charged to various subsidiaries of VARTA AG. This gives rise to the other operating income mentioned above. The remuneration for the members of the Supervisory Board has increased due to last year's Annual General Meeting resolution.

At the end of fiscal year 2020, the members of the Executive Board of VARTA AG briefly increased from two to three members**.** VARTA AG employed two members of staff in addition to the Executive Board. In total, personnel costs rose from € 5.6m in 2019 to € 11.2m in 2020. The increase is mainly due to the variable remuneration model for the Executive Board, the value-added bonus for the retired member of the Executive Board and bonus payments for VARTA AG employees.

The profit and loss item depreciation and amortization predominantly includes depreciation of intangible assets totaling € 0.9m and is therefore unchanged compared to the previous year.

Net interest income essentially improved due to an increase in loans to subsidiaries and short-term investments in an affiliated company from € 3.7m in the prior year to € 7.1m in 2020.

The profit transfer agreement with VARTA Microbattery GmbH yielded income in the amount of € 110.1m. Expenses related to the profit transfer agreement with VARTA Storage GmbH amounting to € 0.5m offset this to a marginal extent. Overall, an increase of € 40.8m year on year was recorded.

In the period under review, net profit stood at € 139.4m, up from € 69.3m in the prior year.

Income statement of VARTA AG
for the fiscal year running from January 1, 2020 to December 31, 2020

	2020		2019	
	€ k	€ k	€ k	€ k
1. Revenue		1,257		761
2. Other operating income		2,683		2,167
– of which from currency conversions € 1,689k (prev. year € 2,100k) –				
3. Personnel expenses				
(a) Wages and salaries	-11,108		-5,534	
b) Social charges and costs for pension plans and support	-43	-11,151	-52	-5,586
- of which for pensions € 0k (prev. year € 0k) –				
4. Depreciation and amortization of intangible assets and property, plant and equipment		-941		-937
5. Other operating expenses		-8,898		-10,794
– of which from currency conversions € 1,687k (prev. year € 2,101k) –				
6. Income from profit transfer agreements		110,146		71,146
7. Other interest and similar income		7,766		4,009
– of which from affiliated companies: € 7,765k (prev. year € 3,979k) –				
8. Expenses from assumption of losses		-564		-2,393
9. Interest and similar expenses		-659		-318
– of which from affiliated companies: € 133k (prev. year € 194k) –				
10. Taxes on income and profit		-29,548		-16,849
11. Result after tax/profit for the year		**70,091**		**41,206**
12. Retaining earnings		69,340		28,134
13. Net profit/loss		**139,431**		**69,340**

Asset and financial position
Fixed assets increased year on year by € 297.3m from € 133.0m in 2019 to € 430.3m as at December 31, 2020, mainly due to the rise in financial investments from € 130.2m to € 428.2m. This increase can be attributed to loans to subsidiaries and the acquisition of shares in VARTA Consumer companies. Current assets fell by € 129.5m from € 265.0m in 2019 to € 135.5m as at December, 31 2020. This is the result of a decrease in liquidity in connection with the increased investment volume as well as the purchase price payment for the acquired VARTA Consumer business.

Receivables from affiliated companies mainly relate to receivables amounting to € 110.1m (2019: € 71.1m) from the profit and loss transfer agreement concluded with VARTA Microbattery GmbH.

The increase in other assets is primarily attributable to the acquisition of the VARTA Consumer business. The purchase agreement with Energizer Holdings Inc. includes a tax refund claim (indemnification asset) covering the compensation for tax payments resulting from periods before the acquisition of the VARTA Consumer business. As of December 31, 2020, this resulted in a receivable of € 13.2m.

In connection with the purchase price payment for the acquired VARTA Consumer business, cash at banks declined from € 143.2m in 2019 to € 1.1m in 2020. Loans to affiliated companies to finance their high level of capital expenditure on property, plant and equipment in the fiscal year under review had an additional effect.

Equity increased overall by € 70.1m from € 360.7m in 2019 to € 430.8m as at December, 31 2020. This increase stems from the increase in net profit, which is mainly due to the profit transfer from VARTA Microbattery GmbH.

Provisions rose by € 25.9m from € 17.1m in 2019 to € 43.0m in 2020. The increase can be attributed in particular to higher tax provisions due to the improved result in the past fiscal year. The increase in other provisions relates to bonus obligations to employees and performance-related remuneration of the members of the Executive Board of VARTA AG.

Liabilities rose by € 69.6m from € 18.8m in 2019 to € 88.4m in 2020, mainly on account of the increase in liabilities to affiliated companies in connection with the take-up of a loan by VARTA AG from VARTA Microbattery GmbH and VARTA Consumer Europe Holding. In addition, the first tranche of a syndicated loan was drawn down, which is why bank liabilities increased by € 40.0m.

Balance sheet of VARTA AG as at December 31, 2020
Assets

	DECEMBER 31, 2020		DECEMBER 31, 2019	
	€ k	€ k	€ k	€ k
A. Fixed assets				
I. Intangible assets				
Compensable concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets		1,683		2,591
II. Plant, property & equipment				
1 Other equipment, factory and office equipment	248		190	
2 Advance payments and assets under construction	150	398	0	190
III. Long-term investments				
1 Shares in affiliated companies	117,063		32,701	
2 Loans to affiliated companies	311,176		97,209	
3 Equity interests	0		30	
4 Other loans	0	428,239	268	130,208
		430,320		**132,989**
B. Current assets				
I. Receivables and other assets				
1 Claims against affiliated companies	111,402		118,440	
2 Other assets	23,030	134,432	3,314	121,754
II. Cash on hand and bank balances		1,054		143,226
		135,486		**264,980**
C. Prepaid expenses		**119**		**102**
D. Deferred tax assets		**2,656**		**2,294**
Total assets		**568,581**		**400,365**

	DECEMBER 31, 2020 € k	DECEMBER 31, 2019 € k
A. Equity		
I. Subscribed capital	40,422	40,422
II. Capital reserve	244,121	244,121
III. Revenue reserves		
Statutory reserves	6,811	6,811
IV. Net profit	139,431	69,340
	430,785	**360,694**
B. Provisions		
1 Tax accruals	30,040	11,325
2 Other provisions	12,988	5,781
	43,028	**17,106**
C. Liabilities		
1 Liabilities to financial institutions	40,031	2
2 Trade payables	894	1,426
3 Liabilities to affiliated companies	46,614	16,609
4 Other liabilities	847	724
– of which from taxes € 262k (prev. year € 105k)		
	88,386	**18,761**
D. Deferred tax liabilities	**6,382**	**3,804**
Total equity and liabilities	**568,581**	**400,365**

Risks and opportunities

The business development of VARTA AG is to a great extent dependent on the risks and opportunities of the VARTA AG Group, which were previously outlined in the consolidated management report of the VARTA AG Group. There is the risk that the equity interests and loans to affiliated enterprises will be impaired. This is reviewed at least once a year. No impairment requirement was identified in fiscal year 2020.

In addition, the risks from legacy liabilities existing at VARTA AG should be highlighted. The former properties of VARTA AG and of its former subsidiaries served mainly as manufacturing plants for the production of batteries and are burdened with industry-typical legacy liabilities. A buyer of all former foreign shareholdings and one domestic participation has assumed these risks and possible risks arising in the future and has indemnified VARTA AG against these risks; however, the liability of VARTA AG continues to apply externally due to the legal situation which gives rise to liability on the part of the polluter. The buyer has now been liquidated, and an enterprise affiliated with the buyer, Global Equity Partners Beteiligungs-Management GmbH, Vienna, Austria, has hedged this indemnity with a guarantee in the amount of € 20m lasting until 2031. VARTA AG has evaluated the remaining risks and opted not to form provisions here, as the Company does not expect that these would need to be used.

Outlook

The expectations of VARTA AG regarding its financial and non-financial indicators as well as to the risk profile essentially correspond (based on their importance within the corporate Group and the interdependency of the affiliates) to the projections of the VARTA AG Group, which are described in detail in the "Guidance, opportunity and risk report" section of the consolidated management report. The economic growth of VARTA AG depends to a great extent on the contributions to financial results by its operating subsidiaries which flow to VARTA AG by virtue of the existing profit transfer agreements. The growth forecast of the operating subsidiaries implies, also in conformity with the expectations at the level of the VARTA AG Group, a significant increase in profit overall.

8. Employees

The competence and capabilities of its employees as well as the level of identification that employees feel with the company form the basis of the successful development of the Group. In addition to training junior members of staff, further education and training ensure a high level of competence. The Group is interested in committed, motivated employees that enjoy working in strong teams to drive forward the company's innovation.

Our employees are distinguished by incredible commitment, dedication and loyalty. The Group places huge value on sustainable personnel policies that aim to increase both employee efficiency and satisfaction.

It should ensure that employees are bound to VARTA AG over the long term and enable them to identify with the company via common corporate goals. Employees tend to stay with the company for many years, allowing them to gain profound professional expertise within their respective area of responsibility. Furthermore, a balanced age profile promotes healthy knowledge transfer from generation to generation.

As a responsible, conscientious employer, occupational health and safety is a matter taken very seriously by the VARTA AG Group. In 2020, the Company and its employees were forced to confront a particular set of challenges associated with the Covid-19 pandemic. With the implementation of early and comprehensive hygiene measures, a workplace rotation system that saw employees work from home at least partially and organizational measures to achieve a reduction in contacts at shift crossover times, the infection risk was successfully minimized.

Moreover, the working culture of the Group is shaped by the values of mutual respect and openness.

Employer appeal

Specific, targeted measures are implemented across VARTA AG which aim to foster long-term commitment to the company. Since the start of 2018, executives and employees deemed "high potential" have been given the opportunity to participate in a stock option program.

Furthermore, Group executives meet annually as part of the manager's conference. The Group also supports targeted initiatives for the further development of trainees within the company.

As at December 31, 2020, the number of employees across the entire Group had risen from 2,857 to 4,584. A total of 1,104 employees were added to the Group due to the first-time consolidation of VARTA Consumer. As at the balance sheet date, the number of employees was split on a regional basis as follows:

	2020	2019
Europe	3,757	1,894
Asia	799	944
USA	28	19

9. Remuneration report

The Remuneration Report describes the basic principles of the compensation system for the Executive Board and the Supervisory Board of VARTA AG. The report also explains the structure, the composition and the amount of individual remuneration components. The remuneration report is an integral part of the consolidated management report.

According to the resolution of the Extraordinary General Meeting of shareholders on October 6, 2017, individualized information regarding remuneration of Executive Board members, as required by Section 285 No. 9 lit. a) HGB and Section 314 (1) no. 6 lit. a) HGB shall no longer be provided.

Remuneration of the Executive Board:
The determination and regular review of Executive Board remuneration is the responsibility of the Supervisory Board. According to the recommendations of the DCGK, remuneration for Executive Board members consists of fixed and variable components.

The Supervisory Board reviews the appropriateness and market conformity of the remuneration of the members of the Executive Board and takes into consideration all criteria specified in Section 87 AktG, such as the responsibilities of the individual members of the Executive Board, their personal performance as well as the economic situation, the success and future prospects of VARTA AG.

The Supervisory Board is currently working on a new remuneration system, which will be submitted to the Annual General Meeting on June 17, 2021 for approval. This new remuneration system will comply with the requirements of the DCGK as amended on December 16, 2019.
In terms of the variable remuneration components, the remuneration system is based on the goals defined by the company. It also includes goals to promote the business strategy and long-term corporate objectives.

Non-performance-based (fixed) remuneration components
The fixed remuneration components consist of a fixed basic salary, fringe benefits and a contribution towards a private pension scheme. The fixed basic remuneration is paid as a monthly salary. In addition, the members of the Executive Board receive fringe benefits, which are taxed individually according to the current tax regulations if they accrue a non-cash benefit from private use. These fringe benefits consist essentially of the private use of a company car and the payment of insurance premiums. The D&O insurance deductible, which is borne by the members of the Executive Board personally, corresponds to 10% of the respective losses, in accordance with Section 93 (2) Clause 2 AktG, but is a maximum of one-and-a-half times the fixed annual remuneration.

No pension commitments have been made.

Performance-based (variable) remuneration components
The performance-based remuneration components are tied to the development of certain quantitative objectives. The Supervisory Board has defined EBIT and EBITDA as target figures in accordance with the Group's management system.

The Supervisory Board resolves the annual corporate targets for the calculation of the variable remuneration components. It also determines the achievement of the objectives.

Variable, short-term remuneration components
Two of the three Executive Board contracts contain variable, short-term components. These remuneration components are aligned with corporate objectives as well as

individual goals. The short-term variable remuneration component amounts to a maximum of one annual fixed salary.

Variable, long-term remuneration components

One of the three Executive Board contracts contains a three-year value growth remuneration. The term of the value growth remuneration is consistent with the term of the employment contract. The value growth remuneration is a long-term quasi-equity component, which is aimed at a long-term cooperation between VARTA AG and the Executive Board. The key exercise condition is an existing employment relationship of at least three years.

Payments from the value growth component are due in a lump sum at the end of the contract term.

One of the three Executive Board contracts contains short-term (Short Term Incentive, STI) and long-term (Long Term Incentive, LTI) remuneration components.

The STI is linked to the degree of attainment of short-term goals. The targets are 50% corporate targets (EBITDA of the company for the respective fiscal year) and 50% individual targets, which are set between the Supervisory Board and the Executive Board member for the respective fiscal year.

The Supervisory Board determines the achievement of the targets.

The LTI also consists of a target achievement framework. The targets are set between the Supervisory Board and the Executive Board member in accordance with the objectives of the STI. The difference between the STI and the LTI is that the payout under the LTI has to be invested in company shares by the Executive Board member. The shares are held in a blocked custody account by the Executive Board member for at least four years.

In addition, the Executive Board contracts provide for the payment of a special bonus for specific achievements, the amount of which is at the discretion of the Supervisory Board.

Share-based remuneration

A stock option program has been established by the parent company VGG GmbH, Vienna, Austria, for the subscription of ordinary shares in VARTA AG. The underlying vesting period is four years. The share-based remuneration is tied to the main condition of an active employment relationship for the respective exercise period.

Total Executive Board remuneration in fiscal year 2020 (2019)

NON-PERFORMANCE-BASED (FIXED) REMUNERATION INCLUDING FRINGE BENEFITS	PERFORMANCE-BASED VARIABLE REMUNERATION	SHARE-BASED REMUNERATION GRANTED BY THE COMPANY	TOTAL REMUNERATION
€ k	€ k	€ k	€ k
847 (799)	5,405 (2,537)	7,145 (0)	13,397 (3,336)

The service contracts of Executive Board members do not provide for any other fixed remuneration in case of a termination of the employment contract due to a change in control. However, a voluntary compensation payment may be agreed in cases of premature termination of service contracts by the Company without good cause. However, the severance payment is capped at a maximum amount of one or two times the respective annual salary.

The service contracts provide for continued payment of remuneration for up to four months in the event of incapacity for work due to illness or for a reason for which the Executive Board member is not responsible, but at most until termination of the employment relationship.

In the event of the death of an Executive Board member, the widow or, alternatively, the eligible children are entitled to continued payment of the salary for the month of death and the two subsequent months.

Supervisory Board Remuneration:
The remuneration of the Supervisory Board was totally reworked and subsequently resolved by the Annual General Meeting on June 18, 2020. Section 15 of the Articles of Association of VARTA AG was accordingly amended. The changes to the Supervisory Board remuneration have now been adapted to comply with the Act Implementing the Second Shareholders' Rights Directive (ARUG II) and are in line with the relevant benchmarking evidence. As per the Articles of Association, each member of the Supervisory Board of VARTA AG receives a fixed compensation of € 40k in addition to reimbursement of all reasonable expenses. The remuneration structure of the Supervisory Board of VARTA AG therefore complies with the recommendations described in points G.17 and G.18 of the DCGK regarding Supervisory Board remuneration as amended on December 16, 2019. In Point G.17, the DCGK recommends taking into consideration the function of chairman and deputy chairman of the Supervisory Board as well as the function of chairman and membership of the committees when determining remuneration. Accordingly, the Articles of Incorporation of VARTA AG provide that the Chairman of the Supervisory Board and the Deputy Chairman of the Supervisory Board each receive a fixed annual remuneration of € 100,000 and € 60,000 respectively in addition to the reimbursement of their expenses. Remuneration for membership of committees and chairmanship of committees is paid separately. The chair of a committee receives € 15,000, and members of committees € 7,500. The maximum additional remuneration for Supervisory Board members for their functions in committees is limited to € 30,000. Individuals who were not members of the Supervisory Board for a full fiscal year receive remuneration due to them on a pro rata basis in the amount of one twelfth for each month or part of a month of service.

Total Supervisory Board remuneration for fiscal year 2020 (2019)
For the reporting year 2020, the Supervisory Board received total compensation in the amount of € 432,500 (2019: € 208,000).

The premium of the D&O insurance taken out for the members of the Supervisory Board is also borne by the Company. In addition, consulting and other services were remunerated in the amount of € 365 (2019: € 33,000).

Individual remuneration of Supervisory Board members in fiscal year 2020 (2019)

(€ k)	FIXED REMUNERATION (ALL FIGURES NET)	OTHER CONSULTING SERVICES (ALL FIGURES NET)
Prof. DDr. Michael Tojner (Chairman)	130 (50)	0 (0)
Dr. Harald Sommerer (Deputy Chairman)	90 (50)	0 (0)
Dipl.-Ing. Frank Dieter Maier	55 (30)	0 (0)
Sven Quandt	63 (30)	0 (0)
Dr. Michael Pistauer	48 (18)	0 (0)
Dr. Georg Blumauer	48 (30)	0 (33)
Total	**434 (208)**	**0 (33)**

Miscellaneous
No further loans or advances were granted to the members of the Executive Board or to the Supervisory Board of VARTA AG by either VARTA AG or its subsidiaries, nor were any contingent liabilities incurred on their behalf.

10. Guidance, Opportunity and risk report

10.1. Opportunity and risk management system

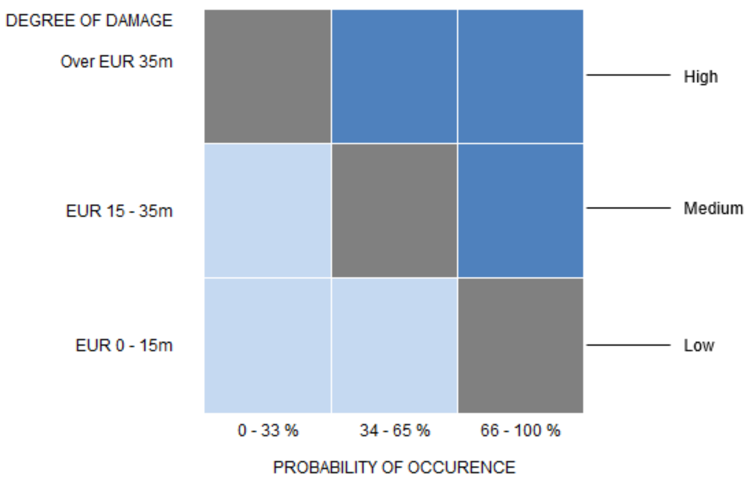
The Company has instituted management and control measures for the early detection and assessment of risks as well as for the handling of existing risks. These are enshrined in an early risk detection, internal control and risk management system.

The risk management system as a whole is evaluated at Group level and focuses on operating, financial, strategic and other risks. This conforms to the legal requirements pursuant to Section 91 (2) AktG. In this process, the risks are categorized as low, medium or high on the basis of a risk matrix (see matrix below). There is no risk quantification for assessing legal or compliance risks, although these risks are taken properly into account.

As a production company, much attention is paid to external factors such as the prices of raw materials, which could adversely impact the Group's financial results. Likewise, internal processes must be optimized on an ongoing basis because of the growing size of the business. Opportunities are seen in technological advances of wireless devices. Overall, the risk situation is considered manageable.

Important components of the system are a strategically oriented planning system, an annual budget that is reviewed several times during the year and adapted to the new insights, monthly reports detailing target and actual figures in addition to early and regular communications concerning risks and opportunities. This risk management system is supported by regular management meetings in which the opportunities and risks for business development are analyzed and discussed in detail.

The following chart shows the ranges applied to quantify risks.



Following the first-time consolidation of VARTA Consumer and the strong organic growth of VARTA Microbattery, the threshold values will be adjusted starting from fiscal year 2021.

10.2. Executive Board: Overall assessment of the opportunity and risks situation

The Executive Board bears responsibility for managing all opportunities and risks. It is an integral part of corporate governance and also complies with the legal requirements pursuant to Section 91 (2) AktG. Based on the assessment of the Executive Board, the following risks described are manageable as at the publication date. No individual risks are discernible which could endanger the existence of the Company. At the same time, there is a firm conviction that the corporate Group is well-placed strategically and financially to exploit all opportunities that arise.

The opportunity and risk report covers the identification, assessment, control and monitoring of core risks. These risks include all scenarios that constitute a serious threat to the success of the company and that could have a material effect on the earnings or cash flow situation of the company. They can be allocated to individual risks classes according to their loss potential (high, medium, low). The loss potential is measured uniformly within the corporate Group in the context of a standard procedure and comprises a combination of the likelihood of occurrence and the expected effect of any loss on the corporate results.

Risk Officers monitor the risk situation for their business area on a decentralized basis and report to Group Risk Management. Within the individual business areas, there is a responsible person (Risk Owner) for the various risks areas who reports to the respective Risk Officer of that business area. In order to ensure a close alignment with the operating and financial issues, risk management is located within the central "Corporate Controlling" division. Risk management is audited at regular intervals for its efficacy with areas for improvement identified and relevant measures implemented where necessary.

10.3. Internal control system

The accounting-related internal control and risk system of VARTA AG is an important part of the risk management strategy. The internal control system refers to the principles, procedures and measures introduced by the Management which are aimed at the organizational implementation of the management decisions in order to ensure the efficacy and cost efficiency of the business activities, the propriety and reliability of the internal and external accounting measures and compliance with the regulations relevant to the VARTA AG Group.

Depending on the respective situation, an appropriate internal control system which is continuously improved is implemented in the individual Group companies. The accounting system observes the principle of the separation of functions.

There are uniform accounting guidelines throughout the corporate Group. Furthermore, the accounting system is largely centralized at the Ellwangen site.

The Executive Board bears responsibility for the internal control and risk management system with regard to the corporate accounting process.

10.4. Risk situation

Among all identified opportunities and risks, we explain below those areas which from today's viewpoint could materially affect the asset, financial and earnings situation negatively or positively during the projected period. The respective classification of the potential loss amount of the risk existing before counter-measures are implemented is indicated for the risks according to the above-mentioned assessment of the expected amount of loss in relation to the consolidated result, i.e. the gross amount of the expected loss.

The risk situation for the VARTA AG Group is as follows:

RISK CLASS	INDIVIDUAL RISKS	GROSS AMOUNT OF THE EXPECTED LOSS
Operational risks	Production and logistics risks	medium
	Risk to industrial safety and environmental protection	low
	Procurement risks	low
	Continuous price pressure	low
	IT	low
Strategic risks	Restriction through potential substitute technologies	medium
	Dependence on one client	medium
	Patent infringement by competitors	medium
	Shift in the market/trend	low
Financial and default risks	Foreign currency risks	low
	Investments and derivatives of financial instruments	low
	Default risks from the provision of goods and services	low
	Payments of tax arrears	low
	Soundness of our intangible assets	low

10.5. Operational risks

The growth will result in an increased demand for production and storage space, which will lead to an increase in fire risks through the use of previously free space within the production and storage areas that have been available to date. The completion of the high-bay warehouse in 2020 ensures that this issue poses a lower risk. The significant expansion of production capacities in Nördlingen in 2020 has led to an increased risk of fire at this site. In connection with the expanded production and warehousing areas, this risk is accordingly categorized as medium.

Risks to work safety and environmental protection are limited by comprehensive process and control specifications. In addition, insurance protection commensurate with the risks identified is in place.

Procurement risks, particularly in the case of important raw materials and components, are minimized by permanent market observations, long-term cooperation with suppliers centered on quality and by the purchase of strategic components from more than one source. In addition, hedging operations are carried out for the purchase of nickel and zinc as one of the most important raw materials by value on the basis of the budget for the respective fiscal year. The company deals with price pressures, in particular from Asian competitors due to their labor cost advantage, by introducing technologically advanced and innovative products manufactured to high standards of quality and at competitive costs. VARTA AG's ability to ensure that new battery technologies are ready for mass production is particularly noteworthy. The central Group IT department is responsible for all information systems and user authorizations worldwide. The IT landscape is globally very uniform with little fragmentation. This guarantees seamless access to the relevant data systems and technical applications for all employees despite the growing size of the enterprise. The IT department continuously monitors all system operations, examines the existing authorizations of individual users on a regular basis and adjusts the access rights to individual systems if necessary. For this reason, we also consider risks in the area of IT to be manageable.

The Company is also very well positioned in the face of the ongoing global Covid-19 pandemic and fluctuating infection rates. Production activities at proprietary facilities have continued without interruption since the start of the crisis, while no impact on supply chains has been identified either. Based on our experiences of Covid-19 in 2020, VARTA AG regards itself as well prepared in this regard due to the measures implemented.

Nevertheless, negative impacts on the VARTA AG Group are unable to be totally ruled out. This could impact production activities at our locations, transportation to customers and our suppliers. It can also not be ruled out that our customers are temporarily unable to accept deliveries of our products due to disrupted production processes at their own sites.

10.6. Strategic risks

The product portfolio contributes to a successful market positioning compared with our competitors. The VARTA AG Group stands for high quality, reliability and safety. The risk of technological substitution is considered to be medium. This risk can be reduced through continuous market monitoring and close contact with innovative manufacturers.

The strong market growth in rechargeable lithium-ion batteries for wireless headphones is encouraging Asian competitors to replicate the patented products. The Company holds relevant intellectual property rights in Europe, the USA, China and Japan and, where necessary, takes legal action against patent infringements. The risk is considered to be medium.

In particular, technological leadership and innovative capacity are major strengths of the Company. With a focus on research and development as well as a large network of research partners, the Group is excellently placed to help shape the technological progress of the relevant industries. We keep a close eye on restriction through potential substitute technologies. In the medium term, no material effects of potential replacement technologies in core Group business areas are discernible. Rather, this is more of an opportunity to help shape the technological advances in the various business segments.

Nevertheless, in a fast-growing and innovative environment, it is, of course, important to make the right decisions at all times so that the company is able to compete and thrive in the market over the long term. Despite the external nature of most risks, strategic risks must be detected in a timely fashion and the reaction must be commensurate with the risks. The market and competitive environment are constantly monitored in order to detect any possible risks in good time. The extent of any risk is determined primarily by the sales volume. Depending on the circumstances, product-specific and, as the case may be, regionally differing measures are taken.

Customer concentration has increased due to strong growth in the Entertainment sector. The Company is countering the higher concentration of customers in the Entertainment sector by broadening its customer base. The acquisition of VARTA Consumer has led to a significant diversification of revenue streams, meaning that the concentration on a single client can therefore be mitigated. Overall, this risk is classified as medium.

10.7. Financial and default risks

The Group is exposed to exchange rate risks on account of its international sales and worldwide purchases of raw materials and components. These risks are analyzed and evaluated in detail. Foreign currency risks are hedged by forward exchange transactions and therefore reduced. The forward transactions are matched by planned operating payment streams in at least comparable amounts. Investments and derivatives of financial instruments are pursued exclusively with banks with good creditworthiness. We take out credit insurance to minimize the default risk for most credit transactions based on the exchange of goods and services. We also obtain credit information and gather historical data from past business transactions in order to evaluate the creditworthiness of clients and to avoid payment defaults, in particular regarding past payment behavior. A comprehensive debtor management system has been set up for this purpose. To the extent that default risks can be discerned among individual financial assets, their value is corrected accordingly.

Other risks arising from usual payment transactions in the business or from potential additional tax payments are considered to be low.

In addition, the intrinsic value of our intangible assets, in particular the capitalized development services in the business segments, are examined on a regular basis. The intrinsic value of the intangible assets is based on the long-term plans of the respective business segments at the time.

With the IPCEI (Important Projects for Common European Interest) funding commitment of around € 300m, VARTA AG will be advancing the further development of its lithium-ion batteries. This funding represents an opportunity for the Group to develop new technologies and thereby tap into new markets. At this point, VARTA AG is obliged to fulfill requirements with regard to the appropriation of the funds. In the event of non-compliance with these requirements, there is the risk of pro rata repayments. A monitoring process has been instigated to supervise and control this risk. This allows deviations to be identified immediately and countermeasures to be initiated.

The remaining residual risks can be regarded as immaterial.

10.8. Other risks

Other risks comprise all remaining risks that cannot be assigned to the other risk categories. Compliance risks are understood to comprise penalties, financial or other material losses due to violations of the law and non-compliance with internal corporate regulations and principles. The compliance risks are judged to be small overall.

10.9. Opportunities for further growth

The development of the relevant markets for battery applications is of crucial importance for the further growth of the VARTA AG Group in addition to favorable macroeconomic framework conditions.

One of the success factors is the centralized planning and control system for the global flow of goods, which is supported by electronic data processing. It allows the Group to optimize processes related to the flow of goods between subsidiaries and across borders. With the further expansion of a production site in Germany, the development of production capacities is being pushed forward in order to be able to meet the increasing demand for lithium-ion batteries.

