

VARTA AG Group

# Half-year Financial Report

as of June 30, 2021

[www.varta-ag.com](http://www.varta-ag.com)



**VARTA**



#### VISION

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

#### 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 AG – SELECTED GROUP KPIs

(€ k)	June 30, 2021	June 30, 2020
Revenue	397,562	390,678
EBITDA	111,912	81,448
Adjustments:		
Cost of share-based payment	285	499
Inventory step-up from Purchase Price Allocation (PPA)	0	8,661
Costs of M&A transactions	71	1,285
Cost of Restructuring VARTA Consumer	0	10,188
Adjusted EBITDA	112,268	102,081
Adjusted EBITDA Margin (%)	28.2%	26.1%
Group net result	45,593	39,890
Earnings per share	1.13	0.99
Investments (CAPEX)	85,648	123,658
Free Cash Flow	-119,326	-125,500
Equity ratio*	36.8%	44.4%
Balance sheet total*	1,222,698	1,122,803
Employees at the end of quarter	4,606	4,342

\* Comparison period relates to December 31, 2020



## **VARTA AG**

VARTA AG produces and markets a comprehensive battery portfolio that ranges from microbatteries, household batteries and energy storage systems all the way through to customer-specific battery solutions for a wide range of uses, setting the industry standards as technology leader in many important areas. As the parent company of the Group, it is active in the "Lithium-Ion Solutions & Microbatteries" and "Household Batteries" business segments. The "Lithium-Ion Solutions & Microbatteries" segment (previously Microbatteries & Solutions) has been re-named and focuses on the microbatteries business, lithium-ion CoinPower, lithium-ion large cells as well as the lithium-ion battery pack business. 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 most important growth markets of lithium-ion technology and primary hearing aid batteries. 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 VARTA AG Group currently employs around 4,600 staff. At present, VARTA AG's operating subsidiaries are active in more than 75 countries around the world, with five production and assembly facilities located in Europe and Asia as well as distribution centers in Asia, Europe and the USA.

### **Lithium-Ion Solutions & Microbatteries**

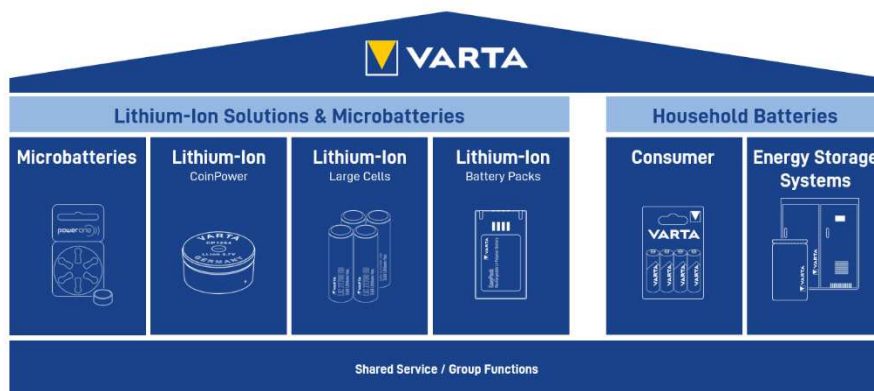
The "Lithium-Ion Solutions & Microbatteries" segment focuses on the microbatteries, lithium-ion CoinPower, lithium-ion large cells and lithium-ion battery pack business. Until now, microbatteries and hearing aid batteries for the professional area came under Healthcare, while CoinPower with the OEM microbatteries were allocated to Entertainment.

VARTA AG is a globally leading manufacturer of microbatteries for hearing aids and rechargeable microbatteries. The Company boasts reputable firms as clients and manufactures batteries in numerous key electro-chemical systems as well as in a variety of structural shapes and sizes, while the range of applications extends from hearing aid batteries to wireless headsets, all the way through to automotive applications operated on the basis of microbatteries. In the area of lithium-ion battery packs, the Group can call on extensive industry experience in the construction of high-performance, safe and needs-based solutions – 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) segment, VARTA AG is the European market leader, with production located in Germany. The innovative, high-quality products are developed and manufactured using cutting-edge technology and by way of the expertise of internationally qualified specialists. A combination of innovative capacity, diversity, 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 segment, VARTA is contributing to the energy revolution. The energy storage solutions developed by VARTA in the home and mass storage markets range from compact, basic models such as the wall-mounted VARTA pulse neo to large-scale storage solutions including the VARTA flex storage for commercial applications. The AC-coupled systems feature integrated battery inverters and can be combined with all sources of green energy without the need for additional PV inverters. This makes them suitable for all new installations and retrofit projects. The smart energy management system also ensures optimal use of self-produced solar energy and is designed to significantly increase domestic solar power use.

## VARTA AG Segments



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# Business development in the first six months of 2021

## **VARTA AG continues its growth path – EBITDA margin of around 30% expected in fiscal year 2021**

- Adjusted EBITDA rises by roughly 10% to approximately € 112.3m.
- Group revenue increases by 1.8% to € 397.6m (2020: € 390.7m).
- Operating result in the Lithium-Ion Solutions & Microbatteries segment grows by 2.4%.
- Very positive development in the Household Batteries segment.
- Pilot production of high-performance lithium-ion cells to begin as planned by year-end.
- Consolidated result up by 14.3% to € 45.6m.
- The outlook for 2021 remains positive: Further rise in revenue and profit for fiscal year 2021; adjusted EBITDA margin set to improve to around 30%.

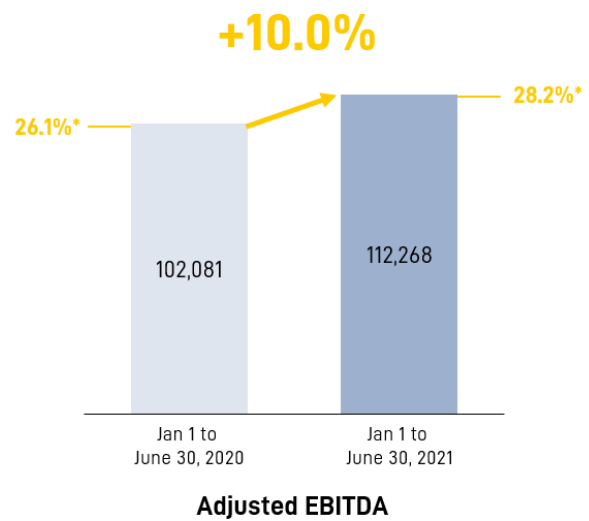
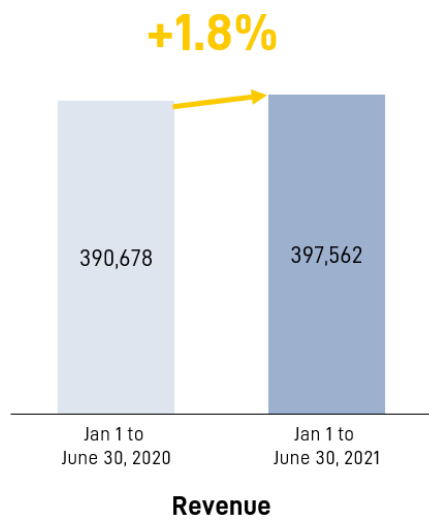
VARTA AG continues its growth path. In the first six months of 2021, Group revenue increased by 1.8% to € 397.6 m. Adjusted EBITDA rose by around 10% to € 112.3 m. For the technology company based in Ellwangen (Baden-Württemberg), these results confirm the guidance for the current year. Following the official opening of the new lithium-ion cell manufacturing plant at the Nördlingen site at the end of June, the Company now has 60,000 square meters of production space at its disposal for the manufacturing of small lithium-ion round cells. As a result, VARTA AG has the infrastructure to produce up to 400 million cells per year. The new customer orders announced for the second half of the year are currently in progress. At the end of this year, the pilot production of the new ultra-high-performance lithium-ion round cell V4Drive in the 21700 format will also begin at the Ellwangen site. A customer order has already been confirmed for the cells.

Herbert Schein, CEO of VARTA AG: "VARTA continues to increase profitability this year. We have announced to further increase last year's very positive operating result in 2021 and to reach an EBITDA margin of around 30%. After the first six months, we can safely say that our plans are very much coming to fruition, with all company segments contributing to this. Our clear growth strategy in all segments, our focus on innovation and our expertise in the lithium-ion segment are once again paying off."

Armin Hessenberger, Chief Financial Officer (CFO) of VARTA AG, adds: "VARTA AG has once again proved that it delivers on its promises. In the second half of the year, we will improve on the good results of the first six months and meet the targets defined in the guidance."

## Revenue & Adjusted EBITDA

(IN K€, unaudited)



\*Margin: Adjusted EBITDA to revenue

# Condensed consolidated management report for the first half of fiscal year 2021

VARTA Aktiengesellschaft, Ellwangen (Jagst)

## 1 Group structure

### 1.1 Business model

VARTA Aktiengesellschaft, Ellwangen, Germany (VARTA AG) is the parent company of the corporate Group headquartered in Ellwangen, Jagst. The business activities of VARTA AG comprise development, production and distribution as well as research and development of microbatteries, household batteries and energy storage solutions.

The business activity of the VARTA AG Group is divided into two business segments: Lithium-Ion Solutions & Microbatteries and Household Batteries.

The Lithium-Ion Solutions & Microbatteries segment focuses on microbatteries, lithium-ion CoinPower, large-scale lithium-ion round cells and on the lithium-ion battery pack business.

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

The Group develops, produces and markets a comprehensive battery portfolio that ranges from microbatteries, household batteries and energy storage systems all the way through to customer-specific battery solutions for a wide range of uses.

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.

At the end of the first half of 2021, the Group operates five production and battery manufacturing plants in Europe and Asia as well as distribution centers in Asia, Europe and the USA. Moreover, VARTA AG is active in more than 75 countries around the world via its operating subsidiaries. Operating on a global basis today, VARTA AG can proudly look back on 135 years of company history.



## 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 pack business. Until now, microbatteries and hearing aid batteries for the professional area came under Healthcare, while CoinPower with the OEM microbatteries were allocated to Entertainment.

VARTA AG is a globally leading manufacturer of microbatteries for hearing aids and rechargeable microbatteries. The Company boasts reputable firms as clients and manufactures batteries in numerous key electro-chemical systems as well as in a variety of structural shapes and sizes, while the range of applications extends from hearing aid batteries to wireless headsets, all the way through to automotive applications operated on the basis of microbatteries. In the area of lithium-ion battery packs, the Group can call on extensive industry experience in the construction of high-performance, safe and needs-based solutions – 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

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## 1.2 Strategy and goals

With its two segments, the Group is very well placed to exploit the relevant growth trends for both segments. The key growth trends are demographic change, technological progress, increased connectivity and renewable energies.

Here, the VARTA AG Group focuses on the following growth areas and objectives:

- Strengthening and expanding global market position in core products
- Expanding innovation and technology leadership
- Strong financial profile enabling focus on profitable growth

### 1.3 Corporate management

The VARTA AG Group is managed on the basis of internally defined financial and non-financial metrics to pursue a strategy centered on sustained value growth. As was the case in the previous year, the following key financial metrics were used for the purposes of value-focused management:

- Revenue
- Adjusted EBITDA
- CAPEX (capital expenditure on the acquisition of intangible and tangible assets)
- Net working capital

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

### 1.4 Management and control

The Executive Board of VARTA AG consists of two members: Herbert Schein (CEO) and Armin Hessenberger (CFO). The Executive Board members share joint responsibility for the management of the company.

There were the following changes to the Supervisory Board in the first half of 2021. The long-standing Supervisory Board members Frank Dieter Maier and Dr. Georg Blumauer resigned from the Supervisory Board at the end of the Annual General Meeting on June 17. Martin Ohneberg and Prof. Dr. Werner Tillmetz were elected as new members in their place. The other members of the Supervisory Board DDr. Michael Tojner, Sven Quandt, Dr. Harald Sommerer and Dr. Michael Pistauer were re-elected for the next term of office.

