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SFC ENERGY

ANNUAL REPORT 2023

CONTENT

SFC ENERGY AG – KEY FIGURES

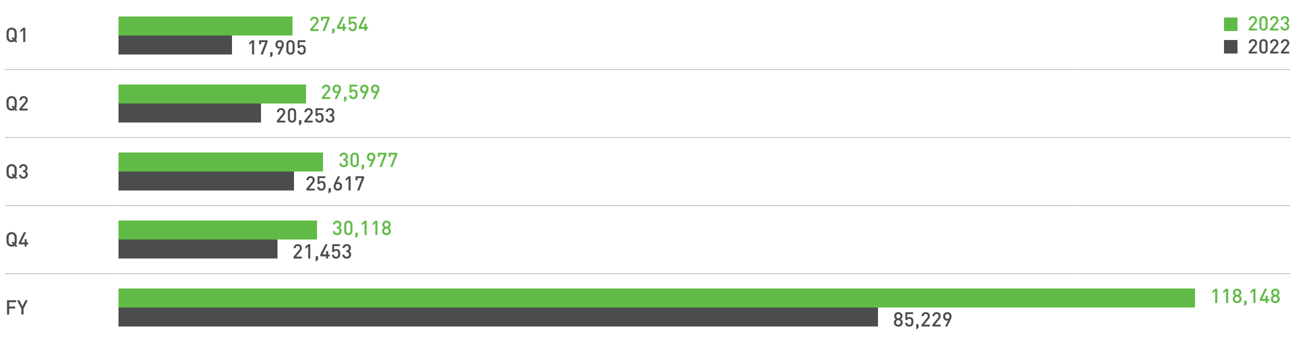
CONSOLIDATED KEY FIGURES

in EUR thousands

	2023 01.01.–31.12.	2022 01.01.–31.12.	Change
Sales	118,148	85,229	38.6%
Gross profit	46,794	31,406	49.0%
Gross margin	39.6%	36.8%	
EBITDA	14,619	8,593	70.1%
EBITDA margin	12.4%	10.1%	
EBITDA underlying	15,158	8,150	86.0%
EBITDA margin underlying	12.8%	9.6%	
EBIT	9,157	3,599	154.4%
EBIT margin	7.8%	4.2%	
EBIT underlying	9,696	3,157	207.1%
EBIT margin underlying	8.2%	3.7%	
Consolidated net result	21,062	1,067	1,684.1%
Net result per share, undiluted (in EUR)	1.21	0.07	1,682.1%
Net result per share, diluted	1.18	0.07	1,672.1%

SALES BY QUARTER

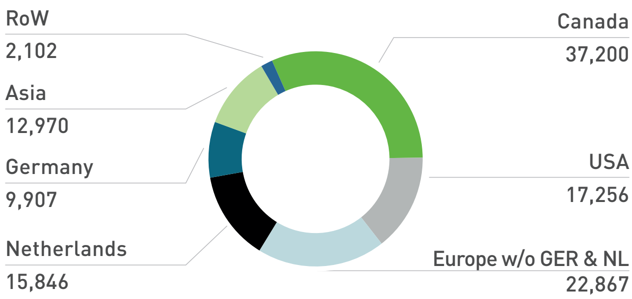
in EUR thousands



SALES BY REGION

01.01.-31.12.2023

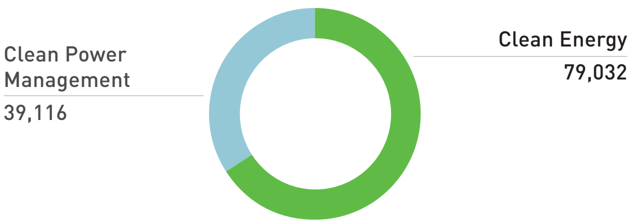
in EUR thousands



SALES BY SEGMENT

01.01.-31.12.2023

in EUR thousands



01

TO SHAREHOLDERS

LETTER TO SHAREHOLDERS

Dear Shareholders,
Dear Business Partner,
Dear SFC Employees,

2023 was another record year for our Company. With sales of EUR 118.1 million (2022: EUR 85.2 million), adjusted EBITDA of EUR 15.2 million (2022: EUR 8.2 million) and adjusted EBIT of EUR 9.7 million (2022: EUR 3.2 million), we could exceed our targets for all key performance indicators. The sustained strong demand for our products and solutions was underpinned by both business segments and all regions.

The consistent implementation of our growth strategy, which is based on three pillars, (1) further market penetration and international expansion, (2) expansion of our technological leadership and (3) sensible, complementary M&A activities, confirms our pioneering role as a profitable market leader in fuel cell technologies.

SFC technology in high demand in North America, now also addressed locally

In addition to the consistently stable growth of over 20% in Europe, the dynamic growth outside Europe testifies to the success of our regional expansion, which we are consistently driving forward. North America is the region with the highest sales, accounting for 46.1% of the total, ahead of Europe with 41.2%. Fuel cell solutions for industrial applications were the main driver behind the strong year-on-year growth of 43.5% in North America. We will be leveraging this momentum and opening up the rapidly growing US market via our newly established SFC location in Salt Lake City, which will serve as the first sales, service and logistics hub for the US market.

Footprint in India and Asia greatly expanded

With growth of 93.2%, Asia was the fastest-growing region in 2023. The establishment of our subsidiary and the commencement of production in India are decisive steps forward in our expansion in Asia. The first major deliveries from our own site were completed in the first quarter of 2024. Our presence in New Delhi/Gurgaon has created a solid basis for sustainable expansion both in India and beyond that throughout Asia. We also intend to harness the supply chain potential of the Indian market and the opportunities of the Indian labour market for the benefit of the entire Group.

Greater vertical range of production

In the UK, the migration of IP, expertise and equipment from Johnson Matthey has been successfully completed, construction is progressing according to plan and production will commence in the second quarter of 2024. We have factored in the associated start-up costs and initial capacity restrictions, which we regard as crucial investments to achieve long-term cost and competitive advantages. We will be achieving this through a combination of application technology and material science. We are also additionally reinforcing our supply chain stability.

Structural drivers intact

Although the development of a hydrogen economy will take more time worldwide and the financial support for the energy transition from public funds does not appear to be available as quickly or to the extent originally envisaged, the social consensus on the need to decarbonise the energy infrastructure without sacrificing resilience remains unchanged and a long-term priority. This is continuing to drive demand for our fuel cell technologies, something which is underlined by our order backlog of EUR 81.3 million as of 31 December 2023 (2022: EUR 74.2 million).

SFC now also with fuel cells with an output of up to 200 kW

As the market leader in stationary fuel cell technology, we have a deep understanding and knowledge of the market. This expertise has enabled us to develop an innovative SFC hydrogen fuel cell solution with a rated output of 50 kW and a modular design of up to 200 kW. This high-power platform was presented to the public for the first time at our and your company's first Capital Markets Day on 22 September 2023. Following successful prototype and customer testing, we plan to commence volume production of this product. The second Capital Markets Day is scheduled for 26 September 2024.

Balance sheet

As of 31 December 2023, the equity ratio improved to 72.6% (31 December 2022: 70.3%). Freely available cash and cash equivalents totalled EUR 59.7 million as of the 2023 reporting date, compared to EUR 64.8 million at the end of the 2022 fiscal year. Our good capital resources and generally solid balance sheet are enabling us to grow sustainably and to pursue our three-pillar strategy.

SFC Energy still part of the SDAX family

The volatile conditions in the equity markets did not spare our share in 2023. After reaching a high for the year of EUR 27.30 on 2 February, it dropped to a low of EUR 16.00 on 30 October 2023. The SFC Energy share closed the year at EUR 19.36, down 22.5 % on the previous year's closing price of EUR 25.10. Despite the company's extremely favourable business development, the share was unable to shrug off the falling share prices afflicting the sector as a whole.

As in the previous year, all five analyst firms rate the SFC Energy share a "buy", with a consensus target price of around EUR 28.60.

Forecast for 2024

On the strength of the company's successful business performance in 2023, which once again set new records in a challenging environment, and the continued momentum in order intake, the Management Board expects to see strong growth again in 2024.

Sales

Group sales are expected to grow by around 20% to 30% year-on-year to between roughly EUR 141.7 million and EUR 153.5 million in 2024 (2023: EUR 118.1 million), underpinned to a much greater extent by the Clean Energy segment. In 2024, the Management Board expects demand to rise in all regional markets, with the strongest impetus for growth set to come from North America and Asia.

Adjusted EBITDA

The Management Board projects an increase in adjusted EBITDA to between EUR 17.5 million and EUR 22.4 million in 2024 (2023: EUR 15.2 million), thus resulting in a stable to slightly wider EBITDA margin. Further margin expansion is contingent upon the timing of planned growth investments, particularly regional expansion, and the potential impact of increased material and procurement costs. This assumes that the higher costs can be passed on to customers to a certain extent.

Adjusted EBIT

Based on the budgets for the Clean Energy and Clean Power Management segments, the Management Board expects adjusted EBIT for the Group to be between EUR 9.8 million and EUR 14.7 million in 2024 (2023: EUR 9.7 million). In particular, this forecast factors in expenses in connection with regional expansion and the establishment of MEA production.

Medium-term planning

The growth plan up to 2028 anticipates an increase in Group sales to between EUR 400 million and EUR 500 million. In addition, the Management Board confirms its goal of achieving a sustainable adjusted EBITDA margin of more than 15% (2023: 12.8%) before 2028. The sharp rise in sales by 2028 compared to the forecast for the current fiscal year is based on SFC's three-pillar growth strategy:

As a financially stable market leader, we aim to further utilise our technological lead and established market access to achieve above-average and profitable growth, particularly in a more challenging economic environment. This course sets us clearly apart from our peer group and highlights our unique position in the industry. Moreover, we see increasing opportunities for market consolidation, which we plan to actively utilise.

This outstanding result in 2023 is only due to the tireless efforts and outstanding professional expertise of our employees, whom we would like to thank most sincerely. Many of them have been with SFC for many years, many have joined the team in recent years and we all have worked hard to continuously develop our fuel cell technologies and power management electronics, which are now market leaders. This is always with the aim of making our product portfolio ever more attractive for our growing customer base. Thanks to the endeavours of every single person to constantly improve, innovate and become more efficient, we now stand on an extremely solid and, above all, profitable foundation.

We would of course like to thank all our customers, business partners and shareholders for the trust they have placed in us. Jointly we look forward to continuing to exploit the extraordinary opportunities ahead of us.

Join us in shaping a sustainable future for the generations to come.

Sincerely yours,

Dr. Peter Podesser	Daniel Saxena	Hans Pol
Chief Executive Officer (CEO)	CFO	COO

MILESTONES IN 2023

January 2023

Follow-up order from Canadian oil company worth more than CAD 5.3 million for the supply of fully integrated frequency converters (VFDs)

SFC Energy secures a follow-up order from a Canadian oil producer for the supply of fully integrated frequency converters (VFDs) for the operation of electric pumps for oil production. By significantly improving efficiency and thus optimizing pump operation, the service life of the motors is extended and more efficient pump running times are ensured, which sustainably reduces the customer's CO_2 footprint.

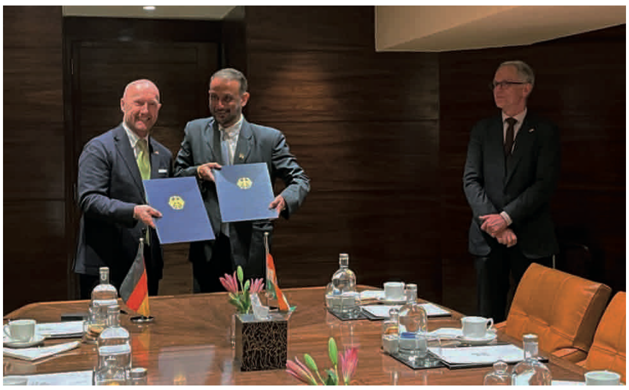
February 2023

Security company Linc Polska places follow-up order in Poland for EFOY Pro fuel cells worth more than EUR 1 million

SFC Energy delivers EFOY Pro 2800 series fuel cells with a total order value of more than EUR 1 million to Linc Polska. Linc Polska, a customer of SFC Energy since 2021, is the largest provider of civil surveillance technology in Poland and uses EFOY fuel cells for the self-sufficient power supply of its mobile iTower camera towers.

Kick-off for hydrogen and methanol fuel cell production by SFC Energy AG and FC TecNrgy Pvt Ltd. during the meeting of Chancellor Scholz and Prime Minister Modi

SFC Energy and its long-standing Indian partner FC TecNrgy Pvt Ltd („FCTec") enter into a strategic cooperation agreement to establish a new hydrogen and methanol fuel cell manufacturing facility and further market development in India. The agreement, which was signed during a meeting between German Chancellor Olaf Scholz and Prime Minister Narendra Modi in New Delhi, fulfills the strategic framework of the „National Green Hydrogen Mission" initiated by Prime Minister Modi, which envisages a clean energy supply and CO2 reduction in India.



March 2023

SFC Energy secures major order from the Indian Ministry of Defense for portable fuel cell solutions

SFC Energy, together with its strategic partner FCTec, has been awarded the largest fuel cell order ever placed by the Indian Defense Forces.

The major order includes the supply of 450 portable methanol fuel cell systems over a period of one year for an initial order value of more than EUR 16 million as well as the maintenance and repair of the systems over a period of five years.

April 2023

Strategic partnership with Johnson Matthey focusing on hydrogen fuel cells expanded and technology transfer for direct methanol fuel cell systems concluded

SFC Energy and Johnson Matthey („JM“), a global leader in sustainable technologies, are expanding their strategic partnership in the hydrogen field. As part of this partnership, JM is committed to developing and supplying proton exchange membrane (PEM) components for SFC Energy's H2 PEM stack, the core of the SFC hydrogen fuel cell.

In addition, SFC and JM have entered into a technology transfer agreement whereby SFC Energy will acquire equipment and technology from Johnson Matthey for the production of Membrane Electrode Assemblies (MEAs) for Direct Methanol Fuel Cells (DMFC).

May 2023

Second major order from the Indian Ministry of Defense for stationary fuel cell generators

The second major order from the Indian defense forces within two months of the Indian subsidiary being founded, with a volume of more than EUR 17.5 million, is a strong signal from the Indian government to reduce CO_2 emissions and a contribution to the announced political measures to promote clean energy solutions, including fuel cells.

The efficient and low-emission fuel cell solutions will be manufactured as part of the „Make in India“ initiative.

June 2023

Call-off milestone of the framework agreement with the NATO Support and Procurement Agency (NSPA) reached

The framework agreement signed by ZeroAlpha Solutions Ltd., acting on behalf of the NSPA and its partner countries, in summer 2022 has a total volume of around EUR 10 million and a term until the end of 2026.

SFC Energy reaches the call-off milestone of over one million euros for direct methanol fuel cells (DMFC) of the JENNY and EMILY series and the associated power managers in June.

July 2023

Follow-up order worth EUR 2.5 million for EFOY Pro fuel cells from BauWatch in the Netherlands

BauWatch, a partner and customer of SFC Energy for more than 10 years, uses the EFOY Pro fuel cells acquired from SFC Energy in camera towers, which are mainly used for monitoring construction sites but also for wind and solar parks as well as infrastructure projects. With their environmentally friendly, clean and quiet power generation technology, the EFOY Pro fuel cells are the sustainable alternative to conventional generators and have a positive impact on BauWatch's carbon footprint.

July 2023

Production of hydrogen and methanol fuel cells launched in India – Federal Minister Robert Habeck inaugurates production in New Delhi/Gurgaon

SFC Energy launches the production of hydrogen and methanol fuel cells at its New Delhi/Gurgaon site in India in the presence of Federal Minister Dr. Robert Habeck. Together with its long-standing Indian partner FCTec, the production facility was built and handed over in just six months.

In the medium term, sales of around EUR 100 million per year are to be generated here in line with the „Make in India" initiative. ,

August 2023

Sustainable energy generation at Wacken Open Air: Sponsor GP JOULE relies on hydrogen fuel cells from SFC Energy

SFC Energy products are prominently featured at Wacken Open Air 2023 in Schleswig-Holstein, Germany, one of the world's largest metal festivals. Under the motto „Metal 4 Nature - Sustainability at W:O:A", the festival is continuously working to improve its environmental footprint. The festival sponsor GP JOULE supplies parts of the technology for the operation of the festival with electricity from green hydrogen. SFC Energy provides two H2Gensets for this purpose.

SFC Energy equips Deutsche Telekom AG's mobile transmission masts with hydrogen fuel cells

At the Nibirii electronic music festival in Düren, Germany, Deutsche Telekom AG is testing SFC Energy's H2Genset mobile trailer solution for the first time as an environmentally friendly power supply for its mobile transmission mast. This will ensure stable, mobile communication in the 5G and LTE standards for the festival's 30,000 or so visitors. With the environmentally friendly energy solution from SFC Energy, Deutsche Telekom is replacing a diesel generator that consumes 35 to 40 liters of fuel per day.

September 2023

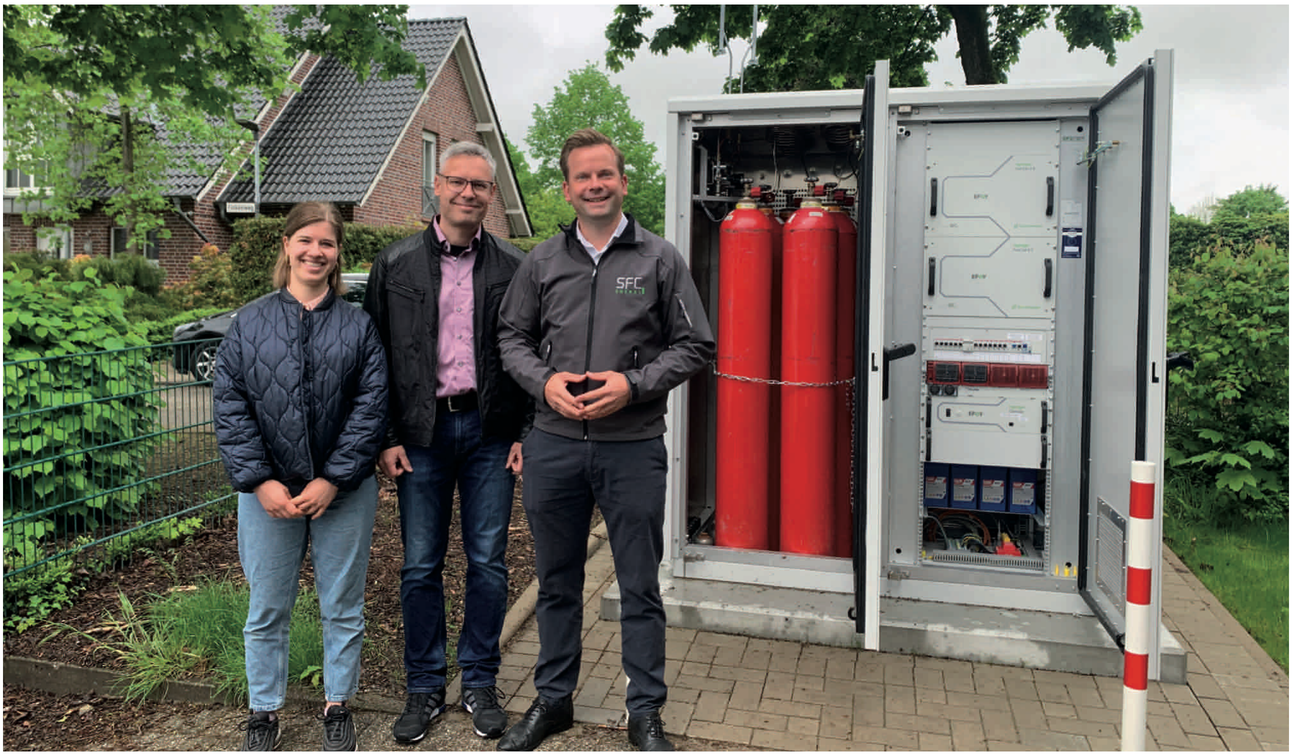
SFC Energy presents prototype of the HIGH Power platform (up to 200 kW) and its own membrane strategy at the first Capital Markets Day

SFC Energy holds its first Capital Markets Day. At the hybrid event at the company's headquarters in Brunnthal near Munich, Germany, the management gives the more than 100 investors, analysts and journalists present and virtually connected an insight into the business model, technology and roadmap as well as the implementation of the growth strategy. The highlight of the event is the presentation of the prototype of the HIGH Power platform up to 200 kW and the presentation of the strategy to expand the technology and market leadership with proprietary membrane technology.

October 2023

Telekom subsidiary PASM secures communication technology with emission-free fuel cells from SFC Energy

The Telekom subsidiary PASM Power and Air Condition Solution Management GmbH guarantees its customers secure operation of their communications network. SFC Energy's hydrogen fuel cells are now an important component in ensuring the availability of infrastructure 24 hours a day, 7 days a week, 365 days a year with clean and sustainable energy.



December 2023

SFC Energy receives another follow-up order from Live-View Technologies USA and further expands global presence with new US location

SFC Energy receives another follow-up order from LiveView Technologies (LVT), a leading provider of security and surveillance solutions in the USA. LVT is once again relying on the proven EFOY Pro fuel cell technology for use in mobile surveillance technology. The order is worth around USD 3.4 million.

At the same time, SFC is further expanding its global presence and will open a site in Salt Lake City, Utah, close to its largest US customer LVT. The expansion of the US business is a core element of SFC Energy's growth strategy and takes into account the rapidly increasing demand for sustainable energy supply.

November 2023

Follow-up order from Canadian oil producer worth more than CAD 4 million

SFC Energy receives a significant follow-up order for its fully integrated frequency converters (VFDs). The customer is an oil producer in the Canadian province of Alberta.

The VFD systems are used by the customer to operate electric submersible pumps for the artificial production of oil on drilling platforms and significantly reduce costs through unique installation and operational advantages. The order is worth more than CAD 4 million.

You are always up-to-date with the SFC newsletter.

Register and find out first-hand what's new.

SUCCESS STORIES

SFC Energy is one of the world's leading fuel cell manufacturers – a success story in six key figures.

65,000

More than 65,000 fuel cells sold worldwide

– 5,400 t CO_2

5,400 tons of CO_2 emissions saved' - equal to 5,000 flights from Munichto New York or 3,372 one-week trips on a Cruise Ship[2]

10 million kWh

10 million kWh environmentally friendly electricity in total[1]

22 years

More than 22-year experience in fuel cell technology

130 million OH

130 million operating hours of fuel cells in total[1]

0

Unlike conventional generators, fuel cells da not emit any nitrogen oxide (NO_x), carbon monoxide (CO) or particulate matter.

1 Approximate values, subject to change

2 Compared to diesel generators, which are often used for off-grid applications, SFC solutions have already saved more than 5,000 tons of CO_2 that are harmful to the climate. Calculations based on myclimate.org

SUPERVISORY BOARD REPORT

Dear Shareholders,

In the 2023 financial year, the Supervisory Board performed its duties under law, the Articles of Association, the Rules of Procedure, and the German Corporate Governance Code (GCGC) with due care and diligence. It regularly advised the Management Board on the management of the Company and carefully monitored its activities on an ongoing basis. It also provided advice on the strategic development of the Company and key individual measures, and verified that the management of the Company and the internal control and risk management systems in place were legal, proper, and expedient.

Supervisory Board composition; changes to the Supervisory Board and Management Board

In the 2023 reporting year, the Supervisory Board consisted of (i) Mr. Hubertus Krossa (Chairman), (ii) Mr. Henning Gebhardt (Deputy Chairman), (iii) Mr. Gerhard Schempp, and (iv) Ms. Sunaina Sinha Haldea.

The Supervisory Board mandate of Mr. Gerhard Schempp and Ms. Sunaina Sinha Haldea expired at the end of the Company's Annual General Meeting on April 5, 2023. As proposed by the Supervisory Board, the Annual General Meeting re-elected Mr. Gerhard Schempp for a term of one year and Ms. Sunaina Sinha Haldea for a term of two years on June 5, 2023. In making this proposal, the Supervisory Board complied in particular with the applicable requirements of the German Stock Corporation Act (AktG) and the German Corporate Governance Code (GCGC); all elected members have the necessary knowledge, skills, and professional experience for Supervisory Board work. The Supervisory Board re-elected Mr. Schempp as a member of the Audit Committee to serve as its Deputy Chairman.

There were no personnel changes on the Management Board in the reporting year.

Cooperation between the Supervisory Board and the Management Board

In the reporting year, the Supervisory Board closely monitored the management activities of the Management Board and was involved in all decisions of material importance to the Company. The Management Board informed the Supervisory Board regularly, without delay and comprehensively about all issues material to the Company with regard to planning, business policy and development, net assets, financial position and results of operations, risk exposure, risk management and controlling, and the status of compliance with statutory provisions and internal policies. As a result, the Supervisory Board was kept informed of all relevant events at all times, and this close supervision of the Management Board ensured careful monitoring was in place at all times.

In accordance with the Rules of Procedure of the Management Board, the Management Board also informed the Supervisory Board regularly and in detail about the Company's key transactions by means of detailed reports and by communicating financial data (compared with the budget and the previous year in each case). The Chairman of the Management Board also provided the Supervisory Board with regular written and oral reports on the performance of the Company's and the Group's business. Between board meetings, the Chairman of the Supervisory Board was also in regular contact with the Management Board, particularly the Chairman of the Management Board, discussing strategy, current developments regarding the state of the business as well as major transactions, risk exposure and risk management, and compliance.

Transactions requiring the approval of the Supervisory Board were submitted in good time; the transactions were carefully reviewed and discussed with the Management Board in each case before the decision on approval was made.

Supervisory Board meetings

The Supervisory Board held a total of seven meetings in the 2023 reporting year, on March 23/29 (balance sheet meeting), June 2, July 27, October 2, October 25, November 19, and December 7. Six Supervisory Board meetings were held as video conferences or hybrid meetings, i.e. where members were electronically connected to an in-person meeting with other Supervisory Board members, and one meeting was held in person. Conference calls did not take place. The Supervisory Board meetings are attended by the Supervisory Board members and, as a rule, by the Management Board members as well. The Supervisory Board also holds regular meetings without the Management Board, in particular where Management Board matters or issues internal to the Supervisory Board are discussed. When the auditor provides its reports, the Supervisory Board also has the opportunity to discuss issues with the auditor in the absence of the Management Board.

The attendance rate of Supervisory Board members at Supervisory Board meetings in the reporting period was 100%. Individual attendance is reported at the end of the following section. In addition, the members of the Supervisory Board also consulted one another outside of meetings by telephone, in person or by email, if required.

Regular topics of discussion at Supervisory Board meetings were current sales, earnings and liquidity trends, budget planning, the current state of the Company's business (including topics such as sales and marketing, quality management, research and development and personnel), risk exposure and the control and risk management system, Group-wide compliance, the Company's strategic goals and organizational changes as well as matters of sustainability, in particular with regard to monitoring environmental and social sustainability in strategic positioning and corporate planning. At the meetings, the Management Board also reported on the status of individual business units, the economic, financial, technological, and strategic state of the Company and the Group, the domestic and international growth strategy and significant current developments and events, in particular potential cooperation and M&A projects.

The individual meetings during the reporting period focused on the following issues:

At the Supervisory Board meeting held to review the financial statements on March 23/29, 2023, the Supervisory Board discussed in particular the Company's annual financial statements and management report prepared in accordance with German commercial law and the IFRS consolidated financial statements and Group management report for the 2022 financial year; the annual financial statements, consolidated financial statements and the remuneration report were approved. Representatives of the auditor attended the meeting, reported on the key results of their audit, and gave an opportunity for questions to be asked by the Supervisory Board. The Supervisory Board adopted the corporate governance statement, the Supervisory Board report, the remuneration report for the 2022 reporting year and the declaration of compliance with the GCGC for the purposes of section 161 AktG. It also addressed the independence of its members, concluding that its members were independent for the purposes of the GCGC. In addition, the Management Board clarified the format and the agenda of the 2023 Annual General Meeting. In particular, the Supervisory Board's proposal for the appointment of the auditor for the 2023 financial year was discussed and decided upon. The Management Board provided the Supervisory Board with information on key business topics (in particular sales and marketing, i.e. the current order and market situation for SFC Energy AG and Group companies, financial matters, quality management, research and development and personnel). The Management Board also provided a status report on potential cooperation and M&A projects, particularly in India, the UK, Austria, and the USA, and discussed these with the Supervisory Board. The Management Board reported on risk exposure and risk management. The Supervisory Board decided on the bonus for the members of the Management Board for 2022 and the discretionary targets for 2023, and approved appointments to management positions at a subsidiary.

At the Supervisory Board meeting on June 2, 2023, the Management Board presented a report on the business performance of SFC Energy AG and the Group companies and discussed this with the Supervisory Board. The Supervisory Board also discussed the 2023 Annual General Meeting scheduled to be held a few days later. The Management Board also reported again on the status of potential cooperation and M&A projects, including in Romania, Japan, and Austria
.
At its meeting on July 27, 2023, the Management Board discussed with the Supervisory Board the preliminary half-yearly results and current issues relating to the business performance of SFC Energy AG and the Group companies, in particular sales and marketing, financial matters, quality management, research and development and personnel. The Management Board also reported on potential and current cooperation and M&A projects, including in Austria and Singapore. Finally, the Management Board provided information on risk exposure and risk management and submitted a proposal for an LTI program for long-term variable remuneration for the senior management level below the Management Board. The Supervisory Board approved the corresponding LTI concept. The Supervisory Board also discussed the upcoming self-assessment exercise it is required to carry out on a regular basis.

At the extraordinary Supervisory Board meeting held on October 2, 2023, the Supervisory Board discussed the relationship between SFC Energy AG and one of its strategic partners with the Management Board at the latter's request.

The Supervisory Board meeting held on October 25, 2023 primarily concerned the current economic situation and performance of the Company. Financial matters, sales and marketing, quality management, research and development, personnel and expansion plans were discussed in particular. Such plans are based on previous cooperation and M&A projects that have progressed to such an extent that, in the view of the Management Board, they are now part of the day-to-day business of SFC Energy AG. The Management Board then presented the growth plan for the coming years and presented ideas on how to finance it. The Management Board and other Company executives at the meeting also reported on the current situation and the Management Board and Supervisory Board discussed the next steps in ongoing cooperation and M&A projects, including in Austria. After the Management Board outlined the status of its plans, it provided an update on risk exposure and risk management. The Supervisory Board then discussed its last self-assessment and was given a presentation on current and future ESG requirements relevant to SFC Energy AG and how the Company is handling them.

At the extraordinary Supervisory Board meeting held on November 19, 2023, the Supervisory Board discussed a possible M&A transaction in Austria in more detail. The Board covered a range of information, including the results of and impressions gained from various on-site meetings.

At its meeting held on December 7, 2023, the Supervisory Board first discussed key business issues, including financial matters, sales and marketing as well as research and development. The business figures for the third quarter and the forecast for the fourth quarter of the 2023 financial year were reviewed. The Supervisory Board also discussed the budget plan for the 2024 financial year and the medium-term plan for the 2025 to 2028 financial years with the Management Board and approved these plans. The Management Board then outlined the status of current expansion plans and potential M&A and cooperation projects. Representatives of the auditor reported on the audit procedure and the progress of the audit. The Management Board then provided information on risk exposure and risk management before discussing the current status of CSR and ESG reporting with the Supervisory Board. Finally, the Supervisory Board discussed and approved the variable remuneration component (bonus) for the Management Board for 2024 and decided to extend the Management Board employment agreement of Dr. Peter Podesser.

Committees

The Company's Audit Committee prepares resolutions and issues to be dealt with by the full Supervisory Board. To the extent permitted by law, decision-making powers of the Supervisory Board have been transferred to this Committee. The Committee chairman reports to the Supervisory Board on the Committee's work at the following meeting. The members of the Audit Committee are Mr. Henning Gebhardt (Chairman), Mr. Gerhard Schempp (Deputy Chairman) and Mr. Hubertus Krossa.

The Audit Committee held three meetings in the reporting year, on January 19, July 5, and October 24. In accordance with the Rules of Procedure of the Supervisory Board, the most notable, regular subjects of its meetings are monitoring the audit (particularly the independence of the auditor and the quality of the audit), appointing the auditor and determining the focal points of the audit, preparing the audit of the annual and consolidated financial statements, discussing half-yearly and quarterly financial reports with the Management Board, auditing the accounting and monitoring the accounting process, the effectiveness of the internal control system, the risk management system, the internal audit system, and compliance. Attendance at Audit Committee meetings in the reporting period was 100%. Individual attendance is reported at the end of this section. One Audit Committee meeting was held as a video conference, one as a hybrid meeting, i.e. as a face-to-face meeting with the option of participating in virtual form, and one as a face-to-face meeting.

Key topics in the reporting period were selecting the auditor and discussing the audit process for the 2023 financial year as well as determining the focal points of the audit of the annual and consolidated financial statements for the 2023 financial year. The Audit Committee meetings were also attended by representatives of the Management Board and, in some cases, the auditor. The Chairman of the Committee is in regular contact with the auditor and the Chief Financial Officer between meetings.

At the meeting held on January 19, 2023, the Audit Committee discussed the rotation required by law and the required selection procedure for the auditor. Together with the Chief Financial Officer, the Audit Committee discussed the tendering process and the results of the scoring conducted by the audit firms, as well as the impressions gained from discussions with these firms. The Audit Committee decided on its recommendation to the Supervisory Board regarding the election of the auditor for the 2023 financial year. At the Audit Committee meeting held on July 5, 2023, the Audit Committee held preliminary discussions with representatives of PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Munich, the auditor elected by the Annual General Meeting for the 2023 financial year. The planned exchange between the Audit Committee and the auditor, the transition process from the previous auditor to the new auditor and the proposed audit process and the focal points of the audit were discussed. At the Audit Committee meeting held on October 24, 2023, the auditor presented a range of information, including the focal points of the audit. The Chief Financial Officer explained the internal control system and the risk management system and discussed these with the Audit Committee. The Chief Financial Officer also provided information on the status of CSR and ESG reporting in view of the relevant normative requirements.

There are no other committees. The Supervisory Board's view is that the four-member Supervisory Board is able to perform its duties efficiently in all other areas.

Individual attendance of meetings by Supervisory Board members in the reporting year

SUPERVISORY BOARD

	Supervisory Board	Audit Committee	Attendance Rate
Hubertus Krossa	7/7	3/3	100%
Gerhard Schempp	7/7	3/3	100%
Henning Gebhardt	7/7	3/3	100%
Sunaina Sinha Haldea	7/7	n/a	100%

Corporate Governance

The Company is committed to complying with the recommendations set out in the GCGC. The declaration of compliance to be provided annually by the Management Board and the Supervisory Board pursuant to section 161 AktG, most recently provided on March 21, 2024, is available on the Company's website at **https://www.sfc.com/investoren/corporate-governance/**.

Information on Supervisory Board-related aspects of the Company's corporate governance can also be found in the corporate governance statement on pages 189 et seqq. of the annual report. The current declaration of compliance is also included in the corporate governance statement. The remuneration of Supervisory Board members is included in the remuneration report available on pages 192 et seqq. of the annual report.

In the 2023 financial year, as in previous years, the Supervisory Board examined potential conflicts of interest affecting its members. No conflicts of interest involving members of the Supervisory Board arose in the reporting period. The Supervisory Board does not include any former members of the Company's Management Board. The Supervisory Board determined at its meeting on March 23, 2023 that it included an appropriate number of independent members for the purposes of recommendations C.6 and C.7 of the GCGC. Supervisory Board members are independent of the Company and its Management Board because they have no personal or business relationship with the Company or its Management Board that may constitute a substantial – and not merely temporary – conflict of interest. Conflicts of interest with a controlling shareholder or a company affiliated with the controlling shareholder cannot arise for the reason alone that the Company is not controlled by any of its shareholders. This is because no control agreement exists with any shareholder, and no shareholder has the absolute majority of the voting rights or at least a sustainable voting majority at the Annual General Meeting.

Training and professional development

The members of the Supervisory Board take responsibility for undertaking the training and professional development necessary to fulfil their duties, such as in respect of changes to the legal framework and new, forward-looking technologies, and are supported by the Company in this regard. In particular, new Supervisory Board members are informed about the business model and strategy of SFC Energy AG as well as the work and duties of the Supervisory Board during their induction. Guided factory tours are also organized. Ms. Sunaina Sinha Haldea, for example, received training from a renowned commercial law firm on December 7, 2023 on key aspects of Supervisory Board activities, such as the organization of the Supervisory Board and the duties and due diligence standards of Supervisory Board members.

Audit

The Annual General Meeting of SFC Energy AG on June 5, 2023 elected PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Munich, as the auditor and group auditor for the 2023 financial year and as the auditor for any audit review of interim financial reports, as proposed by the Supervisory Board. The Supervisory Board verified the independence of PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Munich, in advance. The Audit Committee negotiated the audit engagement, specified the focal points of the audit, and engaged the auditor. The focal points of the agreed audit included the following:

IFRS consolidated financial statements

- Irregularities in revenue recognition
- Management Override Control (MOC)
- Recoverability of goodwill
- Valuation of Stock Appreciation Rights (SARs) and Stock Option Programs

Annual financial statements in accordance with the German Commercial Code

- Recoverability of financial assets

The auditor audited the annual financial statements of SFC Energy AG as of December 31, 2023 as prepared by the Management Board in accordance with the German Commercial Code and the management report, together with the bookkeeping system, and issued an unqualified audit opinion thereon. The consolidated financial statements were prepared in accordance with section 315e of the German Commercial Code on the basis of International Financial Reporting Standards (IFRS). The auditor also audited these consolidated financial statements and the group management report and issued an unqualified audit opinion thereon.

The annual and consolidated financial statements and audit reports were distributed to all members of the Supervisory Board immediately after their preparation and audit, and were discussed in detail at the Audit Committee meeting held on March 20, 2024, and at the meeting to review the financial statements for the 2023 financial year held on March 21, 2024. The balance sheet did not show any profit, meaning that a Management Board proposal on the appropriation of distributable profit was not required. Representatives of the auditor attended the meetings, reported in each case on the progress, scope, focal points and key results of their audit, and were available to answer questions and discuss matters. As part of the preliminary audit, the Audit Committee examined the audit process, the audit reports, and the results in detail and recommended that the full Supervisory Board approve the financial statements and reports following the conclusion of the audit.

Taking into account the auditor's reports, and on the basis of detailed discussions with the auditor's representatives, the Supervisory Board reviewed the annual and consolidated financial statements and the relevant management reports and concurred with the auditor's conclusions. Based on its own review of the annual and consolidated financial statements and the relevant management reports, the Supervisory Board determined that it had no objections to make. The Supervisory Board approved the annual financial statements and the consolidated financial statements for the 2023 financial year, together with the relevant management reports, at the meeting to review the financial statements; the annual financial statements for the 2023 financial year have therefore been adopted (section 172 sentence 1 AktG).

The remuneration report was audited by the auditor in accordance with the formal audit required by law pursuant to section 162 (3) AktG.

The Supervisory Board would like to thank all employees for their outstanding performance and commitment to the Company in the 2023 financial year, the Management Board for its close cooperation, and all shareholders and business partners for their confidence in the Company.

Brunnthal, March 27, 2024
The Supervisory Board

Hubertus Krossa
– Chairman of the Supervisory Board –

SFC ENERGY ON THE CAPITAL MARKETS

Basic data on the share

Share information

Bloomberg symbol	F3C
Reuters symbol	CXPNX
WKN	756857
ISIN	DE0007568578
Number of shares outstanding (31 December 2023)	17,363,691
Share characteristics	No-par value shares
Stock-market segment	Prime standard
Sector	Renewable energies
Index membership	SDAX
Home exchange	Frankfurt, FWB
Designated sponsors	mwb fairtrade Wertpapierhandelsbank AG

Performance of the stock markets and indices

The 2023 trading year was not an easy one for investors. Persistently high inflation, rising interest rates and the prospect of an economic slowdown repeatedly unleashed uncertainty among investors. The generally upbeat performance of the international stock markets in 2023 was therefore all the more gratifying, despite the heavy volatility at certain times during the year.

At the start of 2023, the leading international indices initially recorded gains until a number of US regional banks experienced difficulties from mid-March as a result of the significant rise in interest rates. Fears of a complete collapse of the regional banking sector initially triggered a sell-off before the rescue and stabilisation measures taken by the US government, the US Federal Reserve and the US banking regulator calmed the markets again after a brief bout of weakness up until the beginning of April 2023. This ushered in a stable upward trend on the markets, underpinned by solid macroeconomic data, good company earnings, a noticeable recovery in supply chains, receding inflation and thus the hope of a foreseeable end to the restrictive policies of the central banks. However, fears of a recession strengthened over the course of the autumn, triggering a correction on the stock markets until the end of October, additionally exacerbated by the armed conflict in the Middle East. At the end of 2023, the world's main stock markets embarked on a new upward trend, which was primarily fuelled by expectations of lower interest rates in the wake of the significant decline in inflation and - contrary to all fears - persistently solid macroeconomic data, particularly in the United States.