10.10. Overall risk situation for the Group

The risk from unfavorable changes in exchange rates and raw material prices is countered by hedging the main currencies and raw materials. The risks of rising transportation costs will be offset by the new production site in Eastern Europe and the resulting shorter freighting distances. The risks of labor cost disadvantages compared with competitors based mainly in the Far East, which are also classified as operational risks, are countered by further automation of production processes in Germany and by the optimal use of the production network in Asia and Eastern Europe. Extensions to existing buildings also help to counteract the risks associated with a lack of production and storage space. To counter the risk of dependence on individual customers, the customer base is being broadened. The acquisition of VARTA Consumer also contributes to the diversification of revenue streams. The Company counters the risk of replacement technologies by constantly monitoring the market and developing products.

Based on the opportunities and risks defined above, no major effects on the strategic goals of the corporate group are expected.

11. Outlook

The structural growth of the core markets, the company's strong market position in these core markets according to internal assessments, and the continued high level of investments in the expansion of production capacities will lead to a positive business development in 2021. This outlook is based on the assumption of constant exchange rates.

The Company is also very well positioned in the face of the ongoing global Covid-19 pandemic and fluctuating infection rates. Production activities at proprietary facilities have continued without interruption since the start of the crisis, while no impact on supply chains has been identified either. Nevertheless, negative impacts on the VARTA AG Group cannot be unequivocally excluded. This could impact production activities at our locations, transportation to customers and our suppliers. It can also not be ruled out that our customers are temporarily unable to accept deliveries of our products due to disrupted production processes at their own sites.
These risks were not assessable at the time that these financial statements were prepared and could not therefore be taken into consideration in the Group's planning.

VARTA AG Group
Group revenue of € 940m is expected for 2021. This equates to a highly single digit revenue growth year on year.

The relative margin of the adjusted operating result (EBITDA) should rise disproportionately to up to 30% of revenue. This would equate to growth of up to 2.5 percentage points and underlines the earning capacity of the VARTA Group.

VARTA will also continue to invest in the expansion of its production capacities for lithium-ion batteries (CoinPower) and the construction of a pilot plant for large-format lithium-ion batteries. CAPEX – payments made to purchase intangible assets and property, plant and equipment – is set to total between € 150m and € 200m in the year ahead.

Microbatteries & Solutions segment
The focus of the Microbatteries & Solutions segment is on OEM business with lithium-ion and zinc-air batteries in addition to the Power Pack business.
Due to the strong demand for lithium-ion batteries for True Wireless Stereo Headsets (TWS) for Entertainment applications, plans are in place for a further expansion of production capacities. This represents the most significant growth potential for the Microbatteries & Solutions segment. In the hearing aid batteries business, the company intends to further consolidate its market-leading position in a market subject to structural growth. The Microbatteries & Solutions segment will record comparable growth for fiscal year 2021. The majority of this growth is expected to be generated in the second half of the year. As a result of the further scaling of our business model, we also expect to see a sharp rise in adjusted EBITDA, which is set to experience above-average growth in relation to revenue.

Household Batteries segment
Together with energy storage solutions activities, the Consumer Batteries business now comes under the umbrella of the "Household Batteries" segment. Within the VARTA AG Group, the division focuses on the consumer business with its own sales, marketing and production.

Medium single-digit percentage growth is anticipated for the Consumer business in fiscal year 2021. An EBITDA margin in the low double-digit range is expected for fiscal year 2021. Very significant growth is anticipated for stationary energy storage systems, which should at least match the level of market growth.

Our long-standing experience over many years in the battery business is factored into the opportunity and risk guidance mapping further business development. This report contains information and guidance referring to the company's future development. However, it must be noted that actual results may vary greatly from the expectations surrounding the projected developments.

12. Supplementary report

Regarding events that occurred after the balance sheet date, reference is made to the information provided in the Notes to the Consolidated Accounts.

13. Final declaration regarding the independence report

The Executive Board declares pursuant to Section 312 (3) HGB that VARTA AG, Ellwangen, received good and valuable consideration in the legal transactions specified in the report regarding the relations with affiliated enterprises in accordance with the facts known at the time the legal transactions were implemented. No reportable actions pursuant to Section 312 AktG have either been taken or omitted.

14. Takeover law information

The subscribed capital of VARTA AG as at December 31, 2020 totaled € 40,421,686. The subscribed capital is divided into 40,421,686 shares. These are par value shares registered to the bearer representing a pro rata amount of the nominal capital of € 1.00.

Appointment and dismissal of Executive Board members
The appointment and dismissal of members of the Executive Board is regulated by Sections 84 and 85 AktG. Pursuant to Article 6 of the Articles of Association, the Executive Board must comprise a minimum of two members. The number of Executive Board members is determined by the Supervisory Board. The Supervisory Board is authorized to nominate both a Chairman of the Executive Board (CEO) and a Deputy Chairman of the Executive Board.

Executive Board authorization to issue shares
By resolution of the Annual General Meeting on October 6, 2017, the Executive Board was and still is authorized to increase the share capital one or several times against contributions in cash and/or in kind up to an amount of € 9,618,314.00 (Authorized Capital 2017 I) or up to an amount of € 2,960,000 (Authorized Capital 2017 II) up to October 5, 2022. No use was made of authorized capital during the reporting year. Moreover, the Annual General Meeting of October 6, 2017 approved a conditional capital increase of the share capital of up to € 11,840k to grant shares upon the exercising of option and/or conversion rights or the fulfillment of option and/or conversion obligations.

Restrictions concerning voting rights or share transfers
There are no restrictions on voting rights. All shares of the Company have the same voting right. There are no restrictions on the transferability of the Company's shares.

Shareholdings exceeding 10% of the voting rights
As Chairman of the Supervisory Board at VARTA AG and majority shareholder of Montana Tech Components AG, Reinach (Switzerland), DDr. Michael Tojner holds a stake in VARTA AG amounting to 55.89% via the latter's subsidiary, VGG GmbH, Vienna, Austria.

Shares with special rights conveying a controlling authority
There are no shares with special rights conferring controlling powers.

Ellwangen, March 30, 2021

VARTA Aktiengesellschaft

Herbert Schein Armin Hessenberger

STRONG FINANCE PROFILE

We pursue a conservative investment strategy
with a strong focus on internal yield criteria.

Consolidated financial statements

Consolidated statement of financial position as at December 31, 2020

VARTA Aktiengesellschaft, Ellwangen (Jagst)

(€ k)	NOTES	DECEMBER 31, 2020	DECEMBER 31, 2019
ASSETS			
Property, plant and equipment	7/10	596,582	247,896
Intangible assets	8	63,933	20,783
Long-term investments and other participations recognized in the balance sheet under the equity method	9	73	55
Other financial assets	11/38	288	548
Deferred tax assets	16	6,107	1,271
Other assets	14	19,921	17,909
Non-current assets		**686,904**	**288,462**
Inventories	12	133,328	63,995
Contract assets	13/38	2,636	2,032
Trade receivables	13/38	120,136	51,966
Other financial assets		1,076	0
Tax refund claims		1,910	216
Other assets	14/38	54,924	17,378
Cash and cash equivalents	15	121,889	244,781
Current assets		**435,899**	**380,368**
Total assets		**1,122,803**	**668,830**

(€ k)	NOTES	DECEMBER 31, 2020	DECEMBER 31, 2019
EQUITY AND LIABILITIES			
Subscribed capital		40,422	40,422
Capital reserve		251,705	250,619
Retained earnings		114,414	68,700
Net income		95,411	50,390
Other reserves		-3,188	4,456
Equity of the VARTA AG Group	**17**	**498,764**	**414,587**
Non-controlling interests		311	215
Total Equity	**17**	**499,075**	**414,802**
Lease liabilities		63,843	20,476
Other financial liabilities	19	51,103	2,832
Provisions for employee benefits	20	77,081	27,241
Advance payments received	22/38	47,161	34,296
Other liabilities	23	54	95
Deferred tax liabilities	16	4,240	0
Other provisions	24	1,934	3,839
Accruals	25	625	0
Non-current liabilities		**246,041**	**88,779**
Tax liabilities	21	45,710	14,325
Lease liabilities		14,196	4,603
Other financial liabilities	19	6,323	4,058
Provisions for employee benefits	20	2,353	1,195
Contract liabilities	22/38	5,865	11,198
Trade payables and advance payments received	22/38	137,358	88,807
Other liabilities	23	34,668	20,025
Other provisions	24	39,200	4,407
Accruals	25	92,014	16,631
Current liabilities		**377,687**	**165,249**
Liabilities		**623,728**	**254,028**
Equity and total liabilities		**1,122,803**	**668,830**

Consolidated income statement for the period January 1, 2020 to December 31, 2020

VARTA Aktiengesellschaft, Ellwangen (Jagst)

(€ k)	NOTES	2020	2019
Sales revenue	26/6	**869,583**	**362,692**
Decrease / increase in finished and unfinished goods	27	-4,175	643
Own work capitalized		4,980	4,313
Other operating income	31	37,390	7,760
Cost of materials	28	-315,547	-123,527
Personnel expenses	29	-257,088	-114,406
Other operating expenses	32	-122,512	-45,853
EBITDA		**212,631**	**91,622**
Depreciation and amortization	30	-66,617	-20,855
Operating earnings (EBIT)		**146,014**	**70,767**
Financial income	34	336	601
Financial expenses	34	-5,334	-1,127
Sundry financial income	35	1,953	3,488
Sundry financial expenses	35	-9,845	-2,644
Financial result		**-12,890**	**318**
Profit and loss shares in companies recognized in the balance sheet under the equity method, after taxes	9	0	-6
Earnings before taxes		**133,124**	**71,079**
Income tax expenses	36	-37,616	-20,615
Consolidated result		**95,508**	**50,464**
Appropriation of profit:			
Shareholders of VARTA AG		95,411	50,390
Non-controlling interests		97	74

Consolidated statement of comprehensive income for the period January 1, 2020 to December 31, 2020

VARTA Aktiengesellschaft, Ellwangen (Jagst)

(€ k)	NOTES	2020	2019
Consolidated result		**95,508**	**50,464**
Items that will not be reclassified under profit or loss			
Revaluation of the net defined benefit liability	20	-8,818	-1,900
Revaluation of the reimbursement claim	20	2,311	2,626
Related tax	21	1,831	-200
		-4,676	**526**
Items that were reclassified or may be reclassified later under profit or loss			
Currency translation differences	35	-7,668	537
Result of fair value changes in cash flow hedges	38	36	545
Related tax	36	-13	-159
		-7,645	**923**
Other comprehensive income for the period, net of tax		**-12,321**	**1,449**
Comprehensive income		**83,187**	**51,913**
Profit attributable to:			
Shareholders of VARTA AG		83,091	51,837
Non-controlling interests		96	76

Earnings per share (€)	NOTE	2020	2019
Basic earnings per share	18	2.36	1.28
Diluted earnings per share	18	2.36	1.28

Consolidated statement of cash flows for the period January 1, 2020 to December 31, 2020

VARTA Aktiengesellschaft, Ellwangen (Jagst)

(€ k)	NOTES	2020	2019
Cash flow from ongoing operating activities			
Earnings before taxes		133,124	71,079
Net financial result less sundry financial expense/sundry financial income	35	4,998	526
Results from at equity measurement	9	0	6
Depreciation and amortization	30/7/8	66,617	20,855
Gains and losses from the sale of property, plant and equipment and intangible assets		166	134
Other non-cash income and expenses		-1,764	-1,539
Change in working capital			
Inventories	12	-20,381	-7,154
Trade receivables and other current assets	13	13,330	-28,230
Trade payables and other current and non-current liabilities	22	43,018	58,030
Provisions and liabilities from pensions	20	32,883	4,881
Income tax paid		-39,128	-12,854
Net cash flow from ongoing operating activities		**232,863**	**105,734**
Cash flow from investing activities			
Capital expenditure on the acquisition of intangible and tangible assets	30/7/8	-302,202	-102,803
Own work capitalized		-4,980	-4,313
Cash receipts from the sale of intangible and tangible assets		1,507	542
Payments from raising loans		6	0
Investment in investments less acquired cash and cash equivalents	2	-67,642	-204
thereof acquisition of VARTA Consumer less acquired cash and cash equivalents	2	-67,767	0
Receipts from the repayment of loans		13	0
Repayment of capital reserve from associated companies		0	377
Interest received	34	329	595
Cash flow from investing activities		**-372,969**	**-105,806**
Cash flow from financing activities			
Receipts/payments from capital measures		0	103,753
Payments for the costs of the capital increase		0	-1,633
Payments for leasing liabilities		-14,039	-9,065
Payments from the payment of interest-bearing financial liabilities	19	41,406	2,243
Repayments of interest-bearing current financial liabilities	19	-3,371	0
Interest paid	34	-4,110	-416
Cash flow from financing activities		**19,886**	**94,882**
Net change in cash and cash equivalents		-120,220	94,810
Cash and cash equivalents as of January 1	15/37	244,781	149,741
The effects of changes in foreign exchange rates		-2,672	230
Cash and cash equivalents as of December 31, 2020	**15**	**121,889**	**244,781**

Consolidated statement of change in equity

VARTA Aktiengesellschaft, Ellwangen (Jagst)

(€ k)	ISSUED CAPITAL	CAPITAL RESERVE	RETAINED EARNINGS*	OTHER RESERVES *CURRENCY TRANSLATION ADJUSTMENTS*	*HEDGING RESERVE*	NON-CONTROLLING INTERESTS	TOTAL EQUITY
As of January 1, 2019	**38,200**	**149,374**	**66,887**	**3,924**	**-389**	**1,426**	**259,422**
Effect of share-based payment	0	870	0	0	0	0	870
	0	0	1,287	0	0	-1,287	0
Capital increase	2,222	101,531	0	0	0	0	103,753
Transaction costs from capital increase	0	-1,156	0	0	0	0	-1,156
Comprehensive income							
Profit/loss for the year	0	0	50,390	0	0	74	50,464
Other comprehensive income	0	0	526	535	386	2	1,449
Total comprehensive income	**0**	**0**	**50,916**	**535**	**386**	**76**	**51,913**
As of December 31, 2019	**40,422**	**250,619**	**119,090**	**4,459**	**-3**	**215**	**414,802**

	ISSUED CAPITAL	CAPITAL RESERVE	RETAINED EARNINGS*	OTHER RESERVES *CURRENCY TRANSLATION ADJUSTMENTS*	*HEDGING RESERVE*	NON-CONTROLLING INTERESTS	TOTAL EQUITY
As of January 1, 2020	**40,422**	**250,619**	**119,090**	**4,459**	**-3**	**215**	**414,802**
Effect of share-based payment	0	1,086	0	0	0	0	1,086
Comprehensive income							
Profit/loss for the year	0	0	95,411	0	0	97	95,508
Other comprehensive income	0	0	-4,676	-7,668	24	-1	-12,321
Total comprehensive income	**0**	**0**	**90,735**	**-7,668**	**24**	**96**	**83,187**
As of December 31, 2020	**40,422**	**251,705**	**209,825**	**-3,209**	**21**	**311**	**499,075**

* Retained earnings including profit/loss for the year

Consolidated Notes of VARTA AG

For the financial year 2020

1. General information

VARTA Aktiengesellschaft (VARTA AG) is a company headquartered in Ellwangen (Jagst), Germany, registered in the Commercial Register of the Ulm District Court, Germany, under HRB 728059. The company's present consolidated financial statements comprise the company and its subsidiaries (collectively, "VARTA AG Group"). The reporting date for VARTA AG, all subsidiaries and for the consolidated accounts is December 31, 2020. These consolidated accounts are presented in euro, which is the Company's functional currency. All financial information presented in euro was, unless specified otherwise, rounded up to the next thousand. The consolidated financial statements were prepared in compliance with the International Financial Reporting Standards (IFRS).

The business activities of VARTA AG, which it conducts through its operating subsidiaries, comprise production, sales, research and development in two business segments: "Microbatteries & Solutions" and "Household Batteries". The VARTA AG Group is a globally operating international company with over 130 years of experience.

VARTA AG is headquartered in Ellwangen, Jagst, VARTA-Platz 1, Germany. The ultimate parent of VARTA AG is Montana Tech Components AG, subsequently referred to as "MTC", Reinach, Switzerland.

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

2. Changes in the scope of consolidation

In financial year 2020, there were the following changes in the scope of consolidation:

	2020		2019	
	FULL CONSOLIDATION	EQUITY CONSOLIDATION	FULL CONSOLIDATION	EQUITY CONSOLIDATION
As of January 1	**12**	**1**	**12**	**2**
Disposals	0	0	0	-1
Start-Up	1	0	0	0
Acquisition	30	0	0	0
As of December 31	**43**	**1**	**12**	**1**

Start-ups
VARTA Consumer Hungaria Kft.
VARTA Consumer Hungaria Kft. was established as a subsidiary of VARTA Consumer Batteries Benelux B.V. on May 15, 2020. The company, which is based in Budapest, Hungary, was registered in the Commercial Register under the number 01-09-358466. The object of the company is trade in electronics and parts for telecommunications.

Business combinations
VARTA Consumer Batteries

On January 2, 2020, the Group acquired 100% of the shares and voting rights in the following companies:

- VARTA Consumer Batteries Benelux B.V. (Netherlands), with the (direct and indirect) subsidiaries (100% in each case)
    - Spectrum Brands Europe GmbH (Germany), now known as: VARTA Consumer Europe Holding GmbH
    - ROV German Limited GmbH (Germany), now known as: VARTA Consumer Kommandit GmbH
    - ROV German General Partner GmbH (Germany), now known as: VARTA Consumer Komplementär GmbH
    - VARTA Consumer Batteries GmbH & Co. KGaA (Germany)
    - Anabasis Handelsgesellschaft GmbH (Germany)
    - VARTA Consumer Batteries Italia S.r.l. (Italy)
    - VARTA Pilleri Ticaret Ltd. Sirketi (Turkey)
    - Spectrum Brands Czech spol. s.r.o. (Czech Republic), now known as: VARTA Consumer Czech spol. s.r.o.
    - Spectrum Brands Denmark NS (Denmark), now known as: VARTA Consumer Denmark A/S
    - Spectrum Brands France S.A.S. (France), now known as: VARTA Consumer France S.A.S
    - Spectrum Brands Finland Oy (Finland), now known as: VARTA Consumer Finland Oy
    - Spectrum Brands Norway AS (Norway), now known as: VARTA Consumer Norway AS
    - Spectrum Brands Austria GmbH (Austria), now known as: VARTA Consumer Austria GmbH

  - Spectrum Brands Hrvatska d.o.o. (Croatia)
  - Spectrum Brands Bulgaria EOOD (Bulgaria)
  - Spectrum Brands Trgovina d.o.o. (Slovenia)
  - Spectrum Brands Slovakia spol. S.r.o. (Slovakia),
    now known as: VARTA Consumer Slovakia spol. s.r.o.
  - Spectrum Brands Switzerland GmbH (Switzerland),
    now known as: VARTA Consumer Switzerland GmbH
  - SPB Sweden AB (Sweden),
    now known as: VARTA Consumer Sweden AB
  - EMEA Consumer Batteries (Shenzhen) Co. Ltd. (China)
- VARTA Consumer Batteries Poland Sp. z o.o**.** (Poland)
- Limited Liability Company Consumer Batteries Company (Eastern Europe) (Russia)
- VARTA Consumer Batteries Iberia. S.L.U. (Spain)
- VARTA Consumer Batteries UK Ltd (UK)
- Energizer Real Estate Holdings, LLC (USA),
  now known as: VHB Real Estate Holdings LLC,
  with its subsidiary (100%),
  - Paula GmbH & Co. KG (Germany)

Following approval, subject to conditions regarding the hearing aid battery business, from the European Commission on December 3, 2019, the purchase agreement covering the shares in the companies listed above dated May 29, 2019 came into effect on January 2, 2020 when all conditions were met. The conditions have no material effects on the existing hearing aid battery business of VARTA AG.

Together, the companies acquired form the "VARTA Consumer Batteries" segment. VARTA Consumer Batteries is one of Europe's leading manufacturers of consumer device batteries and has established itself as the market leader in many European countries. The basis for the successful business development of VARTA Consumer Batteries is provided by the strong European distribution network featuring a large number of local companies as well as longstanding customer relationships with virtually all European key retailers. Its product portfolio includes batteries, rechargeable batteries, charging units, power banks and lights. VARTA Consumer Batteries has sales companies in over 20 countries.

The acquisition of VARTA Consumer Batteries has allowed VARTA AG to include device batteries for end consumers in its product portfolio. Through the acquisition, the Group will obtain even better access to the attractive retail sales channels that it is currently yet to penetrate to the necessary extent. Following the merger, the worldwide VARTA trademarks for device and microbatteries as well as energy storage systems have been reunited back under the umbrella of VARTA AG. This strengthens the brand profile of VARTA products across all segments.

The consideration and the consolidated acquisition balance sheet of the segment acquired were determined unanimously by the seller and the purchaser on January 1, 2020; there were no relevant transactions between January 1 and January 2, 2020.

a) Consideration transferred
The fair value of the consideration applicable on the date of the acquisition is shown below:

(€ k)	JANUARY 1, 2020
Cash and cash equivalents (given at closing)	131,122
Reimbursement of cash and cash equivalents (expected adjustment to the purchase price from the SPA adjustment mechanism)	-20,220
Total consideration transferred	**110,902**

At closing, VARTA AG paid a provisional purchase price, which was set on the basis of the balance sheet data of the VARTA Consumer Batteries segment as of October 2019. The share purchase agreement provided for adjustments based on the acquisition balance sheet, which led to some of the purchase price being reimbursed.

The share purchase agreement provides for warranties in the event of the companies acquired having to pay income taxes for periods up to the acquisition date. After determining the purchase price in accordance with the contract, the Group made provisions for income taxes for past periods equally current utilization expectations of € 13.1m and recognized a matching asset of the same amount for the tax compensation from the contractual warranty. The asset is considered recoverable on the basis of the contractual agreement and the seller's creditworthiness. Furthermore, a total of € 13.7m had already been repaid from this situation in 2020.

b) Costs associated with the business combination

Costs of € 3.7m for due diligence, legal, bank and notary's fees were incurred in the consolidated financial statements for financial year 2019 in connection with the business combination. Of this figure, € 3.0m was recorded in other operating expenses and € 0.7m in financial expenses in the previous year's income statement.
In the consolidated financial statements for the current fiscal year 2020, costs of € 27.2m were incurred in connection with the business combination. These costs were recognized in other operating expenses.

c) Identifiable assets acquired and liabilities assumed

The amounts recognized for the main groups of assets acquired and liabilities assumed at the acquisition date are summarized below:

(€ k)	JANUARY 1, 2020
Intangible assets	44,631
Property, plant and equipment	64,753
Long-term Investments	50
Other non-current assets	18
Deferred tax assets	4,961
Inventories	51,108
Trade receivables	89,142
Contract assets (IFRS 15)	1,594
Tax refund claims	763
Other current assets	47,565
Cash and cash equivalents	29,408
Deferred tax liabilities	-10,658
Financial liabilities	-33,185
Provisions for employee benefits	-41,073
Other provisions	-57,935
Trade payables and advance payments received	-31,824
Contract liabilities (IFRS 15)	-1,415
Tax liabilities	-27,637
Other liabilities	-19,502
Total identified net assets acquired	**110,764**

Trade receivables comprised gross amounts of contractual receivables in the amount of € 92.2m, of which € 3.1m was estimated to be probably unrecoverable at the acquisition date.

Other current assets contain a claim for the refund of tax of € 26.8m based on the purchase agreement.

As part of the due diligence investigations for the acquisition, it emerged that existing agreements covering the provision of services by the VARTA Consumer Batteries segment for the seller in the areas of sales, marketing and administration would no longer be continued after the transaction, having been terminated by the seller, and in this respect, material overheads of the VARTA Consumer Batteries segment could no longer be covered. As part of detailed investigations, the impact associated therewith on operating earnings was established. At the same time, corresponding analyses of the restructuring of the functions affected were prepared to minimize the impact on operating earnings and ensure it is as brief as possible. Both the impact on operating earnings and the expected restructuring expenses were taken into account to reduce the purchase price.

In connection with this, VARTA AG adopted a restructuring plan immediately after the acquisition date, which was implemented in 2020. The expenses for implementing the restructuring plan came to € 17.6m. Since the requirements for a restructuring provision were only met after the acquisition date, the identifiable net assets do not include a restructuring provision.

Deferred tax assets (pre-netting) of € 10.6m resulted from pension provisions of € 5.8m, intangible assets of € 1.7m and miscellaneous of € 3.1m. Deferred tax liabilities (pre-netting) of € 10.7m resulted from temporary differences in intangible assets of € 11.3m, property, plant and equipment of € 1.6m, inventories of € 2.4m and miscellaneous of € 1.0m.

d) Goodwill

The goodwill resulting from the acquisition was recognized as follows:

(€ k)	JANUARY 1, 2020
Consideration transferred	110,902
Fair value of the identifiable net assets	-110,764
Goodwill	**138**

Goodwill results primarily from sales synergies created by access for VARTA AG products to retail sales channels and the skills of workforce.

e) Contributions to revenue and financial results

The segment acquired contributed revenue of € 335.7m and a profit of € 8.0m to the Group's results between January 1 and December 31, 2020. The profit is due to depreciation and amortization on supplementary amounts resulting from the purchase price allocation as well as restructuring costs incurred as part of the restructuring plan.

Mezzanin Finanzierungs GmbH

On April 2, 2020, the Group acquired three shell companies with a payment of € 0.3m. In total, 100% of the shares and voting rights in Mezzanin Finanzierungs GmbH, Vienna, Austria were directly acquired. In turn, Mezzanin Finanzierungs GmbH holds 80% of the shares and voting rights in CONNEXIO alternative investment holding GmbH (formerly

Connexio alternative investment holding AG), Vienna, Austria. At the date of acquisition, the Group already held 20% of the shares in CONNEXIO alternative investment holding GmbH. Mezzanin Finanzierungs GmbH also holds 100% of the shares in VAMI-SK neunzehn GmbH, Graz, Austria.

However, the acquisition is directly associated with the acquisition of 82.26% of the shares in VARTA Micro Innovation GmbH, Graz, Austria, which took place after the reporting date (for further details, please refer to Chapter 44 "Events after the reporting date December 31, 2020". The stages of the transaction and the draft agreements envisaged for the various share acquisitions were specified in a master agreement on March 30, 2020. Since these are linked transactions, the acquisitions as a whole must be viewed as a business combination. The transaction carried out in the current reporting period covers a part of the business combination.

The VARTA Aktiengesellschaft companies included in the scope of consolidation are listed in Chapter 42 "Investment companies".

3. Notes explaining the consolidated accounting principles

3.1. Declaration of compliance

Pursuant to Section 315e (1) HGB, the consolidated financial statements of VARTA AG and its subsidiaries for fiscal year 2020 were prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) and the supplementary provisions of German commercial law contained in Section 315a (2) HGB. The standards of the IASB applicable on the reporting date, which have been endorsed by the European Union, are applied here. The term IFRS also comprises the International Ac-counting Standards (IAS), which remain valid. The interpretations of the International Financial Reporting Interpretations Committee (IFRIC), application of which is obligatory on December 31, 2020, were also applied.

3.2. Going concern

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

3.3. Consolidation principles

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

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

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

The consolidated companies are presented in a table in Chapter 42 "Investment companies" of these notes to the consolidated financial statements.

3.4. Measurement basis

Assets are classified and measured either at amortized cost, at fair value with changes in value in other comprehensive income (FVOCI) or at fair value with changes in value in profit or loss (FVTPL). Non-current assets held for sale and groups of assets are held at the lower of their carrying amount and fair value less anticipated selling costs.

3.5. Functional and presentational currency

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

As a rule, the functional currency of the respective Group companies is based on their primary economic environment and corresponds, in principle, to the respective national currency. For the majority of the activities, the euro (EUR or €) is the functional currency, which is why the present consolidated financial statement was prepared in euro (EUR or €).

Please note that rounding may result in differences compared with the mathematically precise figures calculated (monetary units, percentages etc.).

3.6. Maturities

Current assets are assigned to asset items, which will either be realized or consumed within a year in the Group's normal business cycle or are held for trading purposes. All other assets are assigned to non-current assets.

All obligations that the Group will repay as part of the normal business cycle using operating cash flows or that are scheduled to fall due within a year of the reporting date are assigned to current liabilities. All other obligations are assigned to non-current liabilities.

4. Key accounting and measurement policies

4.1. Currency translation

The individual companies prepare their financial statements in functional or local currency. In the present consolidated financial statements, assets and liabilities held in foreign currency are translated into euro at the rate on the reporting date. Equity is stated at historical rates. Expenses and income are translated into euro at average rates across the respective period. The differences resulting from translation are recognized in the consolidated statement of comprehensive income. Translation differences are only recognized through profit or loss on disposal or de-consolidation of a subsidiary.

Transactions in foreign currency are translated into the functional currency at the respective current rate. Outstanding amounts in foreign currencies are translated at reporting date rates for cash items and at historical rates for non-cash items. Non-cash foreign currency items accounted for at fair value are translated at the exchange rate at the remeasurement date. The foreign currency gains and losses resulting from translation at the reporting date rate are, with the exception of available-for-sale financial assets and net investments in foreign operations, reported in the income statement under other financial result. The exchange rates used for foreign currency translation that have a significant impact on the consolidated financial statements are as follows:

1 EURO EQUALS	AVERAGE RATE		REPORTING DATE RATE	
	2020	2019	2020	2019
US Dollar (USD)	1.1422	1.1195	1.2271	1.1234
British pound (GBP)	0.8897	0.8778	0.8990	0.8508
Russian rubles (RUB)	82.7248	72.4553	91.4671	69.9563
Romanian leu (RON)	4.8383	4.7453	4.8683	4.7830
Danish crones (DKK)	7.4542	7.4661	7.4409	7.4715
Swedish crones (SEK)	10.4848	10.5891	10.0343	10.4468

The Chinese yuan (CNY), Norwegian krone (NOK), Hungarian forint (HUF), Swiss franc (CHF), Croatian kuna (HRK), Czech koruna (CZK) and Turkish lira (TRL) also affect the consolidated financial statements, although the impact is not significant for the VARTA AG Group.