## 2 Economic report

### 2.1 Markets and influencing factors

In the first half of the year, the markets in which the VARTA AG Group operates and the influencing 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 in relation to the product portfolio offered due to 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 fields or are well-established in the consumer sector.

In geographical terms, the sales distribution is highly diversified. The majority of global product sales are realized in Europe, followed by Asia and North America (see chapter 5 "Segment earnings"). This therefore means that dependency on individual countries and their respective economic development is comparatively low. The Asian market plays a prominent role because of its market and customer structure; many major manufacturers of wireless headsets manufacture their products here. 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 Company is also very well positioned in the face of the ongoing global COVID-19 pandemic and fluctuating infection rates. Production activities at proprietary facilities have continued without interruption since the start of the crisis, while no impact on supply chains has been identified either<sup>[1]</sup>.

The macroeconomic and industry-related conditions for both segments and their business areas are critical to the sale of batteries. In the "Lithium-Ion Solutions & Microbatteries" segment, the company benefits from the demographic trend affecting the global population with its healthcare applications (Microbatteries business), while growth in the lithium-ion CoinPower business with its focus on entertainment applications is linked to trends in the area of consumer electronics. With its customer-specific battery packs all the way through to fully configured standard batteries for medical technology, robotics, connectivity and telecommunications, the lithium-ion battery packs business is benefiting from the growth of these industries. Dynamics within the electromobility sector and in connection with other applications for large-scale cells will determine the growth of the lithium-ion large cells business in future.

The Household Batteries segment essentially benefits from the Consumer business area with its diverse product portfolio (batteries, rechargeable batteries, chargers, portable power/power banks), which allows it to capitalize on structural growth in the consumer business. In the second business area, Energy Storage Systems, growth is mainly driven by the trend towards renewable energies, with significant growth rates having been recorded here too.

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

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

[1] Adverse impacts on our customers' businesses as a result of COVID-19 and USD/EUR exchange rate fluctuations cannot be ruled out. At the time of publication of this report, these effects were not assessable and could therefore not be factored into planning

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

### **2.3 Key events in the first half of 2021**

There were no key events in the first half of the year that require reporting.

### **2.4 Business development**

The VARTA AG Group can look back on a very successful first half of 2021. Revenue has risen by 1.8% from € 390.7m to € 397.6m; an above-average increase of 10.0% was achieved for adjusted EBITDA.

The restrained business development for lithium-ion batteries for wireless lifestyle products had more or less been anticipated by the Company. New projects will only begin to affect revenue and profit in the second half of the year. 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 was further consolidated in a market that is subject to structural growth. The Group is currently benefiting from its highly robust business model for primary hearing aid batteries and increased demand for rechargeable lithium-ion cells. It has recorded significant growth. The very high level of growth was sustained in the lithium-ion battery pack business. In the Household Batteries segment, the Company's highly substantial growth continues unabated, as it benefits from focusing on the brand business in the Consumer Batteries sub-segment and the very dynamic development related to energy storage solutions.

## 3 Development of earnings, financial position and net assets

### 3.1 Earnings situation

#### Consolidated income statement for the period January 1, 2021 – June 30, 2021 (unaudited)

(€ k)	June 30, 2021	June 30, 2020
<b>Sales revenue</b>	<b>397,562</b>	<b>390,678</b>
Increase / decrease in finished and unfinished goods	31,056	8,287
Own work capitalized	1,586	2,579
Other operating income	21,637	20,424
Cost of materials	-158,827	-158,865
Personnel expenses	-126,554	-124,595
Other operating expenses	-54,548	-57,060
<b>EBITDA</b>	<b>111,912</b>	<b>81,448</b>
Depreciation and amortization	-45,057	-22,898
<b>Operating earnings (EBIT)</b>	<b>66,855</b>	<b>58,550</b>
Financial income	32	208
Financial expenses	-1,727	-1,322
Sundry financial income	119	794
Sundry financial expenses	-1,928	-1,625
<b>Financial result</b>	<b>-3,504</b>	<b>-1,945</b>
<b>Earnings before taxes</b>	<b>63,351</b>	<b>56,605</b>
Income tax expenses	-17,758	-16,715
<b>Consolidated result</b>	<b>45,593</b>	<b>39,890</b>
Appropriation of profit:		
Shareholders of VARTA AG	45,550	39,833
Non-controlling interests	43	57

#### Revenue

In the first six months of 2021, revenue at the VARTA AG Group increased by 1.8% from € 390.7m to € 397.6m.

Revenue in the Lithium-Ion Solutions & Microbatteries segment declined by -2.7% from € 239.7m to € 233.2m. In the hearing aid batteries business, the company benefits from rising demand for rechargeable lithium-ion cells and the substantial growth in Power Pack Solutions is continuing. As expected, revenue from rechargeable lithium-ion cells for high tech consumer products has fallen because of the fall in price for non-strategic assembly (arrestors for battery cells). Business is expected to spring into life again during the second half of 2021.

Revenue in the Household Batteries segment rose from € 150.9m to € 164.4m, which is an increase of 8.9%. Business involving consumer batteries (previously VARTA Consumer) developed well. The energy storage solutions business developed far better than originally anticipated. Here, high demand for energy storage solutions contributed to double-digit growth in revenue.

The sharp increase in finished and unfinished goods is attributable to two developments. Firstly, VARTA Consumer produced consumer batteries in anticipation of the year-end business and, secondly, the lithium-ion CoinPower business area started to manufacture TWS batteries for a new customer order.

### Expenses and other operating income

In the reporting period, material expenses came to € 158.8m compared with € 158.9m in the prior year. This item remained practically unchanged despite higher revenue and therefore made a contribution to the year-on-year improvement in EBITDA.

Personnel expenses grew from € 124.6m to stand at € 126.6m, which equates to a rise of 1.6% and is therefore in line with the growth in revenue. This year-on-year increase primarily results from the addition of new staff for further growth. Personnel costs include expenses for share-based remuneration in the amount of € 0.3m (2020: € 0.5m).

Other operating expenses fell by -4.4% in total from € 57.1m to € 54.5m. This is largely due to lower marketing expenses, travel and freight costs

Other operating income increased by € 1.2m from € 20.4m in the previous year to € 21.6m in the first six months of 2021. This increase was largely attributable to two opposing factors. Due to the discontinuation of income from services for the former owner of VARTA Consumer, other operating income fell by a total of € 13.4m. This was offset by corresponding expenses of a similar order of magnitude. However, conversely, income from IPCEI grants increased to € 17.3m.

### 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 to effectively 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 € 0.3m (2020: € 0.5m) and the expenses from M&A transactions amounting to € 0.1m (2020: € 1.3m) were adjusted. The following table illustrates the reconciliation from EBITDA to adjusted EBITDA:

(€ k)	June 30, 2021	June 30, 2020
EBITDA	111,912	81,448
Expenses from share-based remuneration	285	499
Measurement of inventories PPA	0	8,661
Expenses for M&A transactions	71	1,285
Restructuring costs VARTA Consumer	0	10,188
<b>adjusted EBITDA</b>	<b>112,268</b>	<b>102,081</b>

Adjusted EBITDA increased from € 102.1m to € 112.3m in the first six months of 2021. This corresponds to an increase of 10.0% in comparison to the previous year and is significantly more than the increase in revenue. The growth in adjusted EBITDA is the result of further productivity and efficiency gains generated across both segments in addition to synergies generated in the context of the acquisition of the VARTA Consumer business. In the current year, no significant adjustment items are expected aside from share-based remuneration components.

### Operating earnings (EBIT)

Operating earnings rose by € 8.3m year on year from € 58.6m to € 66.9m. This growth in comparison with revenue development was generated despite a substantial increase in depreciation and amortization from € 22.9m in 2020 to € 45.1m in the first half of 2021. The key factor behind higher depreciation and amortization was the high level of investment in 2020 in property, plant and equipment to expand production capacities, which have been reserved for the expected increase in demand in the second half of the year.

### Financial result

Owing to exchange rate effects (advance payments and loans in USD) and increased interest rates, the financial result deteriorated in the reporting year from € -1.9m in 2020 to € -3.5m in 2021.

### Taxes

There was only a marginal change in tax expenses versus the same period of the previous year, increasing from € 16.7m in 2020 to € 17.8m in 2021. This produced an effective tax rate of 28.0% (2020: 29.5%), in relation to the pre-tax result.

### Consolidated result

The consolidated result is 14.3% up on the previous year's level and amounts to € 45.6m (2020: € 39.9m). This increase is significantly more than the increase in revenue and consequently reflects the improvement in profitability.

## 3.2 Net assets and financial position

### Consolidated statement of financial position as of June 30, 2021

(€ k)	JUNE 30, 2021	DECEMBER 31, 2020
<b>ASSETS</b>		
Non-current assets	789,685	686,904
Current assets	433,013	435,899
<b>Total assets</b>	<b>1,222,698</b>	<b>1,122,803</b>
<b>EQUITY AND LIABILITIES</b>		
Equity	450,419	499,075
Non-current liabilities	326,263	246,041
Current liabilities	446,016	377,687
Total liabilities	772,279	623,728
<b>Total equity and liabilities</b>	<b>1,222,698</b>	<b>1,122,803</b>

### Non-current assets

Non-current assets increased by € 102.8m from € 686.9m in 2020 to € 789.7m in the period under review. This significant increase mainly resulted from the increase in property, plant and equipment as part the investment program initiated in the previous year to expand capacity from € 596.6m as of December 31, 2020 to € 694.7m as of June 30, 2021. Other assets of € 17.9m have remained essentially unchanged versus the end of 2020 (December 31, 2020: € 19.9m).

### Current assets

Current assets decreased from € 435.9m as of December 31, 2020 to € 433.0m as of June 30, 2021 and thus remained largely unchanged.

### Equity/equity ratio

In the first six months, equity declined from € 499.1m as of December 31, 2020 to € 450.4m as of June 30, 2021. The equity ratio amounted to 36.8% as of the reporting date (2020: 44.4%). The fall in equity is largely due to the cash outflow resulting from dividend payments.

### Non-current liabilities

Non-current liabilities have increased by € 80.2m from € 246.0m as of December 31, 2020 to € 326.3m as of June 30, 2021. This growth can be largely attributed to raising new loans totaling €57.0m as well as additional lease liabilities of € 22.5m incurred in connection with the new building at the Nördlingen site.

### Current liabilities

Current liabilities have increased from € 377.7m to € 446.0m. This growth relates to the utilization of a flexible working capital line of the syndicated loan in the amount of € 88.0m. Conversely, other provisions fell by € 19.4m.

### Net Working Capital

Net working capital increased from € 56.5m at the end of 2020 to € 93.6m as of June 30, 2021. This corresponds to an increase of € 37.1m in comparison with December 31, 2020 and is to a significant extent attributable to stockpiling. The net working capital ratio therefore rose from 6.5% to 10.7%.

## Cash flow statement

(€ k)

	June 30, 2021	June 30, 2020
<b>Cash and cash equivalents as at January 1, 2021</b>	<b>121,889</b>	<b>244,781</b>
Cash flow from ongoing business activities	-28,190	81,555
Cash flow from investment activities	-91,136	-207,055
Cash flow from financing activities	45,251	31,638
<b>Net change in cash and cash equivalents</b>	<b>-74,075</b>	<b>-93,862</b>
Effects of exchange rate fluctuations	772	-120
<b>Cash and cash equivalents as at June 30, 2021</b>	<b>48,586</b>	<b>150,799</b>

Cashflow from ongoing business activities amounts to € -28.2m in the reporting year and is therefore down on the previous year's value by € -109.7m. This development is primarily attributable to the reduction in trade payables of € 35.6m, the decline in provisions and liabilities from pension plans of € 32.1m, the increase in trade receivables and other current assets of € 39.8m and the rise in inventories of € 15.5m. In contrast, depreciation and amortization, which increased from € 22.9m to € 45.1m, had the opposite effect.