Despite the economic recession in Germany, the DAX performed remarkably well in 2023 against this backdrop, posting strong gains, reaching new all-time highs and closing the year at 16,752 points. The index thus gained 20.3% in the course of the year. The DAX reached a high for the year of 17,003 points on December 14,. up from 13,993 points at the beginning of the year. After significant volatility, it was still trading below 15,000 points in October before a remarkable rally emerged. With an increase of 8.0% in 2023, the MDAX was unable to keep pace with this rally, while the SDAX significantly outperformed the MDAX with gains of 17.1%

and thus almost matching the DAX. The TecDax entered the year at 2,929 points, closing it 3,337 points, marking an increase of a good 14 per cent. The EURO STOXX 50 ended the year at 4,549 points, 19.9% higher than at the end of the previous year (3,794 points). The benchmark US index, the Dow Jones, closed the year at 37,708 points, up 13.9%.

Performance of the SFC share

Share price development

		in EUR
Opening price	January 2, 2023	24.40
High	February 2, 2023	27.30
Low	October 30, 2023	16.00
Closing price	December 29, 2023	19.36

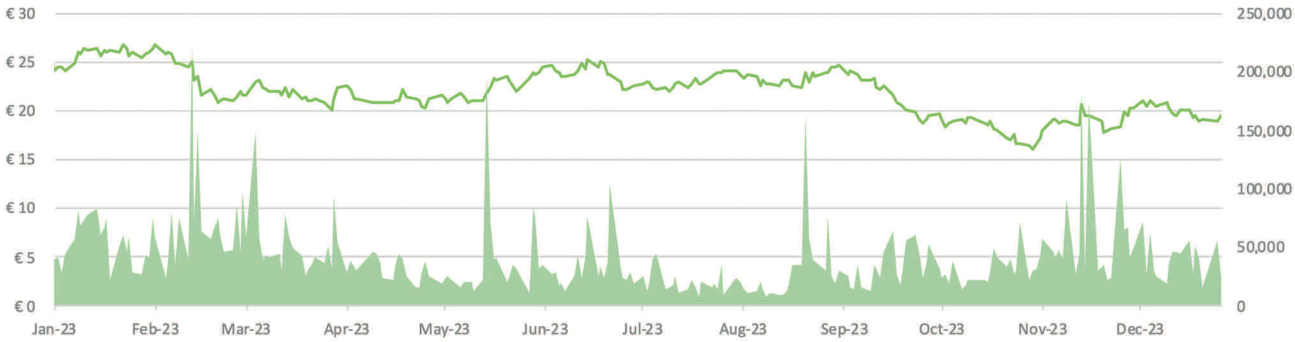
SFC Energy AG shares entered the new year at EUR 24.40 on 2 January, reaching a low for the year of EUR 16.00 on 30 October and a high for the year of EUR 27.30 on 2 February. On 29 December, the SFC share closed the year at EUR 19.36, thus 22.5% down on the closing price of EUR 25.10 on 30 December 2022. Despite the company's favourable business performance, market-related factors such as the war in Ukraine, the burgeoning conflict in the Middle East, supply chain problems and mounting inflation had an adverse effect on the share in 2023.

The SFC share joined the SDAX with effect from 27 December 2022. The SDAX entered 2023 at 11,981 points, closing the year at 13,960 points on 29 December 2023, up 17.1%.

Average daily XETRA trading volumes in the year under review stood at 40,404 shares, compared to 96,736 shares in 2022. As of 29 December 2023, SFC Energy AG had a market capitalisation of EUR 336.16 million on the basis of 17.36 million shares outstanding and a closing price of EUR 19.36 (previous year: EUR 435.82 million).

Performance of the SFC share (absolute)

PERFORMANCE OF THE SFC SHARE FROM THE BEGINNING OF JANUARY 2023 UNTIL THE END OF DECEMBER 2023 in EUR



Investor relations

SFC Energy engages in intensive dialogue with existing and potential shareholders and is in continuous contact with media representatives, investors and analysts. In the year under review, the Management Board described the company's business model, operating performance and growth prospects based on hydrogen and fuel cell technology at a large number of international roadshows, capital market conferences and digital events.

The annual, half-year and quarterly results are presented at conference calls and then made available in an audio cast on the SFC Energy website - **sfc.com** - where the latest version of the SFC company presentation is also available.

The designated sponsor, mwb fairtrade Wertpapierhandelsbank AG, arranged binding bid/ask prices and ensure the appropriate liquidity and corresponding tradability of the SFC share during the reporting period.

The Investor Relations section of the SFC Energy website - **sfc.com** - provides comprehensive information on the company's business situation, current news and an overview of future events and activities.

Analyst research

SFC Energy AG shares are listed in the Prime Standard segment of the Frankfurt Stock Exchange and are regularly analysed and evaluated by renowned research firms. Detailed information is available to interested investors at sfc.com in the Investor Relations/Share section.

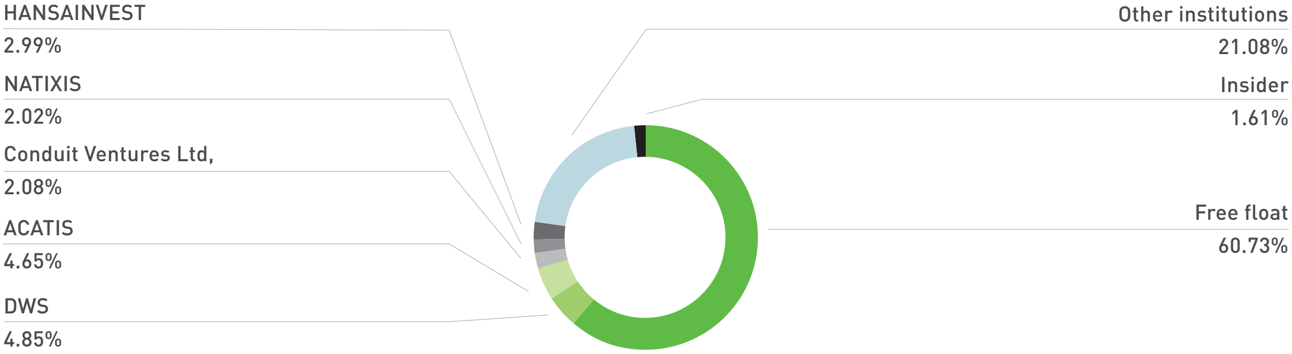
RESEARCH ASSESSMENT in EUR

Issued by	Date	Recommendation	Target price
METZLER	February 26, 2024	Buy	30.00
MM Warburg	February 23, 2024	Buy	28.00
FIRST BERLIN – EQUITY RESEARCH	February 26, 2024	Buy	34.00
BERENBERG	February 23, 2024	Buy	25.00
ODDO BHF/ABN AMRO	February 23, 2024	Outperform	24.00

Shareholder structure

As of 31 December 2023, 37.18% of SFC shares were held by institutional investors. The extended management including the Supervisory Board holds 1.61% of the shares. The proportion of SFC Energy AG shares classified as free float stood at 61.21% at the end of December 2023. Detailed information on the shareholder structure can be found at **sfc.com** in the Investor Relations/Share section.

SHAREHOLDER STRUCTURE in %



Share capital

There were no changes to SFC Energy AG's share capital in 2023. Accordingly, it still stands at EUR 17,363,691.00 as of 31 December 2023, divided into 17,363,691 no-par value shares.

02

GROUP MANAGEMENT REPORT

GROUP MANAGEMENT REPORT FOR FINANCIAL YEAR 2023

Principles of the Group

Organization of the SFC Group and basis of reporting

SFC Energy AG ("**SFC AG**") together with its subsidiaries forms an internationally active Group of companies ("**SFC**" or "**Group**") in the fuel cell sector. In addition to the parent company SFC Energy AG (Germany), the scope of consolidation of the Group includes the following subsidiaries.

SUBSIDIARIES INCLUDED IN THE SCOPE OF CONSOLIDATION in %

	Seat	Share in the capital			Currency
		Indirectly	Directly	gesamt	
SFC Energy B,V, („**SFC NL**")	Almelo Netherlands	100%	–	100%	EUR
SFC Energy Power SRL („**SFC RO**")	Cluj-Napoca Romania	-	100%	100%	RON
SFC Energy Ltd, („**SFC CA**")	Calgary Canada	100%	-	100.00	CAD
SFC Energy UK Ltd, („**SFC UK**")	Swindon UK	100%	-	100%	GBP
SFC Energy India Pvt, Ltd, („**SFC IN**")	Gurgaon India	92%	-	92%	INR
SFC Clean Energy SRL („**SFC RO II**")	Cluj-Napoca Romania	100%	-	100%	RON
SFC Energy LLC („**SFC USA**")	Wilmington USA	100%	-	100%	USD

The Management Board of SFC AG is responsible for managing the Group. The Supervisory Board appoints, monitors and advises the Management Board and is directly involved in decisions that are of fundamental importance for SFC. Information on the remuneration structure of the Management Board and Supervisory Board can be found in the Remuneration Report.

The legal basis for managing and monitoring the Group is the German Stock Corporation Act and other capital market laws, as well as the German Corporate Governance Code in the version dated 28 April 2022 (published in the Federal Gazette on 27 June 2022).

As of December 31, 2023 ("**reporting date**"), the Group had a total of 403 employees.

Segments, sales markets, products, and services

As of December 31, 2023, SFC had the following reportable segments, according to which the Management Board steers the Group: **Clean Energy** and **Clean Power Management**.

SFC mainly develops, manufactures and sells energy supply systems as well as modules and components for off-grid and grid-connected devices based on fuel cell technology. The Group makes the necessary investments for this purpose and conducts all other related business. The product portfolio also includes accessories and spare parts, in particular fuel cartridges, solutions for combining fuel cell products with other power sources, storage and consumers, and mechanical, electronic and electrical instruments for monitoring and controlling production and logistics processes. SFC AG is one of the first companies in the world to have commercial series products in the area of direct methanol fuel cells (DMFC) for a number of sales markets. SFC AG also has commercial series products in the field of hydrogen fuel cells (PEMFC).

The segmentation of the Group's activities primarily follows the Group's internal organizational and reporting structure by business area. Since January 1, 2021, this has been based on the Group's technology platforms and product and service portfolio. The Clean Energy segment comprises the portfolio of products, systems and solutions for stationary and mobile off-grid power supply based on hydrogen (PEMFC) and direct methanol (DMFC) fuel cells. The fuel cell solutions are used in applications in the industrial, private and government (public security) sectors in various markets, such as the telecommunications equipment, security and surveillance technology, remote sensing technology, defense technology, but also the caravanning and marine markets. The Clean Power Management segment bundles the entire business with technically advanced, standardized and semi-standardized power management solutions such as voltage transformers and coils that are used in equipment for the high-tech industry. Furthermore, the segment includes the business with frequency converters for the upstream oil and gas industry and other industries, some of which are integrated into solutions, but which are also sold.

Goals and strategy

The Group's strategic focus on expanding SFC's position in the market for environmentally friendly stationary and mobile off-grid power solutions remained unchanged in the reporting period. The goal is to establish a market-leading position as a supplier of low-emission or zero-emission control and emergency power supplies for off-grid applications, some of which are safety-critical, such as telecommunications equipment, security and surveillance technology, and off-grid sensors using fuel cell generators. The fuel cells are intended to provide low-emission or zero-emission alternatives to diesel engines, which have been used to date as emergency power generators or to cover peak loads, as well as to supplement the solutions currently used for off-grid power supply.

The implementation of this strategy is to be realized both through organic growth and by means of acquisitions, joint ventures, investments and cooperation agreements.

SFC considers the good economic development of the Group in the reporting year to be confirmation of its strategy.

Control system

The key financial performance indicators used by the Management Board to manage the operating business are sales revenue and its growth, as well as the earnings indicators adjusted EBITDA (adjusted earnings before interest, taxes, depreciation and amortization) and adjusted EBIT (earnings before interest, taxes, depreciation and amortization adjusted for the non-recurring effects mentioned in the section "Reconciliation of adjusted EBITDA and adjusted EBIT" below) for the Group and the segments.

In addition to detailed financial reporting and controlling, numerous non-financial key performance indicators such as quality parameters used for intermediate goods and fuel cell products sold are used as part of the current Risk Management System, however, these are not used for direct control.

Research and development

With its research and development activities, SFC continue to pursue the goal of securing or strengthening SFC's competitive and technological position against the backdrop of the upcoming transformation of energy systems in many countries. In particular, SFC is focusing on the development of fuel cell systems with higher performance and longer operating hours while reducing product costs, as well as on the digital connection of its solutions. In addition to this continuous renewal of its product portfolio, SFC is also working to improve its existing products and solutions.

With an average of 77 (previous year: 68) employees as of the reporting date, 20% (previous year: 21%) of the Group's workforce was engaged in the development of fuel cell technology and power supply systems and their implementation in Group products.

In order to secure the Group's technology position and competitiveness or to expand market entry barriers, an active strategy is pursued with regard to patents and other intellectual property rights ("IP"), which includes both the active maintenance of the current IP portfolio as well as the development of new IP.

TOTAL RESEARCH AND DEVELOPMENT EXPENSES in TEUR

	2023	2022
Research and development expenses recognized in profit or loss	5,296	4,441
Capitalized development expenses	2,892	2,620
Grants received	443	361
Non-recurring effects (+special expenses / - special income for LTI programs)	1	-11
Total research and development expenses	**8,632**	**7,411**

In the financial year 2023 ("**reporting year**"), R&D expenses adjusted for the non-recurring effects for the LTI programs listed below (i.e. plus the special expenses included in this item and less the special income) and including the development expenses capitalized in the reporting year and grants received ("**total R&D expenses**") increased significantly to EUR 8,632 thousand (previous year: EUR 7,411 thousand) compared to the expenses in financial year 2022 ("**previous year**" or "**prior-year period**"). The increase is mainly due to higher expenses for materials used in research and development and higher depreciation and amortization. Capitalized development expenses also increased significantly.

Research and development activities in the reporting year were mainly used to improve competitiveness and mainly related to intangible assets or capitalized development expenses in the amount of E UR 2,892 thousand (previous year: EUR 2,620 thousand) for the further development and digital connection of the Group's products and the development of new generations of fuel cell systems. This corresponds to a capitalization rate (capitalized development expenses in relation to total R&D expenses) of 34% (previous year: 35%).

The amortization of capitalized research and development costs in the year amounted to EUR 1,897 thousand (previous year: EUR 1,793 thousand).

In the financial year, impairment losses on capitalized development expenses amounting to EUR 614 thousand (previous year: EUR 0 thousand) were recognized in the research and development costs of SFC Energy AG. These resulted from the premature discontinuation of an accessory product.

In the reporting period, the Group's research and development activities were subsidized to a slight extent by government grants, e. g. via the "National Organisation Hydrogen and Fuel Cell Technology," and are expected to continue to be subsidized in the future as well [1].

In the Clean Energy segment, the focus of development is on topics such as the next generations of fuel cell modules and the digitalization and connectivity of the company's products. The focus in the reporting year was on the following development areas:

- Further development of the direct methanol fuel cell generation EFOY and EFOY Pro
- Construction and further development of hydrogen fuel cell systems based on the EFOY Hydrogen system
- Development and construction of emergency power systems based on the hydrogen fuel cell system EFOY Hydrogen
- Development of a new EFOY hydrogen fuel cell system with integrated control and voltage conversion
- Development of hydrogen fuel cell systems for power ranges over 50 kW
- Continuous development and implementation of service-optimized functions of the cloud-based remote monitoring system for the newly introduced fuel cell product generations
- Further development of an intelligent fuel management system to extend the autonomy of the new product generations
- Development of an intelligent sensor and I/O module for integrating external sensor signals, recording the energy flow in EFOY energy solutions and connecting I/O signals;
- Consistent improvements and further developments to increase the performance and lower the costs of current EFOY generations.

The development of the Clean Power Management segment focused on topics such as increasing power density, power efficiency and the "Watt / Euro" ratio for the power management solutions offered. The focus in the reporting period was on:

- Development of a module and system solution based on the current energy platform to combine several 4 kW power supplies and create a 12 kW or 16 kW system, for example;
- Development of a technology for increasing the power of the current platforms from 4kW to 5kW and preparation for future changes to EMC standards;
- Integration of a new energy platform into laser systems.

1 Section was not part of the audit of the group management report (non-management report information)

Economic Report

Macroeconomic and industry-specific conditions

Global economic recovery loses momentum over the course of the year

After the end of the COVID-19 pandemic, falling energy prices and the widespread normalization of supply chains, including freight charges and delivery times, gave the global economy significant momentum in the first half of 2023, this momentum increasingly slowed over the course of the year. While the initial recovery was driven by strong consumption in the US and a strong upturn in travel and tourism-oriented countries, the service sector increasingly weakened in the second half of the year. In addition, there was a broad-based downturn in the manufacturing sector with corresponding declines in industrial production, investment and global trade. The reasons for this included a change in spending behavior following the pandemic, higher inflation and more difficult financing conditions as a result of interest rate hikes to combat inflation.[2]

After reaching long-term highs in 2022, global inflation rates fell again in the course of 2023 due to restrictive monetary policy. However, core inflation in particular (excluding highly volatile energy and food prices) is proving to be very persistent in many cases, thus limiting the potential for significant interest rate cuts in the near future. In 2023, inflation rates in the markets of relevance to SFC were 5.5% [3] (8.4%) in the eurozone, 4.1%[4] (8.0%) in the USA, 3.9%[5] (6.8%) in Canada and 5.7%[6] (6.7%) in India.

With the exception of the US, many economies, including China and the eurozone, are still far from their pre-pandemic trends due to specific problems, and it is increasingly questionable whether these can even be achieved again. One positive driver of global economic growth – besides the US – is India. The International Monetary Fund (IMF) is forecasting growth of 6.3% in 2023 in the Indian market, which is relevant for SFC, and has thus significantly raised its original forecast.

Against this backdrop, the IMF estimated global GDP growth prospects for 2023 at 3.0% in October 2023, following growth of 3.5% in 2022. Global GDP growth is expected to weaken further to 2.9% in 2024.

Sharp slowdown in growth in the eurozone

For the eurozone, the IMF predicts a significant decline in growth from 3.3% in 2022 to a mere 0.7% in 2023. The consequences of the war in Ukraine, whether in the form of higher energy prices, supply chain disruptions or continued unusually high inflation and higher interest rates, have continued to weigh on the eurozone economy. Key economic indicators such as consumer spending and investment are showing a steady decline in growth compared to the previous year.[7] The IMF is forecasting slightly stronger growth of 1.2% for 2024.

2 International Monetary Fund, World Economic Outlook October 2023
3 Eurozone: Inflation rate from December 2021 to December 2023
4 Current US Inflation Rates: 2000-2024
5 Consumer Price Index: Annual review, 2023
6 India inflation summary for December 2023
7 https://ec.europa.eu/eurostat/cache/dashboard/euro-indicators/

Better than expected economic growth in the US

Buoyed by a robust labor market and correspondingly strong private consumption, economic output in the US has developed significantly better than expected. In October, the IMF now predicted GDP growth of 2.1% (2022: 2.1%), compared to the forecast of only 1.6% in April. The US economy also benefited from government support, e.g. in the form of the Inflation Reduction Act. Although the IMF has also raised its growth expectations for 2024, growth is still expected to be weaker at just 1.5%.

Significantly weaker economy in Canada

The Canadian economy weakened significantly over the course of 2023. After strong growth in the first quarter, the trend deteriorated continuously and led to a surprising decline in the GDP of 1.1% in the third quarter[8]. This development was driven by a weaker labor market, declining consumer spending and falling exports. Among other developments, this reflects the Bank of Canada's restrictive monetary policy to combat inflation.

Against this backdrop, the IMF is forecasting significantly lower growth of 1.3% for 2023 as a whole, compared to 3.4% in 2022. A slight acceleration in growth to 1.6% is forecast for 2024.

India with a strong recovery from the effects of the pandemic

After overcoming the COVID-19 pandemic, the Indian economy has recovered strongly from the consequences of the pandemic, driven by the contact-intensive service sector. It also has a successful export economy with a vast array of trading partners around the world. The Indian economy has made a clear commitment to sustainable development, which is reflected in a strong focus on renewable energies, among other topics, and attracts investment from all over the world. This attractiveness of what is now the fifth largest and fastest growing economy in the world is also supported by extensive infrastructure investments by the government.[9]

Overall, the IMF is forecasting economic growth of 6.3% for 2023 compared to 7.2% in 2022. Growth is also expected to remain stable at 6.3% in 2024.

Geopolitical tensions: Extraordinary level of uncertainty

The economic outlook remains subject to an extraordinary degree of uncertainty. While no end to the armed conflict in Ukraine is in sight, new hot spots have flared up, in the Middle East, for example. The US presidential election is also already casting its shadow and causing uncertainty with regard to the country's future foreign policy course. Tensions continue to exist between the EU and the US as well as China. The Chinese economy is suffering from the ongoing crisis in its real estate sector. The country's leadership may therefore be tempted to distract from this by taking foreign policy measures, such as an attack on Taiwan.

8 Canada economy surprisingly shrank 1.1% in the third quarter
9 https://economictimes.indiatimes.com/news/economy/indicators/indias-economic-triumph-a-chronicle-of-the-fastest-growing-major-economy/articleshow/106083873.cms?from=mdr

An expansion of geopolitical crises could lead to new price shocks on the markets for energy, raw materials or food, for example, and have negative consequences for inflation and economic growth. For example, the energy-intensive industry in Germany is still in a tense situation.

Great potential in stationary fuel cell applications

SFC AG's product portfolio includes both PEMFC and DMFC fuel cells for stationary and mobile off-grid power supply as well as advanced power management solutions for use in high-tech industry devices and frequency converters, which are in demand by the upstream oil and gas industry.

The Clean Energy segment includes the sales and expenses of SFC's hydrogen (PEMFC) and direct methanol (DMFC) fuel cell business. The segment addresses customers from the private, industrial and public sectors in various end customer markets.

In the course of climate change and the path to greenhouse gas neutrality, the energy supply and economic structures in many of the national economies are changing radically. Large parts of state institutions, the sciences, business world and society regard renewable energies in general and hydrogen in particular as a pillar of the strategy for transforming the energy sector. Broad initiatives aimed at establishing global CO2 pricing and at promoting the development and expansion of a hydrogen infrastructure are representative of these efforts. Despite the more difficult economic conditions, the global hydrogen project pipeline continues to grow. According to the Hydrogen Insights 2023 December update, for example, the number of projects that have been announced since the start of the year has increased by more than a third to over 1,400 with an investment volume of more than USD 570 billion. This means that around 45 million tons of hydrogen could be produced in 2030.[10]

Apart from their importance for decarbonizing economies, fuel cells and hydrogen are increasingly relevant for increasing energy security. The global energy crisis caused by the armed conflict in Ukraine has made it clear that politicians must reconcile the requirements of energy security with climate goals, especially since the geopolitical risks continued to increase in 2023. This explains why many countries are increasingly striving for energy independence and to diversify their energy supply. Hydrogen and fuel cells can contribute to energy security by reducing dependence on fossil fuels, both by replacing fossil fuels in end-use applications and by switching fossil-fuel-based hydrogen production to renewable hydrogen
.
A study conducted by an internationally recognized consulting firm shows that the total relevant market potential for the Group's fuel cell solutions will increase from 4.3 GW of installable capacity in 2021 to 8.1 GW in 2026. This would be equivalent to market growth of 12% per year. The relevant market comprises nine use cases in the power spectrum < 100 kW, including telecommunications towers, construction power supply, upstream and midstream monitoring of oil and gas wells and pipelines, environmental monitoring of wind farms, and CCTV surveillance.

Market researchers estimate the global market for fuel cells in 2023 at USD 7.4 billion, of which over 60% is accounted for by PEMFC solutions. The market is expected to grow at an average annual rate of over 27% through 2030. [11] Stationary applications, among other uses, hold great potential. Diesel generators that have

10 https://hydrogencouncil.com/de/hydrogen-project-pipeline-grows-by-35-since-january-2023/
11 https://www.grandviewresearch.com/industry-analysis/fuel-cell-market

been commonly used up to now can be replaced by environmentally friendly fuel cells. The market volume of diesel generators for decentralized power generation in 2023 amounted to approx. USD 15.8 billion.[12]

The business climate and expectations in the electronics industry are brightening

The most important customer industries for power management solutions are in the high-tech sector, such as manufacturers of analytical and semiconductor systems. Frequency converters are mainly in demand by the upstream oil and gas industry.

Sluggish foreign demand is increasingly having a negative impact on the order situation in the electrical and digital industry. In its most recent publication, the ZVEI Economic Barometer of January 2024, the German Electrical and Digital Manufacturers' Association (ZVEI) reported a 1.6% decline in orders in the period from January to November 2023 compared to the same period of the previous year. Domestic orders increased by 4.5% in the period mentioned, while foreign orders decreased by 6.5%. Sales in Germany thus totaled EUR 105.9 billion and foreign sales EUR 113.3 billion.[13]

The business climate deteriorated significantly over the course of the year. Nevertheless, after eight consecutive declines, there was a slight improvement again in December. This applies to both the business situation and expectations, although both figures remain in negative territory. Only 11% of respondents expect business to improve over the next 6 months, while 37% expect it to deteriorate.[14]

According to the industry association, the vast majority of companies in the sector expect activity to remain the same in the first half of 2024.[15]

Many of the problems faced in 2022, such as supply chain problems, delivery bottlenecks or the effects of China's zero Covid policy, eased considerably in 2023, while others, such as the armed conflict in Ukraine, remain. New geopolitical crises have emerged and the global economy is comparatively weakened under the impression of high interest rates in many cases to combat inflation, which has a corresponding impact on foreign demand. Market observers are therefore also somewhat cautious about the growth prospects for 2024[16].

12 https://www.mordorintelligence.com/de/industry-reports/diesel-generator-market
13 ZVEI Economic Barometer – January 2024
14 ZVEI Economic Barometer – January 2024
15 ZVEI Economic Barometer – January 2024
16 Corporate Blog der IKB, Ausblick Verarbeitendes Gewerbe: „Weiter so" ist keine Option, 14. November 2023

Business Performance and Economic Situation

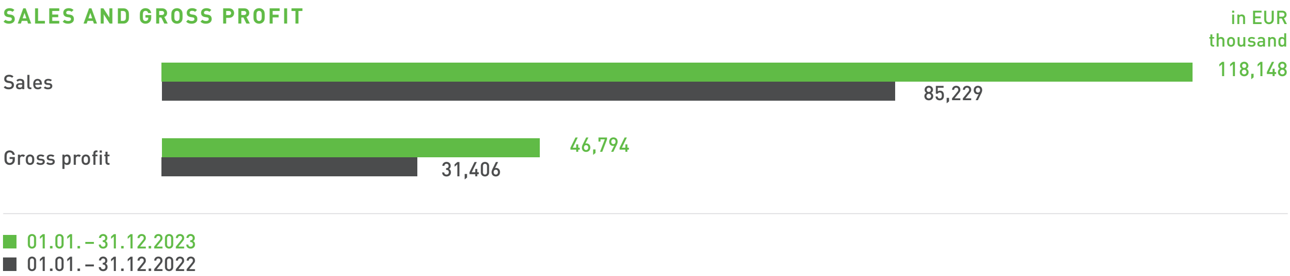
Earnings position

In the reporting year, the Group achieved particularly strong growth in sales compared to the previous year. They increased by EUR 32,919 thousand or 38.6% to EUR 118,148 thousand (previous year: EUR 85,229 thousand). The positive sales performance is attributable to both the very strong increase in Clean Energy segment sales, which rose by 37.1% compared to the previous year, as well as to extraordinarily strong organic sales growth of 41.7% in the Clean Power Management segment.

The Clean Energy segment, whose share of Group sales in the reporting year declined marginally to 66.9% (previous year: 67.6%), remained the segment with significantly higher sales. Accordingly, the Clean Power Management segment's share of Group sales increased slightly to 33.1% (previous year: 32.4%).

In the reporting year, both the overall sales growth and the increased gross profit margins in both segments led to a significant increase in Gross profit from sales ("**gross profit**") by EUR 15,388 thousand or 49.0% to EUR 46,794 thousand (previous year: EUR 31,406 thousand). The resulting gross profit margin for the Group (gross profit as a percentage of sales) increased significantly to 39.6% (previous year: 36.8%) and was thus considerably higher than in the previous year.

SALES AND GROSS PROFIT



Reconciliation of adjusted EBITDA and adjusted EBIT

Adjusted EBITDA and adjusted EBIT are shown in order to neutralize the impact of non-recurring effects that both increase and detract from the operating result for the reporting period in the presentation of financial performance indicators and to ensure comparability of these performance indicators between periods. Here, the effects of the special items listed below included in the respective functional costs are eliminated in the reporting period as part of a reconciliation to adjusted EBITDA and adjusted EBIT.

In the reporting year, these non-recurring effects include expenses and income from the increase or reversal of provisions and the capital reserve for obligations under the long-term variable share price-based remuneration programs (“**LTI programs**”) as well as expenses associated with transaction efforts.

The LTI programs are stock appreciation rights (“**SARs**”) and stock option programs (“**SOP**”) for the Management Board and for the managers of Group companies. The expenses for these programs amounted to EUR 768 thousand in the reporting year (previous year: EUR 665 thousand) (“**special expenses**”). At the same time, income from the reversal of provisions for the SARs (“**special orders**”) of EUR 720 thousand (previous year: EUR 1,149 thousand) was recognized in the reporting year. This income was due to the reversal through profit or loss of provisions already recognized for the SARs or the reversal of the capital increase, which were higher than the cash payments in the current reporting year or resulted from accounting in accordance with IFRS 2.

Expenses of EUR 491 thousand (previous year: EUR 42 thousand) associated with transaction efforts such as potential acquisitions are included in the non-recurring effects (“**extraordinary expenses**”).

Overall, the non-recurring effects are recognized as net income or net expense in the amount of EUR -539 thousand (previous year: net income EUR 442 thousand) for the reporting year and are included in EBIT and EBITDA.

Expenses and income for the LTI programs of the Management Board members Dr. Peter Podesser, Daniel Saxena and Hans Pol are included in both selling expenses and general and administration expenses. Expenses and income for the LTI programs for employees (executives) are included in selling expenses and research and development expenses. Expenses related to transaction efforts are included in general administrative expenses.

The non-recurring effects are comprised as follows:

NON-RECURRING EFFECTS — in EUR thousands

	2023	2022
Expenses from the recognition of provisions and capital reserves for LTI programs	-768	-665
Income from the reversal of provisions and capital reserves for LTI programs	720	1,149
Expenses in connection with transaction efforts	-491	-42
Total net expense	**-539**	**442**
thereof included in selling expenses	324	381
thereof included in research and development expenses	1	-11
thereof included in general and administrative expenses	-863	72

These non-recurring effects are eliminated in the reporting year as part of the reconciliation to adjusted EBIT and adjusted EBITDA. The reconciliation to adjusted EBITDA and adjusted EBIT (= adjusted operating profit) and the allocation of non-recurring effects to the Group income statement items are accordingly as follows:

RECONCILIATION OF EBIT / EBITDA TO ADJUSTED EBIT / ADJUSTED EBITDA in EUR thousands

	2023	2022
Operating result according to the income statement (EBIT)	**9,157**	**3,599**
Selling expenses		
+ Net expense / income for LTI programs (personnel expenses)	-324	-381
Research and development expenses		
+ Net expense / income for LTI programs (personnel expenses)	-1	11
General administrative expenses		
+ Net expense / income for LTI programs (personnel expenses)	372	-115
+ Expenditure for transaction efforts	491	42
Adjusted EBIT	**9,696**	**3,157**
EBITDA	**14,619**	**8,593**
Selling expenses		
+ Net expense / income for LTI programs (personnel expenses)	-324	-381
Research and development expenses		
+ Net expense / income for LTI programs (personnel expenses)	-1	11
General administrative expenses		
+ Net expense / income for LTI programs (personnel expenses)	372	-115
+ Expenditure for transaction efforts	491	42
Adjusted EBITDA	**15,158**	**8,150**

Group sales of EUR 103,000 thousand to EUR 111,000 thousand, adjusted EBITDA of EUR 8,900 thousand to EUR 14,100 thousand and adjusted EBIT of EUR 3,400 thousand to EUR 8,600 thousand were originally forecast for the reporting year on February 14, 2023.

Due, in particular, to the good course of business in the first six months of the reporting year and the positive prospects for the second half of 2023, the Management Board specified the forecast range for the reporting year on August 22, 2023, with regard to Group sales to EUR 107,000 thousand to EUR 111,000 thousand, with regard to adjusted EBITDA to EUR 7,500 thousand to EUR 8,500 thousand and with regard to adjusted EBIT to EUR 5,000 thousand to EUR 8,600 thousand.

In light of the continued dynamic pace of growth in the reporting year and the gratifying profitability, the upper end of the forecast was adjusted and concretized once again on November 15, 2023. With regard to Group sales, the Management Board raised the range for expected sales revenue to around EUR 115,000 thousand to EUR 117,000 thousand. The Management Board concretized the forecast for adjusted EBITDA and adjusted EBIT to EUR 13,000 thousand to EUR 14,100 thousand and EUR 7,500 thousand to EUR 8,600 thousand respectively.

With sales of EUR 118,148 thousand achieved in the reporting year, the Group significantly exceeded the previous year's figure and slightly exceeded the Management Board's expectations at the upper end of the range. One key reason for this was the above-mentioned strong growth in sales in both segments resulting from the sustained high demand for fuel cell solutions in connection with tangible sales growth in the Clean Power Management segment due to an improved market environment in the core target industries.

Both the adjusted EBITDA of EUR 15,158 thousand and the adjusted EBIT of EUR 9,696 thousand were also within the target range of the Management Board's expectations. The strong increase in gross profit, which resulted from the achievement of the target of an increase in the consolidated gross profit margin in connection with the growth in sales, contributed to this development. Furthermore, the disproportionate increase in adjusted selling expenses compared to sales, which accounted for the largest share of functional costs, had a positive effect on adjusted EBITDA and adjusted EBIT. This was counteracted by a significant increase in adjusted general administrative expenses.

Overall, the Management Board is satisfied with the business development.

Sales development by segments

The segmentation of sales for the reporting year compared to the previous year is as follows:

SALES BY SEGMENT in EUR thousands

Segment	2023	2022	Change	Change in %
Clean Energy	79,032	57,632	21,399	37.1%
Clean Power Management	39,116	27,597	11,519	41.7%
Total	**118,148**	**85,229**	**32,919**	**38.6%**

The **Clean Energy** segment continued to benefit from the high demand for the Group's fuel cell solutions in the reporting year by posting a significant increase in sales of 37.1% to EUR 79,032 thousand (previous year: EUR 57,632 thousand). This applied in particular to energy solutions for industrial applications, which address the core target markets of "civil security technology / video transmission," and "data transmission and digitization" and accounted for the largest share of segment sales. Demand from the core target markets for public safety also rose significantly in the reporting year, while sales for applications in the core target markets for private applications, which now account for the smallest share of segment sales, declined sharply. One of the main reasons for this, in the opinion of the Management Board, is the reluctance of private households to spend, especially in Germany. Sales growth was driven by increased sales contributions from all target regions, whereby growth was the strongest in the North America and Asia regions.

Sales revenue in the **Clean Power Management** segment showed extremely strong growth of 41.7% to EUR 39,116 thousand in the reporting year (previous year: EUR 27,597 thousand). In the previous year, segment sales were particularly affected by a challenging procurement environment and supply bottlenecks, which only gradually eased in the second half of 2022. The supply bottlenecks disappeared almost completely in the reporting year and, in conjunction with positive demand momentum in both Europe and North America, segment sales increased significantly in the financial year. In this respect, the continued positive demand from current customers in the oil, gas and mining end customer market as a result of the relatively high price of crude oil and the stable market environment in the reporting year is also worth mentioning.

BREAKDOWN OF SALES BY SEGMENT
01/01 – 12/31/2023

in %

With regard to the distribution of sales across the segments in the reporting year, the Clean Energy segment's share of Group sales declined slightly. With a share of 66.9% (previous year: 67.6%), Clean Energy remained the segment with the highest sales, while Clean Power Management's share of sales rose slightly to 33.1% (previous year: 32.4%).

Clean Energy

The core business of the Clean Energy segment focuses on the development, manufacture, supply, integration and marketing of products, systems and solutions based on technologically advanced hydrogen (PEM) and direct methanol fuel cells (DMFC) for power generation. The segment has an extensive portfolio of products that are sold individually or as solutions to customers in the industrial, governmental and private sectors in various markets.

The segment has proven to be relatively resilient to crises in recent years and has been characterized by strong demand dynamics. Overall, the trend towards low-emission energy generation continued to gain momentum in 2023 with a record expansion of renewable energy capacities and far-reaching political measures. For example, in the US, the increase in employment in the cleantech sector continues to exceed that of the overall economy.[17]

Hydrogen and methanol-based technologies and fuels offer cross-sector, low-carbon alternatives to energy generation. SFC expects that the energy transition in many countries, the increasing conversion to low-car-

17 S&P S&P Global Commodity Insights (December 2023): Upstream capital expenditures outpace cleantech, but for how long?

bon electricity generation in connection with increasing government subsidies for fuel cells and a hydrogen infrastructure, and the increase in off-grid and/or grid-independent fields of application will increase future demand for fuel cell solutions. Furthermore, one can expect that decarbonization initiatives by governments and companies will continue to drive the introduction of hydrogen in new applications.[18]

The International Energy Agency (IEA) believes that replacing fossil fuels with electricity from renewable energy sources in many sectors of the economy, including the key sectors transport, heating and industry, is a crucial pillar on the path to achieving net-zero. In a scenario analysis, the IEA projects that around 90% of final energy consumption will be met by electricity by 2050.[19]

The segment generated sales revenue of EUR 79,032 thousand in the reporting year (previous year: EUR 57,632 thousand), an increase of EUR 21,399 thousand or 37.1% compared to the same period of the previous year.

As mentioned above, the segment's growth in sales was driven by continued high demand for fuel cell solutions for industrial applications, which account for around 60% of segment sales, on the one hand, and increased demand from the government sector (public safety) on the other. In the reporting year, SFC acquired significant initial and follow-up orders, which meant that segment sales in the core industrial target markets increased significantly by around 30% to over EUR 45,000 thousand (previous year: over EUR 35,000 thousand). Sales to customers for private applications fell significantly in the reporting year due to restrained consumer behavior.

Clean Power Management

The core business of the Clean Power Management segment comprises the development, manufacture and marketing of the Group's broad range of technologically advanced power management solutions used to generate and control regulated voltages in electronic systems. The segment's target customers for these types of solutions are manufacturers of high-tech industrial machinery for various industries. Here, the segment focuses in particular on companies with long-term positioning, especially in high-growth fields.

The segment also includes the business with frequency converters for customers in the oil and gas industries.

Parts of the product portfolio of the Clean Power Management segment are also used in the Clean Energy segment.

Power management solutions are a key component of power conversion systems. The solutions are used to improve power density, reduce electromagnetic interference, preserve power and signal integrity, maintain safety in the presence of variable voltage ranges, as well as extend battery life, among other purposes. The demand for these components has traditionally been shaped by changes in the general economic environment, but is benefiting from the emergence of new uses and a number of trends: These include the critical transition towards lower emissions and more sustainable operations by equipment designers and manufac-

18 McKinsey & Company (January 2024): Global Energy Perspective 2023: Hydrogen outlook
19 International Energy Agency, (October 2022): World Energy Outlook

turing companies, and digitalization leading to increasing demand for smarter devices as well as power storage and flexible control of power distribution, including with a higher share of renewable energy.[20] The general trends also include increased integration, higher efficiency and the use of new materials. Power modules benefit from advances in manufacturing technology.

Compared to the previous year's figure, the Clean Power Management segment recorded significant sales growth of 41,7% to EUR 39,116 thousand (previous year: EUR 27,597 thousand). In the previous year, segment sales were affected in particular by a challenging procurement environment and supply bottlenecks in the electronics industry, which only gradually eased in the second half of 2022. The supply bottlenecks continued to ease in the reporting year and, based on this trend among other factors, segment sales increased significantly in the first half of 2023. Furthermore, global demand for oil and gas continued to increase in 2023[21] and, based on positive fundamentals in the sector, investment activity also increased further in 2023.[22]

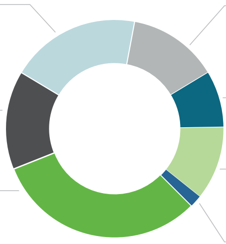
Sales development by region

The development of sales by region for the reporting period compared to the previous year is as follows:

SALES BY REGION — in EUR thousands

	2023	2022	Change	Change in %
Canada	37,200	29,470	7,730	26.2%
USA	17,256	8,480	8,776	103.5%
Europe (excluding Germany & Netherlands)	22,867	21,592	1,274	5.9%
Netherlands	15,846	10,959	4,887	44.6%
Germany	9,907	7,744	2,163	27.9%
Asia	12,970	6,714	6,256	93.2%
Rest of the world	2,102	270	1,832	678.8%
Total	**118,148**	**85,229**	**32,919**	**38.6%**

BREAKDOWN OF SALES BY REGION — in %
01/01– 12/31/2023



20 ZVEI (January 2022): Vier Prozent Produktionswachstum: Elektro- und Digitalindustrie blickt optimistisch ins Jahr 2022. https://www.zvei.org/presse-medien/pressebereich/
21 IEA (September 2023): Oil Market Report
22 Fitch Solution Group (December 2023); Oil & Gas Global Capex Outlook

The regional distribution of sales developed as follows in the reporting year: At 46.1% (previous year: 44.5%), the North America region replaced Europe as the region with the highest sales. Within this region, the US's share of sales increased significantly to 14.6% (previous year: 9.9%), while Canada's share of Group sales fell slightly to 31.5% (previous year: 34.6%).

