VARTA AG ANNUAL REPORT 2021

Imagine tomorrow...

Would Ferdinand Porsche – inventor of the electric car in 1899 – have thought that this drive concept, which is much more sustainable than combustion engines, would only become established 120 years later? Or could Fridtjof Nansen, who relied on large AFA batteries on his North Pole expedition in 1896, have imagined that mobile energy would one day fit into batteries that can be smaller than a coin? Like these two pioneers of their time, the state-of-the-art technology at our disposal today only allows us to wonder what might be possible tomorrow. But one thing is for sure: Whatever the future holds, VARTA will provide the energy – as we have done for more than 135 years already.

...starts today!

Contents

Key Data

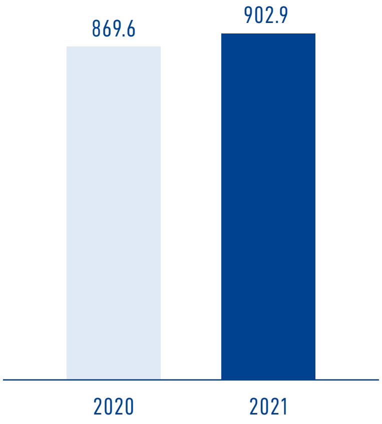
Multi-Year Overview

(€ k)	2014	2015	2016	2017	2018	2019	2020*	2021
Revenue	169,038	195,093	213,815	242,157	271,650	362,692	869,583	902,931
EBITDA	20,868	30,991	23,767	33,089	47,389	91,622	212,631	282,179
Adjusted EBITDA	19,368	22,857	26,099	39,132	50,219	97,481	241,030	282,856
Amortization and depreciation	-7,428	-8,511	-8,922	-9,446	-10,518	-20,855	-66,617	-95,669
EBIT	13,440	22,480	14,845	23,643	36,871	70,767	146,014	186,510
EBT	12,083	19,371	12,073	21,025	36,482	71,079	133,124	177,089
Consolidated result	7,886	11,596	9,410	13,544	25,703	50,464	95,508	125,956
Balance sheet total in € m	158.1	155.7	164.9	331.5	401.7	668.8	1,122.8	1,250.2
Cash flow from ongoing business activities	22,000	19,288	24,153	18,503	69,846	105,734	232,863	114,503
Cash flow from investment activities	7,119	-1,099	-21,613	-13,426	-58,982	-105,806	-372,969	-179,333
Cashflow aus financing activities	-13,729	-28,531	-1,210	121,577	-114	94,882	19,886	14,173
FTE employees as of Dec, 31	1,792	1,879	2,012	2,112	2,256	2,834	4,584	4,666
Earnings per share (EPS) in €	1.3	16.5	0.59	0.36	0.66	1.28	2.36	3.12

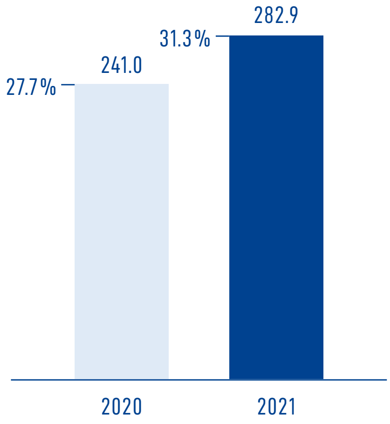
*Including first time consolidation of VARTA Consumer

We are accelerating growth

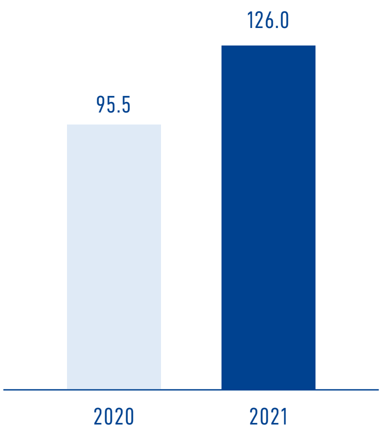
+3.8%
Revenue
€ m



+17.4%
Adjusted EBITDA
€ m



+31.9%
Consolidated result
€ m



Foreword from the Executive Board

Dear Shareholders,

We are pleased to report that 2021 was another special year for VARTA. We successfully laid the foundations for further growth in the future-oriented market of lithium-ion cells. We are a successful company because we are innovative and will remain so into the future. The year behind us was, however, also special for another reason: Following record growth in the 2020 fiscal year, in 2021 we increased sales and revenue again. In so doing, we have continued our successful growth path. And that's not all: For the first time, we have achieved an EBITDA margin in excess of 30%.

Owing to the COVID-19 pandemic, we have seen entire areas affected by delivery problems – including some of our customers, who were unable to maintain production activities due to raw material shortages, a lack of semiconductors or local lockdowns. Ultimately, we were also indirectly affected by the consequences of the pandemic, although thankfully we did not lose a single day due to production downtime.

In the area of Consumer Batteries, we have learned that customers value the "made in Germany" seal of quality for many reasons. With this label, customers not only benefit from high-quality products, but also from short supply chains and lower transportation costs associated with this. Moreover, our batteries offer improved performance. The brand relaunch has increased our visibility within the industry. In addition, we remain steadfast in our commitment to greater sustainability, which we are underlining with the use of the new single material packaging. All of this has ensured that we are gaining additional market shares.

We have also set ourselves the same goal in the area of energy storage systems. In autumn, we will be launching the latest generation, which will help us to increase what is already an impressive financial result – after all, with new and even more powerful devices, we find ourselves in the midst of a political and social climate that has recognized decentralized energy production and storage as an important element for the success of the energy transition.

Last year, we again demonstrated that our growth strategy has been successful across all areas. For our CoinPower batteries, we have put in place the infrastructure for further growth by opening a new production facility at the Nördlingen site. Covering a total area of 15,000 square meters, the additional production space will enable us to quickly and flexibly respond to all customer requirements.

Lithium-ion technology offers us the most significant growth potential, and it is in precisely this area that we are focusing strategic further development efforts. For example, last year we presented our large-format lithium-ion round cells. The properties of these batteries offer us a strategic advantage: The rapid charging capacity and high-performance characteristics, combined with optimal thermal properties, allow us to stand out on the market. We are conducting intensive and highly promising discussions with customers operating in various areas.

Innovation is our strength. However, innovation only prospers in an environment that encourages it to do so. VARTA places great emphasis on its culture and we moved to define and anchor this within the Company over the past year. The most visible sign of our culture, which is based on trust and flat hierarchies, will be the new building at our corporate headquarters in Ellwangen. Open floor plans and plenty of space for interaction and exchange between departments will help us to operate even faster and with even greater agility. In addition, the administration building, which towers above all else on the production premises, represents a commitment to our Ellwangen location. Because although VARTA is a global citizen, Baden-Württemberg is our home.

At this point, all that really remains to be said is that it is you, our valued shareholders, that have enabled us to work for the future. By placing your trust in us. For this, I would like to take this opportunity to thank you, as well as everyone else that gives their all for VARTA day in, day out. We will remain innovative in the future and further expand our position as a technology company.

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 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

Rainer Hald, CTO

Education
- Dipl.-Ing. (FH) Electronic and computer engineering

Career
- Since 2022: Chief Technology Officer (CTO), **VARTA AG**
- Since 2021 Managing Director, EMEA Consumer Batteries (Shenzhen) Co. Ltd., China
- Since 2021 Managing Director, VARTA Innovation GmbH
- Since 2020 Managing Director, VARTA Microbattery GmbH, VARTA Micro Production GmbH
- Since 2013 CTO, VARTA Group
- 2008 - 2012 Head of the Applications department, VARTA Microbattery GmbH
- 2003 - 2008 Head of Production for lithium-polymer cells, VARTA Microbattery GmbH
- 2000 - 2002 responsible for establishing and leading the test lab for lithium-ion cells, VARTA Microbattery GmbH
- 1997 - 2000 design engineer, DSM Messtechnik GmbH

Dear Shareholders,

We are living in challenging times. After two years of fighting a metaphorical battle in the form of the COVID-19 pandemic, Europe is now also confronted with the fallout from a real war – not just on a political level, but above all on a humanitarian level as well.

On top of this, the climate crisis continues to loom over us. However, as Milton Friedman once claimed, there is opportunity to be found in every crisis, provided that one is able to use it as a catalyst for change. Therefore, the time has come to unite and draw on the help of science, research and technological progress, with the aim of finding answers to the most pressing questions of our time.

Because it's the future that matters.

Here at VARTA, we have been leveraging our innovative spirit and German engineering expertise ever since the Company was first founded and we have played a key role in some of mankind's greatest accomplishments – including the discovery of the North Pole, the world's first transatlantic flight, and even the moon landing. Today, we are working towards nothing less than securing the future of humanity by developing solutions in the areas of mobility, raw materials independence and energy supply, as well as devising concepts for the fight against climate change.

Our foremost challenge for the 21st Century is to stop burning finite sources of energy in the form of fossil fuels and instead make use of renewable energies in order to prevent irreversible damage to our environment. For this reason, we are developing high-performance storage technologies for all applications and for all areas of life. These may be as small as a pinhead for wearables, or modular and scalable in order to harness the power of the sun and wind. But they are always high performance in order to be able to store energy in record time and power electric cars.

Just five years after VARTA's IPO, we today find ourselves at the start of a new growth era for the Company with the development of a market-ready, high-performance large lithium-ion cell. Designed for e-mobility applications, this innovation can be used on the scooter and automotive markets as well as in other application areas and sales markets.

We are playing our part in creating a sustainable, climate-neutral world – and not just with our energy storage products for private and industrial applications. We believe that ecological responsibility is as important as financial success, and have therefore moved to incorporate these principles in our corporate strategy and across all operating processes. Our ambitious goals in the area of decarbonization and the circular economy as well as product development within the scope of ECO Design have led us to becoming a Green Partner to numerous global market-leading OEMs.

Securing our innovative lead over the long term requires both the capacity and willingness for investment in addition to the very best minds that the world of basic scientific research has to offer. After all, it is these specialists who will lay the foundations for the pioneering storage technologies of tomorrow. In line with this commitment, we have resolved to expand VARTA Innovation, our research hub in Graz (Austria) as part of the EU project European Battery Innovation. A total of € 33m is being invested in this initiative up to 2030, with the project having been launched in the first quarter of 2022.

All our plans and goals for the future of the Company can only be realized with the tireless work and dedicated research conducted by our employees. For this reason, I would like to thank each and every one of you, the VARTA team, on behalf of the Supervisory Board as a whole. We are proud to be part of a European industrial success story, for which new chapters continue to be written every single day.

Prof. DDr. Michael Tojner

"Today, we are working towards nothing less than securing the future of humanity by developing solutions in the areas of mobility, raw materials independence and energy supply, as well as devising concepts for the fight against climate change."

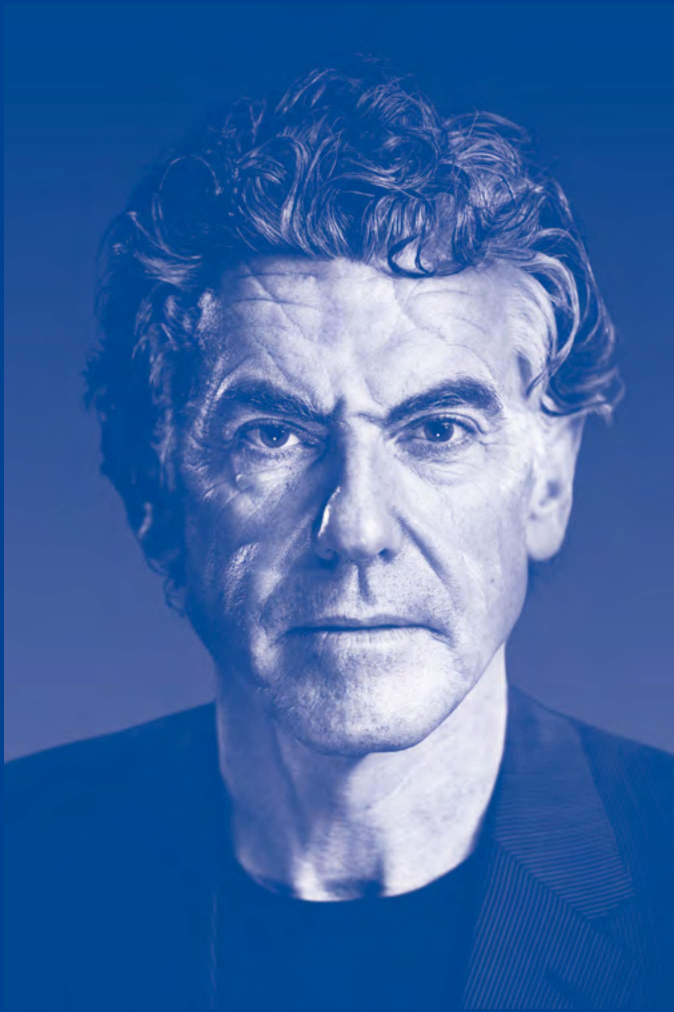
Prof. DDr. Michael Tojner

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 1999: Lecturing activities at the Vienna University of Economics and Business
- Since 1998: WertInvest Beteiligungsverwaltungs GmbH, Austria
  Development and realization of architecturally ambitious real estate projects in Europe and the USA (CEO and owner)
- Since 1997: Global Equity Partners Beteiligungs-Management GmbH, Austria
  > 80 equity holdings primarily in high-tech and growth sectors (CEO & owner)



Supervisory Board Report for Fiscal Year 2021 VARTA Aktiengesellschaft

The Supervisory Board of VARTA AG is pleased to report to you on the work undertaken by the company in fiscal year 2021. Like many businesses, VARTA was not entirely unaffected by the global COVID-19 pandemic. Fortunately, however, 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 under review here.

In fiscal year 2021, 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 again involved the Company's investment planning, which we dealt with in detail.

The Annual General Meeting took place on June 17, 2021. Due to the COVID-19 pandemic, this was again held in the form of a virtual Annual General Meeting. The online format was once again subject to a great deal of interest among our shareholders: More than 64% of the share capital was represented at this digital event.

The entire Supervisory Board was re-elected at the Annual General Meeting. Martin Ohneberg and Prof. Dr. Werner Tillmetz were newly elected to the Supervisory Board, with both Dr. Georg Blumauer and Frank-Dieter Maier having opted not to stand for re-election. The Executive Board and Supervisory Board would like to express their thanks and appreciation to the two gentlemen for their long-standing, valuable work as part of the Supervisory Board of VARTA AG.

The development of the Executive Board remuneration system and expansion of the Executive Board with effect from January 1, 2022 accounted for a significant proportion of the Supervisory Board's work in fiscal year 2021.

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 eight regular meetings, which were either held in person or by video conference call, 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 were available for bilateral discussions with the Supervisory Board.

Supervisory Board Meetings and Committees in Fiscal Year 2021

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 **Thursday, March 25, 2021 (Balance Sheet Meeting)**, the Supervisory Board addressed the annual and consolidated financial statements 2020 before discharging the Executive Board for fiscal year 2020. The annual financial statements were distributed to all members of the Supervisory Board and discussed in detail at the meeting.

The proposal for the appointment of the auditor for the 2021 fiscal year was also adopted at this meeting. Furthermore, the agenda for the Annual General Meeting on June 17, 2021 was approved. The Annual General Meeting in 2021 was again held as a virtual event due to the ongoing COVID-19 pandemic. At each meeting, the Supervisory Board was also advised by the Chief Compliance Officer on the compliance system and, where necessary, any reported breaches.

In its meeting on **Tuesday, March 30, 2021**, the Supervisory Board subsequently reviewed the annual financial statements for 2020, before finalizing and approving them. The proposal on appropriation of profits in 2020 was formally resolved. Moreover, at this meeting, the Supervisory Board also discussed the proposals to the Annual General Meeting regarding the election of new members to the Supervisory Board.

On **Monday, April 26, 2021**, the Supervisory Board held its third meeting of fiscal year 2021. At this meeting, which was held as a video conference call due to the ongoing coronavirus crisis, a resolution was passed on the candidates for the Supervisory Board and the auditor to propose to the Annual General Meeting.

In the meeting held on **Friday, June 4, 2021**, the Supervisory Board discussed the new syndicated loan and agreement for the assumption of debt in connection with pension obligations between VARTA Consumer Batteries GmbH & Co. KGaA and VC Pensionen GmbH. Moreover, the Supervisory Board discussed the upcoming Annual General Meeting.

Following the Annual General Meeting on **Thursday, June 17, 2021**, the constitutive meeting of the newly elected supervisory board took place.

In its meeting on **Friday, September 3, 2021 in Traunkirchen (Austria)**, the Supervisory Board dealt with a lease for the new VARTA AG headquarters in Ellwangen, among other aspects. This lease constitutes a related party transaction between WertInvest Ellwangen Immobilien GmbH, which is owned by Prof. DDr. Michael Tojner, and VARTA AG.

For the final in-person meeting during the 2021 reporting period, the Supervisory Board convened on **Thursday, November 25, 2021** in Nördlingen. The main focus of this meeting was to adopt a resolution for the 2022 budget in addition to the strategic direction of the VARTA AG Group.

In the final meeting of 2021, for which the Supervisory Board convened via video conference call, the Supervisory Board again focused on the strategic direction at Group level.

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, or were, as follows:
- Dr. Harald Sommerer (Chairman)
- DDr. Michael Tojner
- Frank Dieter Maier (up to June 17, 2021)
- Dr. Michael Pistauer (from June 17, 2021)

The members of the HR Committee are as follows:
- DDr. Michael Tojner (Chairman)
- Dr. Harald Sommerer
- Sven Quandt
- Martin Ohneberg

The members of the Related Party Committee are, or were, as follows:
Sven Quandt (Chairman)
- Dr. Michael Pistauer
- Dr. Georg Blumauer (up to June 17, 2021)
- Dr. Werner Tillmetz (from June 17, 2021)

The members of the Related Party Committee are, or were, as follows:
- DDr. Michael Tojner (Chairman)
- Frank Dieter Maier (up to June 17, 2021)
- Dr. Werner Tillmetz (from June 17, 2021)
- Martin Ohneberg (from June 17, 2021)
- Dr. Harald Sommerer (from November 25, 2021)

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. In future, the Audit Committee shall be responsible for dealing with ESG issues as well.

The HR Committee held three meetings in the reporting year, with members additionally coordinating matters and holding votes between meetings as well. In particular, the HR committee dealt with the Company's organizational and management structure and the expansion of the Executive Board to include Rainer Hald in the role of Chief Technology Officer, as well as other Executive Board matters and the 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 between meetings. Among other aspects, the work of the Related Party Committee focused on rental arrangements in connection with related parties.

The Investment Committee convened a single meeting in fiscal year 2021, which focused on the Company's investment plans in the reporting year.

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	9/9 (100)	2/2 (100)	3/3 (100)	1/1 (100)	–
Dr. Harald Sommerer Deputy Chairman	8/9 (89)	2/2 (100)	3/3 (100)	1/1 (100)	
Sven Quandt	9/9 (100)		3/3 (100)		4/4 (100)
Frank-Dieter Maier (up to 17.6.2021)	4/4 (100)	1/1 (100)		1/1 (100)	
Dr. Michael Pistauer	9/9 (100))	2/2 (100)			4/4 (100)
Dr. Georg Blumauer (up to 17.6.2021)	4/4 (100)				3/3 (100)
Martin Ohneberg (from 17.6.2021) Chairman	3/4 (75)		1/1 (100)		
Dr. Werner Tillmetz	4/4 (100)			1/1 (100)	1/1 (100)

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 to which they may be subject. 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 again. 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.

No further conflicts of interest arose over the course of fiscal year 2021.

Annual and consolidated financial statements 2021 audited and approved

The Executive Board prepared the annual financial statements for fiscal year 2021 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 17, 2021, who issued an unqualified audit statement in each case.

The annual and consolidated financial statements 2021 were discussed at the Supervisory Board meeting on March 29, 2022, which was also attended by representatives of the auditors. These representatives reported on the focal points and the main findings of their audit, in addition to addressing 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 Executive 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 2021, 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, including the Executive Board's proposal with regard to appropriation of profits, at its meeting on March 29, 2022. As such, 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 the net profit for fiscal year 2021 in the amount of € 147,858,727.81 should be used as follows:

Dividend payment of € 2.48 per share entitled to dividends, in a total amount of **€ 100,245,781.2**
Profit brought forward to the new account **€ 47,612,946.53**
Net profit/loss **€ 147,858,727.81**

The total dividend payment and amount to be brought forward to the new account for the appropriation of profits are based on the share capital entitled to dividends of € 40,421,686.00, divided into 40,421,686 no-par value shares, as of March 29, 2022.

Relationships with affiliated companies audited
The Executive Board prepared a report on relationships with affiliated companies for the 2021 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 2021
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 (from April 14, 2016 until June 17, 2021)
- Sven Quandt (since April 14, 2016)
- Dr. Georg Blumauer (from August 30, 2016 until June 17, 2021)
- Dr. Michael Pistauer (since May 21, 2019)
- Martin Ohneberg (since June 17, 2021)
- Prof. Dr. Werner Tillmetz (since June 17, 2021)

The Supervisory Board would like to express its thanks to the Executive Board and all VARTA employees for their successful work and commitment displayed during an unprecedented fiscal year 2021.

I would also like to thank you, our valued shareholders, for your continued faith and trust in VARTA AG and the VARTA AG share.

Ellwangen, March 2022

On behalf of the Supervisory Board

Prof. DDr. Michael Tojner
Chairman

Prof. Dr. Werner Tillmetz, Martin Ohneberg, Prof. DDr. Michael Tojner,
Dr. Harald Sommerer, Sven Quandt, Dr. Michael Pistauer

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

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

- Demographic change
- Digital networking
- Renewable energies
- Technological progress
- E-Mobility

Internal Factors

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

- Made in Germany
- 135 years of success
- Technology leadership
- Strong financial profile
- Global presence

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.

VARTA and Softbank Robotics intensify cooperation.

We are electrifying the future.

Having already mastered the complex battery requirements for a robotics application such as Pepper, the world's first social humanoid robot, the focus of the partnership between VARTA and Softbank Robotics subsequently turned into bringing the technology to the next level of innovation – in addition to making it applicable to the entire portfolio of Softbank Robotics. With the planned battery platform, we are creating the basis for many different autonomous and intelligent robot applications that will make our lives easier and more comfortable. VARTA already supplies batteries for autonomous farming robots that are making a real contribution to shaping the agriculture world of tomorrow.

VARTA Academy – our training center for the energy geniuses of tomorrow opens its doors.

Learn how to innovate.

In order to maintain and further expand our competitive edge in technology and as innovation leaders, highly qualified employees will be crucial. With the VARTA Academy, the aim is to promote and support young talents in order to train them to become the battery experts of tomorrow. The training center in Ellwangen covers a total area of more than 1,000 square meters. In addition to traditional apprenticeships, the company also focuses on academic education and offers a large number of dual study places, internships and the opportunity to work on a thesis.

New brand image for Europe's test winner.

New brand for a new decade.

VARTA – where innovation and performance go hand in hand.
In February, VARTA AG presented its new logo together with a revamped brand profile. Now, the design of all VARTA household batteries, flashlights and power banks has been comprehensively updated. For example, our claim of actively shaping the future of our own industry as an innovation driver is now clearer than ever. With this major relaunch, VARTA is emphasizing its role as a pioneer, reflecting this status not only in its brand communications and updated product designs, but also in new, more sustainable packaging and significantly improved product performance.

Eargo and VARTA jointly develop the next generation of hearing aids.

Practically invisible, crystal-clear hearing.

VARTA and the hearing aid manufacturer Eargo can look back on a long-standing partnership. The latest project involved the Eargo 5 hearing aid, which features new functionalities and comes in an even smaller design than before. The device works on the basis of a lithium-ion button cell, which, thanks to its high performance, offers a long service life and rapid charging capability. The button cell has the highest possible energy density, can be fully charged within four hours and then provides 16 hours of continuous power. The special design of the button cell is tailored to the particular configuration of the device, so that it is practically invisible in the wearer's ear.

VARTA and Continental develop battery system for the e-scooters of tomorrow.

Facilitating a mobile future. Together.

Continental Engineering Services and VARTA have jointly developed an attractive solution for commuters without their own parking space for their scooter: The high-performance cell based on the V4Drive is characterized by high performance, fast charging capability, low-temperature resistance and a compact design. The specially developed battery management system from CES now allows this extremely powerful battery cell to be used in scooter applications. The highlight: A battery case, weighing in at 9 kilograms, that facilitates a range of 50 kilometers and offers a drive power of 10 kW. It can also be detached from the scooter in a simple movement and charged externally. As such, that desperate search for a charging station when looking to park the scooter is now basically a thing of the past. Two-wheeled mobility is becoming even more appealing and self-sufficient.

VARTA networks its pulse-neo energy storage system with car charging stations.

Experience independence.

The trifecta of solar power, energy storage systems and electric cars is becoming increasingly popular. Being able to charge your own car quickly and in an environmentally friendly way at home is a decisive criterion for many consumers when buying an electric car. The VARTA pulse neo fulfils these functions and also reduces charging costs. The VARTA pulse neo is one of the smallest energy storage devices on the market and offers the highest energy density. Thanks to a software update, direct communications are now possible between the energy storage device and select charging stations. Those who charge their electric car with their own green electricity from a photovoltaic system and energy storage system can increase private consumption to more than 80 percent.

VARTA lithium button cells for the world's smallest wireless sensor.

Smart power for smart devices.

Wireless sensors are essential for the Internet of Things (IoT). They are used, for example, in smart buildings as well as in the areas of facility management, smart workplaces and smart manufacturing and warehousing. They are designed to make everyday life much more convenient by ensuring smart data exchange between devices. Disruptive Technologies is the manufacturer of the smallest wireless sensor in the world. VARTA supplies the primary CR1216 lithium button cell for the transmitter, which is what makes it possible to produce the sensor in such a small size. The cell has a service life of up to 15 years and has low self-discharge for long storage and operating times.

V4Drive – our new lithium-ion solution for e-mobility and much more besides.

V4Drive will allow you to take to the skies in the future.

Dynamic driving and maybe soon even flying experience – all purely electric, without limitations, even at low, wintry temperatures with ultra-short charging times? This is no longer science fiction. It is possible now. And it is called: V4Drive. The ultra-high-performance lithium-ion round cell is particularly suitable for the performance area of the premium automotive segment. Initial talks with potential customers show a high level of interest in the new cell. However, the technology can also be used for other applications, – basically wherever high levels of power, torque and short charging times are required. The pilot production line in Ellwangen went into operation at the end of 2021. The future has arrived.

Product Categories: An overview

V4Drive

With V4Drive, we have brought high-performance capabilities to lithium-ion round cells. Based on our experience in lithium-ion technology, we have developed cells that are characterized by very low internal resistance. This means that the cells can be charged and discharged within a very short time - without overheating in the process. In addition, thanks to their construction, they remain efficient even at low temperatures. As such, V4Drive is predestined for use in the the performance area of the automotive premium segment, either as a booster or as a traction battery. In addition, the technology can also be used in many other areas: Basically, wherever high levels of torque and short charging times are required.