Cashflow from investing activities has moved from € -207.1m to € -91.1m and is now therefore well below the value recorded in the previous year. In the previous year, this balance sheet item contained the purchase price for the acquisition of the VARTA Consumer Batteries business, resulting in a sharp rise in cash outflows in 2020. The cash outflow in the first half of the year totaling € 91.1m is primarily attributable to investment activities in the area of property, plant and equipment to expand production capacities for lithium-ion button cells and investments within the framework of the IPCEI, although in this case payouts have fallen by € 38.0m in comparison with the previous year.



Cashflow from financing activities increased in the fiscal year from € 31.6m in 2020 to € 45.3m in 2021 as a result of raising new loans. Dividend payments in the second quarter had the opposite effect.

As of June 30, 2021, holdings of cash and cash equivalents amounted to € 48.6m (2020: € 150.8m).

## 4 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. The investments are focused on significant capacity expansions in the Microbatteries segment and the construction of a pilot plant for large-format cells.

In the first six months, capital expenditure on the acquisition of intangible assets and property, plant and equipment totaled € 85.6m (previous year: € 123.7m). This item was therefore within the budget for the year (€ 150m to € 200m).

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

## 5 Segment earnings

The company is active in the "Lithium-Ion Solutions & Microbatteries" and "Household Batteries" business segments. The former comprises the microbatteries business, lithium-ion Coin Power, lithium-ion large cells and lithium-ion battery packs, while the latter covers the Consumer and Energy Storage Systems business areas.

### Lithium-Ion Solutions & Microbatteries

	June 30, 2021	June 30, 2020	Change in %
Sales revenue (€ k)	233,200	239,680	-2.7%
Adjusted EBITDA (€ k)	84,440	82,425	2.4%
Adjusted EBITDA margin	36.2%	34.4%	1,8 PP

In the first six months of 2021, revenue in the Lithium-Ion Solutions & Microbatteries segment reached € 233.2m and is therefore 2.7% down on the same period in the previous year. Since the new projects will only begin to affect revenue and profit in the second half of the year, this development had been expected for the rechargeable lithium-ion cells for high tech consumer products, especially for wireless premium headsets (hearables). 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 was further consolidated in a market that is subject to structural growth. The Group is currently benefiting from its highly robust business model for primary hearing aid batteries and increased demand for rechargeable lithium-ion cells. It has recorded significant growth. The very high level of growth was sustained in the lithium-ion battery pack business.

Adjusted EBITDA has risen from € 82.4m to € 84.4m (+2.4%). The increased revenue is the result of additional productivity and efficiency gains. This produces an adjusted EBITDA

margin of 36.2% in relation to revenue, which corresponds to an improvement of 1.8 percentage points versus the previous year.

## Household Batteries

	June 30, 2021	June 30, 2020	Change in %
Sales revenue (€ k)	164,362	150,871	8.9%
Adjusted EBITDA (€ k)	27,828	19,656	41.6%
Adjusted EBITDA margin	16.9%	13.0%	3,9 PP

The Household Batteries segment comprises the consumer batteries business and energy storage solutions. In the first six months of 2021, revenue in the Household Batteries segment rose from € 150.9m to € 164.4m. This corresponds to revenue growth of 8.9% in comparison with the previous year. Adjusted EBITDA increased from € 19.7m to € 27.8m (+41.6%), which equates to significantly above-average growth in comparison with the trend in revenue.

Owing to a focus on the brand business, the Consumer business area recorded a step-change improvement in profitability in comparison with the same period in the prior year. In the reporting year, the energy storage solutions business developed in highly dynamic fashion, with very significant growth seen here and additional market shares gained in the process. The adjusted EBITDA margin stands at 16.9% in relation to revenue, which corresponds to an improvement of 3.9 percentage points in comparison with the prior year.

## 6 Employees

The number of employees across the entire Group increased from 4,342 in the first six months of the previous year to 4,606 members of staff as of June 30, 2021. In comparison with revenue, the number of employees at the VARTA AG Group increased at an above-average rate. This growth forms the basis for the anticipated increase in production and revenue over the second half of 2021.

## 7 Guidance, opportunity and risk report

The interim management report on the first half-year does not contain any comprehensive and complete statement on the guidance, opportunity and risks report. These notes should therefore be read in conjunction with the consolidated annual financial statements published as of December 31, 2020.

The risk management system as a whole is evaluated at Group level and focuses on strategic, operating, financial and other risks. In this process, the risks are categorized as low, medium or high according to the net loss potential.

The CFO bears responsibility for managing all opportunities and risks, which is an integral part of corporate governance. Based on the assessment of the Executive Board, the risks are still considered manageable as of the publication date. There continues to be no discernible individual risks that may endanger the existence of the company. At the same time, there is also a firm conviction that the VARTA AG Group remains well-placed strategically and financially to exploit all opportunities that arise.

A comprehensive review of the risk situation was carried out as of June 30, 2021.

There were no material changes in the area of operating, strategic, financial and default risks compared with December 31, 2020. The opportunities and risks that pose a threat to the company's continuing existence were updated, as scheduled, on June 30, 2021.

## 8 Outlook

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

The Company is also very well positioned in the face of the ongoing global COVID-19 pandemic and fluctuating infection rates. Production activities at proprietary facilities have continued without interruption since the start of the crisis, while no impact on supply chains has been identified either. Nevertheless, negative influences on the VARTA AG Group cannot be unequivocally excluded. This could impact production activities at our locations, transportation to customers and our suppliers. It can also not be ruled out that our customers are temporarily unable to accept deliveries of our products due to disrupted production processes at their own site.

### **VARTA AG Group**

Group revenue of around € 940m is expected for 2021. This equates to high single-digit revenue growth on a year-on-year basis.

An above-average increase to up to 30% of revenue is set to be recorded for the adjusted operating result (EBITDA). This would equate to growth of up to 2.5 percentage points and underlines the earning capacity of the VARTA Group.

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

### **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 pack business. Due to the anticipated strong demand for lithium-ion batteries for True Wireless Stereo Headsets (TWS) for Entertainment applications in the second half of 2021, plans are in place for a further expansion of production capacities. This represents the most significant growth potential for the Lithium-Ion Solutions & Microbatteries segment. In the hearing aid batteries business, the company intends to further consolidate what it regards as its market-leading position in a market subject to structural growth. The Lithium-Ion Solutions & Microbatteries segment will record comparable growth for fiscal year 2021. As a result of the further scaling of our business model, we also expect to see a huge rise in adjusted EBITDA, which is set to experience further above-average growth in relation to sales.

### **Household Batteries segment**

The Household Batteries segment consists of the two business areas Consumer and Energy Storage Systems. Within the VARTA AG Group, the division focuses on the consumer business with its own sales, marketing and production.

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

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

# Interim financial statement of the VARTA AG Group as of June 30, 2021

Consolidated statement of financial position as of June 30, 2021 (unaudited, preliminary)

VARTA Aktiengesellschaft, Ellwangen (Jagst)

(€ k)	JUNE 30, 2021	DECEMBER 31, 2020
<b>ASSETS</b>		
Property, plant and equipment	694,741	596,582
Intangible assets	65,713	63,933
Long-term investments and other participations recognized in the balance sheet under the equity method	61	73
Other financial assets	291	288
Deferred tax assets	10,933	6,107
Other assets	17,946	19,921
<b>Non-current assets</b>	<b>789,685</b>	<b>686,904</b>
Inventories	163,301	133,328
Contract assets	4,359	2,636
Trade receivables	129,485	120,136
Other financial assets	445	1,076
Tax refund claims	11,789	1,910
Other assets	75,048	54,924
Cash and cash equivalents	48,586	121,889
<b>Current assets</b>	<b>433,013</b>	<b>435,899</b>
<b>Total assets</b>	<b>1,222,698</b>	<b>1,122,803</b>

(€ k)

JUNE 30, 2021

DECEMBER 31, 2020

**EQUITY AND LIABILITIES**

Subscribed capital	40,422	40,422
Capital reserve	251,990	251,705
Retained earnings	112,064	114,414
Net income	45,550	95,411
Other reserves	85	-3,188
<b>Equity of the VARTA AG Group</b>	<b>450,111</b>	<b>498,764</b>
Non-controlling interests	308	311
<b>Total Equity</b>	<b>450,419</b>	<b>499,075</b>
Lease liabilities	86,336	63,843
Other financial liabilities	118,431	51,103
Provisions for employee benefits	72,191	77,081
Advance payments received	26,853	47,161
Other liabilities	64	54
Deferred tax liabilities	17,643	4,240
Other provisions	1,934	1,934
Accruals	2,811	625
<b>Non-current liabilities</b>	<b>326,263</b>	<b>246,041</b>
Tax liabilities	37,550	45,710
Lease liabilities	16,940	14,196
Other financial liabilities	96,135	6,323
Provisions for employee benefits	2,440	2,353
Contract liabilities	5,019	5,865
Trade payables and advance payments received	158,931	137,358
Other liabilities	29,898	34,668
Other provisions	19,810	39,200
Accruals	79,293	92,014
<b>Current liabilities</b>	<b>446,016</b>	<b>377,687</b>
<b>Liabilities</b>	<b>772,279</b>	<b>623,728</b>
<b>Equity and total liabilities</b>	<b>1,222,698</b>	<b>1,122,803</b>

## Consolidated income statement for the period January 1, 2021 – June 30, 2021 (unaudited)

VARTA Aktiengesellschaft, Ellwangen (Jagst)

(€ k)

	June 30, 2021	June 30, 2020
<b>Sales revenue</b>	<b>397,562</b>	<b>390,678</b>
Decrease / increase in finished and unfinished goods	31,056	8,287
Own work capitalized	1,586	2,579
Other operating income	21,637	20,424
Cost of materials	-158,827	-158,865
Personnel expenses	-126,554	-124,595
Other operating expenses	-54,548	-57,060
<b>EBITDA</b>	<b>111,912</b>	<b>81,448</b>
Depreciation and amortization	-45,057	-22,898
<b>Operating earnings (EBIT)</b>	<b>66,855</b>	<b>58,550</b>
Financial income	32	208
Financial expenses	-1,727	-1,322
Sundry financial income	119	794
Sundry financial expenses	-1,928	-1,625
<b>Financial result</b>	<b>-3,504</b>	<b>-1,945</b>
<b>Earnings before taxes</b>	<b>63,351</b>	<b>56,605</b>
Income tax expenses	-17,758	-16,715
<b>Consolidated result</b>	<b>45,593</b>	<b>39,890</b>
Appropriation of profit:		
Shareholders of VARTA AG	45,550	39,833
Non-controlling interests	43	57

Consolidated statement of comprehensive income for the period January 1, 2021 – June 30, 2021  
(unaudited)

VARTA Aktiengesellschaft, Ellwangen (Jagst)

(€ k)

	June 30, 2021	June 30, 2020
<b>Consolidated result</b>	<b>45,593</b>	<b>39,890</b>
<b>Items that will not be reclassified under profit or loss</b>		
Revaluation of the net defined benefit liability	5,677	-1,774
Revaluation of the reimbursement claim	-1,744	914
Related tax	-1,154	214
	<b>2,779</b>	<b>-646</b>
<b>Items that were reclassified or may be reclassified later under profit or loss</b>		
Currency translation differences	3,273	-2,647
Result of fair value changes in cash flow hedges	0	154
Related tax	0	-46
	<b>3,273</b>	<b>-2,539</b>
<b>Other comprehensive income for the period, net of tax</b>	<b>6,052</b>	<b>-3,185</b>
<b>Comprehensive income</b>	<b>51,645</b>	<b>36,705</b>
Profit attributable to:		
Shareholders of VARTA AG	51,603	36,648
Non-controlling interests	42	57
<b>Earnings per share (€)</b>		
	June 30, 2021	June 30, 2020
Basic earnings per share	1.13	0.99
Diluted earnings per share	1.13	0.99