4.2. Financial Instruments

4.2.1. Non-derivative and derivative financial instruments

IFRS 9 contains three basic categories for classifying financial assets: measured at amortized cost, measured at fair value with changes in value in other comprehensive income (FVOCI) and measured at fair value with changes in value in profit or loss (FVTPL). Financial assets are classified according to IFRS 9 on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. According to IFRS 9, derivatives that are embedded in contracts where the basis is a financial asset within the scope of the standard are never accounted for separately. Instead, the hybrid instrument is assessed as a whole with regard to classification.

Non-derivatives and derivative financial instruments are divided into the following categories in the Group's consolidated financial statements:

- Debt instruments measured at amortized cost;
- Debt instruments measured at fair value through other comprehensive income (FVOCI), where the cumulative gains and losses are reclassified into the income statement on derecognition of the financial asset;
- Debt instruments, derivatives and equity instruments measures at fair value through profit or loss (FVTPL);
- Equity instruments, which are classified as FVOCI, where the gains and losses remain in other comprehensive income (OCI) on derecognition of the financial asset (no recycling).

Non-derivative financial instruments comprise investments in equity and debt instruments, trade receivables, other receivables, cash and cash equivalents, credits ad loans, trade payables as well as other liabilities.

For a debt instrument to meet the criteria for measurement at amortized cost or for FVOCI measurement, it must generate cash flows, which solely constitute principal and interest payments on the outstanding capital amount. Purchases or sales of financial assets are stated or derecognized on the trading date.

In addition to checking the cash flow characteristics test, the classification depends on the business model in which the company holds the financial asset.

Foreign currency and commodity risks are economically hedged against derivative financial instruments (forward exchange transactions and commodity swaps) at Group level. Derivative financial instruments are solely used to hedge the risks arising from operating activities. Currency derivatives (swaps) are also used to hedge intra-Group loans in foreign currency. In order to hedge planned cash flows against exchange rate risks, a 12-month liquidity planning is used as the basis for the hedging transactions to be concluded.

Derivatives are measured at market value at each reporting date. Changes to measurements are recognized in the income statement at each reporting date.

4.2.2. Impairment of financial assets

At each reporting date, an impairment charge is recognized for financial assets, credit commitments and financial guarantees not measured at fair value through profit or loss, which reflects the expected credit losses for these instruments. Recognition of expected credit losses uses a three-level approach to allocate impairments:

Level 1: Expected credit losses within the next twelve months

Level 1 contains all contracts without any significant increase in the credit risk since they were recognized for the first time and usually contains new contracts and such for which payments are less than 31 days past due. The proportion of expected credit losses over the term of the instrument which is attributable to a default within the next twelve months is recognized.

Level 2: Expected credit losses over the entire term – credit rating not impaired

If a financial asset has experienced a significant increase in its credit risk since it was recognized for the first time, but its credit rating is not impaired, it will be allocated to level 2. The expected credit losses calculated from possible payment defaults over the entire term of the financial asset are recognized as an impairment charge.

Level 3: Expected credit losses over the entire term – credit rating impaired

If the credit rating of a financial asset is impaired or it has been canceled, it is allocated to level 3. The expected credit losses over the entire term of the financial asset are recognized as an impairment charge. Objective evidence that the credit rating of a financial asset is impaired include it being more than 91 days past due and further information about the debtor's financial difficulties.

The determination of whether a financial asset has experienced a significant increase in its credit risk is based on an assessment of the probability of default to be carried out at least once a quarter, which will take account of both external rating information and internal information about the credit quality of the financial asset.

A simplified approach is applied to trade receivables under which these receivables are allocated to level 2 when recognized for the first time. Accordingly, no assessment as to whether there has been a significant increase in the credit risk is required.

Expected credit losses are calculated as the probability-weighted present value of all payment defaults over the expected term of the financial asset. The assessment of these risk parameters includes all available relevant information. In addition to historical and current information about losses, appropriate, reliable and forward-looking information is also included. This information includes macroeconomic factors and forecasts about future economic conditions. The impairment charge for trade receivables is largely determined on a collective basis.

A financial instrument will be derecognized if, after reasonable assessment, it cannot be assumed that a financial asset is recoverable in whole or in part, e.g. following completion of insolvency proceedings or following legal rulings.

4.3. Goodwill

The amount by which the amount of consideration transferred as part of a corporate acquisition exceeds the pro rata fair values of the individually identifiable assets and liabilities acquired is recognized as goodwill.

4.4. Intangible assets

4.4.1. Research and development

Research expenditure is recognized as expenses with regard to obtaining new fundamental or technological knowledge and understanding. Development costs with respect to new products and processes are then capitalized if, in essence, the following conditions are demonstrably and cumulatively met:

- completion of the project in the sense that it can be utilized economically through own use or sale is technically feasible;
- intended completion of the project and utilization through sale or own use;
- capacity for own use or sale of the intangible asset;
- demonstration of future economic benefit. Among other aspects, the company must provide evidence of the existence of a market for the intangible asset itself or the products to be generated from it. In the event of own use, evidence must be provided that the asset in question is profitable.
- Availability of the technical, financial and other reserves needed to complete the project or to use or sell the asset;
- Reliable determination of the costs to be allocated to the intangible asset during the development phase.

Capitalized development costs are measured at cost of acquisition or manufacture less cumulative depreciation and other loss allowances (see notes 4.10 " Impairment Test"). Determination of the useful life is dependent on the project and is based on the anticipated useful life of the development.

4.4.2. Other intangible assets

Other intangible assets include commercial property rights, which comprise trademarks and patents, customer relationships, licenses as well as other intangible assets.

Intangible assets with determinable useful lives are accounted for at cost less cumulative depreciation and impairments (see notes 4.10 " Impairment Test"). Intangible assets are capitalized if it is likely that an economic benefit will be attained from them. All other expenses are charged directly to the income statement at the time they are recognized. Intangible assets are depreciated on a straight-line basis over their estimated useful lives; depreciation starts from the date they are available for use. The estimated useful life for commercial property rights, licenses and other intangible assets amounts to three to twelve years.

Intangible assets with an unlimited useful life are not depreciated but subjected to an impairment test each year (see notes 4.10 " Impairment Test").

4.5. Property, plant and equipment

Property, plant and equipment is measured at cost of acquisition or manufacture less cumulative depreciation and cumulative impairments. Subsequent investments are only capitalized if they increase the future economic benefit of the fixed asset. All other expenses for property, plant and equipment are recognized immediately in expenditure.

With the exception of land, property, plant and equipment are written down on a straight-line basis through profit and loss over the following expected useful lives:

Buildings	20 - 33 years
Technical plant and machinery	5 - 20 years
Other equipment	2 - 15 years

The depreciation methods, useful lives and assumed residual values are reviewed each year, if not insignificant, and adjusted if necessary.

If an asset is disposed of, the differences between the carrying amounts and the net sales proceeds are recognized through profit or loss in other operating income or in other operating expenses.

4.6. Leases

The Group leases various office buildings, warehouses as well plant and vehicles. Leases are usually concluded for fixed periods from 2 to 10 years but may include options to extend. Lease terms are negotiated individually and include a multitude of different terms. Leases do not include any credit conditions, but leased assets may not be used as collateral for raising loans.

The Group assesses whether the agreement establishes a leasing relationship or contains one. This is the case if the agreement entitles use of an identified asset to be controlled for a certain period in return for payment of a fee. VARTA uses the definition of a leasing relationship specified in IFRS 16 to assess whether an agreement contains the right to control an identified asset. Each lease installment is divided into a repayment portion and a financing portion. Financing expenses are recognized through profit or loss over the term of the leasing relationship, meaning that a constant periodic interest rate on the remaining amount of the liability is produced for each period. The right of use is written down on a straight-line basis over the shorter of the two periods of the useful life and term of the lease agreement.

Assets and liabilities under leasing relationships are recognized at present values when recognized for the first time. Lease liabilities comprise the present value of the following lease payments

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

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

Rights of use are measured at cost, which comprises the following:

- The amount of the first valuation of the lease liability
- all initial direct costs incurred and
- estimated costs, which will arise from dismantling or removing the underlying asset, from restoring the site in which it is located or from returning the underlying asset to the condition required in the lease agreement.

VARTA makes use of both the relief for short-term leases as well as for leases based on minor-value assets. These are recognized as expense in profit or loss on a straight-line basis. Leases with a term of up to 12 months are regarded as short-term leases. Minor-value assets include IT equipment and smaller office furniture for instance.

The lease liability is measured at amortized carrying amounts using the effective interest method. They are remeasured if future lease payments change because of a change to an index or (interest) rate, if the Group changes its assessment of whether an option to purchase, extend or terminate will be exercised or an in-substance fixed lease payment changes. In the event of a lease liability being remeasured in this way, the carrying amount of the right of use is adjusted accordingly.

4.7. Trade receivables

Trade receivables are accounted for at amortized cost, which usually equates to the nominal value less loss allowances created for the credit risk (see Chapter 38.2 "Financial Risk Management").

In addition to individual loss allowances required for specific known credit risks, loss allowances based on past experience are also created in accordance with the "expected credit losses" (ECL) model. As soon as there is sufficient evidence that a receivable will definitely no longer be paid, the receivable is derecognized directly or netted off against the individual loss allowance created for this purpose.

Revenue is recognized by the Group when control of the goods or services passes to the customer. VARTA recognizes a contract asset against revenue when control has passed to the customer on the basis of the requirements, but the service cannot be invoiced yet. A contract liability is recognized if the customer has paid the purchase price (in full or in part) or the company has a claim to such as payment even before the company could transfer the goods or provide the services in question.

4.8. Inventories

Inventories are measured at cost of acquisition or manufacture or at the lower net realizable value. The net realizable value is the expected average sale price less completion and sales costs still to be incurred.

Self-manufactured products are measured at the cost of manufacture, purchased products at the cost of acquisition. The costs of manufacture include direct material and production costs as well as directly attributable overheads. Production overheads are determined on the basis of normal production capacity. Inventories are usually measured on the basis of the sliding average method. They are written down if the net realizable value is lower than the carrying amount.

4.9. Share-based remuneration

The VARTA AG Group offers various share-based remuneration programs. These are an employee stock option program (ESOP), which was established by VGG GmbH, Vienna, Austria, and a Long-Term Incentive Program (LTI program) for a member of the Executive Board, which was changed to a long-term, non-share-based performance-related (increase in value) remuneration program in fiscal year 2019. The amount of the increase in value remuneration to be paid is dependent on EBITDA achieved in future.

The ESOP is paid in shares or cash. At VARTA AG, personnel costs are recognized over the vesting period. They are offset under capital reserves. The LTI program provided for payment in shares or in cash, and therefore represented a combination of a share-based component and a component paid in cash until the contract was changed. At VARTA AG, personnel costs were recognized over the vesting period and were offset either under capital reserves (for payment in shares) or under personnel liabilities until the contract was changed. When the contract was changed, it was reclassified into non-current other deferred liabilities for personnel.

The fair value of share-based payment systems was determined in accordance with the Black Scholes formula. For further details, please see Section 33 "Share-based payment arrangements".

4.10. Impairment test

4.10.1. Financial assets

The measurement of financial assets, which are not measured at fair value through profit or loss, is reviewed at each reporting date to determine whether the financial asset is impaired. An impairment is recognized if there is objective evidence that the carrying amount exceeds the recoverable amount. The following are deemed to be objective evidence that financial assets are impaired:

- Default or delay by a debtor
- Restructuring of an amount owed to the Group on terms that the Group would not consider otherwise
- Indications that a debtor or issuer is becoming insolvent
- Detrimental 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 pointing to marked reduction in the expected payments of a group of financial assets

According to the expected loss model, all assets are divided into three categories:

Initially, assets are allocated to category 1 irrespective of their credit quality. Only assets that have an explicit indication of expected losses are assigned to the second or third category. In cases of a deterioration of creditworthiness, assets are re-assigned to CQS 2 or CQS3. The VARTA AG Group applies the simplified approach to current trade receivables (please refer to Chapter 38.2 "Financial Risk Management".

Financial assets at amortized cost

The Group considers indications of impairments for these financial assets both at the level of the individual asset and on a collective level. All assets, which are significant in their own right, are assessed with regard to specific impairments. Those, which do not prove to be specifically impaired, are subsequently assessed collectively for possible impairments, which could occur but have not yet been identified. Assets, which are not significant in their own right, are assessed collectively for impairments by combining assets with similar risk characteristics in a group.

For assessing collective impairments, the Group uses historical information about the timing of cash receipts and the amount of losses incurred, adjusted by a judgment by management of whether current economic conditions and credit terms are such that actual losses will probably be larger or smaller than the losses to be expected on the basis of historical trends.

An impairment is calculated as the difference between the carrying amount and the present value of the estimated future cash flows, discounted by the original effective interest rate of the asset. Losses are recognized in profit or loss and reproduced in an account for loss allowances. If the Group has no realistic prospect of recovering the asset, the amounts are written off. If an event occurring after the loss allowance is recognized results in a reduction in the amount of the loss allowance, the reduction in the loss allowance is recognized in profit or loss.

4.10.2. Non-financial assets

The carrying amounts of non-financial assets or cash-generating units within the scope of IAS 36 are assessed on each reporting date to discover whether there are indications of impairment. If there are such indications, an impairment test will be carried out.

For intangible assets, which have an indeterminable useful life or are not yet available for use, the recoverable amount is determined annually at the same time for the cash generating unit (CGU).

The recoverable amount of a CGU is determined using the discounted cash flow (DCF) method and is the higher of value in use and fair value less disposal costs. The DCF method reacts especially sensitively in relation to the discount rate chosen and the future cash flows estimated by the Executive Board. The discount rate is based on the weighted average cost of capital (WACC) of the respective CGUs. It is calculated from a risk-free interest rate and a market risk premium. The discount rate also reflects the current market assessment and risks of CGUs taking account of peer group information. When determining the value in use, the estimated future cash flows are discounted to the present value. To carry out impairment tests, the assets are divided into the smallest group of assets, which generate independent cash flows (cash generating units).

An impairment exists if the carrying amount of an asset or a cash generating unit exceeds the estimated recoverable amount. The recoverable amount is the higher of fair value less costs of disposal and the value in use of a cash generating unit. Impairments are posted in profit or loss. Impairments to a cash generating unit or a group of cash generating units are first allocated to goodwill and subsequently pro rata to the other assets of the unit or group. Individual assets of a unit or group whose fair values less costs to sell exceed their carrying amount are exempt from this rule.

Impaired assets (apart from goodwill) are assessed each reporting date to determine whether there are any indications that the loss has become smaller or no longer exists. Impairments are written up to the increased recoverable amount, but not to more than the updated original carrying amount of the asset.

4.11. Defined benefit obligations and defined contribution commitments

In addition to the state retirement benefits, the Group offers defined benefit and defined contribution pension plans for parts of the workforce. The pension plans offer age-related benefits and benefits in the event of death or invalidity. Essentially, there are "Employee Benefits" defined benefit plans as defined in IAS 19 in Germany and Singapore.

Defined contribution plans
In the case of defined contribution plans, the expenses reported in the consolidated income statement equate to the employer's contributions.

Defined benefit plans
For all material 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 discount rate is based on the interest rate for high quality corporate bonds with virtually identical maturities to the defined benefit obligations. The costs of the employee benefits that accrued in the current period are reported in the consolidated income statement. In the balance sheet, the plan assets measured at fair value are netted off against the defined benefit obligation.

Any increase in the plan costs from past employee benefits, which is attributable to new or improved plan benefits (past service cost) is recognized on a straight-line basis as expense from employment or other employee benefits until the benefits in question accrue.

The Group determines the net interest expenses (income) on the net defined benefit liability (asset) for the reporting period using the discount rate that was used to measure the defined benefit obligation at the beginning of the annual reporting period. This discount rate is applied to the net defined benefit liability (asset) at this time. In so doing, possible changes that occur to the net defined benefit liability (asset) during the reporting period as a result of contribution and benefit payments are taken into consideration. Net interest expenses and other expenses for defined benefit plans are recognized in profit or loss.

Revaluation of the net defined benefit liability is recognized directly in other comprehensive income. The revaluation includes the actuarial gains and losses, income from plan assets (without interest) and the impact of the possible asset ceiling (without interest).

If the benefits from a plan have changed or a plan is reduced, the resultant change in the benefit relating to past service or the gain or loss on reduction is recognized directly in profit or loss. The Group recognizes gains and losses from the settlement of a defined benefit plan at the time of settlement.

Surpluses are only recognized if they are actually available to the Group in the form of future contribution payments or reductions.

Assumption of a joint debt obligation
An agreement was concluded with the external company Colibri Beratungsgesellschaft mbH in 2017 in which the company agreed to assume the pension obligations of a Group company as part of a joint debt obligation in return for payment of an agreed fee. In this connection, the accrued pension obligations existing as of December 31, 2016 are accounted for in the Group company in question and settled with the beneficiaries; at the same time, a claim for reimbursement against the company and the regular netting off of paid pension claims is accounted for. The amortized claim to reimbursement is determined in accordance with IAS 19; the fair value of the asset is reviewed annually, taking account of the safeguards that have been implemented. (see Chapter 20.2 "Pensions").

4.12. Government grants
Government grants, which compensate for expenses incurred, are recognized as scheduled in profit or loss in the periods in which the expenses are incurred.

Other government grants in relation to assets are initially recognized as deferred income if there is an appropriate degree of certainty that they will be awarded, and the Group will meet the conditions associated with the grant. Subsequently, these other government grants are recognized as other income in profit or loss on a scheduled basis of the term of the asset's useful life.

4.13. Contingent liabilities

If the recognition criteria for provisions are not met and the possibility of a cash outflow if they are met is unlikely, they will be disclosed as a contingent liability (if they can be measured sufficiently). The amount disclosed as a contingent liability corresponds to the best-possible estimate of the possible obligation on the reporting date. Provisions and contingent liabilities are reviewed regularly and amended in the event of new findings or changes to circumstances.

4.14. Deferred liabilities

Deferred liabilities cover future expenses where the amount or timing is uncertain but where there is less uncertainty than with provisions. These are liabilities for received or supplied items or services, which have neither been paid nor invoiced nor even formally agreed. These also include current liabilities to employees (such as bonuses or holiday entitlements). Deferred liabilities are recognized as liabilities in the amount of anticipated utilization.

4.15. Other financial liabilities

At initial recognition, these liabilities are accounted for at market value less directly attributable transaction costs. They are subsequently measured at amortized cost where the difference between the market value and the amount to be repaid is posted in profit and loss using the effective interest rate method. 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 are usable on a revolving basis are reported as non-current if the entire drawing period for the financing period exceeds the annual period.

4.16. Provisions

Provisions are liabilities where the amount or timing is uncertain. They are recognized if the Group has a present obligation to third parties based on a past event, a cash outflow to meet this obligation is likely and the amount can be reliably determined. Provisions are discounted if the effect is material. Provisions where the probable cash outflow will take place within the next year are classified as current, all other provisions as non-current.

4.17. Revenue recognition

In accordance with IFRS 15, revenue is recognized when a customer obtains control of goods and services.

Judgments are required to determine whether control passes at a specific point in time or over a period of time. Therefore, for revenue recognition over a period of time, for example, it is necessary to check whether products are "customer-specific" and whether there is a legal right to receive payment including an appropriate profit margin for services already supplied in the event of the contract being broken.

The majority of the revenue from product sales is recognized at a point in time, since in most cases no customer-specific products are sold without an alternative use. In the VARTA AG Group an alternative use also exists when specific products can be sold to other customers at negligible cost (e.g. change of packaging).

Rebate in kind claims are taken into account as a decrease in revenues on the basis of the best estimate at the time of the product delivery from which the claim accrues. When the rebate in kind is supplied, the revenue-reducing contractual obligation is canceled. Take-back obligations are recognized as a contractual liability at the time of the product delivery. Customer claims from bonus agreements are recognized as other provisions. For consignment stock, revenue is to be recognized at VARTA when the customer obtains control, i.e. as soon as the goods are in the customer's consignment warehouse and not only when they withdraw the goods from the warehouse.

In the VARTA AG Group, the recognition of revenue over time essentially relates to revenue from customer-specific products. In this case, determination of the performance progress takes place using the input-based method.

The key payment terms include a maturity of 30 days net. Warranty and liability claims associated with the sale of products are based on the provisions of the law or market practices.

4.18. Financial result

Net interest income contains income from investments and cash and cash equivalents as well as expenses from other financial liabilities. Interest income and expenses are recognized in the period in which they accrue in profit or loss using the effective interest method.

The other financial result comprises gains from the sale of available-for-sale financial assets, changes in the fair value of financial assets measured at fair value through profit or loss, impairments of financial assets and conversion differences from foreign currency translations.

4.19. Income taxes

Income taxes contain both current and deferred income taxes. Normally, income taxes are recognized in profit or loss unless they are directly associated with an item that is recognized directly in the consolidated statement of comprehensive income.

Current income taxes are calculated on the basis of the taxable result using the tax rates applicable at the reporting date.

Deferred taxes are calculated in principle on all temporary differences between the reported balance sheet values of assets and liabilities. They are measured at the tax rates applicable or likely to be applicable to the respective Group companies.

No deferred taxes are recognized for the following temporary differences: initial recognition of goodwill, assets or liabilities associated with a transaction recognized for the first time that affect neither the taxable result nor the profit/loss for the year, and temporary differences on shares in subsidiaries if it is probable that the temporary differences will not be realized in the foreseeable future.

Deferred tax assets from loss carryforwards that can be offset and temporary differences will only be considered in so far as it is likely that they can be offset against future taxable profits. The assessment is based on the corporate planning approved by the Supervisory Board.

The assessment for income tax purposes basically takes place at the level of the individual circumstances, taking account of any reciprocal effects. If recognition that it can be used for tax purposes is probable, current and deferred taxes must be recognized on this basis. If, however, there is uncertainty regarding recognition (not probable), in principle, the most likely amount that will be recognized for tax purposes must be used unless the expected amount from different scenarios leads to more meaningful results. In this connection, it is assumed at all times that the tax authorities will be fully aware of the circumstances. Finally, the assumptions and decisions made are reviewed at each reporting date and, if applicable, adjusted on the basis of new findings.

4.20.Segment reporting

The Group is set up as a divisional or branch organization. Its operating activity is organized via the application-oriented "Microbatteries & Solutions" and "Household Batteries" business segments. Business is managed in the respective divisions along the operating value-added chain across all geographical regions and countries.

The CODM (Chief Operation Decision Maker) is responsible for monitoring. The CODM is the Executive Board of VARTA AG, since it uses the internal management reporting to scrutinize the segments' performance and allocation of resources at regular intervals. Performance per segment is assessed on the basis of EBITDA or adjusted EBITDA. The former denotes earnings before interest, taxes, depreciation of property, plant and equipment and amortization of intangible assets. This key figure does not therefore take account of any interest and financing elements. Neither does it take account of the shares of profits or losses of companies included in the consolidated financial statements under the equity method.

Microbatteries & Solutions

The Microbatteries & Solutions segment focuses on manufacturing microbatteries – primarily for applications in the areas of Entertainment, Healthcare and Industrial. Here, the company makes selective use of innovative technologies in order to produce the highest energy density within the smallest space possible. It focuses on zinc-air, lithium-ion, silver oxide and nickel metal hybrid for rechargeable and non-rechargeable battery solutions.

For applications in the area of Healthcare, zinc-air batteries are primarily manufactured for use in hearing aid devices. These are marketed under the "power one" and "ecopack" brands in addition to proprietary customer brands. Commercial success in the area of hearing aid batteries is dependent on innovative, reliable solutions that offer a long service life as well as consistent quality. Our market position is secured by proprietary automation processes within production in addition to our ability to provide an end-to-end service to our customers, ranging from initial product to the point of sale (POS).

High-end lithium-ion battery solutions for premium wireless headphones (hearables) are manufactured for the Entertainment segment. Further application areas are "wearables", which include medical devices to measure hypertension (high blood pressure), blood sugar and other bodily functions as well as the power supply for Covid-19 antibody tests.

In the Industrial product group, the company primarily manufactures rechargeable battery solutions for industrial and original equipment manufacturers (OEMs). These include applications such as servers, applications in car keys, alarm systems and smart meters, among others.

The Solutions area is focused on the development, system integration and assembly of power pack solutions for OEM customers in various markets. This segment is responsible for the production of rechargeable, standardized and customized battery packs. These can be seamlessly integrated into various industrial and wireless applications. Irrespective of the technology or complexity of tasks at hand, the company offers a full service from design to production for OEM customers. This segment is concentrated on solutions for portable industrial applications, communications devices and electric power tools in addition to devices used at home, in the garden and for medical applications.

Household Batteries
The Household Batteries segment covers the battery business for end customers, including household batteries, rechargeable batteries, chargers, portable power (power banks), lights and energy storage systems.

With the Consumer Batteries segment, VARTA AG is a European market leader in the area of household batteries (consumer batteries) with production located in Germany. The innovative, high-quality products are developed and manufactured using cutting-edge technology and by leveraging the expertise of internationally qualified specialists. A combination of innovative capacity, breadth, quality and design make the product range unique. For VARTA, a pronounced focus on consumer lifestyles and close working relationship with retail partners are essential in order to react quickly and flexibly to emerging device trends with optimum energy solutions.

By developing and manufacturing energy storage solutions within its Energy Storage business segment, VARTA is contributing to the energy revolution. The energy storage solutions developed by VARTA in the home and mass storage markets range from compact, basic models such as the wall-mounted VARTA pulse neo to large-scale storage solutions including the VARTA flex storage for commercial applications. The AC-coupled systems feature integrated battery inverters and can be combined with all sources of green energy without the need for additional PV inverters. This makes them suitable for all new installations and retrofit projects. The smart energy management system also ensures optimal use of self-produced solar energy and is designed to significantly increase domestic solar power use.

4.21. Changes to accounting standards

Accounting standards applied for the first time in 2020
The effects of the new accounting policies applied from January 1, 2020 are disclosed below. They have resulted in no significant effects for the Group.

Changes to the accounting framework
The revised conceptual framework consists of a new superordinate section Status and purpose of the conceptual framework as well as eight complete sections included from now on. Sections on The reporting entity and Presentation and disclosure are now included; Derecognition was added to the section Recognition. Content was also amended: differentiation of income into revenues and gains has been abandoned, for example.

References to the conceptual framework in various standards were adjusted along with the changes to the conceptual framework.

IFRS 3 Definition of a business
With the amendment, the IASB makes clear that a business is a group of activities and assets that contains at least a use of resources (input) and a substantial process, which then together make a significant contribution to the ability to produce outputs. With regard to outputs, the focus is now on the provision of goods and services to customers; the reference to costs being reduced has been removed. The new provisions also contain an optional "concentration test", which aims to make it easier to identify a business.

Amendments associated with the IBOR reform
The amendments to IFRS 9, IAS 39 and IFRS 7 are expected to mitigate the effects of the reform of reference interest rates (known as the IBOR reform) on financial reporting. The amendments aim to ensure that hedging relationships in the balance sheet (hedge accounting) can remain in place or continue to be designated despite the uncertainties associated with the anticipated replacement of various reference interest rates.

Amendments to IAS 1/IAS 8 – Amendments in relation to the definition of "material"
The amendments create a more uniform and more precisely delineated definition of the materiality of information in financial statements in IFRS and supplement it with accompanying examples. In this context, the definitions from the framework concept, IAS 1, IAS 8 and the IFRS Practice Statement 2 Making Materiality Judgements are harmonized.

4.22.New and amended IFRS standards after December 31, 2020

The following new and revised standards and interpretations were adopted but will not come into force until later and were not applied prematurely in the present consolidated financial statements. The company does not plan to apply them prematurely either. Unless specified otherwise below, the effects are currently being investigated.

New or amended standards and interpretations		ENACTMENT
Adopted in EU law:		
Amendments:		
IFRS 16	Rent concessions granted in the context of the Coronavirus Pandemic	June 1, 2020
IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16	Interest Rate Benchmark Reform – Phase 2	January 1, 2021
IFRS 4	Extension of the Temporary Exemption from Applying IFRS 9	January 1, 2022
Not yet adopted in EU law:		
Standards		
IFRS 17	Insurance contracts	January 1, 2023
Amendments:		
IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	January 1, 2022
2018-2020	Annual Improvements to IFRS Standards 2018–2020	January 1, 2022
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	January 1, 2022
IFRS 3	Reference to the Conceptual Framework	January 1, 2022
IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023
IAS 1 / IFRS	IAS 1 and IFRS Practice Statement 2 - Amendments Disclosure of Accounting Policies	January 1, 2023
IAS 8	Amendment Definition of Accounting Estimates	January 1, 2023
IFRS 10/IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Uncertain

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

Rental concessions in response to the coronavirus pandemic
IFRS 16 contains regulations regarding changes to the illustration of lease payments (including rental concessions) by the lessee. In principle, the lessee must check each tenancy agreement to decide whether the rental concessions granted constitute

changes to the leasing relationship and whether the lease liability has to be remeasured as a result.

The change to IFRS 16 provides practical relief in the event of concessions being granted. This is linked to specific requirements and time-limited. The relief means that the lessee does not have to account for rental concessions granted in connection with the coronavirus pandemic according to the regulations governing changes to the leasing relationship but can account for them as though the leasing relationship were unchanged.

Reform of reference interest rates
The second phase amendments (to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases) aim to help those preparing the accounts make useful information available for the upcoming conversions associated with the IBOR reform. They supplement the requirements of the first phase of the project and start in principle with the replacement of one reference interest rate by another reference interest rate.