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.

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.

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.

Highlights 2021

V4Drive electromobility technology

VARTA is breaking into the area of electromobility. Moving forwards, V4Drive high-performance lithium-ion round cells will represent the Company's first foray into the performance sector of the automobile premium segment.

With its V4Drive technology, VARTA has succeeded in keeping the internal resistance of the batteries very low. As a result, the batteries are characterized by high performance, rapid charging capacity and excellent performance even at low temperatures. The first product is an ultra-high-performance lithium-ion round cell in the 21700 format (diameter 2.1 cm, height 7 cm). The cells are currently being manufactured on a pilot production line at the Ellwangen site, with mass production set to start in approximately two years. Moreover, larger cell formats are already under development as well.

New brand profile for VARTA

With a corporate history spanning more than 135 years, the VARTA brand has become a household name among consumers. Nevertheless, the time eventually came to embark on a new chapter of success. A clear vision has now been defined for VARTA: "We are defining the future of battery technology to empower a more independent life."

In order to take a major step towards realizing this vision, VARTA had to strike out in a new direction. For this reason, the brand and logo were consistently enhanced to achieve a common alignment in the form of the brand essence and claim: Empowering Independence. This embodies VARTA's daily motivation and mission to actively and successfully shape the future of battery technology.

The new claim – Empowering Independence – is VARTA's active performance guarantee to customers, partners, investors, and employees alike. In turn, this is accompanied by the brand pillars Explorer, Performance and Tomorrow.

In so doing, VARTA has sounded the starting gun for an exciting new chapter in its corporate history.

Hubert Aiwanger and Herbert Schein open lithium-ion battery cell plant in Nördlingen

The technology company is expanding its available production space by 15,000 square meters to around 60,000 square meters overall. Bavarian Minister of Economic Affairs, Regional Development and Energy, Hubert Aiwanger, joined Hebert Schein in opening the new production plant in Nördlingen in 2021.

For VARTA, this is an important step in the company's growth strategy and will help to secure Germany's position as battery technology hub. "Today, batteries are the strategic components of the future. The choice to promote research and the expansion of battery technology in Europe was a political decision at the very highest level. And it's proven to be a good one," comments Herbert Schein.

For Aiwanger, the project is not only a milestone in the industrialization of battery cell manufacturing in Germany, but also a flagship project for universal digitization and sustainable, climate-neutral production processes.

VARTA opens training center at Ellwangen headquarters

A new training center in Ellwangen is set to foster the next generation of talent and train the battery experts of the future. The technology company is investing more than € 2.5m in vocational and further training. As part of this, the training center is a core component of the VARTA Academy, where the qualification of employees is coordinated and expanded on a global basis.
VARTA is a worldwide technology and innovation leader in many key areas of battery technology. Highly qualified employees will be crucial as we seek to further develop our technological and competitive edge.

VARTA & EARGO develop the hearing aid of the future

VARTA has developed a customized lithium-ion button cell for the US hearing aid manufacturer Eargo, enabling the company to develop its smallest and most advanced hearing aid to date.
Powered by VARTA's high-performance button cells, the Eargo 5 hearing aid boasts future-proof functions and properties as well as a long service life and rapid charging. The special design of the button cell is tailored to the particular configuration of the device, so that it is practically invisible in the wearer's ear.

Highlights 2021

VARTA offers smart services

As part of a smart expansion to achieve improved transparency and optimization of application and customer-specific battery solutions, VARTA has developed a user dashboard that displays online all of a battery's important KPIs such as charge level, health and temperature of the battery management system. Storing this data in the cloud enables users to monitor the status of the batteries they have installed in various applications at different locations. This data will make it possible in the future to recognize patterns and to identify errors and anomalies in the battery's operation more quickly, before they actually materialize. Another advantage of the cloud service is that it provides a better understanding of the advantages offered by the battery, which could lead to more cost-effective solutions for certain user groups in the long term. Moreover, it also opens up possibilities for new business models such as a hire system, for example, whereby the customer only pays for the energy supplied by the battery within a specific timeframe.

VARTA and Continental develop high-performance rechargeable battery for electric scooters

Continental Engineering Services (CES) and VARTA have entered a collaboration with the aim of driving the development of new technologies and products with a distinct focus on advancing sustainable solutions in the area of electromobility. As part of an initial pilot project, the two partners have now jointly developed an innovative product for the scooter market: a replaceable 48-volt rechargeable battery pack for electric scooters with a minimum of 10 kW drive power. Such vehicles are comparable with conventionally powered 125 cc scooters. The rechargeable battery pack consists of a high-performance V4Drive cell based on lithium-ion technology. A specially developed battery management system from CES now enables these extremely high-performance battery cells to be used in two-wheel automotive applications. The highlight: a battery case, weighing in at 9 kilograms, that facilitates a range of 50 kilometers and offers a drive power of 10 kW. It can also be detached from the scooter in a simple movement and charged externally. Conventional scooters can be equipped with up to two rechargeable battery packs, which doubles the range as a result.

First Capital Markets Day 2021

In October 2021, VARTA held its first Capital Markets Day since its IPO in 2017. The event was held on a virtual basis due to the pandemic. At the event, CEO Herbert Schein announced that the V4Drive technology is now also set to be transferred to even larger battery formats. The aim is to further advance the development of BEVs and in so doing achieve longer ranges and additional power for dynamic driving experiences. "VARTA is bringing performance to the e-mobility sector. Today's energy batteries offer automotive engineers the possibility of developing cars that can travel further distances., V4Drive will also deliver additional performance qualities on top," Herbert Schein explains.

Armin Hessenberger, CFO of VARTA, added that the company boasts the financial capacity to embark on its next growth phase.

Rainer Hald, CTO of VARTA AG, confirmed that the production of larger lithium-ion round cells will benefit from synergies generated in connection with manufacturing smaller lithium-ion round cells under the CoinPower brand. The expertise gained from CoinPower will be transferred to V4Drive, while additional innovations will supplement this technology in due course.

VARTA launches energy storage system with emergency power function

At the end of 2021, VARTA expanded its product portfolio by launching the "VARTA element backup" energy storage system. This is a three-phase AC storage system with emergency power function.

By automatically activating the emergency power function, the VARTA element backup enables certain devices to continue running even in the event of a blackout. The system can also be used in the event of a black start. In so doing, VARTA has taken suitable precautions to hedge against potentially increased risks of blackouts due, for example, to extreme weather or overburdened grid systems in the future. As is the case with VARTA element, the predecessor model that is still available on the market, the new energy storage system is likewise an AC complete system with integrated battery inverter.

Share Performance

During the 2021 stock exchange year, the VARTA AG share was subject to major fluctuations. At the end of January, the VARTA share price briefly catapulted to a peak value of € 181.30. This took place in the midst of speculative share purchases, leading to a very sharp price rise. In the wake of this development, short-sellers, who had been banking on falling share prices, suffered significant losses and exited their short positions with buy orders (short squeeze). As a result of this, the rising share price grew even more sharply. This speculation lasted just a few days and was not based on business news. This development was replicated in mid-February, albeit to a lesser extent. Over the further course of the year, VARTA shares repeatedly - and occasionally significantly - outperformed benchmark indices right the way up until mid-August. However, across the year as a whole, the share price performance lagged behind the market trend, with the VARTA share price ultimately ending the year 3.3% down on the level recorded at the start of the year.

Going global virtually

During the 2021 stock exchange year, the global pandemic meant that capital market communications were mostly conducted on a virtual basis. However, despite this, some fund managers and analysts were still able to visit our production sites in person. When in-person meetings were no longer possible, one-on-one discussions, roadshows and conferences took place online. Overall, this led to greater time flexibility, increased interest and thus far more discussions. In total, VARTA took part in 10 Roadshows and 14 capital market conferences. Eight conferences had a global focus, while four events focused on the USA and two on Germany. In terms of the roadshows, we pursued either country or region-based objectives. With a total of four roadshows, there was a clear emphasis on the UK, with once event each for France, Germany, Switzerland, the USA, the Benelux countries and Europe. A total of 144 (2021: 125) individual and group meetings were held and 718 institutional investors were introduced to VARTA (2021: 684). In addition, the number of investor meetings agreed with institutional investors not including banks from all over the world (aside from planned events) remained at a high level. Last year, the number of meetings stood at 75 (2020: 93). VARTA AG intensified contact with the sales departments of international banks with two global sales briefings. The Company also significantly increased its direct telephone contact with private investors, which is reflected in the extensive representation of this investor type in the shareholder structure of VARTA.

First Capital Markets Day on October 06, 2021

At the beginning of October, VARTA held its first Capital Markets Day. Due to pandemic-related restrictions, the event was held virtually. The future corporate development of VARTA was discussed across three presentations.
Herbert Schein, CEO, presented a strategic outlook and outlined the opportunities arising for VARTA in connection with the new round cell V4Drive. Armin Hessenberger, CFO, followed this up by highlighting the financial requirements in this area and explained the Company's future financial scope. In his presentation, Rainer Hald, CTO, discussed the technological advantages of the new round cells in addition to providing details on the next development steps for CoinPower cells and their applications in wireless headsets (TWS). A Q&A session rounded off the event, which was subject to great interest overall. The presentations can be watched back here: https://www.varta-ag.com/de/cmd2021

International shareholder structure

VARTA AG is an attractive investment for institutional investors from all over the world and also has many private investors in Germany. The anchor investor Montana Tech Components AG holds a stake of 55.5%. As such, a total of 44.5% of the VARTA share is held in free float. Of this figure, 24% is spread across institutional investors as well as brokerage and trading, while roughly 20% is accounted for by private investors and private funds. In regional terms, approximately two thirds of all institutional investors come from the Anglophone world (UK/US) in addition to Germany and France. Shares are held by institutional investors with long-term outlooks in particular whose investments are made with a view to growth.

Further increase in analyst coverage

VARTA AG coverage has further increased compared with the previous year. The company is currently being analyzed by a total of ten analysts (previous year: eight). After being included in the coverage of J.P. Morgan, VARTA has successfully garnered interest from a US bank for the first time. Gaining additional global securities analysts for research purposes will also remain one of the IR team's central objectives, so that market participants may have a wide range of research opinions at their disposal. The focus here 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.

Market capitalization and trade volume at a high level

The market capitalization and trading volume of the VARTA AG share are practically on a part with the prior year. As at year-end 2021, the stock exchange valued the business at around € 4.6bn (2020: € 4.9bn). In 2021, the average daily trading volume stood at 274,778 shares (2020: 301,330). On certain days, the trading volume was as high as 2.5 million shares. In the previous year, this figure stood at less than two million shares. With this trading volume, the shares are well positioned, making them an attractive investment for many global investment funds.

Improved index position

The VARTA share is listed on the two select indices MDAX and TecDAX. In the previous year, the business improved its position on both indices. On the MDAX, which comprises 50 firms, VARTA rose from 47th to 41st place. On the TecDAX (30 technology shares), it rose by two places from 18th to 16th place.

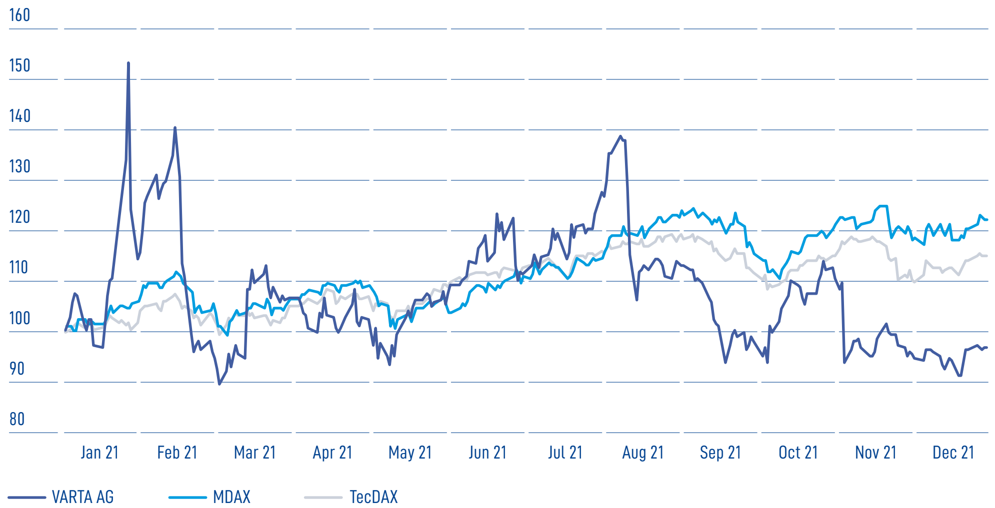
Dividend continuity

VARTA AG has announced that it will again be making dividend payments. The Company will propose a resolution for a dividend payout totaling approximately € 100 million to the Annual General Meeting. This equates to a value of € 2.48 per share. In so doing, VARTA AG is continuing its strategy which sees shareholders benefit by participating in the Company's success in the form of a high payout ratio.

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

One June 17, 2021, the shareholders supported all agenda items at the virtual Annual General Meeting with a majority of at least 89%, especially the proposal made by the Executive and Supervisory Boards with regard to the appropriation of the net profit and the dividend payout of € 2.48 per share. There were further changes to the Supervisory Board, with both Frank Dieter Maier and Dr. Georg Blumauer opting not to stand for re-election. Martin Ohneberg and Prof. Werner Tillmetz were elected onto the Supervisory Board as their successors. All other members of the Supervisory Board were re-elected. Attendance stood at 64.7%, slightly below the figure of 73% recorded in the previous year.

VARTA AG versus benchmark indices



Activate tomorrow.

Contents

Consolidated management report for fiscal year 2021
VARTA Aktiengesellschaft, Ellwangen (Jagst)

The present 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 (Jagst), 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 and its subsidiaries encompasses the development, production and sale of microbatteries, large-format batteries, household batteries and energy storage solutions in addition to research and development processes for these products.

The business activities of the VARTA AG Group are divided into two separate business segments: "Lithium-Ion Solutions & Microbatteries" (former Microbatteries & Solutions) and "Household Batteries".

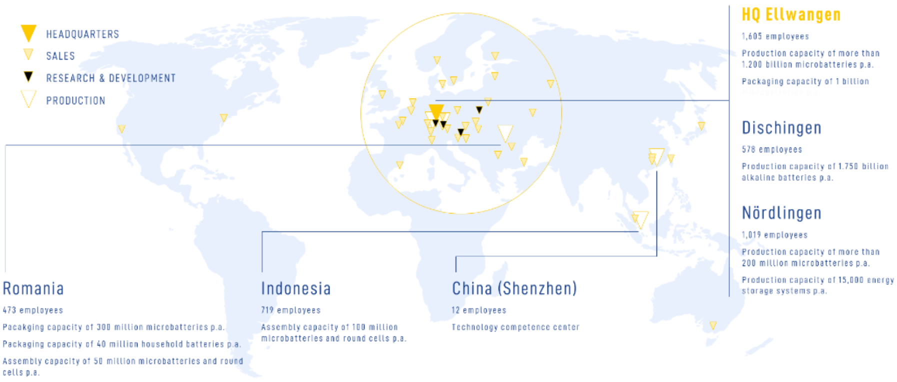
The "Lithium-Ion Solutions & Microbatteries" segment focuses on the Microbatteries (former Healthcare), Lithium-Ion CoinPower (former Entertainment & Industrial), Lithium-Ion Large Cells and Lithium-Ion Battery Packs business. The decision to rename the segment is an attempt to emphasize its focus on lithium-ion battery technology. The key change versus the previous year is that the large-format Lithium-Ion Round Cells business, which is not yet to impact sales, has now been added to this segment. 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, large-format cells and energy storage systems all the way through to customer-specific battery solutions for a wide range of applications and end customer markets. Through intensive research and development, VARTA sets global standards in many areas of lithium-ion technology and microbatteries, and is a recognized innovation leader in the important growth markets of lithium-ion technology and primary hearing aid batteries.

Since the end of 2021, 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 organizational chart illustrates the structure of the Group and its activities:



Segments and organizational structure

LITHIUM-ION SOLUTIONS & MICROBATTERIES

The "Lithium-Ion Solutions & Microbatteries" segment focuses on the Microbatteries, Lithium-Ion CoinPower, Lithium-Ion Large Cells and Lithium-Ion Battery Packs business. Until now, microbatteries and hearing aid batteries for the professional area came under Healthcare, while CoinPower with the OEM microbatteries was allocated to Entertainment & Industrial. VARTA AG is one of the leading manufacturer of microbatteries for hearing aids and rechargeable microbatteries in the area of Entertainment. The Company boasts reputable firms as customers 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. In the area of Lithium-Ion Large Cells, VARTA is preparing to enter the e-mobility market. An initial pilot production line is expected to be operational before the end of this year. The Group can call on extensive industry experience in the construction of high-performance, safe and needs-based lithium battery packs within the Lithium-Ion Battery Packs business – for medical technology, robotics, connectivity and telecommunications applications. 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 and includes household device batteries, rechargeable batteries, chargers, portable power (power banks), lights and energy storage systems. In the Consumer (household device batteries) business, VARTA AG is a European market leader, 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 the best energy solutions. By developing and manufacturing energy storage solutions within the Energy Storage Systems business, 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. As such, they are 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. With its two segments, the Group is ideally positioned to take advantage of relevant growth trends such as demographic change, technological progress, increased connectivity, renewable energies and e-mobility. In the newly created Lithium-Ion Large Cells division, which comes under the "Lithium-Ion Solutions & Microbatteries" segment, the Company has bundled its activities in connection with the V4Drive cells for e-mobility applications. Further information on the Group's objectives can be found in the Chapter 10 Outlook.

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.

E-mobility

The technological transition from the conventional combustion engine to purely electric cars (BEVs) is in full swing across the automotive industry. Around the world, there is huge demand for the large-format cells that form the backbone of this innovative drive concept.

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. By contrast, the focus in the Entertainment area (TWS) is on growth from securing new clients. 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. The area of Large Cells is still being developed.
In the area of Consumer Batteries, the company is pursuing a growth strategy for consumer batteries focused on the VARTA brand. Trends towards sustainability, increased environmental awareness and rising demand for energy self-sufficiency increase our growth ambitions in the area of intermediate energy storage solutions.

Greater innovation dynamic and technology leadership
The Group is working on new innovative products in particular in the "Lithium-Ion Solutions & Microbatteries" segment which are manufactured on fully automated high-speed production lines at the German site. Within this segment, VARTA 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 further expanded its production capacities last year.
The Group sees competitive advantages in the combination of its strong market position, internal research and development activities and long-term customer relationships, in order to benefit from continuing and unchanged dynamic growth trends 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 both in the expansion of production capacities for lithium-ion batteries for the Entertainment area (TWS) and in the construction of V4Drive production facilities as well as 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 metric 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, 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 used to track the growth of the VARTA AG Group. It is also the most important key figure 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 or 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 M&A deals were adjusted in fiscal year 2021.

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

Changes in employee numbers remains an important non-financial key performance indicator on account of the dynamic growth enjoyed by the Group.

1.4. Separate Non-Financial Group Report
The separate non-financial Group report is published on the website https://www.varta-ag.com/en/investoren/publications at the latest four months after the reporting date for the consolidated financial statements.

1.5. Management and Control
In 2021, the Executive Board of VARTA AG comprised two members: Herbert Schein (Chairman of the Executive Board/CEO) and Armin Hessenberger (Chief Financial Officer/CFO). At the end of 2021, the Supervisory Board appointed a third member of the Executive Board, namely Rainer Hald as Chief Technology Officer (CTO), with effect from January 1, 2022. The Executive Board members share joint responsibility for the management of the company.

As at December 31, 2021 the Supervisory Board was composed of the following members: Prof. DDr. Michael Tojner (Chairman), Dr. Harald Sommerer (Vice Chairman), Sven Quandt, Martin Ohneberg, Prof. Dr. Werner Tillmetz 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 (https://www.varta-ag.com/en/investoren/corporate-governance).

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 diversified. Most of our products are sold in Europe, followed by Asia and North America (see chapter 3.1 Revenue). This therefore means that dependency on individual countries and their respective economic development is comparatively low. Irrespective of the main sales focus, the Asian market plays the most significant role owing to its market and customer structure; many major manufacturers of wireless headsets base their production activities in this region. The key influencing factors are dealt with in the following chapter (2.2 Macroeconomic and industry-related framework conditions).

2.2. Macroeconomic and industry-related framework conditions

The macroeconomic framework conditions in place over the course of 2021 continued to develop positively in the sales markets relevant to the VARTA AG Group. Production activities at our own sites have continued without interruption since the start of the COVID-19 pandemic, while no impact on supply chains has been identified either. However, some of our customers have been affected by this. Their suppliers have occasionally been delayed in the delivery of raw materials or semiconductors, which in turn has led to periods of production downtime. Our largest customers manufacture their products (TWS) in Asia, where individual factories have had their production processes temporarily restricted by energy failures or, in some cases, lockdowns caused by COVID-19. Delays in starting new customer projects resulted in lower sales growth. The trend in the USD/EUR exchange rate, price reductions in non-strategic assembly and higher prices for raw materials also had an adverse impact, which could not be entirely offset by efficiency gains or could only be passed onto customers in part.

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 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).

Increased life expectancy of people across all societies in addition to rising acceptance of hearing aids supports sales of such products and therefore also the sale of batteries for hearing aids. For example, in this context, the UN expects the global population of people aged 65 or over to at least double. In 2020, around 727 million people belonged to this age group, and this figure is forecast to rise to more than 1.5 billion by 2050 (United

Nations: World Population Ageing 2020 Highlights). As such, this share of the population would increase from the current level of 9.3 % to approximately 16.0 % in 2050. 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. Rising demand for OTC hearing aids will also have a positive impact. These affordable hearing amplifiers offer fewer adjustment options that can be adapted by users themselves, e.g. via an app. Following their launch on the market at the end of 2020, a market share of more than 30 % is expected for these products by 2030 (IDTechEx, 2021). The increased use of rechargeable coin-shaped batteries will provide additional growth impetus.
Overall, growth of just under 37 % is expected in the area of hearing aids (2021: $ 10.5 bn; 2030: $ 14.3 bn [IDTechEx, 2021]).

The area of Entertainment is benefiting from very high 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 is here. For example, a study carried out by IDTechEX in 2021 revealed that continued strong demand for TWS (True Wireless Stereo) headsets is anticipated. From 2021 to 2030, market growth of 190 % in US dollars is expected here.

In terms of the global demand for consumer batteries, annual growth of 4.2 % for the period between 2020 and 2026 has been forecast. During this time, the market looks set to increase from $ 39.9 bn to a value of $ 52.5 bn. Annual growth of 3.3 % (Global Industry Analysts Inc, 2021) has been forecast for alkaline batteries.
The European market for branded batteries, which is crucial for VARTA, has also seen growth. According to the most recent figures published by the European Portable Battery Association (EPBA), growth in this segment came in at 3.6 % for 2020.

2.3. Business Development

General comments from the Executive Board regarding the economic situation

The VARTA AG Group can look back on a highly successful financial year 2021. The positive business development in 2021 was based on the high level of demand for lithium-ion batteries for wireless lifestyle products, the very high demand for rechargeable hearing aid batteries and the highly successful development of the Consumer business as well as the two business units Lithium-Ion Battery Packs and Energy Storage Systems (stationary energy storage devices). In fiscal year 2021, Group revenue rose from € 869.6 m by 3.8 % to € 902.9 m.

Growth in consolidated operating earnings once again outpaced that of revenue. Adjusted EBITDA rose by € 41.8 m to € 282.9 m. In percentage terms, this equates to growth of 17.4 %. It was especially pleasing to note that both the "Lithium-Ion Solutions & Microbatteries" and "Household Batteries" segments continued their very positive development and further increased their respective margins.

Comparison of business development with prior year guidance

The consolidated financial statements from last year contained guidance for 2021 on the basis of the key performance indicators listed below. Overall, the positive business development for adjusted EBITDA was continued as expected in the fiscal year under review.

KPI	GUIDANCE FOR 2021	FINANCIAL YEAR 2021
Financial indicators: Group		
Revenue	High single-digit percentage revenue growth at stable currency exchange rates	Single-digit percentage revenue growth at stable currency exchange rates
Adjusted EBITDA	Above average margin increase up to 30 %	Above average margin increase to 31.3 %
CAPEX	Increase in the range of € 150 m to € 200 m	Increase to € 174.8 m
Financial indicators: Segment Lithium-Ion Solutions & Microbatteries		
Revenue	Further revenue growth	Further revenue growth
Adjusted EBITDA	Huge increase and above-average development in relation to revenue	Huge increase and above-average development in relation to revenue
Financial indicators: Segment Household Batteries		
Revenue	Mid-single-digit percentage increase	Mid-single-digit percentage increase
Adjusted EBITDA	Low double digit margin	Low double digit margin

3. Development of Financial Position and Financial Performance

3.1. Financial Performance

Consolidated income statement for the period January 1st – December 31st 2021

(€ k)	2021	2020
Sales revenue	**902,931**	**869,583**
Increase / decrease in finished and unfinished goods	11,311	-4,175
Own work capitalized	9,318	4,980
Other operating income	72,031	37,390
Cost of materials	-333,154	-315,547
Personnel expenses	-247,805	-257,088
Other operating expenses	-132,453	-122,512
EBITDA	**282,179**	**212,631**
Depreciation and amortization	-95,669	-66,617
Operating earnings (EBIT)	**186,510**	**146,014**
Financial income	1,545	336
Financial expenses	-6,490	-5,334
Other financial income	358	1,953
Other financial expenses	-4,834	-9,845
Financial result	**-9,421**	**-12,890**
Earnings before taxes	**177,089**	**133,124**
Income taxes	-51,133	-37,616
Consolidated result	**125,956**	**95,508**
Appropriation of profit:		
Shareholders of VARTA AG	125,956	95,411
Non-controlling interests	0	97

Revenue

In fiscal year 2021, revenue at the VARTA AG Group rose by 3.8 % from € 869.6 m to € 902.9 m. Sales revenues increased in both segments.

Revenue in the "Lithium-Ion Solutions & Microbatteries" segment grew from € 508.1 m by 1.2 % to € 514.4 m. The start of new customer projects in the area of rechargeable lithium-ion cells for high-tech consumer products, in particular for wireless premium headsets (TWS), was delayed in the reporting year and resulted in a more restrained business development in relation to the initial planning. The Company benefits from its broad range of products in the area of hearing aid batteries in addition to the trend towards rechargeable hearing aid devices. The very high growth in the Lithium-Ion Battery Packs business continued.

Revenue in the "Household Batteries" segment rose from € 361.1 m to € 388.6 m, reflecting growth of € 27.4 m in total. The high demand for household batteries and the very high growth rates in the area of energy storage solutions contributed to this positive development.