The share of Group sales attributable to the Europe region amounted to 41.2% (previous year: 47.3%) and decreased noticeably despite the absolute growth in sales in favor of the other regions. Within the Europe region, the Netherlands accounted for 13.4% of Group sales (previous year: 12.9%), roughly at the same level as the previous year. Germany's share of sales declined moderately to 8.4% (previous year: 9.1%), while the rest of Europe accounted for 19.4% (previous year: 25.3%), and thus a significantly lower share of sales. At 11.0% (previous year: 7.9%), the Asia region reported a noticeable increase in the Group's share of sales and also recorded the highest relative sales growth.

Gross profit

Compared to the previous year, gross profit rose significantly by 49.0% to EUR 46,794 thousand (previous year: EUR 31,406 thousand), an increase of EUR 15,388 thousand. The Group's gross profit margin resulting from the sales performance (gross profit as a percentage of sales) increased significantly to 39.6% in the reporting year (previous year: 36.8%). This increase was mainly due to the above-mentioned strong growth in sales accompanied by an expansion in margins in both segments, also due to the effectiveness of improved pricing and the product mix.

At 46.0% (previous year: 42.6%), the gross margin of the Clean Energy segment in the reporting year was significantly higher than in the previous year, as was the gross profit on sales at EUR 36,334 thousand (previous year: EUR 24,531 thousand). This was due to the product mix in favor of higher-margin products as well as improved pricing.

The gross profit of the Clean Power Management segment increased significantly to EUR 10,460 thousand (previous year: EUR 6,875 thousand). At 26.7% (previous year: 24.9%), the resulting gross margin was significantly higher than in the same period of the previous year. This positive development is mainly due to improved pricing and, in part, lower costs for intermediate goods compared to the previous year, which was characterized by supply bottlenecks.

The gross profit compared to the previous year for the individual segments is as follows:

GROSS PROFIT ON SALES — in EUR thousands

Segment	2023	2022	Change	Change in %
Clean Energy	36,334	24,531	11,804	48.1%
Clean Power Management	10,460	6,875	3,584	52.1%
Total	**46,794**	**31,406**	**15,388**	**49.0%**

Selling expenses

Selling expenses increased significantly by 14.9% compared to the previous year to EUR 15,082 thousand in the reporting year (previous year: EUR 13,130 thousand). The extraordinary effects (special income) included in selling expenses, which were lower than in the same period of the previous year, amounted to EUR 324 thousand (previous year: EUR 381 thousand). Adjusted for these effects, adjusted selling expenses in the reporting year increased by 14.0% to EUR 15,406 thousand (previous year: EUR 13,511 thousand). The significant increase resulted in particular from sharply increased personnel expenses adjusted for extraordinary expenses, partly due to the increase in personnel and general salary increases and partly due to higher sales-related short-term performance-related remuneration and salary increases. Furthermore, advertising and travel expenses were higher than in the previous year, partly due to the increasing internationalization of the business. This was offset by significantly lower consulting costs and amortization in this area.

Although the Group's adjusted selling expenses increased significantly in the reporting year, the share of costs in sales due to the positive revenue development was reduced considerably to 13.0% (previous year: 15.9%).

Adjusted for the aforementioned extraordinary expenses, selling expenses in the Clean Energy segment rose significantly by 13.5% to EUR 13,144 thousand (previous year: EUR 11,584 thousand) and were therefore well above the previous year's level. A large part of the increases in expenses referred to above is attributable to this segment.

At EUR 2,262 thousand (previous year: EUR 1,928 thousand), selling expenses in the Clean Power Management segment, which do not include any extraordinary expenses, were also significantly higher than in the previous year, although they account for a smaller share of selling expenses.

Research and development expenses

The research and development expenses reported in the income statement rose sharply by 19.3% to EUR 5,296 thousand in the reporting year (previous year: EUR 4,441 thousand)

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As stated above, extraordinary effects (special income) of EUR 1 thousand (previous year: expense EUR 11 thousand) were included in research and development costs in the reporting year. Adjusted for the aforementioned extraordinary effects and including the development expenses capitalized in the reporting year as well as grants received in the total amount of EUR 3,334 thousand (previous year: EUR 2,981 thousand), the Group's total research and development expenses in the reporting year amounted to EUR 8,632 thousand (previous year: EUR 7,411 thousand) and were thus 16.5% higher than in the previous year

.

One of the main reasons for the increase are the increase in expenses for materials used in research and development as well as higher depreciation and amortization in this area. Impairment losses were recognized in this depreciation and amortization in the reporting year on capitalized development expenses amounting to EUR thousand (previous year: EUR 0 thousand) These result from the full impairment of development costs for two projects in connection with the development of an accessory product for fuel cell systems.

The Group's overall development ratio (total R&D expenditure as a percentage of sales) declined slightly to 7.3% (previous year: 8.7%) due to the growth in sales.

General administrative expenses

General administrative expenses amounted to EUR 15,491 thousand in the reporting year (previous year: EUR 9,778 thousand) and at 58.4% were significantly higher than in the same period of the previous year. After adjustment for the aforementioned extraordinary effects (expense) of EUR 863 thousand (previous year: income EUR 72 thousand), adjusted general administrative expenses also increased significantly by 48.5% compared to the same period of the previous year to EUR 14,628 thousand (previous year: EUR 9,851 thousand). The increase is mainly due to significantly higher personnel expenses, including personnel recruiting costs in connection with a higher number of employees in both segments as well as considerably higher auditing, legal and consulting expenses and travel expenses. The reason for this increase is in line with the increase in revenues as well as the positive business development.

Other operating income

At EUR 1,174 thousand (previous year: EUR 1,372 thousand) respectively 14.4%, other operating income in the reporting year was slightly lower as in the previous year. The main reason for this development is the income from exchange rate differences included in this item totaled EUR 1,074 thousand (previous year: EUR 1,328 thousand) and, at 19.1% was significantly below the previous year's level.

Other operating expenses

Other operating expenses increased by 95.5% to EUR 2,751 thousand in the reporting year (previous year: EUR 1,407 thousand) and are mainly the result of provisions for possible claims from a business partner in connection with delays in the production start-up of a subsidiary in the amount of EUR 925 thousand (previous year: EUR 0).

Earnings before interest, taxes, depreciation and amortization (EBITDA)

The Group's earnings before interest, taxes, depreciation and amortization (EBITDA) increased particularly strongly in the reporting year to EUR 14,619 thousand (previous year: EUR 8,593 thousand), resulting in an EBITDA margin (EBITDA in relation to sales) of 12.4% (previous year: 10.1%). Besides the significant increase in sales, the considerably higher EBITDA is due in particular to the markedly improved gross margin in conjunction with a disproportionately low increase in total functional costs compared to sales revenue.

The key financial performance indicator for managing the operating business, EBITDA adjusted for non-recurring effects (EBITDA adjusted), amounted to EUR 15,158 thousand in the reporting year (previous year: EUR 8,150 thousand), a significant increase of EUR 7,008 thousand compared to the previous year. The adjusted EBITDA margin was above the previous year's level and improved considerably to 12.8% (previous year: 9.6%).

The Clean Energy segment's EBITDA adjusted for non-recurring effects improved significantly by EUR 4,409 thousand to EUR 11,762 thousand (previous year: EUR 7,354 thousand) and the segment's adjusted EBITDA margin improved to 14.9% (previous year: 12.8%), mainly due to the significantly higher gross profit in conjunction with the disproportionately low increase in selling expenses in relation to sales growth.

The EBITDA of the Clean Power Management segment does not include any non-recurring effects. This segment's EBITDA also improved significantly by EUR 2,559 thousand to EUR 3,396 thousand (previous year: EUR 796 thousand). The segment's EBITDA margin nearly tripled to 8.7% (previous year: 2.9%). This positive development was mainly due to the sharp rise in sales and the increase in the gross profit margin in conjunction with the lower increase in functional costs in relation to sales.

Operating result (EBIT)

Earnings before interest and taxes (EBIT) of the Group more than doubled in the reporting year to EUR 9,157 thousand (previous year: EUR 3,599 thousand). The EBIT margin (EBIT in relation to sales) rose similarly to EBIT to 7.8% (previous year: 4.2%).

EBIT adjusted for non-recurring effects (adjusted EBIT) amounted to EUR 9,696 thousand (previous year: EUR 3,157 thousand) and, at EUR 6,539 thousand, also doubled compared to the previous year, as did EBITDA despite a moderate increase in depreciation and amortization. This resulted in a significantly higher adjusted EBIT margin of 8.2% compared to the previous year (previous year: 3.7%). This increase was mainly due to the effects described in the "EBITDA" section above.

Adjusted EBIT in the Clean Energy segment rose significantly to EUR 7,634 thousand in the reporting year (previous year: EUR 3,450 thousand). The EBIT of the Clean Power Management segment, which does not include any non-recurring effects, also recorded a disproportionately high increase compared to sales, rising to EUR 2,063 thousand (previous year: EUR -293 thousand).

Interest and similar income

Interest and similar income increased to EUR 986 thousand (previous year: EUR 0 thousand) as a result of the sharp rise in short-term interest rates compared to the previous year and the higher average investment volume.

Interest and similar expenses

Interest and similar expenses in the amount of EUR 799 thousand (previous year: EUR 609 thousand) include interest expenses from the application of IFRS 16 in the amount of EUR 521 thousand (previous year: EUR 445 thousand). The increase in interest payments for liabilities to banks ("**financial liabilities**") mainly resulted from higher interest expenses for the use of working capital lines due to the increased interest rate level.

INTEREST AND SIMILAR EXPENSES in EUR thousand

	2023	2022	Change	Change in %
Lease liabilities (IFRS 16)	521	445	76	17.2%
Credit institutions	278	165	114	68.9%
Total	**799**	**609**	**190**	**31.2%**

Taxes on income and earnings

Due to the expected future positive earnings situation, deferred tax assets of EUR 17,416 thousand (previous year: EUR 0 thousand) were recognized in the reporting year for the first time for tax reduction claims from the expected use of existing loss carryforwards within a reasonable period of time.

In the reporting year, this resulted in tax income of EUR 11,719 thousand (previous year: EUR -1,923 thousand).

Group annual result

The reporting year closed with a significantly higher consolidated profit for the period of EUR 21,062 thousand (previous year: EUR 2,020 thousand), of which EUR 11,719 thousand resulted from the above-mentioned tax income.

Earnings per share

Basic and diluted earnings per share in accordance with IFRS amounted to EUR 1.21 (previous year: EUR 0.07) and EUR 1.18 (previous year: EUR 0.07) respectively in the reporting year.

Order intake and order backlog

Order intake declined slightly in the reporting year to EUR 124,799 thousand (previous year: EUR 127,195 thousand). As at the reporting date of December 31, 2023, the Group's order backlog increased significantly to EUR 81,300 thousand (previous year: EUR 74,176 thousand). Of this amount, SFC AG accounted for EUR 37,111 thousand (previous year: EUR 19,522 thousand), SFC NL (including SFC RO) for EUR 27,267 thousand (previous year: EUR 34,937 thousand) and SFC CA for EUR 16,922 thousand (previous year: EUR 19,717 thousand).

Asset and financial position

Principles and objectives of financial management

The objective of financial management is to secure SFC's financial strength over the long term. The focus is on the task of adequately covering the financial requirements of the operating business as well as the financial requirements for investments. SFC's financial management comprises capital structure management, liquidity management, management of market price risks (currency, interest rates) and management of credit default risks.

Capital structure management defines the capital structure of the Group and its subsidiaries. The Group companies are capitalized in accordance with the principles of cost- and risk-optimized financial and capital resources.

As part of liquidity management, cash flows from operating activities and financial transactions are recorded in a rolling plan. SFC covers its liquidity requirements by using the appropriate instruments for liquidity management, such as internal Group financing through loans or credit financing with local banks. SFC follows a prudent financing policy based on a comfortable liquidity cushion and a balanced financing portfolio with diversified maturities.

The management of market price risks is tasked with limiting the effects of fluctuations in currencies and interest rates on the Group's earnings.

The management of credit default risk involves monitoring the risk volume of the Group's accounts payable positions vis-a-vis financial institutions and customers. The credit risk to financial institutions arises from the investment of liquid funds as part of liquidity management.

The management of these credit risks is mainly based on the analysis of the creditworthiness of the financial institution or the corresponding deposit insurance systems. The credit risk to customers from the supply and service business results from the relationship with dealers, as well as corporate and retail customers. Key elements in the management of credit risk include proper credit assessment, which is supported by risk classification procedures, and structured portfolio analysis and monitoring.

Capital structure

Equity amounted to EUR 128,133 thousand as of December 31, 2023 (December 31, 2022: EUR 103,437 thousand) and thus increased significantly by EUR 24,696 thousand.

The net financial position (freely available cash and cash equivalents less liabilities to banks) declined by EUR 4,692 thousand or by 7.7% to EUR 56,056 thousand in the reporting year (December 31, 2022: EUR 60,748 thousand).

SFC's strategic orientation and especially the chosen strategy require further investments that must be financed to ensure future business success. This relates to the areas of product development, opening up further market segments and new regions, expanding existing market segments and developing new technologies. Surplus liquidity is invested in low-risk financial instruments (e.g. overnight and fixed-term deposits) at various banks until it is used.

No capital requirements are defined in SFC's Articles of Association.

The Group's capital management relates to cash and cash equivalents, equity and liabilities to banks.

Cash and cash equivalents

As of December 31, 2023, freely available cash and cash equivalents as shown in the balance sheet amounted to EUR 59,847 thousand (December 31, 2022: EUR 64,803 thousand).

Overall, liabilities to banks declined moderately in the reporting year by EUR 264 thousand to EUR 3,791 thousand (December 31, 2022: EUR 4,055 thousand) due to a lower use of the working capital credit lines detailed below at the level of SFC CA, SFC NL and SFC RO as of the reporting date compared to December 31, 2022.

SFC GE

SFC Energy AG has a guarantee facility of EUR 500 thousand with a fixed guarantee commission and an indefinite term for operational financing. No guarantees had been utilized as of the reporting date (December 31, 2022: EUR 99 thousand).

SFC CA

As part of the financing of the subsidiary SFC Ltd., a working capital loan agreement was concluded with a bank in the amount of up to CAD 4,000 thousand with no fixed term and a variable interest rate (Canadian Prime Lending Rate plus a fixed margin).

A financial covenant (loan security clause) (Current Assets / Current Liabilities) has been agreed with the financing bank. Furthermore, the basis of assessment for drawing the loan is linked to the level of trade receivables and the level of net inventories.

SFC GE has issued a letter of subordination to SFC CA's bank for a current shareholder loan. The shareholder loan is long-term and bears interest at 9.0% p.a. The loan was valued at EUR 1,421 thousand including accrued interest as of the balance sheet date (as of December 31, 2022: EUR 1,475 thousand).

SFC NL

As part of the financing of the subsidiary SFC Energy B.V. Almelo, Netherlands, a working capital loan agreement with an indefinite term and a facility of up to EUR 3,000 thousand and a variable interest rate (1-month EURIBOR plus fixed margin) was concluded. In addition, a working capital loan agreement was concluded with a facility of up to EUR 500 thousand without a fixed term ("until further notice"), also with a variable interest rate (1-month EURIBOR plus a variable premium and a fixed margin).

No financial covenants (credit protection clauses) were agreed with the financing bank.

As part of the financing of the Romanian second-tier subsidiary SFC Energy Power S.R.L, an existing working capital loan agreement with a bank was increased from up to EUR 1,000 thousand to up to EUR 1,500 thousand in the reporting year. The interest rate remained at a variable rate (1-month EURIBOR plus fixed margin) with a term of 12 months and an annual extension option. The financial covenants agreed in the contract (debt and solvency ratio) were complied with in the reporting year.

Continuous investment in product development as well as potential joint ventures, shareholdings and acquisitions remain an important part of SFC's growth and internationalization strategy in order to strengthen and expand its market positions in a targeted manner or to supplement existing businesses or enter new fields of business. The implementation of this strategy could give rise to financial obligations or additional financing requirements.

Liquidity surpluses are invested in low-risk financial instruments (e.g., overnight and time deposits) at various banks until they are used.

The following table shows the Group's total equity and total assets as of the respective reporting dates:

EQUITY RATIO OF THE GROUP — in EUR thousand

	12/31/2023	12/31/2022
Equity	**128,133**	**103,437**
as a percentage of total capital	72.6%	71.2%
Borrowed capital	**48,266**	**41,750**
as a percentage of total capital	27.4%	28.8%
Long-term debt	14,688	14,446
Short-term debt	33,578	27,304
Group balance sheet total	**176,399**	**145,187**

Non-current assets (excluding deferred taxes) continue to be financed through equity, and current assets cover current liabilities.

Liquidity

In reporting year 2023, there was a net outflow of funds amounting to EUR 4,585 thousand (previous year: net inflow of EUR 38,881thousand).

The freely available cash and cash equivalents less liabilities to banks as of the reporting date declined to EUR 56,056 thousand (December 31, 2022: EUR 60,748 thousand). In addition, cash and cash equivalents in the amount of EUR 286 thousand (December 31, 2022: EUR 385 thousand) were restricted in favor of a landlord.

SFC currently invests its cash and cash equivalents exclusively in short-term instruments. As a result, SFC is generally subject to an interest rate risk.

As of the reporting date, there were no open foreign exchange or commodity forward contracts.

As of the balance sheet date, there were current liabilities to banks in the amount of EUR 3,791 thousand (December 31, 2022: EUR 4,055 thousand). There were no long-term liabilities to banks.

As of the reporting date, there are credit lines that have been drawn down as follows:

UTILIZATION OF CREDIT LINES AS OF 12/31/2023 in EUR thousand

	Credit line	Utilization
SFC Ltd.; operating credit line	TCAD 4,000	TCAD 0
SFC RO; operating credit line	TEUR 1,500	TEUR 1,465
SFC NL; operating credit line I	TEUR 3,000	TEUR 1,942
SFC NL; operating credit line II	TEUR 500	TEUR 384

The options for drawing down the operating credit line of SFC CA and the operating credit line I of SFC NL are linked to trade receivables and inventories, respectively.

In February of the reporting year, SFC GE entered into a strategic cooperation agreement with the India-based company FC TecNrgy Pvt. Ltd. to set up a new production facility for fuel cells and for further market development in India. In this connection, it was agreed that a financial investment of EUR 1,000 thousand should be made by SFC in FC TecNrgy Pvt. Ltd. in the reporting year. This relates to investment obligations of the newly founded SFC IN. Due to regulatory requirements in India, this investment was delayed and did not take place in the reporting year. This investment is to be financed from SFC's cash and cash equivalents in 2024.

Cash flow and investments

CASH FLOW in EUR thousand

	01/01 - 12/312023	01/01 - 12/312022
Operating cash flow before changes in working capital	15,786	8,742
Cash flow from		
operating activities	3,576	-4,761
investing activities	-5,482	-5,202
Financing activities	-2,679	48,844

Operating cash flow and cash flow from operating activities

Operating cash flow before changes in working capital and income taxes (operating result before changes in working capital) improved significantly in the reporting year and amounted to EUR 15,786 thousand (previous year: EUR 8,742 thousand).

After taking the change in net working capital, which increased by EUR 10,978 thousand (previous year: EUR 13,263 thousand) in the reporting year with an effect on liquidity, and income tax payments into account, there was a positive cash flow from operating activities of EUR 3,576 thousand (previous year: EUR -4,761 thousand). This substantial increase was due to the significant rise in operating cash flow in conjunction with a lower increase in net working capital compared to the previous year.

With regard to the main changes in net working capital, trade receivables increased cash-effectively significantly by EUR 10,760 thousand (previous year: EUR 1,042 thousand) as of the reporting date, partly due to the considerable increase in sales volume. Other receivables and assets, mainly receivables from tax payments, increased cash-effectively significantly by EUR 3,381 thousand (previous year: EUR 3,058 thousand). Inventories, on the other hand, increased only cash-effectively moderately by EUR 1,307 thousand (previous year: EUR 10,810 thousand).

Trade payables also increased cash-effectively significantly by EUR 3,977 thousand (previous year: EUR 1,615 thousand) with an effect on liquidity as of the reporting date.

Together with the other net working capital items, this resulted in an increase in net working capital and thus a cash outflow of EUR 10,978 thousand (previous year: EUR 13,263 thousand) in the reporting year.

Cash flow from investing activities and investments

Cash outflows from investing activities amounted to EUR 5,482 thousand in the reporting year (previous year: EUR 5,202 thousand). This higher cash outflow is mainly due to the acquisition of intangible assets for which EUR 1,313 thousand was invested in the reporting year (previous year: EUR 436 thousand) as well as increased investments in technical equipment and machinery, which amounted to EUR 788 thousand in the reporting year (previous year: EUR 386 thousand).

Overall, gross investments (value of additions to intangible assets and property, plant and equipment excluding disposals and excluding effects from the application of IFRS 16) totaled EUR 6,377 thousand in the reporting year (previous year: EUR 5,202 thousand). Of this amount, investments in property, plant and equipment (excluding effects from the application of IFRS 16) amounted to EUR 2,173 thousand in the reporting year (previous year: EUR 2,146 thousand) and investments in intangible assets amounted to EUR 4,204 thousand (previous year: EUR 3,055 thousand), of which EUR 2,892 thousand (previous year: EUR 2,620 thousand) was attributable to capitalizable development expenses.

The strategic focus on regional and technological expansion will continue to guide the further development of the Group as well as the investments in the company's growth in the years ahead. This continues to include a high commitment to development, the digitalization of business processes and could also include targeted company acquisitions.

The investments have been and will continue to be made from the company's own funds or under the current loan agreements in the future.

GROSS-INVESTMENTS (EXCLUDING RIGHTS OF USE) in EUR thousand

	2023	2022	Change
Clean Energy	4,982	3,621	37.6%
Clean Power Management	1,395	1,581	-11.8%
Total	**6,377**	**5,202**	**22.6%**

Cash flow from financing activities

DThe cash outflow from financing activities amounted to EUR 2,679 thousand in the reporting year (previous year: inflow of EUR 48,844 thousand). The significantly positive cash flow from financing activities in the same period of the previous year was characterized by the capital increase in July 2023 and the resulting cash inflow of EUR 56,432 thousand.

Excluding this cash inflow, the change in cash flow from financing activities is mainly due to a significant increase in interest paid and similar expenses totalling EUR 786 thousand (previous year: EUR 527 thousand). At EUR 1,893 thousand (previous year: EUR 1,837 thousand), the repayment of lease liabilities remained roughly at the previous year's level.

Cash-effective change in cash and cash equivalents

Cash and cash equivalents decreased by EUR 4,585 thousand in the reporting year (previous year: increase of EUR 38,881 thousand).

Asset position

The consolidated balance sheet total of EUR 176,399 thousand as of December 31, 2023 (December 31, 2022: EUR 145,187 thousand) increased by EUR 31,213 thousand or 21.5% compared to the end of the previous reporting year.

Despite the significant growth in sales, the value of inventories remained nearly unchanged at EUR 25,043 thousand (December 31, 2022: EUR 24,921 thousand). Overall, the Group pursued a relative reduction or optimization of inventories of individual intermediate goods at all Group companies in the reporting year 2023, as the likelihood of potential disruptions in the supply chains continued to decline.

Similar to the volume of business, trade receivables increased significantly, primarily due to growth. As of the reporting date, these amounted to EUR 28,645 thousand (previous year: EUR 18,110 thousand) and were up by a very substantial 58.2% on the previous year. The most significant increase was in trade receivables at SFC AG as of the reporting date. This more than doubled to EUR 16,324 thousand (previous year: EUR 7,613 thousand).

Other assets and receivables, mainly tax receivables and advance payments, increased by EUR 1,763 thousand to EUR 5,424 thousand in the reporting year (previous year: EUR 3,661 thousand).

The share of non-current assets in total assets increased significantly in the reporting year to 31.3% or EUR 55,141 thousand (December 31, 2022: 22.1% or EUR 32,041 thousand), in particular due to the increase in property, plant and equipment.

Intangible assets increased slightly to EUR 19,820 thousand as of the reporting date (previous year: EUR 18,576 thousand), mainly due to the acquisition of intangible assets in connection with the purchase of technologies for the production of membrane electrode assemblies (MEAs) from Johnson Matthey. The main item included in intangible assets, capitalized development expenses, increased by EUR 380 thousand to EUR 9,975 thousand (previous year: EUR 9,595 thousand) in the reporting year.

Property, plant and equipment increased significantly by EUR 3,548 thousand to EUR 16,944 thousand (December 31, 2022: EUR 13,396 thousand). However, at EUR 5,936 thousand (previous year: EUR 7,950 thousand), gross-investments[23] in property, plant and equipment, including the capitalization of rights of use in connection with IFRS 16 in the reporting year, were noticeably below the level of the previous year. This was mainly due to lower effects from the capitalization of rights of use, which amounted to EUR 3,763 thousand in the reporting year (previous year: EUR 5,803 thousand).

Excluding the capitalization of rights of use, gross investments in property, plant and equipment amounted to EUR 2,173 thousand (previous year: EUR 2,146 thousand) and were thus at the previous year's level.

Current liabilities increased significantly in the reporting year by EUR 6,275 thousand or 23.0% to EUR 33,578 thousand (December 31, 2022: EUR 27,304 thousand). Trade payables amounting to EUR 12,890 thousand (December 31, 2022: EUR 9,046 thousand) are a significant item included in current liabilities, which increased by EUR 3,844 thousand in the reporting year in line with the increase in operating performance and were therefore significantly higher than in financial year 2022.

23 Additions to property, plant and equipment without considering disposals

Another significant item within the current liabilities, other (current) liabilities, amounting to EUR 9,608 thousand (December 31, 2022: EUR 9,030 thousand) and increased slightly by EUR 579 thousand. The current SARs liabilities included in this item amounted to EUR 2,160 thousand as at the reporting date (previous year: EUR 712 thousand).

The current liabilities to banks included in current liabilities decreased slightly by EUR 264 thousand to EUR 3,791 thousand (31 December 2022: EUR 4,055 thousand), as explained below.

Current lease liabilities increased by EUR 191 thousand to EUR 2,200 thousand (December 31, 2022: EUR 2,009 thousand). Other current provisions increased by EUR 613 thousand to EUR 2,108 thousand (31 December 2022: EUR 1,495 thousand).

Non-current liabilities increased slightly by EUR 1,298 thousand to EUR 15,844 thousand in the reporting year (December 31, 2022: EUR 17,142 thousand). The main item included in non-current liabilities are lease liabilities of EUR 10,363 thousand (December 31, 2022: EUR 8,552 thousand), which increased significantly by EUR 1,811 thousand or 21.2% in the reporting year, partly in connection with the regional expansion and rental agreements for buildings in India and the UK. Another significant item, other non-current liabilities, which include non-current SARs liabilities of EUR 1,418 thousand (previous year: EUR 2,964 thousand), decreased by EUR 2,016 thousand to EUR 3,932 thousand in the reporting year (December 31, 2022: EUR 1,916 thousand).

Financial liabilities decreased by EUR 264 thousand to EUR 3,791 thousand in the reporting year (December 31, 2022: EUR 4,055 thousand) and are exclusively of a current nature. These are the operating credit lines of SFC NL, SFC RO and SFC CA.

The composition and development of net financial liabilities were as follows:

NET FINANCIAL LIABILITIES — in EUR thousand

	12/31/2023	12/31/2022	Change
Liabilities to banks	3,791	4,055	-264
thereof SFC Energy AG	0	0	0
thereof SFC Energy B,V,	2,325	2,517	-192
thereof SFC Energy Power SRL	1,465	788	676
thereof SFC Energy Ltd.	0	749	-749
Less			
Freely available cash and cash equivalents [a]	59,847	64,803	-4,955
Total	**56,056**	**60,748**	**-4,692**

a) Cash and cash equivalents less restricted cash and cash equivalents

Overall, the share of debt in total capital amounted to 27.4% (December 31, 2022: 28.4%).

The Group's equity declined to EUR 128,133 thousand in the reporting year (December 31, 2022: EUR 103,437 thousand). At 72.6% (December 31, 2022: 71.2%), the equity ratio was just above the previous year's level. With regard to the development of equity, reference is also made to the Consolidated Statement of Changes in Equity.

Summary of the business performance and situation

In summary, it can be concluded from the business situation described above that the Group has a stable asset and financial position as of the reporting date, due in particular to its cash and cash equivalents and taking possible future capital injections into account, irrespective of its current results. The overall picture could change negatively, however, in the event of a negative development in earnings that deviates from the sales and earnings forecast and a resulting deterioration in the financial position.

Financial and non-financial performance indicators

The Management Board places a particular focus on the sustainable development of the Group. The financial performance indicators for managing the Group and their development in reporting year 2023 have already been presented above under the item "Control system."

Of the non-financial key figures and performance indicators, the Management Board primarily uses the following regularly collected employee-based or sustainability indicators for control purposes:

- Quality indicators, ratings and reject rates
- Number of employees and employee development

Unlike the financial performance indicators, however, these key figures and indicators are not used to directly manage the Group.

The Management Board is constantly informed of supplier quality and product quality.

To determine the quality of a supplier, the ratio of the number of complaints on the goods received are set in relation to the total number of goods received with regard to the seven most important suppliers. These seven most important suppliers are determined each year by Quality Control and Purchasing based on various criteria. At 2.72% defective parts (previous year: 0.89%), the supplier quality rate was significantly higher than in the previous year. Due to the increase in sales, the Group ordered very high quantities of printed circuit boards in the reporting year, which are much more likely to be defective due to their complexity, obsolete components and short-term adjustments due to limited component availability. However, these defects could be identified during the test and calibration phases in production. In this sense, there is no risk to product quality, although this inevitably led to more complaints and reworking by suppliers.

The mean time to failure for SFC AG's industrial equipment is used to determine product quality. At 2,990 hours (previous year: 2,956 hours), these increased slightly compared to the previous year's level and thus improved.

As sustainability is an important basis for the long-term business success of the Group, the Management Board strives to achieve the highest possible ecological efficiency with all its activities. This aspect is the focus of both product development and production processes. In addition, the Group assumes its social responsibility towards its employees.

To ensure that production is as environmentally friendly as possible, the Group is working on continuously optimizing the use of resources. These measures often also have a cost-reducing effect.

Offering the highest quality in order to keep waste in the production process as low as possible is the prerequisite for operating in the most sustainable and environmentally friendly manner possible. For this purpose, all production sites of the SFC Group have their own quality management system, which is also certified according to DIN ISO 9001. SFC applies the approach of an integrated quality management system here that bundles the monitoring and control of the entire process chain in one specialist responsibility. In addition, SFC AG and SFC NL have had an environmental management system certified according to ISO 14001 since 2014. SFC CA is audited and certified according to a COR (Certificate of Recognition).

In the spirit of sustainable company management, SFC offers its employees a motivating and socially balanced working environment. SFC places great importance on satisfied employees in order to achieve long-term loyalty to the company. Employees of SFC receive individual support. In addition to professional qualification measures, they are also offered individual further training. These activities are determined during the annual employee appraisal meetings. In the area of occupational health and safety, we conduct an annual training program at all SFC Energy locations worldwide. In addition, the company gives its employees an appropriate share in its success by including a variable component.

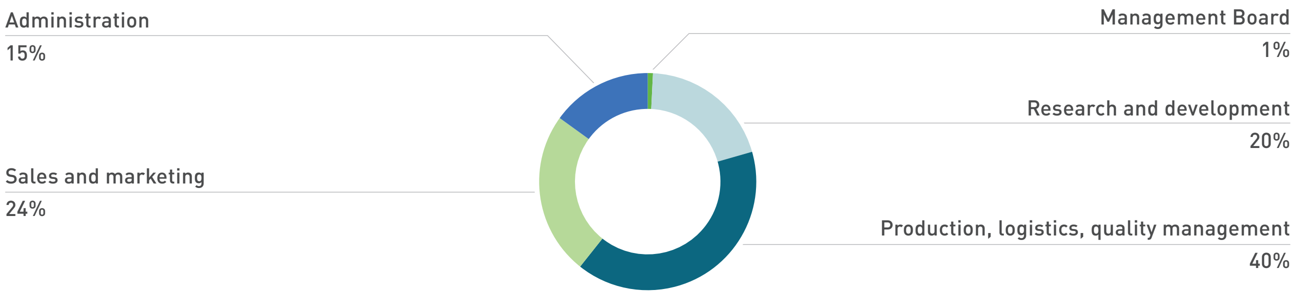
Employees

The average number of employees in the reporting year is as follows:

AVERAGE NUMBER OF EMPLOYEES

	2023	2022	Change
Management Board	3	3	0
Research and development	77	68	9
Production, logistics, quality management	156	124	32
Sales and marketing	94	81	13
Administration	58	50	7
Permanent employees	**388**	**326**	**61**

EMPLOYEES BY FUNCTIONAL AREA (AVERAGE)



As of December 31, 2023, the Group had 403 permanent employees worldwide (December 31, 2022: 354).

Risk and Opportunity Report

The SFC Group is exposed to a variety of risks that are inextricably linked to its business activities. A risk is understood to be the possibility that events or actions will prevent the Group or one of the segments from achieving its intended goals. At the same time, it is important for SFC to identify opportunities in order to take advantage of them and secure or expand the Group's competitiveness.

The risks and opportunities of the business are to be balanced successfully. In this context, opportunities are to be exploited while risks are to be taken in moderation. Risks that could jeopardize the company's continued existence are to be avoided as a matter of principle.

The Group's risk profile is influenced by its willingness to take risks. This is controlled by the risk management activities described below. The Group's willingness to take risks is derived from SFC's strategic focus on sustainable growth. A conservative approach is pursued with a particular focus on securing liquidity in the short and medium term.

Internal control system and Risk Management System for the Group accounting process

SFC has an internal control and Risk Management System with regard to the (Group) accounting processes in which the appropriate structures and processes are defined and implemented in the organization. The internal control system is an integral part of the Risk Management System.

Amendments to laws, accounting standards and other pronouncements are analyzed on an ongoing basis with regard to their relevance and impact on the Consolidated Financial Statements, and the resulting changes in the Group's internal systems and processes are adjusted accordingly.

To prepare the Consolidated Financial Statements, the Individual Financial Statements of the companies included in the Consolidated Financial Statements are expanded to include additional information in the form of IFRS reporting packages prepared according to uniform guidelines, which are included in the consolidation system. These guidelines for the preparation of IFRS reporting packages include the recognition, measurement and disclosure rules to be applied in the Group's accounting. These are designed to ensure the timely, uniform and correct accounting recognition of all business processes or transactions. This ensures compliance with legal standards and accounting regulations.

The accounting for the Dutch subsidiary SFC Energy NL is performed by the accounting department in the Netherlands, while the accounting for the Romanian company SFC RO is performed in Cluj, Romania. The uniform application of accounting standards in accordance with IFRS throughout the Group is to be ensured by appropriately qualified personnel locally and at the parent company.

The accounting of the Canadian subsidiary SFC CA is performed by the accounting department in Canada. Appropriately qualified personnel from the parent company helps to ensure that accounting standards according to IFRS are applied uniformly by appropriately qualified personnel locally and at the parent company.

An internationally renowned auditing company carries out the accounting for the Indian, British and US subsidiaries. These financial statements are also audited by suitably qualified employees of the parent company, who also ensure that the IFRS accounting standards are applied uniformly throughout the Group.

Based on the data of the companies included in the scope of consolidation, which also correspond to the risk management group, the consolidation measures and certain reconciliation work are performed by the parent company's accounting department. Due to the size of the Group, there is no separate Group Accounting department

.

System-technical controls are monitored by accounting staff and supplemented by performing manual checks. In principle, there is at least a dual control principle at every level.

Certain approval processes must be run through the entire accounting process.

The Management Board is responsible for implementing and monitoring the internal control system, including the (Group) accounting-related internal control system. In addition to defined control mechanisms, the internal control system is based on technical and manual reconciliation processes, the separation of functions, and compliance with work instructions, for example.

Due to the size of the Group, there is no Group internal audit department. In principle, it should be noted that an internal control system, regardless of its design, does not provide absolute assurance that material misstatements in the financial statements will be prevented or detected.

Compliance Management System[24]

In the reporting year, SFC's Compliance Management System (the "CMS"), with its key elements of risk analysis/prevention, detection and response, was further aligned with the Group's risk situation. The main objective of SFC's Compliance Management System is to establish a compliance program that reflects the way in which SFC intends to conduct its business with the greatest possible integrity, while at the same time ensuring that employees act lawfully and responsibly in accordance with the Code of Conduct that applies throughout the Group. A number of fundamental statements in the Code of Conduct have been expanded in further, separate directives,

24 Section was not part of the audit of the group management report (non-management report information)

procedural instructions and rules. This applies in particular to the areas of corruption prevention, economic sanctions and the whistleblower system. The legal provisions applicable in this respect are explained in more detail and practical advice is given on correct behavior in specific situations.

However, the Management Board is aware that even a properly established compliance system cannot prevent all possible violations.

The compliance organization is responsible in particular for antitrust law, corruption, economic sanctions, money laundering and capital market compliance. Other compliance topics, such as the environment, taxes, accounting, labor law, employee protection and data protection, are not within the remit of the compliance team. These compliance topics are handled by other organizational departments.

SFC strives to continuously strengthen its Compliance Management System in order to systematically mitigate and reduce compliance risks by building a culture of ethical integrity and transparency.

Risk Management System

Risk management procedures and principles[25]

The Group's risk management ("**RMS**") is an integral part of the Group's business processes and is designed to ensure a comprehensive overview of the Group's risk situation. The identification and assessment of significant risks and, above all, early recognition and active reduction of risks that could potentially jeopardize the company's existence are the primary objectives of the RMS. The main objective of the RMS is to ensure that the Management Board and the Supervisory Board are fully informed of material risks in a timely manner.

Organization and responsibilities of risk management[26]

As part of the Group's ongoing efforts to strengthen the RMS, the risk organization set up according to the familiar three lines of defense model was further expanded in financial year 2023 in order to increase responsibility for risk reporting and enable prompt communication with the key decision-makers. The statutory requirements (Section 107 (3) of the German Stock Corporation Act (AktG) and the German Corporate Governance Code) with regard to the Supervisory Board's monitoring responsibility and the Management Board's organizational duties were already taken into account when setting up the RMS.

25 Section was not part of the audit of the group management report (non-management report information)
26 Section was not part of the audit of the group management report (non-management report information)

The individual roles and responsibilities within the Group risk organization are presented below:

ROLES AND RESPONSIBILITIES WITHIN THE GROUP AND RISK ORGANIZATION

Roles	Main responsibilities and competencies
Supervisory Board	■ Oversight of the risk management function, including risk management, internal controls and the Compliance Management System
Audit Committee	■ Supervision of the appropriateness and effectiveness of the various risk management functions ■ Explanation and assessment of the material risk-related topics ■ Recommendations for action
Management Board	■ Supervision and monitoring of the risk management functions ■ Embedding the RMS in strategic decision-making and organizational goals ■ Establishment of an early warning system in accordance with the German Stock Corporation Act (AktG) ■ Regular risk reporting to the Supervisory Board
Risk officers (first line of defense)	■ Continuous identification, assessment and monitoring of risks ■ Implementation of measures in accordance with the risk management guideline ■ Regular risk reporting to Group risk management ■ Timely communication of any changes in the risk situation
Group risk management function (second line of defense)	■ Expansion and improvement of the various risk management functions in accordance with the applicable frameworks and standards ■ Main point of contact for risk management within the Group ■ Regular risk reporting to the Management Board and Supervisory Board

Risk assessment methodology

The Group's RMS approach is based on the globally recognized "COSO Standard (Committee of Sponsoring Organizations of the Treadway Commission) for Enterprise Risk Management Integrating with Strategy and Performance" (2017) and the ISO standard (International Organization for Standardization) 31000 (2018) [27].

The RMS used at SFC is complemented by an early detection system. The key figures enable an objective overview of the financial situation of the Group, a target/actual comparison between the budget and the costs, a detailed forecast of expected incoming orders and sales for each segment (sales pipeline), area-specific cost controlling, cost controlling for development and marketing projects, and other process-related indicators. SFC's subsidiaries are also integrated into the RMS. The scope of activities to be carried out by each subsidiary differs and depends, among other factors, on the scope of functions and the specific risks associated with the respective company.

Thematic risk and opportunity assessments then serve to evaluate the company-wide risk and opportunity situation in the Management Board meetings that usually take place each week and the Supervisory Board meetings that are held at least each quarter.

27 Section was not part of the audit of the group management report (non-management report information)

The Group's risk management policy sets out the principles, processes, people, key responsibilities, risk categories, reporting requirements and communication timetables within the company. The guideline on the RMS was reviewed over the course of the financial year to ensure that it was up-to-date and adjusted accordingly.