With regard to the illustration of financial instruments, the following aspects, in particular, are affected:

- In the case of changes to contractual cash flows, there is no need, on the basis of the adjustments, to adjust or derecognize the carrying value of financial instruments. Rather, subject to certain conditions being met, there is the option of adjusting the effective interest rate to reflect the change in the alternative reference interest rate.
- With regard to the accounting for hedging transactions, there is no need on the basis of the changes, subject to certain conditions being met, to terminate a hedging relationship designed for the purposes of hedge accounting because of adjustments triggered by the IBOR reform.
- New risks resulting from the reform and also how the transition to alternative reference interest rates will be dealt with, must be disclosed.

In addition to adjustments to IFRS 9, IAS 39 and IFRS 7, the IASB adopted minor adjustments to IFRS 4 and IFRS 16.

Extension of the limited exemption from application of IFRS 9
The changes to IFRS 4 are supposed to regulate the temporary accounting issues caused by the fact that IFRS 9 Financial Instruments and the future IFRS 17 Insurance Policies become applicable from different dates. In particular, the temporary exemption from IFRS 9 will be extended to 2023 as a result to bring the date on which IFRS 9 becomes applicable into line with the date on which IFRS 17 becomes applicable. The changes are applicable to reporting periods starting on or after January 1, 2021. Premature application is permissible.

The Group currently assumes that there will be no material effects on the consolidated financial statements.

IFRS 17 – Insurance Contracts
The standard regulates accounting for insurance contracts. IFRS 17 replaces the previously valid transitional standard IFRS 4. The scope covers insurance contracts, reinsurance contracts and investment contracts with discretionary participation

features. Under IFRS 17, insurance contracts are measured in principle according to the general model. The fulfillment value and contractual service margin are determined for a group of insurance contracts when it is recognized for the first time. Depending on the scope of changes to the underlying parameters, either the actuarial result or actuarial financial income/expenses will be affected in the subsequent measurement or the contractual service margin may be adjusted first, which will only affect the income statement in subsequent periods.

IAS 37 – Onerous Contracts – Costs of Fulfilling a Contract
The Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Onerous Contract – Cost of Fulfilling a Contract) contain the definition of which costs a company should include when assessing whether a contract is onerous. It states that the costs of fulfilling the contract are all costs that relate directly to the contract. Therefore, both costs that would not accrue without the contract (incremental costs) and other costs that are directly attributable to the contract must be taken into consideration.

The amendments are applicable – subject to adoption in EU law – to reporting periods starting on or after January 1, 2022. Premature application of the amendments is permissible, but, in principle, requires an endorsement in the EU.

Annual Improvements to IFRS Standards
The following Standards were amended through the Annual Improvements to IFRS.

In IFRS 1, subsidiaries adopting IFRS for the first time that applied IFRS 1.D16 (a) were permitted to measure cumulative translation differences using the amounts reported by their parent companies.

The amendment to IFRS 9 clarified which fees an entity can include when it applies the 10% test (IFRS 9.B3.3.6) in assessing whether to derecognize a financial liability. Only fees that are paid or received between the entity as borrower and the lender may be included.

In IFRS 16, the illustration of the reimbursement of leasehold improvements was removed from the illustrative example 13 accompanying IFRS 16.

In IAS 41, the ban on taking tax payments into consideration as part of fair value measurement was deleted.

The amendments are applicable – subject to adoption in EU law – to reporting periods starting on or after January 1, 2022. Premature application of the amendments is permissible, but, in principle, requires an endorsement in the EU.

IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use
The amendments make clear that proceeds which an entity received from the sale of items produced while the asset was being prepared for its intended use (such as product samples) and the costs associated therewith must be recognized in profit or loss. Consideration of amounts of this kind when determining the cost of acquisition is not permissible.

The amendments are applicable – subject to adoption in EU law – to reporting periods starting on or after January 1, 2022. Premature application of the amendments is permissible, but, in principle, requires an endorsement in the EU.

IFRS 3 – Reference to a Conceptual Framework
References to the conceptual framework in various standards, as in IFRS 3, were adjusted along with the changes to the conceptual framework. The content of the rules for accounting for business acquisitions was not changed.

The amendments are applicable – subject to adoption in EU law – to business combinations where the acquisition date is on or after January 1, 2022. Premature application is permissible.

IAS 1 and IFRS Practical Tips 2 - Disclosure of Accounting Policies
The amendment to IAS 1 Disclosure of Accounting Policies will require in future that only "material" accounting policies are presented in the notes to the financial statements. To be material, the accounting policy must be associated with material transactions or other events and there must be grounds for presentation. Grounds may, for example, be that the policy was amended, it is a choice between alternative means of accounting, the policy is complex or highly discretionary or was developed in compliance with IAS 8.10-11. The aim is that company-specific statements should be paramount in future in place of standardized statements. The changes are applicable to reporting periods starting on or after January 1, 2023.

The Group currently assumes that they will have no material effects on the consolidated financial statements.

Amendment of the definition of accounting estimates
The amendment to IAS 8 definition of accounting estimates makes clear how companies can differentiate more clearly between changes to accounting policies and changes to estimates. To this end, it defines that an accounting-related estimate always refers to uncertainty in the measurement of a financial parameter in the financial statements. In addition to input parameters, a company also uses measurement processes to determine an estimate. Measurement processes may be estimation processes or measurement techniques. The changes are applicable to reporting periods starting on or after January 1, 2023.

The Group currently assumes that they will have no material effects on the consolidated financial statements.

IAS 1 Classification of Liabilities as Current or Non-current
The amendments to IAS 1 adopted relate to a limited adjustment to the assessment criteria for classifying liabilities as current or non-current.

They make clear that the classification of liabilities as current depends on the rights of the entity at the reporting date to defer settlement of the liability by at least twelve months after the end of the reporting period: if such rights exist, the liability is classified as non-current. The right to defer settlement of the liability must be substantial here. If the entity has to fulfil certain conditions to exercise a right of this kind, they must be fulfilled on the reporting date; otherwise, the liability will be classified as current.

For the classification of a liability, it is immaterial whether management intends or expects that the liability will actually be settled within twelve months after the balance sheet date. Classification will be decided solely by any rights to defer settlement of the debt by at least 12 months existing on the reporting date. This will also apply to settlement within the period permitted for measurement.

In July 2020, the initial application date was deferred by one year to reporting periods beginning on or after January 1, 2023.

The amendments are therefore applicable – subject to adoption in EU law – to reporting periods starting on or after January 1, 2023. Premature application of the amendments is permissible, but, in principle, requires an endorsement in the EU.

IFRS 10/IAS 28 – Sale or contribution of assets between an investor and an associate or joint venture
The amendments address a known inconsistency between the provisions of IFRS 10 and IAS 28 (2011) in the event of assets being sold to an associate or joint venture or assets being contributed to an associate or joint venture.

According to IFRS 10, a parent company has to recognize the gain or loss from the sale of a subsidiary in the full amount in the income statement if the possibility of control is lost. In contrast, the currently applicable IAS 28.28 demands that the disposal gain on disposals between an investor and an investment measured at equity – be it an associate or a joint venture – must only be recognized in the amount of the other's share in this company.

In future, the entire profit or loss from a transaction is only to be recognized if the assets sold or contributed constitute a business operation within the meaning of IFRS 3. This will apply regardless of whether the transaction is structured as a share or asset deal. If, however, the assets do not constitute a business, the gain may only be recognized pro rata.

The initial application date for the changes was postponed indefinitely by the IASB.

5. Material assumptions and estimates

The consolidated financial statements contain the following material items, where the amount stated is crucially dependent on the underlying assumptions and estimates:

Useful lives of non-current assets
Property, plant and equipment and intangible assets acquired for consideration are stated at cost of acquisition or manufacture and depreciated on a scheduled, straight-line basis over their respective useful lives. In deter-mining useful life, factors such as wear and tear, aging, technical standards, contract term and changes in demand are taken into consideration. Changes to these factors can entail a reduction or extension in the economic useful life of an asset. In this case, the remaining useful life would be depreciated over the remaining shorter or longer useful life and this would lead to higher or lower amounts of annual depreciation. The adjustments to the depreciation period required by a change in the expected useful life are, if applicable, treated as changes to estimates. More detailed information can be found in Chapter 300 "Depreciation" of these notes to the consolidated accounts.

Certain intangible assets are categorized as indefinite in terms of their useful lives in the event that an analysis of all relevant factors does not indicate an end to the period for which the asset contributes to the generation of cash flows. This analysis is reviewed annually to determine whether the assessment of an indefinite useful life is still justified.

Loss allowances on non-current assets
The impairment test to measure the recoverable amount of a CGU is based on corporate planning figures, the discount rate, the growth rate, anticipated inflation and exchange rates.

More detailed information on the impairment tests conducted is provided under Chapter 4.10 " Impairment Test". The assumptions reached for this purpose may, however, be subject to amendments, which might lead to loss allowances in future periods.

Defined benefit obligations

There are various pension plans for some of the employees in the Group. To be able to determine the resulting credit balances and/or obligations, the Group must first assess whether they are defined benefit or defined contribution plans. To estimate future development, statistical assumptions are made for defined benefit plans.

The actuarial measurement of provisions for employee benefits are based on discount rates, salary increases, staff turnover and the pensionable age (demographic and financial variables). If these assumptions change in response to changes in the economic situation or new market conditions, actual data may deviate significantly from actuarial opinions and calculations. These deviations may have a material influence on expenses and income from pension plans in the medium term. More detailed information on pension plans is provided in Chapter 20.2 "Pensions".

In connection with the joint assumption of the pension obligations, checks must be carried out at the reporting date to verify that the capitalized claim for reimbursement is not impaired. The recognized value of the claim for reimbursement is influenced by the recognized value of the individual assets, which Colibri Beratungsgesellschaft mbH has lodged with VARTA Microbattery Pensions-Treuhand e.V. on a fiduciary basis. Here, the greatest scope for discretion applies to the valuation of property and long-term investments.

Other provisions

Provisions are created for various circumstances as part of ordinary operating activities. The amount of the anticipated cash outflows is determined on the basis of assumptions and estimates for each specific circumstance. These assumptions may be subject to changes that could lead to deviations in future periods.

Income taxes

Deferred taxes are recognized on temporary differences between the amounts in the consolidated balance sheet and the carrying amounts in the tax balance sheet and on tax loss carryforwards, where it is probable that they can be utilized. Deferred taxes are calculated on the basis of the tax rates that apply according to the current legal position at the date at which the temporary differences will be offset and on the basis of an assessment of the future ability to generate taxable earnings based on the corporate planning approved by the Supervisory Board. Possible changes in tax rates or future taxable earnings that differ from the assumptions may lead to the realization of deferred tax assets becoming unlikely and an allowance having to be recognized for these assets. Changes in the tax rate may also lead to adjustments to deferred tax liabilities. The carrying amounts of deferred taxes emerge from the consolidated balance sheet and are assigned to the balance sheet items covered in Chapter 25 "Deferred Liabilities" of the notes to the consolidated financial statements.

Tax matters are assessed according to the legal regulations currently in force but may also be subject to estimates if the legal regulations are not definitive or where the basic principles can lead to a different assessment. The calculation of income tax is therefore subject to estimates, however, given the level of technical expertise involved, any tax risk arising from such estimates is considered low.

Sales revenue
Revenue is measured on the basis of the consideration specified in a contract with a customer. The Group recognizes revenue when it transfers control over a good or a service to a customer. The following material types of performance obligations from contracts with customers and the revenue recognition associated therewith were identified in the VARTA Group:

Consignment warehouses, Incoterms, customer-specific products, customer projects, bonus and bonus in kind agreements

There is scope for discretion with regard to the indicators for assessing the time at which control is transferred, which differ depending on the type of contract and the performance obligation. In principle, the way in which the contract is drafted plays a significant role. For consignment warehouses, the interpretation of consignment contracts is significant, namely whether control is transferred on withdrawal or when the items are delivered to the consignment warehouse. The judgment of whether the products are customer-specific products depends on the extent to which they are bespoke and whether there are alternative, commercially viable uses for them. For customer projects, the assessment of the contract depends on whether the delivery or performance takes place at a specific point in time or over a period of time. Other scope for discretion results, in particular, from old and long-running contracts, which were structured before the introduction of IFRS 15 and must therefore be assessed individually.

6. Segment reporting

The accounting and measurement policies for the segment reporting are based on the IFRS used in the present consolidated financial statements. The Executive Board uses adjusted EBITDA for management purposes, as it allows it to assess operating performance despite increasing investment in property, plant and equipment and the resulting depreciation. Shares of profit or loss attributable to companies included in the consolidated financial statements under the equity method are not included in segment reporting as they are not a component of reported EBIT or adjusted EBITDA and are not regularly reported to the Executive Board otherwise.

The operating segments "Healthcare", "Entertainment", "Solutions", "Consumer Batteries" and "Energy Storage" were identified in the VARTA Group. Given the homogeneous production process, the customer structure and the similarity in the products, the operating segments Healthcare, Entertainment and Solutions have been combined into the reporting segment "Microbatteries & Solutions". The two operating segments "Consumer Batteries" and "Energy Storage" have been merged in the reporting segment "Household Batteries" on the basis of the customer structure and sales management. The breakdown is consistent with the internal organizational and reporting structure.

A summary of the elimination of intra-Group interdependencies between the segments is provided in the reconciliation column. The reconciliation column also contains facts that cannot be directly allocated to any segment, such as the effects of share-based payment.

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

Information according to reportable segments:

(€ k)	MICROBATTERIES & SOLUTIONS 2020	MICROBATTERIES & SOLUTIONS 2019*	HOUSEHOLD BATTERIES 2020	HOUSEHOLD BATTERIES 2019*	Σ TOTAL 2020	Σ TOTAL 2019*	RECONCILIATION 2020	RECONCILIATION 2019	GROUP 2020	GROUP 2019
Segment revenue	523,676	340,862	361,147	21,382	884,823	362,244	304	448	885,127	362,692
Revenue with other segments	15,544	0	0	0	15,544	0	0	0	15,544	0
Revenue with third parties	508,132	340,862	361,147	21,382	869,279	362,244	304	448	869,583	362,692
Thereof Point-in-time	497,169	324,536	339,692	21,382	836,861	345,918	304	448	837,165	346,366
Thereof Point-over-time	10,963	16,326	21,455	0	32,418	16,326	0	0	32,418	16,326
Depreciation and amortization	-51,198	-18,500	-15,418	-2,355	-66,616	-20,855	0	0	-66,617	-20,855
Material effects in income and expenses	0	0	-24,902	0	-24,902	0	-3,496	-5,859	-28,398	-5,859
EBITDA	**186,993**	**95,484**	**29,134**	**1,997**	**216,127**	**97,481**	**-3,496**	**-5,859**	**212,631**	**91,622**

* Prior-year figures have been adjusted to the new segmentation

The reconciliation of the old segmentation to the new segmentation is as follows:

(€ m)	2020	2019	Change in%
Microbatteries			
Revenue	452.3	301.5	50.0%
adjusted EBITDA	180.1	94.4	90.8%
adjusted EBITDA-Margin	39.8%	31.3%	8.5 PP
Power & Energy			
Revenue	81.2	60.8	33.6%
adjusted EBITDA	6.7	3.1	116.1%
adjusted EBITDA-Margin	8.3%	5.1%	3.2 PP
Total VARTA old			
Revenue*	533.8	362.7	47.2%
adjusted EBITDA	186.8	97.5	91.6%
adjusted EBITDA-Margin	35.0%	26.9%	8.1 PP
Consumer Batteries			
Revenue	335.7	0	
adjusted EBITDA	54.2	0	
adjusted EBITDA-Margin	16.1%	0	
Total VARTA new			
Revenue	869.6	0	
adjusted EBITDA	241.0	0	
adjusted EBITDA-Margin	27.7%	0	

* Including sales that cannot be allocated to any segment.

The following facts are included in the reconciliation of Group EBITDA:

(€ k)	2020 NOT ASSIGNABLE TO CORE BUSINESS	SPECIAL EFFECTS	Σ TOTAL	2019 NOT ASSIGNABLE TO CORE BUSINESS	SPECIAL EFFECTS	Σ TOTAL
Sales revenue	304	0	304	448	0	448
Effects in income and expenses	0	-28,398	-28,398	0	-5,859	-5,859
EBITDA	**0**	**-28,398**	**-28,398**	**0**	**-5,859**	**-5,859**

Items that are not assigned to a segment are shown under "Not assignable to core business". Sales revenue mainly contains the sales revenues from IT services of € 0.3m (2019: € 0.4m). The effects in income and expenses mainly consist of special effects, which cannot be directly assigned to a segment and the effects from restructuring/integration, which can be assigned to the Household Batteries segment.

Circumstances taken into account in adjusting EBITDA are shown in the column "Special effects". In fiscal year 2020, there were such circumstances at VARTA AG and at VARTA Consumer companies as well as at VARTA Microbattery GmbH. "Special effects" from M&A transactions of € 0.9m (2019: € 3.0m) and effects from share-based remuneration of € 1.1m (2019: € 2.9m) were attributable to VARTA AG as the parent company. A total of € 17.6m was incurred from restructuring as a result of the acquisition of the VARTA Consumer business in fiscal year 2020, of which € 1.5m was at VARTA Microbattery GmbH. In addition to these costs from restructuring, € 0.1m of integration costs and € 8.7m from the measurement of inventories within the PPA were accrued at VARTA Consumer companies.

The following table shows the reconciliation of EBITDA to pre-tax earnings in the segments:

(€ k)	2020	2019
EBITDA	212,631	91,622
Depreciation and amortisation	-66,617	-20,855
EBIT	146,014	70,767
Financial result	-12,890	318
Result from joint ventures	0	-6
Earnings before taxes	**133,124**	**71,079**

Geographical segment information

The following statement shows the Group's revenue broken down by specific geographical locations. In the presentation of this information on a geographical basis, a segment's revenue is based on the geographical locations of customers and a segment's assets on the geographical locations of the assets.

(€ k)	2020 REVENUES*	NON-CURRENT ASSETS**	2019 REVENUES*	NON-CURRENT ASSETS**
Europe	463,983	654,908	143,196	262,295
Thereof Germany	188,454	637,381	67,685	251,737
America	58,403	564	60,161	748
Asia	331,219	5,043	154,860	5,636
Other	15,978	0	4,475	0
Total Group	**869,583**	**660,515**	**362,692**	**268,679**

* Revenues are based on the customer's headquarter
** For this purpose, non-current assets include property, plant and equipment and intangible assets

The revenue of the "Household Batteries" segment is mainly contained in the item for Europe. Accordingly, the revenue of the Asia and America regions is mainly assigned to the "Microbatteries & Solutions" segment.

Products and services

Groups revenue in addition to trade receivables and contract assets at Group level are split as follows between products and services:

(€ k)	2020 REVENUES	2020 TRADE RECEIVABLES AND CONTRACT ASSETS	2019 REVENUES	2019 TRADE RECEIVABLES AND CONTRACT ASSETS
Of which from product sales	867,565	122,232	358,590	53,132
Of which from the sale of services	2,018	540	4,102	866
Total Group	**869,583**	**122,772**	**362,692**	**53,998**

Significant customers

In 2020, revenue with a specific customer amounted to € 227.4m, which equates to a share of revenue of more than 10% of Group revenue. In the previous year, revenue with one customer that accounted for a share of more than 10% amounted to € 70.4m. The revenue is attributable to the "Microbatteries & Solutions" segment (previous year "Microbatteries").

7. Property, plant and equipment

Sachanlage(€ k)	LAND	BUILDINGS	RIGHT OF USE BUILDINGS	TECHNICAL EQUIPMENT AND MACHINERY	RIGHT OF USE TECHNICAL EQUIPMENT AND MACHINERY	OTHER EQUIPMENT	RIGHT OF USE OTHER EQUIPMENT	CONSTRUCTION IN PROGRESS AND PREPAY-MENTS	TANGIBLE ASSETS
Acquisition values									
As of January 1, 2019	**0**	**258**	**0**	**76,388**	**0**	**29,804**	**0**	**60,336**	**166,786**
Currency differences	0	2	4	4	0	34	5	-8	41
First-time application IFRS 16	0	0	21,322	0	42	0	2,593	0	23,957
Additions	0	351	4,719	60,258	0	4,702	692	54,045	124,767
Disposals	0	-251	-442	-2,117	0	-1,081	0	5,412	1,521
Reclassifications	0	0	0	0	0	2,863	0	-2,863	0
As of December 31, 2019	**0**	**360**	**25,603**	**134,533**	**42**	**36,322**	**3,290**	**116,922**	**317,072**
Currency differences	0	-5	-368	-667	-1	-254	-37	-19	-1,351
Changes in consolidation scope	0	1,820	37,086	119,037	1,552	12,072	1,899	176,124	349,590
Additions	3,165	11,686	11,536	11,870	12,815	6,300	3,048	4,332	64,752
Disposals	0	-51	-2,038	-3,600	0	-144	-290	376	-5,747
Reclassifications	0	4,247	0	83,425	0	10,654	0	-99,544	-1,218
Status December 31, 2020	**3,165**	**18,057**	**71,819**	**344,598**	**14,408**	**64,950**	**7,910**	**198,191**	**723,098**

(€ k)	LAND	BUILDINGS	RIGHT OF USE BUILDINGS	TECHNICAL EQUIPMENT AND MACHINERY	RIGHT OF USE TECHNICAL EQUIPMENT AND MACHINERY	OTHER EQUIPMENT	RIGHT OF USE OTHER EQUIPMENT	CONSTRUCTION IN PROGRESS AND PREPAY-MENTS	TANGIBLE FIXED ASSETS
Cumulative depreciation and amortization									
As of January 1, 2019	**0**	**122**	**0**	**37,090**	**0**	**16,771**	**0**	**0**	**53,983**
Currency differences	0	2	-5	33	0	32	0	0	**62**
Additions	0	39	3,325	11,103	33	3,255	692	0	**18,447**
Disposals	0	-148	-38	-2,086	0	-1,044	0	0	**-3,316**
Reclassifications	0	0	-145	0	0	0	145	0	**0**
As of December 31, 2019	**0**	**15**	**3,137**	**46,140**	**33**	**19,014**	**837**	**0**	**69,176**
Currency differences	0	0	-140	-276	0	-170	-12	0	**-598**
Additions	0	656	7,586	41,474	2,753	5,991	2,251	0	**60,711**
Disposals	0	-20	-793	-978	0	-755	-227	0	**-2,773**
Reclassifications	0	0	0	-3	0	3	0	0	**0**
As of December 31, 2020	**0**	**651**	**9,790**	**86,357**	**2,786**	**24,083**	**2,849**	**0**	**126,516**
Carrying amounts									
Carrying amounts on January 1, 2019	0	136	0	39,298	0	13,033	0	60,336	**112,803**
Carrying amounts on December 31, 2019	0	345	22,466	88,393	9	17,308	2,453	116,922	**247,896**
Carrying amounts on December 31, 2020	3,165	17,406	62,029	258,241	11,622	40,867	5,061	198,191	**596,582**

The major part of investment in property, plant and equipment served to expand production capacity of lithium-ion button cells in response to demand. Replacement investment to renew production equipment, to develop new products and for quality assurance measures is also required at regular intervals. As a result of this, holdings of technical plant and machinery increased from € 88.4m in 2019 to € 258.2m in 2020.

Accordingly, depreciation and amortization of property, plant and equipment rose from € 18.4m in 2019 to € 60.7m in 2020. This sharp increase is mainly due to the rise in demand-driven investment in property, plant and equipment for the expansion of production capacity and the reduction in the useful life of systems for lithium-ion button cells. More detailed information is provided in Chapter 30 „Depreciation".

The acquisition of the VARTA Consumer business is another factor driving the increase in property, plant and equipment. It contributed property, plant and equipment of € 64.8m to the Group.

Additions include own work capitalized of € 3.1m (2019: € 3.1m). The amount remained constant, as investments matched the level of the previous year.

There were no restrictions on rights of ownership or disposal for property, plant and equipment during fiscal years 2019 and 2020. Order commitments from the purchase of property, plant and equipment amounted to € 119.3m (2019: € 153.5m).

8. Intangible assets

(€ k)	GOODWILL	TRADEMARK RIGHT AND OTHER INTANGIBLE ASSETS	COMMERCIAL PROPERTY RIGHTS	DEVELOPMENT COSTS	TOTAL
Acquisition values					
As of January 1, 2019	**500**	**11,947**	**958**	**17,165**	**30.570**
Currency differences	0	1	0	0	**1**
Additions	0	678	0	1,340	**2.018**
Disposals	0	-49	0	0	-49
As of December 31, 2019	**500**	**12,577**	**958**	**18,505**	**32.540**
Currency differences	0	-2	0	0	-2
Additions	138	1,188	0	1,889	3.215
Additions in consolidation scope	0	22,203	22,429	0	44.632
Disposals	0	-82	-1	0	-83
Reclassifications	0	1,218	0	0	1.218
As of December 31, 2020	**638**	**37,102**	**23,386**	**20,394**	**81.520**

(€ k)	GOODWILL	TRADEMARK RIGHT AND OTHER INTANGIBLE ASSETS	COMMERCIAL PROPERTY RIGHTS	DEVELOPMENT COSTS	TOTAL
Cumulative depreciation and amortization					
As of January 1, 2019	**0**	**2,513**	**431**	**6,452**	**9,396**
Currency differences	0	-8	0	0	**-8**
Additions	0	304	132	1,972	**2,408**
Disposals	0	-39	0	0	**-39**
Reclassifications	0	0	0	0	**0**
As of December 31, 2019	**0**	**2,770**	**563**	**8,424**	**11,757**
Currency differences	0	1	0	0	**1**
Additions	0	3,441	301	2,164	**5,906**
Disposals	0	-77	0	0	-77
As of December 31, 2020	**0**	**6,135**	**864**	**10,588**	**17,587**
Carrying amounts					
Carrying amounts on January 1, 2019	500	9,434	527	10,713	**21,174**
Carrying amounts on December 31, 2019	500	9,807	395	10,081	**20,783**
Carrying amounts on December 31, 2020	638	30,967	22,522	9,806	**63,933**

The Group received intangible assets of € 44.6m through the acquisition of the VARTA Consumer business. The majority of this was accounted for by the trademark right of € 21.5m and customer relations in the amount of € 20.8m.

Of the own work capitalized of € 5.0m (2019: € 4.3m), self-manufactured intangible assets, which are not yet ready for use, of € 1.9m (2019: € 1.3m) were recognized in 2020.

Research and development expenses amounting to € 20.9m (2019: € 15.5m) were recognized in the income statement.

There were no restrictions on rights of ownership or disposal for intangible assets during fiscal years 2019 and 2020.

Impairment test

An impairment test is carried out each year on December 31 for goodwill and intangible assets, which have an indeterminable useful life, and for self-constructed intangible assets, which are not yet ready for use, where the value in use is used as the recoverable amount.

The carrying amount of the brand worth € 30.6m was allocated to the individual cash generating units (CGUs) as follows:

„Entertainment" € 5.3m, „Solutions" € 1.2m , „Consumer Batteries" € 21,5m, „Energy Storage" € 0.7m and „Healthcare" € 1.9m. The brand's useful life is classified as unlimited, as VARTA has succeeded in creating a strong brand over the course of more than 130 years of company history, which contributes significant value to the company with its unique selling point. Capitalized development services, which were not yet completed on the reporting date and have therefore not yet been used were attributable in the amount of € 0.1m to the CGU Entertainment, € 0.7m to the CGU Energy Storage and € 1.1m to the CGU Solutions.

The goodwill existing at the beginning of the fiscal year of € 0.5m resulted from the acquisition of Auditas and was assigned to the "Healthcare" segment in its entirety.

The addition to goodwill of € 0.1m resulted from the acquisition of VARTA Consumer business and was assigned to the "Consumer Batteries" segment in its entirety.

The key assumptions used in estimating the values in use were as follows:

	2020					2019	
(IN PER CENT)	CGU ENTERTAINMENT	CGU SOLUTIONS	CGU CONSUMER BATTERIES	CGU ENERGY STORAGE	CGU HEALTHCARE	CGU MICROBATTERIES	CGU POWER & ENERGY
Discount rate (WACC) pre tax	**10.6**	**11.0**	**11.0**	**11.0**	**10.4**	11,6	10,3
Growth rate	**1.5**	**0.7**	**0.8**	**0.7**	**1.0**	1,0	0,9
Tax rate	**29.5**	**29.5**	**29.5**	**29.5**	**29.5**	28,5	18,8

Data from the current long-term planning for the years from 2021 to 2023 was used for the calculation, where 2021 corresponds to detailed budget planning, while 2022 and 2023 are updated. The most significant planning variable to determine cash flows is income development, which is essentially driven by the trend in sales. Furthermore, CAPEX is key to calculating the cash flow situation. Growth rates include a discount of 50% on the underlying weighted inflation rates.

Planning is based on expectations regarding future market share, general market development and the profitability of the respective product groups.

9. Long-term investments and other participations recognized in the balance sheet under the equity method

(€ k)	DECEMBER 31, 2020	DECEMBER 31, 2019
VW-VM Verwaltungsgesellschaft mbH, Ellwangen, Germany	12	12
Total carrying amounts of long-term investments accounted for using the equity method	**12**	**12**
VARTA Micro Innovation GmbH, Graz, Austria	13	13
Connexio alternative investment & holding AG, Vienna, Austria	0	30
Ecopilhas - Sociedade Gestora de Residous de Pilhas e Acumuladores, Lda., Lisboa, Portugal	10	0
Ecobat s.r.o., Prague, Czech republic	2	0
SA Corepile, Paris, France	8	0
RE'LEM Nonprofit Kht., Budapest, Hungary	28	0
Total carrying amounts of other participations	**61**	**43**
Total carrying amounts of investments accounted for using the equity method and other participations	**73**	**55**

On conclusion of the liquidation of VW-VM Forschungsges. mbH & Co. KG, VW-VM Verwaltungsgesellschaft mbH i.L. subsequently went into liquidation, as planned, with effect from June 16, 2020. The remaining 80% of the participation in Connexio alternative investment & holding AG was acquired on April 2, 2020 through the purchase of Mezzanin Finanzierungs GmbH. The company has been fully consolidated in the VARTA AG Group since then. More details regarding this are provided in Chapter 2 "Changes in the scope of consolidation".