## Consolidated statement of cash flows for the period January 1, 2021 – June 30, 2021 (unaudited)

VARTA Aktiengesellschaft, Ellwangen (Jagst)

(€ k)

	June 30, 2021	June 30, 2020
<b>Cash flow from ongoing operating activities</b>		
Earnings before taxes	63,351	56,605
Net financial result less sundry financial expense/sundry financial income	1,695	1,114
Results from at equity measurement	0	0
Depreciation and amortization	45,057	22,898
Gains and losses from the sale of property, plant and equipment and intangible assets	5	52
Other non-cash income and expenses	3,444	3,549
Change in working capital		
Inventories	-29,604	-14,060
Trade receivables and other current assets	-28,942	10,817
Trade payables and other current and non-current liabilities	-35,970	-371
Provisions and liabilities from pensions	-18,791	13,262
Income tax paid	-28,435	-12,311
<b>Net cash flow from ongoing operating activities</b>	<b>-28,190</b>	<b>81,555</b>
<b>Cash flow from investing activities</b>		
Capital expenditure on the acquisition of intangible and tangible assets	-85,648	-123,658
Own work capitalized	-1,586	-2,579
Cash receipts from the sale of intangible and tangible assets	-114	486
Payments from raising loans	1	-151
Investment in investments less acquired cash and cash equivalents	-3,469	-81,355
Receipts from the repayment of loans	-349	0
Interest received	29	202
<b>Cash flow from investing activities</b>	<b>-91,136</b>	<b>-207,055</b>
<b>Cash flow from financing activities</b>		
Payments for leasing liabilities*	-8,666	-7,731
Payments from the payment of interest-bearing financial liabilities	202,223	41,342
Repayments of interest-bearing current financial liabilities*	-4,461	-1,187
Repayments of interest-bearing non-current financial liabilities	-42,291	0
Payment of dividends to non-controlling interests	-100,585	0
Interest paid	-969	-786
<b>Cash flow from financing activities</b>	<b>45,251</b>	<b>31,638</b>
<b>Net change in cash and cash equivalents</b>	<b>-74,075</b>	<b>-93,862</b>
Cash and cash equivalents as of January 1	121,889	244,781
The effects of changes in foreign exchange rates	772	-120
<b>Cash and cash equivalents as of June 30, 2021</b>	<b>48,586</b>	<b>150,799</b>

\* Prior-year figures adjusted as no allocation was made

## Consolidated statement of changes in equity (unaudited)

VARTA Aktiengesellschaft, Ellwangen (Jagst)

(€ k)	ISSUED CAPITAL	CAPITAL RESERVE	RETAINED EARNINGS*	OTHER RESERVES			TOTAL EQUITY
				CURRENCY TRANSLATION ADJUSTMENTS	HEDGING RESERVE	NON-CONTROLLING INTERESTS	
<b>As of January 1, 2020</b>	<b>40,422</b>	<b>250,619</b>	<b>119,090</b>	<b>4,459</b>	<b>-3</b>	<b>215</b>	<b>414,802</b>
Effect of share-based payment	0	499	0	0	0	0	499
Change in minority interest*	0	0	0	0	0	0	0
Capital increase	0	0	0	0	0	0	0
Transaction costs from capital increase	0	0	0	0	0	0	0
<b>Comprehensive income</b>							
Profit/loss for the year	0	0	39,833	0	0	57	39,890
Other comprehensive income	0	0	-646	-2,647	108	0	-3,185
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>39,187</b>	<b>-2,647</b>	<b>108</b>	<b>57</b>	<b>36,705</b>
<b>As of June 30, 2020</b>	<b>40,422</b>	<b>251,118</b>	<b>158,277</b>	<b>1,812</b>	<b>105</b>	<b>272</b>	<b>452,006</b>

	ISSUED CAPITAL	CAPITAL RESERVE	RETAINED EARNINGS*	OTHER RESERVES			TOTAL EQUITY
				CURRENCY TRANSLATION ADJUSTMENTS	HEDGING RESERVE	NON-CONTROLLING INTERESTS	
<b>As of January 1, 2021</b>	<b>40,422</b>	<b>251,705</b>	<b>209,825</b>	<b>-3,209</b>	<b>21</b>	<b>311</b>	<b>499,075</b>
Effect of share-based payment	0	285	0	0	0	0	285
Dividend payment	0	0	-100,246	0	0	0	-100,246
Capital distribution Auditas GmbH	0	0	-294	0	0	-45	-339
<b>Comprehensive income</b>							
Profit/loss for the year	0	0	45,550	0	0	42	45,592
Other comprehensive income	0	0	2,779	3,273	0	0	6,052
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>48,329</b>	<b>3,273</b>	<b>0</b>	<b>42</b>	<b>51,644</b>
<b>As of June 30, 2021</b>	<b>40,422</b>	<b>251,990</b>	<b>157,614</b>	<b>64</b>	<b>21</b>	<b>308</b>	<b>450,419</b>

\* Retained earnings including profit/loss for the year

# Consolidated Notes of VARTA AG

## for the First Half of 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 condensed consolidated interim financial statements comprise the Company and its subsidiaries (collectively, "VARTA AG Group"). The reporting date for these interim financial statements for VARTA AG, all subsidiaries and for the consolidated accounts is June 30, 2021. These interim financial statements 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 interim financial statements were prepared in compliance with the International Financial Reporting Standards (IFRS), as adopted by the EU.

The business activities of VARTA AG, which it conducts through its operating subsidiaries, comprise production, sales, and research and development in two business segments: "Lithium-Ion Solutions & Microbatteries" 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
<b>As of January 1</b>	<b>43</b>	<b>1</b>	<b>12</b>	<b>1</b>
Disposals	0	0	0	0
Start-Up	1	0	1	0
Acquisition	1	0	30	0
<b>As of June 30</b>	<b>45</b>	<b>1</b>	<b>43</b>	<b>1</b>

### Start-ups

VARTA Drive GmbH

The company VARTA Drive GmbH was established as a subsidiary of VARTA Aktiengesellschaft 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%, meaning that it acquired control over VARTA Micro Innovation GmbH.

An existing dormant company was dissolved prior to the acquisition and VARTA Micro Innovation GmbH was reorganized under the code of obligations. The measures were implemented by the sellers. In connection with the dissolution of the dormant company, the parent company of VARTA AG granted the retiring dormant shareholders 1,305 shares in VARTA AG.

VARTA Micro Innovation GmbH was established by VARTA Microbattery GmbH, a subsidiary of VARTA AG, and the Technical University of Graz. This new company will combine the experience of one of the world's oldest and, at the same time, most innovative manufacturer of batteries with the expertise of the TU Graz, one of Europe's leading institutions in the area of fundamental electrochemical research 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 the Technical University of Graz will guarantee the rapid transfer of newly developed technologies to marketable products. VARTA Micro Innovation GmbH will contribute its expertise in the areas of materials research and qualification for electrochemical energy storage as an active partner in collaborative research projects as well as 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 as another participation in the Group until acquisition in fiscal 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)	FEBRUARY 2, 2021
Cash and cash equivalents (given at closing)	4,930
At-equity investment in VMI GmbH on Connexio GmbH level	13
<b>Total consideration transferred</b>	<b>4,943</b>

The consideration shown is still provisional and will be adjusted depending on the final acquisition balance sheet.

#### b) Costs associated with the business combination

Costs of € 141k for due diligence, legal and notary's fees were incurred at Group level in connection with the business combination. These costs are recognized at € 140k in other operating expenses incurred in fiscal year 2020. In fiscal year 2021, only € 1k has been incurred.

#### c) Identifiable assets acquired and liabilities assumed

The provisional fair values of the assets acquired and liabilities assumed at the acquisition date are summarized below:

(€ k)	FEBRUARY 2, 2021
Intangible assets	15
Property, plant and equipment	191
Trade receivables	83
Tax refund claims	54
Other current assets	727
Cash and cash equivalents	1,486
Other provisions	-231
Trade payables and advance payments received	-1,119
Other liabilities	-30
<b>Total identified net assets acquired</b>	<b>1,176</b>

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

Provisionally measured assets:

The amounts for the identifiable intangible assets and property, plant and equipment of VARTA Micro Innovation GmbH are still provisional since the work for the independently executed allocation of the purchase price was not yet complete at the time the interim financial statements were approved for publication.

The reorganization of VARTA Micro Innovation GmbH under company law and the code of obligations carried out by the sellers before the present acquisition will have an impact on the company's existing income tax loss carryforwards and also, because of the potential for offsetting, on loss carryforwards of CONNEXIO alternative investment holding GmbH, which was acquired in April 2020. Assets for deferred tax assets and liabilities for income taxes still have to be recognized in this connection. Establishing the

amounts in question will require the forward projection of the tax loss carryforwards at the end of 2020 and the recognition of the income tax-related effects from the reorganization, which mainly included debt waivers.

The present acquisition balance sheet is based on the provisional unaudited data of VARTA Micro Innovation GmbH, which were prepared in accordance with Austrian commercial law. It is possible that there will be adjustments or reclassifications in accordance with IFRS or audit adjustments as part of the audit of individual balance sheet items.

**d) Goodwill**

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

(€ k)	JANUARY 1, 2021
Consideration transferred	4,943
Fair value of the identifiable net assets	-1,176
<b>Goodwill</b>	<b>3,767</b>

Goodwill results primarily from the development projects that have been initiated and the skills of the workforce. None of the recognized goodwill is expected to be deductible for tax purposes.

**e) Contributions to revenue and financial results**

In the five months up to June 30, 2021, VARTA Micro Innovation GmbH contributed sales revenue of € 80k and a profit of € 38k to the consolidated result.

Had the acquisition of VARTA Micro Innovation GmbH taken place on January 1, 2021, consolidated sales revenue and the consolidated result would have only changed marginally according to estimates by the Executive Board.

The VARTA Aktiengesellschaft companies included in the scope of consolidation are listed in Chapter 31 "Investment companies".

### 3. Notes explaining the consolidated accounting principles

#### Declaration of compliance

The consolidated interim financial statements as of June 30, 2021 were prepared in compliance with the International Financial Reporting Standards (IFRS), Interim Financial Reporting (IAS 34). The condensed consolidated interim financial statements were prepared on the basis of all IAS / IFRS published by the International Accounting Standards Board (IASB) that were applicable on the reporting date as well as all interpretations (IFRIC / SIC) drawn up by the International Financial Reporting Interpretations Committee and the Standing Interpretations Committee, provided these have been adopted by the European Union through the endorsement process. The present interim report does not contain all the disclosures in the notes that are usually included in annual financial statements. This report must therefore be read in conjunction with the consolidated financial statements prepared as of December 31, 2020.

Use was made of the option of preparing condensed interim financial statements. They are based on all interpretations of the International Financial Reporting Interpretations Committee (IFRIC) that are compulsory as of June 30, 2021. This interim report is also consistent with the German Accounting Standard 16 (DRS 16 Interim Financial Reporting) of the Accounting Standards Committee of Germany (Deutsches Rechnungslegungs Standard Committee e.V. - DRSC).

Given the absence of any obligation to audit the interim financial statements, the interim report was not subjected to an audit or a review by an auditor.

#### Going concern

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

#### Consolidated 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 in Chapter 31 "Investment companies".

## Measurement basis

The same accounting and measurement principles were recognized for the condensed consolidated interim financial statements as were used for the consolidated financial statements as of December 31, 2020. A detailed description of these methods is included in the consolidated financial statements as of December 31, 2020. Changes that result from the first-time application / amendment of new standards are presented in the notes.