The following chart shows the breakdown of Group revenue on a regional basis. The markets in Asia and Europe are the most important sales regions for VARTA. Sales revenues in Europe developed in highly positive fashion, which can be attributed to the positive business development recorded across all areas here. Owing to the more restrained business development for rechargeable batteries in the TWS business, revenue in Asia fell slightly below the level recorded in the prior year. The decline in the USA can be put down to two developments. Firstly, delivery commitments to Energizer, which had been agreed within the framework of the acquisition of the Consumer business, expired in 2021. Secondly, the trend in the USD-EUR exchange rate adversely impacted revenue development. Further information about the geographical breakdown of segment revenues can be found in Section 6 "Segment Reporting" of the notes to the consolidated accounts.

(€ k)	2021 REVENUE	2020 REVENUE	CHANGE (%)
Europe	523,189	463,983	12.8 %
Asia	318,889	331,219	-3.7 %
North America	49,196	58,403	-15.8 %
Other	11,657	15,978	-27.0 %
Group Total	**902,931**	**869,583**	**3.8 %**

Expenses and other operating income
The cost of materials in the reporting year totaled € 333.2 m in comparison with € 315.5 m in the prior year. This equates to growth of 5.6 %. At 36.4 %, the cost of materials ratio was therefore essentially unchanged (2020: 36.5 %). The above-average increase in comparison with revenue can primarily be attributed to the build-up of inventories.

Personnel expenses declined from € 257.1 m to € 247.8 m, falling by 3.6 % in the process. The reason for this is the elimination of restructuring expenses (€ 17.6 m) incurred in the wake of the acquisition of the VARTA Consumer companies. This was offset by general increases in collectively bargained wages and salaries and the increase in the number of employees within the Group. Personnel expenses include costs in connection with share-based remuneration in the amount of € 0.6 m (2020: € 1.1 m).

Other operating expenses rose from € 122.5 m by 8.1 % to € 132.5 m overall. This development is attributable in particular to the rise in legal and consulting costs in connection with patent law disputes amounting to € 2.3 m. As a result of increasing digitalization and the associated costs for data security, costs in connection with postage, telephone and IT increased by € 1.9 m. Due to new projects and a higher utilization of warranties, expenses under this balance sheet item increased by € 1.7 m. Moreover, impairment expenses from trade receivables increased by € 1.7 m because a specific allowance was created for receivables from one customer.

Other operating income rose by € 34.6 m from € 37.4 m in the prior year to € 72.0 m in 2021. In fiscal year 2021, income from subsidies and government grants totaled € 55.7 m, increasing by € 45.7 m year on year in the process. This increase essentially relates to the Important Project of Common European Interest (IPCEI) in the area of battery technology. Furthermore, the € 3.7 m higher reversal of provisions and accrued liabilities had an increasing effect on the result. The elimination of service payments in the Appliances area of the former shareholders of the VARTA Consumer companies (including household appliances and animal feed, among others) in the amount of € 17.6 m had the opposite effect.

EBITDA
EBITDA (operating earnings before interest, taxes, and depreciation and amortization) rose from € 212.6 m to € 282.2 m. The improvement was generated following an improved operating performance totaling € 33.3 m. In addition, the increases in inventories of finished and unfinished goods (work in progress) changed compared with the same period of the previous year by € 15.5 m. Decreased personnel costs of € 9.3 m served to increase earnings.

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 € 0.6 m (2020: € 1.1 m) and expenses in connection with M&A transactions totaling € 0.1 m (2020: € 0.9 m) were adjusted. The following table shows the reconciliation from EBITDA to adjusted EBITDA:

(€ k)	2021	2020
EBITDA	282,179	212,631
Expenses from share-based remuneration	571	1,086
Measurement of inventories PPA - VARTA Consumer	0	8,661
Expenses for M&A transactions - VARTA AG Group	106	916
Integration costs VARTA Consumer	0	129
Restructuring costs VARTA Consumer	0	17,607
adjusted EBITDA	**282,856**	**241,030**

In fiscal year 2021, adjusted EBITDA rose from € 241.0 m to € 282.9 m. This equates to growth of 17.4 %, which is well in excess of the revenue development. In relation to revenue, the margin also increased markedly by 3.6 percentage points from 27.7 % to 31.3 %. The rise in adjusted EBITDA is the result of additional productivity increases and efficiency gains across both segments in addition to synergies in the context of the acquisition of the VARTA Consumer business. In fiscal year 2021, there were no significant adjustment items aside from share-based remuneration.

Operating earnings (EBIT)

Operating profit improved significantly year-on-year from € 146.0 m to € 186.5 m. The increased level of amortization and depreciation had a disproportionately significant impact in comparison with the previous year. The key factor in the increased amortization and depreciation totaling € 29.1 m was the high level of investment last year in property, plant and equipment to expand production capacities.

Financial result

The financial result improved from € -12.9 m in 2020 to € -9.4 m in 2021. In the previous year, the financial result was impacted by the debtor warrant, which reduced the other financial expenses by € 3.3 m.

Taxes

Tax expenses increased on the back of the pre-tax result rising from € 37.6 m in 2020 to € 51.1 m in 2021. This led to an effective tax ratio of 29.0 % (2020: 28.3 %) in relation to the pre-tax result. For further details on taxes, please see the notes to the consolidated accounts under the chapter **36 Income tax expenses** .

Consolidated result

There was substantial growth in the consolidated result, which increased by 31.9 % in comparison with the prior year to total € 126.0 m (2020: € 95.5 m).

3.2. Financial Position

Consolidated balance sheet as at December 31, 2021

(€ k)	DECEMBER 31, 2021	DECEMBER 31, 2020
ASSETS		
Non-current assets	806,312	686,904
Current assets	443,861	435,899
Total assets	**1,250,173**	**1,122,803**

(€ k)	DECEMBER 31, 2021	DECEMBER 31, 2020
EQUITY AND LIABILITIES		
Equity	532,496	499,075
Non-current liabilities	289,917	246,041
Current liabilities	427,760	377,687
Total liabilities	717,677	623,728
Total equity and liabilities	**1,250,173**	**1,122,803**

Non-current assets

Non-current assets rose by € 119.4 m from € 686.9 m in 2020 to € 806.3 m in the year under review. This notable growth is mainly due to the increase in property, plant and equipment from € 596.6 m as of December 31, 2021 to € 711.3 m. The main cause of this development was the investment program launched in 2019 to expand capacities, which has seen production capacities increased at the Company's two production facilities in Germany. The € 7.3 m increase in intangible assets was due in particular to the addition of goodwill relating to the acquisition of the majority of shares in VARTA Innovation GmbH and the capitalization of development costs of € 4.8 m.Other assets totaling € 17.6 m decreased slightly compared to year-end 2020 (December 31, 2020: € 19.9 m).

Current assets

Current assets rose from € 435.9 m as of December 31, 2020 to € 443.9 m as of December 31, 2021 and have therefore essentially remained unchanged year on year. The increase in inventories and trade receivables was offset by the decrease in cash and cash equivalents due to the expansion of business volumes. The decrease in cash and cash equivalents was caused by the change in inventories and receivables and the high level of investment in production capacities.

Equity/equity ratio

Equity rose from € 499.1 m as of December 31, 2020 to € 532.5 m as of December 31, 2021. As of the reporting date, the equity ratio stood at 42.6 % (2020: 44.4 %). The slight decline in the equity ratio can firstly be attributed to a significant increase in property plant and equipment on account of the high level of investment activity, and secondly to a below-average increase in equity on the back of the dividend payment amounting to € 100.2 m.

Non-current liabilities

Non-current liabilities rose by € 43.9 m from € 246.0 m as of December 31, 2020 to € 289.9 m in the reporting year. This was largely the result of borrowing amounting to € 59.6m and additional lease liabilities in the amount of € 16.9 m, which were mainly due to the opening of a new building at the Nördlingen site. Conversely, non-current advance payments fell by € 33.0 m.

Current liabilities

Current liabilities increased from € 377.7 m to € 427.8 m. This increase is mainly attributed to the utilization of a flexible operating credit line as part of the syndicated loan agreement totaling € 65.1 m.

Net working capital
Net Working Capital rose from € 56.5 m at year-end 2020 to € 134.2 m as of December 31, 2021. This equates to an increase of € 77.8 m compared to the prior year. This was due to the rise in inventories by € 23.8 m and in trade receivable by € 42.8 m. Calculated in relation to the sales revenues generated over the past three months and extrapolated to one year, the Net Working Capital ratio stands at 12.0 %. Based on this calculation approach, the Net Working Capital ratio as of December 31, 2020 amounted to 5.9 %.

Cash flow statement

(€ k)	2021	2020
Cash and cash equivalents as at January 1, 2021	**121,889**	**244,781**
Cash flow from operating activities	114,503	232,863
Cash flow from investing activities	-179,333	-372,969
Cash flow from financing activities	14,173	19,886
Net change in cash and cash equivalents	**-50,657**	**-120,220**
Effects of exchange rate fluctuations	1,875	-2,672
Cash and cash equivalents as at December 31, 2021	**73,107**	**121,889**

Cash flow from operating activities in the reporting year amounts to € 114.5 m and is therefore € 118.4 m down on the value recorded in the prior year. This is above all attributable to the cash-effective reduction in trade payables and other current and non-current liabilities of € 75.6 m, the decrease in provisions and personnel related accruals in the amount of € 53.3 m, the rise in trade receivables and the other current assets totaling € 47.7 m, increased inventories in the amount of € 2.5 m and a rise in the amount of income tax paid of € 12.4 m. This was offset by the development in depreciation and amortization, which rose from € 66.6 m to € 95.7 m, and the increase in operating earnings of € 44.0 m in comparison with the previous year.

The cash flow from investing activities decreased from € -373.0 m to € -179.3 m and is therefore significantly down on the prior year value. Payment outflows in connection with investments in intangible assets and property, plant and equipment (CAPEX) amounted to € 174.8 m (2020: € 302.2 m) and therefore declined in line with our expectations. In 2020, the purchase price payment for the acquisition of the VARTA Consumer Batteries business was included in this balance sheet item, which explains another significant change in comparison with the value for 2021.

Cash flow from financing activities decreased in the year under review from € 19.9 m in 2020 to € 14.2 m in 2021. Additional loans of € 164.6 m were taken out, allowing the Company to repay an existing syndicated loan of € 40.0 m and other current and non-current financial liabilities of € 8.4 m.

Furthermore, other financial liabilities increased by € 10.6 m due to the sale of the Dischingen property with an agreed repurchase option, and liabilities from factoring by € 13.0 m. The payment of dividends and distributions of € 102.3 m had an offsetting effect.

As of the balance sheet date of December 31, 2021, cash and cash equivalents totaled € 73.1 m (2020: € 121.9 m). Details of Group financing are explained in chapter 7 Information about VARTA AG under Section Liabilities.

Overall statement on the financial position and financial performance
After the end of the 2021 financial year, it can be stated that the development of the financial position and financial performance of the VARTA Group has been favourable overall. The development is basically in line with our expectations.

4. Research and Development

For the VARTA AG Group, expenses associated with research and development activities in fiscal year 2021 rose to € 22.8 m (previous year: € 20.9 m). This produces an R&D expense ratio of 2.5 % in relation to sales, compared with a value of 2.4 % in the prior year.

Lithium-Ion Solutions & Microbatteries segment
The focus in fiscal year 2021 was again on further development in the area of rechargeable lithium-ion cells for high-tech consumer products, in particular for Premium True Wireless Stereo Headsets (TWS). In this context, 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 also presented a roadmap covering the period up to 2027. Higher energy densities of up to nearly 100mAh have been announced for the next-generation models A5, A6 and A7. Moreover, the Company has also signaled its intention to release two new product lines with even higher energy densities: The B-series with an anode based on silicon and the C-series with a carbon-based anode and LCO-based cathode.

Research and development costs for the "Lithium-Ion Solutions & Microbatteries" segment in the period from January to December 2021 amounted to € 18.9 m overall (previous year: € 15.0 m). This produces an R&D expense ratio of 3.7 % in relation to sales (prior year: 3.0 %). In fiscal year 2021, the depreciation of capitalized development costs totaled € 1.1 m. The capitalization ratio amounted to 36.5 % (prior year: 8.7 %). In the Microbatteries segment, the focus here was above all on the development of smaller and higher-performance button cells.

Household Batteries segment
The new R&D Center in Dischingen was opened in July 2020 and completed its first full year of operations in 2021. A total of 16 scientists, engineers and technicians work here on the further development of alkaline-manganese batteries. Each month, around 50 battery experiments are carried out at the R&D Center, while 10,000 sample batteries are manufactured too. The performance of AA and AAA batteries was improved by up to 6 %. This was achieved on the back of an optimized mechanical design, improved materials and optimized formulae. Additional improvements will be implemented in 2022.
In the area of energy storage systems, improvements were achieved across the entire product portfolio through the addition of new functionalities and the expansion of connectivity capabilities to include additional device classes. Alongside the market entry in Belgium, progress was made with regard to the preparation and certification of select products for additional markets in Europe. For the VARTA pulse neo, communication options with charging stations were expanded in order to facilitate smart charging of electric vehicles using electricity from the user's own home.

Research and development expenses in the "Household Batteries" segment in fiscal year 2021 amounted to € 3.9 m (2020: € 5.9 m). This produces an R&D expense ratio of 1.0 % in relation to sales (prior year: 1.6 %). The depreciation of capitalized development costs in 2021 came in at € 1.4 m (prior year: € 1.6m). The capitalization ratio stood at 9.8 % (prior year: 9.9 %).

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 fiscal year 2021, VARTA AG continued its extensive investment program. In doing so, the Company is pursuing the goal of comprehensively expanding production capacities in the area of CoinPower cells (TWS) and laying the foundations for new business activities in the area of e-mobility with the construction of a pilot production line for large-format cells.

In fiscal year 2021, expenditure related to the purchase of intangible assets and property, plant and equipment totaled € 174.8 m (prior year: € 302.2 m) and was therefore in line with expectations.

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 production line 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. Financial Performance: Segments

The Company is active in the "Lithium-Ion Solutions & Microbatteries" and "Household Batteries" business segments. The former comprises the Microbatteries business, Lithium-Ion CoinPower, Lithium-Ion Large Cells and Lithium-Ion Battery Packs, while the latter covers the Consumer Batteries and Energy Storage Systems business areas. Both segments made a positive contribution to the growth in revenue and profit, while step-change improvements were recorded in the margins of both segments as well.

Lithium-Ion Solutions & Microbatteries

	2021	2020	Change
Sales revenue (€ k)	514,362	508,132	1.2%
Adjusted EBITDA (€ k)	216,494	186,993	15.8%
Adjusted EBITDA margin %	42.1%	36.8%	5.3 PP

In fiscal year 2021, revenue in the "Lithium-Ion Solutions & Microbatteries" segment rose to € 514.4 m. This corresponds to revenue growth of 1.2 % year on year. There were delays in starting new customer projects involving rechargeable lithium-ion cells for high-tech consumer products in the third quarter, which also affected revenue and profit in the reporting year, as this segment's contribution was reduced. Higher prices for raw materials have also had a negative impact that could not be fully offset by efficiency gains and could only partially be passed on to customers. Our largest customers manufacture their products (TWS) in Asia, where individual factories have had their production processes temporarily restricted by energy failures or, in some cases, lockdowns caused by COVID-19, which has also had an adverse impact. Both the trend in the USD/EUR exchange rate and price reductions had a negative impact on non-strategic assembly. Our global market position for hearing aid batteries remains strong in a market that is subject to structural growth. The Group is currently benefiting from its highly robust business model and significantly increased demand for rechargeable lithium-ion cells.

The very high growth in the Lithium-Ion Battery Packs business continued.

Adjusted EBITDA increased from € 187.0 m to € 216.5 m (+15.8 %), which corresponds to above-average growth in comparison with revenue development. This growth can be attributed to additional productivity and efficiency gains. This results in an adjusted EBITDA margin of 42.1 % in relation to revenue, which equates to an improvement in the adjusted EBITDA margin of 4.9 percentage points year on year.

Household Batteries

	2021	2020	Change
Sales revenue (€ k)	388,569	361,147	7.6%
Adjusted EBITDA (€ k)	66,362	54,036	22.8%
Adjusted EBITDA margin %	17.1%	15.0%	2.1 PP

The "Household Batteries" segment comprises the Consumer Batteries business and Energy Storage Systems. In fiscal year 2021, revenue in the "Household Batteries" segment increased from € 361.1 m to € 388.6 m. This corresponds to revenue growth of 7.6 % year on year. Adjusted EBITDA improved from € 54.0 m to € 66.4 m (+22.8 %), which equates to above-average growth in comparison with the trend in revenue.

The Consumer Batteries business is benefiting from high demand, with high single-digit revenue growth recorded here. By focusing on the brand business, profitability in comparison with the same period in the previous year was significantly improved in this area. In the reporting year, the Energy Storage Systems business again recorded highly dynamic growth and continued to profit from the sustained high demand for home storage systems. The adjusted EBITDA margin stands at 17.1 % in relation to revenue, which corresponds to an improvement totaling 2.1 percentage points in comparison with the previous year.

7. Information about VARTA AG

The management report of VARTA AG and consolidated management report for fiscal year 2021 are combined pursuant to Section 315 (3) of the German Commercial Code (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 figures 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
Revenue in fiscal year 2021 stood at € 1.6 m (2020: € 1.3 m). This figure is essentially the result of royalties from VARTA Storage GmbH.

Expenses and other operating income
In the same period, other operating income increased from € 2.7 m in the previous year to € 3.5 m in 2021. The main reason for the trend in other operating income was the on-charging of sponsoring expenses to various subsidiaries in the amount of € 1.3 m (2020: € 0.9 m). However, lower exchange rate gains, which arose primarily from USD translation effects, did offset the positive development in other operating income to a certain extent.

Other operating expenses amounted to € 11.2 m in 2021 (2020: € 8.9 m) and include, among other things, fees for consulting and auditing costs of € 2.8 m (2020: € 2.6 m), advertising and public relations expenses of € 2.8 m (2020: € 1.5 m) and the utilization of various services from affiliated companies amounting to € 2.3 m (2020: € 0.9 m). Sponsorship agreements and consulting fees led to increased expenses in the area of advertising and public relations. The majority of these expenses were charged on to various VARTA AG subsidiaries. This gives rise to the other operating income mentioned above.

In fiscal year 2021, the number of Executive Board members of VARTA AG decreased from three to two. VARTA AG employed two members of staff in addition to the Executive Board. Overall, personnel costs fell from € 11.2 m in 2020 to € 6.5 m in 2021.

The balance sheet item depreciation and amortization predominantly includes depreciation of intangible assets of almost € 1.0 m and is therefore practically unchanged in comparison with the previous year.

Financial result
The improvement in net interest income from € 7.1 m in the prior year to € 15.9 m in 2021 was mainly the result of an increase in loans to subsidiaries.

In fiscal year 2021, a profit transfer agreement was also concluded with VARTA Micro Production GmbH. The income generated from the contract with VARTA Storage in the 2021 fiscal year was offset against tax loss carryforwards, which meant that no profit transfer to VARTA AG took place in the reporting year. Accordingly, the result from the profit transfer agreements in place with VARTA Microbattery GmbH and VARTA Micro Production GmbH totaled € 138.8 m, which equates to a year-on-year improvement of € 29.2 m.

Net profit/loss
Net profit for fiscal year 2021 amounted to € 147.9 m (2020: € 139.4 m).

Income Statement of VARTA AG
for the fiscal year running from January 1, 2021 to December 31, 2021

(€ k)	2021	2020
1. Revenue	1,565	1,257
2. Other operating income	3,511	2,683
– of which from currency conversions € 27 k (prev. year. € 1,689 k)		
3. Personnel expenses		
a) Wages and salaries	-6,488	-11,108
b) Social charges and costs for pension plans and support	-46	-43
	-6,534	-11,151
4. Depreciation and amortization of intangible assets and property, plant and equipment	-984	-941
5. Other operating expenses	-11,227	-8,898
– of which from currency conversions € -35 k (prev. year. € -1,687 k)		
6. Income from investments	677	0
– of which from affiliated companies € 677 k (prev. year. € 0 k)		
7. Income from profit transfer agreements	138,753	110,146
8. Other interest and similar income	17,833	7,766
– of which from affiliated companies € 16,344 k (prev. year. € 7,766 k)		
9. Expenses from assumption of losses	0	-564
10. Interest expenses and similar expenses	-1,954	-659
– of which from affiliated companies € -472 k (prev. year. € -133 k)		
11. Taxes on income and profit	-32,619	-29,548
12. Result after tax	109,021	70,091
13. Other taxes	-348	0
14. Profit for the year	**108,673**	**70,091**
15. Retaining earnings	39,186	69,340
16. Net profit/loss	**147,859**	**139,431**

Financial position

Assets

Fixed assets increased year on year by € 159.6 m from € 430.3 m in 2020 to € 590.0 m as of December 31, 2021, mainly due to the rise in financial investments from € 428.2 m to € 588.7 m. This increase can be attributed to the rise in loans granted to subsidiaries, mainly to finance investments in production capacities at the subsidiaries.

Receivables and other assets

Current assets rose by 14.0% from € 135.5 m in 2020 to € 154.5 m as of December 31, 2021. This development was the result of an increase in receivables from affiliated companies. These mainly relate to receivables from the profit transfer agreements concluded with VARTA Microbattery GmbH and VARTA Micro Production GmbH in the amount of € 138.8 m (2020: € 110.1 m).

The decline in other assets is primarily due to the tax refund claim agreed in the purchase contract with Energizer Holdings Inc., which regulates the reimbursement of tax payments from the periods before the acquisition of the VARTA Consumer Batteries business. As of December 31, 2021, this resulted in an existing receivable of € 7.8 m (2020: € 13.2 m). In addition, receivables attributable to the tax office (in particular from value-added tax) decreased by € 3.6 m.

Cash and cash equivalents

Cash at banks declined from € 1.1 m in 2020 to € 0.2 m in 2021.

Equity

Overall, equity rose by € 8.4 m from € 430.8 m in 2020 to € 439.2 m as of December 31, 2021. This increase is due to the increase in retained earnings, which is mainly attributable to the improved operating result of the subsidiaries and the first-time profit transfer of VARTA Micro Production GmbH. The dividend payment amounted to € 100.2 m to the shareholders of VARTA AG had an opposite effect.

Provisions

At € 43.1 m, provisions were nearly unchanged versus 2020. The marginal increase can be attributed to higher tax provisions due to the improved result in the past fiscal year. The decline in other provisions is the result of a reduction in bonus obligations and reduction in performance-related remuneration for members of the Executive Board of VARTA AG owing to the change in numbers at Executive Board level.

Liabilities

Liabilities increased by € 171.6 m from € 88.4 m in 2020 to € 260.0 m in 2021.

This growth was primarily the result of the change in liabilities to banks. In fiscal year 2021, the syndicated loan taken out in 2019 was repaid in full, with a new syndicated loan agreement concluded in the amount of € 235.0 m. A total of € 165.0 m was drawn down in relation to this credit line in fiscal year 2021. In total, € 100.0 m of the utilization is reported as non-current. These are due within the next five years. Both the current and the non-current parts are subject to a variable interest rate, which consists of a margin and the EURIBOR which depends on the maturity of the individual drawdowns. The EURIBOR is capped at zero if the EURIBOR is negative. Moreover, the increase also resulted from loans taken out on an internal Group basis from VARTA Consumer Europe Holding GmbH and VHB Real Estate Holdings LLC.

Overall statement on the economic situation of VARTA AG

The economic situation of VARTA AG depends mainly on the development of its subsidiaries. VARTA AG participates on the operating results of the subsidiaries by their distributions and profit transfers. Thus, the economic situation of VARTA AG corresponds in general to that of the VARTA Group, which is explained in the section Overall Statement on the Economic Situation.

Balance Sheet of VARTA AG as at December 31, 2021

ACTIVA (€ k)	DECEMBER 31, 2021	DECEMBER 31, 2020
A. Fixed assets		
I. Intangible assets		
1. Acquired concessions, industrial property rights and similar rights and assets as well as licenses to such right and assets	906	1,683
II. Property, plant and equipment		
1. Other equipment, factory and office equipment	363	248
2. Advance payments and assets under construction	0	150
	363	398
III. Long-term investments		
1. Shares in affiliated companies	117,720	117,063
2. Loans to affiliated companies	470,962	311,176
	588,682	428,239
	589,951	**430,320**
B. Current assets		
I. Receivables and other assets		
1. Receivables against affiliated companies	140,925	111,402
2. Other assets	13,312	23,030
	154,237	134,432
II. Balances with credit institutions	239	1,054
	154,476	**135,486**
C. Prepaid expenses	**63**	**119**
D. Deferred tax assets	**4,585**	**2,656**
Total assets	**749,075**	**568,581**

PASSIVA (€ k)	DECEMBER 31, 2021	DECEMBER 31, 2020
A. Equity		
I. Subscribed capital	40,422	40,422
II. Capital reserve	244,121	244,121
III. Revenues reserves		
Statutory reserves	6,811	6,811
IV. Net profit	147,859	139,431
	439,213	**430,785**
B. Provisions		
1. Tax accruals	36,580	30,040
2. Other provisions	6,556	12,988
	43,136	**43,028**
C. Liabilities		
1. Liabilities to financial institutions	165,061	40,031
2. Trade payables	749	894
3. Liabilities to affiliated companies	93,460	46,614
4. Other liabilities	733	847
- of which from taxes € 136k (prev. year € 262k)		
	260,003	**88,386**
D. Deferred tax liabilities	**6,723**	**6,382**
Total equity and liabilities	**749,075**	**568,581**

Risks and opportunities
The business development of VARTA AG depends to a large extent on the opportunities and risks of the VARTA AG Group, which are described in the outlook, opportunity and risk report of the combined management report of the VARTA AG Group

There is the risk that the equity interests and loans to affiliated companies will be impaired. This is reviewed at least once a year. No impairments were identified in fiscal year 2021.

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 equity participation has assumed these risks and possible risks arising in the future, and has indemnified VARTA AG against them; 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, has hedged this indemnity with a guarantee in the amount of € 20 m lasting until 2031. VARTA AG has assessed the remaining risks and has not recognized any provisions, as VARTA does not expect any drawdown.

Outlook
The expectations of VARTA AG with regard to its financial indicators as well as to the risk profile essentially correspond (based on their importance within the corporate Group and the cross shareholdings of the affiliates) to the projections of the VARTA AG Group, which are described in detail in the opportunity and risk report of the consolidated management report. The economic growth of VARTA AG depends to a great extent on the contributions to the financial results made by its operating subsidiaries, which flow at least partially directly to VARTA AG by virtue of the existing profit transfer agreements. The projected development of the operating subsidiaries implies, also in conformity with the expectations at the level of the VARTA AG Group, that the Company will enjoy positive revenue and profit growth.