The remaining shares in VARTA Micro Innovation GmbH were acquired on February 2, 2021. More details are provided in Chapter 44 "Events after the reporting date December 31, 2020".

With the acquisition of the VARTA Consumer companies, the Group acquired other participations in the companies listed above. All these companies are special purpose entities that have been established jointly with other battery manufacturers in response to country-specific obligations to take back batteries.

10. Leases

The Group leases various office buildings, warehouses as well plant and vehicles. Leases are usually concluded for fixed periods from 2 to 10 years but may include options to extend or may even be unlimited in individual cases. Changes to leased fixed assets are presented under Chapter 7 "Property, Plant and Equipment".

The total of future lease payments based on non-terminable leases amounts to:

(€ k)	DECEMBER 31, 2020	DECEMBER 31, 2019
Lease liabilities – current	14,196	4,603
Lease liabilities - non current	63,843	20,476
Total	**78,039**	**25,079**

(€ k)	DECEMBER 31, 2020	DECEMBER 31, 2019
thereof residual term of up to 1 year	15,043	5,172
thereof residual term of 1 to 5 years	44,089	14,196
thereof residual term of more than 5 years	22,565	8,121
Total minimum lease payments (undiscounted)	**81,697**	**27,489**

(€ k)	2020	2019
Amounts recognised in the income statement		
Interest expense on lease liabilities	718	385
Expense from short-term leases	1,560	973
Expense from leases of low-value assets, excl. short-term leases for low-value assets	1,197	640
Total	**3,475**	**1,998**

A sale and lease back agreement has been in place with WertInvest Ellwangen Immobilien GmbH since 2015. The agreement was extended to include the new production building constructed in Ellwangen in 2020. The tenancy will end in 2030 at the earliest.

The acquisition of the VARTA Consumer companies established a sub-lease relationship with the former owner Spectrum Brands in the Group. It is an operating lease, which will end in 2021.

Variable lease payments, residual value guarantees and options to terminate do not apply at present

11. Other financial assets

(€ k)	DECEMBER 31, 2020	DECEMBER 31, 2019
Loans	**288**	**548**
of which non-current	288	548

In the previous year, non-current receivables from affiliated companies of € 0.5m were reported under loans. As of December 31, 2020, the loans have decreased to € 0.3m because of consolidation effects from the VARTA Consumer business.

12. Inventories

Inventories can be divided into the following items:

(€ k)	DECEMBER 31, 2020	DECEMBER 31, 2019
Raw materials and supplies	55,628	27,037
Unfinished goods	25,228	15,665
Finished goods and merchandise	52,102	20,515
Advance payments made	370	778
Inventories	**133,328**	**63,995**
Impairment income (+) / expense (-) recognized in the income statement	-750	-1,223

Inventories increased in fiscal year 2020 because of the increase in revenue and the first-time consolidation of VARTA Consumer. Impairments of inventories recognized as expense in the reporting period amounted to € 0.8m (2019: € 1.3m). In fiscal year 2020, the absolute change in reversals undertaken, which was recognized as impairment of the cost of materials in the reporting period, amounted to € -0.1m (2019:€ 0.1m). The carrying amount of inventories after impairment totaled € 12.9m (2019: € 7.8m).

13. Trade receivables and contract assets

(€ k)	DECEMBER 31, 2020	DECEMBER 31, 2019
Receivables due from third parties (gross)	120,510	52,012
Receivables due from related parties	257	126
Total trade receivables	120,767	52,138
Contract assets	2,636	2,032
Gross trade receivables and contract assets	**123,403**	**54,170**
Less loss allowances	-631	-172
Net trade receivables and contract assets	**122,772**	**53,998**

The existing net receivables as of December 31, 2020 are reduced by € 41.2m (2019: € 7.9m) because of the sale of receivables. The sharp increase in the sale of receivables was largely due to the acquisition of the VARTA Consumer business. The volume of receivables sold by VARTA Consumer companies totaled € 34.7m at the reporting date. A total of € 6.5m stems from the framework agreement for the sale of receivables reached last year (see Chapter 38.2 "Financial risk management").

Receivables due from third parties (gross) have risen by € 68.5m year on year. This increase is attributable, firstly, to the expansion in operating activities and, secondly, to the acquisition of the VARTA Consumer business.

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers:

(€ k)	DECEMBER 31, 2020	DECEMBER 31, 2019
Trade receivables	120,136	51,966
Contract assets	2,636	2,032
Contract liabilities	5,865	11,198

Contract assets of € 1.3m (2019: € 1.4m) are mainly the Group's claims to consideration for products, which are held in consignment warehouses and had therefore not been invoiced at the reporting date. In addition, customer-specific products amounting to € 1.3m (2019: € 0.7m), which are also in stock, are reported in contract assets. Contract assets are reclassified into receivables if the rights become unconditional and the Group issues an invoice to the customer. The increase is primarily attributable to the acquisition of the VARTA Consumer business.

Contract liabilities relate to the following circumstances:

(€ k)	DECEMBER 31, 2020	DECEMBER 31, 2019
Bonuses in kind	4,646	5,064
Provisions for customer bonuses	0	5,753
Take-back obligations	854	74
Incoterms	0	122
Customer projects	365	185
Summe	**5,865**	**11,198**

By definition, only circumstances from claims to reimbursement and project business were recognized within contract liabilities.

The item for provisions for customer bonuses will be included in deferred liabilities in future.

The item for Incoterms contains customer receivables that are not yet to be realized and will be deducted from trade receivables in future.

Taking these reclassifications into account, the previous year's figure for contract liabilities would have amounted to € 5.3m.

Experience shows that contract liabilities as of December 31, 2020 will be recognized as income in the next 6 months. The amount of € 11.2m as of December 31, 2019 was recognized as sales revenues in fiscal year 2020

14. Other assets

(€ k)	DECEMBER 31, 2020	DECEMBER 31, 2019
Other assets	**74,845**	**35,287**
Of which current	54,924	17,378
Of which non-current	19,921	17,909

The claim to reimbursement from the assumption of a joint debt obligation for pensions in June 2017 (see Chapter 20.2 "Pensions"") is reported in the amount of € 19.8m (2019: € 17.9m) under non-current other assets.

Current other assets consisted of the following:

(€ k)	DECEMBER 31, 2020	DECEMBER 31, 2019
Receivables from development projects	16,682	9,343
Other tax receivables	12,527	3,654
Other Receivables	23,295	3,658
Miscellaneous other assets	2,420	723
Other assets	**54,924**	**17,378**

Receivables from promotional projects of € 16.7m are largely due from the European Commission and relate to government subsidies for two projects in which the Group acts as coordinator and receives and manages the subsidies on a fiduciary basis from the funding authority. Advance payments passed on to the cooperation partners involved amounted to € 12.1m (2019: € 7.1m) as of December 31, 2020. The increase in receivables from promotional projects of € 7.3m was the result of new additional development projects.

The German Federal Ministry for Economic Affairs and Energy (BMWi) and the States of Bavaria and Baden-Württemberg are supporting the battery industry in Germany and Europe within the framework of an IPCEI (Important Project of Common European Interest). On June 29, 2020, the company received IPCEI funding for the further development of its small-scale cells based on innovative lithium-ion technology and for the transfer of this technology to larger scale formats. The German government and the States will make subsidies of up to € 300m available to VARTA AG for the project up to the end of 2024.

These larger scale battery cells could be used in VARTA energy storage solutions, robots and also in mobility-related applications in future. These new battery formats are to be optimized on a pilot line and transferred into mass production. VARTA is also continuing to invest in research and development activities for special format battery cells, which are increasingly in demand for IoT-applications, for example.

The other tax receivables are largely sales tax receivables. These increased by € 8.9m from € 3.7m in 2019 to € 12.5m in 2020 and are attributable to the acquisition of the VARTA Consumer business.

In the main, the increase in other receivables is attributable to the acquisition of the VARTA Consumer business. A tax refund claim was also agreed in the purchase agreement with Energizer Holdings Inc., which regulates the settlement of taxes from the periods before the acquisition of the VARTA Consumer business. As of December 31, 2020, this resulted in a receivable of € 13.2m. Other receivables also included € 4.0m for retentions for collateral purposes and other receivables from factoring.

The item for miscellaneous other assets largely consists of prepaid expenses, which have risen from € 0.7m to € 2.4m.

15. Cash and cash equivalents

Cash and cash equivalents can be broken down as follows:

(€ k)	DECEMBER 31, 2020	2019
Cash equivalents	225	42,117
Cash	21	13
Credit balances with financial institutions	121,643	202,651
Total	**121,889**	**244,781**

The item “Credit balances with financial institutions” contains fixed deposits with a term of up to three months of € 0.2m (2019: € 19.5m). Cash comprised short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to only an insignificant risk of changes in value (cash equivalents). The short-term investment from the previous year in a related company was repaid in the full amount of € 42.1m in fiscal year 2020. (Please see Chapter 39.1 “Related parties and companies").

The sharp fall in cash and cash equivalents was due in essence to substantial investment in property, plant and equipment as well as the acquisition of the VARTA Consumer companies.

16. Deferred taxes

Deferred taxes can be assigned to the following items:

(€ k)	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	DEC 31, 2020 NET	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	DEC 31, 2019 NET	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	JAN 1, 2019 NET
Intangible assets	3,773	17,530	-13,757	1,214	5,980	-4,766	1,214	5,755	-4,541
Property, plant and equipment	1,999	10,536	-8,537	1,083	60	1,023	3	210	-207
Financial assets	16	16	0	0	0	0	0	4	-4
Other non-current assets	0	5,772	-5,772	0	5,205	-5,205	0	4,545	-4,545
Inventories	3,349	447	2,902	914	587	327	1,554	50	1,504
Trade receivables	816	2,057	-1,241	5	533	-528	0	325	-325
Other current assets	3,525	1,621	1,904	3,548	334	3,214	3,241	214	3,027
Other non-current liabilities	2,617	0	2,617	1,154	2,470	-1,316	1,942	2,176	-234
Non-current liabilities from pension plans	14,019	827	13,192	5,544	0	5,544	4,744	0	4,744
Current liabilities to banks	1,524	434	1,090	7	53	-46	13	0	13
Non-current liabilities to banks	5,197	0	5,197	0	0	0	0	0	0
Current provisions	920	0	920	348	0	348	104	0	104
Trade payables	2,623	281	2,342	1,917	0	1,917	0	0	0
Other current liabilities	2,261	2,525	-264	1,224	1,468	-244	509	0	509
Tax loss carryforwards	1,274	0	1,274	1,003	0	1,003	1,432	0	1,432
Offsets	-37,806	-37,806	0	-16,690	-16,690	0	-13.279	-13,279	0
Total	**6,107**	**4,240**	**1,867**	**1,271**	**0**	**1,271**	**1,477**	**0**	**1,477**

17. Equity

The following changes in equity were recorded at the VARTA AG Group in 2020:

(€ k)	SUBSCRIBED CAPITAL	CAPITAL RESERVE	RETAINED EARNINGS*	OTHER RESERVES *CURRENCY DIFFERENCES*	OTHER RESERVES *HEDGING RESERVE*	NON-CONTROLLING INTERESTS	TOTAL EQUITY
As of January 1, 2020	**40,422**	**250,619**	**119,090**	**4,459**	**-3**	**215**	**414,802**
Effect of share-based payment	0	1,086	0	0	0	0	1,086
Comprehensive income		0	0	0	0	0	0
Profit/loss for the year	0	0	95,411	0	0	97	95,508
Other comprehensive income	0	0	-4,676	-7,668	24	-1	-12,321
Comprehensive income	0	0	90,735	-7,668	24	96	83,187
As of December 31, 2020	**40,422**	**251,705**	**209,825**	**-3,209**	**21**	**311**	**499,075**

* Revenue reserves including profit/loss for the year

The Executive Board was authorized by resolution of the Annual General Meeting on October 6, 2017 to increase the share capital on one or more occasions up to

October 5, 2022 in return for cash or contributions in kind up to an amount of € 11.8m (authorized capital 2017 I). The Executive Board made use of this resolution on June 13, 2019 by increasing the share capital by € 2.2m.

The Executive Board was authorized by resolution of the Annual General Meeting on October 6, 2017 to increase the share capital on one or more occasions up to October 5, 2022 in return for cash or contributions in kind up to an amount of € 3.0m (authorized capital 2017 II).

The Annual General Meeting on October 6, 2017 also resolved the contingent increase in the share capital of up to € 11.8m to grant shares when either option or conversion rights were exercised or option or conversion obligations were fulfilled.

On June 13, 2019, VARTA AG successfully completed a capital increase to expand production capacity for lithium-ion batteries. The Group secured net proceeds in the amount of € 102,120k from this capital increase. The capital was increased in return for cash contributions and making partial use of the existing authorized capital detailed in Article 4 (3) of the Company's Articles of Association. The mathematical share of the share capital amounts to EUR 1.00 per share. Proven transaction costs incurred in this connection were netted off against the capital reserve through other comprehensive income (taking account of deferred taxes).

As a result of the capital increase on June 13, 2019, subscribed capital increased to € 40.4m in the previous year. The subscribed capital is divided into 40,421,686 shares. These are par-value shares, which represent a pro rata amount of € 1 of the share capital.

For the current fiscal year, at total of € 1.1m (2019: € 0.9m) was recognized in equity as share-based remuneration. These share-based remuneration components are explained under Chapter 33 "Share-based payment arrangements".33

Notifications of changes in the share of voting rights pursuant to the WpHG are to be reported as follows in the fiscal year 2020:

SMALLCAP World Fund Inc. (Baltimore, USA) has notified on January 13 and February 1, 2020, respectively, that its share of voting rights in the shares of VARTA AG has decreased from 5.24% to 3.95%.

The Capital Group Companies, Inc. (Los Angeles, USA) has notified on January 22 and on January 31, 2020, respectively, that its share of voting rights in the shares of VARTA AG has decreased from 5.07% to 4.49%.

In previous year, VARTA AG did not receive any notifications pursuant to the German Securities Trading Act regarding notifiable changes in voting rights.

18. Earnings per share

The calculation of earnings per share* is based on the profit attributable to shareholders and a weighted average of the shares in circulation. Since there were no circumstances either in the reporting period or in the previous year, which resulted in dilution effects, diluted earnings per share correspond to basic earnings per share.

(€ k)	DECEMBER 31, 2020	DECEMBER 31, 2019
Earnings, attributable to shareholders in € k	95,411	50,390
Weighted average of ordinary shares in circulation ('000 shares)	40,422	39,430
Basic earnings per share in €	2.36	1.28
Diluted earnings per share in €	2.36	1.28

* Earnings per share represent VARTA AG shares

The number of shares has changed as follows in 2019 and 2020:

	NUMBER OF SHARES
January 1, 2019	38,200,000
December 31, 2019	40,421,686
December 31, 2020	40,421,686

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

19. Other financial liabilities

Other financial liabilities consisted of the following:

(€ k)	DECEMBER 31, 2020	DECEMBER 31, 2019
Other financial liabilities	**57,426**	**6,890**
Of which non-current	51,103	2,832
Of which current	6,323	4,058
Compositon of other financial liabilities		
Total	57,426	6,890
Liabilities to financial institutions	42,843	136
Derivative financial instruments	736	1,278
Other financial liabilities	13,847	5,476

On the reporting date, there is a liability to VGG GmbH, Vienna, Austria, a company in the Montana Tech Components AG Group, of € 8.3m (2019: € 2.8m).

In fiscal year 2015, VGG GmbH, Vienna, waived part of its claim of € 6.0m against VARTA Storage GmbH, Nördlingen, from a loan issued against a debtor warrant. Furthermore, in fiscal year 2016, VGG GmbH waived a further part of its claim of € 0.2m against the former VARTA Micro AG, Ellwangen, from a loan issued against a debtor warrant. This waiver passes to VARTA Storage AG because of the merger of VARTA Micro AG. Both debtor warrants envisage the loan liability plus interest being revived if a minimum profit for the year is achieved within ten years of the claim being waived. If the waiver amount is not repaid in full by December 31, 2025 and June 30, 2026 respectively, the remaining difference shall lapse finally and irrevocably.

Following the debt waiver, the original loan liability of € 6.2m was derecognized and, at the same time, an obligation from the anticipated repayments from the debtor warrant was reported as a liability. The obligation from the debtor warrant, which is measured at fair value, amounted to € 8.3m on the reporting date including interest. A discounted cash flow model involving risk-dependent interest rates is used to calculate the fair value. The anticipated future cash flows are based on internal business planning. Since the applicable credit line is based on internal data, the debtor warrant is classified as level 3 of the fair value hierarchy.

Since December 2015, there has been a framework agreement for the sale of receivables, from which paid receivables of € 3.0m (2019: € 2.1m) were reported as other financial liabilities due to the bank (factor) as of December 31, 2020 (please refer to Chapter 38.2 Financial Risk Management").

There were also other current financial liabilities to foundations of € 0.6m (2019: € 0.6m).

A syndicated loan agreement in the amount of € 120.0m was concluded in fiscal year 2019. The financial resources are being used, firstly, to finance the acquisition of the VARTA Consumer business and, secondly, to finance additional investment in the expansion of capacity. The first tranche of € 40.0m was drawn in April 2020. This utilization is shown as non-current in its entirety.

The acquisition of the VARTA Consumer business has also resulted in a further loan from financial institutions of € 4.2m to finance buildings. Of this figure, € 2.8m was recognized as non-current and € 1.4m as current.

20. Provisions for employee benefits

20.1. Composition of provisions for employee benefits

(€ k)	DECEMBER 31, 2020	2019
Total	**79,434**	**28,436**
Of which non-current	77,081	27,241
Of which current	2,353	1,195

Composition of provisions for employee benefits		
Total	**79,434**	**28,436**
Pensions	64,611	19,930
Severance payments	8,462	6,591
Service anniversary bonuses	2,183	630
Partial retirement	4,178	1,285

20.2. Pensions

There are both defined benefit and defined contribution pension schemes for some employees within the scope of consolidation. For the defined contribution commitments, the companies pay contributions to government or private pension insurance schemes based on statutory or contractual provisions or on a voluntary basis. On payment of the contributions, the company has no additional benefit obligations. The current contribution payments are reported as expenditure in the respective year. The pension schemes are largely based on defined benefit plans, with a distinction then made between provisions and externally financed pension schemes.

In accordance with IAS 19, the pension provisions for defined benefit commitments are determined in accordance with the internationally accepted projected unit credit method by independent actuaries.

Here, future obligations are measured on the basis of the benefit entitlement acquired pro rata at the reporting date. On measurement, actuarial assumptions for the discount rates, pay and pension trends, staff turnover rates and life expectancy are taken into consideration, which are determined for each Group company depending on the economic framework conditions. Actuarial gains or losses result from deviations between actual developments and the previous year's assumptions.

These are recognized in equity without impacting the income statement in the period in which they accrue, taking account of any deferred taxes.

These pension plans provide benefits in the event of old age, death and invalidity. There are defined benefit pension plans in Germany and Singapore, the most significant of which pertain to Germany. There are plan assets for only a minor share of the obligations.

In 2017, VARTA Microbattery GmbH concluded an agreement with Colibri Beratungsgesellschaft mbH Fürstenfeldbruck (Germany) in which Colibri Beratungsgesellschaft mbH agreed to assume the pension obligations of VARTA Microbattery GmbH within the framework of a joint debt obligation against payment of € 11.5m. The following agreements were reached in this connection:

- Colibri Beratungsgesellschaft mbH will guarantee all pension claims of VARTA Microbattery GmbH, which were already acquired as of December 31, 2016 and fall due after January 1, 2017, and
- will honor fulfillment of these payment obligations vis-à-vis VARTA Microbattery GmbH.

Safeguards were implemented with regard to the financial assets (€ 11.5m), which were assigned in connection with the joint debt assumption to Colibri Beratungsgesellschaft mbH.

For the pension obligations (DBO) assumed in accordance with IAS 19, the amortized value on the reporting date amounted to € 19.8m (2019: € 17.9m); a claim for reimbursement against Colibri Beratungsgesellschaft mbH was recognized in this amount.

In fiscal year 2020, an allocation to the revaluation reserve of € 2.3m was booked in other comprehensive income as a result of this joint debt assumption (2019: € 2.6m).

In fiscal year 2018, Colibri Beratungsgesellschaft mbH concluded a trust agreement with VARTA Microbattery Pensions-Treuhand e.V. and as a result of this will transfer the existing assets to secure the pension obligations to the association on a fiduciary basis.

As of December 31, 2020, the assets of VARTA Microbattery Pensions-Treuhand e.V. essentially consisted of the following items:

- Participation in Colibri Immobilien GmbH:
  With effect from December 29, 2017, 94% of the shares in Colibri Immobilien GmbH were acquired; it is the owner of two properties in Nördlingen for which two tenancy agreements were concluded with VARTA Micro Production GmbH.
- Loans to Colibri Immobilien GmbH:
  In accordance with an agreement dated February 10, 2020, VARTA Microbattery Pensions-Treuhand e.V. has issued a loan to Colibri Immobilien GmbH.
- Loan to Wertinvest Nekretnine d.o.o. za usluge (Croatia):
  In accordance with an agreement dated December 27, 2018, VARTA Microbattery Pensions-Treuhand e.V. has issued a loan to Wertinvest Nekretnine d.o.o. za usluge. Wertinvest Nekretnine d.o.o. za usluge currently manages industrial buildings, which are let to companies owned by Aluflexpack AG, Reinach, Switzerland, a joint stock company listed on the Zurich stock exchange, in which Montana Tech Components AG holds the majority.

- Shares in Montana Tech Components AG:
  In accordance with the agreement dated October 16, 2018, 289,476 registered shares were transferred to VARTA Microbattery Pensions-Treuhand e.V.

The value and appropriateness of investments is reviewed annually by an external independent expert as part of the preparation of the annual report.

The claim for reimbursement is secured by the following collateral with an unlimited term, which is unchanged on the previous year:

- a private irrevocable guarantee by the partner in Colibri Beratungsgesellschaft mbH to fulfil the payment obligation of Colibri Beratungsgesellschaft mbH limited to a maximum of € 4.9m.
- additional bank guarantee in the amount of € 4.0m for the partner's private guarantee
- subordinate guarantee from VGG GmbH, Vienna, Austria, in connection with the above-mentioned guarantee for the partner in Colibri Beratungsgesellschaft mbH limited to a maximum of € 8.0m, reduced by all payments by Colibri Beratungsgesellschaft mbH.

Following the acquisition of VARTA Consumer, pension obligations (DBO) with an actuarial present value of € 38.3m and plan assets (reinsurance policies) with a fair value of € 1.8m were assumed.

The Group's defined benefit plans have a net obligation with the following components:

(€ k)	DECEMBER 31, 2020	DECEMBER 31, 2019
Present value of the pension obligation (DBO) at reporting date	68,138	21,850
Fair value of plan assets	-3,527	-1,920
Net obligation (+) / Net assets (-) in balance sheet	**64,611**	**19,930**

The plan assets of the material pension obligations break down as follows:

(€ k)	DECEMBER 31, 2020	DECEMBER 31, 2019
VARTA Microbattery GmbH, VARTA Storage GmbH und VARTA Consumer Batteries GmbH & Co. KGaA		
Reinsurance	3,527	1,920
Total	**3,527**	**1,920**

For the companies based in Germany, the plan assets consist solely of reinsurance policies; there are no plan assets for the companies abroad. The general risk is minimized by the different characteristics in the composition of the plan assets.

Payments due within the next fiscal year because of pension commitments come to € 1.7m (2019: € 0.7m). The duration of the pension plans amounts to a period of around 20.6 years as a weighted average.

The defined benefit German pension plan mainly provides systematic cover for the employees of VARTA Microbattery GmbH, VARTA Storage GmbH as well as VARTA Consumer Batteries GmbH & Co. KGaA against the risks of old age, death and invalidity.

The retirement benefits are organized in the form of a life-long annuity, which results from multiplying the pension capital available at retirement age (created from salary-dependent employee and employer contributions) by the statutory conversion rate. Death benefits amount to 60% of the (anticipated) old age pension, while invalidity benefits amount to 40% of the insured salary.

The persons working for VARTA Microbattery GmbH, VARTA Storage GmbH and VARTA Consumer Batteries GmbH & Co. KGaA covered by the pension plan are shown below:

	DECEMBER 31, 2020	DECEMBER 31, 2019
Current employees	2,051	940
Claimants (former employees)	568	134
Current pensioners	1,186	243
Total	**3,805**	**1,317**

There have been the following changes in the pension obligation and the plan assets for the defined benefit pension plans:

	NET OBLIGATION		FAIR VALUE OF PLAN ASSETS		PRESENT VALUE OF PENSION OBLIGATIONS		REIMBURSEMENT CLAIM	
(€ k)	2020	2019	2020	2019	2020	2019	2020	2019
Fair value or present value as of January 1	**19,930**	**17,362**	**-1,920**	**-2,116**	**21,850**	**19,478**	**17,907**	**15,633**
Included in the income statement								
Employer's current service cost	**1,349**	**513**	**0**	**0**	**1,349**	**513**	**0**	**0**
Interest income/interest expenses	**558**	**326**	**-26**	**-38**	**584**	**364**	**0**	**0**
	1,907	**839**	**-26**	**-38**	**1,933**	**877**	**0**	**0**
Included in other comprehensive income								
(i) Re-measurement								
Actuarial gains/losses	**8,043**	**2,103**	**0**	**0**	**8,043**	**2,103**	**2,311**	**2,626**
- of which adjustments to the pension obligation based on experience	303	-494	0	0	303	-494	-148	478
- of which change in demographic assumptions for the pension obligation	0	0	0	0	0	0	0	0
- of which change in financial assumptions about the pension obligation	7,740	2,597	0	0	7,740	2,597	2,459	2,148
Income/expenses from net assets, excluding interest income/expenses	**-37**	**15**	**-37**	**15**	**0**	**0**	**0**	**0**
	8,006	**2,118**	**-37**	**15**	**8,043**	**2,103**	**2,311**	**2,626**
Other								
Other accruals	**36,491**	**0**	**-1,784**	**0**	**38,275**	**0**	**0**	**0**
Retirement benefits paid directly by the employer	**-1,723**	**-608**	**0**	**0**	**-1,723**	**-608**	**0**	**0**
Employee contributions	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Benefits paid	**0**	**219**	**240**	**219**	**-240**	**0**	**-369**	**-352**
	34,768	**-389**	**-1,544**	**219**	**36,312**	**-608**	**-369**	**-352**
Fair value or present value as of December 31	**64,611**	**19,930**	**-3,527**	**-1,920**	**68,138**	**21,850**	**19,849**	**17,907**
Of which pension entitlements covered by provisions					63,140	19,305		
Of which funded pension entitlements					4,998	2,545		

Actuarial assumptions
Provisions were measured according to actuarial principles based on the mortality tables 2018 G produced by Prof. Dr. Klaus Heubeck. The actuarial assumptions of the major pension plans were as follows in fiscal year 2020:

	DECEMBER 31, 2020	DECEMBER 31, 2019
Discount rate (in%)	0.5	1.2
Expected increases in pensions (in%)	1.5	1.5
Male pensionable age (in years)	63	63
Female pensionable age (in years)	63	63

The turnover rate of employees of VARTA companies affected by the pension plan broke down as follows in fiscal year 2020:

	DECEMBER 31, 2020		DECEMBER 31, 2019
Staff turnover by age:	VARTA Consumer	VARTA Microbattery, VARTA Storage	VARTA Microbattery, VARTA Storage
Up to 39	6.5%	4.5%	4.5%
Up to 49	3.0%	0.5%	0.5%
50 and above	1.0%	0%	0%

The actuarial assumptions are redetermined at the end of the respective fiscal year. The actuarial assumptions determined in the process are used to determine the liabilities at the end of the year and the personnel pension costs for the following year.

Sensitivity analyses
Any change in the above-mentioned actuarial assumptions used to determine the DBO as of December 31, 2020, would increase or reduce the corresponding DBO of the respective company, assuming all other parameters remain unchanged:

Change in the DBO resulting from an increase/decrease in the parameters:

(€ k)	INCREASE	DECREASE
Discount rate (+/-0,25%)	-3,157	3,415
Pension trend (+/-0,25%)	2,243	-2,132
Life expectancy (+/-1 Year)	2,836	-2,787

20.3. Provisions for severance payments

Provisions for severance payments are created for legal and contractual claims of employees largely in Indonesia. Severance payments mainly constitute termination benefits. The provisions are calculated in the same way as pensions, namely in accordance with the projected unit credit method. The provisions for severance payments were classified as non-current in their entirety and have a term of more than one year.