## 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.).

## 4. Key accounting and measurement policies

### Currency translation

The exchange rates used for foreign currency translation that have a significant impact on the condensed consolidated financial statements are as follows:

1 EURO EQUALS	AVERAGE RATE		RATE ON THE CLOSING DATE	
	June 30, 2021	June 30, 2020	June 30, 2021	December 31, 2020
US Dollar (USD)	1.2053	1.1020	1.1884	1.2271
British pound (GBP)	0.8680	0.8897	0.8581	0.8990
Russian rubles (RUB)	89.5502	76.6692	86.7725	91.4671
Romanian leu (RON)	4.9016	4.8383	4.9280	4.8683
Danish crowns (DKK)	7.4368	7.4542	7.4362	7.4409
Swedish crowns (SEK)	10.1308	10.4848	10.1110	10.0343

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

### 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.

#### 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.

#### **Extension of the limited exemption from application of IFRS 9**

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

#### **New and amended IFRS standards after June 30, 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

### Adopted in EU law:

#### Amendments:

		ENACTMENT
IFRS 16	Rent concessions granted in the context of the Coronavirus Pandemic beyond 30 June 2021	April 1, 2021
IFRS 3	Reference to the Conceptual Framework	January 1, 2022
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	January 1, 2022
IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	January 1, 2022
2018–2020	Annual Improvements to IFRS Standards 2018–2020	January 1, 2022

### Not yet adopted in EU law:

#### Standards

IFRS 17	Insurance contracts	January 1, 2023
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#### Amendments:

IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023
IAS 1 / IFRS	IAS 1 and IFRS Practice Statement 2 - Amendments Disclosure of Accounting Policies	January 1, 2023
IAS 8	Amendment Definition of Accounting Estimates	January 1, 2023
IFRS 10/IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	uncertain

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

### Rental concessions 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.

### 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 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.

### **IAS 37 – Onerous Contracts – Costs of Fulfilling a Contract**

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

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

### **Annual Improvements to IFRS**

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

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

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

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

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

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

### **IFRS 17 – Insurance Contracts**

The standard regulates accounting for insurance contracts. IFRS 17 replaces the previously valid transitional standard IFRS 4. The scope covers insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. Under IFRS 17, insurance contracts are measured in principle according to the general model. The fulfillment value and contractual service margin are determined for a group of insurance contracts when it is recognized for the first time. Depending on the scope of changes to the underlying parameters, either the actuarial result or actuarial financial income/expenses will be affected in the subsequent measurement or the contractual service margin may be adjusted first, which will only affect the income statement in subsequent periods.

### **IAS 1 Classification of Liabilities as Current or Non-current**

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

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

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

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

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

### **Amendment to the definition of accounting estimates**

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

The Group currently assumes that no material effects on the consolidated financial statements will arise here.

### **IAS 1 and IFRS Practical Tips 2 - Disclosure of Accounting Policies**

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

The Group currently assumes that no material effects on the consolidated financial statements will arise here.

**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. 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 profits or losses 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 Batteries" and "Energy Storage Systems" are aggregated 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.

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

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

### Information according to reportable segments:

(€ k)	LITHIUM-ION SOLUTIONS & MICROBATTERIES		HOUSEHOLD BATTERIES		Σ TOTAL	RECONCILIATION		GROUP		
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Segment revenue	240,600	247,085	164,364	150,871	404,964	397,956	0	128	404,964	398,084
Revenue with other segments	7,400	7,406	2	0	7,402	7,406	0	0	7,402	7,406
Revenue with third parties	233,200	239,679	164,362	150,871	397,562	390,550	0	128	397,562	390,678
Thereof Point-in-time	216,872	232,905	158,683	132,581	375,555	365,486	0	128	375,555	365,614
Thereof Point-over-time	16,328	6,774	5,679	18,290	22,007	25,064	0	0	22,007	25,064
Depreciation and amortization	-36,872	-15,023	-8,185	-7,875	-45,057	-22,898	0	0	-45,057	-22,898
Material effects in income and expenses	0	0	0	-19,236	0	-19,236	-356	-1,397	-356	-20,633
<b>EBITDA</b>	<b>84,440</b>	<b>82,425</b>	<b>27,828</b>	<b>420</b>	<b>112,268</b>	<b>82,845</b>	<b>-356</b>	<b>-1,397</b>	<b>111,912</b>	<b>81,448</b>

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

(€ k)	June 30, 2021			June 30, 2020		
	NOT ASSINGABLE TO CORE BUSINESS	SPECIAL EFFECTS	Σ TOTAL	NOT ASSINGABLE TO CORE BUSINESS	SPECIAL EFFECTS	Σ TOTAL
Sales revenue	0	0	0	128	0	128
Effects in income and expenses	0	-356	-356	0	-20,633	-20,633
<b>EBITDA</b>	<b>0</b>	<b>-356</b>	<b>-356</b>	<b>0</b>	<b>-20,633</b>	<b>-20,633</b>

Items that are not assigned to a segment are shown in "Not assignable to core business". The effects in income and expenses mainly consist of special effects, which cannot be assigned directly to a segment.

Circumstances which are taken into account in adjusting EBITDA are shown in the column "Special effects". In the first half of 2021, there were such circumstances only at VARTA AG. "Special effects" from M&A transactions of € 0.1m (2020: € 1.3m) and effects from share-based payment of € 0.3m (2020: € 0.5m) were attributable to VARTA AG as the parent company.

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

(€ k)	June 30, 2021	June 30, 2020
EBITDA	111,912	81,448
Depreciation and amortisation	-45,057	-22,898
EBIT	66,855	58,550
Financial result	-3,504	-1,945
<b>Earnings before taxes</b>	<b>63,351</b>	<b>56,605</b>

### Geographical segment information

The following statement shows the Group's revenue divided 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)	June 30, 2021		June 30, 2020	December 31, 2020
	REVENUES*	NON-CURRENT ASSETS**	REVENUES*	NON-CURRENT ASSETS**
Europe	229,536	744,085	199,708	654,908
Thereof Germany	96,937	698,511	82,236	637,381
America	50,918	4,078	30,144	564
Asia	110,825	12,291	152,349	5,043
Other	6,283	0	8,477	0
<b>Total Group</b>	<b>397,562</b>	<b>760,454</b>	<b>390,678</b>	<b>660,515</b>

\* Revenues are based on the location of the customer's registered office

\*\* Non-current assets include, for this purpose, 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)	June 30, 2021	JUNE 30, 2021	June 30, 2020	DECEMBER 31, 2019
	REVENUES	TRADE RECEIVABLES AND CONTRACT ASSETS	REVENUES	TRADE RECEIVABLES AND CONTRACT ASSETS
Of which from product sales	395,573	133,053	389,206	122,232
Of which from the sale of services	1,989	791	1,472	540
<b>Total Group</b>	<b>397,562</b>	<b>133,844</b>	<b>390,678</b>	<b>122,772</b>

### Significant customers

In 2021, revenue with a specific customer amounted to € 71.7m, which equates to a share of revenue of more than 10% of Group revenue. The revenue is attributable to the "Lithium-Ion Solutions & Microbatteries" segment (previous year "Microbatteries & Solutions").



## 6. 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 PREPAYMENTS	TANGIBLE ASSETS
<b>Acquisition values</b>									
<b>As of January 1, 2020</b>	<b>0</b>	<b>360</b>	<b>25,603</b>	<b>134,533</b>	<b>42</b>	<b>36,322</b>	<b>3,290</b>	<b>116,922</b>	<b>317,072</b>
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
Changes in consolidation scope	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
<b>As of December 31, 2020</b>	<b>3,165</b>	<b>18,057</b>	<b>71,819</b>	<b>344,598</b>	<b>14,408</b>	<b>64,950</b>	<b>7,910</b>	<b>198,191</b>	<b>723,098</b>
Currency differences	0	-3	56	92	-2	75	-2	-132	84
Additions	0	41	32,092	5,537	574	1,066	381	99,918	139,609
Changes in consolidation scope	0	0	475	170	0	10	39	0	694
Disposals	0	0	-663	-4,047	0	-153	-370	1	-5,232
Reclassifications	0	982	0	11,192	0	1,797	0	-14,016	-45
<b>As of June 30, 2021</b>	<b>3,165</b>	<b>19,077</b>	<b>103,779</b>	<b>357,542</b>	<b>14,980</b>	<b>67,745</b>	<b>7,958</b>	<b>283,962</b>	<b>858,208</b>
<b>Cumulative depreciation and amortization</b>									
<b>As of January 1, 2020</b>	<b>0</b>	<b>15</b>	<b>3,137</b>	<b>46,140</b>	<b>33</b>	<b>19,014</b>	<b>837</b>	<b>0</b>	<b>69,176</b>
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
<b>As of December 31, 2020</b>	<b>0</b>	<b>651</b>	<b>9,790</b>	<b>86,357</b>	<b>2,786</b>	<b>24,083</b>	<b>2,849</b>	<b>0</b>	<b>126,516</b>
Currency differences	0	0	50	78	12	58	-4	0	194
Additions	0	384	5,542	29,398	1,547	3,742	1,137	0	41,750
Disposals	0	0	-317	-4,209	0	-127	-340	0	-4,993
Reclassifications	0	0	0	0	229	0	-229	0	0
<b>As of June 30, 2021</b>	<b>0</b>	<b>1,035</b>	<b>15,065</b>	<b>111,624</b>	<b>4,574</b>	<b>27,756</b>	<b>3,413</b>	<b>0</b>	<b>163,467</b>
<b>Carrying amounts</b>									
Carrying amounts on January 1, 2020	0	345	22,466	88,393	9	17,308	2,453	116,922	247,896
Carrying amounts on December 31, 2020	3,165	17,406	62,029	258,241	11,622	40,867	5,061	198,191	596,582
Carrying amounts on June 30, 2021	3,165	18,042	88,714	245,918	10,406	39,989	4,545	283,962	694,741

The majority of the investment in property, plant and equipment served to expand production capacity for lithium-ion button cells in response to demand, the new building at the production site in Nördlingen and the construction of a pilot production line for large-format cells.

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, investment holdings increased from € 596.6m in 2020 to € 694.7m in 2021.

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 € 131.0m (2020: € 119.3m).

## 7. Intangible assets

(€ k)	GOODWILL	TRADEMARK RIGHT AND OTHER INTANGIBLE ASSETS	COMMERCIAL PROPERTY RIGHTS	DEVELOPMENT COSTS	PREPAYMENTS	TOTAL
<b>Acquisition values</b>						
<b>As of January 1, 2020</b>	<b>500</b>	<b>12,577</b>	<b>958</b>	<b>18,505</b>	<b>0</b>	<b>32,540</b>
Currency differences	0	-2	0	0	0	-2
Additions	0	1,188	0	1,889	0	3,077
Additions in consolidation scope	138	22,203	22,429	0	0	44,770
Disposals	0	-82	-1	0	0	-83
Reclassifications	0	1,218	0	0	0	1,218
<b>As of December 31, 2020</b>	<b>638</b>	<b>37,102</b>	<b>23,386</b>	<b>20,394</b>	<b>0</b>	<b>81,520</b>
Currency differences	0	1	0	0	0	1
Additions	3,767	827	0	375	57	5,026
Additions in consolidation scope	0	3	0	0	12	15
Disposals	0	-88	0	0	0	-88
Reclassifications	0	45	0	0	0	45
<b>As of June 30, 2021</b>	<b>4,405</b>	<b>37,890</b>	<b>23,386</b>	<b>20,769</b>	<b>69</b>	<b>86,519</b>

(€ k)	GOODWILL	TRADEMARK RIGHT AND OTHER INTANGIBLE ASSETS	COMMERCIAL PROPERTY RIGHTS	DEVELOPMENT COSTS	PREPAYMENTS	TOTAL
<b>Cumulative depreciation and amortization</b>						
<b>As of January 1, 2020</b>	<b>0</b>	<b>2,770</b>	<b>563</b>	<b>8,424</b>	<b>0</b>	<b>11,757</b>
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
<b>As of December 31, 2020</b>	<b>0</b>	<b>6,135</b>	<b>864</b>	<b>10,588</b>	<b>0</b>	<b>17,587</b>
Additions	0	2,052	144	1,111	0	3,307
Disposals	0	-88	0	0	0	-88
<b>As of June 30, 2021</b>	<b>0</b>	<b>8,099</b>	<b>1,008</b>	<b>11,699</b>	<b>0</b>	<b>20,806</b>
<b>Carrying amounts</b>						
Carrying amounts on January 1, 2020	500	9,807	395	10,081	0	20,783
Carrying amounts on December 31, 2020	638	30,967	22,522	9,806	0	63,933
Carrying amounts on June 30, 2021	4,405	29,791	22,378	9,070	69	65,713

Based on the provisional valuation, the Group received intangible assets of € 5.0m through the acquisition of VARTA Micro Innovation GmbH. The majority of this figure was attributable to provisional goodwill of € 3.8m.