8. Employees

The successful development of the Group is based on the competence and skills of its employees, as well as their identification with the company. In addition to training 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 the company's innovative profile even further forward.

Our employees are distinguished by incredible commitment and dedication, in addition to motivation and loyalty. This is reflected in a low staff turnover rate of just 3.5 %. The Group places huge value on sustainable personnel policies with the aim of increasing both employee efficiency and satisfaction. A crucial success factor in this regard is the unique corporate culture at the Company. The set of values that is already actively lived out and that unites all employees was re-imagined and communicated in the past fiscal year.

These values aim to ensure that employees are bound to VARTA AG over the long term, enabling our staff to identify with the Company via common corporate goals and values. Employees tend to stay with the company for many years, allowing them to gain profound professional expertise within their respective area of responsibility.

As a responsible, conscientious employer, occupational health and safety is a matter taken very seriously by the VARTA AG Group. In 2021, the Company and its employees were again confronted by 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 mobile at least partially and organizational measures to achieve a reduction in contact at shift crossover times, the infection risk was successfully minimized.

In fiscal year 2021, the VARTA Academy opened the doors of its training center. Covering an area of 1,000 m^2, this facility offers state-of-the-art applications and devices such as laser markings and 3D printers. Digital learning platforms supplement knowledge transfer on a time and location-independent basis. VARTA offers a wide range of apprenticeships in the technical and commercial fields as well as dual courses of study with a focus on electrical engineering, mechanical engineering, business information technology, industrial engineering and business administration.

Employer appeal
Specific, targeted measures are implemented across VARTA AG, which, in tandem with attractive offers and cooperations, aim to bind employees to the Company over the long term.

Furthermore, Group executives meet annually as part of the manager's conference. Due to the COVID-19 pandemic, this was held as a digital event in 2021. The Group also supports targeted development initiatives for advancement within the Company.

The number of employees across the entire Group increased from 4,584 employees in the prior year to 4,666 employees as of December 31, 2021. As of the balance sheet date, the number of employees was split on a regional basis as follows:

	2021	2020
Europe	3,858	3,757
Asia	780	799
USA	28	28

9. Opportunity and Risk Report

9.1. Opportunity and Risk Management System

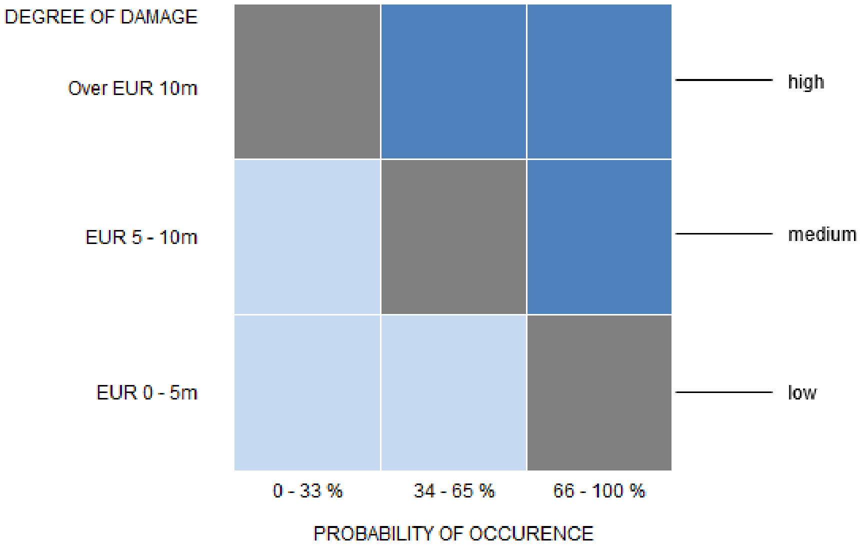
The Company has instituted management and control measures for the early detection and assessment of risks as well as for the handling of existing risks. These are embedded in an early risk detection, internal control and risk management system.

The risk management system evaluates and focuses on operating, financial, strategic and other risks at Group level. This conforms to the legal requirements pursuant to Section 91 (2) German Stock Corporation Act (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 to be manageable.

Important components of the system include a strategically oriented planning system, an annual budget that is reviewed several times during the year and adapted to the new insights, monthly reports comparing 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.



9.2. 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) German Stock Corporation Act (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 efficacy, with areas for improvement identified and relevant measures implemented where necessary.

9.3. 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 profitability of the business activities, the propriety and reliability of the internal and external accounting measures and compliance with the regulations relevant to the VARTA Group.

Internal control systems are implemented at individual Group companies that are appropriate for the respective situations. These are then subject to continuous further improvement and enhancement measures. 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 Company's headquarters in Ellwangen.

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

9.4. Risk situation

Among all identified opportunities and risks, we explain below those areas which from today's viewpoint could materially affect the financial position and financial performance 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	low
	Risk to industrial safety and environmental protection	low
	Procurement risks	high
	Continuous price pressure	low
	IT	low
Strategic risks	Restriction through potential substitute technologies	medium
	Dependence on one client	medium
	Patent infringement by competitors	low
	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 provisions of goods and services	low
	Payments of tax arrears	low
Other risk	Compliance risks	low

9.5. 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. In connection with the expanded production and warehousing areas, this risk is accordingly categorized as low for 2021 and subsequent years.

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 key raw materials and components, are minimized by permanent market observations, long-term supplier cooperations with a pronounced emphasis on quality and by purchasing strategic components from more than one source. The currently strained political and economic situation is also impacting our procurement chains. Increasing prices on procurement markets and various supply shortages for a wide-range of materials in addition to logistical bottlenecks also represent a risk for VARTA. Procurement and logistical risks are categorized as high for VARTA at the present moment. Should the war in Ukraine continue to escalate, negative effects on our production processes (energy costs), which would have a corresponding adverse impact on revenue and profit, cannot be ruled out. So far, VARTA AG has been able to hold its ground in the current environment and serve its customers accordingly.

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 up to this point either. Based on our experiences of COVID-19 in both 2020 and 2021, 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.

9.6. 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. Following initial successes at the United States Patent and Trademark Office (USPTO), this risk is accordingly assessed as low.

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 Lithium-Ion CoinPower 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.

9.7. 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 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.

With the approval of a grant of around € 300 m as part of the IPCEI (Important Projects for Common European Interest) initiative, VARTA AG is advancing the further development of lithium-ion battery technology. 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 utilization 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.

9.8. 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.

9.9. 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. 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 advanced in order to be able to meet the increasing demand for lithium-ion batteries.

9.10. Overall risk situation for the Group

The risk from unfavorable changes in exchange rates is countered by hedging the main currencies. The risks of rising prices for raw materials and logistics/transportation costs in the area of operational risks will be offset by shorter freighting distances. Additional costs that result from supply chains and which cannot be offset through efficiency gains are passed on to the customer in the form of increased prices in order to mitigate the overall risk for VARTA AG. The risks of labor cost disadvantages compared with competitors based mainly in the Far East is countered by further automation of production processes in Germany and by the optimal use of the production network in Asia and Eastern Europe. Building extensions helps 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 in the prior year 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 outlined above, as well as reviewing the viability for the VARTA Group, no major effects on the Group's strategic goals are expected.

10. Outlook

The structural growth of the core markets, the company's strong market position in these core markets according to its own assessment and the continued high level of investments in the expansion of production capacities will lead to a positive business development in 2022. This outlook is based on the assumption of constant exchange rates.

Despite the ongoing global COVID-19 pandemic and fluctuating infection rates, the Company remains very well positioned. Production activities at proprietary facilities have continued without interruption since the start of the crisis. Although many companies around the world have suffered supply chain interruptions, VARTA has been able to maintain its supply chains at all times. Nevertheless, negative impacts on the VARTA AG Group are unable to be totally ruled out.

At present, the war in Ukraine and assessment of future developments are difficult to evaluate in terms of their impact on the Company. The share of revenue attributable to Ukraine, Belarus and Russia is less than 1% of consolidated revenue and takes place exclusively via supply contracts. The company does not operate its own plants in these countries. VARTA also does not maintain any supplier relationships on the procurement side. As such, the potential negative impact from this crisis area is currently assessed as low.
Increased prices for raw materials and energy resulting from this crisis cannot be estimated, nor whether these will have a lasting effect. The Company expects to be able to pass these cost increases on to customers in the form of increased prices. However, this will only be implemented with a time delay and is dependent on the market and competitive situation.
Possible supply chain interruptions are being counteracted by increased stockpiling of raw materials. In the event of longer-lasting interruptions or persistently rising raw material prices, production interruptions or negative impacts on revenue and profit cannot be ruled out.
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, for example owing to the ongoing pandemic. In addition, there is a very high demand for semiconductors worldwide, which is leading to production interruptions or in some cases causing manufacturers to selectively use the electronic components available to them.

Overall statement on future development
The guidance outlined in the following section was prepared prior to the Russian military invasion of Ukraine. Due to the fact that it is exceptionally difficult to accurately assess the impacts of this crisis, it was not possible to credibly take account of it in the outlook.

VARTA AG Group
In view of the diverse risk situation, Group revenue of between € 950 m and € 1.0 bn is expected for 2022. This would equate to growth of up to around 10 % against the previous year.

Adjusted operating earnings (EBITDA) is anticipated to total between € 260 m and € 280 m compared to €282.9 m in the past financial year. The risk situation outlined above and set-up costs in connection with V4Drive cells could negatively impact the Company's profit development.

VARTA will continue to invest in the expansion of its production capacities for lithium-ion batteries, with a focus on the following two aspects: First, following the completion of the pilot production line for V4Drive round cells, the focus will be on establishing additional highly automated production capacities in order to be able to fulfill existing and expected future OEM contracts, while second, capacities for CoinPower cells (TWS) will be increased in line with the demand situation. This can be implemented at short notice thanks to the new building opened at the Nördlingen site in 2021.
CAPEX – cash outflows for the purchase of intangible assets and property, plant and equipment – will exceed the level recorded in fiscal year 2021 and, depending on the investment requirement for V4Drive cells, could amount to between € 230 m and € 280 m in the current year.

Lithium-Ion Solutions & Microbatteries segment
The focus of the "Lithium-Ion Solutions & Microbatteries" segment is on OEM business with lithium-ion and zinc-air batteries in addition to the Lithium-Ion Battery Packs business.
The current situation will adversely impact the fundamentally sound demand for lithium-ion batteries for True Wireless Stereo Headsets (TWS) in the area of Lithium-Ion

CoinPower applications. VARTA can take advantage of growth opportunities through the short-term expansion of production capacities. In the hearing aid batteries business, the company intends to further consolidate its market-leading position in a market subject to structural growth. The Company expects moderate growth in the area of zinc-air batteries and will benefit from its highly automated and efficient production plants. The structural transition towards rechargeable hearing aid batteries will again lead to high growth rates in 2022 in the rechargeable area. In terms of the Lithium-Ion Battery Packs business, very high growth rates are anticipated.
The "Lithium-Ion Solutions & Microbatteries" segment will continue to record significant growth in fiscal year 2022 on a comparable basis. The focus of this growth is expected to be on the second half of the year. Due to the set-up costs associated with V4Drive cells, adjusted EBITDA is likely to be on a par with the prior year.

Household Batteries segment
The "Household Batteries" segment consists of the two business areas Consumer and Energy Storage Systems. Its focus is on Consumer business with its own sales, marketing and production.
The Consumer business will record further growth in fiscal year 2022, with a particular emphasis in this context on further expanding the brand business. Very significant revenue growth is expected in the area of stationary energy storage systems, which should at least match the level of market growth.
The "Household Batteries" segment will record growth in fiscal year 2022 that is comparable with that seen in 2021. Adjusted EBITDA will be more or less on a par with the level recorded in the previous year. However, increased raw materials prices and exchange rate fluctuations will have a negative impact here.

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.

11. 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.

12. Final Declaration regarding the Independence Report

The Executive Board declares pursuant to Section 312 (3) of the German Stock Corporation Act (AktG) that VARTA AG, Ellwangen (Jagst), 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.

13. Takeover Law Information

As of December 31, 2021, the subscribed capital of VARTA AG 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.

Appointment and dismissal of Executive Board members
The appointment and dismissal of members of the Executive Board is regulated by Sections 84 and 85 of the German Stock Corporation Act (AktG). The Executive Board comprises a minimum of two members pursuant to Article 6 of the Articles of Association. 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 authorized to increase the share capital, one or several times, against contributions in cash and/or in kind up to a current 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 € 11,840 k 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), Prof. DDr. Michael Tojner holds a stake in VARTA AG amounting to 55.45 % via the latter's subsidiary VGG AG, Vienna (Austria), which is a subsidiary of Montana Tech Components AG.

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

Ellwangen (Jagst), Tuesday, March 29, 2022
VARTA Aktiengesellschaft

Chief Executive Officer	Chief Financial Officer	Chief Technology Officer
- Herbert Schein -	- Armin Hessenberger -	- Rainer Hald -

Push for future.

Consolidated financial statements

Consolidated statement of financial position as at December 31, 2021

VARTA Aktiengesellschaft, Ellwangen (Jagst)

(€ k)	NOTES	DECEMBER 31, 2021	DECEMBER 31, 2020
ASSETS			
Property, plant and equipment	7/10	711,346	596,582
Intangible assets	8	71,227	63,933
Long-term investments and other participations recognized in the balance sheet under the equity method	9	60	73
Other financial assets	11/38	0	288
Deferred tax assets	16	6,035	6,107
Other assets	14	17,644	19,921
Non-current assets		**806,312**	**686,904**
Inventories	12	157,110	133,328
Contract assets	13/38	6,736	2,636
Trade receivables	13/38	162,903	120,136
Other financial assets		108	1,076
Tax refund claims		3,764	1,910
Other assets	14/38	40,133	54,924
Cash and cash equivalents	15	73,107	121,889
Current assets		**443,861**	**435,899**
Total assets		**1,250,173**	**1,122,803**

(€ k)	NOTES	DECEMBER 31, 2021	DECEMBER 31, 2020
EQUITY AND LIABILITIES			
Subscribed capital		40,422	40,422
Capital reserve		252,275	251,705
Retained earnings		111,009	114,414
Net income		125,956	95,411
Other reserves		2,834	-3,188
Equity of the VARTA AG Group	**17**	**532,496**	**498,764**
Non-controlling interests		0	311
Total Equity	**17**	**532,496**	**499,075**
Lease liabilities		80,710	63,843
Other financial liabilities	19	117,990	51,103
Provisions for employee benefits	20	68,837	77,081
Advance payments received	22/38	14,208	47,161
Other liabilities	23	0	54
Deferred tax liabilities	16	2,397	4,240
Other provisions	24	2,897	1,934
Accruals	25	2,878	625
Non-current liabilities		**289,917**	**246,041**
Tax liabilities	21	50,540	45,710
Lease liabilities		16,995	14,196
Other financial liabilities	19	85,785	6,323
Provisions for employee benefits	20	3,442	2,353
Contract liabilities	22/38	4,374	5,865
Trade payables and advance payments received	22/38	132,132	137,358
Other liabilities	23	22,747	34,668
Other provisions	24	19,197	39,200
Accruals	25	92,548	92,014
Current liabilities		**427,760**	**377,687**
Liabilities		**717,677**	**623,728**
Equity and total liabilities		**1,250,173**	**1,122,803**

Consolidated income statement for the period January 1, 2021 to December 31, 2021

VARTA Aktiengesellschaft, Ellwangen (Jagst)

(€ k)	NOTES	2021	2020
Sales revenue	26/6	**902,931**	**869,583**
Increase (PY Decrease) in finished and unfinished goods	27	11,311	-4,175
Own work capitalized		9,318	4,980
Other operating income	31	72,031	37,390
Cost of materials	28	-333,154	-315,547
Personnel expenses	29	-247,805	-257,088
Other operating expenses	32	-132,453	-122,512
EBITDA		**282,179**	**212,631**
Depreciation and amortization	30	-95,669	-66,617
Operating earnings (EBIT)		**186,510**	**146,014**
Financial income	34	1,545	336
Financial expenses	34	-6,490	-5,334
Sundry financial income	35	358	1,953
Sundry financial expenses	35	-4,834	-9,845
Financial result		**-9,421**	**-12,890**
Earnings before taxes		**177,089**	**133,124**
Income tax expenses	36	-51,133	-37,616
Net Income		**125,956**	**95,508**
Appropriation of profit:			
Shareholders of VARTA AG		125,956	95,411
Non-controlling interests		0	97

Consolidated statement of comprehensive income for the period January 1, 2021 to December 31, 2021

(€ k)	NOTES	2021	2020
Consolidated result		**125,956**	**95,508**
Items that will not be reclassified under profit or loss			
Revaluation of the net defined benefit liability	20	6,964	-8,818
Revaluation of the reimbursement claim	20	-1,840	2,311
Related tax	21	-1,486	1,831
		3,638	**-4,676**
Items that were reclassified or may be reclassified later under profit or loss			
Currency translation differences	35	6,022	-7,668
Result of fair value changes in cash flow hedges	38	0	36
Related tax	36	0	-13
		6,022	**-7,645**
Other comprehensive income for the period, net of tax		**9,660**	**-12,321**
Comprehensive income		**135,616**	**83,187**
Profit attributable to:			
Shareholders of VARTA AG		135,616	83,091
Non-controlling interests		0	96

Earnings per share	NOTE	2021	2020
Basic earnings per share	18	3.12	2.36
Diluted earnings per share	18	3.12	2.36

Consolidated statement of cash flows for the period January 1, 2021 to December 31, 2021

(€ k)	NOTE	2021	2020
Cash flow from ongoing operating activities			
Earnings before taxes		177,089	133,124
Net financial result less sundry financial expense/sundry financial income	35	4,945	4,998
Depreciation and amortization	30/7/8	95,669	66,617
Losses from the sale of property, plant and equipment and intangible assets		155	166
Other non-cash income (PY income)		-1,632	-1,764
Change in working capital			
Inventories	12	-22,866	-20,381
Trade receivables and other current assets	13	-34,323	13,330
Trade payables and other current and non-current liabilities	22	-32,597	43,018
Provisions and liabilities from pensions	20	-20,449	32,883
Income tax paid		-51,488	-39,128
Net cash flow from ongoing operating activities		**114,503**	**232,863**
Cash flow from investing activities			
Capital expenditure on the acquisition of intangible and tangible assets	30/7/8	-174,791	-302,202
Own work capitalized		-9,318	-4,980
Cash receipts from the sale of intangible and tangible assets		2,395	1,507
Payments from raising loans		0	6
Investment in investments less acquired cash and cash equivalents	37	557	-67,642
thereof acquisition of VARTA Consumer less acquired cash and cash equivalents	37	5,358	-67,767
thereof acquisition of VARTA Micro Innovation GmbH less acquired cash and cash equivalents	2/37	-4,290	0
Receipts from the repayment of loans		285	13
Interest received	34	1,539	329
Cash flow from investing activities		**-179,333**	**-372,969**
Cash flow from financing activities			
Payments for leasing liabilities	10	-18,408	-14,039
Payments from the payment of interest-bearing financial liabilities	19	188,178	41,406
Repayments of interest-bearing current financial liabilities	19	-6,192	-3,371
Repayments of interest-bearing non-current financial liabilities	19	-42,250	0
Payment of dividend and distribution to non-controlling interests	17	-102,265	0
Interest paid	34	-4,890	-4,110
Cash flow from financing activities		**14,173**	**19,886**
Net change in cash and cash equivalents		-50,657	-120,220
Cash and cash equivalents as of January 1	15/37	121,889	244,781
The effects of changes in foreign exchange rates		1,875	-2,672
Cash and cash equivalents as of December 31	**15**	**73,107**	**121,889**

Consolidated statement of change in equity

(€ k)	ISSUED CAPITAL	CAPITAL RESERVE	RETAINED EARNINGS*	OTHER RESERVES *CURRENCY TRANSLATION ADJUSTMENTS*	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							
Net income	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**

(€ k)	ISSUED CAPITAL	CAPITAL RESERVE	RETAINED EARNINGS*	OTHER RESERVES *CURRENCY TRANSLATION ADJUSTMENTS*	OTHER RESERVES *HEDGING RESERVE*	NON-CONTROLLING INTERESTS	TOTAL EQUITY
As of January 1, 2021	**40,422**	**251,705**	**209,825**	**-3,209**	**21**	**311**	**499,075**
Effect of share-based payment	0	570	0	0	0	0	570
Acquisition of minority interest	0	0	-189	0	0	-311	-500
Profit distribution paid	0	0	-2,019	0	0	0	-2,019
Dividend distribution shareholders VARTA AG	0	0	-100,246	0	0	0	-100,246
Comprehensive income							
Net income	0	0	125,956	0	0	0	125,956
Other comprehensive income	0	0	3,638	6,022	0	0	9,660
Comprehensive income	**0**	**0**	**129,594**	**6,022**	**0**	**0**	**135,616**
As of December 31, 2021	**40,422**	**252,275**	**236,965**	**2,813**	**21**	**0**	**532,496**

Consolidated Notes of VARTA AG
for fiscal year 2021

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 VARTA Aktiengesellschaft and its subsidiaries (collectively, "VARTA AG Group"). The reporting date for VARTA AG, all subsidiaries and for the consolidated accounts is December, 31, 2021. 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), which are applied in the EU.

The business activities of VARTA AG, which it conducts through its operating subsidiaries, comprise production, sales, research and development in two business segments: "Lithium-Ion Solutions & Microbatteries" (previously Microbatteries & Solutions) and "Household Batteries". The VARTA AG Group is a globally operating international company with 135 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 fiscal year 2021, there were the following changes in the scope of consolidation:

	2021		2020	
	FULL CONSOLIDATION	EQUITY CONSOLIDATION	FULL CONSOLIDATION	EQUITY CONSOLIDATION
As of January 1	**43**	**1**	**12**	**1**
Disposals	-2	0	0	0
Start-Up	1	0	1	0
Acquisition	2	0	30	0
As of December 31	**44**	**1**	**43**	**1**

Start-ups
VARTA Drive GmbH
The company VARTA Drive GmbH was established as a subsidiary of VARTA AG on March 10, 2021. The company, which is based in Ellwangen, was registered in the Commercial Register under the number 741905. The object of the company is to conduct research into energy storage products and to manufacture and sell energy storage products.

Business combinations
VARTA Innovation GmbH
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%, which meant that the Group 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, namely VGG AG, Vienna/Austria, granted the retiring dormant shareholders 1,305 shares in VARTA AG.

Following the acquisition, VARTA Micro Innovation GmbH, Graz/Austria, was merged into VAMI-SK neunzehn GmbH on May 18, 2021 and renamed as
VARTA Innovation GmbH, Graz/Austria.

VARTA Micro Innovation GmbH was established by VARTA Microbattery GmbH, a subsidiary of VARTA AG, and Graz University of Technology (TU Graz). This new company will combine the experience of one of the world's oldest and, at the same time, most innovative manufacturer of batteries with the expertise of TU Graz, one of Europe's leading institutions in the area of fundamental electrochemical research in a unique manner.

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 TU 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 will also offer it in the form of contract research.

The acquisition is a staged business combination, since the existing shareholding of 17.74% in VARTA Micro Innovation GmbH will be recognized under "Other participations" in the Group until acquisition in financial year 2021.

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 (after consideration of the contractually agreed Purchase price adjustments based on the final acquisition balance sheet)	5,775
Equity instruments given (1,305 shares in VARTA AG)	171
Fair value of the existing equity interest of 17.74 % held in VARTA Micro Innovation GmbH	84
Recognition of asset for tax compensation (Indemnification asset)	-68
Total consideration transferred	**5,962**

The fair value of the shares given at the acquisition date was based on the share price of VARTA AG and came to € 171 k.

A gain of € 71 k 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.

The share purchase agreement provides for warranties if the income tax liability resulting from the reorganization of VARTA Micro Innovation GmbH under the code of obligations exceeds a defined threshold. On this basis, the Group has recognized an asset for tax compensation from the contractual warranty (indemnification asset). The asset is considered recoverable on the basis of the contractual agreement and the seller's creditworthiness.

b) Costs associated with the business combination

Costs of € 141 k for due diligence, legal and notary's fees were incurred in the Group in connection with the business combination. Of these costs, € 140 k was recognized in other operating expenses in fiscal year 2020, with € 1 k accounted for under other operating expenses in fiscal year 2021.

c) Identifiable assets acquired and liabilities assumed

The 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	1,061
Deferred tax assets	279
Trade receivables	83
Other current assets	715
Cash and cash equivalents	1,486
Deferred tax liabilities	-279
Financial liabilities	-445
Other provisions	-209
Advance payments received	-1,152
Trade payables	-7
Tax liabilities	-478
Other liabilities	-53
Total identified net assets acquired	**1,676**

Trade receivables comprised gross amounts of contractual receivables of € 83 k, of which € 0 k were estimated to be probably unrecoverable at the acquisition date.

d) Goodwill
The provisional goodwill resulting from the acquisition was recognized as follows:

(€ k)	JANUARY 1, 2022
Consideration transferred	5,962
Fair value of the identifiable net assets	-1,676
Goodwill	**4,286**

Goodwill results primarily from the development projects that have been initiated and the skills of the workforce. Recognized goodwill is not expected to be tax deductible.

e) Contributions to revenue and financial results
In the eleven months up to December 31, 2021, VARTA Micro Innovation GmbH contributed sales revenue of € 77 k and a profit of € 209 k to the consolidated result.

Had the acquisition of VARTA Micro Innovation GmbH taken place on January 1, 2021, the Executive Board estimates that the consolidated sales revenues would have been unchanged and the Group profit for the year would have been € 124,192 k.

Auditas
With the share purchase and transfer agreement of December 23, 2021, the Group exercised its option rights to purchase an additional 64.9 % of the shares in Auditas GmbH. The remaining 10 % of the shares were also acquired, meaning that VARTA AG now holds 100 % of the shares in Auditas GmbH. A purchase price of € 0.5 m was agreed. Since the Group already had control over the company because of its option rights, remeasurement is not required.

Consultancy fees of € 7 k were incurred in the Group in connection with the purchase of the shares in Auditas GmbH.

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

3. Notes explaining the Consolidated Accounting Principles

3.1. Declaration of compliance

Pursuant to Section 315e (1) of the German Commercial Code (HGB), the consolidated financial statements of VARTA AG and its subsidiaries for fiscal year 2021 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 Accounting Standards (IAS), which remain valid. The interpretations of the International Financial Reporting Interpretations Committee (IFRIC), application of which is obligatory on December 31, 2021, 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 50 % directly or indirectly, or for which management responsibility is performed equally, are accounted for in accordance with the equity method as specified in IAS 28.

The consolidated companies are presented in a table under note 42 "Investment companies".