The goal of the RMS is in particular to inform the Management Board and the Supervisory Board about risks with a moderate or high severity/expected value ("material risks"). The expected value is a combination of the probability of occurrence and the extent of the negative impact on the asset, financial and earnings position. The risk assessment criteria are derived from the Management Board's risk strategy. Changes in risks and opportunities are constantly monitored, assessed, and incorporated into the company's planning as necessary during the year.

Known risks are assessed (gross view) on at least a quarterly basis based on the probability of their occurrence using a three-stage scale of "unlikely," "possible" and "probable." In addition, the possible extent of the risk is determined in particular by SFC's earnings before interest, taxes, depreciation and amortization (adjusted EBITDA) adjusted for non-recurring effects evaluated according to the three criteria "insignificant," "moderate" and "significant"; the potential extent is assessed after measures have been implemented to avoid or reduce damage. Opportunities and risks are not offset.

The risk matrix is shown in detail in the following diagram:

RISK CLASSIFICATION MATRIX – EXPECTED VALUE

Probability of Occurrence / Degree of Impact	Unlikely to 20%	Possible from 20% to 70%	Probable from 70%
Insignificant (up to EUR 500 thousand)	low	low	moderat
Moderate (from EUR 500 thousand to EUR 1,000 thousand)	low	moderat	high
Significant (from EUR 1,000 thousand)	moderat	high	high

The Group distinguishes between financial risks on the one hand and business opportunities and risks on the other hand. These represent the main influencing factors for SFC. Other qualitative impact criteria (e.g. the reputation of the brand, the impact on the workforce, legal consequences, etc.) are also taken into account when assessing non-financial risks.

The financial risks are presented under "Risk reporting with regard to the use of financial instruments." The financial risks as well as the business risks and opportunities are shown in detail under "Risk Reporting." Any changes compared to the previous year are explicitly explained.

It should be noted, however, that risk and control systems such as the ICS, CMS and RMS, regardless of their design, do not provide absolute certainty that all risks that actually occur can be detected in advance or that all process violations can be prevented. Based on the ICS, CMS and RMS described above, the Management

Board has no indication that the ICS, CMS and RMS in their respective entirety were not adequate or effective as of December 31, 2023.

Risk reporting with regard to the use of financial instruments

The Supervisory Board generally receives an overview of the financial development on a monthly basis, the Chairman of the Supervisory Board is usually informed verbally of any significant issues by the Chairman of the Management Board on a weekly basis. In addition, if necessary, the entire Supervisory Board is informed of the latest developments on short notice. The Supervisory Board is thus involved in risk management through the Management Board's reports on transactions that could be of particular significance to profitability and liquidity.

One of the main tasks of SFC is to coordinate and manage the Group's financial requirements and to ensure the Group's financial independence. This involves optimizing financing and limiting financial risks. Appropriate processes have been established and documented to manage financial opportunities and risks. Financial planning forms one of the building blocks and serves as the basis for determining the expected liquidity requirements. Financial planning covers a planning horizon of at least twelve months and is updated regularly.

The companies and the Group are subject to various risks with regard to their financial instruments in the course of their operational business activities.

Financial instruments include assets and liabilities as well as contractual claims and obligations relating to the exchange or transfer of financial assets. Primary financial instruments on the assets side comprise financial investments, receivables and cash and cash equivalents, as financial instruments do not only include trade receivables. On the liabilities side, provisions, liabilities to banks (financial liabilities in the narrow sense), trade payables, other liabilities and leasing liabilities as well as provisions can be allocated to the financial instruments.

The associated financial risks include liquidity risks, market risks (in particular interest rate and currency risks) and credit and default risks. Due to these financial risks, assets may lose value and liabilities may have to be valued higher; furthermore, income can decrease or expenses increase. No general hedging of these risks takes place at SFC. For reasons of materiality, please refer to the Notes to the Consolidated Financial Statements. If default risks are probable for financial assets, these risks are recognized through valuation allowances.

The following table provides an overview of the financial risks and changes compared to the previous year:

RISKS RELATING TO FINANCIAL INSTRUMENTS

	Probability of occurrence	Degree of impact	Change
Default risk	possible	significant	unchanged
Currency risk	possible	moderat	unchanged
Liquidity risk	unlikely	significant	unchanged
Interest rate risk	possible	insignificant	unchanged

The objective of risk management regarding the use of financial instruments is to minimize the risks listed above. The financial risks and the objectives and procedures implemented to minimize these risks are described below.

Default risk (credit risk)

Credit or default risk is defined as an unexpected loss on financial instruments if a counterparty fails to meet its obligations in full and when due, or if collateral loses value. Default risks resulted mainly from trade receivables and the risk of potential default by a contractual partner. The customer structure of SFC is characterized by various major customers, among other characteristics. To prevent the risk of default, credit limits are set for selected customers based on information on the customer or reports from external rating agencies and information service companies, as well as on the basis of SFC's experience with bad debts. New customers are generally only supplied in exchange for payment in advance.

Nevertheless, this does not fully rule out the default of individual counterparties, even those who have excellent credit ratings, even if this is considered unlikely. A claim is deemed to have defaulted if the contractual partner is unwilling or unable to meet his payment obligations. A number of internally defined reasons trigger a default rating, such as the opening of insolvency proceedings or a default rating from an external rating agency.

SFC has set up various processes to analyze and monitor credit and default risks. Weekly receivables management meetings, during which all major overdue receivables are discussed and measures initiated with the sales staff responsible are one key element. At the subsidiaries of SFC, the prevention of the default risk is generally carried out in such a way that overdue receivables are first followed up on by the accounting staff and then discussed with the customer by the sales employees responsible.

The maximum amount at risk for financial assets, excluding collateral, is their net carrying amount. The amounts shown in the Consolidated Statement of Financial Position are net of allowances for doubtful accounts estimated by management based on case-by-case information, past experience and the current economic environment. Individual value adjustments are made as soon as there is an indication that receivables could be uncollectible. The indications are based on intensive contacts as part of receivables management. Receivables from product sales are secured for SFC AG by retention of title.

The outstanding receivables, for which there are value adjustments in the amount of EUR 1,576 thousand (December 31, 2022: EUR 1,505 thousand), are of high creditworthiness due to the current customer structure. As of the balance sheet date, there were no indications that payment defaults can be expected with regard to these receivables.

There are also potential default risks for liquid funds. Cash and cash equivalents essentially include short-term time deposits and overnight deposits and bank balances that are immediately available. In connection with the investment of cash and cash equivalents, SFC is exposed to losses from credit risks if banks fail to meet their obligations. To minimize this risk, the banks with which investments are made are selected very carefully and the investments are spread across several banks. Great care is taken to ensure that the majority of liquid funds are invested with banks based in Germany that are members of the deposit protection fund

of the Federal Association of German Banks and the compensation scheme of Entschädigungseinrichtung deutscher Banken GmbH. In addition, only short-term time deposits with a maximum term of three months are agreed. The maximum risk position corresponds to the carrying amount of the liquid funds on the balance sheet date. As of the balance sheet date, SFC had not invested any liquid funds in time deposits.
Overall, the credit and default risk are to be assessed as a high risk due to the volume of assets affected in principle and the probability of occurrence classified as possible with a significant negative impact.

Currency risk

Due to the international orientation of its business activities, the Group is exposed to risks from exchange rate fluctuations. An exchange rate risk consists of possible changes in value, especially with receivables and liabilities in a currency other than the respective functional currency of the Group companies, due to fluctuations in exchange rates (transaction risk). An increasing share of the Group's sales revenue, operating costs and capital expenditures are denominated in Canadian dollars and US dollars. Due to the volume of the business of SFC CA, in particular, the Group generates a significant share of its sales in Canadian dollars, which are also offset by expenses or expenditures in the same currency. Furthermore, SFC GE and SFC CA in North America generate their sales in US dollars, which are also only partly offset by expenses in US dollars for the purchase of preliminary products or services. By expanding its business activities in North America, the company generates an increasing surplus of funds in both foreign currencies, and this is expected to be the case in the future, as well. SFC's international business in India and the UK also gives rise to a currency risk, as the operating expenses in the functional currency of SFC IN and SFC UK are offset by no or only low sales in the respective currency.

To limit risks from foreign currencies, foreign currency management seeks to avoid surpluses in Canadian dollars and US dollars and to minimize currency losses compared to budget assumptions.

The foreign currency position planned is not hedged. In the event of larger open positions or a significant increase in the foreign currency risk, the planned foreign currency position can be hedged using forward exchange transactions. These hedges are based on forecasts of future cash flows, the occurrence of which is uncertain. This can cause exchange rate fluctuations to have a negative impact on the Group's earnings position despite hedging.

Furthermore, there are exchange rate risks relating to the translation of balance sheet items and the income and expenses of foreign Group companies outside the eurozone (translation risk).

The currency translation of SFC CA's assets and liabilities as of December 31, 2023, would have resulted in an effect of EUR -1,236 thousand (previous year: EUR -1,048 thousand) if the CAD/EUR exchange rate had fluctuated by -5% and an effect of EUR 1,236 thousand (previous year: EUR 1,048 thousand) if the CAD/EUR exchange rate had fluctuated by +5%, which would have been reflected in the Group's equity.

A change in the CAD/EUR exchange rate of +/- 5% compared to the assumptions in the company's planning would have an impact of around 1.6% respectively -1.4% on Group sales and around 1.3% / -1.1% respectively on adjusted Group EBITDA.

A change in the USD/EUR exchange rate of + ./ - 5% compared to the assumptions in the company's planning would have an impact of around 2.3% respectively -2.0%on Group sales and around 1.8% respectively -1.6% on adjusted Group EBITDA.

As of the balance sheet date, there were no open forward exchange contracts. Likewise, no derivative financial instruments were used during the year to hedge currency transactions.

Due to the higher volume of business in North America, the potential negative impact of currency risks is still assessed as moderate overall, although the probability of occurrence is considered possible. This results in a moderate risk.

Liquidity risk

Liquidity risk describes the risk that the Group will not be able to meet its payment obligations to a sufficient extent. In order to reduce potential liquidity risks, the Group follows a carefully considered company financing policy that is based on the short, medium and long-term financing and liquidity requirements of the Group. Overall, the company's financing policy is geared towards a balanced capital structure, a diversified maturity profile and a stable liquidity cushion.

The Group limits liquidity risk by constantly following the financing options available on the financial markets and observes how the availability and costs of financing options develop. One key goal is to ensure the Group's financial flexibility and to limit any possible repayment risks. Since financial covenants have been agreed in the loan agreements, these contracted loan commitments are not callable in the event of poor creditworthiness on the part of SFC or one of its subsidiaries.

It cannot be ruled out that the military conflict between Russia and Ukraine will have long-lasting negative effects on the capital markets.

No liquidity risk is currently discernible for SFC. As of the reporting date, the freely available liquid funds without restrictions on disposal amounted to EUR 59,847 thousand (previous year: EUR 64,803 thousand). Overall, the liquidity risk is to be assessed as unlikely but as a moderate risk to a considerable extent.

Interest rate risk

Negative developments on the financial markets and changes in central bank policies can lead to fluctuations in interest rates, which can have a negative impact on SFC's financial results. In the reporting year, interest rates rose in the highly developed economies, partly due to increased macroeconomic uncertainties (e.g. due to inflation, geopolitical events such as the war in Ukraine, the aftermath of the pandemic, etc.). Changes in the level of interest rates influence the interest expense for drawing on credit lines (current financial liabilities) and the income from the investment of cash and cash equivalents, in particular due to variable interest rates. Currently, cash investments are made with a maximum term of 3 months, therefore SFC's interest result is significantly influenced by short-term interest rates on the capital market. The interest rate risk from the investment of liquid funds results in particular from the interest on short-term time deposits.

In addition, there is an interest rate risk due to the credit rating. The credit agreements of SFC CA contain financial covenants (compliance with various financial ratios). In the event of non-compliance or non-fulfillment of the covenants, there is a risk that a surcharge will have to be paid on the interest rate or that the respective loan will be called due prematurely. In addition to the earnings situation, increased financing requirements can also lead to an increased covenant risk.

The Group is not exposed to any significant interest rate risks from variable-rate instruments.

SFC determines the current interest rate risks using sensitivity analyses that show the effects of changes in market interest rates on interest payments, interest income and expenses, and equity. Since the amount of the drawing of the credit lines (operating credit lines) can be subject to strong fluctuations, the interest payments cannot be forecast with certainty. If the sensitivity analysis were to indicate that interest rate fluctuations could have a significant impact, SFC could use derivative hedging instruments to reduce the risk.

The interest rates for the agreed credit lines correspond to the EURIBOR or the Canadian Prime Lending Rate plus a margin. The EURIBOR on which the loan is based depends on the interest period, which can be a maximum of one month.
Due to the current macroeconomic uncertainties, the risk of interest rate changes is still considered possible, but still has a potentially insignificant negative impact on the Group's asset, financial and earnings position due to the relatively low level of external capital financing. Overall, the risk is considered to be low.

Risk Report

In addition to the risks described above in connection with financial instruments, the Group's business activities give rise to the following significant business and operational risks that could have material adverse effects on the Group's asset, financial and earnings position (i.e. effects on assets, liabilities and cash flows) and on its non-financial development.

Unless individual segments are listed below, the risks pertain to all segments. The risks to the Group companies SFC NL and SFC CA relate proportionately to the segments.

BUSINESS RISKS

	Probability of occurrence	Degree of impact	Change
Market risks	probable	significant	unchanged
Segment Clean Energy	unlikely	significant	unchanged
Segment Clean Power Management	possible	significant	unchanged

OPERATIONAL RISKS

	Probability of occurrence	Degree of impact	Change
Technological risks	möglich	moderat	unchanged
Patent law risks	unlikely	insignificant	unchanged
Competitive risks	possible	moderat	unchanged
Product risks	possible	significant	unchanged
Procurement risks	probable	significant	unchanged
Production risks	possible	significant	unchanged
Commodity price risks	probable	significant	unchanged
Human resources risks	probable	significant	unchanged
Information technology risks	possible	significant	unchanged
Risks in the regulatory environment	possible	significant	unchanged
Compliance risks	possible	significant	unchanged
Environmental Social Governance risks	possible	significant	unchanged
Company development risks	possible	significant	unchanged

(Any) Changes compared to the previous year are explicitly explained in the following section.

Business risks

Market risks

Macroeconomic development

The development of the Group's operating business is influenced by market factors such as geographical and industry-specific economic trends, political and financial changes, raw material prices and exchange rates. These market factors are in turn subject to a variety of influences.

The global economic and geopolitical outlook is characterized by great uncertainty, with the macroeconomic environment deteriorating in the reporting year due to various negative factors (e.g. the outbreak, escalation and continuation of armed conflicts, political instability in a number of economies and high inflation). The negative factors could all intensify further in 2024[28] . Above all, the war in Ukraine and the Gaza Strip in Israel and its political and economic consequences, such as sanctions and countermeasures, harbor far-reaching risks. Even if the Group does not conduct any business in Russia and Ukraine, the armed conflicts can have an indirect negative impact on the development of sales, production processes and purchasing and logistics processes, through disruptions to supply chains and energy supplies or bottlenecks in components and raw materials, for example. The conflict could further escalate and spread to other countries, including NATO countries, and unconventional weapons could be used. An escalation of the war could have a significant im-

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pact on the Group's market environment. Furthermore, the current state of war could also have a continued negative impact on economic development if potential energy supply bottlenecks require rationing in industry and households or even lead to power outages in the months that lie ahead. This would fuel the already high inflation, which in turn poses the risk of a sustained wage-price spiral.

Another key risk for the Group is that central banks fail to bring inflation under control and then have to react even more restrictively. Alternatively, central banks could overreact, leading to rapid monetary tightening. Tighter financing conditions would likely push advanced economies into recession and pose a significant risk to vulnerable emerging markets. Highly indebted emerging and industrialized countries could suffer from higher financing costs, a further appreciation of the US dollar and a loss of investor confidence. A tighter monetary policy by the central banks, poor economic prospects coupled with rising prices and inflation would also slow down India's economic growth and could severely affect the Group's business in India. Additional negative effects on sales to governmental sector customers could also result from increasing pressure on governments to intensify austerity measures, up to and including dwindling market confidence in individual currency markets.

The Group's sales potential also depends on the economic development of certain industries. A continuation or even intensification of economic and structural challenges in the Group's core customer industries could have a negative impact on the Group's asset, financial and earnings position. A decline in demand could also result in a decline in the prices of the Group's products, systems and solutions.

The resurgence of COVID-19 or the outbreak of a new pandemic, a terrorist attack, a serious cyberattack or a series of such attacks or incidents in the Group's regional target markets could restrict economic activity in these markets or even globally, thereby affecting consumer and business confidence. In addition, the highly interconnected global economy remains vulnerable to natural disasters or hybrid warfare.

The Group's international business structure, the broad product portfolio for customers from the private, industrial and government sectors in the various markets, which follow different business cycles, help to balance the consequences of unfavorable developments in individual markets. For example, the Clean Power Management segment, with its significantly higher share of electronic components in the pre-products than the Clean Energy segment, is affected by delivery bottlenecks to a much greater extent
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SFC takes various measures to proactively counter geopolitical risks that could affect the Group. These include diversifying supply chains wherever possible, monitoring political developments, conducting scenario planning and maintaining adaptability in the face of geopolitical uncertainties. SFC remains confident in the collaboration between governments, industry stakeholders and international organizations that can play a key role in mitigating or reducing the overall impact of some of these inherent risks to the company.

Strategic Risks

The markets in which the Group operates with its fuel cell technology are subject to rapid and significant changes as a result of increasing environmental, social and governance requirements from governments and customers, as well as government funding restrictions, customer requirements and funding restrictions on technologies that emit greenhouse gases. With regard to hydrogen fuel cell technology in particular, the need for customers to be prepared to change the technologies or procurement strategies already in use represents a risk. Other sales-related risks also exist with regard to the dependence of both the customer project business and the sector business (e.g., oil and gas industry) on the business success of individual customers in their markets and the economic development of the respective markets the customers operate in. Close customer relationships, our own further developments and market proximity, including precise market analyses, serve as mitigation measures.

The Group's strategy is geared towards growth and internationalization in the fuel cell market. The strategic assumptions regarding growth are based on assumptions and estimates that could subsequently prove to be incorrect. This includes operational and regulatory developments as well as future economic developments and market changes, as core customer industries and regional markets that the Group strategically focuses on can develop differently than expected. The Group lowers these risks by conducting careful analysis. Notwithstanding this, it cannot be ruled out that any of the aforementioned circumstances could lead to the expected results not being achieved in individual markets. Overall, the Group attempts to counter these risks through a broad diversification of markets and regions.

The net risk to the Group from negative political and macroeconomic developments is now seen as possible and would have a significant negative impact on the Group's asset, financial and earnings positions. It is thus assessed as a high risk.

COVID-19 and other pandemics

The after-effects of the COVID-19 pandemic eased significantly in the reporting year compared to the previous year. The COVID-19 pandemic and any other pandemic, epidemic or outbreak of infectious diseases could have a material adverse effect on the Group's business, earnings and financial position.

The Management Board and the extended management team in all functional areas of the Group continue to monitor any supply chain disruptions caused by the pandemic.

Overall, the market risk caused by various influencing factors is considered to be a high risk due to the probability of occurrence and potentially significant negative impact.

Clean Energy segment

The global push for energy transition and the fight against climate change has gained momentum, with an increasing focus on expanding the capacity of clean energy sources. We believe there will be upheaval in the energy sector, including in response to climate commitments, due to environmental concerns and regulatory requirements for various companies. Power generation from fossil fuels is coming under increasing pressure as the prevailing trend in many regions of the world is toward sustainable power generation from renewables or carbon-neutral fuels. The European Commission and national legislators have recognized the important role of hydrogen in the transition to climate neutrality by 2050. In 2023, the EU Commission presented a fully-fledged legal framework for the production, consumption, infrastructure development and market rules for a future hydrogen market. This is demonstrated, among other things, by the European Hydrogen Bank founded in March 2023 as part of the Critical Raw Materials Act and the Net Zero Industry Act, the IPCEI Hy2Tech project to promote hydrogen [29] approved by the EU Commission in July 2022 and the tax credits for the production of green hydrogen passed in the US in November 2022 as part of the "Inflation Reduction Act."

Changes in the regulatory framework or an increase in the CO2 price can contribute significantly to the development of an efficient hydrogen and methanol economy. This would improve the competitiveness of "green hydrogen" and "green methanol" and thus also that of the segment's product portfolio.

These expected developments in the energy markets – that are in some cases disruptive –, including the trend towards decarbonization of industries, provide us with opportunities to accelerate the penetration of our target markets with low-emission or zero-emission fuel cells and, in our estimation, will have a significant positive impact on the growth of sales and earnings for the Clean Energy business segment.

The relevant changes could take place gradually over several years or even decades, however. There is a risk that demand for hydrogen and direct methanol fuel cell solutions will fall short of forecasts because the transition to the technology takes place more slowly than we expect or other low-emission or emission-neutral technologies will be put to use.

There is also a risk that corresponding requirements or regulatory measures (e. g. CO2 pricing, deployment restrictions on technologies that emit greenhouse gases, promotion of the hydrogen infrastructure) will be implemented over a much longer period of time than we expect and could force us to rethink our strategy and organizational structure as well as our product portfolio.

Low or even falling electricity generation costs from conventional or fossil fuels in some regions of the world could mean that demand for fuel cells develops more slowly than expected.

As in the past, the growth in sales and earnings of the segment will continue to depend to a large extent on the company's ability to meet the evolving needs of its current customers and potential new customers, and on its ability to anticipate and adapt to changes in the markets it serves and optimize its cost base accordingly.

Parts of the segment's product portfolio are aimed at public-sector customers. Risks lie in the dependency on the spending behavior of public-sector budgets in Germany and in foreign customer countries. Government budgets can be restructured and cut back, which could also affect the departments we address.

The diversified customer structure ensures a balance in the event of fluctuations in demand in individual industries and regions. The fact that the product portfolio is diversified in terms of performance and fuel cell technology and the low dependence on individual customers mean that price change risks and weaknesses in demand can be cushioned.

The systematic internationalization of the segment and the focus of its business on the major economic regions of Europe, North America and Asia limit dependency on individual customer countries and spread the risk.

29 The European Commission, Brussels (September 2022); Press release statement by Executive Vice-President Vestager on the second Important Project of Common European Interest in the hydrogen value chain https://ec.europa.eu/commission/presscorner/detail/en/STATEMENT_22_5677

Overall, negative political, regulatory and macroeconomic developments are considered unlikely for the segment, but could have a significant negative impact on the asset, financial and earnings position in individual cases. They are therefore classified as a moderate risk.

Clean Power Management Segment

The Clean Power Management segment develops, manufactures and markets power management products and solutions that enable efficiency gains in the transmission and, in particular, the use of electrical energy in the value-adding stages and products of the markets it addresses. They form the basis for the intelligent and efficient use of electrical energy, in the power supply of measuring and analysis equipment, manufacturing machinery and industrial drive systems, for example.

Due to the markets for equipment in the high-tech and oil and gas industries that the segment serves, the development of the Clean Power Management segment is closely tied to macroeconomic trends and business cycles at a global level, but also in the individual regions and countries the segment is active in. Therefore, risks arising from economic cycles cannot be completely averted.

Thus, there is a risk of short-term market fluctuations in the markets the segment serves. It is also possible that future market downturns can turn out to be different from those seen to date, by taking an L-shape with longer phases of stagnant growth, for example. A lack of or decline in market growth would make it considerably more difficult to achieve the business segment's growth target.

Falling or permanently low oil and gas prices could lead to a decline in demand for the segment's products and solutions for the oil and gas industry. However, analysts from international banks are currently assuming that the price of oil will not collapse in the short term or will rise again due to the reopening of China, the lower-than-expected growth in the slate oil supply in the US and the quota reductions by the oil association OPEC+, the oil price will not collapse in the short term, but will remain low in view of the expected increase in global supply and relatively stable demand.

Declining trends worldwide and in individual countries and temporary fluctuations in demand for capital goods in the high-tech and oil and gas industries are being countered by expanding the company's international presence and increasingly marketing products in the renewable energies industry.

The segment's diversified product portfolio also helps to ensure that temporary fluctuations in the economy can be partly compensated for by more favorable developments in other regions and markets.

The net risk from negative macroeconomic and cyclical developments in the markets addressed by the segment is considered possible and can have a significant negative impact on the asset, financial and earnings position. We therefore classify it as a high risk.

Technological risks

One key prerequisite for SFC's success is technology leadership and the ability to anticipate and adapt to changes in core customer industries. This includes increasing the performance of the Group's fuel cells while at the same time reducing or optimizing the manufacturing costs of the products. In addition to its own development work, SFC also works closely with important suppliers in this regard.

The further development of current technologies, for new applications with higher performance, for example, and the introduction of new products and technologies require a strong commitment to research and development, which is associated with considerable financial resources and is not necessarily successful. In addition, development projects can be delayed or expected budgets exceeded. As part of portfolio management, all projects in the development pipeline are assessed and reviewed regularly, and realigned if necessary.

The conclusion and continuation of intensive cooperation agreements and the externalization of certain development services are of major importance. A deviation from the strategic goals defined for this purpose could have a critical negative impact on the future earnings position of the Group.

The know-how generated during (further) development represents an important competitive advantage for SFC. The Group's patents and intellectual property portfolio are actively maintained and developed in order to secure and expand the Group's technology position. On the one hand, however, not all products manufactured in the Group are subject to patent protection, on the other hand, patents and other intellectual property rights cannot prevent competitors from developing and selling products and technologies themselves that are similar to those of SFC and compete with SFC. Such risks are mitigated by the speed of the development process and de facto protection in the form of the know-how held within the Group.

A change in the budgetary situation in Germany could lead to restrictions on the allocation of subsidies. However, it must be taken into account that only a small number of potential projects will be considered for funding in 2024 and that very few grants went towards current projects in 2023. Therefore, the opportunities outweigh the risks here, due in particular to the national hydrogen strategy and, to some extent, the Research Allowance Act.

Overall, the technology risk is considered to be a moderate risk due to the probability of occurrence being considered possible and moderate negative effects.

Patent law risks

SFC continues to be exposed to the risk of potential patent infringements. The ever more complex situation with intellectual property and the complexity of the products mean that some of SFC's processes or products may infringe on patents whose existence the Group is not aware of.

Thanks to its unique position as a supplier of commercial direct methanol fuel cells, SFC has acquired intellectual property rights and applications that give it a strong competitive position relative to its competitors. Nevertheless, it cannot be ruled out that legal costs could arise to defend these patents. Due to the orientation of SFC as a provider of energy supply solutions, there is also the risk that integration solutions are subject to property rights that have already been granted. SFC constantly works with experienced patent attorneys to obtain legal certainty also in other countries with respect to patents that could be relevant there.

Due to its product portfolio and technology position, SFC is increasingly exposed to a number of sector-specific crime risks. This mainly relates to the risk that confidential information, in particular development results, could be stolen or the integrity of the product portfolio could be compromised, among other ways through counterfeiting and infringement of the Group's property rights as well as all types of property crime, including the respective attempts. Equally, crime phenomena such as e-crime and espionage can affect our innovations or our ability to innovate as such.

A Group-internal cross-functional and cross-segment network has been in place for several years to combat potential product crime, respectively infringement of SFC's property rights and intellectual property. Technical security solutions and certain preventive approaches are in place to ward off threats in the area of e-crime and espionage. Measures to avert risks and prosecute any offenses identified are carried out in all relevant areas of crime in close and trusting cooperation with the relevant authorities.

It cannot be guaranteed that the measures taken by SFC to protect its intellectual property will be successful under all circumstances. The impact of these risks on business activities depends on the individual case, product-specific factors, and above all regional aspects.

The general threat resulting from patent law risks is considered unlikely overall. The negative impact on the Group's asset, financial and earnings position is considered to be insignificant. Overall, the risk is classified as low.

Competitive risks

SFC AG still has a unique position due to its technology leadership and marketing edge in the field of direct methanol fuel cells. In the field of hydrogen-powered PEM fuel cells, SFC is one of the first companies to have an industrially mature product in the field of stationary applications with an output of up to 50 KW and thus a competitive advantage (time advantage). This competitive edge is secured, among other ways, by property rights, speed and a focus on technological concepts.

Due to the massive change in the demand situation, enormous government support programs and the inflow of private capital, a higher level of competition is to be expected here, as well as improved availability of capital for development programs by companies in the industry.

It cannot be ruled out that the industry will go through a consolidation process that could lead to increased competition, a change in the Group's relative market position, an inventory build-up of (un)finished goods or unexpected price erosion. In addition, there is a risk that important suppliers will be acquired by our competitors and that competitors will increasingly offer services to our installed base. Some future competitors, who may also be possible, have regionally better or at least comparable good market access in India and the US, which means that there is a risk that SFC will lose its leading role.

The Group is subject to the usual risks of competition in both segments. In the Clean Energy segment, there are also risks from announcement effects and actual substitution solutions that could lead to uncertainty among market participants and to a loss of sales for SFC.

The Group counters these risks by taking various measures, e.g., through product development that focuses on system solutions, modular basic concepts and customer-specific design-in concepts, strategic initiatives, sales initiatives as well as potential joint ventures and strategic cooperations, by means of which one builds competitive barriers.

Furthermore, the intensive cultivation of long-term established customer relationships, with a clear focus on service and a focus on product and system integration, leads to competitive advantages and thus to further risk minimization.

Overall, this risk is classified as moderate, with a possible probability and a moderate impact on the Group's asset, financial and earnings position.

Product risks

The products manufactured by SFC must meet high quality requirements in order to be approved on the market and to be accepted by customers over the long term. In addition to the further development of its own technology, SFC devotes a great deal of attention to quality assurance. The Group makes great efforts to ensure compliance with quality standards, conducts regular internal inspections itself, and also undergoes external audits.

Despite these quality assurance processes, it cannot be completely ruled out that flaws or defects can occur in products, that products may not meet quality specifications, and that customers or the authorities could make complaints. Defects can also be caused by suppliers and lead to costs, general impairments or damage to the company's image. In this connection, claims for damages, reductions or reversals by customers or business partners cannot be ruled out entirely. With major projects, especially in the Clean Energy segment, there is also a risk that these projects may not be completed within the planned timeframe in the respective quality, which could have an impact on follow-up orders.

Depending on the product in question and the severity of the complaint, it is possible that significant negative effects on the asset, financial and earnings position may arise. Accordingly, we classify the risk as high.

Procurement risks

The results of our operating business units depend on reliable and effective management of the supply chain for components, parts and materials. Unexpected delivery failures or supply bottlenecks resulting from ineffective supply chain management and/or capacity constraints at individual suppliers could lead to production bottlenecks, delivery delays, quality problems and additional costs. In addition, SFC could be exposed to risks due to delays and interruptions in the supply chains as a result of disasters (including pandemics), geopolitical uncertainties, energy shortages, sabotage, cyber-attacks, financial difficulties on the part of suppliers or non-compliance with SFC's standards. This applies in particular if SFC is unable to find alternative sources of supply or means of transportation in good time or at all.

The Group's operating business units are dependent on individual suppliers to supply certain components and parts: In the event that one of these suppliers restricts or discontinues production or interrupts supply, this could potentially have a significant negative impact on the affected business.

We counter these risks through ongoing monitoring of procurement markets, structured procurement concepts, the avoidance of supplier dependencies, careful selection of efficient suppliers, annual supplier reviews, quality and reliability checks at suppliers, alternative suppliers and subcontractors. We also reduce the probability of occurrence of this risk potential through long-term strategic alliances for supply and price-critical components, medium and long-term framework supply agreements, and higher safety stocks.

Compared to the pre-pandemic phase, however, the probability of supply bottlenecks occurring will remain at an increased level due to geopolitical tensions and conflicts that affect the stability of our supply chains.

SFC has no suppliers based in the crisis regions Russia, Ukraine or the Gaza Strip / Israel. However, it cannot be ruled out that the military conflict will have a negative impact on delivery times.

Overall, we assess the risk in terms of its probability of occurrence as likely. We continue to assess the negative impact on the asset, financial and earnings position as substantial in certain cases. Overall, this risk is assessed as high.

Production risks

The production sites in Brunnthal (Germany), Cluj (Romania) and Gurgaon (India) are of great importance to the Group's manufacturing. If quality problems, possible operational disruptions or production downtimes, e.g., due to fire, natural disasters or force majeure, lead to a significant interruption or restriction of business activities at these locations, this would have a significant negative impact on the Group's asset, financial and earnings position. The transfer of production from these locations would not only be associated with high technical and time expenditure, but also with high necessary investments.

SFC is also exposed to the risk of production downtime and the related delivery bottlenecks that can be triggered by technical problems in production facilities that are working at full capacity or by a lack of or loss of capacity.

SFC's main supplier for the production of the DMFC membrane electrode assembly (MEA), the heart of the DMFC fuel cell that enables the electrochemical reaction to separate the electrons, ceased production in the reporting year. In this context, SFC acquired certain assets for the production of the MEA from the supplier in order to set up its own MEA production facility in Swindon UK. There is a risk that the construction and ramp-up of SFC's MEA production will take longer than planned. This could then lead to an interruption in the MEA supply in the second quarter of 2024 and delay the delivery of around 1,000 DMFC fuel cells. To counteract this, SFC is ramping up manual production of the MEA in Brunnthal in the first quarter of 2024. Nevertheless, this could mean that not all planned DMFC fuel cells can be delivered in 2024.

To the extent possible and economically reasonable, the Group limits damage risks by relying on insurance coverage, the type and scope of which is continually adjusted to current requirements. Nevertheless, the existing insurance coverage may prove to be insufficient in individual cases. SFC works to continuously reduce risk by making regular investments, conducting preventive maintenance, economic audits and planning of additional production facilities, stockpiling, fire protection activities and employee training. The occurrence of these risks is classified as possible and could have a significant negative impact on the Group's asset, financial and earnings position in individual cases and is therefore assessed as a high risk.

Commodity price risks

The Clean Energy segment requires certain precious metals to produce fuel cells that are purchased from suppliers. The Clean Power Management segment requires electronic components for its production process. The purchase prices for these components and raw materials can fluctuate significantly due to market conditions, political crises or legislation – combined with possible supply shortages – and volatile demand for individual components and raw materials. Unforeseen price increases for components or raw materials could have a negative impact on SFC's business development.

Past experience has shown that increased production costs cannot always be passed on to our customers in the form of price adjustments, or only with a delay and that the unavailability of components and raw materials can inhibit growth.

To reduce purchasing-related risks such as major price fluctuations, we procure important input materials and materials on the basis of long-term supply contracts. The majority of the procurement volume of raw materials is not fixed in terms of price over the medium and long term.

Unexpected price increases for components and raw materials due to market shortages or other reasons could adversely affect the Group's performance or margins.

Platinum and, to a lesser extent, ruthenium are used as catalysts in a key component of the fuel cell. In order to ensure cost certainty for the medium-term demand for precious metals, platinum and ruthenium are purchased from the supplier of the component at the daily rate if certain minimum quantities are not reached and depending on market estimates and managed in a separate account. In addition, precious metals from the component of recycled fuel cell systems are also credited to this account. When the component is delivered, the respective quantities of platinum and ruthenium from this account are used. Both precious metals are tradable at daily rates.

Precious metals are reported as raw materials and supplies in the Consolidated Statement of Financial Position until they are used in SFC's products. The precious metals would only be devalued if the product produced with them cannot be sold on the market to cover the costs. The carrying amount of the platinum and ruthenium held in stock at the balance sheet date was EUR 434 thousand (previous year: EUR 747 thousand). Overall, the commodity price risk is still assessed as probable in terms of its probability of occurrence. The negative impact on the asset, financial and earnings position is classified as significant in individual cases. Overall, this risk is assessed as a high risk.

Human resources risks

For a technology-oriented company like SFC, the achievement of ambitious growth targets and sustainable economic success are supported, among other ways, by a diverse and highly qualified workforce, such as experienced specialists or experts in the areas of software development, digitalization and electrotechnology.

Competition for highly qualified employees in the sectors and regions in which we do business is becoming increasingly fierce.

We meet these challenges by strengthening the skills and knowledge of our employees in recruitment, by making targeted use of employer branding initiatives, competitive remuneration packages with performance-based incentive systems, modern HR management and structured HR development based on a skill model, for example. Technology and digitalization are designed to help us attract and select talent more effectively – also in view of the diversity of our workforce.

Nevertheless, there could be a shortage of qualified employees that affects the Group's business, even if the effects are difficult to assess at present.

Due to the intense competition for qualified skilled employees, this risk is classified as probable, with potentially significant negative effects on the asset, financial and earnings position, and is therefore assessed as a high risk.

Information technology risks

The Group's business activities require the appropriate software and hardware as well as reliable data back-up, data access for authorized persons at all times, redundancy and network reliability.

Like any other organization that relies on digital technologies, the Group's IT environment is exposed to the growing threat of cybercrime and cyberattacks on its own IT networks or those of its IT service providers. Any disruption due to cyberattacks can have a negative impact on the cornerstones of information security: availability, integrity and confidentiality of the company's own data or that of third parties (e.g. customers, suppliers, etc.).

These risks are countered by cyber insurance policies and by implementing standardized controls, processes and technology developed on the basis of globally recognized frameworks such as ISO27001.

The cost of protecting the Group's systems and data increased significantly in the financial year. This demonstrates the Group's commitment to combating the growing IT risks and cyber threats that could cause potential disruptions. This applies to both personnel expenses and technical equipment. Irrespective of this, the Management Board expects the number of attacks on the IT infrastructure of major German companies and on SFC to continue to increase.

The threat resulting from IT risks in general is classified as possible overall, perceived and classified as a risk with a significant extent and thus represents a high risk.

Risks in the regulatory environment

The level of regulation in the Group's area of business is still very high. This is due, among other reasons, to the production, distribution and marketing of complex technical products and fuel cartridges filled with methanol, sales to markets with demanding safety requirements (e.g., critical communication infrastructure, defense organizations), but also to the very complex, at times inconsistent legal framework in many markets and countries. In the past, product labeling and distribution channels were occasionally objected to by the authorities in Germany. SFC responded to such objections by issuing statements. If changes are necessary, they will always be made within the defined period of time. It cannot be ruled out that applicable regulations (e.g., due to more stringent legislation against the backdrop of counterterrorism, new legal regulations as part of REACH or GHS, or the increased visibility of SFC products due to more widespread use) and additional requirements for sales of the products of the Group will be intensified. In order to avoid negative effects on the sale of products, SFC AG offers additional training in end-customer trade to ensure that the respective companies have more extensive expertise. There is also a risk that countries will increasingly isolate themselves and try to protect themselves from imports with import duties. This can lead to reduced competitiveness in these countries.

Overall, these risks are classified as high with a probability that is considered possible and with a significant impact on the asset, financial and earnings position.

Compliance risks

Compliance violations or non-compliant behavior even including illegal actions by employees, – antitrust violations, corruption, white-collar crime, money laundering or manipulation in financial reporting, for example – can cause a wide range of damage and have serious consequences. These actions can lead to the termination of business relationships, exclusion from receiving orders, negative assessments on the capital market, the imposition of fines, the assertion of damages to criminal and civil prosecution and ultimately lead to falling income.

Compliance risks can arise in all areas of the Group. The compliance organization works to ensure both the lawful and process-compliant conduct of the Group and its employees and an appropriate response to potential or actual violations of external and internal rules. Financial and non-financial disadvantages or sanctions that the Group could incur as a result of misconduct or illegal actions are to be prevented by Group-wide guidelines, standards and procedures. In addition to the policies, SFC's Code of Conduct serves as a guide for actions and decisions in the organization. It defines SFC's mission statement and values as well as the rules of conduct required to live them within the organization.

Nevertheless, despite extensive audit and control mechanisms, the risks stemming from illegal actions by individuals cannot be ruled out. Any suspected cases are actively investigated. In the event of any investigations, the Group cooperates with the respective authorities. Employees of SFC are encouraged to report misconduct and violations of legal provisions or regulations and internal company guidelines. The report can be made to the Compliance Officer, to the respective supervisor, to the Human Resources department or via an installed whistleblower system, with the help of which information can also be provided anonymously. Proven misconduct leads to consequences for those involved and – if necessary – to changes to the organization. The financial impact of compliance cases on the Group result is very difficult to assess, however. Depending on the case and circumstances, a considerable range can be assumed. In addition, qualitative criteria such as reputational damage and the potential scope of legal investigations were also taken into account in the risk assessment. Despite the mitigating measures taken, the impact of compliance risks and their influence on the asset, financial and earnings position are assessed as possible with potentially significant effects. Overall, the risk is classified as high.

ESG risks

In view of the current strict regulatory developments in the area of environmental law and the environmental, social and governance (ESG) reporting obligations introduced in 2023, the risk of a compliance breach can have serious and extensive financial consequences for the Group. For example, customers could exclude the Group companies from receiving orders, private and institutional investors could decide not to include the Group's shares in their portfolios, financial institutions could either not grant loans or only grant them at increased costs.

The Group is continuously working on expanding its decarbonization targets and strategy along the entire value chain and across the entire product portfolio. The relevant regulatory framework and standards that apply to voluntary and mandatory ESG reporting are being reviewed. Implementation strategies are being developed to create more transparency about SFC's ESG performance through reporting and ESG ratings.