Of the own work capitalized of € 1.6m (2020: € 2.6m), self-manufactured intangible assets, which are not yet ready for use, of € 0.4m (2020: € 1.9m) were recognized in 2021.

Research and development expenses amounting to € 44.0m (2020: € 8.5m) 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.

## 8. Leases

The Group leases various offices and storage buildings as well as plants and vehicles. Leases are usually concluded for fixed periods from 2 to 10 years but may include options to extend or may even be unlimited in individual cases. Changes to leased fixed assets are presented in Chapter 6 "Property, plant and equipment".

Future lease payments based on non-terminable leases total:

(€ k)	JUNE 30, 2021	DECEMBER 31, 2020
Lease liabilities - current	16,940	14,196
Lease liabilities - non current	86,336	63,843
<b>Total</b>	<b>103,276</b>	<b>78,039</b>

(€ k)	JUNE 30, 2021	DECEMBER 31, 2020
thereof residual term of up to 1 year	18,156	15,043
thereof residual term of 1 to 5 years	54,997	44,089
thereof residual term of more than 5 years	35,080	22,565
<b>Total minimum lease payments (undiscounted)</b>	<b>108,233</b>	<b>81,697</b>

(€ k)	JUNE 30, 2021	DECEMBER 31, 2020
<b>Amounts recognised in the income statement</b>		
Interest expense on lease liabilities	532	329
Income from the subleasing of leased assets	-72	-72
Expense from short-term leases	824	1,573
Expense from leases of low-value assets, excl. short-term leases for low-value assets	920	340
<b>Total</b>	<b>2,204</b>	<b>2,170</b>

A building was rented at the Nördlingen site, which is why non-current lease liabilities increased from € 63.8m to € 86.3m. Otherwise the significant contracts continued unchanged from December 31, 2020.

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

## 9. Inventories

Inventories can be divided into the following items:

(€ k)	JUNE 30, 2021	DECEMBER 31, 2020
Raw materials and supplies	53,512	55,628
Unfinished goods	41,296	25,228
Finished goods and merchandise	68,228	52,102
Advance payments made	265	370
<b>Inventories</b>	<b>163,301</b>	<b>133,328</b>
Impairment income (+) / expense (-) recognized in the income statement*	-2,538	-195

\* Comparative period refers to June 30, 2020

Inventories in fiscal year 2021 were increased in response to anticipated revenue in the second half of the year. Impairments of inventories recognized as expense in the reporting period amounted to € 2.6m (2020: € 0.6m). In fiscal year 2021, the change in reversals undertaken, which was recognized as impairment of the cost of materials in the reporting period, is not significant (2020: € 0.4m). The carrying amount of inventories after impairment totaled € 13.4m (2020: € 13.1m).

## 10. Trade receivables and contract assets

(€ k)	JUNE 30, 2021	DECEMBER 31, 2020
Receivables due from third parties (gross)	130,184	120,510
Receivables due from related parties	207	257
Total trade receivables	130,391	120,767
Contract assets	4,359	2,636
<b>Gross trade receivables and contract assets</b>	<b>134,750</b>	<b>123,403</b>
Less loss allowances	-906	-631
<b>Net trade receivables and contract assets</b>	<b>133,844</b>	<b>122,772</b>

The existing net receivables as of June 30, 2021 are increased by € 23.2m (December 31, 2020: € 41.2m) because of the reduced sale of receivables. The increase is due to seasonal factors and is expected to become less significant at the end of the year.

Receivables due from third parties (gross) have risen by € 9.7m year on year. This increase is due to the increase in operating business.

## 11. Other assets

(€ k)	JUNE 30, 2021	DECEMBER 31, 2020
<b>Other assets</b>	<b>92,994</b>	<b>74,845</b>
Of which current	75,048	54,924
Of which non-current	17,946	19,921

The claim to reimbursement from the assumption of the joint obligation for pensions in June 2017 is reported in the amount of € 17.9m (2020: € 19.8m) under non-current other assets.

Current other assets consisted of the following:

(€ k)	JUNE 30, 2021	DECEMBER 31, 2020
Receivables from development projects	34,042	16,682
Other tax receivables	10,274	12,527
Other Receivables	23,722	23,295
Miscellaneous other assets	7,010	2,420
<b>Other assets</b>	<b>75,048</b>	<b>54,924</b>

Receivables from promotional projects of € 34.0m are largely due from the German Federal Ministry of Economics (BMWi) and the Federal States of Bavaria and Baden-Württemberg and relate to government subsidies for the IPCEI (Important Project of Common European Interest). The other receivables are largely due from the European Commission and relate to government subsidies for two projects in which the Group acts as coordinator and receives and manages the subsidies on a fiduciary basis from the funding authority. Advance payments passed on to the cooperation partners involved amounted to € 13.2m (2020: € 12.1m) as of June 30, 2021.

Other tax receivables are largely sales tax receivables. These decreased by € 2.3m from € 12.5m in 2020 to € 10.3m in 2021.

The item for miscellaneous other assets largely consists of prepaid expenses, which have risen from € 2.4m to € 7.0m.

## 12. Cash and cash equivalents

Cash and cash equivalents can be broken down as follows:

(€ k)	JUNE 30, 2021	DECEMBER 31, 2020
Cash equivalents	193	225
Cash	22	21
Credit balances with financial institutions	48,371	121,643
<b>Total</b>	<b>48,586</b>	<b>121,889</b>

Essentially, the capital disbursements of € 100.5m in the second quarter of 2021 are the reason for the sharp fall in cash and cash equivalents.

## 13. Equity

There were the following changes to the equity of the VARTA AG Group in 2021:

	OTHER RESERVES						TOTAL EQUITY
	SUBSCRIBED CAPITAL	CAPITAL RESERVE	RETAINED EARNINGS*	CURRENCY DIFFERENCES	HEDGING RESERVE	NON-CONTROLLING INTERESTS	
<b>As of January 1, 2021</b>	<b>40,422</b>	<b>251,705</b>	<b>209,825</b>	<b>-3,209</b>	<b>21</b>	<b>311</b>	<b>499,075</b>
Effect of share-based payment	0	285	0	0	0	0	285
Dividend payment	0	0	-100,246	0	0	0	-100,246
Capital distribution Auditas GmbH	0	0	-294	0	0	-45	-339
<b>Comprehensive income</b>		0	0	0	0	0	0
Profit/loss for the year	0	0	45,550	0	0	42	45,592
Other comprehensive income	0	0	2,779	3,273	0	0	6,052
Comprehensive income	0	0	48,329	3,273	0	42	51,644
<b>As of June 30, 2021</b>	<b>40,422</b>	<b>251,990</b>	<b>157,614</b>	<b>64</b>	<b>21</b>	<b>308</b>	<b>450,419</b>

\* Retained earnings including profit/loss for the year

After the reporting date, the Executive Board of VARTA Aktiengesellschaft proposed that the net profit for fiscal year 2020 of € 139.4m reported in the annual financial statements of VARTA Aktiengesellschaft be used to pay a dividend of € 2.48 per share entitled to dividends.

The dividend payment totaling € 100.2m for 40,421,686 shares entitled to dividends was resolved by the Annual General Meeting of VARTA Aktiengesellschaft on June 17, 2021. The remaining amount of € 39.2m was carried forward to the new account.

A profit distribution was also resolved in the course of the extraordinary Shareholders' Meeting of Auditas GmbH. This led to an outflow of the Group's equity of € 0.3m.

## 14. Earnings per share

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

(€ k)	JUNE 30, 2021	JUNE 30, 2020
Earnings, attributable to shareholders in € k	45,550	39,833
Weighted average of ordinary shares in circulation ('000 shares)	40,422	40,422
Basic earnings per share in €	1.13	0.99
Diluted earnings per share in €	1.13	0.99

\* Earnings per share represent the shares of VARTA AG

## 15. Other financial liabilities

Other financial liabilities consisted of the following:

(€ k)	JUNE 30, 2021	DECEMBER 31, 2020
<b>Other financial liabilities</b>	<b>214,566</b>	<b>57,426</b>
Of which non-current	118,431	51,103
Of which current	96,135	6,323

### Compositon of other financial liabilities

Total	214,566	57,426
Liabilities to financial institutions	189,599	42,843
Derivative financial instruments	1,843	736
Other financial liabilities	23,124	13,847

In the first half of the current fiscal year, the syndicated loan agreement in the amount of € 120m concluded in 2019 was replaced by a newly concluded syndicated loan agreement in the amount of € 235m. These financial resources will be used to finance additional investment in expanding capacity and the business. In June 2021, additional financial resources were drawn under the syndicated loan, meaning that liabilities to banks have risen by € 146.8m in comparison with December 31, 2020. The syndicated loan is accounted for as non-current in the amount of € 100.0m, while the current portion amounts to € 89.6m. It has been accounted for as current to reflect the flexibility with which funds can be drawn.

As a result of the sale of the commercial property held by the subsidiary VHB Real Estate Holdings, LLC at the principal production site of VARTA Consumer Batteries GmbH & Co. KGaA in Dischingen to Colibri Dischingen Immobilien GmbH on March 1, 2021, other financial liabilities have risen by € 10.6m. The existing tenancy with VARTA Consumer Batteries GmbH & Co. KGaA was transferred to the purchaser through the sale. An option for VARTA to buy back the property at market value has also been contractually agreed. At the end of the tenancy, the financial liability will equal the estimated fair value and repurchase value of the property. From the Group's perspective, this contractual arrangement means that there will be no disposal of property, plant and equipment, instead there will be an addition to financial liabilities.

## 16. Provisions for employee benefits

Composition of provisions for employee benefits:

(€ k)	JUNE 30, 2021	DECEMBER 31, 2020
<b>Total</b>	<b>74,631</b>	<b>79,434</b>
Of which non-current	72,191	77,081
Of which current	2,440	2,353
<b>Composition of provisions for employee benefits</b>		
<b>Total</b>	<b>74,631</b>	<b>79,434</b>
Pensions	58,961	64,611
Severance payments	9,254	8,462
Service anniversary bonuses	2,168	2,183
Partial retirement	4,248	4,178

Provisions for pensions decreased because of changes to actuarial assumptions, in particular, the increase in the discount rate from 0.5% to 1.1%.

In contrast, an increase was recorded for accrued claims to severance payments that were largely created for employees' statutory and contractual claims in Indonesia.