3.4. Measurement basis

Assets are classified and measured at amortized cost, at fair value through other comprehensive income (FVOCI) or at fair value through 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 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 closing date. Equity is stated at historical rates. Expenses and income are translated into euro at average rates in 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 deconsolidation 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 closing 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 closing 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		RATE ON THE CLOSING DATE	
	2021	2020	2021	2020
US Dollar (USD)	1.183	1.142	1.133	1.227
British pound (GBP)	0.860	0.890	0.840	0.899
Romanian leu (RON)	4.922	4.838	4.949	4.868
Danish crones (DKK)	7.437	7.454	7.436	7.441
Swedish crones (SEK)	10.147	10.485	10.250	10.034

From these exchange rate effects, only USD/EUR are material for third parties. The remaining transactions are mainly between affiliated companies. The Chinese yuan (CNY), Norwegian krone (NOK), Hungarian forint (HUF), Swiss franc (CHF), Croatian kuna (HRK), Czech koruna (CZK), Russian ruble (RUB) and Turkish lira (TRY) also affect the consolidated financial statements, but the effect 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 measured 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 and 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) in the Group. 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. For hedging 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 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 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 appropriate 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. The subsequent annual impairment test is described in chapter 4.10 "Impairment Test".

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 useful.
- 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 between three and eight 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	6 - 50 years
Technical plant and machinery	4 - 20 years
Other equipment	2 - 25 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 ranging from 1.5 to 13 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 that 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 arising 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 notes 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, while purchased products are measures 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 moving 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 currently offers a single share-based remuneration program. This is an employee stock option program (ESOP), which was established by VGG AG, Vienna, Austria.

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 fair value of share-based payment systems was determined in accordance with the Black Scholes formula. For further details, please refer to note 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 otherwise consider
- 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 CQS 3. The VARTA AG Group applies the simplified approach to current trade receivables (see 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 that 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 are such indications are uncovered, an impairment test will be carried out.

For intangible assets that 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. In essence, 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 that can be attributed to new or improved plan benefits (past service cost) is recognized on a straight-line basis as an 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 applied 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 implement (see Chapter 20.2 "Pensions").

4.12. Government grants

Government grants, which are used to offset 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 over 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, while all other provisions are classified 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, in the case of 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 probably 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 insofar 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 context, 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 "Lithium-Ion Solutions & Microbatteries" 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.

Lithium-Ion Solutions & Microbatteries
The Lithium-Ion Solutions & Microbatteries segment (previously Microbatteries & Solutions) has been re-named and focuses on manufacturing microbatteries for applications in the Microbatteries, Lithium-Ion CoinPower, Lithium-Ion Large Cells businesses as well as the Lithium-Ion Battery Packs business. 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 Microbatteries, 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 Lithium-Ion CoinPower business area. 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 Lithium-Ion Large Cells 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 or smart meters.

The Lithium-Ion Battery Packs area is focused on the development, system integration and assembly of lithium-ion battery packs 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.

In the area of Consumer Batteries, VARTA is a European market leader in the area of household device batteries with production located in Germany. The innovative, high-quality products are developed and manufactured using cutting-edge technology and 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 the best energy solutions.

By developing and manufacturing energy storage solutions within its Energy Storage Systems 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 such as 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 2021

The effects of the new accounting policies applied from January 1, 2021 are disclosed below. They have resulted in no significant effects for the Group.

Rental concessions granted in the context of the Covid-19 pandemic after June 30, 2021

This amendment extends the period in which the amendments to IFRS 16 apply by one year from May 2020. This means that lessees are exempted from assessing whether a rental concession related to the coronavirus pandemic constitutes a modification to the lease.

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 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.

As of the closing date, it is assumed that the IBOR reform will not have any material impact on VARTA.

4.22.New and amended IFRS standards after December 31, 2021

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
Amendments adopted in EU law:		
Standards		
IFRS 17	Insurance contracts (incl. Amendments to IFRS 17)	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
IFRS 3	Reference to the Conceptual Framework	January 1, 2022
IAS 8	Amendment Definition of Accounting Estimates	January 1, 2023
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
Not yet adopted in EU law:		
Amendments:		
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	January 1, 2022
IFRS 17		
IAS 12	Deferred Tax related to Assets and Liabilities arising from Single Transaction	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.

IFRS 17 – Insurance Contracts

IFRS 17 replaces IFRS 4 and therefore sets uniform requirements for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features for the first time. Under the IFRS 17 measurement model, groups of insurance contracts are measured on the basis of the expected value of discounted cash flows, including an explicit risk adjustment for non-financial risk and a contractual service margin, which leads to recognition of a profit corresponding to fulfillment of the contract.

Instead of premium income, the changes from the liability for granting insurance cover in each period are shown as "insurance turnover", for which the insurance company receives payment and the part of the premiums that covers the acquisition costs. In-payments and out-payments of savings components are not recognized as revenue or income or expenditure in the income statement. Insurance financial income and expense result from discounting effects and financial risks. Depending on the portfolio, they can either be recognized through profit or loss in the income statement or in other comprehensive income.

Changes in assumptions that do not relate to interest rates or financial risks are not recognized immediately in the income statement but are posted against the contractual service margin and therefore spread over the period remaining for fulfillment of the contract. Changes to estimates are only recognized immediately for groups of insurance contracts that are likely to incur losses.

IFRS 17 provides for an approximation method for short-term contracts, which depicts the liability for granting insurance cover via unearned premiums, as was previously the case. Liabilities for insurance claims that have been incurred but not yet been settled must be discounted with the current interest rates under IFRS 17. For large parts of with-profits life insurance business, IFRS 17 modifies the general measurement model to the effect that changes to the shareholder's share in the development of the sources of income on which the profit participation is based are also recognized in the contractual service margin and spread over the period remaining for fulfillment of the contract.

If retrospective application is not possible, the contractual service margin can be determined at the transition date on the basis of a modified retrospective process or by comparing the expected value of the discounted cash flows and risk adjustment with the fair value at the transition date.

The changes from June 2020 include postponement of first-time application of IFRS 17 from January 1, 2021 by two years to January 1, 2023.

The exemption applicable to insurance companies from first-time application of IFRS 9 is also postponed to January 1, 2023, meaning that both standards can still be applied simultaneously for the first time.

The changes also largely relate to the following areas:

- Accounting for certain cash and cash equivalents (e.g. credit cards) (exemption from scope or analysis) and loans (option to apply either IFRS 17 or IFRS 9), where they include insurance risks.
- Recognition of profits not only in line with the insurance cover provided but also in line with investment management services supplied.
- Distribution of acquisition costs to expected contract extensions outside the contract limits of the original contract as well.
- Consideration of risk management measures not only when mitigating risks via derivatives but also when mitigating risks via reinsurance or traditional financial instruments.
- Recognition of assets and liabilities from insurance contracts at portfolio level instead of at group level of insurance contracts.
- The reinsurance of loss-prone contracts is to be allowed to be considered as a profit to the extent that it covers the loss-prone contracts.
- Accounting for obligations for losses assumed as part of a business acquisition before the transition to IFRS 17.
- The changes are applicable to reporting periods starting on or after January 1, 2023. Premature application of the changes is permissible.

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 to reporting periods starting on or after January 1, 2022. Premature application of the amendments is permissible.

Annual Improvements to IFRS
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 to reporting periods starting on or after January 1, 2022. Premature application of the amendments is permissible.

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

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 8 – Amendment to the definition of accounting estimates
The amendment to IAS 8 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 amendments are applicable to reporting periods starting on or after January 1, 2023. Premature application of the amendments is permissible.

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 to reporting periods starting on or after January 1, 2023. Premature application of the amendments 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 amendments to Practice Statement 2 accordingly indicate how the concept of materiality is applied to the disclosure of accounting policies. 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. Premature application of the amendments is permissible.

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 17 – First-time application of IFRS 17 and IFRS 9 - Comparative Information
The amendment to IFRS 17 introduces the possibility of applying a classification overlay approach if certain preconditions are met. This makes the comparative information on financial instruments in the year before first-time application of IFRS 17, i.e., in 2022, more meaningful. The classification overlay approach can be applied if a financial asset is not restated in view of the comparative information in IFRS 9 when IFRS 17 and IFRS 9 are applied simultaneously for the first time. When the classification overlay approach is applied, the current level of information at the transition date is used for classification into the categories of IFRS 9 i.e., how the company plans to classify its financial assets when applying IFRS 9 for the first time. In principle, comparative information is disclosed as if the classification and measurement provisions in IFRS 9 had already been applied in the comparative period, with the exception of impairment rules where use of the classification overlay approach does not necessitate disclosure in accordance with IFRS 9. Differences between the previous carrying amount of a financial asset and the result arising from the classification overlay approach must be recognized in equity.

The extent to which a company has made use of the approach (for example whether it was applied to all financial assets being disposed of in 2022) must be disclosed and whether and to what extent disclosures followed the impairment rules of IFRS 9.

On first-time application of IFRS 9 on January 1, 2023, the transitional provisions applicable under IFRS 9 must be applied regardless of whether the classification overlay approach was applied or not.

The amendments are 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, requires an endorsement in the EU.

IAS 12 – Deferred taxes that relate to assets and liabilities arising from a single transaction
The amendments address existing uncertainties regarding the accounting for deferred taxes associated with leases and disposal and restoration obligations.

If assets and liabilities are recognized for the first-time, the initial recognition exemption previously applied subject to certain preconditions (IAS 12.15). In these cases, deferred taxes are exceptionally not to be recognized. In practice, it was uncertain whether this exemption also applied to leases and disposal and restoration obligations. A tightly formulated amendment to IAS 12 has now been introduced to guarantee uniform application of the standard.

Due to this amendment, the initial recognition exemption no longer applies to transactions where both deductible and taxable temporary differences of equal amounts arise on first-time recognition, even if the other preconditions that were previously valid are met. The amendment therefore results in a reverse exemption from the initial recognition exemption for narrowly defined cases. The amendments lead to deferred taxes having to be recognized for leases accounted for by the lessee and on disposal and restoration obligations.

The amendments are 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, 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 an 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 determining 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.

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 note 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 20.2 "Pensions".

In connection with the joint debt 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, which lead to a deviation 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 those tax rates, which 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 in the notes to 16 "Deferred taxes".

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 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 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.

Subsidies and public grants
VARTA receives government grants to promote important projects of common European interest. They are granted on application, i.e. they are not a contractually agreed service (and consideration). In principle, the grants are not designed to be repayable either.

The Group recognizes government grants – in accordance with IAS 20.7 – if there is reasonable assurance that the Group will meet the conditions associated with the grants and that they will be awarded. Receipt of a grant does not of itself provide conclusive evidence that the conditions attaching to the grant have been or will be fulfilled (IAS 20.8).

VARTA established that in the present case the awarding of the grants is linked to actual expenses incurred for the subsidized projects. This means that the earliest point at which possible grants can be recognized is when the respective expenditure was incurred, or investment was undertaken.

An assessment as to whether or when there is reasonable assurance that the grants will be received will be made from this point bearing in mind the following aspects, among others:

- that the planned incidental provisions are met
- that the claw-back mechanism does not lead to repayment of the respective grant, as there are no surpluses or insufficient surpluses in the period under review
- that there are sufficient budget funds available from the German government and the state government for grants to be paid out

If the overall assessment is that there is reasonable assurance regarding the grants (and non-repayment of these grants), the respective grant will be recognized in accordance with IAS 20.7. IAS 20.29 offers an option for the presentation of performance-related grants. At VARTA, grants are accounted for as “grants" in other operating income.

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 of 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 and adjusted EBITDA and are not regularly reported to the Executive Board otherwise.

The operating segments “Microbatteries”, “Lithium-Ion CoinPower", “Lithium-Ion Large Cells", “Lithium-Ion Battery Packs", “Consumer" and “Energy Storage Systems" (previously "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 "Microbatteries", "Lithium-Ion CoinPower", "Lithium-Ion Large Cells" and “Lithium-Ion Battery Packs" are combined into the reporting segment "Lithium-Ion Solutions & Microbatteries". The two operating segments "Consumer" and "Energy Storage" are combined 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 used to assess the performance of the operating segments are shown below:

Information by reportable segments:

(€ k)	Lithium-Ion Solutions & Microbatteries 2021	Lithium-Ion Solutions & Microbatteries 2020	Household Batteries 2021	Household Batteries 2020	Total 2021	Total 2020	Reconciliation 2021	Reconciliation 2020	Group 2021	Group 2020
Segment revenue	529,920	523,676	388,573	361,147	918,493	884,823	0	304	918,493	885,127
Revenue with other segments	15,558	15,544	4	0	15,562	15,544	0	0	15,562	15,544
Revenue with third parties	514,362	508,132	388,569	361,147	902,931	869,279	0	304	902,931	869,583
Thereof Point-in-time	484,762	497,169	383,037	339,692	867,799	836,861	0	304	867,799	837,165
Thereof Point-over-time	29,600	10,963	5,532	21,455	35,132	32,418	0	0	35,132	32,418
Depreciation and amortization	-78,539	-51,198	-17,130	-15,418	-95,669	-66,616	0	0	-95,669	-66,617
Material effects in income and expenses	0	0	0	-24,902	0	-24,902	-677	-3,496	-677	-28,398
EBITDA	**216,494**	**186,993**	**66,362**	**29,134**	**282,856**	**216,127**	**-677**	**-3,496**	**282,179**	**212,631**

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

(€ k)	2021 Not assingable to core business	2021 Special effects	2021 Total	2020 Not assingable to core business	2020 Special effects	2020 Total
Sales revenue	**0**	**0**	**0**	**304**	**0**	**304**
Effects in income and expenses	0	-677	-677	0	-28,398	**-28,398**
EBITDA	**0**	**-677**	**-677**	**0**	**-28,398**	**-28,398**

Items that are not assigned to a segment are shown in "Not assignable to core business". Sales revenue mainly contains the sales revenue from IT services of € 0.0 m (2020: € 0.3 m). The effects in income and expenses mainly consist of special effects, which cannot be assigned directly 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 2021, 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 € 0.1 m (2020: € 0.9 m) and effects from share-based payment of € 0.6 m (2020: € 1.1 m) were attributable to VARTA AG as the parent company.

The following table shows the reconciliation of the segments' EBITDA to earnings before taxes.

(€ k)	2021	2020
EBITDA	282,179	212,631
Depreciation and amortisation	-95,669	-66,617
EBIT	186,510	146,014
Financial result	-9,421	-12,890
Result from joint ventures	0	0
Earnings before taxes	**177,089**	**133,124**

Geographical segment information

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

(€ k)	2021 REVENUES*	DECEMBER 31, 2021 NON-CURRENT ASSETS**	2020 REVENUES*	DECEMBER 31, 2020 NON-CURRENT ASSETS**
Europe	523,189	766,058	463,983	654,908
Thereof Germany	210,853	721,476	188,454	637,381
America	49,196	4,005	58,403	564
Asia	318,889	12,510	331,219	5,043
Other	11,657	0	15,978	0
Total Group	**902,931**	**782,573**	**869,583**	**660,515**

* Sales revenues are based on the customer's headquarters.
** 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 "Lithium-Ion Solutions & Microbatteries" segment.

Products and services

The Group's revenue and trade receivables and contract assets are split as follows between products and services:

(€ k)	2021 REVENUES	DECEMBER 31, 2021 TRADE RECEIVABLES AND CONTRACT ASSETS	2020 REVENUES	DECEMBER 31, 2020 TRADE RECEIVABLES AND CONTRACT ASSETS
Of which from product sales	899,123	165,809	867,565	122,232
Of which from the sale of services	3,808	3,830	2,018	540
Total Group	**902,931**	**169,639**	**869,583**	**122,772**

Significant customers

In 2021, revenue with a specific customer amounted to € 236.5 m, which equates to a share of revenue of more than 10 % of consolidated revenue. In the previous year, revenue with one customer and a share of revenue of more than 10 % amounted to € 227.4 m. The revenue is attributable to the "Lithium-Ion Solutions & Microbatteries" segment (previous year "Microbatteries").

7. Property, plant and equipment

(€ 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, 2020	**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
Additions	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
As of December 31, 2020	**3,165**	**18,057**	**71,819**	**344,598**	**14,408**	**64,950**	**7,910**	**198,191**	**723,098**
Currency differences	0	-4	434	522	571	197	-453	-61	1,206
Changes in consolidation scope	0	348	34,944	15,878	0	5,307	1,399	147,539	205,415
Additions	0	0	475	439	0	6	0	0	920
Disposals	0	0	-667	-8,982	-8	-1,121	-1,022	0	-11,800
Reclassifications	0	1,276	0	44,428	0	8,714	0	-55,119	-701
As of December 31, 2021	**3,165**	**19,677**	**107,005**	**396,883**	**14,971**	**78,053**	**7,834**	**290,550**	**918,138**

(€ 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
Cumulative depreciation and amortization and impairment losses									
As of Jan 1, 2020	**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 Dec 31, 2020	**0**	**651**	**9,790**	**86,357**	**2,786**	**24,083**	**2,849**	**0**	**126,516**
Currency differences	0	-1	274	242	212	156	-226	0	657
Additions	0	788	12,326	61,949	3,085	8,187	2,256	0	88,591
Disposals	0	0	-446	-7,529	-8	-135	-854	0	-8,972
Reclassifications	0	0	0	-8	29	8	-29	0	0
As of Dec 31, 2021	**0**	**1,438**	**21,944**	**141,011**	**6,104**	**32,299**	**3,996**	**0**	**206,792**
Carrying amounts									
Carrying amounts on Jan 1, 2020	0	345	22,466	88,393	9	17,308	2,453	116,922	**247,896**
Carrying amounts on Dec 31, 2020	3,165	17,406	62,029	258,241	11,622	40,867	5,061	198,191	**596,582**
Carrying amounts on Dec 31, 2021	3,165	18,239	85,061	255,872	8,867	45,754	3,838	290,550	**711,346**

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 remained virtually identical, having amounted to € 258.2 m in 2020 compared with € 255.9 m in 2021.

Accordingly, depreciation and amortization of property, plant and equipment rose from € 60.7 m in 2020 to € 88.6 m in 2021. This sharp increase is mainly due to the rise in demand-driven investment in property, plant and equipment for the expansion of production capacity.

Additions include own work capitalized of € 0.8 m (2020: € 3.1 m). The decline is due to decreased investment in 2021 compared with 2020.

There were no restrictions on rights of ownership or disposal for property, plant and equipment during fiscal years 2020 and 2021. Order commitments from the purchase of property, plant and equipment amounted to € 95.1 m (2020: € 119.3 m).

8. Intangible assets

(€ k)	GOODWILL	TRADEMARK RIGHT AND OTHER INTANGIBLE ASSETS	COMMERCIAL PROPERTY RIGHTS	DEVELOPMENT COSTS	LICENSES	TOTAL
Acquisition values						
As of January 1, 2020	**500**	**12,577**	**958**	**18,505**	**0**	**32,540**
Currency differences	0	-2	0	0	0	-2
Additions	138	1,188	0	1,889	0	3,215
Additions in the scope of consolidation	0	22,203	22,429	0	0	44,632
Disposals	0	-82	-1	0	0	-83
Reclassifications	0	1,218	0	0	0	1,218
As of December 31, 2020	**638**	**37,102**	**23,386**	**20,394**	**0**	**81,520**
Currency differences	0	-1	0	12	2	13
Additions	0	1,389	0	7,357	8	8,754
Additions in consolidation scope	4,298	673	0	0	0	4,971
Disposals	0	-88	0	-69	0	-157
Reclassifications	0	23,129	-22,428	0	0	701
As of December 31, 2021	**4,936**	**62,204**	**958**	**27,694**	**10**	**95,802**

(€ k)	GOODWILL	TRADEMARK RIGHT AND OTHER INTANGIBLE ASSETS	COMMERCIAL PROPERTY RIGHTS	DEVELOPMENT COSTS	LICENSES	TOTAL
Cumulative depreciation and amortization						
As of Jan 1, 2020	**0**	**2,770**	**563**	**8,424**	**0**	**11,757**
Currency differences	0	1	0	0	0	1
Additions	0	3,441	301	2,164	0	5,906
Disposals	0	-77	0	0	0	-77
As of Dec 31, 2020	**0**	**6,135**	**864**	**10,588**	**0**	**17,587**
Additions	0	4,523	99	2,454	2	7,078
Disposals	0	-90	0	0	0	-90
Status December 31, 2018	0	192	-192	0	0	0
As of Dec 31, 2021	**0**	**10,760**	**771**	**13,042**	**2**	**24,575**
Carrying amounts						
Carrying amounts on Jan 1, 2020	500	9,807	395	10,081	0	**20,783**
Carrying amounts on Dec 31, 2020	638	30,967	22,522	9,806	0	**63,933**
Carrying amounts on Dec 31, 2021	4,936	51,444	187	14,652	8	**71,227**

In 2021, the Group received intangible assets of € 5.0 m through the acquisition of VARTA Innovation GmbH. A share of € 0.7 m was attributable to technology. The remaining share of € 4.3 m was attributable to the transferred goodwill.

Of the own work capitalized totaling € 9.3 m (2020: € 5.0 m), self-manufactured intangible assets, which are not yet ready for use, of € 6.9 m (2020: € 1.9 m) were recognized in 2021.

Research and development expenses amounting to € 22.8 m (2020: € 20.9 m) were recognized in the income statement.

There were no restrictions on rights of ownership or disposal for intangible assets during fiscal years 2020 and 2021.

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 € 30.6 m was allocated to the individual cash generating units (CGUs) as follows:

"Li-Ion Cells" (previously Entertainment) € 5.3 m, "Li-Ion Solutions" (previously Solutions) € 1.2 m, "Consumer Batteries" € 21.5 m, "Energy Storage" € 0.7 m and "Microbatteries" (previously Healthcare) € 1.9 m. The brand's useful life is classified as unlimited, as VARTA has succeeded in creating a strong brand during its company history of over 130 years, 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 € 2.3 m to the CGU "Microbatteries", €4.3 m to the CGU" Li-Ion Cells" and € 0.3 m to the CGU "Energy Storage". (In the previous year, € 0.1 m was attributable to the CGU "Entertainment", € 0.7 m to the CGU "Energy Storage" and € 1.1 m to the CGU "Solutions".).

The goodwill existing at the beginning of the fiscal year of € 0.6 m resulted from the acquisitions of Auditas and the VARTA Consumer Business. Auditas was assigned to the

"Microbatteries" segment in its entirety, while the VARTA Consumer Business was allocated to the "Consumer Batteries" segment in its entirety.

The addition to goodwill of € 4.3 m resulted from the acquisition of VARTA Innovation GmbH and was assigned to the "Li-Ion Cells" segment in its entirety.

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

	DECEMBER 31, 2020				
(IN PER CENT)	CGU ENTERTAINMENT	CGU SOLUTIONS	CGU CONSUMER BATTERIES	CGU ENERGY STORAGE	CGU HEALTHCARE
Discount rate (WACC) pre tax	10.6	11.0	11.0	11.0	10.4
Growth rate	1.5	0.7	0.8	0.7	1.0
Tax rate	29.5	29.5	29.5	29.5	29.5

	DECEMBER 31, 2021				
(IN PER CENT)	CGU LI ION CELLS	CGU LI ION SOLUTIONS	CGU CONSUMER BATTERIES	CGU ENERGY STORAGE	CGU MICROBATTERIES
Discount rate (WACC) pre tax	11.3	10.7	11.5	11.6	10.9
Growth rate	1.1	1.0	1.0	0.8	1.1
Tax rate	28.0	28.0	28.0	28.0	28.0

Data from the current long-term planning for the years from 2022 to 2024 was used for the calculation, where 2022 corresponds to detailed budget planning, while 2023 and 2024 are updated. The most significant planning variable to determine cash flows is revenue 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 weighted underlying 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 accounted for using the equity method and other participations

(€ k)	DECEMBER 31, 2021	DECEMBER 31, 2020
VW-VM Verwaltungsgesellschaft mbH i.L., 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	0	13
Ecopilhas - Sociedade Gestora de Residous de Pilhas e Acumuladores, Lda., Lisboa, Portugal	10	10
Ecobat s.r.o., Prague, Czech republic	2	2
SA Corepile, Paris, France	8	8
RE'LEM Nonprofit Kht., Budapest, Hungary	28	28
Total carrying amounts of other participations	**48**	**61**
Total carrying amounts of investments accounted for using the equity method and other participations	**60**	**73**

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 company was still in liquidation as of December 31, 2021.

The remaining 82.26 % of the shares in VARTA Micro Innovation GmbH were acquired by Connexio alternative investment & holding GmbH by on February 2, 2021. 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".

In response to country-specific obligations arising from VARTA Consumer business, all remaining other participations have been established as special purpose vehicles jointly with other battery manufacturers to take back batteries. There were no other participations in fiscal year 2021.

10. Leases

The Group leases various office buildings, warehouses as well plant and vehicles. Leases are usually concluded for fixed periods from 1,5 to 13 years but may include options to extend or may even be unlimited in individual cases. Changes to leased fixed assets are presented in note 7 "Property, plant and equipment".

Future lease payments based on non-terminable leases total:

(€ k)	DECEMBER 31, 2021	DECEMBER 31, 2020
Lease liabilities - current	16,995	14,196
Lease liabilities - non current	80,710	63,843
Total	**97,705**	**78,039**

(€ k)	DECEMBER 31, 2021	DECEMBER 31, 2020
thereof residual term of up to 1 year	17,826	15,043
thereof residual term of 1 to 5 years	54,533	44,089
thereof residual term of more than 5 years	31,299	22,565
Total minimum lease payments (undiscounted)	**103,658**	**81,697**

(€ k)	2021	2020
Amounts recognised in the income statement		
Interest expense on lease liabilities	1,160	718
Income from the subleasing of leased assets	-144	0
Expense from short-term leases	1,796	1,560
Expense from long-term leases of low-value assets	1,028	1,197
Total	**3,840**	**3,475**

There has been a sale & lease back agreement 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.

As of December 31, 2021, lease obligations have increased by € 19.7 m to € 97.7 m (2020: € 78.0 m). The increase was mainly attributable to the capitalization of the N3 production building in Nördlingen as of April 1, 2021. The entire allocation before discounting came to € 33.8 m, which led to an increase in discounted lease liabilities of € 31.4 m.

Moreover, there were no significant premature disposals of leases in fiscal year 2021.

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

11. Other financial assets

(€ k)	DECEMBER 31, 2021	DECEMBER 31, 2020
Loans	**0**	**288**
of which non-current	0	288

In the previous year, non-current receivables from affiliated companies of € 0.3 m were reported under loans. The loans were repaid in full as of December 31, 2021 as a result of the acquisition of the remaining shares in Auditas GmbH by VARTA AG.

12. Inventories

Inventories are divided into the following items:

(€ k)	DECEMBER 31, 2021	DECEMBER 31, 2020
Raw materials and supplies	74,891	55,628
Unfinished goods	34,525	25,228
Finished goods and merchandise	47,678	52,102
Advance payments made	16	370
Inventories	**157,110**	**133,328**
Impairment income (+) / expense (-) recognized in the income statement	-4,128	-750

Inventories rose in fiscal year 2021 because of the increase in business volume.

