-Non-binding convenience translation of the original German language version-

Written report of the Executive Board to the Annual General Meeting on June 18, 2020 on the partial utilisation of Authorised Capital 2017 I in June 2019 under the exclusion of subscription rights

On the basis of resolutions by the Executive Board on June 12, 2019 and on June 13, 2019 and by the Supervisory Board on June 12, 2019 and on June 13, 2019, the Authorized Capital 2017 I (Article 4 (3) of the Articles of Association) was partially utilized in June 2019 in the amount of € 2,221,686.00. In so doing, shareholders' subscription rights were excluded in the course of the increase in the share capital, which came into effect when its implementation was recorded in the Commercial Register of the Ulm District Court on June 13, 2019, pursuant to Sections 203 (1) AND 186 (3) sentence 4 AktG. In the course of this capital increase, the Company's share capital was increased by € 2,221,686.00 from € 38,200,000,00 to € 40,421,686.00 by issuing 2,221,686 new bearer shares with a pro rata amount of the share capital of € 1.00 each and an entitlement to dividends from January 1, 2019 (the "new shares") in return for cash contributions. The amount of the capital increase from Authorized Capital 2017 I excluding shareholders' subscription rights, therefore corresponds to a pro rata amount of the Company's share capital of around 5.8% of the share capital both in relation to the Company's share capital existing at the time Authorized Capital 2017 I came into effect on October 25, 2017 and in relation to the share capital existing at the date of the partial utilization of Authorized Capital 2017 I that took place through this. The limitation on the amount for shares issued under exclusion of subscription rights in return for cash contributions stipulated in Authorized Capital 2017 I was therefore complied with. The Company did not previously undertake any other measures that would count towards this limitation on the amount.

The new shares were subscribed by Joh. Berenberg, Gossler & Co. KG ("Berenberg Bank"). Berenberg Bank was obliged to place these shares with qualified investors within a private placement by way of an accelerated book building process. The new shares were issued in accordance with the resolution by the Executive Board on June 13, 2019 at a placement price of € 46.70 per share. The Supervisory Board approved this resolution by the Executive Board specifying the placement price by a resolution on the same day. The new shares were admitted for trading on the regulated market without prospectus on the same day and at the same time to the section of the regulated market with additional post-regulation obligations (Prime Standard) of the Frankfurt Stock Exchange and included in the existing listing. Trading in the new shares started for the first time on June 14, 2019. The gross proceeds from the capital increase amounted to around € 104 million. The Company intends to use the net proceeds from the offer to finance a further expansion in production capacities in the rapidly growing area of rechargeable lithium-ion cells, which are used for high-tech consumer products. As a result, the Company aims to expand its production by a further 40 million cells per year to 100 million cells per year. Production capacity will be further expanded in response to continuing high customer demand with the aim of being able to produce 200 million cells per year by the end of 2021.

In setting the price, the requirements of Sections 203 (1) and 186 (3) sentence 4 AktG were observed, compliance with which Authorized Capital 2017 I requires for the exclusion of subscription rights in the event of a capital increase in return for cash contributions of up to 10% of the share capital. Accordingly, the price for the new shares may not be significantly below the stock exchange price of the Company's shares. The placement price set per new share of € 46.70 matched the XETRA closing price for the Company's shares on June 12, 2019, the last trading day before the day on which the price was set and even exceeded the volume-weighted XETRA average price of the Company's shares on June 12, 2019, which was around € 46.17. No discount of any kind was therefore granted.

By excluding shareholders' subscription rights, the Company has made use of an option for excluding subscription rights for cash capital increases by companies whose shares are traded on a stock exchange stipulated by law in Sections 203 (1) and 186 (3) sentence 4 AktG. Such an exclusion of voting rights was required here to exploit rapidly and flexibly the favorable - from the perspective of the Executive Board and Supervisory Board - market situation for such a capital measure at the time Authorized Capital 2017 I was partially utilized, as well as to achieve the highest possible proceeds by setting a price close to the market. The subscription period of at least two weeks required when granting a subscription right (Section 186 (1) sentence 2 AktG) and the requirement to prepare a securities prospectus for the subscription offer, which must be approved by the Federal Financial Supervisory Authority, would not have allowed any rapid reaction to current market conditions.

Furthermore, when granting a subscription right, the final subscription price must be announced no later than three days before the end of the subscription period (Section 186 (2) sentence 2 AktG). The longer period between the price being set and the capital increase being settled and the volatility of stock markets mean there would therefore be a greater risk of changes to the market and, in particular, share prices than for an allocation without subscription rights. A successful placement within a capital increase with subscription rights would therefore have required a corresponding security markdown on the current stock market price when setting the price and would therefore probably not have led to conditions close to the market. For the above reasons, it was in the interests of the Company to exclude subscription rights.

Conversely, by setting the price at the current stock market price and limiting the new shares issued excluding subscription rights to around 5.8% of the previous share capital, shareholders' interests were also adequately protected. Since, given that there is no shortage of the Company's shares in stock market trading, shareholders have the option, in principle, of maintaining their relative investment in the Company by purchasing additional shares via the stock market at comparable conditions. By issuing the new shares at the current market price, the Company also ensured that no significant dilution of shareholders' shareholdings was associated with the capital increase.

Overall, the above considerations mean that the fact that subscription rights were excluded in compliance with the requirements of Authorized Capital 2017 I when it was partially utilized is objectively justifiable.

The Executive Board is authorized on the basis of the resolution by the extraordinary Annual General Meeting on October 6, 2017 to increase the Company's share capital, with the approval of the Supervisory Board, pursuant to Article 4 (3) of the Articles of Association by issuing up to 9,618,314 new shares in return for cash contributions or contributions in kind on one or several occasions up to October 5, 2022 up to a total of € 9,618,314.00.

Ellwangen, May 2020

VARTA Aktiengesellschaft
The Executive Board