## 17. Trade payables, contract liabilities and advance payments received

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

(€ k)	JUNE 30, 2021	DECEMBER 31, 2020
Advance payments received	26,853	47,161
<b>Non-current liabilities</b>	<b>26,853</b>	<b>47,161</b>
Trade payables to third parties	69,419	70,050
Liabilities from the acquisition of tangible and intangible assets	44,760	24,169
Liabilities to related parties	25	358
<b>Sum trade payables</b>	<b>114,204</b>	<b>94,577</b>
Contract liabilities	5,019	5,865
Advance payments received	44,727	42,781
<b>Current liabilities</b>	<b>163,950</b>	<b>143,223</b>
<b>Total trade payables, contract liabilities and advance payments received</b>	<b>190,803</b>	<b>190,384</b>
of which due immediately	39,491	22,995
of which residual term of up to 1 year	124,459	120,228
of which residual term over to 1 year	26,853	47,161

Total trade payables have increased by € 19.6m. This is attributable to the increase in business volume and additional investment.

Advance payments received came to € 71.6m in total and were associated with obligations from (in some cases pending) transactions on the part of the VARTA AG Group to deliver batteries. The resultant liabilities of the VARTA AG Group are repaid as part of future deliveries. In fiscal year 2021, a total of € 21.5m of the advance payments received shown in the previous year were netted off against matching receivables from call-offs.

## 18. Other liabilities

(€ k)	JUNE 30, 2021	DECEMBER 31, 2020
Other non-current liabilities	64	54
Other current liabilities	29,898	34,668
<b>Other liabilities</b>	<b>29,962</b>	<b>34,722</b>

Current other liabilities reduced from € 34.7m to € 29.9m. The main reason for the reduction was settlement of existing tax liabilities.

## 19. Other provisions

There were the following changes to other provisions:

(€ k)	RESTRUCTURING	WARRANTIES, GUARANTEES, ETC.	DISPOSAL, RESTORATION & SIMILAR OBLIGATIONS	OTHER PROVISIONS	TOTAL 2021
<b>Maturity</b>					
Non-Current	0	1,934	0	0	1,934
Current	1,639	8,012	691	9,468	19,810
<b>Total provisions</b>	<b>1,639</b>	<b>9,946</b>	<b>691</b>	<b>9,468</b>	<b>21,744</b>

### Changes in other provisions in 2021

<b>As of January 1, 2021</b>	<b>15,719</b>	<b>8,551</b>	<b>1,410</b>	<b>15,454</b>	<b>41,134</b>
Reclassification	-203	0	0	44	-159
Allocation	0	2,163	376	5,662	8,201
Consumption	-13,877	-784	-1,095	-11,076	-26,832
Reversal	0	0	0	-665	-665
Foreign exchange differences	0	16	0	49	65
<b>As of June 30, 2021</b>	<b>1,639</b>	<b>9,946</b>	<b>691</b>	<b>9,468</b>	<b>21,744</b>

(€ k)	RESTRUCTURING	WARRANTIES, GUARANTEES, ETC.	DISPOSAL, RESTORATION & SIMILAR OBLIGATIONS	OTHER PROVISIONS	TOTAL 2020
<b>Maturity</b>					
Long-term	0	1,934	0	0	1,934
Short-term	15,719	6,617	1,410	15,454	39,200
<b>Total provisions</b>	<b>15,719</b>	<b>8,551</b>	<b>1,410</b>	<b>15,454</b>	<b>41,134</b>

### Changes in other provisions in 2020

<b>As of January 1, 2020</b>	<b>0</b>	<b>4,228</b>	<b>0</b>	<b>4,018</b>	<b>8,246</b>
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
<b>As of June 30, 2020</b>	<b>15,719</b>	<b>8,551</b>	<b>1,410</b>	<b>15,454</b>	<b>41,134</b>

### Restructuring

The restructuring that started in connection with the acquisition of the VARTA Consumer companies in 2020 was largely completed at the beginning of 2021. Of the provision created for this purpose as of December 31, 2020, € 13.9m was therefore consumed in the first half. As expected, the remaining € 1.6m will be utilized by the end of the year.

### Miscellaneous provisions

The provision for payment arrangements with the Executive Board of VARTA AG of € 7.2m included in miscellaneous provisions was paid out in full in the first half of 2021.

## 20. Deferred liabilities

Deferred liabilities comprise the following material items:

(€ k)	JUNE 30, 2021	DECEMBER 31, 2020
Holiday entitlements, overtime and time off in lieu	14,811	11,866
Employee bonuses	11,455	9,941
Other deferred liabilities for personnel	5,129	3,245
<b>Deferred liabilities for personnel</b>	<b>31,395</b>	<b>25,052</b>
Outstanding invoices	3,366	3,191
Customer bonus	39,634	56,412
Audit, tax and legal advice	2,072	2,515
Miscellaneous deferred liabilities	5,637	5,469
<b>Other deferred liabilities</b>	<b>50,709</b>	<b>67,587</b>
<b>Deferred liabilities</b>	<b>82,104</b>	<b>92,639</b>

Deferred liabilities to employees have risen by € 6.3m in comparison with December 31, 2020, which is mainly attributable to the increase in staff numbers. Other deferred liabilities for personnel also include a liability to employees of a Group company in the amount of € 2.2m (December 31, 2020: € 2.4m) for their participation in the company result. This was reported under other current liabilities in the previous year.

Other deferred liabilities decreased primarily as a result of the fall in provisions for customer bonuses, which are largely settled and paid out on the basis of annual agreements at the beginning of the calendar year for the previous year. This development is therefore due to seasonal factors and will become less significant at the end of the year.

## 21. Revenue

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

(€ k)	June 30, 2021	June 30, 2020
<b>Sales revenue</b>	<b>397,562</b>	<b>390,678</b>
of which from the sale of products	395,573	389,206
of which from the provision of services	1,989	1,472

In comparison with the previous year no significant changes have occurred.

## 22. Decrease/increase in finished and unfinished goods

(€ k)	June 30, 2021	June 30, 2020
Change in unfinished goods	15,603	1,431
Change in finished goods	15,453	6,856
<b>Decrease/increase in finished and unfinished goods</b>	<b>31,056</b>	<b>8,287</b>

Changes in finished and unfinished goods cannot be reconciled directly with the changes apparent from the consolidated balance sheet. This was due to existing currency differences that affect these items. The increase in fluctuations was firstly the result of the increase in inventories of consumer batteries at VARTA Consumer for the impending year end business and secondly for a forthcoming customer order which meant the company had to start manufacturing TWS batteries.

## 23. Cost of material

(€ k)	June 30, 2021	June 30, 2020
Cost of raw materials, supplies and goods purchased	142,380	140,494
Other cost of materials	9,966	12,056
Materials processing and refining by third parties	5,212	4,956
Other	1,269	1,359
<b>Cost of materials</b>	<b>158,827</b>	<b>158,865</b>

The item "Other" contains consumables which were purchased direct for production or customer orders and consumed without being stored as well as expenses for packaging, waste disposal and packaging material. The item "other material expenses and services purchased" includes the costs of temporary staff among other expenses.

## 24. Personnel expenses

Personnel expenses contained the following items:

(€ k)	June 30, 2021	June 30, 2020
Wages and salaries	104,428	95,805
Expenses for severance payments	952	10,508
Expenses for statutory social security contributions*	11,049	9,628
Pension expenses*	8,796	7,233
Other personnel expenses	1,329	1,421
<b>Total personnel expenses</b>	<b>126,554</b>	<b>124,595</b>

\* Prior-year figures adjusted, as pension contributions of the Consumer companies were included in social security contributions in the previous year

Personnel expenses have risen marginally compared with the previous year. The increase in wages and salaries as well as expenses for statutory social security contributions is attributable to the increase in staff numbers. Expenses for severance payments have fallen, as the restructuring measures in connection with the acquisition of the VARTA Consumer companies were included in the previous year.

## 25. Depreciation and amortization

Depreciation and amortization comprised the following:

(€ k)	June 30, 2021	June 30, 2020
Scheduled depreciations of property, plant and equipment (excluding right-of-use assets)	33,524	14,184
Scheduled depreciations of right-of-use assets	8,226	5,703
Scheduled amortization of intangible assets	3,307	3,011
<b>Total depreciation and amortization</b>	<b>45,057</b>	<b>22,898</b>

Depreciation and amortization on property, plant and equipment have more than doubled in comparison with June 30, 2020 through the commissioning of new machinery and equipment. The reduction in the useful life of CoinPower plants in fiscal year 2020 from 80 months to 57 months also contributed to a higher figure for depreciation and amortization.

## 26. Other operating income

Other operating income contained the following items:

(€ k)	June 30, 2021	June 30, 2020
Grants and public donations	18,351	2,027
Reversal of provisions and deferred liabilities	747	426
Income from the sale of property, plant and equipment	0	118
Other	2,539	17,853
<b>Other operating income</b>	<b>21,637</b>	<b>20,424</b>

In fiscal year 2021, public donations totaled € 18.4m (2020: € 2.0m) and were essentially provided for VARTA Microbattery GmbH, VARTA Micro Production GmbH and VARTA Storage GmbH. For the Important Project of Common European Interest (IPCEI) on Batteries explained in the next section, the support was linked to various conditions and granted by the Federal Ministry of Education and Research 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 the current state of the art, while being sustainable and environmentally compatible, in Germany and the European Union. Accordingly, the results of the subsidized project are primarily to be used commercially in the European Union. 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 possible, 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 reinforce Nördlingen as a location for innovation, business and production. At the same time, the grant aims to develop, manufacture and operate especially sustainable and environmentally compatible plants, buildings and business premises compared with the state of the art. Sustainability issues are to be taken into consideration in all planning, construction and management processes.

The decrease in the item "Other" is attributable to the acquisition of the VARTA Consumer companies in the previous fiscal year. In the prior year, other operating income included € 13.4m, which stemmed from services for the segments (including household appliances and pet food) of the former owner Spectrum Brands, which were supplied on a time-limited basis until the end of 2020.

## 27. Other operating expenses

Other operating expenses contained the following items:

(€ k)	June 30, 2021	June 30, 2020
Legal, auditing and consultancy fees	8,083	7,943
Maintenance	6,760	6,129
Outward freight and customs duties	5,752	6,199
Cost of energy	4,748	4,267
Other sales and distribution costs	4,050	4,698
Marketing, advertising and representation	3,364	3,770
Telephone, postage and IT	2,787	2,189
Commission	2,327	2,449
Warranties	2,047	1,658
Rent and leases	1,744	1,913
Insurance contracts	1,274	1,604
Cleaning	916	442
Licenses and patent fees	869	961
Contributions and fees	562	794
Bank charges / fund transfer fees	504	425
Travel expenses	460	856
Apprenticeship and training costs	219	265
Expenses with related companies	112	110
Customer credit insurance	111	138
Engineering and professional fees	99	131
Impairment losses from trade receivables	93	673
Miscellaneous other operating expenses	7,667	9,446
<b>Other operating expenses</b>	<b>54,548</b>	<b>57,060</b>

Other operating expenses declined by € 2.5m in total from € 57.1m to € 54.5m. The fall in the item "miscellaneous other operating expenses" resulted from VARTA Consumer business, which was offset in part by income accruing as part of services for the segments (including household appliances and pet food) of the former owner Spectrum Brands in the past fiscal year. These services ceased towards the end of 2020. Travel decreased by € 0.4m year on year because of the COVID-19 pandemic. Inversely to travel expenses, expenses for telephone, postage and IT increased by € 0.6m because of the increasing number of online meetings. There were no significant deviations in other expenses.

## 28. Income tax expenses

Income tax expense is recognized on the basis of the estimate of the weighted average annual income tax rate for the fiscal year as a whole. The estimated tax rate for the period covered by the interim report up to June 30, 2021 accordingly comes to 29.08% (June 30, 2020: 29.52%).