The Group also mitigates other ESG risks through audits, advice, training and measures relating to environmental protection, occupational health and safety. The Group complies not only with high technical standards but also with the codes of conduct of third parties and all legal requirements in the areas of environmental protection, occupational health and safety, and environmental protection.

Despite the ESG risks, the Group views all major regulatory developments in the areas of climate change, decarbonization and non-financial reporting with optimism and is determined to take measures that ensure sustainable and secure growth for people, the planet and society – not only through its own product offerings, but also through its own value chain and its impact.

The risks are classified as possible risks, whereby significant effects on the financial position cannot be ruled out. Overall, this results in a high risk.

Corporate development risks

In order to further develop and expand its current business and its competitive position, SFC also pursues external growth opportunities in the form of potential acquisitions or other forms of partnership with companies, such as joint ventures and shareholdings. In addition to opening up new end-customer markets and regional markets, the focus here is on supplementing our product and technology portfolio.

Acquisitions generally entail entrepreneurial risks, as they involve imponderables arising from the integration of employees, technologies, products and processes. Integration processes can prove to be more difficult or more time-consuming and cost-intensive than anticipated. The acquired business may not develop as successfully as originally expected after integration or the objectives pursued with the acquisition may not be achieved or not to the extent planned. In addition, risks could arise during operations of the newly acquired business that were not previously identified or were not considered to be significant.

Joint ventures, shareholdings and collaborations entail fundamental risks, as it may not be possible for us to counteract potential negative effects on our business by exerting sufficient influence on management processes or business decisions. In addition, joint ventures also involve risks in connection with the integration of employees, technologies, products and processes. Similarly, collaborations can involve risks for us as we compete in some business areas with the companies we work with. Necessary portfolio or structural measures could result in additional financing requirements.

Securing financing for acquisitions, joint ventures, investments and cooperations could pose a challenge for us.

Acquisitions and the various forms of partnerships can have a considerable impact on the Group's debt level and financing/capital structure and lead to an increase in non-current assets including goodwill, as well as (external) financing needs. Charges can result from impairment losses on goodwill due to unforeseen business developments. In addition, such transactions could well result in significant acquisition, administrative and integration expenses.

We strive to reduce risk exposure through good due diligence processes and closely managed integration processes. A thorough business assessment and analysis of the commercial, technical, legal, tax and financial framework is carried out (due diligence) before any investment decision is made. For the optimal integration of businesses, we have established the necessary structures and processes and work according to a standardized post-merger concept. We also benefit from our many years of experience with successfully integrating companies and businesses.

The occurrence of risks from acquisitions, joint ventures, investments and cooperation agreements is generally possible. We consider the associated impact on the asset, financial and earnings position to be substantial. The risk is therefore classified as high.

Other risks that are currently unknown or currently considered insignificant could also affect the Group's operations. At present, no risks have been identified which, either individually or in combination with other risks, could jeopardize the continued existence of the Group.

Overall assessment of the risk situation

The company's policies are generally geared towards an innovative and diversified product range, a balanced capital structure and a stable liquidity cushion and are controlled and monitored with the help of a Risk Management System.

In the medium term, however, the development of the Group depends on realizing the current business plan. A material failure to meet the key assumptions of the business plan, in particular the increase in sales, gross profit, EBIT and cash flow from operating activities, could adversely affect the Group's solvency and thus cast doubt on the Group's ability to continue as a going concern in the medium term and beyond.

According to the overall assessment of the Group's risk situation and the information known to the company today, no risks are apparent in the financial year due to the Group's liquidity position that could endanger the continued existence of the Group or major Group companies.

Opportunity Report

The Group's risk management involves not only reducing and avoiding risks, but also securing the long-term future of the company by balancing opportunities and risks. For this reason, the Group regularly identifies, analyzes and assesses how it can exploit opportunities to secure and expand its earning power against the backdrop of the continuous development of the company, the markets and technologies. New opportunities can arise from these developments, while current opportunities could lose relevance, or the significance of opportunities for the Group could change. The company's management holds regular discussions with important customers as well as industry and technology experts in order to identify new opportunities and technological trends at an early stage. Opportunity management is therefore an essential part of SFC's operational business, the process of which is constantly being improved. Currently, no opportunity management takes place outside of the normal business activities, e.g., by optimizing the investment of liquid funds.

The most important opportunities for the Group are described below, but they only represent a selection of the opportunities available to us. The assessment of opportunities is also subject to ongoing changes in the overall economic development and the sector-specific market environment.

Market opportunities

Growing fuel cell business

With over 20 years of experience in fuel cell technology, SFC is a leading supplier of fuel cell solutions for stationary and mobile applications. In addition to its many years of success in the marketing of direct methanol fuel cells, the company's successful market launch of hydrogen fuel cells also contributes to its growth. A favorable political and regulatory environment, including the transition to a low-carbon economy, continued to underpin the positive sentiment for green product portfolios that provide answers to the market trend towards net-zero emissions in the reporting year and significantly boosted the further introduction of hydrogen fuel cells. The negative geopolitical changes of the past year have tended to accelerate the general demand for alternative technologies for conventional energy production based on fossil fuel cells.

Key opportunities to improve and accelerate the Group's future development lie above all in measures to exploit sales growth potential. SFC's goal is to strengthen its decarbonization portfolio. This also includes a further focus on the range of system solutions and products in higher performance classes as well as increasing the Group's value creation while continuously adapting business models, products and solutions to changing customer and market behavior. SFC's strong market position in the reporting year is attributable to the Group's balanced growth strategy, which is aimed at strengthening the long-term value proposition of current customers in the core customer and regional markets.

Supporting the energy transition and counteracting climate change

As the world's population grows and industrialization and digitalization increase, so does the global demand for energy. The already visible effects of climate change and the growing awareness of the impending climate crisis have increased the pressure on all political systems to act. Europe continues to play a pioneering role in the introduction of renewable energies through ambitious climate targets and measures. The European Union's commitment to the Green Deal and the goal of becoming carbon neutral by 2050 is driving significant investment in renewable energy on a continuous basis, which is having a huge impact on the growing demand and ongoing progress in the development of clean energy solutions. The challenge of decarbonization and fossil fuel price deflation are the main drivers for the EU's clean energy transition strategy under the Fit for 55 initiative and the Green Deal approach.

In the meantime, many nations and the EU at the supranational level have chosen hydrogen as the element of choice to successfully finalize the energy transition. The expansion of renewable energy production capacity requires the storage and transportability of energy. This is to be done by using hydrogen. Various framework conditions have been created to enable the expansion of production and the use of (green) hydrogen.

Fuel cells from SFC then enable the clean and efficient conversion of hydrogen into electrical energy in a decentralized manner and close to the user. Fuel cells are increasingly being used as a substitute for conventional power generators (diesel gensets), in off-grid industrial applications and as emergency power generators for telecommunications infrastructure, for example.

The Group sees further sales potential here from the many new customers gained and from the replacement of current technologies (replacement of diesel generators that pollute the environment). SFC is exploring market opportunities to lay the foundation for new businesses, e.g. by focusing on building the H2 business with electrolyzer systems and solutions for the production of green hydrogen based on renewable energy and water. SFC's growth strategy, which is closely aligned with political and regulatory factors in favor of a low-carbon economy, offers many opportunities for long-term, sustainable growth in the Group's business and financial position.

Market access and activities in Asia and North America

Both Asia and North America are regions with high sales potential for SFC. Accordingly, the developments and growth opportunities there are of immense importance and relate to the markets served by SFC for industrial applications, including the oil and gas market, as well as for government applications.

Countries such as India [30] are expected to play an important role in the global renewable energy market as there is a massive demand for energy and the government is investing heavily in clean energy and power generation projects. This will motivate SFC to pursue new opportunities in these growth regions.

If the company succeeds in strengthening its international sales activities and positioning SFC more prominently in the various markets, this could create many new opportunities and have a positive effect on the growth and profitability of the business.

Opportunities from rising expenditure in the target end customer markets of public safety

As a result of geopolitical uncertainties, expenditure on public security is expected to increase. Overall, the willingness to improve the quality and quantity of equipment in the areas of defense and critical infrastructure protection has increased. In the short and medium term, this could lead to an increasing number of new, additional procurement projects in SFC's target regions.

Other opportunities

Strategic approach "System solutions"

With the strategic approach "System Solutions," we strive to identify additional customer benefits from our broad technology and product portfolio in the "Clean Energy" and "Clean Power Management" segments at the system level. This will enable us to increase the depth of value creation and thus also product sales, and therefore realize our growth and margin targets. By taking this approach, we also reduce the integration effort for customers and shorten the time until the products are launched on the market.

30 EU Commission progress report on the competitiveness of clean energy technologies

Further development of the current product portfolio

SFC Energy AG is constantly developing its product portfolio and is guided by impulses from customers and target markets. The development of energy prices represents an important indicator for the Group's further research and development efforts and can have a significant impact on government decisions to promote fuel cell solutions. The focus here is on products in higher performance classes, additional functionalities and projects aimed at reducing the cost of materials. The company is thus seeking to always be prepared for its customers' needs and at the same time actively creates new needs on the market by offering innovative and economical solutions. Close networking of the development departments with market research, sales and service and the provision of an appropriate R&D budget ensure SFC's innovative strength for the future. The continuous development of the product portfolio could lead to changes in the product mix.

Development and sales partnerships with companies that have strategically relevant know-how

SFC Energy AG has a broad product portfolio and countless ideas on further developing its products and opening up new market opportunities. Therefore, internal growth is at the forefront of the strategy. Nevertheless, the company also pursues opportunities for external growth that could result from the acquisition of or partnerships with companies with complementary technology and / or strategically relevant know-how.

In this regard, SFC is monitoring emerging trends and the growing focus on overcoming the challenges of further technical development and improving the infrastructure for producing clean and highly energy-efficient hydrogen. This creates huge potential for SFC in terms of new opportunities and capabilities that complement the Group's growth plans.

External determinants

Additional opportunities could arise from external factors: Falling raw material prices and favorable exchange rate developments could have a positive impact on earnings.

A new prioritization of research & development in Germany could lead to an increase in the receipt of funding. The associated increase in financing for development projects at SFC Energy AG would result in a corresponding improvement in earnings.

The factors described above that could have a positive impact on SFC's current and future opportunities have not changed significantly compared to the previous year. The overall assessment of the individual opportunities is taken into account accordingly in SFC's growth plans and measures.

Forecast Report

Expectations for market growth

The global economy proved to be surprisingly resilient in 2023, with both falling energy prices and easing supply chain pressures helping inflation to fall faster than expected.

However, the latest indicators point to a slight slowdown in growth, so that slightly weaker growth of 2.9% is assumed for 2024, following expected global GDP growth of 3.1% in 2023[31].
One of the main reasons for the subdued outlook is the still relatively high level of interest rates set by central banks to contain inflation. However, if there are no further negative supply shocks, the cooling of demand pressure in most economies is likely to lead to a further decline in overall and core inflation. For 2024, inflation (consumer prices) is expected to fall to 2.94% in the eurozone, 3.00% in Canada and 2.6% in the US.[32]

The Management Board assumes that the main trends in the energy sector will continue. In addition to growing global demand for primary energy and a corresponding increase in energy generation capacities, these include the continuation of packages of measures, particularly in the US, Europe and individual Asian countries, that are intended to accelerate the transition to clean energy. As the global focus on low-carbon power generation technologies continues, the need for such technologies will also increase.

Against this backdrop and based on the expectations for macroeconomic development outlined above, the Management Board assumes that demand for the Group's fuel cell and energy management solutions will continue to rise in financial year 2024 and that the growth trajectory of previous years will continue.

In addition, the Management Board assumes that the situation on the procurement markets will generally continue to ease compared to the structural challenges of previous years. Nevertheless, the Management Board expects general cost increases and material shortages in certain areas, such as MEA. Nevertheless, the Management Board expects to be able to limit the negative effects by implementing appropriate countermeasures. Furthermore, the Management Board assumes that the Group will largely be able to pass on inflation-related cost increases and that there will be no major fluctuations in exchange rates.

In general, geopolitical risks remain high, especially in connection with the ongoing conflicts in Israel and Ukraine. Upside surprises in inflation could trigger drastic corrections in the prices of financial assets, as the markets are pricing in the fact that key interest rates could be higher for longer periods of time.

The economic and geopolitical trends and estimates of future developments summarized above are subject to uncertainties, particularly with regard to general geopolitical risks, especially the consequences of the war in Ukraine and developments in the Middle East, rising inflation and the continuing comparatively high and volatile risks on the procurement markets and the related effects.

This forecast is therefore subject to increased uncertainty and volatility. The Management Board is monitoring further developments very closely and will adjust its expectations accordingly if necessary.

The forecast does not include charges from legal and regulatory issues as well as impairment losses and reversals of impairment losses.

Sales

In view of the expectations outlined above for the growth of the global economy and the market for fuel cells relevant to SFC, the company expects Group sales in financial year 2024 to increase by around 20% to 30% compared to the previous year to around EUR 141,700 thousand to EUR 153,500 thousand (financial year 2023: EUR 118,148 thousand). This will be driven much more strongly by the "Clean Energy" segment. Over-

31 OECD, Paris, France (February 2024): Economic Outlook, Interim Report February 2024
32 OECD, Paris, France (February 2024): Inflation Forecast

all, it is expected that demand will continue to rise in all regional markets in the 2024 reporting year, although significant growth impetus will come from North America and Asia.

Adjusted EBITDA

Driven by the expected dynamic development of demand, but depending on the timing of the planned growth investments, especially in regional expansion and the extent of the expected burdens from increased material and procurement costs, the Management Board expects a moderate contraction or slight expansion of the margin for financial year 2024. It is assumed that the higher costs can be passed on to customers to a certain extent. Adjusted EBITDA in financial year 2024 is therefore expected to be approximately between EUR 17,500 thousand and EUR 22,400 thousand (financial year 2023: EUR 15,158 thousand).

Adjusted EBIT

Based on the planning of the Clean Energy and Clean Power Management segments, the Management Board expects adjusted EBIT for the Group in 2024 to be between EUR 9,800 thousand and EUR 14,700 thousand (financial year 2023: EUR 9,696 thousand).

The capitalization ratio of research and development costs is expected to be significantly higher than the level in 2023 (financial year 2023: EUR 2,892 thousand). The Management Board expects functional costs to continue to increase at a slower rate than sales. However, the Management Board expects expenses in 2024, particularly in connection with the regional expansion and the establishment of MEA production, to have a negative impact on the operating result in 2024.

As of the 2023 balance sheet date, the Group reported freely available cash and cash equivalents in the amount of EUR 59,847 thousand. If the earnings position in financial year 2024 develops in line with the forecast sales and results, the Group will have sufficient cash and cash equivalents to meet its financial obligations.

The actual development of the Group and its segments can deviate from the forecasts both positively and negatively due to the opportunities and risks described (see Risk and Opportunity Report).

Explanatory report by the Management Board on the information required under takeover law pursuant to sections 289a and 315 German Commercial Code (Handelsgesetzbuch – HGB)

The management report and group management report of SFC Energy AG, Brunnthal, contain the takeover-related disclosures pursuant to section 289a HGB and section 315a HGB. This is to ensure that a party potentially interested in taking over SFC Energy AG has access to the information about the Company that is specified in the Code and relevant for a takeover.

The management report and in the group management report contain a true and fair view of the situation of SFC Energy AG as it was in the past 2023 financial year, unless a later reporting date is expressly stated in the reports. This report pursuant to section 176 (1) AktG explains the situation as it was up to the balance sheet date of December 31, 2023.

Situation as of the balance sheet date

The statements made in the management report and in the group management report address all issues requiring disclosure as of the balance sheet date (unless indicated otherwise) whilst observing the order prescribed by the statutory provisions. The statements consist of information on (1) the composition of the subscribed share capital; (2) restrictions which affect voting rights or the transfer of shares; (3) direct or indirect interests in the share capital which exceed 10% of the voting rights; (4) special rights which confer control rights; (5) the control of voting rights if employees hold interests in the Company's share capital; (6) the statutory provisions and the provisions of the Company's Articles of Association concerning the appointment and removal of members of the Management Board and amendments to the Articles of Association; (7) the powers of the Management Board, in particular with regard to the possibility of issuing or buying back shares; (8) material agreements of the Company which are conditional upon a change of control as a result of a takeover offer; and on (9) compensation agreements to take effect in the event of a takeover offer which were concluded with members of the Management Board or employees.

As of the balance sheet date, the notional amount of the share capital of SFC Energy AG is EUR 17,363,691.00 and it is divided into 17,363,691 no-par value bearer shares with a notional value of EUR 1.00 per share of the Company's share capital. The share capital has been fully paid up. Each share carries one vote in the Annual General Meeting. The composition of the subscribed share capital and the rights attached to the Company's no-par value shares issued are also set out in the Company's Articles of Association.

Statutory restrictions on the voting rights of the shares may arise in particular from the provisions of the German Stock Corporation Act (AktG). For example, shareholders are subject to a voting ban under certain conditions in accordance with section 136 (1) AktG. To the knowledge of the Management Board, there are no other restrictions relating to voting rights or the transfer of shares, including restrictions between shareholders.

As of December 31, 2023, the Management Board was not aware of any direct or indirect interests in the share capital which exceed 10 per cent of the voting rights.

There are no shares with special rights which confer control rights.

There are no controls of voting rights if employees hold interests in the Company's share capital.

The rules governing the appointment and removal of members of the Management Board of SFC Energy AG follow from sections 84 and 85 AktG and Article 7 para. 2 of the Company's Articles of Association. According to these rules, the Supervisory Board appoints the members of the Management Board, determines their number and decides on their removal for good cause. Such cause shall include, in particular, a gross breach of duties, inability to manage the company properly, or a vote of no confidence by the Annual General Meeting, unless such vote of no confidence was made for manifestly arbitrary reasons.

Pursuant to section 179 (2) sentences 1 and 2 AktG in conjunction with Article 20 para. 2 sentence 1 of the Company's Articles of Association, amendments to the Articles of Association require the majority of votes stipulated by law and, insofar as a majority of the share capital is required, a simple majority of the share capital represented when the resolution is passed, unless the law or the Articles of Association prescribe otherwise. Any repeal or amendment of Article 20 para. 2 sentence 1 of the Articles of Association requires a majority of at least three quarters of the share capital represented when the resolution is passed; any amendment of this majority requirement also requires a majority of at least three quarters of the share capital represented when the resolution is passed (Article 20 para. 2 sentence 2 of the Articles of Association). Amendments to Article 15a of the Articles of Association require a qualified majority of votes of at least 90% of the share capital represented when the resolution is passed (Article 20 para. 2 sentence 3 of the Articles of Association). An amendment to this majority requirement also requires a majority of at least 90% of the share capital represented at the time the resolution is passed (Article 20 para. 2 sentence 4 of the Articles of Association). A resolution of the Annual General Meeting on the dissolution of the Company requires, pursuant to Article 22 of the Articles of Association, a majority of 80% of the Company's entire voting share capital. Pursuant to Article 14 para. 2 of the Articles of Association, the Supervisory Board is entitled to make amendments to the Articles of Association that only concern the wording.

All powers of the Company's Management Board to issue or buy back shares are based on authorization resolutions to this effect passed by the Annual General Meeting.

Authorized capital

Pursuant to Article 5 para. 6 of the Company's Articles of Association, the Management Board, with the consent of the Supervisory Board, is authorized to increase the Company's registered share capital until August 31, 2025, once or repeatedly by up to a total of EUR 1,736,369.00 by issuing new ordinary no-par value bearer shares against contributions in cash and/or in kind (Authorized Capital 2023).

Conditional capital

According to Article 5 para. 7 of the Company's Articles of Association, SFC Energy AG has what is known as Conditional Capital 2019 in the amount of EUR 2,824,503.00. This conditional capital increase serves to issue no-par value bearer shares to the holders of convertible bonds and/or warrant-linked bonds (or combinations of these instruments) which are issued by the Company or its direct or indirect subsidiaries against payment in cash on the basis of the authorizations with a term ending on May 15, 2024 resolved by the General Meetings held on June 14, 2016 and on May 16, 2019 and confer conversion and/or option rights to acquire new no-par value bearer shares of the Company or create a conversion obligation or a right to deliver shares. However, in accordance with a self-imposed restriction published in the "Investor Relations" section of the Company's website on April 21, 2022, the Management Board is obliged to use the authorization resolved at the Annual General Meeting of June 14, 2016 under agenda item 7 b) and the authorization resolved at the Annual General Meeting of May 16, 2019 under agenda item 7 b) as well as of Article 5 para. 7 of the Articles of Association of SFC Energy AG only to the extent that the share capital is to be conditionally increased by up to EUR 1,593,949.00 through issuance of up to 1,593,949 new no-par value ordinary bearer shares, each representing a pro rata amount of EUR 1.00 of the share capital (Conditional Capital 2019).

In addition, SFC Energy AG, in accordance with Article 5 para. 8 of the Company's Articles of Association, has what is known as Conditional Capital 2020. The Annual General Meeting of the Company passed a resolution on May 19, 2020 to conditionally increase the Company's share capital by up to EUR 1,300,000.00 through issuance of up to 1,300,000 new ordinary no-par value bearer shares, each representing a pro rata amount of EUR 1.00 of the share capital. The Conditional Capital 2020 serves only to grant the holders of option rights new no-par value shares that may be issued by the Company in accordance with the authorization resolution passed by the Annual General Meeting on May 19, 2020 under agenda item 7 a).

Repurchase of treasury shares

Finally, the Annual General Meeting on May 16, 2019 authorized the Company to acquire treasury shares in the amount of up to 10% of the Company's share capital until May 15, 2024. No use had been made of this authorization by the balance sheet date.

Material agreements

No material agreements by the Company exist which are conditional upon a change of control as a result of a takeover offer in addition to the Company's compensation agreements listed below that are to take effect in the event of a takeover offer, which were concluded with the members of the Management Board or employees.

Agreements with Management Board members and employees

The Management Board employment agreements valid in the reporting year with Management Board members Dr. Podesser and Mr. Saxena provided for the right of the relevant Management Board member to resign from office for good cause and terminate the Management Board employment agreement (special right of termination) until September 30, 2023, in the event of a takeover of the majority of the voting rights of the Company by a third party (change of control). In the event of a change of control after September 30, 2023, the employment agreements of the Management Board members Dr. Podesser and Mr. Saxena, which were valid in the reporting year, no longer provided for a special right of termination.

In the event of an acquisition of control over the Company within the meaning of section 29 (2) of the German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz – WpÜG), Dr. Podesser is entitled, according to the new service agreement for his new term of office beginning January 1, 2024, concluded with effect from 1 January 2024, to terminate the new Management Board employment agreement within three months of the legal occurrence of the change of control by observing a notice period of twelve months. There is no separate entitlement to severance pay in this case. In the event of a corresponding change of control, the Supervisory Board may increase the applicable maximum remuneration (currently EUR 4 million) by a maximum of 20% for the year of the change of control in accordance with the current Management Board remuneration system approved by the Annual General Meeting on June 5, 2023. In accordance with the new Management Board remuneration system approved by the Annual General Meeting in 2023, Dr. Podesser was allocated 51,655 performance shares as long-term variable remuneration on March, 21 2004 for the 2024 financial year on the basis of a rolling four-year performance share plan (LTI 2024). In accordance with the new Management Board remuneration system approved by the Annual General Meeting in 2023, the Supervisory Board can stipulate that the LTI cap for the new long-term variable remuneration based on the Performance Share Plan in effect since January 1, 2024, under which the LTI payout cannot exceed 250% of the LTI target of the relevant PSP annual tranche specified in the Management Board employment agreement, does not apply if there is a change of control and Dr. Podesser, on the occasion of the change of control, exercises the special right of termination agreed for this scenario. In this event, too, the

LTI payout amount under the performance share plan will not be paid out until after the end of the four-year performance period and regular target achievement measurement, with the conversion of all performance share tranches still in progress into a cash amount after the end of the performance period in this case being based on the reference price; in such case, as established by the Supervisory Board, the reference price corresponds to the offer price within the meaning of section 31 (1) WpÜG or the amount calculated pursuant to section 7 WpÜG Offer Ordinance of the bidder's shares possibly offered as optional consideration and which are not admitted to trading on an organized market within the meaning of section 2 (7) WpÜG but only outside the European Economic Area, or a combination of these two values. The Share Investment Obligation / Share Retention Obligation provided for Dr. Podesser under his new Management Board employment agreement ends in connection with the completion of a change of control or – at the discretion of the Supervisory Board – as early as upon submission of the takeover bid.

The Management Board employment agreement with Management Board member Mr. Pol also provides for a special termination right in the event of an acquisition of control of the Company within the meaning of section 29 (2) WpÜG, entitling Mr. Pol to terminate his service agreement within three months of the legal occurrence of the change of control by giving twelve months' notice.

In connection with this extension to his Management Board employment agreement, Mr. Hans Pol was granted 180,000 SARs (with a term ending June 30, 2025) on July 1, 2018 (SAR Program 2018-2021). On July 1, 2020, Mr Saxena was granted 228,000 SARs (with a term ending June 30, 2027) as part of his appointment as a member of the Management Board under the SAR Program 2020-2024. The SARs may expire to a fixed extent on three (Mr. Pol) or four (Mr. Saxena) predefined cut-off dates, depending on the SFC Energy AG share price. After a staggered vesting period of four to six years (Mr. Pol) or four to seven years (Mr. Saxena), one third (Mr. Pol) or one quarter (Mr. Saxena) of the SARs that have not expired can be exercised in each case at the defined reference price within the exercise period. The SAR Program 2018-2021 additionally stipulates as a prerequisite for the exercisability of SARs that another specific performance target must be achieved prior to the expiration of the relevant waiting period. In the event of an acquisition of control over SFC Energy AG within the meaning of section 29 (2) WpÜG and the exercise by the Management Board member of their extraordinary right of termination provided for in such case, the SARs that have not yet expired at the time of the submission of the takeover offer shall be paid out as follows at the time of the legal termination of the employment agreement: number of SARs to be paid out x (reference price – exercise price). For Mr. Pol, the reference price corresponds to the higher value of either (i) the offer price within the meaning of section 31 (1) WpÜG or (ii) the amount calculated pursuant to section 7 WpÜG Offer Ordinance of the bidder's shares which may have been offered as optional consideration and which are not admitted to trading on an organised market within the meaning of section 2 (7) WpÜG but only outside the European Economic Area. In the event of acquisition of control after termination of the service relationship, the same rules and principles for payment shall apply, with the exception that payment is to be made immediately upon acquisition of control. For Mr. Saxena, the reference price corresponds to the offer price within the meaning of section 31 (1) WpÜG or within the meaning of the value calculated pursuant to section 7 WpÜG Offer Ordinance of the bidder's shares possibly offered as alternative consideration, which are not admitted to trading on an organized market within the meaning of section 2 (7) WpÜG but only outside the European Economic Area, or to a combination of both values. In the event that control of the Company is acquired and Mr Saxena exercises the extraordinary right of termination provided for in this scenario, no cap applies with regard to the cash settlement.

The 420,000 SARs granted to Dr. Podesser on May 15, 2019, as part of the extension of his Management Board employment agreement from April 1, 2020, to March 31, 2024, (SAR Program 2020-2024), were transferred to the Stock Option Program 2020-2024 with effect from the end of July 8, 2020. As part of this transfer to the 2020-2024 stock option program, Mr. Podesser was allocated a total of 504,000 stock option rights on July 9, 2020, with an exercise price per share option of EUR 1 and a term ending July 8, 2028. A specified portion of the stock options can expire on four predefined dates depending on the share price of SFC Energy AG. After a staggered vesting period of four to seven years from the Grant Date, in each case one quarter of the stock options that have not expired can be exercised at the defined reference price when certain performance targets are reached. In the event of an acquisition of control over SFC Energy AG within the meaning of section 29 (2) WpÜG and the exercise by Dr. Podesser of his extraordinary right of termination provided for in such case, the stock options that have not yet expired at the time of the submission of the takeover offer shall be paid out as cash compensation at the time of the legal termination of the employment agreement (number of option rights to be paid out x (reference price – exercise price)). In this context, the reference price corresponds to the offer price within the meaning of section 31 (1) WpÜG. In the event that control of the Company is acquired and Dr. Podesser exercises the extraordinary right of termination provided for in this scenario, no cap applies with regard to the cash settlement.

As part of the extension of his Management Board employment agreement of February 26, 2021, Mr. Pol was granted a total of 500,000 stock option rights with an exercise price of EUR 24.41 per stock option on March 01, 2021 under the Stock Option Program 2021-2025 with a term until February 28, 2029. A specified portion of the stock options can expire on four predefined dates depending on the share price of SFC Energy AG. After a staggered vesting period of four to seven years from the Grant Date, in each case one quarter of the stock options that have not expired can be exercised at the defined reference price when certain performance targets are reached. In the event of an acquisition of control over SFC Energy AG within the meaning of section 29 (2) WpÜG and the exercise by Mr. Pol of his extraordinary right of termination provided for in such case, the stock options that have not yet expired at the time of the submission of the takeover offer shall be paid out as cash compensation at the time of the legal termination of the employment agreement (number of option rights to be paid out x (reference price – exercise price)). The reference price in this regard corresponds to the offer price within the meaning of section 31 (1) WpÜG or within the meaning of the value calculated pursuant to section 7 WpÜG Offer Ordinance of the bidder's shares possibly offered as alternative consideration, which are not admitted to trading on an organized market within the meaning of section 2 (7) WpÜG but only outside the European Economic Area, or to a combination of both values. In the event that control of the Company is acquired and Mr. Pol exercises the extraordinary right of termination provided for in this scenario, no cap applies with regard to the cash settlement.

Corresponding agreements on the SAR program 2020-2022 were reached with three executives of SFC Energy AG. The executives were each allocated 15,750 SARs on January 1, 2020. In the event of acquisition of control over SFC Energy AG for the purposes of section 29 (2) WpÜG, the SARs not yet expired at the time the takeover offer was made are to be paid out; the relevant amount is determined on the basis of the reference price less the exercise price of EUR 1.00, multiplied by the number of SARs. The specific reference price corresponds to the higher value of either (i) the offer price within the meaning of section 31 (1) WpÜG or (ii) the value calculated pursuant to section 7 WpÜG Offer Ordinance of the bidder's shares possibly offered as alternative consideration that are not admitted to trading on an organized market within the meaning of section 2 (7) WpÜG but only outside the European Economic Area.

A corresponding agreement on the Stock Option Program exists with two SFC Energy Group executives. One executive was granted 22,800 stock option rights on January 1, 2021, with an exercise price per stock option of EUR 15.50 and a term of the option plan of seven years from the Grant Date. Another executive was granted 22,800 stock option rights on May 5, 2023, with an exercise price per stock option of EUR 21.12 and a term of the option plan of seven years from the Grant Date. A specified portion of the stock options can expire on three predefined dates depending on the share price of SFC Energy AG. After a vesting period of four to six years from the Grant Date, one third of the volume of SARs not expired can in each case be exercised at the defined reference price when certain performance targets are reached. In the event of acquisition of control over SFC Energy AG for the purposes of section 29(2) WpÜG, the stock options not yet expired at the time the takeover offer was made are to be paid out as cash compensation, in accordance with defined ranges and depending of the reference price; the relevant amount is determined on the basis of the reference price less the exercise price, multiplied by the number of stock options. In this context, the specific reference price corresponds to the offer price for the purposes of section 31 (1) WpÜG.

Corporate Governance Statement

The Corporate Governance Statement pursuant to section 289f HGB or section 315d HGB is published on the SFC Energy AG website (**https://www.sfc.com/en/investors-sfc-energy-ag/corporate-governance/corporate-governance-statement/**).

Brunnthal, March 27, 2024

SFC Energy AG
The Management Board

Dr. Peter Podesser	**Daniel Saxena**	**Hans Pol**
Chief Executive Officer (CEO)	**CFO**	**COO**

03

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS FOR FINANCIAL YEAR 2023

Group income statement

FOR THE FINANCIAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2023 in EUR

	Consolidated notes	2023 01/01 - 12/31	2022 01/01 - 12/31 (retrospectively adjusted*)
Sales revenues	(1)	118,148,041	85,229,281
Cost of goods sold and services rendered to generate revenue	(2)	-71,354,043	-53,823,208
Gross profit		**46,793,998**	**31,406,073**
Selling expenses **	(3)	-15,082,358	-13,130,142
Research and development expenses	(4)	-5,296,281	-4,441,245
General administrative expenses	(5)	-15,491,495	-9,778,284
Other operating income	(6)	1,174,062	1,372,020
Other operating expenses	(7)	-2,751,042	-1,407,249
Impairment losses on financial assets**	(30)	-189,535	-421,769
Operating result (EBIT)		**9,157,349**	**3,599,404**
Interest and similar income	(8)	985,664	5
Interest and similar expenses	(8)	-799,430	-609,352
Earnings before taxes		**9,343,583**	**2,990,057**
Taxes on income and earnings	(9)	11,718,646	-1,922,953
Consolidated net result for the period		**21,062,229**	**1,067,104**
attributable to the owners of SFC Energy AG		21,084,492	1,067,104
attributable to the non-controlling interests		-22,263	0
Earnings per share	(33)		
basic		1.21	0.07
diluted		1.18	0.07

* See note Error corrections due to retrospective change as a result of an error.
** Change in presentation: separate disclosure of impairment losses on financial assets

Consolidated Statement of Comprehensive Income

FOR THE FINANCIAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2023 — in EUR

	Consolidated notes	2023 01/01 - 12/31	2022 01/01 - 12/31 (retrospectively adjusted*)
Consolidated net result for the period		**21,062,229**	**1,067,104**
Differences from the translation of foreign subsidiaries			
Changes in value recognized directly in equity		-321,742	-121,536
Changes in value recognized directly in equity (Total other comprehensive income)	(27)	**-321,742**	**-121,536**
Total comprehensive income for the year		**20,740,487**	**945,568**
attributable to the owners of SFC Energy AG		20,773,165	945,568
attributable to non-controlling interests		-32,678	0

* See note Error corrections due to retrospective change as a result of an error.

The amounts are fully attributable to the shareholders of the parent company. There are no deferred tax effects on the changes in value recognized directly in equity.

Consolidated Statement of Financial Position

ASSETS AS OF DECEMBER 31, 2023

in EUR

	Consolidated notes	12/31 2023	12/31 2022 (retrospectively adjusted*)
Current assets		**121,258,735**	**113,145,754**
Inventories	(13)	25,043,347	24,921,204
Trade receivables	(14)	28,645,153	18,110,324
Assets from contracts with customers	(15)	2,013,114	1,265,883
Other assets and receivables	(16)	5,424,007	3,660,591
Cash and cash equivalents	(17)	59,847,494	64,802,825
Restricted cash and cash equivalents	(18)	285,620	384,927
Non-current assets		**55,140,522**	**27,303,628**
Intangible assets	(19)	19,819,787	18,576,279
Property, plant and equipment	(20)	16,943,596	13,396,044
Other assets and receivables	(16)	960,644	0
Deferred tax assets	(9)	17,416,495	68,658
Assets		**176,399,257**	**145,186,735**

* See note Error corrections due to retrospective change as a result of an error.

Consolidated Statement of Financial Position

LIABILITIES AND SHAREHOLDERS' EQUITY AS OF DECEMBER 31, 2023

in EUR

	Consolidated notes	12/31 2023	12/31 2022 (retrospectively adjusted*)
Current liabilities		**33,578,134**	**27,303,628**
Tax provisions	(21)	1,331,652	568,439
Other provisions	(21)	2,108,107	1,495,468
Liabilities to banks	(22)	3,791,132	4,054,845
Liabilities from advance payments	(23)	178,982	498,154
Liabilities from deliveries and services	(24)	12,890,047	9,045,990
Leasing liabilities	(25)	2,200,030	2,009,259
Liabilities from contracts with customers	(15)	1,470,035	601,841
Other liabilities and PRAP	(26)	9,608,149	9,029,632
Non-current liabilities		**14,687,907**	**14,445,989**
Other accrued liabilities	(21)	2,188,891	1,882,784
Leasing liabilities	(25)	10,363,153	8,551,813
Other liabilities	(26)	2,015,720	3,931,886
Deferred tax liabilities	(9)	120,143	79,506
Equity		**128,133,216**	**103,437,118**
Non-controlling interests		**-29,009**	**0**
equity attributable to the owners of SFC Energy AG		**128,162,225**	**103,437,118**
Subscribed capital	(27)	17,363,691	17,363,691
Capital reserve	(27)	173,167,237	169,215,296
Other changes in equity not affecting net income	(27)	-1,059,431	-748,104
Results carried forward	(27)	-82,393,765	-83,460,869
Results carried forward	(27)	21,084,493	1,067,104
Liabilities		**176,399,257**	**145,186,735**

* See note Error corrections due to retrospective change as a result of an error.

Consolidated Statement of Cash Flows

FROM JANUARY 1 TO DECEMBER 31, 2023

in EUR

		Consolidated notes	2023 01/01 - 12/31	2022 01/01 - 12/31
	Cash flow from operating activities			
	Earnings before taxes		**9,343,583**	**2,990,057**
+	Interest result	(8), (34)	-186,234	609,347
+	Amortization of intangible assets and depreciation of property, plant and equipment	(11), (19), (20)	5,461,673	4,993,132
+/-	Expenses/income from LTI programs	(31)	47,401	-484,755
+	Change in valuation allowances	(13), (14)	1,082,188	274,566
+/–	Losses/gains on the disposal of non-current assets		-1,769	419,804
+/–	Other non-cash income and expenses		38,833	-59,811
	Operating cash flow before changes in working capital		**15,785,675**	**8,742,340**
+/–	Increase / decrease in provisions	(21)	909,668	-128,000
-/+	Increase / decrease in trade receivables	(14)	-10,760,447	-1,041,860
-/+	Increase / decrease in inventories	(13)	-1,306,733	-10,809,976
-/+	Increase / decrease in other receivables and assets	(15), (16)	-3,380,600	-3,057,734
+/–	Increase / decrease in trade payables	(24)	3,976,755	1,614,863
+/–	Increase/decrease in other liabilities	(23), (26)	-416,421	159,497
	Cash flow from operating activities before income taxes		**4,807,897**	**-4,520,870**
+/–	Income tax refunds/payments	(9), (34)	-1,231,947	-240,627
	Cash flow from operating activities		**3,575,950**	**-4,761,497**

Consolidated Statement of Cash Flows

FROM JANUARY 1 TO DECEMBER 31, 2023

in EUR

		Consolidated notes	2023 01/01 - 12/31.	2022, 01/01 - 12/31
	Cash flow from investing activities			
-	Investments in intangible assets from development projects	(19)	-2,891,712	-2,619,736
-	Investments in other intangible assets	(19)	-1,312,692	-435,738
-	Investments in property, plant and equipment	(22), (25)	-2,243,012	-2,146,075
+	Interest and similar income received		832,331	5
-	Proceeds from the purchase of restricted bank balances		99,307	0
+	Sale of fixed assets	(19), (20)	33,842	0
	Cash flow from investing activities		**-5,481,936**	**-5,201,544**
	Cash flow from financing activities			
+	Proceeds from the issue of equity instruments of the company	(27)	0	56,431,986
–	Cost of equity issuance	(27)	0	-5,224,239
–	Repayment of lease liabilities	(25)	-1,893,296	-1,837,022
–	Interest paid and similar expenses	(8), (34)	-785,508	-527,077
	Cash flow from financing activities		**-2,678,804**	**48,843,648**
	Cash-effective change in cash and cash equivalents		**-4,584,790**	**38,880,607**
	Effect of exchange rate changes and other changes on cash and cash equivalents		-106,828	-20,387
	Cash and cash equivalents at the beginning of the reporting period	(18)	60,747,980	21,887,760
	Cash and cash equivalents at the end of the reporting period	(18), (34)	56,056,362	60,747,980
	Net change in cash and cash equivalents		**-4,584,790**	**38,880,607**

* Adjustment in the presentation: Cash and cash equivalents incl. current account liabilities

Consolidated Statement of Changes in Equity

FOR THE FINANCIAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2023

in EUR

	Consolidated notes	Subscribed capital	Capital reserve	Other changes in equity not affecting net income	Consolidated net profit/loss	Total	Not concerning shares	Equity
Balance on 01/01/2022		**14,469,743**	**119,636,548**	**-626,568**	**-83,460,869**	**50,018,854**	**0**	**50,018,854**
Consolidated result for the period								
Consolidated net result for the period (retrospectively adjusted)*					1,067,104	1,067,104	0	1,067,104
Income and expense recognized directly in equity from foreign currency translation	(27)			-121,536		-121,536	0	-121,536
Equity-settled share-based payment transactions	(31)		**311,928**			**311,928**	**10,415,**	**311,928**
Capital increase								
Capital increase	(27)	2,893,948	53,538,038			56,431,986	0	56,431,986
Costs of the capital increase	(27)		-5,224,239			-5,224,239	0	-5,224,239
Current tax effect on transaction costs (retrospectively adjusted)*			953,021			953,021		953,021
Balance on 12/31/2022 (retrospectively adjusted)*		**17,363,691**	**169,215,296**	**-748,104**	**-82,393,765**	**103,437,118**	**0**	**103,437,118**
Non-controlling interests from the formation of a subsidiary	(27)						**3,669**	**3,669**
Consolidated comprehensive result for the period								
Consolidated net result for the period					21,084,492	21,084,492	-22,263	21,062,229
Income and expense recognized directly in equity from foreign currency translation	(27)			-311,327		-311,327		-321,742
Equity-settled share-based payment transactions	(31)		**371,249**			**371,249**		**371,249**
Tax effect from capital measures**			**3,580,692**			**3,580,692**		**3,580,692**
Balance on 12/31/2023		**17,363,691**	**173,167,237**	**-1,059,431**	**-61,309,272**	**128,162,225**	**-29,009**	**128,133,216**

* See note Error corrections due to retrospective change as a result of an error.
** Amount shown includes tax effect from capital increases.