Provisions for severance payments in the consolidated balance sheet are composed as follows:

(€ k)	DECEMBER 31, 2020	DECEMBER 31, 2019
Present value of the provision for severance payments at reporting date (DBO)	8,462	6,591
Obligation in the balance sheet (provision for severance payments)	**8,462**	**6,591**

There have been the following changes in the provisions for severance payments:

(€ k)	DECEMBER 31, 2020	DECEMBER 31, 2019
Present value of the provision for severance payments as of January 1	6,591	5,458
Addition consolidation scope	995	0
Foreign exchange differences	-619	101
Employer's current service cost	909	1,270
Interest expense	4	0
Actuarial gains (-) / losses (+)	752	-220
Benefits paid	-170	-18
Present value of the provision for severance payments as of December 31	**8,462**	**6,591**

The cost of severance payments is made up as follows:

(€ k)	DECEMBER 31, 2020	DECEMBER 31, 2019
Employer's current service cost	909	1,270
Expenses recognized in the income statement	**909**	**1,270**
Actuarial gains (-) / losses (+)	752	-219
Revaluations recognized in the statement of comprehensive income	**752**	**-219**
Cost of severance payments in the the period	**1,661**	**1,051**

The actuarial assumptions which were used for the calculation in Indonesia were as follows:

	DECEMBER 31, 2020	DECEMBER 31, 2019
Discount rate (in%)	7.6	8.1
Expected salary increases (in%)	11.5	11.5
Pensionable age males (in years)	55	55
Pensionable age females (in years)	55	55

20.4. Service anniversary bonuses

Essentially, the provision for service anniversary bonuses comprises claims by employees of VARTA Microbattery GmbH and VARTA Consumer Batteries GmbH & Co. KGaA for many years of loyalty to the business.

The previous year's figure of € 0.6m rose by € 1.1m because of the acquisition of VARTA Consumer. Besides consumption and allocation of € 0.1m in each case, the provision for the effects of interest rate changes changed by € 0.5m to € 2.2m because of the change in the actuarial interest rate from 1.2% to 0.5%. Payments of € 0.3m are expected for the following financial year.

20.5. Partial retirement

Essentially, the provision for partial retirement comprises claims under collective agreements by employees of VARTA Microbattery GmbH and VARTA Consumer Batteries GmbH & Co. KGaA for many years of loyalty to the business.

Following offsetting with the plan assets of € 1.1m, the previous year's provision of € 2.4m amounted to € 1.3m in net terms. The obligation increased by € 2.5m through the acquisition of VARTA Consumer.

In the financial year, € 1.7m was consumed and € 1.3m allocated. In addition, the provision increased by € 0.9m as a result of the effects of changes in interest rates.

Following offsetting with the plan assets of € 1.1m, the previous year's provision of € 5.3m amounted to € 4.2m in net terms.

Payments of € 1.8m are expected for the following financial year.

21. Tax liabilities

Liabilities from income taxes of € 45.7m exhibit the following age structure:

(€ k)	DECEMBER 31, 2020	2019
Income tax liabilities		
...concerning 2020	22,715	0
...concerning 2019	7,042	12,426
...concerning 2018	3,315	208
...concerning 2017	413	50
...older than 2017	12,225	1,641
	45,710	**14,325**

Income tax liabilities have risen by € 31.4m year on year. This sharp rise is due, in essence, to the positive fiscal year 2020. Liabilities from income taxes of € 9.3m are also included, which stem from VARTA Consumer companies..

Income tax liabilities dating back past 2017 of € 6.2m resulted from proceedings pending and unresolved before the Federal Fiscal Court regarding recognition of the KGaA model at VARTA Consumer Batteries GmbH & Co. KGaA. There were also income tax liabilities of € 5.0m from the findings of the current external audit of the German VARTA Consumer companies.

22. Trade payables, contract liabilities and advance payments received

Trade payables, contract liabilities and advance payments received can be broken down as follows:

(€ k)	DECEMBER 31, 2020	DECEMBER 31, 2019
Advance payments received	47,161	34,296
Non-current liabilities	**47,161**	**34,296**
Trade payables to third parties	70,050	36,781
Liabilities from the acquisition of tangible and intangible assets	24,169	19,227
Liabilities to related parties	358	128
Total trade payables	**94,577**	**56,136**
Contract liabilities	5,865	11,198
Advance payments received	42,781	32,671
Current liabilities	**143,223**	**100,005**
Total trade payables, contract liabilities and advance payments received	**190,384**	**134,301**
of which due immediately	22,995	19,195
of which residual term of up to 1 year	120,228	80,810
of which residual term over to 1 year	47,161	34,296

Trade payables including advance payments received have risen by € 56.1m in total. This is attributable to the increase in business volume and additional investment.

The Group acquired trade payables including advance payments received of € 31.6m in total from the acquisition of the VARTA Consumer business as at the reporting date.

The advance payments received came to € 89.9m in total and were associated with obligations from what are to some extent pending transactions by the VARTA AG Group to deliver batteries. The resultant liabilities of the VARTA AG Group are repaid as part of future deliveries and meet the requirements for recognition in accordance with IFRS 15.16. This presentation is based on the assessment that the advance payments will be covered in full by subsequent call-offs and consequently do not contain a financing component. The cash inflow is included in net cash flow from ongoing operating activities. In fiscal year 2020, € 38.9m of the advance payments received shown in the previous year were netted off against matching receivables from call-offs.

The sharp fall in contract liabilities as of December 31, 2020 to € 5.9m (2019: € 11.2m) is attributable to the fact that the item for customer bonus will be shown in deferred liabilities in future. In addition, the item for Incoterms, which contains customer receivables that are not yet to be realized, will be deducted from trade receivables in future. Taking these reclassifications into account, the previous year's figure for contract liabilities would have amounted to € 5.3m (see notes under Chapter 13 "Trade receivables and contract assets".

23. Other liabilities

(€ k)	DECEMBER 31, 2020	DECEMBER 31, 2019
Other non-current liabilities	54	95
Other current liabilities	34,668	20,025
Other liabilities	**34,722**	**20,120**

Current other liabilities rose from € 20.0m to € 34.7m. Current liabilities mainly contained liabilities from grant projects of € 13.3m (December 31, 2019: € 12.4m), customs liabilities of € 1.2m (December 31, 2019: € 1.6m), other tax liabilities of € 11.3m (December 31, 2019: € 2.0m) and deferred income, essentially government grants, of € 1.3m (December 31, 2019: € 0.9m). Material liabilities are non-financial liabilities. There are other non-financial liabilities to employees of € 2.9m (December 31, 2019: € 1.8m).

Non-current other liabilities are deferred income of € 0.1m (December 31, 2019: € 0.1m).

The Group received other liabilities of € 15.5m in total from the acquisition of the VARTA Consumer business.

24. Other provisions

Other provisions in fiscal years 2020 and 2019 consisted of the following:

(€ k)	RESTRUCTURING	WARRANTIES, GUARANTEES, ETC.	DISPOSAL, RESTORATION & SIMILAR OBLIGATIONS	OTHER PROVISIONS	TOTAL 2020
Maturity					
Non-Current	0	1,934	0	0	1,934
Current	15,719	6,617	1,410	15,454	39,200
Total provisions	**15,719**	**8,551**	**1,410**	**15,454**	**41,134**
Changes in other provisions in 2020					
As of January 1, 2020	**0**	**4,228**	**0**	**4,018**	**8,246**
Change in consolidation scope	2,963	295	820	2,277	6,355
Reclassification	0	0	0	1,409	1,409
Allocation	14,483	6,213	1,032	11,173	32,901
Consumption	-1,666	-2,123	-442	-2,628	-6,859
Reversal	-61	-19	0	-647	-727
Foreign exchange differences	0	-43	0	-148	-191
As of December 31, 2020	**15,719**	**8,551**	**1,410**	**15,454**	**41,134**

(€ k)	RESTRUCTURING	WARRANTIES, GUARANTEES, ETC.	DISPOSAL, RESTORATION & SIMILAR OBLIGATIONS	OTHER PROVISIONS	TOTAL 2019
Maturity					
Long-term	0	1,415	0	2,424	3,839
Short-term	0	2,813	0	1,594	4,407
Total provisions	**0**	**4,228**	**0**	**4,018**	**8,246**
Changes in other provisions in 2019					
As of January 1, 2019	**0**	**2,749**	**12**	**1,786**	**4,547**
Allocation	0	2,526	0	2,499	5,025
Consumption	0	-692	-12	-286	-990
Reversal	0	-360	0	0	-360
Foreign exchange differences	0	5	0	19	24
As of December 31, 2019	**0**	**4,228**	**0**	**4,018**	**8,246**

Warranties, guarantees

Product guarantees are provided when products are sold. Provisions are created for this purpose each year. Guarantee/warranty provisions are calculated in accordance with the principle of multiplying the relevant quantities delivered with the anticipated probability of loss in the respective periods and the average costs per case. The provisions usually cover an appropriate guarantee and cooling off period and, according to experience, are utilized after two years. Allocation to provisions occurs when the products are sold. The sharp year-on-year rise in revenue in the Microbatteries segment together with the launch of new products and projects was largely responsible for the increase in provisions.

Disposal, restoriation and similar obligations
Manufacturers and distributors of batteries are subject to legal obligations to provide return systems for used batteries to guarantee that they are disposed of or recycled correctly in a way that minimizes environmental damage and conserves resources. The provisions shown largely resulted from outstanding contributions for these return systems.

Miscellaneous provisions
Miscellaneous provisions largely consisted of provisions for the remuneration arrangements with the Executive Board of VARTA AG of € 7.2m (December 31, 2019: € 2.4m). These were reclassified from non-current to current in 2020. There are also provisions for a possible residual liability resulting from the transfer of pensions in previous years of € 0.5m, which has not changed year on year. There were also restoration liabilities of € 0.4m (December 31, 2019: € 0.4m) as well as provisions for commissions of € 2.2m (December 31, 2019: € 0.2m) and the costs of annual financial statements, which match the level of the previous year of € 0.1m. Provisions for uncertain liabilities of € 1.4m were also recognized in 2020.

25. Deferred liabilities

Deferred liabilities comprise the following material items:

(€ k)	DECEMBER 31, 2020	DECEMBER 31, 2019
Holiday entitlements, overtime and time off in lieu	11,866	6,262
Employee bonuses	9,941	4,768
Other deferred liabilities for personnel	3,245	1,300
Deferred liabilities for personnel	**25,052**	**12,330**
Outstanding invoices	3,191	2,106
Customer bonus	56,412	0
Audit, tax and legal advice	2,515	1,391
Miscellaneous deferred liabilities	5,469	804
Other deferred liabilities	**67,587**	**4,301**
Deferred liabilities	**92,639**	**16,631**

* Recognition of customer bonus provision of € 5.8m in fiscal year 2019 under contract liabilities

Deferred liabilities to employees have virtually doubled year on year, which is attributable both to the acquisition of the VARTA consumer business and to the significant increase in staff numbers (more detailed information is provided in Chapter 29 "Personnel expenses".

Provisions for customer bonuses were included under contract liabilities in the previous year. Taking these reclassifications into account, the previous year's figure for deferred liabilities would have been € 5.8m higher and would therefore have totaled € 22.4m.

The sharp increase within the provision for customer bonuses from the figure of € 5.8m mentioned above to € 56.4m is largely attributable to the VARTA Consumer business. A smaller proportion is due to the increase in operating business

26. Revenue

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

(€ k)	2020	2019
Sales revenue	**869,583**	**362,692**
of which from the sale of products	867,565	358,590
of which from the provision of services	2,018	4,102

Revenue from product sales largely contained sales revenues from „Microbatteries & Solutions" and „Household Batteries" (see Chapter 6 "Segemnt Reporting").

Revenues from the „Microbatteries & Solutions" segment contained sales revenue from „Healthcare" of € 153.8m (2019: € 151.0m) and "Entertainment & Industrial" of € 305.1m (2019: € 150.5m). Revenue from the "Household Batteries" segment mainly come from "Consumer", at € 329.1m.

Revenue from sales of services mainly contained sales revenue from product design of € 0.5m (2019: € 1.0m) and the provision of IT services of € 0.3m (2019: € 0.6m). Both services have shrunk year on year. In the current year, revenue of € 0.9m (2019: € 2.4m) from the sale of services to research institutes was also included.

27. Decrease/increase in finished and unfinished goods

(€ k)	2020	2019
Change in unfinished goods	4,120	3,745
Change in finished goods	-8,295	-3,102
Decrease/increase in finished and unfinished goods	**-4,175**	**643**

Changes in finished and unfinished goods cannot be reconciled directly with the changes apparent from the consolidated balance sheet. This was due to existing currency differences that affect these items. The increase in fluctuations was the result of the acquisition of the VARTA Consumer companies.

28. Cost of material

(€ k)	2020	2019
Cost of raw materials, supplies and goods purchased	234,199	107,135
Other cost of materials	66,424	7,763
Materials processing and refining by third parties	11,423	3,966
Other	3,501	4,663
Cost of materials	**315,547**	**123,527**

The item "Other" contains consumables which were purchased direct for production or customer orders and consumed without being stored. The costs of temporary staff have risen because of the massive investment in the capacity expansion project and the need for personnel associated therewith. Temporary staff are reported under the item "other material expenses and services purchased". Expenses for packaging, waste disposal and packaging material are also included under "Other".

29. Personnel expenses

Personnel expenses contained the following items:

(€ k)	2020	2019
Wages and salaries	201,930	94,200
Expenses for severance payments	17,437	3,161
Expenses for statutory social security contributions	19,342	8,653
Pension expenses	15,241	6,363
Other personnel expenses	3,138	2,029
Total personnel expenses	**257,088**	**114,406**

Pension expenses comprised the following:

(€ k)	2020	2019
Defined contribution plans	13,892	5,850
Defined benefit plans	1,349	513
Total pension expenses	**15,241**	**6,363**

* Employer contributions for the statutory pension insurance scheme are included in the expenses for defined contribution plans

In 2018, a share option program for employees (ESOP) was launched by the parent company VGG GmbH, Vienna, Austria, under which participating employees of the VARTA AG Group, including the Executive Board, are entitled to purchase ordinary shares in VARTA AG. The vesting period taken as a basis amounts to four years and the precondition for exercise is that the beneficiaries are in an ongoing employment relationship with VARTA AG or with one of its affiliated companies as at the date the option is exercised. Non-cash expense from the ESOP of € 0.9m (2019: € 1.6m) was recognized in "Wages and salaries".

Expenses for defined contribution plans include the employer's contributions to the German statutory pension insurance scheme. In fiscal year 2020, total expenses for these contributions amounted to € 13.2m (2019: € 5.6m). These are employer contributions to the statutory pension insurance scheme. As of the reporting date, contributions not yet calculated or not yet paid are deferred and reported under other liabilities or provisions.

The Group employed 4,584 staff as at year-end 2020 (2019: 2,857). On average, 4,386 employees were employed in 2020 (2019: 2,528). Of these, 3,185 were wage earners, 1,174 were salaried employees and 27 were senior managers

30. Depreciation

Depreciation and amortization comprised the following:

(€ k)	2020	2019
Schedulded depreciations of property, plant and equipment (excluding right-of-use assets)	48,121	14,397
Schedulded depreciations of right-of-use assets	12,590	4,050
Schedulded amortization of intangible assets	5,906	2,408
Total depreciation and amortization	**66,617**	**20,855**

Depreciation and amortization have virtually doubled year on year through the commissioning of new machinery and equipment.

Over the course of 2020, it was also determined that the stored usage data covering 10 years did not provide a representative picture of the actual level of use of CoinPower plants, since the plants for CoinPower are demonstrably subject to far more rapid technological obsolescence and restoring their value in technical terms virtually equates to exchanging the entire plant. The output quantity has also increased significantly by switching to 3-shift operation. This finding was not foreseeable when the plant was activated. Consequently, a shorter useful life was set for the CoinPower plants in question at the beginning of the fiscal year with the aim of depicting the expected pattern of consumption and the future economic use of the plants accordingly. In response to the findings obtained, the useful life was reduced from 80 months to 57 months taking account of multiple-shift usage. This adjustment to the useful life led to an increase of € 11.2m in depreciation and amortization, of which € 5.4m was attributable to plants that were capitalized in 2020 and € 5.8m to machines that had been capitalized and used in previous years.

The acquisition of the VARTA Consumer companies also had an additional impact of roughly € 14.0m on depreciation and amortization.

31. Other operating income

Other operating income contained the following items:

(€ k)	2020	2019
Grants and public donations	10,008	3,818
Reversal of provisions and deferred liabilities	1,616	644
Income from the sale of property, plant and equipment	125	62
Other	25,641	3,236
Other operating income	**37,390**	**7,760**

In fiscal year 2020, public donations amounted to € 10.0m in total (2019: € 3.8m) and were essentially provided for VARTA Microbattery GmbH, VARTA Micro Production GmbH and VARTA Storage GmbH. For the "Important Project of Common European Interest on Batteries" (IPCEI) explained in the next section, the support was linked to various conditions and granted by the German Federal Ministry for Economic Affairs and Energy (BMWi) and by the States of Baden-Württemberg and Bavaria. If there is sufficient certainty that the conditions will be met, a claim is submitted and other operating income reported.

The project, which has been assessed as eligible for support, is part of the IPCEI and is expected to contribute to the development of an innovative battery value-added chain that goes beyond current technological standards, while also being sustainable and environmentally compatible, in Germany and the European Union (EU). Accordingly, the results of the subsidized project are primarily to be used commercially in the EU. The grant also aims to achieve spillover effects from the subsidized project on the European economy and society through the exchange of knowledge and technology with research and scientific institutions and other companies. It is also expected, as far as is legally permissible, that recipients of grants will use the funding to purchase components, materials and production plants for their products and services from other German and European companies, if economically viable, to promote upstream markets and sections of the value-added chain as well. Furthermore, the products and services are expected to be characterized by particularly high levels of sustainability and environmental compatibility and encourage sustainable and environmentally compatible reuse and disposal.

The grant is also expected to promote and strengthen Nördlingen as a location for innovation, business and production. At the same time, the grant aims to support the development, production and operation of plants, buildings and business premises that can be described as being especially sustainable and environmentally compatible compared with the state of the art. Sustainability issues are to be taken into consideration in all planning, construction and management processes.

In Singapore, all companies were granted a government subsidy depending on the branch of industry and all employees salaries as result of the Covid-19 pandemic. The grant of € 0.3m does not have to be repaid and is not tied to any additional conditions.

The increase in the item "Other" is attributable to the acquisition of the VARTA Consumer companies. Other operating income of € 17.6m stems from services for the Appliances segment (including household appliances and pet food) of the former owner Spectrum Brands, which were supplied on a time-limited basis until the end of 2020. In this context, a further € 2.8m was charged onto third parties.

32. Other operating expenses

Other operating expenses contained the following items:

(€ k)	2020	2019
Legal, auditing and consultancy fees	15,562	8,659
Maintenance	14,704	5,594
Outward freight and customs duties	13,850	3,522
Other sales and distribution costs	9,409	583
Cost of energy	9,250	4,601
Marketing, advertising and representation	8,423	2,615
Commission	7,072	3,263
Warranties	5,843	2,431
Telephone, postage and IT	4,619	2,102
Rent and leases	2,757	1,613
Licenses and patent fees	1,848	1,346
Insurance contracts	1,656	505
Travel expenses	1,390	1,687
Cleaning	1,334	541
Contributions and fees	1,305	376
Bank charges / fund transfer fees	896	502
Apprenticeship and training costs	663	408
Expenses with related companies	642	781
Impairment losses from trade receivables	592	172
Customer credit insurance	244	176
Engineering and professional fees	133	409
Miscellaneous other operating expenses	20,320	3,967
Other operating expenses	**122,512**	**45,853**

Other operating expenses have increased by € 76.7m in total from € 45.9m to € 122.5m. The increase in the item "miscellaneous other operating expenses" of € 16.1m resulted from VARTA Consumer business and income accruing conversely as part of services for the Appliances segment of the former owner Spectrum Brands, which ceased at the end of 2020. Other increased expenses largely resulted from the rise in legal and consultancy fees caused by the acquisition of the VARTA Consumer companies and the ongoing patent dispute of € 6.9m. Because of the expansion in production capacity and the acquisition of VARTA Consumer, maintenance costs have risen by € 9.1m, expenses for outward freight and customs duties by € 10.3m and other sales costs by € 8.8m year on year.

33. Share-based payment arrangements

Employee share option program (ESOP)
The Employee Share Option Program (ESOP) was launched by the parent company VGG GmbH, Vienna, Austria, to allow employees to subscribe to ordinary shares in VARTA AG. The vesting period on which the program is based amounts to four years. The share-based payment arrangement requires employees to be in an active employment relationship with the company whenever options are exercised.

The number and weighted average of the exercise prices of the share options developed as follows:

	2020		2019	
(€ k)	NUMBER OF OPTIONS	Weighted average exercise price	NUMBER OF OPTIONS	Weighted average exercise price
Outstanding as of January 1	**381,954**		**535,118**	
Lapsed during the year	-715		-16,163	
Exercised during the year	-183,967	97.15	-147,358	56.48
Promised during the year	0		10,357	
Outstanding as of December 31	**197,272**		**381,954**	
Exercisable as of December 31	31,378		51,329	

The options outstanding as of December 31, 2020 had an exercise price between € 58.40 and € 128.68 (2019: € 37.30 and € 108.80) and a weighted average contract term of approximately four years (2019: approximately four years).

The weighted average share price at the exercise date of the share options exercised in 2020 was € 97.15 (2019: € 56.48).

Long-Term Incentive Program (LTIP)
On November 26, 2019, one of the Executive Board contracts was adjusted ahead of the upcoming changes caused by the Act on the Implementation of the second Shareholders' Rights Directive (ARUG II).

In so doing, the long-term share-based component, which was originally designed for five years, was converted to profit-sharing, which is linked to the Group's profit over three years. Detailed notes on the compensation model are provided in the management report in Chapter 9 "Remuneration Report".

Until the LTIP contract was amended, the Executive Board had the option of payment in shares or in cash, it was therefore a combination of a share-based component and a component paid in cash. The personnel expenses were recognized over the vesting period and the counter entry was posted in the capital reserve (for payment in shares) or in other deferred liabilities for personnel (for payment in cash) until the contract was amended. The key condition for exercising rights is an existing employment relationship of at least three years. Since November 26, 2019, claims from the profit sharing have been recognized in a provision for Executive Board remuneration (shown under other provisions). Following the amendment of the LTIP contract, the right to receive share options in return for the granting of a claim to payment of profit sharing linked to the success of the company lapsed.

Determination of fair values
The fair value of share-based payment system was determined in accordance with the Black Scholes formula.
The following parameters were used to determine the fair values on the date share-based payment with settlement by equity instruments was granted:

(€ k)	MANAGEMENT STOCK OPTION PROGRAM (MSOP) 2018	MANAGEMENT STOCK OPTION PROGRAM (MSOP) 2019
Fair value (average in EUR)	8.07	23.93
Share price on the date the option was granted (in EUR)	21.6	38.5
Exercise price (in EUR)	14.0	14.0
Expected volatility (in%)	30.9%	36.1%
Expected term (in years)	4.0	4.0
Expected dividends (average, in%)	0.55%	0.85%
Risk-free interest rate (in%)	-0.69%	-0.58%

Expected volatility is based on an assessment of historical volatility in the company's share price, especially over a period corresponding to the anticipated maturity. The anticipated maturity of the instruments is based on historical experience and the general conduct of option holders.

Impact of share-based payments on profit/loss for the period and net assets and financial position
The expense recognized in the income statement for share-based payment came to € 1.1m in fiscal year 2020 (2019: € 2.9m). The effects in equity amounted to € 1.1m (see notes under Chapter 17 "Equity") and consisted of allocations from the forward projection of the ESOP. The LTIP was projected forward until November 26, 2019 and was subsequently reclassified into deferred liabilities (see notes under Chapter 25 "Deferred liabilities") and the deferred tax attributable here. Following reclassification from the LTIP contract into equity, an amount of € -0.6m remained.

34. Net interest income

(€ k)	2020	2019
Financial income	336	601
Financial expense	-5,334	-1,127
Net interest income	**-4,998**	**-526**

In fiscal year 2020, interest income fell € 0.3m to € 0.3m.

Interest expenses increased significantly in the current fiscal year from € -1.1m to € -5.3m. This was largely attributable to interest expense from the debtor warrant of € 2.1m and the acquisition of VARTA Consumer companies of € 1.8m.

35. Net financial result

Sundry financial income and sundry financial expenses comprised the following:

(€ k)	2020	2019
Foreign exchange gains	1,884	106
Other financial income, measured at FVTPL	69	3,382
Sundry financial income	**1,953**	**3,488**
Foreign exchange losses	-6,234	-1,984
Other financial expense with third parties	-3,611	-660
Sundry financial expense	**-9,845**	**-2,644**

The decrease in other financial income resulted from income from the appreciation in the debtor warrant at fair value in the previous year. Conversely, currency fluctuations resulted in gains.

Higher revenue and advance payments from customers in foreign currency, especially USD, meant that losses from exchange rate fluctuations in the current year increased significantly. Other financial expenses resulted from the conclusion of the syndicated loan.

36. Income tax expenses

The effective tax rate of the VARTA Group amounted to 29.08% in the reporting year (2019: 29.07%). The corporation tax rate amounted to 15.00%, the solidarity surcharge on top of this was 5.50% and the combined trade tax was 13.26% (2019: 13.24%) for VARTA AG. The reconciliation of the expected tax expense with actual tax expense is shown below:

(€ k)	2020	2019
Earnings before tax (EBT)	133,124	71,079
Companies income tax rate	29.08%	29.07%
Expected (theoretical) tax expenses	-38,712	-20,663
Effects of different tax rates within the group	3,999	1,107
Adjustment due to local tax rate change compared to prior year	0	0
Tax-free income	471	640
Non capitalized loss carryforwards - actual period	-34	-722
Expenses not recognized under tax law	-2,872	-809
Interest not recognized under tax law	-366	0
Effective tax expense/tax income for previous years	-296	224
Change in measurement of deferred tax assets	296	145
Other	-102	-537
Income tax expenses	**-37,616**	**-20,615**

Income tax expenses included current taxes of € 42.1m (2019: € 20.2m) and deferred tax income of € 4.5m (2019: € 0.4m), which resulted in the amount of € 4.6m from temporary differences and € -0.1m from loss carryforwards.

As a result of the profit transfer agreements concluded in the Group as of July 1, 2016, there was an income tax group on the reporting date involving VARTA Microbattery

GmbH, Ellwangen, Germany, and VARTA Storage GmbH, Nördlingen, Germany, as controlled companies and VARTA AG, Ellwangen, Germany, as the controlling company.

The consolidated statement of comprehensive income contained income tax effects from cash flow hedged of € -0.01m (2019: € -0.16m). Income tax on the remeasurement of defined benefit plans in accordance with IAS 19 amounted to € 1.8m (2019: € -0.2m). Both items were recorded in other comprehensive income.

The following non-capitalized and unused tax loss carryforwards from corporation tax were included in the Group:

(€ k)	2020	2019
Expiry date:		
In the coming financial year – within 5 years	0	2,736
No expiry	16,882	3,514
Available tax loss carryforwards as of December 31	**16,882**	**6,250**

No deferred taxes were capitalized for loss carryforwards of € 16.9m (2019: € 6.3m). In the relevant companies, the likelihood that future profits could be netted off against accrued loss carryforwards was rated low at the reporting date.

Capitalization of tax-deductible loss carryforwards is reassessed each year and is based on current and long-term assumptions and estimates by management. In the process, those loss carryforwards that can be utilized within the next few years on the basis of the results of operations of individual companies or tax groups are capitalized. In countries or companies in which utilization of loss carryforwards is not conceivable, capitalization is therefore waived.

As of December 31, 2020, there were temporary differences of € 36.8m (2019: € 3.2m) related to investments in subsidiaries and joint ventures. These deferred tax liabilities were not recognized since the Group is in a position to manage the chronological sequence of the reversal and the temporary differences will not reverse in the foreseeable future.

37. Consolidated cash flow statement

Miscellaneous non-cash expenses and income resulted mainly from non-cash changes in the claim for reimbursement from the assumption of debt in the amount of € 2.3m (2019: € 2.6m) and the non-cash effects of share-based remuneration of € 1.1m (2019: € 0.9m; see Chapter 29 "Personnel expenses"). Non-cash changes also include currency effects of € -2.7m (2019: € -0.1m) and from changes in the consolidated statement of comprehensive income of € -7.6m (2019: € 1.3m), which were recognized directly in equity.

The item "Acquisition of property, plant and equipment and intangible assets" cannot be reconciled with the additions under "Intangible assets and property, plant and equipment" because of outstanding items where there was no payment obligation. Essentially, the differences resulted from the change in liabilities. These liabilities from investments in property, plant and equipment have risen by € 4.9m year on year (2019: € 16.9m). The outstanding items from the previous year's investment were paid in full in the following year and allocated to the item "Acquisition of property, plant and equipment and intangible assets".

The development of financial liabilities can be broken down as follows:

(€ k)	DECEMBER 31, 2019	ADDITIONS FROM CONSOLIDATION SCOPE	CASH CHANGE REPAYMENT	UPTAKE	NON-CASH CHANGE	DECEMBER 31, 2020
Non-current financial liabilities	2,818	2,803	0	40,000	5,482	51,103
Current financial liabilities	2,794	3,480	-2,093	1,406	0	5,587
Derivatives	1,278	0	-1,278	0	736	736
Liabilities from financing activities	**6,890**	**6,283**	**-3,371**	**41,406**	**6,218**	**57,426**

Non-current liabilities have risen by € 40.0m as a result of the utilization oft he first tranche under a syndicated loan. The increase also resulted from the obligation from the debtor warrant, which is measured at fair value (see notes in Chapter 19 "Other financial liabilities").

As in the previous year, the cash and cash equivalents shown are freely available and are not subject to a restriction in the rights of disposal.

38. Risk management

38.1. Internal control system

The management of VARTA AG has established internal control and management systems for financial reporting to guarantee that the consolidated financial statements of VARTA AG comply with the applicable accounting principles and that Group reporting is correct. This ensures that an appropriate degree of certainty regarding the reliability of financial reporting is guaranteed to facilitate as reliable an assessment of the company's net assets, financial position and results of operations as possible.