Impairments of inventories recognized as expense in the reporting period amounted to € 4.1 m (2020: € 0.8 m). In fiscal year 2021, as in the previous year, no reversals recognized as an impairment of the cost of materials in the reporting period were undertaken. The carrying amount of inventories after impairment totaled € 12.3 m (2020: € 12.9 m). Impairment losses of € 4.0 m relate to the "Lithium-Ion Solutions & Microbatteries" segment and € 0.1 m to the "Household Batteries" segment.

13. Trade receivables and contract assets

(€ k)	DECEMBER 31, 2021	DECEMBER 31, 2020
Receivables due from third parties (gross)	163,621	120,510
Receivables due from related parties	2,175	257
Total trade receivables	165,796	120,767
Contract assets	6,736	2,636
Gross trade receivables and contract assets	**172,532**	**123,403**
Less loss allowances	-2,893	-631
Net trade receivables and contract assets	**169,639**	**122,772**

In December, two of the existing framework agreement for the sale of receivables were terminated and one was newly concluded with new terms and conditions. The existing net receivables as of December 31, 2021 are reduced accordingly by € 55.3 m (2020: € 41.2 m) because of the new sale of receivables agreement. (see chapter 38.2 "Financial risk management").

Receivables due from third parties (gross) have risen by € 43.1 m year on year. This increase is largely due to the very strong fourth quarter compared with the same prior-year period.
Receivables include allowances of € 2.9 m, of which € 1.9 m relates to the "Lithium-Ion Solutions & Microbatteries" segment and € 1.0 m to the "Household Batteries" segment. These impairment losses are recognized under other operating expenses.

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

(€ k)	DECEMBER 31, 2021	DECEMBER 31, 2020
Trade receivables	162,903	120,136
Contract assets	6,736	2,636
Contract liabilities	4,374	5,865

Contract assets of € 0.7 m (2020: € 0.1 m) are mainly relate to the Group's claims for revenue that has not yet been invoiced. Furthermore, the Group's claims to consideration for products, which are held in consignment warehouses and had therefore not been invoiced at the reporting date, came to € 1.8 m (2020: € 1.3 m). Customer-specific products stocked in the warehouse have increased from € 1.3 m in 2020 to € 4.3 m as of December 31, 2021, which led to a rise in contract assets in comparison with the prior year. Contract assets are reclassified into receivables if the rights become unconditional and the Group issues an invoice to the customer.

Contract liabilities relate to the following circumstances:

(€ k)	DECEMBER 31, 2021	DECEMBER 31, 2020
Bonuses in kind	2,827	4,646
Take-back obligations	1,336	854
Customer projects	211	365
Total	**4,374**	**5,865**

By definition, only circumstances from claims to reimbursement and project business were recognized within contract liabilities.
Experience shows that contract liabilities as of December 31, 2021 will be recognized as income in the next 6 months. The amount of € 5.9 m as of December 31, 2020 was recognized almost entirely as revenue in fiscal year 2021.

14. Other assets

(€ k)	DECEMBER 31, 2021	DECEMBER 31, 2020
Other assets	**57,777**	**74,845**
Of which current	40,133	54,924
Of which non-current	17,644	19,921

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 € 17.6 m (2020: € 19.8 m) under non-current other assets.

Current other assets consisted of the following:

(€ k)	DECEMBER 31, 2021	DECEMBER 31, 2020
Receivables from development projects	18,455	16,682
Other tax receivables	6,475	12,527
Other Receivables	13,521	23,295
Miscellaneous other assets	1,682	2,420
Other assets	**40,133**	**54,924**

Receivables from promotional projects of € 18.5 m (2020: € 16.7 m) are due from the European Commission, the German Federal Ministry for Economic Affairs and Energy (BMWi), and the states of Bavaria and Baden-Württemberg.

Receivables from promotional projects amounting to € 6.0 m (2020: € 13.0 m) from the European Commission relate to government subsidies for projects in which the Group acts as coordinator in that it receives and manages the subsidies on a fiduciary basis from the funding authority. As one promotional project expired in 2021, advance payments passed to cooperation partners involved amounted to € € 4.4 m as of December 31, 2021 (2020: € 12.1 m).

The German Federal Ministry for Economic Affairs and Energy (BMWi) and the Federal States of Bavaria and Baden-Württemberg support 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 an IPCEI grant 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 Federal States will make subsidies of up to € 300 m available to VARTA AG within the framework of this 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 production 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 receivables from promotional project IPCEI has increased from € 3.6 m to € 12.5 m in 2021.

The fall in other tax receivables of € 6.1 m from € 12.5 m in 2020 to € 6.5 m in 2021 was largely due to the decline in sales tax receivables.

As of December 31, 2021, other receivables decreased by € 9.8 m year on year.

This decrease is primarily attributable to the partial payment of the tax reimbursement claims against Energizer Holding Inc. in the amount of € 5.4 m in connection with the acquisition of the VARTA Consumer companies. The remaining receivables still outstanding related to the tax reimbursement claim came to € 7.8 m as of December 31,

2021. Other receivables also included € 0.7 m for retentions for collateral purposes and other receivables from factoring (2020: € 4.0 m).

The item for miscellaneous other assets largely consists of prepaid expenses, which have reduced from € 2.4 m to € 1.7 m.

15. Cash and cash equivalents

Cash and cash equivalents can be broken down as follows:

(€ k)	DECEMBER 31, 2021	DECEMBER 31, 2020
Cash equivalents	0	225
Cash	19	21
Credit balances with financial institutions	73,088	121,643
Total	**73,107**	**121,889**

The item "Credit balances with financial institutions" contains fixed deposits with a term of up to three months of € 0.0 m (2020: € 0.2 m). The short-term investment from the previous year was repaid in the full amount of € 0.2 m in fiscal year 2021.

The sharp fall in cash and cash equivalents was due in essence to massive investment in property, plant and equipment.

16. Deferred taxes

Deferred taxes can be assigned to the following items:

(€ k)	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	Dec 31, 2021 NET	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	Dec 31, 2020 NET	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	Jan 1, 2020
Intangible assets	3,135	16,330	-13,195	3,773	17,530	-13,757	1,214	5,980	-4,766
Property, plant and equipment	1,924	9,049	-7,125	1,999	10,536	-8,537	1,083	60	1,023
Financial assets	18	20	-2	16	16	0	0	0	0
Other non-current assets	0	5,085	-5,085	0	5,772	-5,772	0	5,205	-5,205
Inventories	2,454	516	1,938	3,349	447	2,902	914	587	327
Trade receivables	659	2,464	-1,805	816	2,057	-1,241	5	533	-528
Other current assets	3,490	40	3,450	3,525	1,621	1,904	3,548	334	3,214
Other non-current liabilities	248	1,297	-1,049	2,617	0	2,617	1,154	2,470	-1,316
Non-current liabilities from pension plans	11,882	860	11,022	14,019	827	13,192	5,544	0	5,544
Current liabilities to banks	1,803	7	1,796	1,524	434	1,090	7	53	-46
Non-current liabilities to banks	7,707	120	7,587	5,197	0	5,197	0	0	0
Current provisions	1,024	204	820	920	0	920	348	0	348
Trade payables	2,275	372	1,903	2,623	281	2,342	1,917	0	1,917
Other current liabilities	2,812	595	2,217	2,261	2,525	-264	1,224	1,468	-244
Tax loss carryforwards	1,166	0	1,166	1,274	0	1,274	1,003	0	1,003
Offsets	-34,562	-34,562	0	-37,806	-37,806	0	-16,690	-16,690	0
Total	**6,035**	**2,397**	**3,638**	**6,107**	**4,240**	**1,867**	**1,271**	**0**	**1,271**

17. Equity

The following changes in equity were recorded at the VARTA AG Group in 2021:

	SUBSCRIBED CAPITAL	CAPITAL RESERVE	RETAINED EARNINGS*	OTHER RESERVES *CURRENCY DIFFERENCES*	OTHER RESERVES *HEDGING RESERVE*	NON-CONTROLLING INTERESTS	TOTAL EQUITY
As of Jan 1, 2021	**40,422**	**251,705**	**209,825**	**-3,209**	**21**	**311**	**499,075**
Effect of share-based payment	0	570	0	0	0	0	570
Change in minority interest	0	0	-189	0	0	-311	-500
Profit distribution paid	0	0	-2,019	0	0	0	-2,019
Dividend distribution shareholders VARTA AG	0	0	-100,246	0	0	0	-100,246
Comprehensive income							
Profit/loss for the year	0	0	125,956	0	0	0	125,956
Other comprehensive income	0	0	3,638	6,022	0	0	9,660
Comprehensive income	**0**	**0**	**129,594**	**6,022**	**0**	**0**	**135,616**
As of Dec 31, 2021	**40,422**	**252,275**	**236,965**	**2,813**	**21**	**0**	**532,496**

* Revenue reserves including profit/loss for the year

The subscribed capital is divided into 40,421,686 shares. These are bearer par-value shares, which represent a pro rata amount of € 1.00 of the share capital.

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 € 11.8 m (Authorized capital 2017 I). The Executive Board made use of this resolution on June 13, 2019 by increasing the share capital by € 2.2 m.

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 € 3.0 m (Authorized Capital 2017 II).

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

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 € 102,120 k 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 € 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).

For the current fiscal year, a total of € 0.6 m (2020: € 1.1 m) was recognized in equity as share-based remuneration. These share-based remuneration components are explained under note 33 "Share-based payment arrangements".

Furthermore, the remaining shares in Auditas GmbH were acquired for a purchase price of € 0.5 m on December 23, 2021. A profit distribution of € 2.7 m was also resolved and paid out. In this context, VARTA AG received € 0.7 m and the other shareholders received € 2.0 m.

Dividend payment
The following dividend payment for the previous fiscal year was resolved at the Annual General Meeting on June 17, 2021 and paid out in fiscal year 2021.

(€ k)	2021	2020
€2.48 per no-par value share entitled to dividend (2020: €0.00)	100,246	0
Total	**100,246**	**0**

Changes subject to reporting requirements under the German Securities Trading Act (WpHG)
In fiscal year 2021, VARTA AG received notifications of notifiable changes in accordance with the German Securities Trading Act (WpHG).

Both Goldmann Sachs (The Goldman Sachs Group, Inc.) and Morgan Stanley submitted various notifications of changes in voting rights in the reporting period. Those arise from options, futures and swap transactions or from option writer transactions concluded in the context of securities lending transactions. There is no direct investment via the investment funds mentioned in the publications.

Prof. DDr. Michael Tojner, as Chairman of the Supervisory Board of VARTA AG and major shareholder of Montana Tech Components AG, Reinach (Switzerland), holds a 55.45% stake in VARTA AG via its subsidiary VGG AG, Vienna (Austria).

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 that resulted in dilution effects, diluted earnings per share correspond to basic earnings per share.

(€ k)	DECEMBER 31, 2021	DECEMBER 31, 2020
Earnings, attributable to shareholders in € k*	125,956	95,411
Weighted average of ordinary shares in circulation ('000 shares)	40,422	40,422
Basic earnings per share in €	3.12	2.36
Diluted earnings per share in €	3.12	2.36

* Earnings per share represents the shares of VARTA AG

The number of shares has developed as follows in fiscal years 2020 and 2021:

	NUMBER OF SHARES
January 1, 2020	40,421,686
December 31, 2020	40,421,686
December 31, 2021	40,421,686

The subscribed capital is divided into 40,421,686 shares. These are bearer par-value shares, which represent a pro rata amount of € 1.00 of the share capital.

19. Other financial liabilities

Other financial liabilities consisted of the following:

(€ k)	DECEMBER 31, 2021	DECEMBER 31, 2020
Other financial liabilities	**203,775**	**57,426**
Of which non-current	117,990	51,103
Of which current	85,785	6,323
Compositon of other financial liabilities		
Total	**203,775**	**57,426**
Liabilities to financial institutions	164,643	42,843
Derivative financial instruments	5,657	736
Other financial liabilities	33,475	13,847

On the reporting date, there is a liability to VGG AG , Vienna, a company in the Montana Tech Components AG Group, of € 8.8 m (2020: € 8.3 m).

In fiscal year 2015, VGG AG, Vienna, waived part of its claim of € 6.0 m against VARTA Storage GmbH, Nördlingen, from a loan issued against a debtor warrant. Furthermore, in fiscal year 2016, VGG AG waived a further part of its claim of € 0.2 m 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 € 6.2 m 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 € 8.8 m including interest on the reporting date. 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.

In fiscal year 2021, there were three framework agreements for the sale of receivables resulting from the acquisition of VARTA Consumer companies of which two were terminated at the end of November 2021. A new framework agreement was concluded in December 2021. Within the scope of these contractual relationships, receivables in the amount of € 55.3 m (December 31, 2020: € 41.2 m) were assigned, of which a total of € 13.0 m (2020: € 3.0 m) had already been collected as at the balance sheet date December 31, 2021. These were reported as other financial liabilities due to the bank (factor) as of December 31, 2021 (see note 38.2 "Financial risk management").

There were also other current financial liabilities to foundations of € 0.6 m (2020: € 0.6 m).

In fiscal year 2021, the syndicated loan raised in 2019 was repaid in full and a new syndicated loan agreement for € 235.0 m was concluded. The financial resources will be used to finance additional investment in expanding capacity. A total of € 165.0 m of the credit line was utilized in fiscal year 2021, of which € 100.0 m is reported as non-current.

Following the acquisition of the VARTA Consumer Group, the properties were restructured. In this context, 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. Due to the fact that VARTA has a contractually agreed option to buy back the property at market price, the sale price of € 10.6m was recognized in its entirety in other financial liabilities.

All but € 0.6m of the reported loan from financial institutions to finance buildings was repaid in 2021. (2020: € 4.2m). These must be reported as current in their entirety.

20. Provisions for employee benefits

20.1. Composition of provisions for employee benefits

(€ k)	DECEMBER 31, 2021	DECEMBER 31, 2020
Total	**72,279**	**79,434**
Of which non-current	68,837	77,081
Of which current	3,442	2,353
Composition of provisions for employee benefits		
Total	**72,279**	**79,434**
Pensions	58,352	64,611
Severance payments	8,410	8,462
Service anniversary bonuses	1,932	2,183
Partial retirement	3,585	4,178

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.

Within the VARTA Group 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 € 11.5 m. 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 (€ 11.5 m), 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 € € 17.6 m (2020: € € 19.8 m), a claim for reimbursement against Colibri Beratungsgesellschaft mbH was recognized in this amount.

In fiscal year 2021, a reduction in the revaluation reserve of € -1.8 m was booked in other comprehensive income as a result of this joint debt assumption (2020: € allocation of € 2.3 m).

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, 2021, 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 of shares.
- 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 fulfill the payment obligation of Colibri Beratungsgesellschaft mbH limited to a maximum of € 4.9 m.
- additional bank guarantee in the amount of € 4.0 m for the partner's private guarantee
- subordinate guarantee from VGG AG, Vienna (Austria) in connection with the above-mentioned guarantee for the partner in Colibri Beratungsgesellschaft mbH limited to a maximum of € 8.0 m, reduced by all payments by Colibri Beratungsgesellschaft mbH.

In July 2021, VARTA Consumer Batteries GmbH & Co. KGaA concluded an agreement with VC Pensionen GmbH, Ellwangen, (Germany) in which VC Pensionen GmbH agreed to assume the pension obligations of VARTA Consumer Batteries GmbH & Co. KGaA of € 38.8 m as of December 31, 2020 as part of a joint debt obligation in return for payment of € 28.7 m. The following agreements were reached in this connection:

- VC Pensionen GmbH will guarantee all pension claims of VARTA Consumer Batteries GmbH & Co. KGaA, which were already acquired as of December 31, 2020 and fall due after January 1, 2021, and
- will honor fulfillment of these payment obligations vis-à-vis VARTA Consumer Batteries GmbH & Co. KGaA.

The joint debt assumption is subject to the condition precedent of the first part payment by VARTA Consumer Batteries GmbH & Co. KGaA being received. An extension to the period for payment was agreed with the addendum to the joint debt assumption on September 22, 2021. The first part payment was made on January 17, 2022. Further details regarding this are provided in Chapter 44.1 "Joint debt assumption VCB".

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

(€ k)	DECEMBER 31, 2021	DECEMBER 31, 2020
Present value of the pension obligation (DBO) at reporting date	62,099	68,138
Fair value of plan assets	-3,747	-3,527
Net obligation (+) / Net assets (-) in balance sheet	**58,352**	**64,611**

The plan assets of the material pension obligations of the companies VARTA Microbattery GmbH, VARTA Storage GmbH and VARTA Consumer Batteries GmbH & Co. KG break down as follows:

(€ k)	DECEMBER 31, 2021	DECEMBER 31, 2020
Reinsurance	3,747	3,527
Total	**3,747**	**3,527**

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, which are due within the next fiscal year because of pension commitments, come to € 1.7 m (2020: € 1.7 m). The duration of the pension plans comes to a period of around 19.7 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.

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

	DECEMBER 31, 2021	DECEMBER 31, 2020
Current employees	2,164	2,051
Claimants (former employees)	652	568
Current pensioners	1,160	1,186
Total	**3,976**	**3,805**

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

(€ k)	NET OBLIGATION 2021	NET OBLIGATION 2020	FAIR VALUE OF PLAN ASSETS 2021	FAIR VALUE OF PLAN ASSETS 2020	PRESENT VALUE OF PENSION OBLIGATIONS 2021	PRESENT VALUE OF PENSION OBLIGATIONS 2020	REIMBURSEMENT CLAIM 2021	REIMBURSEMENT CLAIM 2020
Fair value or present value as of Jan 1	**64,611**	**19,930**	**-3,527**	**-1,920**	**68,138**	**21,850**	**19,849**	**17,907**
Included in the income statement								
Employer's current service cost	1,833	1,349	0	0	1,833	1,349	0	0
Interest income/interest expenses	354	558	-20	-26	374	584	0	0
	2,187	**1,907**	**-20**	**-26**	**2,207**	**1,933**	**0**	**0**
Included in other comprehensive income								
(i) Re-measurement:								
Actuarial gains/losses	-6,796	8,043	0	0	-6,796	8,043	-1,839	2,311
- of which adjustments to the pension obligation based on experience	-492	303	0	0	-492	303	-47	-148
- of which change in demographic assumptions for the pension obligation	180	0	0	0	180	0	0	0
- of which change in financial assumptions about the pension obligation	-6,484	7,740	0	0	-6,484	7,740	-1,792	2,459
Income/expenses from net assets, excluding interest income/expenses	-45	-37	-45	-37	0	0	0	0
	-6,841	**8,006**	**-45**	**-37**	**-6,796**	**8,043**	**-1,839**	**2,311**
Other								
Other accruals	0	36,491	0	-1,784	0	38,275	0	0
Retirement benefits paid directly by the employer	-1,450	-1,723	0	0	-1,450	-1,723	0	0
Benefits paid	-155	0	-155	240	0	-240	-379	-369
	-1,605	**34,768**	**-155**	**-1,544**	**-1,450**	**36,312**	**-379**	**-369**
Fair value or present value as of Dec 31	**58,352**	**64,611**	**-3,747**	**-3,527**	**62,099**	**68,138**	**17,631**	**19,849**
Of which pension entitlements covered by provisions					57,124	63,140		
Of which funded pension entitlements					4,975	4,998		

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 2021:

	DECEMBER 31, 2021	DECEMBER 31, 2020
Discount rate (in %)	1.1	0.5
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 2021:

	DECEMBER 31, 2021		DECEMBER 31, 2020	
Staff turnover by age:	VARTA Consumer	VARTA Microbattery, VARTA Storage	VARTA Consumer	VARTA Microbattery, VARTA Storage
Up to 39	5.0 %	5.0 %	6.5 %	4.5 %
Up to 49	5.0 %	5.0 %	3.0 %	0.5 %
50 and above	5.0 %	5.0 %	1.0 %	0 %

From fiscal year 2021, the turnover rate will be determined on the basis of the underlying quantity structure of the individual companies with the help of Heubeck's guideline tables for staff turnover.

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, 2021, 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%)	-2,767	2,984
Pension trend (+/-0,25%)	1,902	-1,807
Life expectancy (+/-1 Year)	2,382	-2,349

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.

The provisions for severance payments in the consolidated balance sheet are made up as follows:

(€ k)	DECEMBER 31, 2021	DECEMBER 31, 2020
Present value of the provision for severance payments at reporting date (DBO)	8,410	8,462
Obligation in the balance sheet (provision for severance payments)	**8,410**	**8,462**

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

(€ k)	DECEMBER 31, 2021	DECEMBER 31, 2020
Present value of the provision for severance as of Jan 1	8,462	6,591
Addition consolidation scope	85	995
Foreign exchange differences	548	-619
Employer's current service cost	-449	909
Interest expense	0	4
Actuarial gains (-) / losses (+)	-128	752
Benefits paid	-108	-170
Present value of the provision for severance payments as of Dec 31	**8,410**	**8,462**

The cost of severance payments is made up as follows:

(€ k)	DECEMBER 31, 2021	DECEMBER 31, 2020
Employer's current service cost	-450	909
Expenses unrelated to the accounting period	25	0
Expenses recognized in the income statement	**-425**	**909**
Actuarial gains (-) / losses (+)	-128	752
Revaluations recognized in the statement of comprehensive income	**-128**	**752**
Cost of severance payments in the the period	**-553**	**1,661**

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

	DECEMBER 31, 2021	DECEMBER 31, 2020
Discount rate (in %)	7.6	7.6
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.

(€ k)	DECEMBER 31, 2021	DECEMBER 31, 2020
Present Value of the service anniversary bonuses as of Jan 1	2,183	630
Addition consolidation scope	0	1,152
Currency differences	-8	0
Consumption	-339	-123
Addition	89	524
Reversal	7	0
Present Value of the service anniversary bonuses at reporting date	**1,932**	**2,183**

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.

(IN T€)	31. DEZEMBER 2021	31. DEZEMBER 2020
Barwert der Altersteilzeit Rückstellung per 1. Januar	4,178	1,284
Zugang Konsolidierungskreis	0	2,355
Verbrauch	-1,243	-898
Zuführung	1,264	1,437
Auflösung	-614	0
Barwert der Altersteilzeit Rückstellung per 31. Dezember	**3,585**	**4,178**

21. Tax liabilities

Liabilities from income taxes of € 50.5 m exhibit the following age structure:

(€ k)	DECEMBER 31, 2021	DECEMBER 31, 2020
Income tax liabilities		
...concerning 2021	23,837	0
...concerning 2020	17,375	22,715
...concerning 2019	40	7,042
...concerning 2018	1,866	3,315
...older than 2018	7,422	12,638
Total	**50,540**	**45,710**

Income tax liabilities have risen by € 4.8 m year on year. This increase was mainly attributable to the positive trend in income in fiscal year 2021.

The income tax liabilities in the amount of € 5.0 m dating back to 2018 and earlier are largely the result of the findings of the current external audit and from residual payments of € 2.0 m linked to previous external audits of the German VARTA Consumer companies. They also included tax provisions of € 1.7 m for the current external audits of VARTA AG and VARTA Microbattery.

22. Trade payables, contract liabilities and advance payments received

Trade payables, contract liabilities and advance payments received were composed as follows:

(€ k)	DECEMBER 31, 2021	DECEMBER 31, 2020
Advance payments received	14,208	47,161
Non-current liabilities	**14,208**	**47,161**
Trade payables to third parties	77,084	70,050
Liabilities from the acquisition of tangible and intangible assets	17,890	24,169
Liabilities to related parties	269	358
Sum trade payables	**95,243**	**94,577**
Contract liabilities	4,374	5,865
Advance payments received	36,889	42,781
Current liabilities	**136,506**	**143,223**
Total trade payables, contract liabilities and advance payments received	**150,714**	**190,384**
of which due immediately	26,449	22,995
of which residual term of up to 1 year	110,057	120,228
of which residual term over to 1 year	14,208	47,161

Trade payables including advance payments received have fallen by € 39.7 m in total. This is largely attributable to the fall in advance payments received.

The advance payments received came to € 51.1 m in total and were associated with obligations from pending, to some extent, 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 as advance payments received 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 2021, € 43.7 m of the advance payments received shown in the previous year were netted off against matching receivables from call-offs (previous year: € 38.9 m).

As of December 31, 2021, contract liabilities have decreased slightly year-on-year to € 4.4 m (2020: € 5.9 m).

23. Other liabilities

(€ k)	DECEMBER 31, 2021	DECEMBER 31, 2020
Other non-current liabilities	0	54
Other current liabilities	22,747	34,668
Other liabilities	**22,747**	**34,722**

Current other liabilities fell from € 34.7 m to € 22.7 m. Current liabilities mainly contained liabilities from promotional projects of € 4.1 m (December 31, 2020: € 13.3 m), customs liabilities of € 3.0 m (December 31, 2020: € 1.2 m), other tax liabilities of € 8.9 m (December 31, 2020: € 11.3 m) and deferred income of € 2.2 m (31. Dezember 2020: € 1.3 m) which essentially contain government grants. Material liabilities are non-financial liabilities. There are other non-financial liabilities to employees of € 0.5 m (December 31, 2020: € 2.9 m).

Non-current other liabilities reduced by € 0.1 m in fiscal year 2021.

24. Other provisions

Other provisions in fiscal years 2021 and 2020 consisted of the following:

(€ k)	RESTRUCTURING	WARRANTIES, GUARANTEES, ETC.	DISPOSAL, RESTORATION & SIMILAR OBLIGATIONS	OTHER PROVISIONS	TOTAL 2021
Maturity					
Non-Current	0	2,897	0	0	2,897
Current	716	7,860	1,357	9,263	19,197
Total provisions	**716**	**10,757**	**1,357**	**9,263**	**22,094**
Changes in other provisions in 2021					
As of Jan 1, 2021	**15,719**	**8,551**	**1,410**	**15,454**	**41,134**
Change in consolidation scope	0	0	0	46	46
Allocation	0	6,312	1,356	7,828	15,496
Consumption	-14,161	-3,724	-1,259	-12,329	-31,473
Reversal	-842	-416	-150	-1,839	-3,247
Foreign exchange differences	0	34	0	104	138
As of Dec 31, 2021	**716**	**10,757**	**1,357**	**9,264**	**22,094**

(€ k)	RESTRUCTURING	WARRANTIES, GUARANTEES, ETC.	DISPOSAL, RESTORATION & SIMILAR OBLIGATIONS	OTHER PROVISIONS	TOTAL 2020
Maturity					
Long-term	0	1,934	0	0	1,934
Short-term	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 Jan 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 Dec 31, 2020	**15,719**	**8,551**	**1,410**	**15,454**	**41,134**

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 experience shows that they are largely utilized in the following year. 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 as well as the extension of the warranty period for energy storage systems were largely responsible for the increase in provisions.