Group segment reporting (part of the Notes to the Consolidated Financial Statements)

FROM 1 JANUARY TO 31 DECEMBER 2023

in EUR

	Clean Energy		Clean Power Management		Group	
	2023	2022	2023	2022	2023	2022 (retrospectively adjusted*)
Sales revenues	**79,031,554**	**57,632,107**	**39,116,487**	**27,597,174**	**118,148,041**	**85,229,281**
Cost of goods sold and services rendered to generate revenue	-42,697,249	-33,101,443	-28,656,794	-20,721,765	-71,354,043	-53,823,208
Gross profit	**36,334,305**	**24,530,664**	**10,459,693**	**6,875,409**	**46,793,998**	**31,406,073**
Selling expenses**	-12,820,057	-11,202,350	-2,262,301	-1,927,792	-15,082,358	-13,130,142
Research and development expenses	-3,352,996	-2,294,431	-1,943,285	-2,146,814	-5,296,281	-4,441,245
General administrative expenses	-11,282,263	-6,689,206	-4,209,232	-3,089,078	-15,491,495	-9,778,284
Other operating income	1,107,705	1,292,124	66,357	79,896	1,174,062	1,372,020
Other operating expenses	-2,661,652	-1,366,163	-89,390	-41,086	-2,751,042	-1,407,249
Change in impairment of financial assets **	-230,203	-378,185	40,668	-43,584	-189,535	-421,769
Operating result (EBIT)	**7,094,839**	**3,892,453**	**2,062,510**	**-293,050**	**9,157,349**	**3,599,403**
Adjustments EBIT	538,896	-442,467	0	0	538,896	-442,467
Adjusted EBIT	**7,633,735**	**3,449,986**	**2,062,510**	**-293,050**	**9,696,245**	**3,156,937**
Depreciation ***	-4,128,653	-3,903,842	-1,333,020	-1,089,290	-5,461,673	-4,993,132
EBITDA	**11,223,492**	**7,796,295**	**3,395,530**	**796,240**	**14,619,022**	**8,592,536**
Adjustments to EBITDA	538,896	-442,467	0	0	538,896	-442,467
Adjusted EBITDA	**11,762,388**	**7,353,828**	**3,395,530**	**796,240**	**15,157,918**	**8,150,069**
Financial result					186,234	-609,347
Income from continuing operations					**9,157,349**	**3,599,4047**
Taxes on income and earnings					11,718,646	-1,922,952
Consolidated result					**21,062,229**	**1,067,104**

* See note Error corrections due to retrospective change as a result of an error.
** Change in presentation: separate disclosure of change in impairment of financial assets.
*** Contains impairments in the amount of EUR 614,330.

For further information on Group segment reporting, please refer to note (35) of the notes to the consolidated financial statements. The adjustments to determine the adjusted EBIT/EBITDA result primarily from the LTI programs - see note (31) - and the expenses for transaction efforts.

04

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

General principles and scope of consolidation

Company information

SFC Energy AG ("the company" or "SFC AG") is a stock corporation domiciled in Germany. The registered office of the company is located at EugenSängerRing 7, 85649 Brunnthal. The company is entered in the Commercial Register of the Local Court of Munich under number HRB 144296. The main activities of the company and its subsidiaries ("SFC" or the "Group") include the development, production and distribution of products, systems and solutions for stationary and mobile off-grid energy supply based on hydrogen (PEMFC) and direct methanol (DMFC) fuel cells for customers in the private, industrial and public sector in various end customer markets, the making of the necessary investments for this purpose and all other related transactions. For the purpose of managing the company, the Group is organized by technology platforms and has two reportable segments, "Clean Energy" and "Clean Power Management." The core business of the Clean Energy segment comprises the development, manufacture including complete system assembly, marketing and supply of mobile and off-grid energy solutions based on fuel cells (PEMFC and DMFC).

The Clean Power Management segment focuses on the development, manufacture and marketing of standardized and semi-standardized power management and electronics equipment. The segment also includes the business with frequency converters for the upstream oil and gas industry and other industries, some of which are integrated and some of which are sold.

The company is listed in the Prime Standard of the Frankfurt Stock Exchange (WKN 756857, ISIN: DE0007568578).

Accounting principles

The 2023 Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and related Interpretations issued by the International Accounting Standards Board (IASB) and the related Interpretations issued by the IFRS Interpretations Committee (IFRIC or previously SIC) prepared as adopted by the European Union. The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.

The Group's financial year corresponds to the calendar year (January 1 to December 31).

The Consolidated Financial Statements have been prepared in euros (EUR). Unless stated otherwise, the figures contained in these Notes to the Consolidated Financial Statements have been rounded to the nearest whole euro (EUR). Please note that the use of rounded amounts and percentages can result in differences due to commercial rounding.

The Consolidated Financial Statements of SFC AG were prepared on the basis of historical or production costs. This does not apply to certain financial instruments and share-based payments that were recognized at fair value as of the balance sheet date. Historical acquisition and production costs are generally based on the fair value of the consideration paid in exchange for the asset. A corresponding explanation of the fair value measurements is provided in the section on accounting policies.

In addition, SFC AG has consistently applied the following accounting policies to all periods presented in these Consolidated Financial Statements.

The Consolidated Statement of Income has been prepared using the cost of sales method. Additional disclosures on cost of materials and personnel expenses are shown separately in the Notes to the Consolidated Financial Statements.

In preparing the Consolidated Financial Statements, the legal representatives of SFC AG are responsible for assessing the Group's ability to continue as a going concern. The legal representatives are also responsible for disclosing, where applicable, matters related to a going concern. In addition, the legal representatives of the company are also responsible for preparing the Financial Statements on a going concern basis unless there is an intention to liquidate or to cease operations of the Group or there is no realistic alternative to continuing as a going concern.

The 2023 Consolidated Financial Statements of SFC AG have been prepared on a going concern basis.

The Management Board is of the opinion that there are no material uncertainties that could cast significant doubt on this assumption. They have concluded that the Group has sufficient funds reasonably available to meet its obligations for the foreseeable future, but at least 12 months after the end of the reporting period.

The Management Board of SFC AG approved the Consolidated Financial Statements for release to the Supervisory Board on March 27, 2024. The Supervisory Board is responsible for reviewing the Consolidated Financial Statements and deciding whether to adopt them.

New accounting standards applied

The following standards and interpretations published by the IASB and adopted by the EU Commission were applied for the first time in the reporting year:

Application of IFRS 17 – "Insurance Contracts"

IFRS 17 replaces IFRS 4 and thereby, for the first time, establishes uniform requirements for the recognition, measurement, presentation of and disclosure of information on insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. IFRS 17 applies to all types of insurance contracts (i.e. life, non-life, insurance and reinsurance), irrespective of the type of entity issuing them, as well as to certain guarantees and financial instruments with discretionary participation features. The core of IFRS 17 is the general model, supplemented by a specific adjustment for contracts with direct participation features (variable fee approach) and a simplified approach (premium allocation approach), mainly for short-term contracts. The publication in the Official Journal of the European Union on November 23, 2021, marked its incorporation into European law. This means that IFRS 17 is mandatory for reporting periods beginning on or after January 1, 2023. There are no significant effects on the Consolidated Financial Statements.

Amendments to IFRS 17 - „First-time Adoption of IFRS 17 and IFRS 9 - Comparative Information“

The amendment enables entities to improve the usefulness of the comparative information presented when applying IFRS 17 and IFRS 9 for the first time.

The main amendment in the pronouncement relates to a narrow-scope amendment to the transition requirements of IFRS 17 for entities applying IFRS 17 and IFRS 9 simultaneously for the first time. IFRS 17 requires an adjustment to comparative figures, while such an adjustment to IFRS 9 is only permitted if this is possible without taking into account subsequent findings. However, an adjustment is prohibited for financial assets that were derecognized before the date of initial application of IFRS 9.

Following publication in the Official Journal of the European Union on November 8, 2022, these amendments to IFRS 17 are to be applied for financial years beginning on or after January 1, 2023. There are no material effects on the consolidated financial statements.

Amendments to IFRS 17 - "First-time Adoption of IFRS 17 and IFRS 9 – Comparative Information"

The amendment enables companies to improve the decision-making usefulness of the comparative information presented when applying IFRS 17 and IFRS 9 for the first time.

The main change in the pronouncement relates to a narrowly-defined change to the transition requirements of IFRS 17 for companies that are applying IFRS 17 and IFRS 9 at the same time for the first time. IFRS 17 requires an adjustment to comparative figures, while such an adjustment to IFRS 9 is only permitted if it can be done without taking subsequent findings into account. However, an adjustment is prohibited for financial assets derecognized prior to the date of initial application of IFRS 9.

Due to the publication in the Official Journal of the European Union on November 8, 2023, these amendments to IFRS 17 are to be applied for financial years beginning on or after January 1, 2023. No significant effects on the Consolidated Financial Statements are expected.

Amendments to IAS 1 - "Disclosure of Accounting Policies" and IFRS Practice Statement 2

The amendments to IAS 1 require an entity to disclose material information related to its accounting policies rather than its significant accounting policies. In assessing the materiality of accounting policy information, companies must consider the size of transactions, other events and their nature. The amendments clarify that information concerning accounting policies can be material by its own nature even if the related amounts are immaterial, and vice versa. Based on the changes, accounting policy information is likely to be material in the following situations:

- A change in an accounting policy results in a material change in the information presented in the financial statements;
- In the IFRSs, there is a right to choose the accounting method to be used for the matter;
- Accounting methods were developed in accordance with IAS 8 due to the lack of relevant regulations in the IFRSs;
- Applying an accounting policy requires significant judgment or assumptions;
- It is difficult for the reader of the financial statements to understand significant transactions and other events or circumstances because they involve complex accounting decisions, e.g., when more than one IFRS is applied.

According to the changes, the disclosure of unnecessary and immaterial information on accounting methods is explicitly permitted, provided that this does not obscure important information.

With its publication in the Official Journal of the European Union on March 3, 2022, it was adopted into European law. IAS 1 is thus mandatory for reporting periods beginning on or after January 1, 2023. There are no significant effects on the Consolidated Financial Statements.

Furthermore, additional guidelines and examples have been added to IFRS Guidance Document 2 to explain and demonstrate how the application of the four-step materiality process is applied to accounting policies to support the amendments to IAS 1. Since IFRS Guidance Document 2 is not part of IFRS, it is not expected that the EU will publish the amendments hereto in the Official Journal, although it can serve as guidance in making materiality decisions.

Amendments to IAS 8 – "Changes in Accounting Estimates"

The amendments to IAS 8 relate to the revised definition of accounting estimates. According to the new definition, accounting estimates are "monetary amounts in the financial statements that are subject to measurement uncertainty." The amendment clarifies that a change in an accounting estimate resulting from new information or new developments does not constitute the correction of an error.

With its publication in the Official Journal of the European Union on March 3, 2022, it was adopted into European law. This means IAS 8 is mandatory for reporting periods beginning on or after January 1, 2023. No significant effects on the Consolidated Financial Statements are expected.

Amendments to IAS 12 – "Deferred Taxes Relating to Assets and Liabilities Arising from a Single Transaction"

The change is a re-exemption from the first-time application exemption provided for in IAS 12.15 and IAS 12.24. Accordingly, the first-time application exemption does not apply to transactions that give rise to deductible and taxable temporary differences of equal amounts on initial recognition.

The amendments are effective for annual periods beginning on or after January 1, 2023. There are no significant effects on the Consolidated Financial Statements.

Amendments to IAS 12 - „International Tax Reform - Pillar 2 modelling rules“

The amendments relate to the following points:

- An exception to the requirements in IAS 12 under which an entity does not recognize and disclose deferred tax assets and liabilities relating to OECD Pillar 2 income taxes. An entity shall disclose that it has applied the exception.
- Requirement that an entity disclose separately its current tax expense (income) relating to second pillar income taxes.
- Requirement that an entity provides known or reasonably estimable information that helps users of financial statements understand the second pillar income taxes arising from those laws in periods when those laws have been enacted or substantively enacted but are not yet effective.

- Requirement that an entity applies the exemption and the requirement to disclose that it has applied the exemption immediately after the amendments are issued and retrospectively in accordance with IAS 8. T The remaining disclosure requirements are mandatory for annual reporting periods beginning on or after 1 January 2023.

The amendments are to be applied for financial years beginning on or after 1 January 2023. There are no material effects on the consolidated financial statements.

New accounting standards not yet implemented

The following new and revised standards, which SFC has not applied early for 2023, were published by the IASB by the date of preparation of these consolidated financial statements and have been partially recognized by the EU Commission:

Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current

In the fourth quarter of 2022, the International Accounting Board (IASB) published that for liabilities classified as long-term that are subject to compliance within 12 months of the reporting date, information must be disclosed in the Notes that enables the user of the financial statements to assess the risk that the liability could become repayable within 12 months of the reporting date. The information to be disclosed includes the carrying amount of the respective liability, any conditions in place (including their nature and the timing by which the company must satisfy them), and any facts and circumstances that indicate that the entity could have difficulty in meeting the conditions.

The adoption into European law by the European Union took place on December 19, 2023. The amendments and the previous amendment are effective for annual periods beginning on or after January 1, 2024. No material effects on the Consolidated Financial Statements are expected.

Amendments to IFRS 16 – "Lease Liability in a Sale and Leaseback Transaction"

The amendment requires a seller-lessee to subsequently measure lease liabilities from a sale and leaseback transaction such that it does not recognize any amount of profit or loss related to the retained right-of-use asset. A seller-lessee is not precluded from recognizing gains or losses related to the partial or full termination of a lease in the income statement.

The adoption into European law by the European Union took place on November 20, 2023. The amendments are effective for annual periods beginning on or after January 1, 2024. No significant effects on the Consolidated Financial Statements are expected.

Amendments to IAS 21 - „Lack of exchangeability"

The amendment clarifies when a currency is exchangeable into another currency and when it is not. The amendment also includes rules on how an entity determines the closing rate to be applied when a currency is not exchangeable. It also contains provisions on the disclosure of additional information when a currency is not exchangeable.

Subject to adoption into European law by the European Union, the amendments are to be applied for reporting dates beginning on or after 1 January 2025. They are not expected to have any material effects on the consolidated financial statements.

Amendments to IAS 7 and IFRS 7 - „Supplier Financing Arrangements“

The amendments require entities to disclose information in the notes that enables users of financial statements to evaluate how supplier financing arrangements affect an entity's liabilities and cash flows and to understand how these arrangements affect an entity's liquidity risk and how the entity might be affected if the arrangement were no longer available.

Subject to endorsement by the European Union, the amendments are effective for reporting dates beginning on or after 1 January 2024. They are not expected to have any material effects on the consolidated financial statements.

Estimation uncertainty and judgments

The preparation of the Consolidated Financial Statements in accordance with IFRS requires management to make certain accounting estimates based on assumptions that affect the application of accounting principles and the valuation of assets and liabilities, the disclosure of contingent assets and liabilities at the balance sheet date and the reported income and expenses for the reporting period. The amounts that actually arise in future periods may deviate from these estimates. The estimates and underlying assumptions are continually reviewed by management. Changes are recognized in profit or loss when better information becomes available. Furthermore, the carrying amounts of such assets and liabilities on the reporting date are disclosed.

The application of the Group's accounting policies is also subject to various judgements by the management. In preparing these financial statements, the significant judgments made by management in the process of applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those uniformly applied in the preparation of the Consolidated Financial Statements for the year ended December 31, 2022.

The assumptions and estimates primarily relate to:

Measurement of provisions

Management estimates are used to measure provisions. The amount of the warranty provision is based on the historical development of warranties and a consideration of all possible future warranty cases weighted according to their probability of occurrence. The non-current portion of the provisions determined on the basis of these assumptions is discounted. Note (21) contains information on the interest rates used and the development of the present values.

Determination of economic useful lives for property, plant and equipment and intangible assets

The estimated useful lives of fixed assets are based on management estimates. SFC reviews the estimated useful lives of property, plant and equipment and intangible assets at the end of each financial year. There were no changes in the estimates of useful lives during the current financial year. As part of business acquisitions, the useful lives of customer relationships were determined on the basis of statistical analyses that included management estimates, and the useful lives of acquired technology were determined on the basis of empirical values with regard to the average product life cycle in the industry (see explanations on "Intangible assets" in the section "Accounting and valuation principles").

Mandatory capitalization of self-developed intangible assets

If all requirements of IAS 38 are met cumulatively, the direct costs and overheads directly attributable to the development process are capitalized. When the asset begins to be used commercially, it is amortized on a straight-line basis over a period of generally five years from the date of the economic depreciation. Development projects that have not yet been completed but have already been capitalized are tested for impairment at product level.

Research and development costs that cannot be capitalized are recognized in profit or loss.

Recognition of deferred tax assets, particularly for losses carried forward

Deferred tax assets are recognized on the company's tax loss carry forwards based on taxable profit projections. Please see Note (9) Income taxes.

Measurement of share-based compensation

The Supervisory Board of the company has implemented a virtual stock option program (Stock Appreciation Rights Program – SAR) and a stock option program (SOP) (together LTI-programs) aimed at achieving the alignment of interests between shareholders and the Management Board. These LTI-programs provide for the allocation of virtual and non-virtual stock options to the members of the Management Board as well as certain managers. Note (31) Share-based payment contains information about the estimated valuation parameters used in the valuation model to determine the resulting expenses.

Revenue recognition on contract development

SFC carries out contract development under Joint Development Agreements ("JDA"). Likewise, at SFC Energy Ltd., there are long-term customer orders that are accounted for using the revenue method over time in accordance with IFRS 15.

In the case of customer orders where the service is provided over a period of time, revenue is recognized according to the stage of completion. The stage of completion is measured on the basis of the contract costs incurred up to the balance sheet date in relation to the total expected contract costs (cost-to-cost method). The contract costs incurred represent the best benchmark for determining the degree of fulfilment of the performance obligation. In this context, the main estimates include the total contract costs, the costs to be incurred up to completion and the total contract revenue and contract risks. The estimates are regularly reviewed and adjusted if necessary.

Leases – estimating the incremental borrowing rate and taking renewal and termination options into account

Because the Group cannot readily determine the interest rate implicit in its leases, SFC uses a leasing specific incremental borrowing rate to measure the lease liabilities. The incremental borrowing rate is the interest rate that the lessee would have to pay if it borrowed the funds it would need in a comparable economic environment for an asset with a value similar to the right-of-use asset for a comparable term. The Group estimates the incremental borrowing rates using observable inputs where available and is required to make certain company-specific estimates.

In addition, a number of the Group's leases, particularly of real estate, also contain renewal and termination options. The assessment of whether there is reasonable certainty that the option to extend or terminate the lease will or will not be exercised is subject to judgment. When determining the term of the lease, all facts and circumstances that provide an economic incentive to exercise or not exercise the option to extend or terminate the lease are taken into account. In determining the term, such options are only taken into account if they are sufficiently certain.

Impairment of non-financial assets

The Group evaluates all non-financial assets at each reporting date to determine whether indications of impairment exist. Goodwill is reviewed at least once a year, regardless of whether there are any indications of potential impairment. The determination of the recoverable amount of the assets and the cash-generating units is associated with estimates by the management.

Recoverability of receivables

Allowances for doubtful accounts are estimated by management based on the expected credit loss model and the current economic environment. Please refer to Note (30) "Financial instruments."

Correction of errors

Disclosure of reversal from SAR liabilities

In 2023, the Group determined that the reversal made in 2022 in connection with SAR liabilities was incorrectly recognized in other operating income. As a result, the amounts in the previous year were reclassified from other operating income to the corresponding functional costs.

The following tables summarize the effects on the consolidated financial statements.

CONSOLIDATED INCOME STATEMENT (EXTRACT) in EUR

	2022	increase / decrease	2022 (retroactively adjusted)
Selling expenses	-13,765,230	635,088	-13,130,142
General administrative expenses	-10,292,638	514,354	-9,778,284
Other operating income	2,521,462	-1,149,442	1,372,020

Breakdown of SAR liabilities into current and non-current

In 2023, the Group discovered that the breakdown of existing SAR liabilities into current and non-current was incorrect in the previous year. The error was corrected by retroactively adjusting the affected items in the previous year's financial statements.

The following tables summarize the effects on the consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (EXTRACT) in EUR

	12/31/2022	increase / decrease	12/31/2022 (retroactively adjusted)
Other liabilities - current	8,317,393	712,239	9,029,632
Other liabilities – non-current	4,644,125	-712,239	3,931,886

Recognition of deferred taxes in connection with capital measures

In the reporting year, the Group realized that the recognition of deferred taxes in connection with the capital increase in 2022 was incorrect. The error was corrected by retroactively adjusting all affected items in the previous year's financial statements.

The following tables summarize the effects on the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (EXTRACT) in EUR

	12/31/2022	increase / decrease	12/31/2022 (retroactively adjusted)
Capital reserve	168,262,275	953,021	169,215,296
Consolidated net result	2,020,125	-953,021	1,067,104

CONSOLIDATED INCOME STATEMENT (EXTRACT) in EUR

	12/31/2022	increase / decrease	12/31/2022 (retroactively adjusted)
Taxes on income and earnings	-969,932	-953,021	-1,922,953
Consolidated net result for the period	**2,020,125**	**-953,021**	**1,067,104**
Earnings per share			
Basic	0.13	-0.06	0.07
Diluted	0.13	-0.06	0.07

Furthermore, there was a change in the amount of tax loss carryforwards from EUR 141,213,335 to EUR 142,506,466 in 2022. This change is mainly the result of adjustments to taxable income. This has no effect on the balance sheet and income statement.

Offsetting deferred tax assets and tax liabilities

In 2023, the Group determined that deferred tax assets and tax liabilities were not offset in the previous year by mistake. The error was corrected by retrospectively adjusting all affected items in the previous year's financial statements.
The following tables summarize the effects on the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (EXTRACT) in EUR

	12/31/2022	increase / decrease	12/31/2022 (retroactively adjusted)
Deferred tax assets	2,052,924	-1,984,267	68,658
Deferred tax liabilities	2,063,772	-1,984,267	79,506

Scope of Consolidation

The Consolidated Financial Statements include SFC Energy AG and all companies directly or indirectly controlled by the company. Control exists when the company has the power to govern the financial and operating policies of an investee, is exposed to variable returns from its involvement with the investee and has the ability to affect the amount of those returns through its power. The company reassesses whether or not it controls an investee when facts and circumstances indicate that one or more of the three criteria for control cited above have changed.

If the company does not have a majority of the voting rights, it nevertheless controls the investee if its voting rights give it the practical ability to unilaterally determine the relevant activities of the investee. In assessing whether its voting rights are sufficient to give it power, the company considers all facts and circumstances, including:

- The extent of the voting rights held by the company in relation to the extent of the distribution of the voting rights of other holders of voting rights;
- Potential voting rights of the company, other holders of voting rights and other parties;
- Rights arising from other contractual arrangements; and
- Other facts and circumstances indicating that the company has or does not currently have the ability to determine the relevant activities at the times that decisions must be made, taking the voting behavior at previous Annual General or shareholders' meetings into account.

The Consolidated Financial Statements therefore include SFC Energy AG as the parent company, SFC Energy Group B.V. which was acquired in 2011 and includes its subsidiary SFC Energy Power Srl., SFC Energy Ltd., which was acquired in 2013 (formerly Simark Controls Ltd.), and the companies SFC Energy India Private Ltd, SFC Energy UK Ltd, SFC Clean Energy Srl. and SFC Energy LLC, which were newly established in the 2023 financial year. The financial statements of the subsidiaries are included in the Consolidated Financial Statements from the date on which control is obtained until the date on which control ceases.

The annual financial statements of the companies included that are prepared in accordance with national law, were converted to IFRS and adjusted to the uniform accounting and valuation methods of the Group. The financial year of all consolidated companies corresponds to the calendar year (January 1 to December 31).

The company's direct and indirect shareholdings in subsidiaries included in the scope of consolidation as of December 31, 2023, are shown in the following table.

SUBSIDIARIES THAT ARE FULLY INCLUDED IN THE SCOPE OF CONSOLIDATION in %

Name	Country	Share in the capital			Currency
		directly	indirectly	total	
SFC Energy Ltd,.	Calgary (Canada)	100.00	–	100.00	CAD
SFC Energy B.V.	Almelo (Netherlands)	100.00	–	100.00	EUR
SFC Energy Power Srl.	Cluj-Napoca (Romania)	–	100.00	100.00	RON
SFC Energy India Private Ltd.	Gurgaon (India)	92.00	-	92.00	INR
SFC Energy UK Ltd.	Swindon (UK)	100.00	-	100.00	GBP
SFC Clean Energy Srl.	Cluj-Napoca (Romania)	100.00	-	100.00	RON
SFC Energy LLC	Wilmington (USA)	100.00	-	100.00	USD

In the reporting year, there were no changes in ownership interests in the Group that would have led to a loss of control. There are no significant restrictions on the ability of the Group or its subsidiaries to access and use the Group's assets or to demand settlement of the Group's liabilities.

Accounting and valuation principles

Revenue recognition

While the Clean Energy segment covers all hydrogen and methanol fuel cell systems and the automation solutions that are often related to it, the Clean Power Management segment bundles power electronics and frequency converters.

SFC AG's sales are generated from the sale of fuel cell systems. The „Clean Energy" segment comprises the sales of fuel cell solutions and related accessories. The key target markets of the segment and the energy solutions offered are the market for industrial applications, including civil security technology/video surveillance, the market for public safety, including homeland security and defence, and the market for private applications, including caravanning and boating. The Power Manager is also used in the key target market for public safety. The Power Manager product is an electronic, universally applicable converter that enables the charging and operation of various end devices and batteries with different power sources. Revenue is also generated from sales of fuel cartridges and other products for network solutions as well as from other services and consulting in the area of public safety. The subsidiaries SFC Energy India Private Ltd, SFC Energy UK Ltd, SFC Clean Energy Srl. and SFC Energy LLC, which were founded in the reporting year, are allocated to the Clean Energy segment.

SFC Energy B.V. (hereinafter SFC B.V.) is allocated to the Clean Power Management segment. SFC B.V. develops, manufactures and markets customized high-tech power solutions, from power supplies to complete power systems for industrial plant and equipment manufacturers. SFC B.V. converts these solutions, some via platform solutions, into marketable products with an integrated high-power platform. This enables the reliable qualitative processing of mains power exactly according to the specific requirements of the system. The power supplies adapt the electrical power to the energy required by the system in a modular manner. SFC B.V. meets demanding customer requirements based on the SFC B.V. Technology it developed in-house.

This compact, scalable power supply technology, which is offered by the "Clean Power Management" segment, offers maximum flexibility in the development and manufacture of standardized and semi-standardized high-performance and high-precision power supplies for demanding industrial applications, e.g. in laser technology and other high-tech industrial fields. Some of SFC B.V.'s products are manufactured at its Romanian subsidiary in Cluj.

SFC Energy Ltd. (hereinafter SFC Ltd.) markets and designs customer solutions as a product integrator for high-tech power supply, instrumentation and automation products, especially in the Canadian oil & gas industry. SFC Ltd.'s product portfolio includes instrumentation and measurement systems, power supply components and drives for various applications and generates sales in the two segments "Clean Energy" and "Clean Power Management."

The realization of this revenue depends on the point in time (or over what period of time) the respective performance obligation is fulfilled, i.e. the power of disposal (control) over the respective goods or services was transferred to the customer. This is met when the customer has the ability to use the asset and obtains substantially all of the remaining economic benefits from the asset.

Revenue is recognized when the amount of the expected consideration can be reliably determined, it is sufficiently probable that the company will receive the economic benefit from the sale and its own costs can be estimated. Therefore, SFC recognizes revenue from the sale of products when control has been transferred to the buyer. The majority of revenue is recognized from the sale of products at a point in time when control of the goods has been transferred (change of control). A receivable is recognized at this point in time, as the claim to consideration is unconditional at this point in time, meaning that the due date occurs automatically from this point in time. Customer discounts and rebates as well as returns of goods are generally recognized as a reduction of revenue. Provisions for customer discounts and rebates as well as returns of goods are recognized on an accrual basis in accordance with the underlying sales revenues. In doing so, the management makes use of its best estimates. Estimated amounts of variable consideration, which can only be realized under certain conditions, are not included in the expected sales revenue.

The Group applies standard industry payment terms of 30 days on average when invoicing. Therefore, no significant financing component is included.

Contracts with customers are also reviewed for separate performance obligations. This is particularly important for sales that grant an additional guarantee that extends beyond the statutory guarantee period.

In this context, SFC accrues payments for multi-year maintenance contracts for the portion that exceeds the statutory minimum and recognizes these revenues ratably over the contractual warranty period. Extended warranties and multi-year maintenance contracts generally have terms of between 2 and 5 years. In the case of multiple performance obligations, the transaction price is allocated to all performance obligations based on the relative stand-alone selling prices, which are generally directly observable.

The determination of the transaction price depends on the expected consideration from the customer for the service to be provided. To the extent that SFC's contracts can be assumed to have only one performance obligation, the transaction price attributable to the respective performance obligation is recognized as revenue, net of estimated customer discounts and rebates, when the respective obligation is fulfilled. Revenue is adjusted to reflect the actual payment upon receipt of payment. Since the performance obligations are generally significantly shorter than one year, the obligations outstanding as of the reporting date are not presented in the notes. SFC makes use of the option under IFRS 15,121, according to which no financing component is to be taken into account for short-term performance periods.

With regard to JDAs, SFC develops fuel cells that are customized to meet the customer's requirements. The Joint Development Agreements are contract developments carried out by the company in cooperation with various public customers.

If the costs of contract manufacturing can be determined with sufficient certainty, the contract revenue and contract costs associated with the construction contract are recognized by reference to the stage of completion of the contract on the reporting date. The stage of completion is determined on the basis of the contract costs incurred for the work performed in relation to the expected contract costs.

Long-term development contracts as well as the long-term made-to-order productions by SFC Ltd. are accounted for over time using the revenue method. Accordingly, performance obligations are continuously satisfied over a period of time if the company's performance creates or enhances an asset over which the customer has control or an asset is created for which the company providing the service has no alternative use and the customer at the same time receives a benefit from the services rendered or another company would essentially not have to perform the work already carried out again if the performance obligations were assumed, or the performing company is entitled to payment for the work already carried out and assumes that it will also fulfil the contract. Revenue from such continuous performance obligations determined in this manner is recognized in accordance with the stage of completion in the sense of the transfer of control of goods or services in the aforementioned sense, provided that this can be reliably determined. The percentage of completion to be recognized for each contract is determined by the ratio of the costs incurred to the expected total costs (cost-to-cost method). Contracts are recognized under assets or liabilities from contracts with customers. As a rule, partial invoices are agreed with the customer for production orders. If the cumulative contract costs incurred and profits recognized exceed the partial invoice amounts in an individual case, the construction contracts are recognized on the assets side of the balance sheet under assets from contracts with customers. If a negative balance remains after deduction of the progress invoices, they are reported under liabilities from contracts with customers.

If the outcome of a construction contract can be reliably estimated, the contract revenue and contract costs associated with the construction contract are recognized by reference to the stage of completion of the contract at the reporting date. The stage of completion is determined on the basis of the contract costs incurred for the work performed in relation to the expected contract costs.

Expense realization

The production costs of the services provided to generate the sales revenue and operating expenses are recognized as an expense when the service is used or at the time it is incurred.

Fair value measurement

Assets, equity and debt instruments as well as liabilities measured at fair value in accordance with IFRS 9 are measured uniformly in accordance with the provisions of IFRS 13. Exceptions to this include share-based payments within the scope of IFRS 2 (see (31) "Share-based payment / Stock Appreciation Rights Program"), leases within the scope of IFRS 16 (see (25) "Leases") and valuation criteria that are similar to fair value, but not the same (e.g. value in use in IAS 36 Impairment of Assets).

Fair value is the price that would be paid to sell an asset or to transfer a liability in an orderly transaction between market participants on the day it is measured on. This applies regardless of whether the price is directly observable or has been estimated using a valuation method.

The measurement of a non-financial asset's fair value reflects the market participant's ability to generate economic benefits through the highest and best use of the asset or through its sale to another market participant who finds the most economically rational and efficient use for the asset.

As the fair value is not always observable as a market price, the Group uses measurement methods that are appropriate under the circumstances and for which sufficient data is available to measure fair value. The use of significant observable input factors is maximized and the use of unobservable input factors is minimized.

All assets and liabilities for which fair value is determined or disclosed are categorized into the hierarchy described below in accordance with IFRS 13, based on the lowest level input factor (Level) that is material overall for fair value measurement:

- Level 1: Prices quoted (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Valuation methods whose input factors can be observed directly or indirectly on the market.
- Level 3: Valuation methods whose lowest input factor cannot be observed on the market.

Intangible assets

Intangible assets acquired separately, i.e. not as part of a business combination, that have a finite useful life are carried at cost less straight-line amortization. Intangible assets are generally amortized on a straight-line basis over their useful lives. The depreciation periods are as follows for:

ERP-Software	5 to 8 years
Software	3 to 10 years
Acquired and self-created patents	5 to 14 years
Purchased licenses	2 to 5 years
Development costs	5 years

Customization costs for the acquired ERP-software are allocated to intangible assets as incidental acquisition costs. Amortization is charged on a straight-line basis over the useful life of the ERP-software.

Development costs are capitalized in accordance with IAS 38 "Intangible Assets" if the following evidence has been provided for a newly developed asset:

- The completion of the intangible asset is technically feasible so that it will be available for use or sale
- The intention is to complete it and either use it for one's own purposes or sell it
- The ability to use or sell the intangible asset exists
- Adequate technical, financial and other resources must be available to complete the development
- It must be sufficiently probable that the development costs will be recovered through future cash inflows, i.e. a corresponding future economic benefit will be generated.
- The ability to reliably determine the expenses attributable to the development of the intangible asset is available.

Capitalized development costs are amortized on a straight-line basis over the expected useful life of the assets. The useful life of the amortized development costs is 5 years for both SFC AG and SFC B.V. If the capitalization criteria have not been met, the expenses are recognized in the income statement in the year in which they are incurred. In accordance with IAS 38, research costs are reported as current expenses.

In subsequent periods, internally generated intangible assets are measured at cost less accumulated amortization and impairment losses.

Goodwill resulting from business combinations is recognized at cost less any necessary impairment (see the section "Impairment of non-financial assets").

Property, plant and equipment

Property, plant and equipment is stated at acquisition or production cost less scheduled depreciation in accordance with their expected useful lives. In addition to the individual costs, the acquisition costs include all directly attributable costs that are incurred in order to bring the asset to its location and into its operational state.

Depreciation of property, plant and equipment is calculated using the straight-line method. The depreciation periods are as follows for:

- Plant and machinery — 3 to 10 years
- Other equipment, operating and office equipment — 3 to 13 years

Borrowing costs

If the production phase of property, plant and equipment extends over a longer period of time, the borrowing costs incurred until completion are to be capitalized as part of the acquisition or production costs in accordance with the conditions of IAS 23. No borrowing costs were incurred in this connection in the reporting year or in the previous year. To this extent, all borrowing costs were recognized in profit or loss in the period in which they were incurred.

Impairment of non-financial assets

The recoverability of the capitalized carrying amount of intangible assets and assets of property, plant and equipment is reviewed on the basis of the cash flows from use expected in the future (discounted with a time and risk-adequate interest rate) and on the basis of the fair value less costs of sale (impairment test), if special events or market developments indicate a possible correction of the estimated useful life or a possible decline in value. Furthermore, intangible assets that cannot yet be utilized must be tested for impairment annually. If the net carrying amount of assets is greater than the recoverable amount (higher of value in use and fair value less costs of disposal), unscheduled depreciation is carried out. In determining the expected future cash flows, the current and expected future level of earnings as well as business unit-specific, technological, economic and general developments are taken into account. If no recoverable amount can be determined for an asset, the recoverable amount of the cash-generating unit to which the asset in question can be allocated is determined.

If the impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount. The increase in the carrying amount is limited to the amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal is recognized immediately in profit or loss.

For the purpose of impairment testing, goodwill acquired as part of a business combination is allocated, at the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the business combination.

Goodwill is tested for impairment at least annually. If there are indications that a unit may be impaired, it might be necessary to perform impairment tests more frequently. If the carrying amount of the cash-generating unit to which goodwill is allocated, including this goodwill, is higher than the recoverable amount of this group of assets, an impairment loss must be recognized. The recoverable amount is the higher of value in use and fair value less costs to sell.

The impairment loss is first allocated to goodwill and then to other assets in proportion to their carrying amounts. Any impairment of goodwill is recognized directly in the income statement. In accordance with IAS 36, no reversals are made for goodwill.

Leases

A lease is a contract that conveys the right to use an asset for an agreed period of time in return for payment.

As of January 1, 2019, SFC as a lessee for leases generally recognizes assets for the right-of-use assets and liabilities for the payment obligations incurred. Exceptions to this include short-term leases (defined as leases with a term of 12 months or less) and leases of low-value assets (e.g. low-value IT equipment according to IFRS 16.B6). for which the Group applies the exemption from recognition in accordance with IFRS 16.5. The right-of-use asset is initially measured at the present value of the future lease payments plus initial direct costs and is subsequently depreciated or amortized over the term of the lease to account for impairments.

The lease liability is measured at the time of addition as the present value of the lease payments to be made during the lease term. In subsequent measurement, the carrying amount is compounded at the interest rate applied and reduced by the lease payments made. The lease payments of the SFC Group are discounted using a lessee-specific incremental borrowing rate.

The following lease payments are taken into account when accounting for lease liabilities:

- fixed payments, less lease incentives to be paid by the lessor,
- variable payments linked to an index or interest rate,
- expected residual value payments from residual value guarantees,
- the exercise price of a call option if exercise is deemed to be reasonably certain, and
- contractual penalties for termination of the lease if its term takes into account that a termination option will be exercised.

The exercise of existing purchase options is not considered sufficiently certain, which is why the exercise price of a purchase option is not recognized in the lease liability.

The Group remeasures the lease liability and the corresponding right-of-use asset for the following cases:

- The lease term has changed or there is a material event or change in circumstances leading to a change in the assessment regarding the exercise of a purchase option. In this case, the lease liability is remeasured by discounting the adjusted lease payments using an updated interest rate.
- The lease payments change due to index or exchange rate changes or a change in the expected payment due under a residual value guarantee. In these cases, the lease liability is remeasured by discounting the adjusted lease payments using an unchanged discount rate (unless the change in lease payments is due to a change in a variable interest rate. In this case, an updated interest rate is to be used).
- A lease is modified and the lease modification is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the term of the modified lease by discounting the modified lease payments using an updated interest rate at the effective date of the modification.

The exercise of existing purchase options is not considered sufficiently certain, which is why the exercise price of a purchase option is not recognized in the lease liability.

The Group did not perform any such adjustments in the periods shown.

Right-of-use assets are measured at cost, and this is comprised as follows:

- lease liability,
- all lease payments made at or before delivery less any leasing incentives received,
- initial directly attributable costs.

The Group uses IAS 36 to assess whether write-downs of right-of-use assets are necessary. For more detailed explanations, we refer to the section "Impairment of non-financial assets."

Capitalized right-of-use assets are consequently recognized at amortized cost and amortized on a straight-line basis over the period of the contractual relationship. Based on the contracts currently in place, the amortization periods are as follows:

- Right-of-use Assets 3 to 10 years

Inventories

Raw materials and supplies are recognized at the time of acquisition at cost plus incidental acquisition costs less purchase price reductions. Finished goods and work in progress are capitalized at their production costs. In addition to the directly attributable costs, these also include the manufacturing and material overheads to be included.

Subsequently, inventories are measured taking the net realizable values at the balance sheet date into account. The weighted average method is used as the consumption sequence method.

Financial assets

For the purposes of IFRS 9, the classification and measurement approach for financial assets applies, which reflects the business model under which the assets are held and the characteristics of their cash flows. The following categories of financial instruments are possible under IFRS 9:

- debt instruments at amortized cost;
- debt instruments measured at fair value through other comprehensive income (FVOCI) with no effect on profit or loss, whereby the cumulative gains and losses are reclassified to profit or loss when the financial asset is derecognized (with reclassification);
- debt instruments, derivatives and equity instruments that are measured at fair value through profit or loss (FVTPL);
- equity instruments measured at fair value through equity, with gains and losses remaining in other comprehensive income (FVOCI), (without reclassification).

A purchase or sale of financial assets at market conditions is to be recognized or derecognized either on the trade date or on the settlement date. The method chosen must be applied consistently to all purchases and sales of financial assets that are classified in the same way under IFRS 9. Under IFRS 9, financial assets are recognized initially at fair value, irrespective of the measurement class to which a financial instrument is assigned. This does not apply to trade receivables without a significant financing component. These are to be recognized at the transaction price upon initial recognition. Transaction costs must also be included in the valuation if financial instruments are subsequently measured at amortized cost or FVOCI.