The Audit Committee monitors both compliance with the policies and processes of Group risk management by the Executive Board and the efficacy of the risk management system with regard to the risks to which the Group is exposed. An Internal Audit mechanism has been set up in order to ensure that audits can be carried out on a regular basis, the results of which are reported directly to the Audit Committee.

Each internal control system has its limits, however well it may have been designed. Therefore, even those internal control and management systems that were considered effective do not offer complete security as far as the preparation and presentation of financial statements is concerned.

Estimates and assumptions regarding the future are made when accounting for and measuring items. Estimates and assumptions which represent a significant risk in the form of a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are shown under the individual items in the notes to the consolidated accounts. Overall, however, no risks were identified in the past fiscal year, which could lead to a material correction of the company's net assets, financial position and results of operations.

38.2. Financial risk management

The primary aim of financial risk management is to identify the financial risks to which the Group is exposed, to monitor them and to establish efficient security measures. Financial risks emerge from operating activities and the financing structure. These include, in particular, credit, liquidity, foreign exchange and interest rate risks as well as the market price risk of commodities.

In addition to the identification, analysis and measurement of financial risks, decisions about the use of financial instruments to manage these risks are made in principle by the management and the Executive Board of VARTA AG, which generally pursue a strategy of seeking to avoid risk.

The following sections provide an overview of the extent of the individual risks as well as the objectives, principles and processes for measuring, monitoring and hedging financial risks.

Credit risk

The Group is exposed to credit risk through loans, trade receivables, other receivables and cash and cash equivalents, with credit risks concentrated in trade receivables. The default risk from receivables based on liquidity risks is countered through targeted measures such as ongoing credit assessment, insuring receivables against insolvency in some cases, agreeing payments in advance and dunning processes.

The Group policy of only investing cash and cash equivalents throughout the world as deposits with financial institutions of impeccable financial standing or affiliated companies means that the credit risk arising from credit balances with banks is also limited.

The carrying amount of financial assets equates to the maximum credit risk, which essentially comprised the following as of the reporting date:

	BOOK VALUES	
(€ k)	DECEMBER 31, 2020	DECEMBER 31, 2019
Cash and cash equivalents	121,889	244,781
Contract assets	2,636	2,032
Trade receivables	120,136	51,966
Other financial assets	1,364	548
Other assets*	59,899	30,922
Total financial assets	**305,924**	**330,249**

* excluding other tax receivables € 12.5m (2019: € 3.7m) and prepaid expenses of € 2.4m (2019: € 0.7m).

In fiscal year 2020, there was a framework agreement with a bank for the sale of receivables, which was due to expire in September 2021. This was extended for a further year in mid-2020. Under the agreement, trade receivables generated as part of ordinary operating activities are sold on receipt of the relevant invoice by the respective debtor with details of the agreed payment term. Receivables are sold at the end of the month. At this date, the bank decides the amount of receivables it is prepared to buy up to a total figure of € 10.0m. The receivables measured at fair value at this date are 90% sold to the bank. The receivables paid in the course of a month are reported under other financial liabilities due to the bank (please refer to the notes under Chapter 19 "Other financial liabilities"). On December 31, 2020, the Group sold receivables under this contract of € 6.5m (December 31, 2019: € 7.9m).

Within the framework of factoring agreements, a few VARTA Consumer companies also sold certain receivables from deliveries of goods to several factoring companies on an ongoing basis. The purpose of factoring is specifically to improve liquidity. In addition to converting receivables into cash immediately, the del credere risk was also passed to the factor. The sale of receivables also led to a reduction in the balance sheet which has a positive effect on certain balance sheet ratios. Risks mainly resulted from the guarantee for the remaining receivables. As of December 31, 2020, factoring by VARTA Consumer companies resulted in receivables of € 34.7m under these contracts.

On the reporting date, loans including deferred interest of € 0.3m (December 31, 2019: € 0.5m) were granted to third parties.
As of the reporting date of December 31, 2020, other assets mainly related to the claim for reimbursement from the assumption of debt of € 19.8m (2019: € 17.9m) and receivables from promotional projects of € 16.7m (2019: € 9.3m). Other assets also contained tax refund claims vis-à-vis Energizer Holdings Inc. of € 13.2m for the settlement of taxes from periods before the acquisition of the VARTA Consumer business. In addition, € 4.0m related to retentions for collateral purposes and other receivables from factoring.

Within the framework of the impairment model, the simplified approach is applied to the recognition of a loss allowance for trade receivables under which the anticipated credit losses for these receivables are recognized over the entire term when recognized for the first time.

The maximum credit risk is assessed as low, since the default risk inherent in basic business with business partners was partly covered by credit insurance of € 92.5m (December 31, 2019: € 14.5m). The criteria to be applied for assessing creditworthiness are laid down in contracts with credit insurers and in internal guidance. In addition, the credit risk is not concentrated, as the Group's customer base consists of a large number of customers. Receivables outstanding at the reporting date must stand up to the Group's risk assessment criteria regardless of when they are due. In principle, a risk is considered for all financial assets based on internal and external experience. There are no financial assets where terms were renegotiated.

Trade receivables and contract assets after loss allowances comprised the following:

(€ k)	DECEMBER 31, 2020	DECEMBER 31, 2019
Contract assets	2,636	2,032
Trade receivables	120,767	52,138
Loss allowances	-631	-172
Trade receivables and contract assets - net	122,772	53,998

Loss allowances have developed as follows:

(€ k)	2020	2019
As of the beginning of the fiscal year	172	438
Allocation	571	12
Consumption	-21	-31
Reversal	-77	-257
Foreign exchange differences	-14	10
Total loss allowances	**631**	**172**

Trade receivables or the financial asset are/is written down by 100% as soon as the company becomes aware that it is not recoverable, or the receivable is more than 90 days past due. Deviations from this principle are possible, for example, for disputed items or if there are credit balances available. For receivables past due by between 31 and 90 days, the anticipated default is recognized as follows taking into account the respective country risk and average default rate:

- > 31 days: 0.00-0.17% loss allowance

To take account of experience from previous years, material outstanding receivables less those where insurance is in place or have already been written down and less public sector receivables are written down every year using a flat-rate method. The loss allowance rate stated is calculated each year from a 10-year average in relation to receivables outstanding and defaults plus a country risk premium.

The following table discloses information on trade receivables past due in accordance with the simplified approach:

(€ k)	DECEMBER 31, 2020 CARRYING AMOUNT BEFORE LOSS ALLOWANCES	LOSS ALLOWANCES	NET	DECEMBER 31, 2019 CARRYING AMOUNT BEFORE LOSS ALLOWANCES	LOSS ALLOWANCES	NET
0 to 10 days past due	16,722	-204	16,518	4,314	-1	4,313
11 to 30 days past due	3,276	-16	3,260	1,704	0	1,704
31 to 60 days past due	2,165	-66	2,099	801	-13	788
61 to 180 days past due	0	0	0	0	0	0
181 to 360 days past due	1,054	-174	880	243	-7	236
More than 360 days past due	207	-171	36	156	-151	5
Total Group	**23,424**	**-631**	**22,793**	**7,218**	**-172**	**7,046**

The past due net trade receivables are primarily receivables from long-standing customer relationships. Based on past experience, the Group does not expect any significant defaults.

Financial assets to which the general approach applies were not written down, as no significant defaults linked to collateral are expected under the current circumstances.

Liquidity risks

Liquidity and safeguarding thereof are monitored on an ongoing basis by the Treasury at the VARTA AG – Group. Management ranges from constantly comparing forecast and actual cash flows to reconciling the maturity profiles of financial assets and liabilities. The key liquidity risks consist of general economic risks, the default of customer payments and foreign exchange risks.

The undiscounted contractual maturities of non-derivative and derivative financial liabilities are shown below. The default risk of financial liabilities does not change over time.

December 31, 2020

(€ k)	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	IMMEDIATE	UP TO 3 MONTHS	3 TO 12 MONTHS	1 TO 5 YEARS	MORE THAN 5 YEARS
Non-derivative finacial liabilities							
Other financial liabilities*	56,690	53,166	0	0	2,063	51,103	0
Trade payables	94,577	94,577	22,163	72,149	265	0	0
Deferred liabilities	67,587	67,587	0	67,587	0	0	0
Other liabilities**	7,346	7,346	63	3,747	3,536	0	0
Total non-derivative financial liabilities	**226,200**	**222,676**	**22,226**	**143,483**	**5,864**	**51,103**	**0**

* excluding derivative financial instruments of € 0.7m; including a debt waiver of € 8.3m. With an anticipated term of more than 5 years which can be repaid earlier because of specific circumstances. (see Chapter 19 "Other financial liabilities")
** Excluding deferred income of € 1.4m, liabilities from promotional projects of € 13.3m, Customs liabilities of € 1.2m, other liabilities from taxes of € 11.3m and social security of € 0.2m.

(€ k)	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	IMMEDIATE	UP TO 3 MONTHS	3 TO 12 MONTHS	1 TO 5 YEARS	MORE THAN 5 YEARS
Derivative financial liabilities							
Forward exchange transactions (cash flow hedge)	736	736	0	437	299	0	0
Total derivative financial liabilities	**736**	**736**	**0**	**437**	**299**	**0**	**0**
Total Group	**226,936**	**223,412**	**22,226**	**143,920**	**6,163**	**51,103**	**0**

December 31, 2019

(€ k)	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	IMMEDIATE	UP TO 3 MONTHS	3 TO 12 MONTHS	1 TO 5 YEARS	MORE THAN 5 YEARS
Non-derivative finacial liabilities							
Other financial liabilities*	5,612	5,612	0	2,794	0	0	2,818
Trade payables	56,136	56,136	19,195	32,546	4,395	0	0
Deferred liabilities	4,301	4,301	0	0	4,301	0	0
Other liabilities****	4,090	4,090	906	3,173	11	0	0
Total non-derivative financial liabilities	**70,139**	**70,139**	**20,101**	**38,513**	**8,707**	**0**	**2,818**

* excluding derivative financial instruments of € 1.3m; including a debt waiver of € 2.8m With an anticipated term of more than 5 years which can be repaid earlier because of specific circumstances. (see Chapter 19 „Other financial liabilities")
**** Excluding deferred income of € 0.1m, liabilities from promotional projects of € 12.4m, Customs liabilities of € 1.6m, other liabilities from taxes of € 2.0m and social security of € 0.0m.

(€ k)	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	IMMEDIATE	UP TO 3 MONTHS	3 TO 12 MONTHS	1 TO 5 YEARS	MORE THAN 5 YEARS
Derivative financial liabilities							
Forward exchange transactions (cash flow hedge)	1,278	61,342	0	61,342	0	0	0
Total derivative financial liabilities	**1,278**	**61,342**	**0**	**61,342**	**0**	**0**	**0**
Total Group	**71,417**	**131,481**	**20,101**	**99,855**	**8,707**	**0**	**2,818**

Market risk

The market risk includes currency, commodity and interest rate risks, which are explained in more detail below.

Commodity risks

The Group buys commodities in different quantities and these are subject to the risk of prices changing. The key commodities are determined by analyzing the planned quantities of commodities and hedged through commodity swaps (mainly for nickel and zinc). The remaining commodity risk for the Group is rated low.

Currency risks

The Group settles its purchases and sales of goods on the basis of the functional currency of three regions, mainly in euro (Europe) and US dollar (USA, Asia). It is only exposed to currency risks from trade payables to a very minor degree since outgoing invoices at foreign companies are largely billed in the respective local currency. Likewise, purchases of inventories and/or services are mainly conducted in the local currency of subsidiaries.

On the reporting date, interest bearing liabilities, the majority of which are lease and loan liabilities, are predominantly reported in EUR and USD, which correspond to the local currencies of the respective Group companies, meaning that, according to the assessment carried out by the Group, there is no material currency risk in this respect either.

The following chart shows financial assets and liabilities according to the currency pair EUR/USD, where the currency differs from the functional currency of the respective Group company that holds these financial instruments.

(€ k)	DECEMBER 31, 2020	DECEMBER 31, 2019
Cash and cash equivalents	45,822	27,983
Trade receivables	22,990	26,446
Receivables due from related companies	14,736	8,790
Trade payables	5,602	8,482
Advance payments received from customers	72,913	66,564
Loans from related companies	24,815	24,880
Liabilities to related companies	4,989	3,806
Total currency exposure gross	**-24,771**	**-40,513**
Forward exchange transactions	84,248	49,373
Total currency exposure net	**59,477**	**8,860**

Other currency pairs of relevance for the Group are less significant.

Sensitivity analysis
A change in the following functional currency against the foreign currency from the currency pair in the amount of the percentage points listed below would have increased (reduced) the profit/loss of the consolidated financial statements by the amounts shown below as of December 31. The other variables, especially interest rates, were kept constant in this analysis.

(€ k)	PROFIT (+) / LOSS (-)		
December 31, 2020			
EUR/USD	+/- 8.0%	3,882	-3,095

(€ k)	PROFIT (+) / LOSS (-)		
December 31, 2019			
EUR/USD	+/- 4,9%	1,810	-1,726

The volatility for the individual relevant currency pairs was calculated from historical data for the last 250 trading days (before the respective reporting date). On the basis of the daily exchange rate trend (change in current rates compared with the previous day), the annual volatility shown was determined by upscaling this daily volatility.

The sensitivity analysis showed that the currency pairs would not have had any material effects on Group equity.

Interest rate risks
Interest rate risks can be divided into changes in future interest payments based on fluctuations in market interest rates and an interest rate-related risk of a change in market value (meaning, de facto, that the market value of a financial instrument changes in response to fluctuations in the market interest rate).

The Group is exposed to interest rate risk resulting from raising and investing financial resources at fixed and variable interest rates, whereby the VARTA AG Group invests funds with banks on the basis of the current liquidity surplus.

There were the following interest-bearing financial instruments on the reporting date:

	CARRYING AMOUNT	
(€ k)	DECEMBER 31, 2020	DECEMBER 31, 2019
Fixed-interest financial instruments		
Financial assets*	246	61,624
Financial liabilties**	2,813	5,626
Variable interest financial instruments		
Financial assets*	121,642	183,157
Financial liabilties**	40,031	0

* includes credit balances with banks and fixed deposits as well as short-term investments
** includes other financial liabilities, excluding derivative financial instruments of € 0.7m. (2019: € 1.3m)

Sensitivity analysis for fixed interest financial instruments
In the Group, neither financial assets (fixed deposits) nor financial liabilities (liabilities to banks), which carry a fixed rate of interest, are measured at fair value through profit or loss. These financial instruments are measured at amortized cost. Any increase in interest rates would there-fore have no impact on the consolidated result.

Sensitivity analysis for variable interest financial instruments
An increase in interest rates of one percentage point would have – taking account of hedging variable interest financial instruments through fixed interest – increased the consolidated result by € 0.6m (2019: by € 1.3m). A reduction in the interest rate of one percentage point would have resulted in a reduction in the Group result of € 0.6m (2019: reduction of € 1.3m). It is assumed, in the context of this analysis, that all other variables, especially foreign currency effects, remain constant.

Derivative financial instruments
The Group essentially uses derivative financial instruments to reduce the risks of changes in exchange rates and commodity prices. It uses forward exchange transactions and commodities swaps to reduce the short-term effects of fluctuations in exchange rates and commodity prices. All the counterparties it uses for this purpose are well-known international banks, with which the Group maintains ongoing business relationships. Accordingly, the Group views the risk of non-performance by a counterparty and consequently the risk of losses here as low. As of December 31, 2020, the loss on derivative financial instruments shown amounted to € -4.6m (December 31, 2019: profit of € 2.1m).

The Group designates the forward exchange transactions for hedging currency risks and applies a hedge ratio of 1:1. The critical conditions correspond to the forward exchange transaction and the underlying transaction. The Group determines the existence of an economic relationship between the hedging instrument and the hedged underlying transaction on the basis of the currency, amount and timing of the respective cash flows.

Derivatives are concluded within the German master agreement for financial derivative transactions, which allows outstanding positions to be offset. The underlying contract does not meet the criteria of IFRS 9 for offsetting. Despite this, there is a legal right to offset outstanding transactions subject to certain requirements, such as default or insolvency on the part of a counterparty. No financial items were offset as of the reporting date. The potential netted amount, which would be possible under a master agreement, therefore equates to the reported gross carrying amount of derivatives.

The following table shows holdings of derivative financial instruments on the reporting date:

DECEMBER 31, 2020

	CURRENCY	AVERAGE HEDGING RATE 1-12 MONTHS	NOMINAL AMOUNT (IN THOUSAND ORIGINAL CURRENCY)	FAIR VALUE (IN € K)	MATURITY
Commodity swap	USD	6	145	-4	up to 1 year
Forward exchange transaction	USD	2	1,600	-1	up to 1 year
Forward exchange transaction	USD	1	30,450	-50	up to 1 year
Forward exchange transaction	USD	1	16,500	-22	up to 1 year
Forward exchange transaction	USD	1	54,528	-364	up to 1 year
Commodity swap	USD	6	2,094	-63	up to 1 year
Forward exchange transaction	SGD	7	3,500	-232	up to 1 year
Total Group				**-736**	

DECEMBER 31, 2019

	CURRENCY	AVERAGE HEDGING RATE 1-12 MONTHS	NOMINAL AMOUNT (IN THOUSAND ORIGINAL CURRENCY)	FAIR VALUE (€ k)	OF WHICH NO EFFECT ON OTHER COMPREHENSIVE INCOME	MATURITY
Commodity swap	USD	16	392	-42	-42	up to 1 year
Forward exchange transaction	USD	1	27,950	-196	0	up to 1 year
Forward exchange transaction	USD	1	11,761	-188	0	up to 1 year
Forward exchange transaction	USD	1	29,200	-81	0	up to 1 year
Forward exchange transaction	USD	1	9,600	-621	0	up to 1 year
Forward exchange transaction	USD	1	1,600	-103	0	up to 1 year
Forward exchange transaction	SGD	1	464	-3	0	up to 1 year
Forward exchange transaction	SGD	1	465	-3	0	up to 1 year
Forward exchange transaction	SGD	1	465	-3	0	up to 1 year
Forward exchange transaction	SGD	1	465	-3	0	up to 1 year
Forward exchange transaction	SGD	1	466	-3	0	up to 1 year
Forward exchange transaction	SGD	1	466	-3	0	up to 1 year
Forward exchange transaction	SGD	1	466	-3	0	up to 1 year
Forward exchange transaction	SGD	1	466	-3	0	up to 1 year
Forward exchange transaction	SGD	1	467	-3	0	up to 1 year
Forward exchange transaction	SGD	1	467	-2	0	up to 1 year
Forward exchange transaction	SGD	1	467	-2	0	up to 1 year
Forward exchange transaction	SGD	1	468	-2	0	up to 1 year
Forward exchange transaction	SGD	1	464	-4	0	up to 1 year
Forward exchange transaction	SGD	1	464	-3	0	up to 1 year
Forward exchange transaction	SGD	1	464	-3	0	up to 1 year
Forward exchange transaction	SGD	1	464	-4	0	up to 1 year
Total Group				**-1,278**	**-42**	

Hedging transactions are concluded over the maturity at average hedging rates.

Forward exchange transactions at a value of € -0.7m (2019: € -1.2m) and commodity hedging in the amount of € -0.067m (2019: € -0.04m) are shown in the balance sheet item for other liabilities.

The liquidity analysis of derivative instruments was presented in the upper part of this section under "Liquidity risks".

Categories of financial instruments

The following table shows the carrying amounts of financial instruments by category. The carrying amounts of derivative financial instruments differ from their fair values, while the carrying amount of other financial instruments equates to their fair value.

(€ k)	DECEMBER 31, 2020	LEVEL 1	LEVEL 2	LEVEL 3
Financial instruments measured at fair value through profit and loss				
Factoring	-41,210	0	-41,210	0
Debotor warrant	-8,300	0	0	-8,300
Derivative financial instruments - assets	1,076	0	1,076	0
Derivative financial instruments - liabilities	-736	0	-736	0
Total	**-49,170**	**0**	**-40,870**	**-8,300**

(€ k)	DECEMBER 31, 2019	LEVEL 1	LEVEL 2	LEVEL 3
Financial instruments measured at fair value through profit and loss				
Factoring	-2,089	0	-2,089	0
Debotor warrant	-2,818	0	0	-2,818
Derivative financial instruments - assets	0	0	0	0
Derivative financial instruments - liabilities	-1,278	0	-1,278	0
Total	**-6,185**	**0**	**-3,367**	**-2,818**

(€ k)	DECEMBER 31, 2020	DECEMBER 31, 2019
Derivative financial instruments	1,076	0
Derivative financial instruments measured at fair value through comprehensive income	**1,076**	**0**
Cash and cash equivalents	**121,889**	**244,781**
Loans	288	548
Trade receivables	120,136	51,966
Other assets*	59,899	30,922
Loans and receivables	**180,323**	**83,436**
Financial assets measured at amortized cost	**302,212**	**328,217**
Total financial assets	**303,288**	**328,217**
Derivative financial instruments	736	1,278
Derivative financial instruments measured at fair value through comprehensive income	**736**	**1,278**
Other financial liabilities**	56,690	5,626
Trade payables	94,577	56,136
Deferred liabilities	67,587	4,301
Other liabilities***	7,346	4,090
Financial liabilities measured at amortized cost	**226,200**	**70,153**
Total financial liabilities	**226,936**	**71,431**

* Excluding other tax receivables of € 12.5m (2019: € 3.7m) and prepaid expenses of € 2.4m (2019: € 0.7m)
** Excluding derivative financial instruments of € 0.7m (2019: € 1.3m); including a debt waiver of € 8.3m with an anticipated term of more than 5 years which can be repaied earlier because of specific circumstances. (see Chapter 19 "Other financial liabilities")
*** Excluding deferred income of € 0.1m, liabilities from promotional projects of € 13.3m (2019: € 12.4m), Customs liabilities of € 1.2m (2019: 1.6m €), other liabilities from taxes of € 11.3m (2019: 2.0m €) and social security of € 0.2m (2019: 0.0m €).

Calculation of fair value:
A number of accounting policies and disclosures by the Group require determination of the fair values for financial and non-financial assets and liabilities. The fair value is the price which would be received in a normal transaction between market participants on the measurement day when selling an asset or would have to be paid when transferring a liability (IFRS 13.9).

When determining the fair value of an asset or liability, the Group uses data that is observable on the market where possible. Based on the input factors used in the measurement techniques, fair values are categorized in different levels in the fair value hierarchy:

- Level 1: listed prices (unadjusted) on active markets for identical assets and liabilities
- Level 2: measurement parameters, which are not the prices based on a listing taken into account in level 1 but which can be observed for the liability either directly (as a price) or indirectly (as derived from prices)
- Level 3: measurement parameters for assets or debts that are not based on observable market data.

If the input factors used to determine the fair value of an asset or a liability can be categorized in different levels of the fair value hierarchy, measurement at fair value in its entirety will be allocated to the level of the fair value hierarchy, which corresponds to the lowest input factor of significance for the measurement as a whole.

On the reporting date, the Group only had financial instruments from Level 2 and Level 3 measured at fair value.

Capital management
The VARTA AG Group has had a comparatively high equity base or equity ratio since the IPO. This capitalization allows the Group to finance the investment still needed to expand production capacity from its own resources. In the medium-term, the Group aspires to a cost and risk-optimized balance between equity and debt, while at the same time complying with the requirements of the syndicated loan agreement.

39. Related parties

The following persons and companies were identified as related parties for the reporting periods of 2020 and 2019:

- MTC as the ultimate parent company and all companies that are controlled directly or indirectly by MTC, controlled jointly or subject to significant influence;
- All companies that are directly or indirectly controlled by members of the management, controlled jointly or subject to significant influence;
- Prof. DDr. Michael Tojner as the ultimate supervisory authority and all companies that are controlled directly or indirectly by Prof. DDr. Michael Tojner, controlled jointly or subject to significant influence;
- Executive and Supervisory Board members of VARTA AG and their family members; Furthermore, regarding information about the VARTA Microbattery Pensions-Treuhand e.V. we refer to the notes under chapter 20 “Pensions”.

Transactions with related parties are conducted on the basis of normal market conditions. Transactions with the Group’s related parties are reported in the following categories:

Related companies:

- Companies that are controlled by MTC, controlled jointly or subject to significant influence and MTC itself (hereinafter "MTC companies");
- Companies that are controlled by Prof. DDr. Michael Tojner or subject to significant influence (hereinafter "Prof. DDr. Tojner companies");
- The Group's joint ventures;
- Companies in which participations are held;

Related persons:

- Persons who have the authority and responsibility, directly or indirectly, for planning, directing and controlling the Group's activities.

39.1. Related companies

Sales and acquisitions of assets and services from and to related companies are included in the consolidated financial statements shown:

(€ k)	2020 TRANSACTION VOLUME		2019 TRANSACTION VOLUME	
TRANSACTIONS	REVENUE FROM THE SALE OF GOODS AND SERVICES	PURCHASE OF GOODS AND SERVICES	REVENUE FROM THE SALE OF GOODS AND SERVICES	PURCHASE OF GOODS AND SERVICES
Transactions with MTC Companies	771	363	448	781
Transactions with Prof. DDR. Tojner companies	90	2,300	128	1,810
Transactions with companies in which participations are held	60	279	16	205
Total	**921**	**2,942**	**592**	**2,796**

The following receivables and liabilities are outstanding as of December 31, 2020:

(€ k)	31 DECEMBER 2020 OUTSTANDING ITEMS		31 DECEMBER 2019 OUTSTANDING ITEMS	
TRANSACTIONS	RECEIVABLES	LIABILITIES	RECEIVABLES	LIABILITIES
Transactions with MTC Companies	221	76	42,244	323
Transactions with Prof. DDR. Tojner companies	0	585	0	602
Transactions with companies in which participations are held	40	279	0	103
Total	**261**	**940**	**42,244**	**1,028**

There is still a financial liability to MTC companies from the debtor warrant (see Chapter 19 "Other financial liabilities") in the amount of € 8.3m (2019: € 2.8m).

The outstanding receivables are largely not collateralized.

Transactions with MTC companies

The following transactions were conducted with MTC companies in the fiscal year under review:

(€ k)	2020 TRANSACTION VOLUME		2019 TRANSACTION VOLUME	
TRANSACTIONS	REVENUE FROM THE SALE OF GOODS AND SERVICES	PURCHASE OF GOODS AND SERVICES	REVENUE FROM THE SALE OF GOODS AND SERVICES	PURCHASE OF GOODS AND SERVICES
Services	771	363	448	781
Total	**771**	**363**	**448**	**781**

The outstanding receivables and liabilities with associated MTC companies included the following items as of December 31, 2020:

(€ k)	31. DEZEMBER 2020 OUTSTANDING ITEMS		31. DEZEMBER 2019 OUTSTANDING ITEMS	
TRANSACTIONS	RECEIVABLES	LIABILITIES	RECEIVABLES	LIABILITIES
Services	221	76	127	323
Loan including interest	0	0	42,117	0
Summe	**221**	**76**	**42,244**	**323**

Because of heavy investment in expanding production of lithium-ion button cell batteries, the short-term investment in Montana Tech Components GmbH was repaid in full in fiscal year 2020.

There is a subordinate guarantee from VGG GmbH totaling € 8.0m. In this context, we would refer you to Chapter 20.2 "Pensions".

Transactions with Prof. DDr. Tojner companies

As part of the sale and leaseback transaction in 2015 with a company controlled by Prof. DDr. Michael Tojner (see notes under Chapter 10 "Leases"), rental expenses of € 1.9m were incurred from the leaseback of land and buildings in fiscal year 2020 (previous year: € 1.6m) and from other costs charged on. In total, the transaction volume with Prof. DDr. Michael Tojner companies was as follows:

(€ k)	2020 TRANSACTION VOLUME		2019 TRANSACTION VOLUME	
TRANSACTION TYP	SALE OF GOODS AND SERVICES	PURCHASE OF GOODS AND SERVICES	SALE OF GOODS AND SERVICES	PURCHASE OF GOODS AND SERVICES
Services	90	2,300	128	1,810
Total	**90**	**2,300**	**128**	**1,810**

On the reporting date, the following receivables and liabilities from transactions on the reporting date are outstanding in the consolidated financial statements:

(€ k)	DECEMBER 31, 2020 OUTSTANDING ITEMS		DECEMBER 31, 2019 OUTSTANDING ITEMS	
TRANSACTIONS	RECEIVABLES	LIABILITIES	RECEIVABLES	LIABILITIES
Loan including interest	0	585	0	568
Services	0	0	0	34
Total	**0**	**585**	**0**	**602**

There is also a guarantee from Global Equity Beteiligungs-Management GmbH, Vienna, Austria, for € 20.0m for contingent liabilities (see notes under Chapter 41 "Contingent liabilities").

Transactions with joint ventures
Since operating activity at the joint venture VW-VM Forschungsgesellschaft mbH & Co.KG stopped in 2018 and the joint venture was liquidated in 2019, there have been no transactions with joint ventures.

Transactions with companies in which participations are held
In the fiscal years for which an annual report has been compiled, a participation was held in VARTA Micro Innovation GmbH. In fiscal year 2020, a transaction volume from the sale of services of € 0.1m and purchase of services of € 0.3m was generated.
As of December 31, 2020, liabilities amounted to € 0.3m.