Disposal, restoration & 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 properly 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
In the previous year, miscellaneous provisions largely consisted of provisions for the payment arrangements with the Executive Board of VARTA AG. This provision was consumed in its entirety in fiscal year 2021 (2020: € 7.2 m). In addition, there are still provisions for a possible residual liability resulting from the transfer of pensions in previous years of € 0.5m, which has not changed versus the prior year. There are also restoration liabilities of € 0.4 m (2020: € 0.4 m) as well as provisions for commissions of € 3.2 m (2020: € 2.2 m) and the costs of annual financial statements, which are on a par with the level seen in the previous year of € 0.1 m. Provisions for uncertain liabilities have decreased to € 1.3 m (2020: € 1.4 m) and provisions for freight of € 0.7 m were recognized.

25. Deferred liabilities

Deferred liabilities comprise the following material items:

(€ k)	DECEMBER 31, 2021	DECEMBER 31, 2020
Holiday entitlements, overtime and time off in lieu	8,820	11,866
Employee bonuses	9,098	9,941
Other deferred liabilities for personnel	8,104	3,245
Deferred liabilities for personnel	**26,022**	**25,052**
Outstanding invoices	5,870	3,191
Customer bonus	56,004	56,412
Audit, tax and legal advice	2,576	2,515
Miscellaneous deferred liabilities	4,954	5,469
Other deferred liabilities	**69,404**	**67,587**
Deferred liabilities	**95,426**	**92,639**

Deferred liabilities to employees have only risen very slightly from € 25.1 m to € 26.0 m compared with the previous year.

The change in other deferred liabilities for personnel was largely due to country-specific legal requirements for delayed profit participation for employees. This resulted in a year-on-year increase of € 2.3 m. This was offset by the fall in deferred liabilities from holiday entitlements, overtime and time off in lieu amounting to € 3.1 m, as more holiday was taken in fiscal year 2021.

Other deferred liabilities came to € 69.4 m (as of December 31, 2020: € 67.6 m). The major part of this was attributable to provisions for customer bonuses of € 56.0 m (2020: € 56.4 m)

26. Sales revenue

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

(€ k)	2021	2020
Sales revenue	**902,931**	**869,583**
of which from the sale of products	899,123	867,565
of which from the provision of services	3,808	2,018

Sales revenue contained income relating to other periods of € 7.9 m (previous year: € 0.7 m) from the adjustment to provisions for customer bonuses.

Revenue from product sales contained sales revenue from the "Lithium-Ion Solutions & Microbatteries" and "Household Batteries" business segments (cf. note 6 "Segment reporting").

Sales revenue from sales of services contained revenue from product design of € 1.2 m (2020: € 0.5 m) and the provision of IT services of € 0.6 m (2020: € 0.3 m). Both services have risen year on year. In the current year, revenue of € 0.8 m (2020: € 0.9 m) was also received from the provision of services to research institutes and of € 0.7 m (2020: € 0.9 m) for research services.

27. Decrease / increase in finished and unfinished goods

(€ k)	2021	2020
Change in unfinished goods	10,079	4,120
Change in finished goods	1,232	-8,295
Increase (PY decrease) in finished and unfinished goods	**11,311**	**-4,175**

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.

28. Cost of material

(€ k)	2021	2020
Cost of raw materials, supplies and goods purchased*	297,844	269,551
Other cost of materials and purchased services*	19,703	31,072
Materials processing and refining by third parties	11,327	11,423
Other	4,280	3,501
Cost of materials	**333,154**	**315,547**

* Shift in previous year's figures between raw materials and supplies and other cost of materials due to the change in the account structure

The increase in "expenses for raw materials, supplies and goods purchased" is based on increased sales and positive changes in inventories. In the previous year, the item "other material expenses and services purchased" temporarily included higher costs for temporary staff because of the massive expansion in capacity and the personnel requirement associated with this project. The item "Other" contains consumables directly purchased for production or customer orders that were consumed without being stored. Expenses for packaging, waste disposal and packaging material are also included here.

29. Personnel expenses

Personnel expenses contained the following items:

(€ k)	2021	2020
Wages and salaries	203,887	201,930
Expenses for severance payments	499	17,437
Expenses for statutory social security contributions	22,169	19,342
Pension expenses	17,852	15,241
Other personnel expenses	3,398	3,138
Total personnel expenses	**247,805**	**257,088**

Pension expenses comprised the following:

(€ k)	2021	2020
Defined contribution plans*	14,744	13,892
Defined benefit plans	3,108	1,349
Total	**17,852**	**15,241**

* 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 (Vienna), 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 at the date the option is exercised. Non-cash expense from the employee share option program of € 0.6 m (2020: € 0.9 m) was recognized in "Wages and salaries".

Expenses for defined contribution plans largely include the employer's contributions to the German statutory pension insurance scheme. In fiscal year 2021, total expenses for these contributions amounted to € 14.3 m (2020: € 13.2 m). 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 4,666 staff as of year-end 2021 (2020: 4,584). On average, 4,599 employees were employed in 2021 (2020: 4,386). Of these, 3,278 were wage earners, 1,294 were salaried employees and 27 were senior managers.

30. Depreciation and amortization

Depreciation and amortization comprised the following:

(€ k)	2021	2020
Scheduled depreciations of property, plant and equipment (excluding right-of-use assets)	70,924	48,121
Scheduled depreciations of right-of-use assets	17,667	12,590
Scheduled amortization of intangible assets	7,078	5,906
Total depreciation and amortization	**95,669**	**66,617**

As expected, the balance sheet item depreciation and amortization significantly increased year on year on the back of commissioning of new machinery and equipment.

31. Other operating income

Other operating income contained the following items:

(€ k)	2021	2020
Grants and public donations	55,661	10,008
Reversal of provisions and deferred liabilities	5,283	1,616
Income from the sale of property, plant and equipment	1	125
Other	11,086	25,641
Other operating income	**72,031**	**37,390**

In fiscal year 2021, public donations amounted to € 55.7 m (2020: € 10.0 m) in total and were essentially provided for VARTA Microbattery GmbH and VARTA Micro Production 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 Federal Ministry for Economic Affairs and Energy and by the Federal States of Baden-Württemberg and Bavaria. If there is sufficient certainty that the conditions will be met, a claim is put in 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 Ellwangen and 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.

The fall in the item "Other" was attributable to the contractual elimination of service payments in the Appliances area of the former owner Spectrum Brands (including household appliances and pet food) of € 17.6 m agreed as part of the acquisition of the VARTA Consumer business. This was offset by a reimbursement of equity procurement costs relating to other periods amounting to € 1.9 m.

32. Other operating expenses

Other operating expenses contained the following items:

(€ k)	2021	2020
Legal, auditing and consultancy fees	17,893	15,562
Maintenance	15,036	14,704
Outward freight and customs duties	13,322	13,850
Cost of energy	10,697	9,250
Other sales and distribution costs	9,565	9,409
Marketing, advertising and representation	8,606	8,423
Warranties	7,537	5,843
Telephone, postage and IT	6,524	4,619
Commission	4,367	7,072
Rent and leases	2,824	2,757
Insurance contracts	2,513	1,656
Impairment losses from trade receivables	2,267	592
Cleaning	1,934	1,334
Licenses and patent fees	1,809	1,848
Contributions and fees	1,370	1,305
Travel expenses	1,164	1,390
Bank charges / fund transfer fees	923	896
Apprenticeship and training costs	662	663
Expenses with related companies	406	642
Customer credit insurance	271	244
Engineering and professional fees	247	133
Miscellaneous other operating expenses	22,516	20,320
Other operating expenses	**132,453**	**122,512**

Other operating expenses have increased by € 9.9 m in total from € 122.5 m to € 132.5 m. The sharpest increase was recorded in the item "Legal, audit and consultancy fees" of € 2.3 m and was caused by the ongoing patent disputes. As a consequence of increasing digitization and the data security costs associated with this, expenses for "Telephone, postage & IT" have risen by € 1.9 m. Expenditure rose by € 1.7 m because of new projects and greater utilization of warranties. Impairment expenses from trade receivables rose from € 0.6 m to € 2.3 m, as an individual loss allowance was created for receivables due from one customer.

33. Share-based payment arrangements

Employee share option program (ESOP)

The Employee Share Option Program (ESOP) was launched by the parent company VGG AG (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:

(€ k)	2021 NUMBER OF OPTIONS	2021 Weighted average exercise price	2020 NUMBER OF OPTIONS	2020 Weighted average exercise price
Outstanding as of January 1	**197,272**		**381,954**	
Lapsed during the year	0		-715	
Exercised during the year	-174,043	123.79	-183,967	97.15
Promised during the year	0		0	
Outstanding as of December 31	**23,229**		**197,272**	
Exercisable as of December 31	20,640		31,378	

The options outstanding as of December 31, 2021 had an exercise price between € 112.33 and € 135.84 (2020: € 58.40 and € 128.68) and a weighted average contract term of circa 4 years (2020: circa 4 years).

The weighted average share price at the exercise date of the share options exercised in 2021 was € 123.79 (2020: € 97.15).

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 financial position
The expense recognized in the income statement for share-based payment came to € 0.6 m in fiscal year 2021 (2020: € 1.1 m). The effects in equity amounted to € 0.6 m (see notes under 17 "Equity") and consisted of allocations from the forward projection of the MSOP.

34. Net interest income

(€ k)	2021	2020
Financial income	1,545	336
Financial expense	-6,490	-5,334
Net interest income	**-4,945**	**-4,998**

In 2021, interest income increased by € 1.2 m to € 1.5 m. Interest income was generated in connection with the tax refund claim from the acquisition of the VARTA Consumer companies vis-à-vis Energizer.

Interest expenses increased in the current fiscal year from € 5.3 m to € 6.5 m. The increase resulted from interest expenses for the syndicated loan, as well as from tax assessments, which were inversely charged on to Energizer in interest income.

35. Net financial result

Sundry financial income and sundry financial expenses comprised the following:

(€ k)	2021	2020
Foreign exchange gains	5	1,884
Other financial income, measured at FVTPL	353	69
Sundry financial income	**358**	**1,953**
Loss from disposal of IC investment	-340	0
Foreign exchange losses	-4,205	-6,234
Other financial expense with third parties	-289	-3,611
Sundry financial expense	**-4,834**	**-9,845**

The fall in other financial income resulted from lower gains from currency fluctuations.

Losses from currency fluctuations could be far better offset than in the previous year despite higher revenue and customer prepayments in foreign currency, especially USD. The other financial expenses were adversely affected by the debtor warrant in the previous year.

36. Income tax expenses

The tax rate of the VARTA Group amounted to 28.84 % in the fiscal year (2020: 29.08 %). The corporation tax rate amounted to 15.00 %, the solidarity surcharge thereon was 5.50% and the combined trade tax was 13.02 % (2020: 13.26 %) for VARTA AG. The change in the trade tax rate results from the change in the tax group. The reconciliation of the expected tax expense with actual tax expense is shown below:

(€ k)	2021	2020
Earnings before tax (EBT)	177,089	133,124
Companies income tax rate	28.84 %	29.08 %
Expected (theoretical) tax expenses	-51,072	-38,712
Effects of different tax rates within the group	2,504	3,999
Adjustment due to local tax rate change compared to prior year	305	0
Tax-free income	320	471
Non capitalized loss carryforwards - actual period	0	-34
Usage of tax loss carryforwards	74	0
Expenses not recognized under tax law	-1,089	-2,872
Interest not recognized under tax law	-423	-366
Effective tax expense/tax income for previous years	-1,292	-296
Change in measurement of deferred tax assets	-507	296
Other	47	-102
Income tax expenses	**-51,133**	**-37,616**

Income tax expense included current taxes of € 54.3 m (2020: € 42.1 m) and deferred tax income of € 3.2 m (2020: € 4.5 m), of which € 3.3 m resulted from temporary differences and € -0.1 m 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, and VARTA Storage GmbH, Nördlingen, as controlled companies and VARTA AG, Ellwangen, as the controlling company. The controlling company also concluded a profit transfer agreement with VARTA Micro Production GmbH, Nördlingen, on August 31, 2021.

The consolidated statement of comprehensive income contained income tax effects from cash flow hedges of € 0.0 m (2020: € -0.01 m). Income tax on the remeasurement of defined benefit plans in accordance with IAS 19 amounted to € -1.5 m (2020: € 1.8 m). 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)	DECEMBER 31, 2021	DECEMBER 31, 2020
No expiry	13,076	16,882
Available tax loss carryforwards as of December 31	**13,076**	**16,882**

No deferred taxes were capitalized for loss carryforwards of € 13.1 m (2020: € 16.9 m). 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 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.

On December 31, 2021, there were temporary differences of € 36.1 m (2020: € 36.8 m) in connection with shares 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 income of € 1.6 m (prior year income of € 1.8 m), resulted mainly from non-cash changes in the claim for reimbursement from the assumption of debt of € -1.8 m (2020: € 2.3 m) and the non-cash effects of share-based payment of € 0.6 m (2020: € 1.1 m; see note 29 "Personnel expenses"). Non-cash changes also include currency effects of € 1.9 m (2020: € -2.7 m) and from changes in the consolidated statement of comprehensive income of € 6.0 m (2020: € 7.6 m), which were recognized directly in equity.

The item "Acquisition of property, plant and equipment and intangible assets" cannot be reconciled with the additions of "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 reduced by € 6.3 m year on year (2020: € 4.9 m). 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".

Due to the partial payment of tax refund claims against Energizer Holding Inc. in the amount of € 5.4 m as part of the acquisition of the VARTA Consumer companies, these are shown as purchase price reductions in the item investment in investments less acquired cash and cash equivalents. The remaining receivable from this reimbursement claim amounts to € 7.8 m as of December 31, 2021. Furthermore, in addition to the acquisition of VARTA Micro Innovation GmbH amounting to € 4.3 m, the item also includes the payments for the investment in Pertrix V SE and AUDITAS GmbH totalling € 0.5 m.

Cash payments increased by € 102.3 m as a result of the first-time dividend payment in fiscal year 2021 and the distributions to non-controlling interests.

The development of financial liabilities consisted of the following:

	DECEMBER 31, 2020	ADDITIONS FROM CONSOLIDATION SCOPE	CASH CHANGE		NON-CASH CHANGE	DECEMBER 31, 2021
(€ k)			REPAYMENT	UPTAKE		
Non-current financial liabilities	51,103	0	-42,250	110,625	-1,488	117,990
Current financial liabilities	5,587	0	-5,729	78,782	1,488	80,128
Derivatives	736	0	-736	0	5,657	5,657
Liabilities from financing activities	**57,426**	**0**	**-48,715**	**189,407**	**5,657**	**203,775**

As a result of raising the new syndicated loan in fiscal year 2021, non-current financial liabilities have increased by the drawing of € 165.0 m under the credit line. The previous syndicated loan of € 40.0 m was repaid in its entirety. The properties of VARTA Consumer companies were also restructured in 2021, as a result of which the properties were sold under a buyback option, establishing a financial liability of € 10.6 m at Group level in the process. 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, with the aim of facilitating as reliable an assessment of the Company's financial position and financial performance 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 financial position and financial performance 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 risk 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 the VARTA AG Group, 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 risks

The Group is exposed to credit risk through loans, trade receivables, other assets 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 related 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, 2021	DECEMBER 31, 2020
Cash and cash equivalents	73,107	121,889
Contract assets	6,736	2,636
Trade receivables	162,903	120,136
Other financial assets	108	1,364
Other assets*	49,622	59,899
Total financial assets	**292,476**	**305,924**

* excluding other tax receivables of € 6.5 m (2020: € 12.5 m) and prepaid expenses of € 1.7 m (2020: € 2.4 m).

In fiscal year 2021, there were three framework agreements for the sale of receivables resulting from the acquisition of VARTA Consumer companies, two of which were terminated at the end of November 2021. A new framework agreement was concluded in December 2021. Under the agreement, trade receivables due 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 on the amount of receivables it is prepared to buy up to a total figure of € 90.0 m. The receivables paid in the course of a month are reported under other financial liabilities due to the bank (see note 19 "Other financial liabilities"). As of December 31, 2021, the Group sold receivables under this contract worth € 55.3 m (December 31, 2020: € 41.2 m).
The purpose of this factoring is 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 the reporting date, loans including deferred interest of € 0.0 m (December 31, 2020: € 0.3 m) were granted to third parties.

On the reporting date December 31, 2021, other assets mainly related to the claim for reimbursement from the assumption of debt of € 17.6 m (2020: € 19.8 m) and receivables from promotional projects of € 18.5 m (2020: € 16.7 m). Other assets contained tax refund claims of € 7.8 m vis-à-vis Energizer. These are for the settlement of taxes from the periods before the acquisition of the VARTA Consumer business.

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 over the entire term for these receivables are recognized when recognized for the first time.

The maximum credit risk must be rated low, since the default risk inherent in basic business with business partners of € 73.9 m (December 31, 2020: € 92.5m) was partly covered by credit insurance. The criteria to be applied for assessing creditworthiness are laid down in contracts with credit insurers and in internal guidelines. 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, 2021	DECEMBER 31, 2020
Contract assets	6,736	2,636
Trade receivables	165,796	120,767
Loss allowances	-2,893	-631
Trade receivables and contract assets - net	**169,639**	**122,772**

Loss allowances have developed as follows:

(€ k)	2021	2020
As of the beginning of the fiscal year	631	172
Allocation	2,788	571
Consumption	0	-21
Reversal	-417	-77
Foreign exchange differences	-109	-14
Total loss allowances	**2,893**	**631**

Trade receivables or the financial assets are 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, 2021 CARRYING AMOUNT BEFORE LOSS ALLOWANCES	LOSS ALLOWANCES	NET	DECEMBER 31, 2020 CARRYING AMOUNT BEFORE LOSS ALLOWANCES	LOSS ALLOWANCES	NET
0 to 10 days past due	9,429	-1,631	7,798	16,722	-204	16,518
11 to 30 days past due	7,460	-100	7,360	3,276	-16	3,260
31 to 60 days past due	6,138	-20	6,118	2,165	-66	2,099
61 to 180 days past due	1,580	-548	1,032	0	0	0
181 to 360 days past due	326	-318	8	1,054	-174	880
More than 360 days past due	286	-276	10	207	-171	36
Total Group	**25,219**	**-2,893**	**22,326**	**23,424**	**-631**	**22,793**

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 Treasury at the VARTA AG Group. Management measures in this regard range 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, 2021

(€ 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 financial liabilities							
Other financial liabilities*	198,118	198,118	0	78,221	1,907	107,849	10,141
Total trade payables	95,243	95,243	26,281	68,877	85	0	0
Deferred liabilities	69,404	69,404	0	69,404	0	0	0
Other liabilities**	4,599	4,599	1,382	1,337	1,880	0	0
Total non-derivative financial liabilities	**367,364**	**367,364**	**27,663**	**217,839**	**3,872**	**107,849**	**10,141**

* Excluding derivative financial instruments of € 5.7 m; including a debt waiver of € 8.8 m with an anticipated term of less than 5 years, which can be repaid earlier because of specific circumstances. (cf. note 19 "Other financial liabilities")
** Excluding deferred income of € 2.2 m, liabilities from promotional projects of € 4.1 m, customs liabilities of € 3.0 m, other liabilities from taxes of € 8.9 m

(€ 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)	5,657	5,657	0	1,334	4,323	0	0
Total derivative financial liabilities	**5,657**	**5,657**	**0**	**1,334**	**4,323**	**0**	**0**
Total Group	**373,021**	**373,021**	**27,663**	**219,173**	**8,195**	**107,849**	**10,141**

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 financial liabilities							
Other financial liabilities*	56,690	53,166	0	0	2,063	51,103	0
Total 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 € 0.7 m including a debt waiver of € 8.3 m with an anticipated term of more than 5 years, which can be repaid earlier because of specific circumstances. (cf. note 19 "Other financial liabilities")
**** Excluding deferred income of € 1.4 m, liabilities from promotional projects of € 13.3 m, customs liabilities of € 1.2 m, other liabilities from taxes of € 11.3 m and social security € 0.2 m

(€ 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**

Market risk
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 in part 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 illustration 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, 2021	DECEMBER 31, 2020
Cash and cash equivalents	31,408	45,822
Trade receivables	58,899	22,990
Receivables due from related companies	12,656	14,736
Trade payables	9,109	5,602
Advance payments received from customers	78,997	72,913
Loans from related companies	14,259	24,815
Liabilities to related companies	3,858	4,989
Total currency exposure gross	**-3,260**	**-24,771**
Forward exchange transactions	-84,997	84,248
Total currency exposure net	**-88,257**	**59,477**

Other currency pairs relevant for the Group are less significant, as these mainly originate from transactions within the VARTA Group.

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, 2021			
EUR/USD	+/- 5.1 %	2,886	-2,593

(€ k)		PROFIT (+) / LOSS (-)	
December 31, 2020			
EUR/USD	+/- 8.0 %	3,882	-3,095

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 the Group's equity.

Interest rate risk

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, 2021	DECEMBER 31, 2020
Fixed-interest financial instruments		
Financial assets*	19	246
Financial liabilities**	22,920	2,813
Variable interest financial instruments		
Financial assets*	73,088	121,642
Financial liabilities**	164,643	40,031

* includes credit balances with banks and fixed deposits as well as short-term investments
** includes other financial liabilities excluding derivative financial instruments of € 5.7 m (2020: € 0.7 m) and excluding the sale and leaseback agreement € 10.6 m

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 therefore 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 – would have increased the consolidated result by € 0.7 m (2020: increased by € 0.6 m). A reduction of the interest rate of one percentage point would have resulted in a reduction in the consolidated result of € 0.7 m (2020: reduction of € 0.6 m). 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, 2021, the gain on derivative financial instruments shown amounted to € 11.1 m (December 31, 2020: loss of € 4.6 m).

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 off-setting. 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 value of derivatives.

The following table shows holdings of derivative financial instruments on the reporting date:

December 31, 2021

	CURRENCY	AVERAGE HEDGING RATE 1-12 MONTHS	NOMINAL AMOUNT (IN THOUSAND ORIGINAL CURRENCY)	FAIR VALUE (€ k)	MATURITY
Commodity swap	USD	1	14,900	-37	up to 1 year
Forward exchange transaction	USD	7	175,800	-5,620	up to 1 year
Total Group				**-5,657**	

December 31, 2020

	CURRENCY	AVERAGE HEDGING RATE 1-12 MONTHS	NOMINAL AMOUNT (IN THOUSAND ORIGINAL CURRENCY)	FAIR VALUE (€ 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	USD	7	3,500	-232	up to 1 year
Total Group				**-736**	

Hedging transactions are concluded over the maturity at average hedging rates.

Forward exchange transactions at a value of € -5.6 m (2020: € -0.7 m) and commodity hedging in the amount of € -0.04 m (2020: € -0.07 m) 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, 2021	LEVEL 1	LEVEL 2	LEVEL 3
Financial instruments measured at fair value through profit and loss				
Factoring	-55,307	0	-55,307	0
Debotor warrant	-8,798	0	0	-8,798
Sale & Leaseback contract	-10,555	0	-10,555	0
Derivative financial instruments - assets	108	0	108	0
Derivative financial instruments - liabilities	-5,657	0	-5,657	0
Total	**-80,209**	**0**	**-71,411**	**-8,798**

(€ 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
Sale & Leaseback contract	0	0	0	0
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, 2021	DECEMBER 31, 2020
Derivative financial instruments	108	1,076
Derivative financial instruments measured at fair value through comprehensive income	**108**	**1,076**
Cash and cash equivalents	**73,107**	**121,889**
Loans	0	288
Trade receivables	162,903	120,136
Other assets*	49,622	59,899
Loans and receivables	**212,525**	**180,323**
Financial assets measured at amortized cost	**285,632**	**302,212**
Total financial assets	**285,740**	**303,288**
Derivative financial instruments	5,657	736
Derivative financial instruments measured at fair value through comprehensive income	**5,657**	**736**
Other financial liabilities**	198,118	56,690
Trade payables	95,243	94,577
Deferred liabilities	69,404	67,587
Other liabilities***	4,599	7,346
Financial liabilities measured at amortized cost	**367,364**	**226,200**
Total financial liabilities	**373,021**	**226,936**

* Excluding other tax receivables of € 6.5 m (2020: € 12.5 m) and prepaid expenses of € 1.7 m (2020: € 2.4 m)
** Excluding derivative financial instruments of € 5.7 m (2020: € 0.7 m); including a debt waiver of € 8.8 m with an anticipated term of less than 5 years, which can be repaid earlier because of specific circumstances. (cf. note 19 "Other financial liabilities")
*** Excluding deferred income of € 2.2 m (2020: € 1.4 m), liabilities from promotional projects of € 4.1 m (2020: € 13.3 m), customs liabilities of € 3.0 m (2020: € 1.2 m), other tax liabilities of € 8.9 m (2020: € 11.3 m) and social security of € 0.04 m (2020: € 0.22 m)

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 partially 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.

39. Related parties

The following persons and companies were identified as related parties for the reporting periods 2021 and 2020:

- 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; we also refer to the disclosures on VARTA Microbattery Pensions-Treuhand e.V. under 20 "Provisions for employee benefits".

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 as well as other offsets from and to related companies are included in the consolidated financial statements shown:

(€ k)	2021 TRANSACTION VOLUME		2020 TRANSACTION VOLUME	
TRANSACTIONS	REVENUE FROM THE SALE OF GOODS AND SERVICES AND OTHER SETTLEMENTS	PURCHASE OF GOODS AND SERVICES	REVENUE FROM THE SALE OF GOODS AND SERVICES AND OTHER SETTLEMENTS	PURCHASE OF GOODS AND SERVICES
Transactions with MTC Companies	2,718	887	771	363
Transactions with Prof. DDR. Tojner companies	27	3,482	90	2,300
Transactions with companies in which participations are held	0	0	60	279
Total	**2,745**	**4,369**	**921**	**2,942**

The following receivables and liabilities are outstanding as of December 31, 2021:

(€ k)	DECEMBER 31, 2021 OUTSTANDING ITEMS		DECEMBER 31, 2020 OUTSTANDING ITEMS	
TRANSACTIONS	RECEIVABLES	LIABILITIES	RECEIVABLES	LIABILITIES
Transactions with MTC Companies	2,252	9,035	221	76
Transactions with Prof. DDR. Tojner companies	20	611	0	585
Transactions with companies in which participations are held	0	0	40	279
Total	**2,272**	**9,646**	**261**	**940**

Transactions with MTC companies
The following transactions were conducted with MTC companies in the fiscal year under review:

(€ k)	2021 TRANSACTION VOLUME		2020 TRANSACTION VOLUME	
TRANSACTIONS	REVENUE FROM THE SALE OF GOODS AND SERVICES AND OTHER SETTLEMENTS	PURCHASE OF GOODS AND SERVICES	REVENUE FROM THE SALE OF GOODS AND SERVICES AND OTHER SETTLEMENTS	PURCHASE OF GOODS AND SERVICES
Services	521	389	771	363
other Settlements	2,197	498	0	0
Total	**2,718**	**887**	**771**	**363**

The outstanding receivables and liabilities with associated MTC companies included the following items as of December 31, 2021:

(€ k)	DECEMBER 31, 2021 OUTSTANDING ITEMS		DECEMBER 31, 2020 OUTSTANDING ITEMS	
TRANSACTIONS	RECEIVABLES	LIABILITIES	RECEIVABLES	LIABILITIES
Services	273	237	221	76
other Settlements	1,979	8,798	0	0
Total	**2,252**	**9,035**	**221**	**76**

There is still a financial liability to MTC companies from the debtor warrant (see note 19 "Other financial liabilities") of € 8.8 m (2020: € 8.3 m).