The subsequent measurement of financial instruments continues to depend on the classification. The classification of financial assets in turn depends on the characteristics of the contractual cash flows of the financial assets and the Group's business model for managing its financial assets. Depending on the category, they are measured at amortized cost, at fair value through profit or loss, or at fair value through other comprehensive income. The effective interest method is used for instruments measured at amortized cost.

- Amortized costs of purchase: Assets held to collect contractual cash flows, where those cash flows are solely payments of principal and interest, are measured at amortized cost. Interest income from these financial assets is recognized in financial income using the effective interest method. Gains or losses on derecognition are reported directly in the income statement and are included in other gains / (losses) together with currency gains and losses. Impairment losses are recognized in the operating result (in selling expenses, see point 3).
- Measured at fair value through profit or loss (FVOCI): Assets that are held to collect contractual cash flows and to sell financial assets, where the cash flows of the assets are exclusively used to pay principal and interest, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are recognized in OCI, except for the recognition of impairment gains or losses, interest income and foreign currency gains and losses, which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to the income statement. Interest income from these financial assets is recognized in financial income using the effective interest method.
- At fair value through profit or loss (FVPL): Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss (FVPL). A gain or loss on a financial instrument that is subsequently measured at FVPL is recognized in the Profit and Loss account in the period in which it arises.

As at the reporting date of, as was the case in the previous period, financial assets were not allocated or designated to the “at fair value through profit or loss” category in the Group.

Financial assets measured at amortized cost using the effective interest method include in particular trade receivables, other financial assets and receivables, and cash and cash equivalents.

The Group derecognizes a financial asset only when the contractual rights to the cash flows from a financial asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to a third party.

Impairment of financial assets

SFC applies the simplified approach for determining the expected credit loss model in accordance with IFRS 9 to determine the expected credit loss for trade receivables, according to which the credit loss is calculated on the basis of the remaining term of the financial asset. If there are objective indications of a credit default, a specific allowance is recognized for the respective receivables. The risk provision for the expected credit losses is calculated on non-impaired receivables on the basis of the maturity profile for trade receivables specific to the particular customer group. These are grouped in tiers classified according to level of risk and arrears. The historic default rates applied for this are adjusted by using forward-looking information such as economic market conditions and general future risks. In individual cases, trade receivables continue to be subject to individual impairment, to the extent that substantial financial difficulties are encountered by customers or there is a breach of trust, in the case of default of payments, for example.

The recognition of an expected credit loss generally applies a three-stage procedure for allocating valuation allowances:

Level 1 includes all contracts with no significant increase in credit risk since initial recognition and regularly includes new contracts and contracts with payments less than 31 days past due. The portion of expected credit losses over the term of the instrument attributable to a default within the next twelve months is recognized.

If, after its initial recognition, a financial asset has experienced a significant increase in credit risk but is not impaired in its credit quality, it is assigned to Level 2. The expected credit losses, which are measured based on possible payment defaults over the entire term of the financial asset, are recorded as value adjustments.

If a financial asset's creditworthiness is impaired or a default has occurred, it is assigned to Level 3. The expected credit losses over the entire term of the financial asset are recognized as an impairment loss. Objective evidence that the creditworthiness of a financial asset is impaired includes a past due date of 91 days or more and further information about significant financial difficulties of the debtor.

The determination of whether a financial asset has experienced a significant increase in credit risk is based on a continuous assessment of the probability of default, which takes both external rating information and internal information about the credit quality of the financial asset into account.

A financial asset is transferred to Level 2 if the credit risk has increased significantly compared to its credit risk at the time of initial recognition. SFC estimates the credit risk on the basis of the probability of default. In Levels 1 and 2, the effective interest income is determined on the basis of the gross carrying amount. As soon as the rating of a financial asset is impaired and assigned to Level 3, the effective interest income is calculated on the basis of the net carrying amount (gross carrying amount less risk provisioning)
.

Expected credit losses are calculated using the following factors:

- neutral and probability-weighted amount;
- time value of money; and
- reasonable and supportable information (providing this is available without undue cost or effort) on the reporting date concerning past events, current conditions and forecasts of future economic conditions.

Expected credit losses are calculated as the probability-weighted present value of all payment defaults over the expected term of the financial asset. The estimation of these risk parameters includes all available relevant information. In addition to historical and current information on losses, appropriate and reliable forward-looking information is also included.

Trade receivables are reported at amortized cost less appropriate valuation allowances for recognizable default risks. This corresponds to the market value. Other financial assets and receivables are also recognized at amortized cost.

Offsetting and derecognition

Financial assets and liabilities are only offset and reported at their net amount in the balance sheet if there is a legal right to do so and the intention is to settle on a net basis or, at the same time, liquidate the asset in question to settle the related liability. Financial assets and liabilities are not offset in the reporting year.

Financial assets are derecognized when the rights to payments from the financial assets have expired or have been transferred and the Group has essentially transferred all the risks and rewards of ownership.

As of the reporting date, the Group has no exposure to financial assets that have been transferred but not derecognized in full.

Government grants

In the past financial year, government grants included, among other funds, subsidies for the development activities of SFC AG and SFC B.V., as well as SFC Ltd. (Canada) which were granted for the development of new fuel cell systems and power supply solutions.

If development costs are capitalized in accordance with IAS 38 "Intangible Assets," the grants related to assets are recognized as a reduction in the purchase or production costs of the respective asset.

If the conditions for capitalization are not met, the grants are recognized directly in profit or loss as a reduction in research and development costs and general administrative expenses.

Grants for investments are deducted from acquisition costs.

Allowances for wage costs were recognized in the cost of sales, selling expenses, research and development expenses and general administrative expenses.

Deferred and actual taxes

Deferred tax assets and liabilities are recognized in accordance with IAS 12 „Income Taxes" using the balance sheet-oriented temporary concept for all temporary differences between the tax base and the IFRS carrying amounts as well as on consolidation measures. In accordance with IAS 12.24 and IAS 12.34, deferred tax assets on loss carryforwards and temporary differences may only be recognized to the extent that it is probable that future tax benefits will be realized that allow these loss carryforwards to be offset or deferred tax liabilities exist. Deferred taxes are not recognized if the temporary differences arise from goodwill (separate recognition of goodwill for tax purposes). Deferred tax liabilities are recognized for taxable temporary differences arising from investments in subsidiaries or associates and interests in joint ventures, unless the Group is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are only offset if there is an enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or on different taxable entities that intend to settle or realize significant amounts of deferred tax liabilities or assets in each future period in which they are expected to be settled or realized. Deferred taxes are recognized either for the same taxable entity or for different taxable entities that intend to settle current tax liabilities and refund claims on a net basis or to settle the obligations simultaneously with the realization of the claims.

Deferred taxes are recognized in equity or in OCI if they relate to items that are recognized directly in equity or OCI.

Deferred tax assets or liabilities are recognized in the balance sheet under non-current assets or liabilities.

Deferred tax assets and liabilities are not discounted.

Deferred taxes are calculated on the basis of the tax rates applicable according to the current legal situation at the time of realization

.

Current and deferred taxes are calculated using the tax rates applicable in each country.

The legislation on global minimum taxation in accordance with BEPS Pillar 2 is not relevant for the Group. The sales revenue thresholds will not be reached in the current or the following year.

Short-term and other long-term employee benefits

For short-term employee benefits, the undiscounted amount of the benefit expected to be paid in exchange for the service rendered is recognized in the period in which the service is rendered by the employee.

The expected costs of short-term employee benefits in the form of compensated absences are recognized, in the case of accumulating entitlements, when the employee performs the work that increases the employee's entitlement to future compensated absences. In the case of non-accumulating entitlements, however, recognition occurs when the absence occurs.

Liabilities from other long-term employee benefits are measured at the present value of the estimated future cash outflows expected by the Group for the services provided by the employees up until the balance sheet date.

Provisions

In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets," provisions are formed if there is a current obligation to third parties as a result of a past event that will probably lead to an outflow of resources in the future and can be reliably estimated. This means the probability of occurrence must be over 50%. The provisions are taken into account for the recognizable risks and uncertain obligations in the amount of their probable occurrence and are not offset against rights of recourse. Non-current other provisions are discounted.

The settlement amount also includes cost increases to be taken into account at the balance sheet date.

Provisions for warranty claims are recognized on the basis of previous or estimated future claims experience, taking future income from the recycling of fuel cells into account.

A provision for restructuring is only recognized if a detailed, formal restructuring plan is available and those affected have a reasonable expectation that the restructuring measures will in fact be carried out.

If a loss is expected to arise from a contract, the company recognizes the present obligation under the contract as a provision for contingent losses. This is measured at the lower amount by which the expected costs of fulfilling the contract or the expected costs of not fulfilling the contract exceed the expected economic benefit from the contract.

No provisions for onerous contracts had to be recognized in either the past or the previous financial year. SFC AG's restoration obligation for leasehold improvements is reported under other provisions.

Other provisions also include provisions for waste disposal and recycling obligations.

Financial liabilities

Financial liabilities are either classified as measured at amortized cost (FLAC) or as measured at fair value through profit or loss (financial liabilities at fair value through profit or loss, FVTPL). The categorization as FVTPL generally occurs if the financial liability is classified as held for trading (e.g. derivatives), it is contingent consideration from an acquirer in a business combination, or the liabilities are designated as at fair value through profit or loss at the time of acquisition.

SFC determines the classification of its financial liabilities upon initial recognition. Financial liabilities in the "financial liabilities measured at amortized cost" category are initially measured at the fair value of the consideration received, less any transaction costs associated with borrowing. After initial recognition, financial liabilities in the category "financial liabilities measured at amortized cost" are measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and allocating interest expense to the appropriate periods. The effective interest rate is the rate at which the estimated future cash payments, including fees and charges that are an integral part of the effective interest rate, transaction costs and other premiums or discounts are discounted over the expected term of the financial instrument or a shorter period to the net carrying amount from initial recognition.

A financial liability is derecognized when the obligation underlying the liability is fulfilled, terminated or expires. The difference between the carrying amount of the derecognized financial liability and the consideration received or to be received is recognized in the Consolidated Statement of Income.

Consolidation

Capital consolidation is carried out in accordance with IFRS 10 "Consolidated Financial Statements" by offsetting the carrying amount of the investment against the equity of the subsidiary at the time of initial consolidation.

The effects of all major intragroup transactions are eliminated. Receivables and liabilities between the companies included in the Consolidated Financial Statements are offset against each other. All income and expenses from intragroup transactions are likewise eliminated.

Results from intra-group deliveries of goods included in the carrying amount of inventories are eliminated. Deferred taxes are recognized on the differences arising from the elimination of intercompany profits.

Foreign currency translation

Receivables and liabilities in foreign currencies are initially measured in accordance with IAS 21 „The Effects of Changes in Foreign Exchange Rates“ using the transaction rate and translated at the closing rate on the balance sheet date. Any resulting gains or losses are recognized in profit or loss.

The individual financial statements of the consolidated companies prepared in a foreign currency are translated on the basis of the functional currency concept in accordance with IAS 21 “The Effects of Changes in Exchange Rates” using the modified closing rate method. As SFC’s subsidiaries generally conduct business autonomously in financial, economic and organizational terms, the functional currency is identical to the companies’ local currency.

Non-monetary items measured at historical cost in a foreign currency are translated using the exchange rate on the date of the transaction. Non-monetary items measured at fair value in a foreign currency are to be translated using the exchange rate on the measurement date.

For the purpose of preparing the Consolidated Financial Statements, assets and liabilities are translated at the closing rate, equity is translated at historical rates, and income and expenses are translated at average rates. The difference resulting from currency translation is recognized directly in equity and reported separately in equity as other comprehensive income.

The exchange rates of the major foreign currencies for the Group developed as follows:

EXCHANGE RATES — in EUR

	Average rate		Rate on the reporting date	
	2023	2022	12/31/2023	12/31/2022
US-Dollar (USD)	1.0813	1.0533	1.1077	1.0676
Canadian Dollar (CAD)	1.4597	1.3697	1.4683	1.4439
Romanian Leu (RON)	4.9594	4.9301	4.9752	4.9474
Indian Rupee (INR)	89.7663	-	92.1759	-
British Pound (GBP)	0.8635	-	0.8691	-

Notes to the Consolidated Income Statement

(1) Sales revenues

Sales revenues are shown in the following overview:

		in EUR
	2023	2022
Sales revenues	**118,148,041**	**85,229,281**
thereof from period-related revenue recognition	2,183,890	499,433

The Clean Energy segment generated sales revenues of EUR 79,031,554 (previous year: EUR 57,632,107) in the reporting year and thus achieved an increase of EUR 21,399,447 or 37.1% compared to the same period of the previous year.

The segment's sales growth has been driven by the continued high demand for fuel cell solutions in the area of industrial applications. Demand from the key target markets for public safety also increased in the reporting year, while sales for applications in the key target markets for private applications, which now account for the smallest share of segment sales, declined. In the reporting year, SFC acquired significant initial and follow-up orders, with the result that sales in the key target market for industrial applications increased particularly strongly in the reporting year by 30.2% or EUR 11,338,725 to EUR 48,921,120 (previous year: EUR 37,582,394).

Sales for applications in the public sector fell significantly in the reporting year. The main reasons for this were fewer large orders than in the previous year and an expected delay in the awarding of large orders, partly due to long award procedures in the key regional target markets.

Compared to the previous year, the Clean Power Management segment recorded significant sales growth of 41.7% to EUR 39,116,487 (previous year: EUR 27,597,174). Segment sales in the previous year were particularly impacted by a challenging procurement environment and supply bottlenecks, which only gradually eased in the second half of 2022. The supply bottlenecks almost disappeared in the reporting year and, in together with positive demand momentum in both Europe and North America, segment sales increased significantly in the reporting year. In addition, positive demand from existing customers in the oil, gas and mining end customer market as a result of the relatively high price of crude oil and the stable market environment in the reporting year continued to be strong.

Sales revenue can be broken down as follows:

SALES BY SEGMENT in EUR

	Clean Energy		Clean Power Management		Total	
	2023	2022	2023	2022	2023	2022
Regions						
North America	36,185,959	26,231,615	18,269,451	11,717,696	54,455,410	37,949,311
Europe (excluding Germany)	21,305,138	18,512,865	17,407,824	14,038,910	38,712,962	32,551,775
Germany	8,650,864	7,354,802	1,256,184	389,593	9,907,048	7,744,395
Asia	12,606,223	5,382,395	363,805	1,331,410	12,970,028	6,713,805
Rest of the world	283,370	150,430	1,819,223	119,565	2,102,593	269,995
Total	**79,031,554**	**57,632,107**	**39,116,487**	**27,597,174**	**118,148,041**	**85,229,281**
Time of realizing revenue						
Revenue recognition refer to a certain point in time	76,847,664	57,132,674	39,116,487	27,597,174	115,964,151	84,729,848
Revenue recognition refer to a certain period	2,183,890	499,433	0	0	2,183,890	499,433
Total	**79,031,554**	**57,632,107**	**39,116,487**	**27,597,174**	**118,148,041**	**85,229,281**

Further information can be found in Note (35) Disclosures on Group segment reporting and Note (15) Assets and liabilities from contracts with customers.

(2) Production costs of work performed to generate sales

Inventories are composed of the following items:

COST OF SALES in EUR

	2023	2022
Cost of materials	56,467,207	40,448,168
Personnel costs	6,515,729	5,825,565
Cost of premises	907,483	441,010
Transport costs	1,591,891	2,036,682
Depreciation on capitalized development costs	1,897,233	1,793,439
Other depreciation and amortization	1,474,182	1,617,931
Consulting	737,687	62,441
Other	1,762,631	1,597,972
Total	**71,354,043**	**53,823,208**

Other manufacturing costs mainly include warranties in the amount of EUR 839,848 (previous year: EUR 969,552).

(3) Selling expenses

Selling expenses were as follows in the reporting year:

SELLING EXPENSES in EUR

	2023	2022* (retroactively adjusted)**
Personnel costs	9,890,076	8,354,489
Depreciation/amortization	365,951	570,234
Advertising and travel costs	2,611,253	1,969,194
Consulting/commissions	656,936	866,750
Cost of materials	174,283	325,966
Car-operating costs	325,687	315,128
Cost of premises	521,647	632,360
Other	536,525	96,021
Total (expense as per consolidated income statement)	**15,082,358**	**13,130,142**

* See note Correction of errors due to retrospective change as a result of an error.
** Change in presentation: Impairment losses on financial assets presented separately

Other selling expenses include costs for IT equipment and office supplies.

(4) Research and development expenses

Research and development expenses were as follows in the reporting year:

RESEARCH AND DEVELOPMENT COSTS in EUR

	2023	2022
Personnel expenses	4,245,308	4,494,718
Consulting and patents	130,646	203,144
Cost of premises	118,334	52,352
Cost of materials	2,623,340	1,786,211
Other depreciation and amortization	482,569	458,810
Impairment losses/amortization of self-developed intang. assets	614,330	0
Capitalization of self-developed intangible assets	-2,891,712	-2,619,736
Set-off against grants	-442,750	-361,040
Other	416,216	426,786
Total (expense as per consolidated income statement)	**5,296,281**	**4,441,245**

(5) General administrative expenses

The general administrative expenses were as follows in the reporting year:

GENERAL ADMINISTRATIVE EXPENSES in EUR

	2023	2022 (retroactively adjusted)*
Personnel expenses	6,555,277	4,419,058
Audit and consulting costs	3,697,085	1,971,919
Investor Relations/Annual General Meeting	542,413	429,457
Insurance	375,819	279,882
Depreciation/amortization	627,409	552,718
Recruiting costs	417,224	250,817
Car-operating costs	298,981	245,369
Travel expenses	515,043	274,593
Supervisory Board remuneration	207,500	142,500
Costs of hardware and software maintenance	533,273	353,499
Ancillary rental costs	313,137	373,510
Other	1,408,334	484,962
Total	**15,491,495**	**9,778,284**

* See note Correction of errors due to retrospective change as a result of an error.

(6) Other operating income

The breakdown of other operating income is shown in the following table:

OTHER OPERATING INCOME in EUR

	2023	2022 (retroactively adjusted)*
Income from exchange rate differences	1,073,809	1,327,793
Other	100,255	44,227
Total	**1,174,062**	**1,372,020**

* See note Correction of errors due to retrospective change as a result of an error.

The income from the cancellation of other liabilities and provisions is mainly related to outstanding invoices.

(7) Other operating expenses

The breakdown of other operating expenses is shown in the following table:

OTHER OPERATING EXPENSES in EUR

	2023	2022
Expenses from exchange rate differences	1,626,042	1,405,808
Addition to provisions	1,125,000	0
Other	0	1,441
Total operating expenses	**2,751,042**	**1,407,249**

The addition to provisions mainly includes a provision for any costs incurred in connection with delivery delays in the context of a supply relationship totaling EUR 925,000 (previous year: EUR 0).

(8) Financial result

Interest and similar income for the financial year can be taken from the following overview:

INTEREST AND SIMILAR INCOME in EUR

	2023	2022
Interest income from cash and cash equivalents	985,664	5
Total	**985,664**	**5**

Interest and similar expenses for the reporting year are shown in the following overview:

INTEREST AND SIMILAR EXPENSES in EUR

	2023	2022
Interest expenses from loans	264,300	153,752
Interest-like expenses	268	176
Interest expenses for leasing	520,940	444,509
Compounding of other provisions	13,922	10,915
Total	**799,430**	**609,352**

(9) Income taxes

The composition of income taxes for the reporting year is shown in the following table:

INCOME TAXES in EUR

	2023	2022 (retroactively adjusted)*
Actual income taxes on the result for the current year	2,967,077	1,780,731
Deferred tax income (-)/expense (+)	-14,685,723	142,222
Balance of tax income (-)/expense (+) from income taxes	**-11,718,646**	**1,922,953**

* See note Correction of errorſ due to retroſpective change aſ a reſult of an error.

The assessment rate for trade tax in the municipality of Brunnthal is 330.0% on the taxable amount of 3.5%. This results in a trade tax rate of 11.6% and a total corporate tax rate of SFC including corporation tax of 15.0% and solidarity surcharge of 5.5% on corporation tax of 27.4% (previous year: 27.4%).

For the subsidiaries in the Netherlands, Romania, Canada, India, United Kingdom and the USA income taxes are calculated using the country-specific tax rates applicable there. Tax rates of 16.0% to 27.82% (previous year: 16% to 26.9%) were applied.

Deferred tax assets and liabilities for the reporting year were as follows:

DEFERRED TAX ASSETS AND LIABILITIES in EUR

	12/31/2023	12/31/2022 (retroactively adjusted)*
Deferred tax assets		
Loss carry forwards	17,643,383	653,682
Provisions	1,142,722	1,234,920
Inventories	468,372	49,104
Fixed Assets	34,476	0
Accounts receivables	54,607	4,791
Liabilities from leasing	836,826	665,111
Other	138,684	47,604
Offsetting deferred tax assets	-2,902,575	-2,586,554
Total deferred tax assets:	**17,416,495**	**68,658**
Deferred tax liabilities		
Internally generated intangible assets	2,062,721	1,992,079
Fixed assets	912,528	644,346
Receivables	3,087	9,320
Other assets	44,382	20,315
Netting of deferred tax liabilities	-2,902,575	-2,586,554
Total	**120,143**	**79,506**

* See note Correction of errors due to retrospective change as a result of an error.

As at the reporting date, there were tax loss carryforwards subject to tax audit in Germany, the Netherlands and India amounting to EUR 74,892,083 (previous year: EUR 76,021,460) for corporation tax and EUR 62,298,143 (previous year: EUR 66,485,006) for trade tax. Deferred tax assets of EUR 17,643,383 (previous year: EUR 653,682) were recognized on these tax loss carryforwards for SFC AG and EUR 107,114 (previous year: EUR 0) for SFC India. As at December 31, 2023, no deferred tax assets were recognized for the Group's existing tax loss carryforwards of EUR 8,506,128 (previous year: EUR 75,635,127) from corporation tax and EUR 0 (previous year: EUR 66,217,657) from trade tax, i.e. a total of EUR 8,506,128 (previous year: EUR 137,751,244), which relate entirely to SFC B.V. Future taxable income cannot be assumed with sufficient certainty for these loss carryforwards. The tax loss carryforwards of EUR 66,000,931 (previous year: EUR 70,098,214) from corporation tax and EUR 62,298,143 (previous year: EUR 66,485,006) from trade tax, i.e. a total of EUR 128,299,074 (previous year: EUR 136,583,220) can be carried forward indefinitely in Germany; In the Netherlands, the amount of EUR 8,506,127 (previous year: EUR 5,923,246) and in India the amount of EUR 385,025 (previous year: EUR 0) can be carried forward for eight years. The previous year's loss carryforwards were adjusted in accordance with the separate determination of the remaining loss carryforward.

Despite recorded losses in previous periods, the Group concluded that the deferred tax assets are recoverable using the estimated future taxable income. This is based on the company's approved business plans and the expected future positive earnings situation on which the plans are based due to a further increase in market demand.

Temporary differences from outside basis differences amounted to EUR 689,815 as at the reporting date. The reason for not recognizing deferred tax liabilities on these temporary differences is that SFC can control the outside basis differences and they will not reverse in the short term.

The following table shows the tax reconciliation from the income tax expense/income expected in the respective financial year to the actual tax expense (+) or income (-) reported in the consolidated income statement:

RECONCILIATION OF TAXES in EUR

	2023	2022 (retroactively adjusted)*
Tax rate	**27.38 %**	**27.38 %**
Profit/loss from continuing operations	**9,343,583**	**2,990,057**
Expected tax income	**2,558,273**	**818,678**
Reconciliation to the reported tax income/expense		
Non-recognition of deferred tax assets on loss carryforwards	357,870	380,499
Recognition of deferred tax assets on loss carryforwards	-17,911,774	962,098
Differences in the tax rate	41,529	109,793
Taxes from permanent differences – non-deductible expenses	16,323	64,982
Capitalization of costs for the capital increase	3,580,692	-477,376
Taxes from permanent differences - stock options	-478,501	0
Deferred taxes previous years on temporary differences	128,786	85,406
Other	-11,844	-21,128
Tax income/expense according to the Consolidated Statement of Income	**-11,718,646**	**1,922,952**

* See note Correction of errors due to retrospective change as a result of an error.

In the reporting year, taxes amounting to EUR 3,580,692 (previous year: EUR 0) were recognized directly in equity from the recognition of deferred tax assets on loss carryforwards. These are entirely attributable to deferred taxes in connection with transaction costs for capital measures recognized directly in equity in previous years. In the comparative period, current taxes of EUR 953,021 were recognized in equity.

(10) Cost of materials

Cost of materials were as follows in the reporting year:

COST OF MATERIALS in EUR

	2023	2022
Raw materials and supplies and related goods	58,706,317	41,446,928
Services received	558,513	1,113,417
Total	**59,264,830**	**42,560,345**

(11) Depreciation/amortization

For information about depreciation, amortization and impairments, please see Notes (19) Intangible assets, (20) Property, plant and equipment and (25) Leases.

In the Consolidated Statement of Income prepared using the cost of sales method, depreciation and amortization of property, plant and equipment and amortization of intangible assets are included in cost of sales, selling expenses, research and development expenses and general and administrative expenses.

(12) Personnel expenses and employees

Personnel expenses were as follows:

PERSONNEL EXPENSES in EUR

	2023	2022 (retroactively adjusted)*
Wages and salaries	21,731,314	18,844,452
Social security expenses required by law	2,566,718	2,210,869
Variables/bonuses	1,984,568	1,537,095
Other social security expenses/pensions	377,997	286,507
Expenses for severance payments	69,129	93,514
Expenses/income from SAR/Long-Term Incentive Plan	47,401	-484,755
Other	429,263	606,149
Total	**27,206,390**	**23,093,830**

* See note Correction of errors due to retrospective change as a result of an error.

The statutory social security expenses include the contributions to the statutory pension insurance to be borne by the company of EUR 815,457 (previous year: EUR 674,872). According to IAS 19, statutory pension insurance is equivalent to a defined contribution plan.

In the reporting year, the Group received government grants amounting to EUR 600,169 (previous year: EUR 397,218). Of this amount, EUR 442,750 (previous year: EUR 361,040) was deducted from research and development costs. A further EUR 122,786 (previous year: EUR 36,178) was deducted from personnel expenses.

The average number of permanent employees developed as follows:

EMPLOYEES

	2023	2022
Full-time employees	345	280
Part-time employees	42	46
Total	**387**	**326**

The company employed an average of 14 (previous year: 10) trainees, graduates and student trainees.

Notes to the Consolidated Statement of Financial Position

(13) Inventories

As in the previous year. inventories all have an expected turnover time of less than one year and break down as follows:

INVENTORIES in EUR

	12/31/2023	12/31/2022
Finished goods	7,196,763	9,821,434
Unfinished goods	2,519,755	3,108,383
Raw materials, consumables and supplies	15,326,829	11,991,387
Total	**25,043,347**	**24,921,204**

Taking the achievable net proceeds on disposal into account, inventories were written down as follows:

INVENTORIES – RAW MATERIALS AND SUPPLIES in EUR

	12/31/2023	12/31/2022
Raw materials and supplies – before wright-downs	16,455,042	12,754,836
Valuation discounts	-1,128,213	-763,449
Net carrying amount	**15,326,829**	**11,991,387**

INVENTORIES – UNFINISHED AND FINISHED GOODS		in EUR
	12/31/2023	12/31/2022
Unfinished and finished goods - before impairment	11,234,188	13,828,963
Valuation discounts	-1,517,670	-899,146
Net book value	**9,716,518**	**12,929,817**

In the reporting period, impairment losses of EUR 983,288 (previous year: EUR 145,169 as income) were recognized as expenses due to the changed market situation.

Inventories with a carrying amount of EUR 6,734,937 (previous year: EUR 7,879,211) were pledged as collateral for liabilities on the balance sheet date.

In the reporting period, inventories of EUR 59,264,830 (prior year: EUR 42,560,345) were recognized as expense.

(14) Trade receivables

Trade receivables and the individual value adjustments made for default risks are as follows:

INDIVIDUAL VALUE ADJUSTMENTS		in EUR
	12/31/2023	12/31/2022
Trade receivables – itemization	30,221,259	19,615,031
Individual valuation allowances	-1,576,106	-1,504,707
Total	**28,645,153**	**18,110,324**

All trade receivables are due within less than one year. For information on the development of valuation allowances, please see the section on “credit risk” in Note (30) “Financial instruments.” The normal payment term for trade receivables is 30 days. For individual contracts with customers, the term of payment can also extend to up to 90 days.

For further information on the risk profile and the allowance matrix for trade receivables, please refer to “Default risk” in Note (33) “Financial instruments”.

Trade receivables with a residual carrying amount of EUR 11,790,599 (previous year: EUR 10,658,616) are pledged as security in connection with existing credit lines of the subsidiaries SFC Ltd. and SFC B.V.

(15) Assets and liabilities from contract assets

To the extent that the costs incurred for contracts not yet completed in the reporting year, including profit contributions, exceed the amounts already invoiced (progress billings made), the resulting balance is recognized as assets from contracts with customers. Conversely, construction contracts with a debit balance are recognized as liabilities from contracts with customers.

ASSETS AND LIABILITIES in EUR

	12/31/2023	12/31/2022
Production contracts with a positive balance due from the customer (reported as receivables from contracts with customers)	**2,013,114**	**1,265,883**
Production contracts with a negative balance due from the customer (reported as liabilities from contracts with customers)	**-1,470,035**	**-601,841**

During the term of the project, changes to the order by the customer with regard to the agreed scope of services to be provided, e.g. changes to the specification of the service or the duration of the contract, can lead to an increase or reduction in the order revenue and costs. The resulting effects for the current period and foreign currency effects are recognized in profit or loss.

As of December 31, 2023, the accumulated benefits recognized as contract assets from contracts with customers (contract costs incurred less progress billings) were higher than in the previous year. At the same time, liabilities from contracts with customers as of the reporting date December 31, 2023, increased compared to the previous year. With regard to the risk profile of the assets from contracts with customers, there were no significant changes in valuation or estimates in the past financial year.

As in the previous year, the assets and liabilities from contracts with customers have a remaining term of less than one year.

The total amount of the transaction price allocated to the remaining performance obligations is EUR 863,976. The transaction price allocated to the remaining performance obligations will be recognized in full in the 2024 and 2025 financial years.

In the reporting year, sales of EUR 595,327 (previous year: EUR 601,841) were recognized, which were included in the balance of contract liabilities at the beginning of the year.

Contract assets totaling EUR 1,252,181 (previous year:EUR 1,265,883) were reclassified to receivables in the reporting year.

As at the reporting date of December 31,2023, as was the case as of December 31, 2022, there were no capitalized costs incurred in the context of contract initiation or contract fulfilment.

(16) Other assets and receivables

Other assets and receivables (current and non-current) comprised as follows:

OTHER ASSETS AND RECEIVABLES in EUR

	12/31/2023	12/31/2022
Prepaid expenses	260,873	218,372
VAT receivables	1,325,943	498,534
Receivables from grants	183,884	412,968
Prepayments made	4,390,210	2,344,857
Interest receivable on fixed-term deposits	153,333	0
Other	70,407	185,860
Total	**6,384,650**	**3,660,591**

Other current assets and receivables include financial assets in the amount of EUR 337,217 as of the reporting date (previous year: EUR 412,968).

Advance payments include non-current other assets and receivables from advance payments to suppliers in the amount of EUR 960,644 (previous year: EUR 0).

(17) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and current account balances as well as fixed and call money accounts with banks that are due within three months.

For the presentation of cash and cash equivalents in the cash flow statement, please refer to section (34) „Notes to the consolidated cash flow statement“.

(18) Cash and cash equivalents with limitation on disposal

In connection with the lease agreement for the company’s building at Eugen-Sänger-Ring 7, there is a fixed-term deposit account in the amount of EUR 285,620 (previous year: EUR 285,620) that is blocked in favor of the landlord as of the balance sheet date. In addition, there was a guarantee account in the amount of EUR 99,308.

(19) Intangible assets

The intangible assets of the Group developed as follows:

DEVELOPMENT OF GROUP FIXED ASSETS – INTANGIBLE ASSETS in EUR
for the year from January 1 to December 31, 2023

	IP/ Software	Patents and licenses	Capitalized patents	Development costs	SFC B,V, and SFC Ltd,	Other intangi-ble assets	Total
Acquisition costs as of 01/01/2022	**1,580,221**	**435,840**	**571,488**	**14,771,049**	**13,374,786**	**6,883,235**	**37,616,619**
Additions	435,738	0	0	2,619,736	0	0	3,055,474
Disposals	-151,513	0	0	0	0	0	-151,513
Reclassification	-1	0	0	2	0	0	1
Currency differences	-3,532	0	0	0	-11,023	-6,444	-20,999
as of 12/31/2022	**1,860,913**	**435,840**	**571,488**	**17,390,787**	**13,363,763**	**6,876,791**	**40,499,582**
Additions	262,692	1,050,000	0	2,891,712	0	0	4,204,404
Disposals	0	0	-571,488	0	0	-6,806,618,	-7,378,106
Reclassification	0	0	0	0	0	0	0
Currency differences	-2,937	0	0	0	-120,045	-70,173	-193,155
as of 12/31/2023	**2,120,668**	**1,485,840**	**571,488**	**20,282,499**	**13,243,718**	**0**	**37,132,725**
Depreciation and impairment losses as of 01/01/2022	**-1,149,903**	**-349,863**	**-571,488**	**-6,002,724**	**-4,961,138**	**-6,883,235**	**-19,918,351**
Scheduled depreciation	-227,903	-30,319	0	-1,793,439	0		-2,051,661
Disposals	39,827	0	0	0	0	0	39,827
Currency differences	437	1	0	0	0	6,444	6,882
as of 12/31/2022	**-1,337,542**	**-380,181**	**-571,488**	**-7,796,163**	**-4,961,138**	**-6,876,791**	**-21,923,303**
Scheduled depreciation	-210,046	-117,249	0	-1,897,233	0	0	-2,224,528
Disposals	0	0	0	0	0	0	0
Impairment losses	0	0	0	-614,330	0	0	-614,330
Currency differences	944	0	0	0	0	70,173	71,117
as of 12/31/2023	**-1,546,644**	**-497,430**	**0**	**-10,307,726**	**-4,961,138**	**0**	**-17,312,938**
Carrying amounts							
as of 01/01/2022	**430,318**	**85,977**	**0**	**8,768,325**	**8,413,648**	**0**	**17,698,268**
as of 12/31/2022	**523,371**	**55,659**	**0**	**9,594,624**	**8,402,625**	**0**	**18,576,279**
as of 12/31/2023	**574,024**	**988,410**	**0**	**9,974,773**	**8,282,580**	**0**	**19,819,787**

The additions to „Acquired patents and licenses / IP" mainly relate to the acquisition of intangible assets in connection with the takeover of technologies from Johnson Matthey for the production of membrane electro-de assemblies (MEAs). In the reporting year, following a review of the further use of assets, the fully amor-tized internally generated patents and other intangible assets were disposed of.

Within intangible assets, EUR 155,067 (previous year: EUR 94,022) pledged as security for liabilities.

Development costs

In connection with development activities, grants amounting to EUR 442,750 (previous year: EUR 361,040) were received and recognized as a reduction in research and development costs.

Capitalized development costs mainly include projects for the development of:

- Further development of the DMFC
- Construction and further development of PEMFC systems
- Development and construction of emergency power systems based on the PEMFC
- Development of a new PEMFC with integrated control and voltage conversion
- Development of PEMFC systems for power ranges above 50 kW
- Development and implementation of service-optimized functions of the cloud-based remote monitoring system
- Further development of an intelligent fuel management system
- Development of an intelligent sensor and I/O module
- Consistent improvements and further developments to increase performance and reduce costs of the existing EFOY generations
- Development of a module and system solution based on the existing energy platform
- Technology development to increase the performance of existing platforms from 4kW to 5kW and preparation for future changes to EMC standards;
- Integration of a new energy platform in laser systems

The impairment losses recognized in the reporting year result from the complete impairment of development costs for two projects in connection with the development of an accessory product for fuel cell systems. These projects were completely discontinued in the past financial year due to a lack of future commercial marketability of the products. The recoverable amount (value in use) for these projects is zero.

The expense from the impairment totaling EUR 614,330 is included in research and development costs and relates to the Clean Energy segment.

Impairment tests for goodwill

For greater clarity and transparency, the previous supplementary presentation of an impairment test for SFC Energy B.V. has been omitted compared to the previous year, as no goodwill is monitored at this level for internal management purposes, but only at the level of the Clean Power Management segment, to which SFC Energy B.V. belongs. The goodwill included in the consolidated financial statements relates to the differences in the respective purchase prices arising from the business combinations of SFC Energy B.V. (SFC B.V.) and SFC Energy Ltd. (SFC Ltd.) over the net assets of the acquired business operations measured in accordance with IFRS 3.

The goodwill from the business combination SFC Ltd. amounts to CAD 10,430,435 or EUR 7,103,749 (previous year: CAD 10,430,435, EUR 7,223,793) and was in course of the new segmentation allocated proportionately as of January 1, 2022, to the Clean Energy segment and proportionately to the Clean Power Management segment. Due to this allocation of goodwill, the impairment test for the portion of goodwill allocated to the Clean Energy segment is performed at the level of this entire segment and for the portion allocated to the Clean Power Management segment at the level of this entire segment.

Goodwill is allocated to the segments as follows:

ALLOCATION OF GOODWILL TO SEGMENTS in EUR

SEGMENT*	12/31/2032	12/31/2022
Clean Energy	5,525,711	5,619,088
Clean Power Management	2,756,869	2,783,536
Total	**8,282,580**	**8,402,624**

* Goodwill was reallocated to the new segmentation of the Group in the 2021 financial year based on the relative fair values of the segments.

In both cases, the recoverable amount is determined by calculating the higher of the fair value less costs to sell and the value in use using the discounted cash flow method. Taking into account the main input factors, the determination of the fair value falls under level 3 of the hierarchy in accordance with IFRS 13.

The impairment test carried out in the current reporting year was based on a five-year planning period derived from the strategic planning (three-year detailed planning period plus two years of interpolation). Together with the market-specific growth rate of 1.0% (previous year: 1.0%), these five years form the basis for calculating the perpetuity. As part of the planning process, possible burdens on business activities due to macroeconomic developments and relevant market information, such as an increase in the price of purchased materials and expected long-term inflation, were reflected, although these are subject to great uncertainty.

The expected average annual increase in sales of the cash-generating units during the five-year planning period was estimated taking into account past experience and relevant market information.

Clean Energy segment

The Clean Energy cash-generating unit comprises part of SFC Ltd., SFC Energy India Private Ltd., SFC Energy UK Ltd., SFC Clean Energy Srl., SFC Energy LLC and the operating part of SFC AG.

The key assumptions used to determine the fair value less costs to sell are sales growth, the operating EBIT margin and the cost of capital used.

Sales growth and EBIT margin

The assumptions are derived from the budget prepared by management, which contains a projection of sales, operating costs, capital expenditure and depreciation and amortization for a period of five years. The cash flows relevant to the valuation result from the sales and earnings planning as well as additional assumptions regarding working capital.

The sales growth assumptions are based on the segment-specific market environment and on the company's currently observed growth rates. Based on the entire planning horizon (2024 - 2028), the average growth in sales (CAGR) amounts to around 24.8% p.a. (previous year planning horizon 2023 - 2027: approx. 27.7%).

The planned development of the EBIT margin is based on historically observable gross margins on sales and detailed resource and material cost planning. The expected long-term operating EBIT margin is around 12.0% (previous year 12.0%).

Cost of capital

The cost of capital used to discount the cash flows corresponds to the weighted average cost of capital (WACC) after tax determined on the basis of a group of peer companies in the same industry using publicly available data. The WACC indicates the weighted average return required by providers of equity and debt capital based on the ratio of the respective capital granted in each case to fair values. To determine the WACC, an analysis of the cost of equity as well as the cost of debt and the capital structure at fair value is required. The weighted average cost of capital used in the reporting year was around 15.36% (or around 14.36% after a growth discount in the terminal value) (previous year: around 13.56% or around 12.56% after growth discount in the terminal value).

There were no indications of impairment of goodwill in the year under review.

The change in the parameters used by 500 basis points does not result in any impairment of goodwill.

The calculations were based on the assumption that the respective other parameter remains unchanged (ceteris paribus).

Clean Power Management segment

The cash-generating unit Clean Power Management comprises part of SFC Ltd. and part of SFC B.V.

The key assumptions used to determine the fair value less costs to sell are sales growth, the operating EBIT margin and the cost of capital used.

Sales growth and EBIT margin

The assumptions are based on the budget prepared by management, which contains a projection of sales, operating costs, capital expenditure and depreciation and amortization for a period of five years. The cash flows relevant to the valuation result from the sales and earnings planning as well as additional assumptions regarding working capital.

The sales growth assumptions are based on the segment-specific market environment and on the company's currently observed growth rates. Based on the entire planning horizon (2024–2028), the average growth in sales (CAGR) amounts to around 10.3% p.a. (previous year planning horizon 2023 - 2027: around 13.7%).