39.2. Related persons

Members of the Executive Board and Supervisory Board, in addition to select senior management roles, form the key management personnel. They received the following remuneration for their work:

(€ k)	2020	2019
Shot-term employee benefits	7,451	5,414
Other long-term employee benefits	4,720	1,382
Share-based payments	127	981
Benefits after termination of employment	3	0
Management remuneration in total	**12,301**	**7,777**

40. Management of VARTA AG

The Executive Board of VARTA AG is composed as follows:

Herbert Schein, Chairman of the Board / CEO
Additional board memberships:
- Managing Director VARTA Microbattery GmbH
- Managing Director VARTA Storage GmbH
- Managing Director VARTA Micro Production GmbH
- Managing Director VARTA Consumer Batteries GmbH & Co. KGaA

Steffen Munz, CFO until December 31, 2020
Additional board memberships until December 31, 2020
- Managing Director VARTA Microbattery GmbH
- Managing Director VARTA Storage GmbH
- Managing Director VARTA Micro Production GmbH
- Managing Director VARTA Consumer Batteries GmbH & Co. KGaA

Armin Hessenberger, Member of the Board since October 1, 2020
CFO since January 1, 2021
Additional board memberships since December 1, 2020:
- Managing Director VARTA Microbattery GmbH
- Managing Director VARTA Storage GmbH
- Managing Director VARTA Micro Production GmbH
- Managing Director VARTA Consumer Batteries GmbH & Co. KGaA

Additional board memberships until November 30, 2020:
- Chairman of the Supervisory Board of VARTA Microbattery GmbH

The Supervisory Board of VARTA AG is composed as follows:

Prof. DDr. Michael Tojner (Chairman)
CEO Montana Tech Components GmbH
CEO VARTA Pensionstreuhand e.V.
Additional board memberships:
- Chairman of the Supervisory Board of ASTA Energy Transmission Components GmbH
- Member of the Supervisory Board of Universal Alloy Corporation USA
- Member of the Supervisory Board of Aluflexpack Novi d.o.o.
- Member of the Supervisory Board of Dorotheum GmbH
- Member of the Supervisory Board of Montana Aerospace Components Inc.
- Member of the Supervisory Board of MTC US Corp.
- Chairman of the Board of Directors of Montana Tech Components AG
- Chairman of the Board of Directors of Montana AS Beteiligungs Holding AG

Dr. Harald Sommerer (Entrepreneur and Investor)
Additional board memberships:
- Member of the Supervisory Board of Kapsch Traffic Com AG
- Chairman of the Board H.F.R.C. Privatstiftung

Frank Dieter Maier
Pensioner
Additional board memberships:
- Member of the Supervisory Board of ASTA Elektrodraht GmbH & Co. KG
- Member of the Supervisory Board of Vishay Intertechnology Inc.
- Member of the Supervisory Board of Vishay Europe GmbH

Dr. Michael Pistauer
Entrepreneur and Managing Director of numerous companies such as PI Beteiligungs- und Unternehmensberatungsgesellschaft mbH, Montana Aerospace GmbH, Österreich a.o.
Additional board memberships:
- Member of the Supervisory Board of VARTA Microbattery GmbH
- Member of the Supervisory Board of abatec Group AG, Österreich

Sven Quandt
Managing Director of S. Qu.-Vermögensberatung GmbH & Co. KG und der X-raid GmbH
Additional board memberships:
- Member of the Advisory Board of Montana Tech Components AG

Dr. Georg Blumauer
Attorney and Managing Director Blumauer & Partner Rechtsanwälte GmbH
- Managing Director EXI Immobilienentwicklungs GmbH
- Managing Director GBI Immobilien Beta GmbH

Additional board memberships:
- Chairman of the Supervisory Board of VARTA Microbattery GmbH

41. Contingent liabilities

(€ k)	2020	2019
Service obligations		
Due up to 2021/2020	562	715
Due up to 2022 – 2026 / 2021 – 2025	2,088	2,178
Due after 2026/2025	1,628	1,415
Purchase commitments from approved investment		
Due up to 2021/2020	119,325	153,516
Other purchase obligations		
Due up to 2021/2020	50,662	66,216
Total	**174,265**	**224,040**

The other purchase obligations mainly relate to orders and supply contracts, which were prepared with various suppliers to cover requirements for commodities, primary products and semi-finished goods at short notice.

Attention must also be drawn to the risks of contaminated sites at VARTA AG. Land formerly owned by VARTA AG or its former subsidiaries was largely used as production sites for the production of batteries and are contains virtually all the sector-specific contaminants. A purchaser of all former participations abroad and a participation in Germany has assumed these risks and possible risks arising in future and has indemnified VARTA AG against these risks; however, VARTA AG remains liable in relation to third parties. The purchaser has been liquidated in the meantime. Global Equity Partners Beteiligungs-Management GmbH, Vienna, Austria, a company affiliated with the purchaser and a related company of VARTA AG, has provided additional protection for this indemnification with a guarantee of € 20.0m, which will expire in 2013. VARTA AG will be exposed to that extent only if the risks of contaminated site exceed the hedge potential of the guarantor or if it is unable to fulfill its contractual obligations. VARTA AG has assessed these remaining risks and has not identified any need to create a provision.

Pursuant to Section 133 (3) sentence 2 UmwG (German Conversion Law), VARTA AG is liable in connection with the pension obligations spun off in 2016 by VARTA AG into VRT Pensionen GmbH as a joint and several debtor for 10 years and therefore until 2026. Since the spin-off of the pension obligations of € 25.5m also comprised matching plan assets for the pension obligations of € 26.9m VARTA AG assumes that it will not be called on under the extended liability because of the surplus of plan assets of € 1.5m.

42. Investment companies

The following companies were included for the periods presented in the consolidated financial statements in accordance with Section 315e (1) in conjunction with Section 313 (2) No. 1 – 6 HGB:

COMPANY NAME	REGISTERED OFFICE	COUNTRY	CURRENCY	PARTICIPATION STAKE
VARTA Aktiengesellschaft	Ellwangen	Germany	EUR	100.00%
VARTA Microbattery GmbH	Ellwangen	Germany	EUR	100.00%
VARTA Storage GmbH	Nördlingen	Germany	EUR	100.00%
VARTA Micro Production GmbH	Nördlingen	Germany	EUR	100.00%
VARTA Microbattery Pte Ltd	Singapore	Singapore	USD	100.00%
VARTA Microbattery Ltd Shanghai[1]	Shanghai	China	CNY	100.00%
PT VARTA Microbattery Indonesia	Batam	Indonesia	USD	100.00%
VARTA Microbattery Japan K.K.	Tokyo	Japan	USD	100.00%
VARTA Microbattery S.R.L.	Brasov	Romania	RON	100.00%
VARTA Microbattery Inc.	Rye, NY	United States of America	USD	100.00%
VW-VM Verwaltungsgesellschaft mbH i.L.[2]	Ellwangen	Germany	EUR	50.00%
Auditas GmbH	Nördlingen	Germany	EUR	25.10%
Auditas Inc.	Ridgefield	United States of America	USD	25.10%
Connexio alternative investment & holding GmbH[3]	Vienna	Austria	EUR	20.00%
VARTA Micro Innovation GmbH	Graz	Austria	EUR	17.74%
VARTA Consumer Batteries GmbH & Co. KGaA	Ellwangen	Germany	EUR	100.00%
VARTA Consumer Batteries Benelux B.V.	Utrecht	Netherlands	EUR	100.00%
VARTA Consumer Batteries UK Ltd.	Sword House	United Kingdom	GBP	100.00%
VARTA Consumer Batteries Iberia S.L.U.	Madrid	Spain	EUR	100.00%
VARTA Consumer Batteries Poland Sp.z.o.o.	Warsaw	Poland	PLN	100.00%
LLC Consumer Batteries Company (Eastern Europe)	Moscow	Russia	RUB	100.00%
Energizer Real Estate Holdings LLC[4]	Delaware	United States of America	EUR	100.00%
Paula Grundstücksverwaltungs GmbH & Co. Verm. KG	Pullach i. Isartal	Germany	EUR	100.00%
VARTA Consumer Finland Oy[5]	Vantaa	Finland	EUR	100.00%
VARTA Consumer Norway AS[6]	Oslo	Norway	NOK	100.00%
VARTA Consumer Schweiz GmbH[7]	Dietlikon	Switzerland	CHF	100.00%
VARTA Consumer Sweden AB[8]	Bromma	Sweden	SEK	100.00%
VARTA Consumer Austria GmbH[9]	Brunn am Gebirge	Austria	EUR	100.00%
VARTA Consumer Slovakia spol. s.r.o.[10]	Prievidza	Slovakia	EUR	100.00%
Spectrum Brands Hrvatska d.o.o.	Zagreb	Croatia	HRK	100.00%
Spectrum Brands Trgovina d.o.o.	Ljubljana	Slovenia	EUR	100.00%
Spectrum Brands Bulgaria EOOD	Sofia	Bulgaria	BGN	100.00%
VARTA Consumer Europe Holding GmbH[11]	Ellwangen	Germany	EUR	100.00%
VARTA Consumer Kommandit GmbH[12]	Ellwangen	Germany	EUR	100.00%
VARTA Consumer Batteries Italia s.r.l.	Basiglio	Italy	EUR	100.00%
VARTA Consumer Czech spol. s.r.o.[13]	Česká Lípa	Czech Republic	CZK	100.00%
Varta Pilleri Ticaret Limited Sirketi	Istanbul	Turkey	TRY	100.00%
VARTA Consumer Denmark A/S[14]	Brandby	Denmark	DKK	100.00%
VARTA Consumer Komplementär GmbH[15]	Ellwangen	Germany	EUR	100.00%
VARTA Consumer France S.A.S.[16]	Courbevoie	France	EUR	100.00%
Anabasis Handelsgesellschaft mbH	Dischingen	Germany	EUR	100.00%
EMEA Consumer Batteries (Shenzhen) Co. Ltd.	Shenzhen	China	CNY	100.00%
Mezzanin Finanzierungs GmbH	Vienna	Austria	EUR	100.00%
VAMI-SK neunzehn GmbH	Graz	Austria	EUR	100.00%
VARTA Consumer Hungaria Kft.	Budapest	Hungary	HUF	100.00%

1 In liquidation since January 1, 2020
2 Accounted for using the equity method, in liquidation since July 1, 2020
3 Acquisition of remaining shares on April 21, 2020, change of name to GmbH on May 6, 2020
4 formerly Energizer Real Estate Holdings, LLC
5 formerly Spectrum Brands Finland Oy

6 formerly Spectrum Brands Norway AS
7 formerly Spectrum Brands Schweiz GmbH
8 formerly SPB Sweden AB
9 formerly Spectrum Brands Austria GmbH
10 formerly Spectrum Brands Slovakia spol. s. r.o.
11 formerly Spectrum Brands Europe GmbH
12 formerly ROV German Limited GmbH
13 formerly Spectrum Brands Czech spol. s.r.o.
14 formerly Spectrum Brands Denmark A/S
15 formerly ROV German General Partner GmbH
16 formerly Spectrum Brands France S.A.S.

43. Additional disclosures in accordance with HGB

Exemptions in accordance with Section 264 (3) HGB

The companies included in the consolidated financial statements in accordance with IFRS, namely VARTA Microbattery GmbH, Ellwangen, Germany, VARTA Micro Production GmbH, Nördlingen, Germany, VARTA Storage GmbH, Nördlingen, Germany and VARTA Consumer Batteries GmbH & Co. KGaA, Ellwangen, Germany make use of the exemptions provided in Section 264 (3) HGB for disclosure and non-preparation of notes to the financial statements and management report. The consolidated financial statements of VARTA AG are the exempting consolidated financial statements for these companies.

The subscribed capital of VARTA AG is held by VGG GmbH, Vienna, Austria, with 55.89%. The remaining 44.11% is held in free float. The ultimate parent company of VGG GmbH is Montana Tech Components AG in Reinach, Switzerland. The consolidated financial statements of Montana Tech Components AG can be accessed at: www.montanatechcomponents.com.

Liabilities

The debt waiver by a related company in the amount of € 8.3m described in the notes under Chapter 19 "Other Financial Liabilities" has a residual term of less than five years. There are no other significant liabilities with a residual term of more than five years. There are no collateralized Group liabilities.

Number of employees

Please refer to the notes under Chapter 29 "Personnel expenses".

Executive Board remuneration

The total remuneration of the Executive Board in fiscal year 2020 amounted to € 13.4m (2019: € 3.3m). Details of Executive Board remuneration in 2020 are provided in the remuneration report (for details, please refer to the management report). According to the resolution of the extraordinary Annual General Meeting of October 6, 2017, individualized disclosure of the emoluments of Executive Board members required by Section 285 (1) No. 9 letter a) sentence 5 et seq. HGB and Section 314 (1) No. 6 letter a) sentence 5 et seq. HGB was waived.

Supervisory Board remuneration

Details of Supervisory Board remuneration in 2020 are provided in the remuneration report (for details, please refer to the management report).

Total fee for the auditor of the consolidated financial statements
Pursuant to Section 314 (1) No. 9 HGB, the fees for the auditor of the consolidated financial statements, KPMG AG Auditors, recognized as an expense for the current fiscal year are to be broken down as follows:

(€ k)	2020	2019
Audit services*	1,059	469
Other certification services	27	5
Tax consultancy services**	314	230
Total	**1,400**	**704**

* therof € 0.2m relates to previous years (2019: € 0.1m)
** therof € 0.1m relates to previous years (2019: € 0.0m)

Audit services have risen very sharply year on year. The significant increase is attributable to the acquisition of VARTA Consumer.

Tax consultancy services relate to the preparation of business tax returns, consultancy services in connection with legal documentation requirements for transfer prices and tax assessments for individual items related to the company's business activities.

German Corporate Governance Code

In March 2021, the Executive Board and the Supervisory Board of VARTA AG submitted the annual declaration of conformity with the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act (AktG) and made it permanently accessible on the website at www.varta-ag.com.

44. Events after the reporting date

44.1. Aquisition of VARTA Micro Innovation GmbH, Graz, Austria

On February 2, 2021, the Group acquired 82.26% of the shares and voting rights in VARTA Micro Innovation GmbH, Graz, Austria. As a result, the Group's share of the company's equity increased from 17.74% to 100%, meaning that it acquired control over VARTA Micro Innovation GmbH.

An existing dormant company was dissolved prior to the acquisition and VARTA Micro Innovation GmbH was reorganized under the code of obligations. The measures were implemented by the sellers. In connection with the dissolution of the dormant company, the parent company of VARTA AG granted the retiring dormant shareholders 1,305 shares in VARTA AG.

VARTA Micro Innovation GmbH was established by VARTA Microbattery GmbH, a subsidiary of VARTA AG, and the Technical University of Graz. This new company will uniquely combine the experience of one of the world's oldest and, at the same time, most innovative manufacturer of batteries with the expertise of the TU Graz, one of Europe's leading institutions in the area of fundamental electrochemical research.

This combination of specialist expertise in the development and production of electrochemical energy storage systems and university expertise in lithium-ion batteries as well as being embedded in the excellent infrastructure offered by the Technical University of Graz will guarantee the rapid transfer of newly developed technologies to marketable products. VARTA Micro Innovation GmbH will contribute its expertise in the areas of materials research and qualification for electrochemical energy storage as an active partner in collaborative research projects and in the form of contract research as well.

The acquisition is a staged business combination, since the existing shareholding of 17.74% in VARTA Micro Innovation GmbH will be recognized as another participation in the Group until acquisition.

The business combination was recognized on January 31, 2021: no significant transactions were recorded between this date and February 2, 2021.

a) Consideration transferred

The fair value of the consideration applicable on the date of the acquisition is shown below:

(€ k)	JANUARY 31, 2021
Cash and cash equivalents (given at closing)	5,617
Equity instruments issued (1,305 shares of VARTA AG)	171
Fair value of the existing equity interest of 17.74% in VARTA Micro Innovation GmbH	82
Total consideration transferred	**5,870**

The fair value of the shares given at the acquisition date was based on the stock market price of Varta AG and came to € 171k. A gain of € 69k resulted from the remeasurement of the existing equity interest in VARTA Micro Innovation GmbH. The gain will be reported in other operating income in the 2021 income statement.

b) Costs associated with the business combination

Costs of € 140k for due diligence, legal and notary's fees were incurred in the Group in connection with the business combination. These costs are recognized in their entirety, at € 140k, in other operating expenses incurred in fiscal year 2020.

c) Identifiable assets acquired and liabilities assumed

The provisional fair values of the assets acquired and liabilities assumed at the acquisition date are summarized below:

(€ k)	JANUARY 31, 2021
Intangible assets	675
Property, plant and equipment	617
Trade receivables	4
Other current assets	879
Cash and cash equivalents	1,487
Tax liabilities	-395
Other provisions	-208
Advanc payments received	-1,039
Trade payables	-4
Other liabilities	-31
Total identified net assets acquired	**1,985**

Trade receivables comprised gross amounts of contractual receivables of € 4k, of which € 0k were estimated to probably be unrecoverable at the acquisition date.

Provisionally measured assets:

The amounts for the identifiable intangible assets and property, plant and equipment of VARTA Micro Innovation GmbH are still provisional since the work for the independently executed allocation of the purchase price was not yet complete at the time the consolidated financial statements were approved for publication.

The reorganization of VARTA Micro Innovation GmbH under company law and the code of obligations carried out by the sellers before the present acquisition will have an impact on the company's existing income tax loss carryforwards and also, because of the potential for offsetting, on loss carryforwards of CONNEXIO alternative investment holding GmbH, which was acquired in April 2020. In this context, assets for deferred tax assets and liabilities for income taxes still have to be recognized. Establishing the amounts in question will require the forward projection of the tax loss carryforwards at the end of 2020 and the recognition of the income tax-related effects from the reorganization, which mainly included debt waivers.

The present acquisition balance sheet is based on the unaudited data of VARTA Micro Innovation GmbH, prepared in accordance with Austrian commercial law. It is possible that there will be adjustments or reclassifications in accordance with IFRS or audit adjustments as part of the audit of individual balance sheet items.

d) Goodwill
The provisional goodwill resulting from the acquisition was recognized as follows:

(€ k)	JANUARY 31, 2021
Consideration transferred	5,870
Fair value of the identifiable net assets	1,985
Goodwill	**3,885**

The goodwill results primarily from development projects in progress and the skills of the workforce. The goodwill recognized is not expected to be deductible for tax purposes.

e) Contributions to revenue and financial results
Had the acquisition of VARTA Micro Innovation GmbH taken place on January 1, 2020, the Executive Board estimates that the consolidated sales revenues would have amounted to € 870m and the Group profit for the year would have come in at € 96m.

44.2. Sale of the properties of VHB Real Estate Holdings, LLC, Delaware, USA

VARTA AG has decided to restructure the properties of the VARTA Consumer Group post-acquisition. In this connection, the commercial property held by the subsidiary VHB Real Estate Holdings, LLC at the main production site of VARTA Consumer Batteries GmbH & Co. KGaA in Dischingen was sold to Colibri Dischingen Immobilien GmbH with effect from March 1, 2021. A sale price of € 10.6m was agreed with the purchaser. An option for VARTA to buy back the property at market value has also been contractually agreed.

The tenancy agreement with VARTA Consumer Batteries GmbH & Co. KGaA was transferred to the purchaser, Colibri Dischingen Immobilien GmbH, as a result of the sale and is leased back by it at a typical local rent (sale and lease back). The contractual arrangements meant that there were no disposals in property, plant and equipment from a Group perspective.

The agreed annual rental amount amounts to € 0.8m.

Ellwangen, March 30, 2021

VARTA Aktiengesellschaft

CEO	CFO
- Herbert Schein -	- Armin Hessenberger -

Note: This is a translation of the German original. Solely the original text in German language is authoritative.

Independent Auditor's Report

To VARTA Aktiengesellschaft, Ellwangen (Jagst)

Report on the Audit of the Consolidated Financial Statements and of the Group Management Report

Opinions

We have audited the consolidated financial statements of VARTA Aktiengesellschaft (referred to subsequently VARTA AG) and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2020, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2020, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report (referred to subsequently management report) of VARTA AG for the financial year from 1 January to 31 December 2020. In accordance with German legal requirements we have not audited the content of those components of the group management report specified in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2020, and of its financial performance for the financial year from 1 January to 31 December 2020, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of those components of the group management report specified in the "Other Information" section of the auditor´s report.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Opinions
We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and the EU Audit Regulation No. 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Exempting assumption of debt on pension obligations of the subsidiary VARTA Microbattery GmbH
Concerning the applied accounting and valuation methods we refer to the notes to the consolidated financial statements under Section 4.11 and 5. Pension obligation disclosure information is available under Section 20.2 of the notes to the consolidated financial statements.

THE FINANCIAL STATEMENT RISK

On 30 June 2017, an agreement concerning assumption of debt and obligations for the pension obligations of VARTA Microbattery GmbH, a 100% subsidiary of VARTA AG, was concluded between VARTA Microbattery GmbH and a third party to the Group, Colibri Beratungsgesellschaft mbH. In return, VARTA Microbattery GmbH paid EUR 11,500K to the debt assuming company. The debt-assuming company contributed the assets acquired as security for the assumed obligations to VARTA Microbattery Pensions-Treuhand e. V. in a trusteeship. A reimbursement right against Colibri Beratungsgesellschaft mbH was recognized in the profit and loss statement for the difference between the value of the transferred pension obligation and the transfer fee. The reimbursement right amounted to a total of EUR 19,849k as of 31 December 2020 and corresponds to the pension obligations recognized in the consolidated financial statements. The reimbursement right is subject to an annual impairment test.

The assessment of the value of the contractually agreed reimbursement right is discretionary and requires an assessment of the assets of VARTA Microbattery Pensions-Treuhand e. V. as well as the existence and value of any additionally granted securities.

There is a financial statement risk that the reimbursement right is impaired.

OUR AUDIT APPROACH

We have gained an understanding of the transaction based on inspection of the contractual agreements underlying the transaction. We have evaluated the assessment of the legal representatives in regard to the recoverability of the reimbursement right. To test the recoverability of the reimbursement right against Colibri Beratungsgesellschaft mbH, VARTA Microbattery GmbH has provided us with an adequacy assessment issued by an auditing company on the value of the assets of VARTA Microbattery Pensions-Treuhand e.V.. According to this, based on the assets of VARTA Microbattery Pensions-Treuhand e.V. and on the granted securities the reimbursement right amounted to a total of EUR 19,849 is recoverable as a whole. We have evaluated the credentials of the auditing company and the adequacy assessment. In addition, the existence of a contractual performance bond from UniCredit Bank AG in the amount of up to € K 4,000 was proven to us via a bank confirmation and we also satisfied ourselves of the existence of a subordinate guarantee from VGG GmbH, Vienna, for a maximum amount of EUR 8,000k. We also conducted a critical evaluation of the expert opinion on the valuation of a property in the trust assets of VARTA Microbattery Pensions-Treuhand e.V., which represents a material valuation basis within the scope of the adequacy assessment.

OUR OBSERVATIONS

The approach taken by the VARTA AG Group to assess the recoverability of the reimbursement right is appropriate.

The valuation of the trademark right and capitalized development costs

Concerning the applied accounting and valuation methods we refer to the notes to the consolidated financial statements under Section 4.4.2 or 4.10. Disclosure information about intangible assets is available under Section 8 of the notes to the consolidated financial statements.

THE FINANCIAL STATEMENT RISK

The capitalized trademark right amounts to EUR 30,567K as at 31 December 2020, and the capitalized development costs amount to EUR 9,806K. Their share of the balance sheet total assets amounts to 3.6% in total.

An annual impairment test is carried out for the trademark right and the capitalized development costs at the level of the cash-generating units (CGU) "Entertainment", „Healthcare", „Solutions", Household Batteries" and „Energy Storage". For this purpose, the carrying amount is compared to the recoverable amount of the respective CGU. If the carrying amount is higher than the recoverable amount, an impairment loss needs to be recorded. The recoverable amount is the higher of fair value less costs of disposal and the value in use of the CGU.

The impairment test of the trademark right and the capitalized development costs is complex and based on a number of discretionary assumptions. These include, in particular, the expected future cash flows, the expected long-term growth and the applied discounting rate.

As a result of the impairment tests the company has not identified any need for impairment.

There is a financial statement risk that the trademark right and the capitalized development costs of the respective cash-generating units are impaired.

OUR AUDIT APPROACH

We have, among other procedures, assessed the appropriateness of the main assumptions and the valuation method of the company. We have evaluated the planning process and the significant assumptions concerning business and profit development as well as the assumed long-term growth rates. With regard to all of the cashgenerating units we have reconciled the expected future cash flows with the plans approved by the Supervisory Board for the first planning year and the extrapolation of the plans over the planning horizon. Furthermore, we have performed a plausibility check of the derived company value based on the calculated value in use according to the stock market capitalization value of VARTA AG (number of shares multiplied by the stock market price).

Moreover, we have satisfied ourselves of the company's projection accuracy to date by comparing plans from previous financial years with the financial results achieved in reality for sales revenue and pre-tax result as well as analyzing differences. With the assistance of our valuation experts, we have assessed the appropriateness of the assumptions and parameters underlying the discounting rate.

To ensure the mathematical accuracy of the applied valuation model, we have re-performed the company's calculations based on selected risk-oriented elements.

OUR OBSERVATIONS

The calculation method underlying the impairment test of the trademark right and the capitalized development costs is appropriate and complies with the applicable valuation principles. The assumptions and parameters underlying the valuation are appropriate.

Cut-off for revenue recognition

Concerning the applied accounting and valuation methods, we refer to the notes under Sections 4.17. Disclosure information with regard to revenue is available under Section 6 and 26 of the notes.

THE FINANCIAL STATEMENT RISK

Group revenue totaled EUR 869,6 m in financial year 2020.

The VARTA AG Group recognizes revenue when it fulfils a performance obligation through the transfer of a promised asset to a customer. An asset is considered transferred at the time when the customer obtains control of that asset. In line with the transfer of control, revenue is to be recognized either at a point in time or over time in the amount to which the VARTA AG Group expects to be entitled.

The majority of the revenue of the VARTA AG Group results from the sale of products. This amounts to EUR 867,6 m. The revenue from these sales was recognized at a point in time based on the following indicators:

- The VARTA AG Group has a current entitlement to receive payment for the asset,
- The customer has a right of ownership of the asset,
- The VARTA AG Group has transferred the physical ownership of the asset,
- The significant risks and rewards associated with ownership of the asset have been transferred to the customer
- The customer has accepted delivery of the asset.

The Group's key markets are in Europe, North America and Asia. For global product deliveries, Group companies reach varying agreements with their customers, occasionally containing complex contractual arrangements. On account of the application of differing contractual arrangements in the various markets and the degree of discretion applied when assessing the indicators to determine the time at which control was transferred, there is a financial statement risk that revenue may be improperly recognized as of the cut-off date.

OUR AUDIT APPROACH

To assess revenue recognition cut-off, we reviewed the structure, implementation and effectiveness of internal controls, in particular relating to the determination and verification of the correct or actual transfer of control.

Furthermore, we assessed the appropriate cut-off point for revenue recognition by obtaining confirmations from third parties or, alternatively, by reconciling invoices with the respective orders, external proof of delivery and payment receipts. This was based on a sample of revenue items recorded in a specific period prior to the balance sheet date, chosen by a mathematical/statistical model. We have also examined all revenue items posted by riskoriented, selected IT system users in a specified period prior to the balance sheet date. We looked into a sample of credit notes issued after the balance sheet date and were satisfied by the actual existence of revenue.

OUR OBSERVATIONS

The VARTA AG approach to a cut-off point for revenue recognition from product sales is appropriate.

Other Information
Management respectively supervisory board are responsible for the other information. The other information comprises the following components of the group management report, whose content was not audited:

- the separate non-financial Group report, which is referred to in the combined management report, that will presumably be made available to us after the date of this audit opinion, and
- the group corporate governance statement, which is referred to in the management report management report.

The other Information includes also the remaining parts of the annual report.

The other Information does not include the consolidated financial statements, the management report information audited for content and our auditor's report thereon.

Our opinions on the consolidated financial statements and on the management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of Management and the Supervisory Board for the Consolidated Financial State-ments and the Group Management Report

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) [and supplementary compliance with the ISAs] will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report 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 these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions

used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Report on the Assurance in accordance with Section 317 (3b) HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes

We have performed assurance work in accordance with Section 317 (3b) HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the file that can be downloaded by the issuer from the electronic client portal with access protection, „varta-ag-2020-12-31.zip" (SHA256-Hashwert: 6c07512a29f14840df5e0ebd67050e3b23efc510203afce2f5f6eeb6405d9cea) and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the combined management report contained in the above-mentioned electronic file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from 1 January to 31 December 2020 contained in the "Report on the Audit of the Consolidated Financial Statements and the combined Management Report" above.

We conducted our assurance work on the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned electronic file in accordance with Section 317 (3b) HGB and the Exposure Draft of the IDW Assurance Standard: Assurance in accordance with Section 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410). Accordingly, our responsibilities are further described below. Our audit firm has applied the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

The company's management is responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the combined management report in accordance with Section 328 (1) sentence 4 item 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 item 2 HGB.

In addition, the company's management is responsible for the internal controls they consider necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The company's management is also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited group management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The supervisory board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgement and maintain professional scepticism throughout the assurance work. We also

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

- Obtain an understanding of internal control relevant to the assurance of the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i.e. whether the electronic file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815 on the technical specification for this electronic file.

- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and the audited group management report.

- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 18 June 2020. We were engaged by the supervisory board on 1 December 2020. We have been the group auditor of the VARTA AG without interruption since the financial year 2017.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Jack Cheung.

Stuttgart, March 30, 2021
KPMG AG
Wirtschaftsprüfungsgesellschaft

[Original German version signed by:]

Cheung	Hundshagen
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Financial calendar

Interim statement Q1 2021	May 12, 2021
Annual General Meeting	June 17, 2021
Half-year report 2021	August 13, 2021
Interim statement Q3 2021	November 11, 2021

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