## 29. Financial risk management

(€ k)	JUNE 30, 2021	LEVEL 1	LEVEL 2	LEVEL 3
<b>Financial instruments measured at fair value through profit and loss</b>				
Factoring	-23,202	0	-23,202	0
Debtor warrant	-8,300	0	0	-8,300
Derivative financial instruments - assets	445	0	445	0
Derivative financial instruments - liabilities	-1,843	0	-1,843	0
<b>Total</b>	<b>-32,900</b>	<b>0</b>	<b>-24,600</b>	<b>-8,300</b>

(€ k)	DECEMBER 31, 2020	LEVEL 1	LEVEL 2	LEVEL 3
<b>Financial instruments measured at fair value through profit and loss</b>				
Factoring	-41,210	0	-41,210	0
Debtor warrant	-8,300	0	0	-8,300
Derivative financial instruments - assets	1,076	0	1,076	0
Derivative financial instruments - liabilities	-736	0	-736	0
<b>Total</b>	<b>-49,170</b>	<b>0</b>	<b>-40,870</b>	<b>-8,300</b>

(€ k)	JUNE 30, 2021	DECEMBER 31, 2020
Derivative financial instruments	445	1,076
<b>Derivative financial instruments measured at fair value through comprehensive income</b>	<b>445</b>	<b>1,076</b>
<b>Cash and cash equivalents</b>	<b>48,586</b>	<b>121,889</b>
Loans	291	288
Trade receivables	129,485	120,136
Other assets*	75,711	59,899
<b>Loans and receivables</b>	<b>205,487</b>	<b>180,323</b>
<b>Financial assets measured at amortized cost</b>	<b>254,073</b>	<b>302,212</b>
<b>Total financial assets</b>	<b>254,518</b>	<b>303,288</b>
Derivative financial instruments	1,843	736
<b>Derivative financial instruments measured at fair value through comprehensive income</b>	<b>1,843</b>	<b>736</b>
Other financial liabilities**	212,723	56,690
Trade payables	114,204	94,577
Deferred liabilities	50,709	67,587
Other liabilities***	6,457	7,346
<b>Financial liabilities measured at amortized cost</b>	<b>384,093</b>	<b>226,200</b>
<b>Total financial liabilities</b>	<b>385,936</b>	<b>226,936</b>

\* Excluding other tax receivables € 10.3m (2020: € 12.5m) and prepaid expenses € 7.0m (2020: € 2.4m)

\*\* Excluding derivative financial instruments €1.8m (2020: €0.7m); including a debt waiver of €8.3m with an expected maturity of less than 5 years, which may be repaid earlier due to certain circumstances. (see Note 15 Other financial liabilities)

\*\*\* Excluding accrued expenses and deferred income € 0.1m (2020: € 0.1m), liabilities from subsidy projects € 13.0m (2020: € 13.3m), customs liabilities € 1.5m (2020: € 1.2m), other liabilities from taxes € 8.0m (2020: € 11.m) and in connection with social security € 0.1m (2020: € 0.2m)



## 30. Related parties

The contractual relationships with related parties explained in the 2020 Annual Report are virtually unchanged in scope.

A framework agreement covering the acquisition of VARTA Micro Innovation GmbH was concluded in February 2021. The transaction involving VARTA Micro Innovation GmbH concluded to date is described in Chapter 2 "Changes in the scope of consolidation". Still outstanding transactions with related parties, which were received after June 30, 2021 and before publication are described under Chapter 32 "Events after the reporting date".

## 31. Management of VARTA AG

### **The Executive Board of VARTA AG is composed as follows:**

Herbert Schein, 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

Armin Hessenberger, 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

### **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
- 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, Hanover

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)

No additional board memberships

Dr. Michael Pistauer

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

Frank Dieter Maier until June 17, 2021

Pensioner

Additional board memberships:

- Member of the Supervisory Board of ASTA Elektrodraht GmbH & Co. KG
- Member of the Supervisory Board of Vishay Intertechnology Inc.
- Member of the Supervisory Board of Vishay Europe GmbH

Dr. Georg Blumauer until June 17, 2021

Attorney, Managing Director Blumauer & Partner Rechtsanwälte GmbH

- Managing Director EXI Immobilienentwicklungs GmbH
- Managing Director GBI Immobilien Beta GmbH

Additional board memberships:

- Chairman of the Supervisory Board of VARTA Microbattery GmbH

## 32. Investment companies

The following companies were included for the periods presented in the consolidated financial statements in accordance with Section 315e (1) in conjunction with Section 313 (2) No.1 – 6 HGB:

COMPANY NAME	REGISTERED OFFICE	COUNTRY	CURRENCY	PARTICIPATION STAKE
VARTA Aktiengesellschaft	Ellwangen	Germany	EUR	100.00 %
VARTA Microbattery GmbH	Ellwangen	Germany	EUR	100.00 %
VARTA Storage GmbH	Nördlingen	Germany	EUR	100.00 %
VARTA Micro Production GmbH	Nördlingen	Germany	EUR	100.00 %
VARTA Microbattery Pte Ltd	Singapore	Singapore	USD	100.00 %
VARTA Microbattery Ltd Shanghai <sup>1</sup>	Shanghai	China	CNY	100.00 %
PT VARTA Microbattery Indonesia	Batam	Indonesia	USD	100.00 %
VARTA Microbattery Japan K.K.	Tokyo	Japan	USD	100.00 %
VARTA Microbattery S.R.L.	Brasov	Romania	RON	100.00 %
VARTA Microbattery Inc.	Rye, NY	United States of America	USD	100.00 %
VW-VM Verwaltungsgesellschaft mbH i.L. <sup>2</sup>	Ellwangen	Germany	EUR	50.00 %
Auditas GmbH	Nördlingen	Germany	EUR	25.10 %
Auditas Inc.	Ridgefield	United States of America	USD	25.10 %
Connexio alternative investment & holding GmbH	Vienna	Austria	EUR	20.00 %
VARTA Micro Innovation GmbH <sup>3</sup>	Graz	Austria	EUR	0 %
VARTA Consumer Batteries GmbH & Co. KGaA	Ellwangen	Germany	EUR	100.00 %
VARTA Consumer Batteries Benelux B.V.	Utrecht	Netherlands	EUR	100.00 %
VARTA Consumer Batteries UK Ltd.	Sword House	United Kingdom	GBP	100.00 %
VARTA Consumer Batteries Iberia S.L.U.	Madrid	Spain	EUR	100.00 %
VARTA Consumer Batteries Poland Sp.z.o.o.	Warsaw	Poland	PLN	100.00 %
LLC Consumer Batteries Company (Eastern Europe)	Moscow	Russia	RUB	100.00 %
Energizer Real Estate Holdings LLC	Delaware	United States of America	EUR	100.00 %
Paula Grundstücksverwaltungs GmbH & Co. Verm. KG	Pullach i. Isartal	Germany	EUR	100.00 %
VARTA Consumer Finland Oy	Vantaa	Finland	EUR	100.00 %
VARTA Consumer Norway AS	Oslo	Norway	NOK	100.00 %
VARTA Consumer Schweiz GmbH	Dietlikon	Switzerland	CHF	100.00 %
VARTA Consumer Sweden AB	Bromma	Sweden	SEK	100.00 %
VARTA Consumer Austria GmbH	Brunn am Gebirge	Austria	EUR	100.00 %
VARTA Consumer Slovakia spol. s.r.o.	Prievidza	Slovakia	EUR	100.00 %
VARTA Consumer Hrvatska d.o.o. <sup>4</sup>	Zagreb	Croatia	HRK	100.00 %
VARTA Consumer Trgovina d.o.o. <sup>5</sup>	Ljubljana	Slovenia	EUR	100.00 %
VARTA Consumer Bulgaria EOOD <sup>6</sup>	Sofia	Bulgaria	BGN	100.00 %
VARTA Consumer Europe Holding GmbH	Ellwangen	Germany	EUR	100.00 %
VARTA Consumer Kommandit GmbH	Ellwangen	Germany	EUR	100.00 %
VARTA Consumer Batteries Italia s.r.l.	Basiglio	Italy	EUR	100.00 %
VARTA Consumer Czech spol. s.r.o.	Česká Lípa	Czech Republic	CZK	100.00 %
Varta Pilleri Ticaret Limited Sirketi	Istanbul	Turkey	TRY	100.00 %
VARTA Consumer Denmark A/S	Albertslund	Denmark	DKK	100.00 %
VARTA Consumer Komplementär GmbH	Ellwangen	Germany	EUR	100.00 %
VARTA Consumer France S.A.S.	Courbevoie	France	EUR	100.00 %
Anabasis Handelsgesellschaft mbH	Dischingen	Germany	EUR	100.00 %
EMEA Consumer Batteries (Shenzhen) Co. Ltd.	Shenzhen	China	CNY	100.00 %
Mezzanin Finanzierungs GmbH	Vienna	Austria	EUR	100.00 %
VARTA Innovation GmbH <sup>7</sup>	Graz	Austria	EUR	100.00 %
VARTA Consumer Hungaria Kft.	Budapest	Hungary	HUF	100.00 %
VARTA Drive GmbH <sup>8</sup>	Ellwangen	Germany	EUR	100.00 %

- 1 Was liquidated on June 1, 2021
- 2 Accounted for at-equity, in liquidation since July 1, 2020
- 3 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 VARTA Innovation GmbH.
- 4 Previously Spectrum Brands Hrvatska d.o.o.
- 5 Previously Spectrum Brands Trgovina d.o.o.
- 6 Previously Spectrum Brands Bulgaria EOOD
- 7 Previously VAMI-SK neunzehn GmbH
- 8 New foundation on March 10, 2021

### 33. Events after the reporting date

#### Joint assumption of the pension obligations VARTA Consumer GmbH & Co. KGaA

In July 2021, VARTA Consumer Batteries GmbH & Co. KGaA concluded an agreement with a company in which the other company agreed to assume the pension obligations of VARTA Consumer Batteries GmbH & Co. KGaA 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, 2020 are accounted for in the Group company in question and settled with the beneficiaries. At the same time, a claim for reimbursement against the other company and the regular netting off of paid pension claims is accounted for. The single payment as part of the assumption of payment obligations provided security and made it easier to plan the company's future cash flows.

The amortized claim to reimbursement is determined in accordance with IAS 19; the fair value of the asset is reviewed annually, taking account of the safeguards that have been implemented.

Impacts on the profit and loss account resulting from an assumption of debt in connection with pension obligations are recognized outside the profit/loss for the year in other comprehensive income.

Ellwangen, June 30, 2021

#### VARTA Aktiengesellschaft

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CEO

- Herbert Schein -

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CFO

- Armin Hessenberger -

# Statement by the legal representatives

We hereby declare that, to the best of our knowledge, and in accordance with the applicable reporting principles for the interim financial reporting, the interim consolidated financial statements provide a true and fair view of the Group's net assets, financial position and earnings and that the Group Interim Management Report presents the business development including the results of operations and the position of the Group in such a way that a true picture is provided and the significant risks and opportunities associated with the Group's probable development are described.

Ellwangen, August 12, 2021

VARTA Aktiengesellschaft

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CEO

- Herbert Schein -

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CFO

- Armin Hessenberger -

# Explanatory notes to the half-yearly report

The condensed consolidated interim financial statements were prepared on the basis of all IAS / IFRS published by the International Accounting Standards Board (IASB) that were applicable on the reporting date, as well as all interpretations (IFRIC / SIC) drawn up by the International Financial Reporting Interpretations Committee and the Standing Interpretations Committee, provided these have been adopted by the European Union through the endorsement process. These condensed consolidated interim financial statements should be read in conjunction with the consolidated annual financial statements prepared as of December 31, 2020.

The condensed consolidated interim financial statements as of June 30, 2021 and the Group Interim Management Report have neither been audited in accordance with Section 317 of the German Commercial Code (HGB) nor reviewed by an auditor.

# Financial calendar

Financial statements  
Interim statement Q1 2021  
Annual General Meeting  
Half-year report 2021  
Interim statement Q3 2021

March 31, 2021  
May 12, 2021  
June 17, 2021  
August 13, 2021  
November 11, 2021



# Imprint

Half-year financial report 2021:  
<https://www.varta-ag.com/publications/>

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