Outstanding receivables increased by € 1.9 m in fiscal year 2021 as part of a cost sharing agreement vis-à-vis an MTC company.

Outstanding receivables are collateralized as far as possible.

The subordinate guarantee from VGG AG of € 8.0 m was still in place in fiscal year 2021 with the amount unchanged. In this context, we would refer you to note 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 note 10 "Leases"), rental expenses of € 3.0 m were incurred from the leaseback of land and buildings in fiscal year 2021 (previous year: € 1.9 m). In total, the transaction volume with Prof. DDr. Michael Tojner companies was as follows:

(€ k)	2021 TRANSACTION VOLUME		2020 TRANSACTION VOLUME	
TRANSACTION TYPE	SALE OF GOODS AND SERVICES AND OTHER SETTLEMENTS	PURCHASE OF GOODS AND SERVICES	SALE OF GOODS AND SERVICES AND OTHER SETTLEMENTS	PURCHASE OF GOODS AND SERVICES
Services	27	3,482	90	2,300
Total	**27**	**3,482**	**90**	**2,300**

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, 2021 OUTSTANDING ITEMS		DECEMBER 31, 2020 OUTSTANDING ITEMS	
TRANSACTIONS	RECEIVABLES	LIABILITIES	RECEIVABLES	LIABILITIES
Loan including interest	0	573	0	585
Services	20	38	0	0
Total	**20**	**611**	**0**	**585**

The guarantee from Global Equity Beteiligungs-Management GmbH, Vienna, worth € 20.0 m for contingent liabilities was still in place in fiscal year 2021 with the amount unchanged (cf. note 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 year under review, a participation was held in VARTA Micro Innovation GmbH until it was acquired in full on January 31, 2021.
A transaction volume from the purchase of services of € 0.0 m was generated in this period. As of December 31, 2021, there were no longer any liabilities to VARTA Micro Innovation GmbH that had arisen during the period in which the participation was held. Moreover, there are no other companies in which participations are held.

39.2. Related persons

Members of the top management and monitoring level (key management personnel), which comprises the Executive Board, selected key positions and the Supervisory Board, received the following remuneration for their work:

(€ k)	2021	2020
Shot-term employee benefits	7,142	7,451
Other long-term employee benefits	0	4,720
Share-based payments	614	127
Benefits after termination of employment	3	3
Management remuneration in total	**7,759**	**12,301**

40. Management of VARTA AG

The Executive Board of VARTA AG is composed as follows:

Herbert Schein, Chairman of the Executive Board, Chief Executive Officer / 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
- Chairman of the Supervisory Board Pertrix V SE

Armin Hessenberger, Member of the Executive Board, Chief Financial Officer / CFO
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

Rainer Hald, Member of the Executive Board, Chief Technical Officer / CTO since January 1, 2022
Additional board memberships:
- Managing Director VARTA Microbattery GmbH
- Managing Director VARTA Micro Production GmbH

The Supervisory Board of VARTA AG is composed as follows:

Prof. DDr. Michael Tojner (Chairman)
Chairman of the Board of Directors of Montana Tech Components AG and entrepreneur
Additional board memberships (among others):
- Deputy Chairman of the Board of Directors of Montana Aerospace AG, Switzerland
- Chairman of the Board of Directors of Montana AS Beteiligungs Holding AG, Switzerland
- Chairman of the Board of Directors of Montana Tech Components AG, Switzerland
- Member of the Supervisory Board of Dorotheum GmbH, Austria

Dr. Harald Sommerer (Deputy Chairman)
Entrepreneur
Additional board memberships:
- Deputy Chairman of the Supervisory Board of Kapsch Traffic Com AG, Austria
- Chairman of the Executive Board of H.F.R.C Private Foundation, Austria

Sven Quandt
Managing Director of X-raid GmbH and entrepreneur
Additional board memberships:
- Foundation Board of the Herbert Quandt Foundation, Germany
- Co-Director 3Q GbR, Germany
- Co-Director Q Motorsport GmbH, Germany
- Member of the Advisory Board of Montana Tech Components AG, Switzerland

Martin Ohneberg since June 17, 2021
Managing Partner of HENN Industrial Group GmbH & Co. KG and entrepreneur
Additional board memberships:
- Chairman of the Board of Directors of Aluflexpack AG, Switzerland,
- Deputy Chairman of the Supervisory Board of VERBUND AG, Austria,
- Vice-Chairman of the Board of Directors of Montana Aerospace AG, Switzerland
- Member of the Supervisory Board of Getzner Werkstoffe Holding GmbH, Austria

Prof. Dr. Werner Tillmetz since June 17, 2021

University professor (retired)

Additional board memberships:

- Advisory Board of the Nationale Organisation Wasserstoff- und Brennstoffzellentechnologie (NWO GmbH), Germany
- Science Council of TOTAL S.A., France

Dr. Michael Pistauer

Chief Financial Officer / CFO Montana Aerospace AG and entrepreneur

Additional board memberships:

- Member of the Supervisory Board of VARTA Microbattery GmbH
- Member of the Board of Directors of Alu Menziken Extrusion AG, Switzerland
- Member of the Supervisory Board of VGG AG, Austria

Frank Dieter Maier until June 17, 2021

Pensioner

Additional board memberships:

- Member of the Supervisory Board of ASTA Elektrodraht GmbH & Co. KG, Germany
- Member of the Supervisory Board of Vishay Europe GmbH, Germany

Dr. Georg Blumauer until June 17, 2021

Attorney, Managing Director Blumauer & Partner Rechtsanwälte GmbH

Additional board memberships:

- Managing Director EXI Immobilienentwicklungs GmbH, Austria
- Managing Director GBI Immobilien Beta GmbH, Austria
- Chairman of the Supervisory Board of VARTA Microbattery GmbH

41. Contingent liabilities

(€ k)	2021	2020
Service obligations		
Due up to 2022/2021	833	562
Due up to 2023 – 2027 / 2022 – 2026	4,124	2,088
Due after 2027/2026	4,121	1,628
Purchase commitments from approved investment		
Due up to 2022/2021	95,342	119,325
Other purchase obligations		
Due up to 2022/2021	138,597	50,662
Total	**243,017**	**174,265**

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.

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 equity participation has assumed these risks and possible risks arising in the future, and has indemnified VARTA AG against them; however, the liability of VARTA AG continues to apply externally. The buyer has now been liquidated, and Global Equity Partners Beteiligungs-Management GmbH, Vienna, an enterprise affiliated with the buyer and related company of VARTA AG, has hedged this indemnity with an additional guarantee in the amount of € 20 m lasting until 2031. 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 evaluated the remaining risks and opted not to form provisions here.

Pursuant to section 133 (3) sentence 2 UmwG (German Conversion Law), VARTA AG is liable in connection with the pension obligations spun off 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 € 25.5 m also comprised matching plan assets for the pension obligations of € 26.9 m, VARTA AG assumes that it will not be called on under the extended liability because of the surplus of plan assets of € 1.5 m.

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 of the German Commercial Code (HGB).

COMPANY NAME	REGISTERED OFFICE	COUNTRY	CURRENCY	PARTICIPATION STAKE
VARTA Aktiengesellschaft	Ellwangen	Germany	EUR	100.00 %
Anabasis Handelsgesellschaft mbH	Dischingen	Germany	EUR	100.00 %
Auditas GmbH[1]	Nördlingen	Germany	EUR	100.00 %
Auditas Inc.	Ridgefield	United States of America	USD	100.00 %
Connexio alternative investment holding GmbH	Vienna	Austria	EUR	100.00 %
EMEA Consumer Batteries (Shenzhen) Co. Ltd.	Shenzhen	China	CNY	100.00 %
LLC Consumer Batteries Company (Eastern Europe)	Moscow	Russia	RUB	100.00 %
Mezzanin Finanzierungs GmbH	Vienna	Austria	EUR	100.00 %
Paula Grundstücksverwaltungs GmbH & Co. Verm. KG	Pullach i. Isartal	Germany	EUR	100.00 %
Pertrix V SE[2]	Ellwangen	Germany	EUR	100.00 %
P.T. VARTA Microbattery Indonesia	Batam	Indonesia	USD	100.00 %
VARTA Drive GmbH[3]	Ellwangen	Germany	EUR	100.00 %
VARTA Consumer Austria GmbH	Brunn am Gebirge	Austria	EUR	100.00 %
VARTA Consumer Batteries Benelux B.V.	Utrecht	Netherlands	EUR	100.00 %
VARTA Consumer Batteries GmbH & Co. KGaA	Ellwangen	Germany	EUR	100.00 %
VARTA Consumer Batteries Iberia S.L.U.	Madrid	Spain	EUR	100.00 %
VARTA Consumer Batteries Italia s.r.l.	Basiglio	Italy	EUR	100.00 %
VARTA Consumer Batteries Poland Sp.z.o.o.	Warsaw	Poland	PLN	100.00 %
VARTA Consumer Batteries UK Ltd.	Oldham	United Kingdom	GBP	100.00 %
VARTA Consumer Bulgaria EOOD[4]	Sofia	Bulgaria	BGN	100.00 %
VARTA Consumer Czech spol. s.r.o.	Česká Lípa	Czech Republic	CZK	100.00 %
VARTA Consumer Denmark A/S	Albertslund	Denmark	DKK	100.00 %
VARTA Consumer Europe Holding GmbH	Ellwangen	Germany	EUR	100.00 %
VARTA Consumer Finland Oy	Vantaa	Finland	EUR	100.00 %
VARTA Consumer France S.A.S.	Courbevoie	France	EUR	100.00 %
VARTA Consumer Hrvatska d.o.o.[5]	Zagreb	Croatia	HRK	100.00 %
VARTA Consumer Hungaria Kft.	Budapest	Hungary	HUF	100.00 %
VARTA Consumer Kommandit GmbH	Ellwangen	Germany	EUR	100.00 %
VARTA Consumer Komplementär GmbH	Ellwangen	Germany	EUR	100.00 %
VARTA Consumer Norway AS	Oslo	Norway	NOK	100.00 %
VARTA Consumer Schweiz GmbH	Dietlikon	Switzerland	CHF	100.00 %
VARTA Consumer Slovakia spol. s.r.o.	Prievidza	Slovakia	EUR	100.00 %
VARTA Consumer Sweden AB	Bromma	Sweden	SEK	100.00 %
VARTA Consumer Trgovina d.o.o.[6]	Ljubljana	Slovenia	EUR	100.00 %
VARTA Innovation GmbH[7]	Graz	Austria	EUR	100.00 %
VARTA Micro Production GmbH	Nördlingen	Germany	EUR	100.00 %
VARTA Microbattery GmbH	Ellwangen	Germany	EUR	100.00 %
VARTA Microbattery Inc.	Rye, NY	United States of America	USD	100.00 %
VARTA Microbattery Japan KK	Tokyo	Japan	USD	100.00 %
VARTA Microbattery Pte. Ltd.	Singapore	Singapore	USD	100.00 %
VARTA Microbattery S.R.L.	Brasov	Romania	RON	100.00 %

Varta Pilleri Ticaret Limited Sirketi	Istanbul	Turkey	TRY	100.00 %
VARTA Storage GmbH	Nördlingen	Germany	EUR	100.00 %
VHB Real Estate Holdings LLC	Delaware	United States of America	EUR	100.00 %
VW-VM Verwaltungsgesellschaft mbH i.L.[8]	Ellwangen	Germany	EUR	50.00 %

1 Acquisition of the remaining shares under the purchase agreement dated December 23, 2021. Auditas GmbH holds 100% of the shares in Auditas Inc. meaning that the indirect shareholding in Auditas Inc. also increased to 100%.
2 Acquisition of the shell company Youco B21-D439 Vorrats-SE under the purchase agreement dated December 13, 2021; renamed as Pertrix V SE on January 12, 2022.
3 Re-establishment of VARTA Drive GmbH on March 10, 2021.
4 previously Spectrum Brands Bulgaria EOOD
5 previously Spectrum Brands Hrvatska d.o.o.
6 previously Spectrum Brands Trgovina d.o.o.
7 previously VAMI-SK neunzehn GmbH
Acquisition of the remaining shares in VARTA Micro Innovation GmbH on February 2, 2021;
Merger of VARTA Micro Innovation GmbH into VAMI-SK neunzehn GmbH on May 18, 2021; renamed as VARTA Innovation GmbH
8 Accounted for at-equity, in liquidation since July 1, 2020

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) of the German Commercial Code (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 AG, Vienna (55.45 %). The remaining 44.55 % is held in free float. The ultimate parent company of VGG AG is Montana Tech Components AG in Reinach, Switzerland. The consolidated financial statements of Montana Tech Components AG can be downloaded here: www.montanatechcomponents.com.

Liabilities
The debt waiver by a related company in the amount of € 7.9 m described in the item 19 "Other financial liabilities" has a residual term of less than five years, while a volume of € 0.9 m has a residual term of less than one year. 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 note 29 "Personnel expenses".

Executive Board remuneration
The total remuneration of the Executive Board in fiscal year 2021 amounted to € 6.093 k (2020: € 13.397 k). Expense allowances totalling € 454 k (2020: € 433 k) were paid to the members of the Supervisory Board.

Information on Supervisory Board and the Executive Board remuneration in 2021 is presented in the VARTA AG Remuneration Report and can be found at https://www.varta-ag.com/en/investoren/publications.

Total fee for the auditor of the consolidated financial statements

Pursuant to section 314 (1) No. 9 of the German Commercial Code (HGB), the fees for the auditor of the consolidated financial statements, KPMG AG Wirtschaftsprüfungsgesellschaft, recognized as expense for the current fiscal year are to be broken down as follows:

(€ k)	2021	2020
Audit services*	1,087	1,059
Other certification services	11	27
Tax consultancy services**	300	314
Other services	30	0
Total	**1,428**	**1,400**

* € 0.2m thereof relates to previous years (2020: € 0.2m)
** € 0.0m thereof relates to previous years (2020: € 0.1m)

Audit services have not changed significantly year on year.

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 2022, 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. Joint debt assumption VCB

In July 2021, VARTA Consumer Batteries GmbH & Co. KGaA concluded an agreement with VC Pensionen GmbH, Ellwangen, (Germany) in which VC Pensionen GmbH agreed to assume the pension obligations of VARTA Consumer Batteries GmbH & Co. KGaA of € 38.8 m as of December 31, 2020 as part of a joint debt obligation in return for payment of € 28.7 m.

The assumption of debt became effective with the first part payment on January 17, 2022. The pension obligations are still accounted for in VARTA Consumer Batteries GmbH & Co. KGaA and settled with the beneficiaries; at the same time a claim for reimbursement against VC Pensionen GmbH and the regular netting off of paid pension claims is accounted for. Further details regarding this arrangement are provided in note 20.2 "Pensions".

44.2. Outbreak of the Ukraine war

At the time the report on events after the balance date was being prepared, it was not yet possible to make a final assessment of the extent to which the Ukraine crisis will affect the presentation of the Group's financial position and financial performance. This is largely dependent on how much our customers are affected by the crisis and the impact it will have on our supply chains. No significant revenues are currently generated in the crisis-hit region. Neither does the VARTA Group purchase any raw materials from this region.

44.3. New headquarters tenancy agreement

On January 17, 2022, a 15-year tenancy agreement for the new headquarters at VARTA-Platz 1 in Ellwangen was concluded between VARTA AG and WertInvest Ellwangen Immobilien GmbH (related party). The tenancy is expected to start from mid-2023. The annual rental is expected to amount to around EUR 2.1m.

Ellwangen (Jagst), March 29, 2022

VARTA Aktiengesellschaft

Chief Executive Officer	Chief Financial Officer	Chief Technology Officer
- Herbert Schein -	- Armin Hessenberger -	- Rainer Hald -

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 combined management report

Opinions

We have audited the consolidated financial statements of VARTA Aktiengesellschaft, Ellwangen(Jagst) and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2021, 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 2021, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of VARTA AG for the financial year from 1 January to 31 December 2021. In accordance with German legal requirements we have not audited the content of those components of the combined 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 2021, and of its financial performance for the financial year 1 January to 31 December 2021, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined 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 combined 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 combined 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 combined 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 2021. 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.

The valuation of goodwill, 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 4.3, 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 goodwill amounts to EUR 4,936K as at 31 December 2021, the trademark right amounts to EUR 30,567K and the capitalized development costs amount to EUR 14,652K. Their share of the balance sheet total assets amounts to 4.0% in total.

An annual impairment test is carried out for the goodwill, the trademark right and the capitalized development costs at the level of the cash-generating units (CGU) “Li Ion Cells“, „Microbatteries“, „Li Ion Solutions“, Consumer 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 goodwill, 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 goodwill, 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 cash generating 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 goodwill, 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.

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 17,630k as of 31 December 2021 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 17,630k is recoverable as a whole. We have evaluated the credentials of the auditing company and the adequacy assessment. To allow us to assess the valuation of the assets of VARTA Microbattery Pensions-Treuhand e.V., we were also presented with an actuarial opinion about the market value of a property, the value of which has been included in the adequacy assessment by the above-mentioned auditor. We have evaluated the credentials of the independent expert and the explanations in the actuarial opinion. In addition, the existence of a contractual performance bond from UniCredit Bank AG in the amount of up to EUR 4,000k 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.

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 902,9 m in financial year 2021.

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 899,1 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 risk oriented, 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.

Completeness of disclosures about relationships and transactions with related parties

Disclosures regarding relationships and transactions with related parties are provided in Section 39 of the notes.

THE FINANCIAL STATEMENT RISK

The VARTA Group operates in a network of different related parties. New transactions with related parties are also identified on a regular basis.

Identification of related parties is complex and discretionary. The consolidated financial statements are exposed to the risk that disclosures about relationships and transactions with related parties are incomplete.

The Group also reports voluntarily on whether transactions with related parties are compliant with standard market conditions. The assessment of whether transactions are compliant with standard market conditions is complex and discretionary. The consolidated financial statements are exposed to the risk that the voluntary disclosure is not appropriate.

OUR AUDIT APPROACH

We have gained an understanding of the process for identifying related parties through explanations from members of the Supervisory Board and the Executive Board, from employees working in accounting and the Legal department.

In this connection, we inspected the minutes of meetings of the Supervisory Board and the Executive Board as well as additional records or documents that were considered necessary according to the circumstances. We inspected the written consultations of members of the Executive Board and the Supervisory Board.

On the basis of the understanding we gained of the process, we assessed the structure and organization of internal controls to identify related parties and to ensure that material transactions with related parties are compliant with standard market conditions.
We carried out audit procedures on assertion level for material transactions with related parties and examined the underlying contracts and agreements as well as retracing the Group's assessment of compliance with standard market conditions.

OUR OBSERVATIONS

The approach used to identify related parties and to assess whether transactions with related parties are compliant with standard market conditions is appropriate.

Repayment obligation for government grants received in support of the Important Project of Common European Interest ("IPCEI") on Batteries

Concerning the accounting and valuation methods applied, we refer to the notes under Sections 4.12 and 5. Disclosures with regard to grants are available under Section 31 of the notes.

THE FINANCIAL STATEMENT RISK

The Group received commitments about grants as part of an Important Project of Common European Interest ("IPCEI") on Batteries totaling EUR 300m, which is expected to contribute to the development of an innovative, sustainable and environmentally compatible battery value-added chain in Germany and the EU.

The grants will be granted subject to various additional conditions and are, in principle, not repayable according to the terms of the grant. A possible repayment obligation will arise in the event of the net present value of all cash flows associated with the project being positive after tax (including investments but excluding grant payments and financing cash flows). This will be checked periodically in the funding period until the funded projects are first used commercially and in the five years thereafter (claw-back mechanism).

Calculation of the net present value is based on a number of discretionary assumptions. These include, in particular, the anticipated future cash flows associated with the commercial use of the funded equipment.

As a result of the calculation of the net present value, the legal representatives took the view that the requirements for recognizing a repayment obligation had not been met.

The consolidated financial statements are exposed to the risk that a repayment obligation that should have been recognized was not accounted for or not accounted for properly. There is also a risk that the disclosures associated therewith are not appropriate.

OUR AUDIT APPROACH

We have evaluated the appropriateness of the material assumptions in connection with determining the net present value of all the cash flows associated with the project in the period covered by the claw-back mechanism. We have also assessed whether the expected cash flows are consistent with the planning for the whole company approved by the Supervisory Board.

Finally, we assessed whether the disclosures are appropriate.

OUR OBSERVATIONS

The assumptions about the company's future cash flows on which calculation of the net present value is based are reasonable. The associated disclosures are appropriate.

Other Information

Management respectively supervisory board are responsible for the other information. The other information comprises the following components of the combined 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 combined corporate governance statement of the company and the group, which is referred to in the combined management report,
– information extraneous to management reports and marked as unaudited.

The other Information includes also the remaining parts of the annual report.

The other Information does not include the consolidated financial statements, the combined management report information audited for content and our auditor's report thereon.

Our opinions on the consolidated financial statements and on the combined 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 above-mentioned other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined 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 Statements and the combined 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 combined 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 combined 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 combined 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 combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the combined 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 combined 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 combined 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) 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 combined 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 combined 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 combined 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 combined 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 combined 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 combined 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 combined 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 Combined 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 combined 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-2021-12-31-de.zip" (SHA256-hash value: 6effe7b048ada658c3eff8c4d3b96d899ce32022997feb85f742b46ca3b 58faa) and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic re-porting format ("ESEF format"). In accordance with German legal requirements, this assurance only ex-tends 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 2021 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 combined 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 (3a) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (IDW PS 410 (10.2021)). 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 combined 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 skepticism 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 combined 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 *17 June 2021.* We were engaged by the supervisory board on 10 January 2022. We have been the group auditor of the VARTA Aktiengesellschaft 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).

Other matters – use of the auditor's report

Our auditor's report must always be read in connection with the audited consolidated financial statements and the audited combined management report as well as the audited ESEF documents. The consolidated financial statements and combined management report – including the versions to be announced in the Federal Gazette – transferred into ESEF format are only electronic reproductions of the audited consolidated financial statements and the audited combined management report and do not replace them. In particular, the ESEF report and our opinion contained therein may only be used in conjunction with the audited ESEF documents provided in electronic format.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Jack Cheung.

Stuttgart, 30 March 2022

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Jack Cheung	Name
Wirtschaftsprüfer	Dietmar Hundshagen
[German Public Auditor]	[German Public Auditor]

Financial calendar

Financial statements 2021	March 31, 2022
Interim statement Q1 2022	May 12, 2022
Annual General Meeting	June 21, 2022
Half-year report 2022	August 11, 2022
Interim statement Q3 2022	November 15, 2022

Imprint

ANNUAL REPORT 2021:
https://www.varta-ag.com/en/investoren/publications

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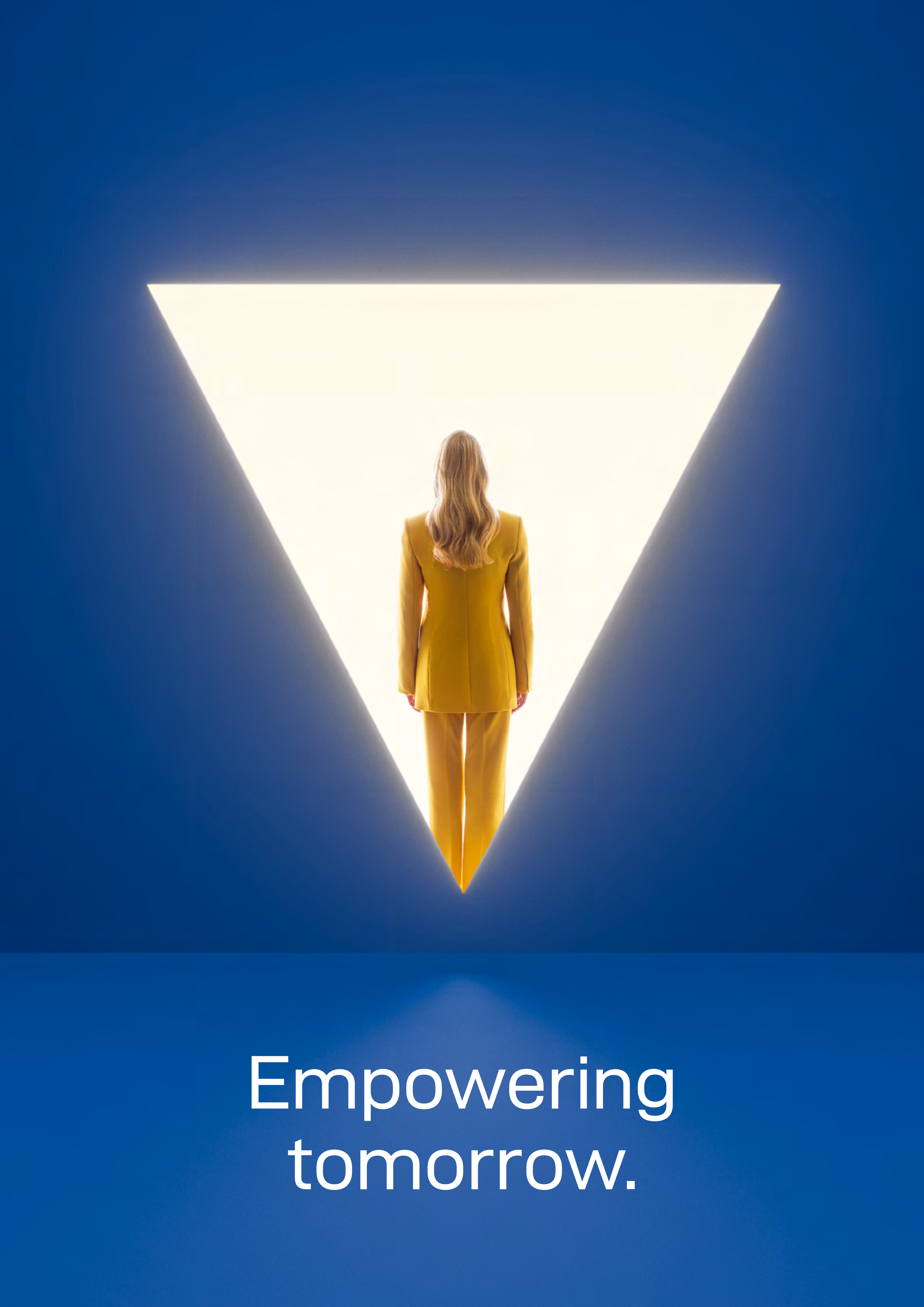
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tomorrow.