The planned development of the EBIT margin is based on historically observable gross margins on sales and detailed resource and material cost planning. The expected long-term operating EBIT margin is around 8.0% (previous year around 8.0%).

Cost of capital

The cost of capital used to discount the cash flows corresponds to the weighted average cost of capital (WACC) determined on the basis of a group of peer companies in the same industry using publicly available data. The WACC indicates the average weighted return required by providers of equity and debt capital on the basis of the ratio of the capital granted in each case to fair values. To determine the WACC, an analysis of the cost of equity as well as the cost of debt and the capital structure at fair value is required. The weighted average cost of capital used in the reporting year was around 8.91% (or around 7.91% after a growth discount in the terminal value). (previous year: around 9.73% or around 8.73% after growth discount in terminal value).

There were no indications of any impairment of goodwill in the year under review.

The change in the respective parameters by 500 basis points does not lead to any impairment of goodwill.

The recoverable amount of the cash-generating unit exceeds its carrying amount by approximately EUR 22,408 thousand as at the reporting date (previous year: EUR 12,082 thousand).

The calculations were based on the assumption that the respective other parameter remains unchanged (ceteris paribus).

(20) Property, plant and equipment

The Group's property, plant and equipment developed as follows:

PROPERTY, PLANT AND EQUIPMENT in EUR

	Buildings	Technical equipment and machinery	Other equipment, fixtures and fittings	Prepayments made and assets under construction	Total
Acquisition costs as of 01/01/2022	**10,149,397**	**2,928,688**	**7,740,742**	**433,835**	**21,252,662**
Additions	5,497,386	385,928	1,267,930	798,270	7,949,514
Disposals	-3,564,573*	0	-347,589	0	-3,912,162
Reclassification	-190,978	0	316,264	-316,264	-190,978
Currency differences	-5,862	-258	-9,268	0	-15,388
as of 12/31/2022	**11,885,370**	**3,314,358**	**8,968,079**	**915,841**	**25,083,648**
Additions	3,535,233	787,924	1,297,838	314,567	5,935,562
Disposals	0	0	-351,610	0	-351,610
Revaluations	355,764	0	0	0	355,764
Reclassification	0	418,015	245,407	-663,422	0
Currency differences	-93,787	-3,903	-26,324	-881	-124,895
as of 12/31/2023	**15,682,580**	**4,516,394**	**10,133,390**	**566,105**	**30,898,469**
Depreciation and impairment losses as of 01/01/2022	**-4,531,150**	**-2,035,868**	**-5,798,938**	**-863**	**-12,365,956**
Scheduled depreciation	-1,765,493	-208,707	-967,271	0	-2,941,471
Disposals	3,564,573*	0	39,470	0	3,604,043
Reclassification	0	0	-17,532	0	-17,532
Currency differences	23,362	950	8,940	59	33,311
as of 12/31/2022	**-2,708,708**	**-2,243,625**	**-6,734,468**	**-804**	**-11,687,605**
Scheduled depreciation	-1,432,756	-271,614	-918,446	0	-2,622,816
Disposals	0	0	319,537	0	319,537
Depreciation on reclassification	0	0	0	0	0
Currency differences	21,460	1,045	14,136	-630	36,011
as of 12/31/2023	**-4,120,004**	**-2,514,194**	**-7,319,241**	**-1,434**	**-13,954,873**
Carrying amounts					
as of 01/01/2022	**5,618,247**	**892,820**	**1,942,667**	**432,972**	**8,886,706**
as of 12/31/2022	**9,176,662**	**1,070,733**	**2,233,611**	**915,037**	**13,396,044**
as of 12/31/2023	**11,562,576**	**2,002,200**	**2,814,149**	**564,671**	**16,943,596**

* Catch-up on asset retirement 2022

The right-of-use assets are recognized under the same balance sheet items as the underlying assets would be if they were owned by SFC. As at the reporting date, right-of-use assets are recognized under buildings other equipment, fixtures and fittings.

The column „Prepayments made and assets under construction" includes advance payments totaling EUR 493,744 (previous year: EUR 383,487).

At SFC Ltd., fixed assets with a residual carrying amount of EUR 881,799 (previous year: EUR 449,805) were pledged as collateral for liabilities as at December 31, 2023. At SFC B.V., fixed assets in the amount of EUR 820,026 were pledged as collateral as at December 31, 2023 (previous year: EUR 235,271). At SFC Energy India Private Ltd., fixed assets in the amount of EUR 45,441 were pledged as collateral as at December 31, 2023 (previous year: EUR 0).

(21) Other provisions and income tax accruals

The development of other provisions is shown in the following overview:

OTHER PROVISIONS in EUR

	Warranty provisions	Other miscellaneous provisions	Total other provisions	Tax provisions
as of 01/01/2023	**3,265,452**	**112,800**	**3,378,252**	**568,439**
Differences arising from currency translation	-2,511	-2,333	-4,844	0
Additions	1,335,667	128,090	1,463,757	1,331,652
Compounding (incl. change in interest rate)	13,922	0	13,922	0
Utilization	-421,931	0	-421,931	-568,439
Release	-132,158	0	-132,158	0
as of 12/31/2023	**4,058,441**	**238,557**	**4,296,998**	**1,331,652**
thereof with a remaining term between one and five years	**2,076,091**	**112,800**	**2,188,891**	**0**

Warranty provisions*

The amount recognized is the present value of the net amount required to settle the obligation. Discounting is based on an interest rate of 3.0% (previous year: 3.0%).

Miscellaneous other provisions

Miscellaneous other provisions mainly relate to provisions for the retention of business documents and provisions in connection with the German Electrical and Electronic Equipment Act. The expected cash outflows are expected to occur within the next five years.

* Editorial adjustment due to transmission errors in the previous year.

(22) Liabilities to banks

Die Verbindlichkeiten gegenüber Kreditinstituten sind der folgenden Aufstellung zu entnehmen:

LIABILITIES TO BANKS ARE SHOWN IN THE FOLLOWING TABLE: in EUR

	12/31/2023	12/31/2022	Interest rate	Maturity
Short term loans (interest-bearing)				
Utilization of credit line SFC Energy Ltd.	0	749,031	Canadian Prime Rate + 1.25%	Until further notice
Utilization of credit line SFC Energy B.V.	2,325,278	2,517,373	1M-EURIBOR + 2.5%	Until further notice
Utilization of credit line SFC Energy Power Srl.	1,465,854	788,441	1M-EURIBOR + 2.0%	Yearly prolongation

As of December 31, 2023, there were no long-term liabilities to banks.

There is a financial covenant (loan agreement clauses) for the credit line of SFC Ltd.:

- "Current Ratio"

The following financial covenants (loan agreement clauses) exist for the credit line of the Romanian subsidiary of SFC Energy Srl.:

- "Debt Ratio"
- "Solvency Ratio"

All financial covenants were complied with in the past and previous financial year. The financial covenants are also valid for 2024. Please refer to Note (30) "Financial instruments" for further information on the categorization of loans.

(23) Liabilities from advance payments

Liabilities from advance payments relate to advance payments received on orders and have a remaining term of less than one year. These are liabilities from contracts with customers that result from contracts with point-in-time realization.

(24) Trade payables

As in the previous year, all trade payables have a remaining term of less than one year.

(25) Leases

As a result of the application of IFRS 16, all leased buildings and other equipment, factory and office equipment are recognized as right-of-use assets with corresponding lease liabilities.

The remaining terms of the contracts are for a period of less than 1 year and a period of up to 10 years. The contracts contain renewal clauses on a monthly basis as well as purchase options at the end of the lease contracts. The net carrying amounts of the right-of-use assets capitalized under the leases as of the reporting date are shown in the table below:

LEASES in EUR

	Buildings	Other equipment, fixtures and fittings	Total
Acquisition costs as of 01/01/2022	**10,149,396**	**1,854,009**	**12,003,405**
Additions	5,497,387	305,834	5,803,221
Disposals	-3,564,573*	0	-3,564,573
Differences arising from currency translation	-15,675	-1,256	-16,931
as of 12/31/2022	**12,066,535**	**2,158,587**	**14,225,122**
Additions	3,534,280	228,738	3,763,018
Disposals	0	-201,654	-201,654
Reclassifications	355,764	0	355,764
Differences arising from currency translation	-99,280	-15,171	-114,451
as of 12/31/2023	**15,857,299**	**2,170,500**	**18,027,799**
Depreciation and impairment losses as of 01/01/2020	**-4,531,149**	**-1,177,004**	**-5,708,153**
Scheduled depreciation	-1,765,493	-346,700	-2,112,193
Differences arising from currency translation	31,974	6,527	38,501
Disposals	3,564,573*	0	3,564,573
Other	-190,978	0	-190,978
as of 12/31/2022	**-2,891,073**	**-1,517,177**	**-4,408,250**
Scheduled depreciation	-1,432,749	-265,070	-1,697,819
Disposals	0	201,654	201,654
Differences arising from currency translation	28,183	11,111	39,294
as of 12/31/2023	**-4,295,639**	**-1,569,482**	**-5,865,121**
Carrying amounts			
as of 12/31/2022	**9,175,462**	**641,410**	**9,816,872**
as of 12/31/2023	**11,561,660**	**601,018**	**12,162,678**

* Catch-up on asset retirement 2022

The additions to buildings are mainly attributable to new contracts concluded by SFC Energy India Private Ltd. in the amount of EUR 1,391,092, SFC Energy UK Ltd. in the amount of EUR 1,096,270 and SFC B.V. in the amount of EUR 917,867. The capitalized rights of use to leased buildings are depreciated over a period of 3 to 10 years as of the reporting date. The depreciation cycles of the rights of use to other equipment, factory and office equipment range from less than one year to seven years depending on the remaining term.

In the Consolidated Statement of Income prepared using the cost of sales method, proportionate depreciation of the leased rights of use (right-of-use assets) can be found in the cost of sales, selling expenses, research and development expenses and general administrative expenses.

The proportionate depreciation was recognized in the functional costs as follows:

DEPRECIATION in EUR

	Buildings	Other equipment, fixtures and fittings	Total
Total depreciation for financial year 2023 included in			
Production costs of work performed to generate sales	-761,951	-153,610	-915,561
Sales costs	-239,493	-23,197	-262,690
General administrative costs	-189,778	-33,012	-222,790
Research and development costs	-241,527	-55,252	-296,779
as of 12/31/2023	**-1,432,749**	**-265,071**	**-1,697,820**

DEPRECIATION in EUR

	Buildings	Other equipment, fixtures and fittings	Total
Total depreciation for financial year 2022 included in			
Production costs of work performed to generate sales	-882,473	-175,943	-1,058,416
Sales costs	-446,425	-85,782	-532,207
General administrative costs	-272,378	-50,504	-322,882
Research and development costs	-164,217	-34,471	-198,688
as of 12/31/2022	**-1,765,493**	**-346,700**	**-2,112,193**

The contractually agreed undiscounted lease payments as of December 31, 2023, were broken down into the different maturity bands as follows:

MATURITY STRUCTURE in EUR

	12/31/2023	12/31/2022
Lease liabilities/Maturity structure - contractually agreed undiscounted cash flows		
Amounts due within 1 year	2,589,570	2,161,772
Amounts due between 1 and 5 years	9,961,658	7,044,668
Amounts due in more than 5 years	1,698,173	2,539,088
Total of undiscounted lease payments	**14,249,401**	**11,745,528**

Discounted lease liabilities were reported in the Consolidated Statement of Financial Position as follows:

SHORT-TERM AND LONG-TERM LEASE LIABILITIES in EUR

	12/31/2023	12/31/2022
Short-term	2,200,030	2,009,259
Long-term	10,363,153	8,551,813
Total of lease liabilities as in Group consolidation	**12,563,183**	**10,561,072**

The payments relating to lease liabilities, which have been included in the cash flow statement, can be seen in the following table for both the past and the previous financial year:

CLASSIFICATION IN THE CASH FLOW STATEMENT in EUR

	12/31/2023	12/31/2022
Repayment of liabilities under the finance lease in the Consolidated Statement of Cash Flows	-1,893,297	-1,837,022
Cash outflow for interests under finance lease in the Consolidated Statement of Cash Flows	-520,939	-373,150
Cash outflow for short-term lease liabilities, for low-value asset leases or for variable lease payments that are not included in the measurement of the lease liability and should be recognized under cash flow from operations which are not included in the measurement of the lease liability and are to be recognized in operating cash flow	-96,834	-20,784
Cash outflows for advance payments for rights of use in investment cash flow	0	0
Cash outflows for leasing	**-2,511,070**	**-2,230,956**

The expenses recorded in the Consolidated Statement of Income can be found in the table below.

LEASE EXPENSES IN THE PROFIT & LOSS STATEMENT in EUR

	12/31/2023	12/31/2022
Interest expense on lease liabilities	-520,939	-444,509
Expenses in connection with short-term leases	-96,834	-4,215
Expenses in connection with leases of minor assets, excluding short-term leases of minor assets	0	-16,569

As at December 31, 2023, there are future cash outflows that could occur but have not been taken into account in the measurement of the lease liability due to a lease that has been entered into but has not yet commenced. SFC Clean Energy Srl. concluded a ten-year lease agreement for a building in 2023. The monthly rent amounts to EUR 36,000 and the building is currently still being completed. The lease begins on the date of handover, at the latest on June 30, 2024.

(26) Other liabilities

Current other liabilities comprise the following:

OTHER CURRENT LIABILITIES in EUR

	12/31/2023	12/31/2022 (retroactively adjusted)*
Performance-related remuneration/bonuses	2,265,033	1,637,078
Outstanding vacation	1,289,616	873,580
Wage tax	199,892	309,954
VAT	294,508	82,054
Wages and salaries and as part of social security	590,149	2,702,358
Supervisory Board remuneration**	207,500	142,500
13th salaries	21,176	30,333
Contributions to employers' liability insurance association	2,159,905	69,600
SAR Stock Appreciation Rights	1,003,695	712,239
Surcharge for non-employment of disabled persons	27,360	20,400
Overtime	258,215	219,901
Customer-related accruals and commissions	1,165,671	724,288
Costs from the dissolution of contracts	0	35,414
Other**	1,072,724	1,469,933
Total	**9,608,149**	**9,029,632**

* See note Correction of errors due to retrospective change as a result of an error

** Editorial adjustment due to transmission errors in the previous year

Other current liabilities include financial liabilities in the amount of EUR 263,900 (previous year: EUR 212,100).

Other non-current liabilities comprise the following:

OTHER NON-CURRENT LIABILITIES in EUR

	12/31/2023	12/31/2022 (retroactively adjusted)*
Liabilities from payroll taxes	423,775	423,775
SAR Stock Appreciation Rights	1,418,481	3,334,647
VAT	173,464	173,464
Total	**2,015,720**	**3,931,886**

* See note Correction of errors due to retrospective change as a result of an error

Other non-current liabilities as of December 31, 2023, include the liability recognized under the SARs program for the Management Board members and the managers. Please see Note (31) Share-based payment for details on these agreements. Furthermore, liabilities in connection with payroll tax and VAT from the Dutch subsidiary are included.

(27) Equity

The change in SFC's equity is shown in the Consolidated Statement of Changes in Equity.

Subscribed capital

The subscribed capital remained unchanged at EUR 17,363,691 in the reporting year. The subscribed capital is made up of 17,363,691 issued, fully paid-up shares with no par value.

In the previous year, subscribed capital increased from EUR 14,469,743 to EUR 17,363,691 resulted from a capital increase in July 2022, in which 2,893,948 new no-par-value bearer shares were issued. Gross issue proceeds amounted to approximately EUR 56,431,986. The Group's share capital increased by EUR 2,893,948 as a result of this equity-changing measure.

The bearer shares of 17,363,691 (previous year: 17,363,691), with a notional value of EUR 1 per share carry one voting right each and are fully entitled to dividends.

Capital reserve

The capital reserve amounted to EUR 173,167,237 as at December 31, 2023, (previous year: EUR 168,215,296). In the past financial year, the capital reserve increased by net by EUR 3,951,941. The share-based payment settled by equity instruments in the amounts to EUR 371,249. Furthermore, the capital reserve increased by EUR 3,580,692 due to the recognition of the tax effect in connection with capital measures.

Authorized capital

The Annual General Meeting on May 5, 2023, approved the cancellation of the Authorized Capital of May 16, 2019 (Authorized Capital 2019/I), the creation of new Authorized Capital (Authorized Capital 2023) and the amendment to Section 5 (Authorized Capital) of the Articles of Association.

By resolution of the Annual General Meeting on May 5, 2023, the Management Board was authorized, with the approval of the Supervisory Board, to increase the share capital on one or more occasions on or before August 31, 2025, by a total of up to EUR 1,736,369, whereby the subscription rights of shareholders may be excluded under certain conditions (Authorized Capital 2023).

In the reporting year, SFC AG still had authorized capital of EUR 1,736,369 (Authorized Capital 2019/I) in accordance with Section 5 (6) of the Articles of Association.

Conditional capital

Based on the resolution of the Annual General Meeting of SFC AG on May 19, 2020, the Management Board was authorized, with the consent of the Supervisory Board, to increase the share capital of the company by up to EUR 1,300,000.00 (Conditional Capital 2020/I). The Conditional Capital 2020/I serves exclusively to grant new no-par value shares to the holders of option rights that can be issued by the company in accordance with the authorization resolution of the Annual General Meeting of May 19, 2020, under agenda item 7 lit. a).

SFC AG also has additional Conditional Capital in the amount of EUR 2,824,503 (Conditional Capital 2019/I), for the granting of no-par value bearer shares to the holders or creditors of convertible bonds and/or bonds with warrants, profit participation rights and/or participating bonds (or combinations of these instruments).

With regard to the Conditional Capital 2019/I, the Management Board is obliged, pursuant to a self-restriction declaration dated April 21, 2022, that was published on the company's website in the "Investor Relations" section, to make use of the authorization resolved in the Annual General Meeting of June 14, 2016, under agenda item 7 b) and the authorization resolved in the Annual General Meeting of May 16, 2019 under agenda item 7 b). May 2019 under agenda item 7 b) as well as to make use of Section 5 (7) of the Articles of Association of SFC Energy AG only to the extent that the share capital is conditionally increased by up to EUR 1,593,949 by issuing up to 1,593,949 new no-par value ordinary bearer shares with a pro rata amount in the share capital of EUR 1.00 per individual share.

Authorization to buy treasury shares

By resolution of the Annual General Meeting on May 16, 2019, the Management Board of the company is authorized to acquire treasury shares representing up to 10% of the company's share capital until May 15, 2024. No use had been made of this authorization by the balance sheet date.

Other changes in equity not affecting net income

The other changes in equity that do not affect income relate to changes in equity that do not affect profit or loss from the currency translation of foreign subsidiaries.

Non-controlling interests

Non-controlling interests include minority interests in the equity and comprehensive income of a subsidiary.

Other Information

(28) Contingent liabilities

Contingent liabilities are possible obligations that are based on past events and the existence of which will only be confirmed by the occurrence of one or more uncertain future events that are beyond SFC's control. Current obligations also represent contingent liabilities if claims are unlikely and/or the amount of the obligation cannot be reliably estimated.

In February of the reporting year, SFC Energy AG entered into a strategic cooperation agreement with India-based FC TecNrgy Pvt. Ltd. to set up a new production facility for fuel cells and for further market development in India. In this context, it was agreed that a financial investment totaling EUR 1,000 thousand should be made by SFC in FC TecNrgy Pvt. Ltd. in the reporting year. This relates to investment obligations of the newly founded SFC Energy India Private Ltd. Due to regulatory requirements in India, this investment was delayed and did not take place in the reporting year. This investment is to be financed from SFC's cash and cash equivalents in 2024.

(29) Other financial obligations

Order commitment

As of the balance sheet date, the Group had purchase commitments of EUR 24,981,342 (previous year: EUR 34,329,279). These relate primarily to blanket purchase orders for raw materials, consumables and supplies.

Contingent liabilities

There were no contingent liabilities as of the balance sheet date.

(30) Financial instruments

The following overview shows the financial assets and liabilities by measurement category and class:

CARRYING AMOUNTS SHOWN IN THE CONSOLIDATED STATEMENT OF THE FINANCIAL POSITION in EUR

	12/31/2023	12/31/2022
Financial assets		
Assets measured at amortized cost		
Trade receivables	28,645,153	18,110,324
Other assets and receivables – current	337,217	412,968
Cash and cash equivalents	59,847,494	64,802,825
Cash and cash equivalents with limitation on disposal	285,620	384,927
Financial liabilities		
Liabilities measured at amortized cost		
Liabilities to banks	3,791,132	4,054,845
Trade payables	12,890,047	9,045,990
Liabilities under leases	12,563,183	10,561,072
Other liabilities – current	263,900	299,463

The carrying amounts of the financial assets and financial liabilities recognized in the financial statements at amortized cost largely correspond to the fair values, in particular due to their short-term nature. In accordance with IFRS 7.29(a), they are therefore not allocated to the levels. In accordance with IFRS 7.29(d), the fair value of lease liabilities is not disclosed.

Financial assets and liabilities measured at fair value are allocated to the following three hierarchical levels: Financial assets and liabilities are allocated to Level 1 if there is an exchange price for identical assets and liabilities on an active market. Allocation to Level 2 takes place if the parameters on which the determination of the fair value is based can be observed either directly as prices or indirectly derived from prices. Financial assets and liabilities are reported in Level 3 if the fair value is determined from non-observable parameters. In the reporting year, there were financial liabilities or financial assets based on a Level 3 fair value measurement.

The expenses and income from financial instruments by measurement category are as follows:

EXPENSES AND INCOME FROM FINANCIAL INSTRUMENTS in EUR

	2023	2022
Financial assets		
measured at amortized cost		
Trade receivables		
Income from the reversal of valuation allowances	690,038	2,255
Expense from write-downs of trade receivables	-874,609	-424,042
Income from currency translation of trade receivables	1,016,549	1,244,250
Expense from currency translation of trade receivables	-1,196,572	-1,199,190
Cash and cash equivalents		
Interest income	985,664	5
Net income from assets carried at amortized cost	**621,071**	**-376,704**
Financial liabilities		
measured at amortized cost		
Liabilities to banks		
Interest expense	-264,300	-219,603
Trade payables		
Income from currency translation	57,101	83,544
Expense from currency translation	-428,880	-206,619
Lease liabilities		
Interest expense	-520,939	-444,509
Net result of liabilities carried at amortized cost	**-1,157,018**	**-787,187**

Capital management

SFC sees a strong financial profile of the Group as a basic prerequisite for its continued growth. The strategic orientation of SFC and especially the expansive strategy chosen require further that need to be financed to ensure future business success – especially in the areas of product development, opening up additional market segments and new regions and expanding existing market segments. The funds received by the company from the capital increases carried out in July 2019, November 2020 and July 2023 and the exercise of the warrant bond in January 2020 were raised for these investments. Until used in the context of the growth strategy, surplus liquidity is invested in low-risk financial securities (e.g. overnight and time deposits) at various banks.

The Group's capital management relates to cash and cash equivalents (see Note (18) "Cash and Cash Equivalents") equity (see Note (27) "Equity") and liabilities to banks (see Note (22) "Liabilities to Banks").

The following table shows equity and total assets as of the respective reporting dates:

GROUP EQUITY RATIO in EUR

	12/31/2023	12/31/2022 (retroactively adjusted)*
Equity	**128,133,215**	**103,437,118**
As a percentage of total capital	72.6%	71.2%%
Non-current liabilities	14,687,907	14,445,989
Current liabilities	33,578,134	27,303,628
Liabilities	**48,266,041**	**41,749,617**
As a percentage of total capital	27.4%	28.8%%
Total capital	**176,399,257**	**145,186,735**

* See Note Correction of errors corrections via retrospective change as a result of an error

SFC's capital structure changed slightly in the reporting year. The equity ratio increased to 72.6% (previous year: 71.2%).

Adjusted operating result

In the reporting year, the company used, the so-called "adjusted operating result" among other measures, for internal management purposes. The table below shows the reconciliation of the operating result reported in the Consolidated Statement of Income of SFC to the adjusted operating result:

RECONCILIATION TO THE ADJUSTED OPERATING RESULT (EBIT) in EUR

	2023	2022 (retroactively adjusted)*
EBIT (earnings before interest and taxes)	**9,157,349**	**3,599,404**
Reported under research and development costs:		
Expenses for the LTI program	-890	11,115
Reported as sales costs		
Expenses for the LTI programs	-323,568	-381,269
Reported as general administrative costs		
Expenses for the LTI programs	371,859	-114,601
Expenses for acquisition-related costs	491,495	42,288
Adjusted operating result	**9,696,245**	**3,156,937**

* See Note Correction of errors corrections via retrospective change as a result of an error

Financial risks, such as market, default or liquidity risks, can arise in connection with financial instruments and are explained below.

Risks and hedging policy

Due to SFC's international activities, changes in exchange rates, raw material prices and interest rates affect the Group's asset, financial and earnings positions. Furthermore, there are default and liquidity risks that are related to market price risks or associated with a deterioration in the operating business or disruptions on the financial markets.

In general, there are still risks of rising raw material and energy costs, which can have a negative impact on product margins. Volatility of the platinum price of 5% would have an impact on expenses amounting to approximately EUR 16,928 p. a.

Default risk

Default risk resulted mainly from trade receivables. This risk consists of the danger of default by a contractual partner, which is characterized by the customer structure with various major customers. In order to prevent the risk of default, credit checks are carried out in the form of inquiries with credit agencies for selected customers and regular status reports with an early warning function are requested. New customers are generally only supplied in exchange for payment in advance. In addition, all overdue receivables are discussed on a weekly basis as part of receivables management and measures are initiated with the sales employees responsible. For the subsidiaries SFC B.V. and SFC Ltd., prevention of the default risk takes place in such a way that, due to the manageable number of customers or bad debts, overdue receivables are first addressed by accounting employees and then discussed with the customer by the sales employee responsible.

The amounts reported in the Consolidated Statement of Financial Position are net of the allowance for doubtful accounts estimated by management based on the expected credit loss model and the current economic environment. Specific valuation allowances are recognized as soon as there is an indication that receivables are uncollectible. The indications are based on intensive contacts as part of receivables management. The expected losses are determined based on the historical payment behavior of customers. On each balance sheet date, the expected loss is determined over the remaining term as a percentage depending on the length of time overdue.

The Group considers a financial asset to be in default if it is unlikely that the debtor will be able to pay its credit obligation to the Group in full without the Group having to resort to measures such as the liquidation of collateral (if any has been provided). The maximum default amount corresponds to the net carrying amount of the receivables. In the reporting period, as in the previous year, no collateral was acquired and recognized from defaulted receivables. Receivables from product sales are secured for SFC by retention of title.

Indicators that a financial asset is credit-impaired include the following observable inputs:

- significant financial difficulties of the customer
- a breach of contract, such as default or overdue by more than 90 days
- restructuring of a loan or credit by the Group that it would not otherwise consider
- it is likely that the customer will enter bankruptcy or other reorganization proceedings, or
- disappearance of an active market for a security due to financial difficulties.

The Group's depreciation and amortization policy provides for an item-by-item approach.

The trade receivables in the amount of EUR 28,645,153 (previous year: EUR 18,110,324) are attributable to the five largest customers in the amounts of EUR 6,981,476, EUR 2,108,627, EUR 2,011,727, EUR 1,971,340 resp. EUR 1,094,970, in total EUR 14,168,140 (previous year: on the five largest customers: EUR 2,045,723, EUR 2,031,076, EUR 1,213,492, EUR 945,977 and EUR 801,549, in total EUR 7,037,817). There are no other significant concentrations of risk.

The following table shows the development of allowances for trade receivables:

DEVELOPMENT OF WRITE-DOWNS ON TRADE RECEIVABLES in EUR

	2023	2022
Write-downs as of January 1	**1,504,707**	**1,082,938**
Additions	874,609	424,024
Utilization	-113,171	0
Release	-690,039	-2,255
Write-downs as of December 31	**1,576,106**	**1,504,707**

Expected credit losses break down as follows:

BREAKDOWN OF EXPECTED CREDIT LOSSES ON TRADE RECEIVABLES in EUR

	2023	2022
Balance as of January 1	**1,504,707**	**1,082,938**
Lifetime expected credit losses (collectively assessed)	279,637	302,124
Credit impaired financial assets (lifetime expected credit losses)	1,296,469	1,202,583
Balance as of December 31	**1,576,106**	**1,504,707**

Expected credit losses break down as follows:

LOSS RATE in EUR

	12/31/2023				
	not overdue	overdue less than 30 days	overdue 30 to 90 days	overdue more than 90 days	Total
Expected loss rate (in %)	0%	2%	3%	25 %	
Trade receivables (gross)	15,708,959	3,993,424	5,453,903	5,064,973	30,221,259
Allowance for doubtful accounts	73,165	76,729	176,312	1,249,900	1,576,106

	12/31/2022				
	not overdue	overdue less than 30 days	overdue 30 to 90 days	overdue more than 90 days	Total
Expected loss rate (in %)	1%	2%	3%	34%	
Trade receivables (gross)	8,587,940	5,107,638	2,291,200	3,781,253	19,615,031
Allowance for doubtful accounts	74,527	108,349	65,929	1,255,902	1,504,707

No valuation allowances were recognized for the other financial assets, which mainly comprise receivables from grants and contract assets. There were no overdue claims in this regard as of the balance sheet date.

There are also default risks relating to cash and cash equivalents. Cash and cash equivalents mainly include short-term time and overnight deposits and bank balances that are immediately available. In connection with the investment of cash and cash equivalents, SFC is exposed to losses from credit risks if banks fail to meet their obligations. To minimize this risk, the banks with which investments are made are carefully selected and the investments are spread across several banks. In addition, only short-term time deposits are arranged that are covered by the deposit insurance of the banks. The maximum risk position corresponds to the carrying amount of the cash and cash equivalents as of the balance sheet date.

Liquidity risk

Liquidity risk describes the risk that SFC will not be able to meet its payment obligations to a sufficient extent. This risk was countered by the capital increases in July 2019, November 2020 and July 2022 and the exercise of the warrant bond in January 2020 as well as all previous capital-increasing measures.

Responsibility for liquidity risk management ultimately lies with the Management Board, which has established an appropriate concept for managing short-, medium- and long-term financing and liquidity requirements. The Group manages liquidity risks by holding reserves and by constantly monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

SFC incurs cash outflows from the financial liabilities held, which are shown in the schedule below with their earliest possible dates. The cash inflows from financial instruments of current and non-current assets are shown analogously. The remaining net liquidity outflow is covered by current cash and cash equivalents.

FINANCIAL LIABILITIES in EUR

	2023				2022			
	Total	≤ 1 year	>1 – 5 years	>5 years	Total	≤ 1 year	>1 – 5 years	>5 years
Non-derivative financial liabilities								
Liabilities to banks	-3,791,132	-3,791,132	0	0	-4,054,845	-4,054,845	0	0
Trade payables	-12,890,047	-12,890,047	0	0	-9,045,990	-9,045,990	0	0
Lease liabilities	-14,249,401	-2,589,570	-9,961,658	-1,698,173	-10,561,072	-2,009,259	-6,164,025	-2,387,788
Other financial liabilities	-263,900	-263,900	0	0	-299,463	-299,463	0	0
Total cash outflow	**-31,194,480**	**-19,534,649**	**-9,961,658**	**-1,698,173**	**-23,961,370**	**-15,409,557**	**-6,164,025**	**-2,387,788**
Non-derivative financial assets								
Cash and cash equivalents	60,133,114	60,133,114	0	0	65,187,75	65,187,75	0	0
Trade receivables	28,645,153	28,645,153	0	0	18,110,324	18,110,324	0	0
Other financial assets	337,217	337,217	0	0	412,968	412,968	0	0
Total cash inflow	**89,115,484**	**89,115,484**	**0**	**0**	**83,711,04**	**83,711,04**	**0**	**0**
Net liquidity from financial instruments	**57,921,004**	**69,580,835**	**-9,961,658**	**-1,698,173**	**59,749,674**	**68,301,487**	**-6,164,025**	**-2,387,788**

The cash and cash equivalents shown include restricted cash.

Interest rate risk

Interest rate risk results mainly from the debt financing of the subsidiaries SFC Ltd. and SFC B.V., which are based on variable interest rates, and from the short-term investment of cash and cash equivalents. A 100-basis point increase or decrease in interest rates would have improved or worsened the interest result by EUR 20,227 (previous year: 50-basis point EUR 20,274). The Group is not exposed to any significant interest rate risks from variable-rate instruments.

Please refer to the Risk Report in the Group Management Report for information on risk management objectives and measures. Risk measurement is carried out in the course of the rolling year-end forecast.

Currency risk

Due to the business volume of SFC Ltd., SFC generates a significant share of its consolidated sales in Canadian dollars, which are offset by expenses or expenditures in the same currency. Furthermore, SFC AG and SFC Ltd. in North America generate sales in US dollars. In addition, SFC Ltd. purchases certain products in US dollars. No forward exchange transactions were entered into in the reporting year.

The currency translation of the assets and liabilities of the foreign subsidiaries in Canada, USA, UK and India as of December 31, 2022, would have resulted in an effect of EUR -870,900 (previous year: EUR -897,956) if the exchange rate had fluctuated by –5% and in an effect of EUR 870,900 (previous year: EUR 897,956) if the exchange rate had fluctuated by +5%, which would have been reflected in the Group's equity. The translation of the Romanian subsidiary and the transactions in RON did not have any material impact.

The valuation of the US Dollar currency receivables and liabilities of the Group as of December 31, 2023, would have resulted in a foreign currency result that would have changed by EUR -72,282 (prior year: EUR -98,195) if the exchange rate had fluctuated by -5% and by EUR 72,282 (prior year: EUR 98,195) if the exchange rate had fluctuated by +5%.

The objective of foreign currency management is to minimize currency losses compared to budget assumptions. For this purpose, an open foreign currency position is calculated based on actual and planned foreign currency positions and adjusted as part of the rolling year-end forecast. Where larger open positions exist, the open balance is largely hedged using forward exchange contracts if significant deviations from the budgeted assumptions arise from the forecast and market expectations. As of the balance sheet date, there are no open forward exchange contracts. In this respect, there is a foreign currency risk for the unhedged portion of sales.

Beyond the information provided on the individual risks, there is no significant concentration of risk in the Group.

(31) Share-based payment/Stock Appreciation Rights Program

The Management Board and Supervisory Board had agreed to give the Management Board and managers a share in the company's success. As part of the Management Board contracts, an agreement was concluded between the company and the Management Board members and (former) mangers on the conclusion of a share based remuneration programs, The objective of these programs is to support a business policy that is primarily aligned to the interests of the shareholders and promotes the long-term increase in value of the shareholders' shareholding.

As at December 31, 2023, SFC had two share-based payment programs: the Stock Appreciation Rights Programs (SAR) and the Stock Option Programs (SOP).

Stock Appreciation Rights Program

The SAR programs provides for variable remuneration in the form of virtual stock options. The SARs issued as part of the program are virtual remuneration instruments that are not backed by equity. They grant an entitlement to a cash payment by SFC if the performance targets are achieved and other conditions are met.

In the 2023 financial year, the virtual option rights issued are divided into the following tranches:

SARS-OVERVIEW 2023 in EUR

	Tranche PP2	Tranche HP3	Tranche DS1	Tranches CB1 / BL1 / FT1
Allocation date	**04/01/2017**	**07/01/2018**	**07/01/2020**	**01/01/2020**
Number of SARs	**360,000**	**180,000**	**228,000**	**47,250**
Sub-tranches	3	3	4	3
Maximum term of the SAR program	5.8 years	7.0 years	8.0 years	7.0 years
Reference price	Average market price of the company's shares (arithmetic mean of the closing prices in XETRA trading) on the last 30 trading days prior to the respective reporting date			
Expiry date of the last sub-tranche	**04/01/2020**	**07/01/2021**	**07/01/2024**	**01/01/202**
Share price target	EUR 11.50	EUR 16.50	EUR 22.00	EUR 19.00
Waiting period (from allocation date) in years	4.0 - 4.8	4.0 - 6.0	4.0 - 7.0	4.0- 6.0
Exercise price	The exercise price is EUR 1.00 per virtual share option			
Cap	n/a	n/a	EUR 1.0 Mio,	n/a
End of the exercise period of the last sub-tranche	**02/01/2023**	**07/01/2025**	**07/01/2028**	**01/01/202**

The tranches are each divided into individual sub-tranches. The number of SARs vested may change up to the expiry date depending on the reference price on this date (average market price of the company's shares on the last 30 trading days before the expiry date). The complete loss of all SARs granted is possible. If the reference price on the expiry date does not reach the price target specified in the term sheet, only a portion of the SARs will be earned. The remaining SARs expire on the respective reporting date without replacement or compensation (early expiry). The resulting number of SARs is deemed to have been earned.

After expiry of the respective waiting period (see SARs overview 2023), the SARs can be exercised within a period of one year, subject to the achievement of the performance targets and taking into account the blackout periods. The number of SARs that can be exercised depends largely on the average share price of the company's shares on the last 30 trading days prior to the expiry of the respective waiting period and the exercise date (reference price on the exercise date) reaches or exceeds the thresholds specified in the term sheet. If the reference price does not reach at least the price target, only a portion of the SARs can be exercised from the partial tranches. As part of the performance targets, the average share price of the company in the 30 trading days prior to the expiry of the respective waiting period must also exceed the average share price in the 30 trading days prior to the issue of the SARs for the HP3 tranche. In addition, the average share price during the 30 trading days prior to the end of the waiting period must exceed the average share price during the 30 trading days prior to the issue of the SARs. Blackout periods relate to ten days before the end of the quarter until the end of the first trading day after publication of the quarterly results and ten days before the end of the financial year until the end of the first trading day after publication of the (preliminary) results for the past financial year. When the SARs are exercised, a cash settlement is made in the amount of the reference price on the exercise date less the exercise price. The cash settlement of the respective subtranche of the DS1 tranche is limited to a maximum of EUR 1.0 million (cap).

No further SARs were granted in financial year 2023. Some of the claims were exercised in the reporting period on the basis of Tranche HP3.

The granting of the SARs was classified and measured as cash-settled share-based payments in accordance with IFRS 2.30. The fair value of the SARs is remeasured at each balance sheet date using a Monte Carlo model for the respective partial tranche and taking the terms and conditions upon which the SARs were granted into account.

SARs developed as follows in the reporting period:

DEVELOPMENTS OF SARS IN 2023 in EUR

	Tranche HP3	Tranche DS1	Tranches CB1/ BL1/FT1
Number of Stock Appreciation Rights (SAR)	**180,000**	**228,000**	**47,250**
Maximum term (years):	1.5	4.5	3.0
Outstanding number of SARs at the beginning of the 2023 reporting period (01/01/2023)	90,000	228,000	40,500
During the 2023 reporting period			
SARs awarded	0	0	0
SAR forfeited	0	0	0
SARs exercised	6,667	0	0
SARs expired	0	0	0
Outstanding number of SARs at the end of the 2023 reporting period (12/31/2023)	**83,333**	**228,000**	**40,500**
Exercisable SARs at the end of the reporting period (12/31/2023)	**41,667**	**0**	**0**

SARs developed as follows in the prior-year period:

DEVELOPMENT OF SARS IN 2022

	Tranche PP2	Tranche HP3	Tranche DS1	Tranches CB1 / BL1 / FT1
Number of Stock Appreciation Rights (SAR)	**360,000**	**180,000**	**228,000**	**47,250**
Maximum term (years)	0.0	2.5	5.5	4.0
Outstanding number of SARs at the beginning of the 2022 reporting period (01/01/2022)	146,667	125,000	228,000	40,500
During the 2022 reporting period				
SARs awarded	0	0	0	0
SAR forfeited	0	0	0	0
SARs exercised	146,667	35,000	0	0
SARs expireds	0	0	0	0
Outstanding number of SARs at the end of the 2022 reporting period (12/31/2022)	**0**	**90,000**	**228,000**	**40,500**
Exercizable SARs at the end of the reporting period (12/31/2022)	**0**	**6,667**	**0**	**0**

The following parameters were taken into account in the valuation as of December 31, 2023:

2023 in EUR

	Tranche HP3	Tranche DS1	Tranches CB1 / BL1 / FT1
Measurement date	12/31/2023	12/31/2023	12/31/2023
Remaining term (years)	0.5 - 1.5	1.5 - 4.5	1.0 - 3.0
Volatility	40.3% - 41.7%	41.7% - 53.7%	39.2% - 48.1%
Risk-free interest rate	2.60% - 3.47%	1.88% - 2.61%	2.04% - 2.97%
Expected dividend yield	0.0%	0.0%	0.0%
Strike price	EUR 1.00	EUR 1.00	EUR 1.00
Share price on the measurement date	EUR 19.52	EUR 19.52	EUR 19.52

The following parameters were used as a basis for the valuation as of the previous year (December 12/31/2022):

2022			in EUR
	Tranche HP3	Tranche DS1	Tranches CB1 / BL1 / FT1
Measurement date	12/31/2022	12/31/2022	12/31/2022
Remaining term (years)	0.5 - 2.5	2.5 - 5.5	2.0 - 4.0
Volatility	52.7%	52.8%	55.5%
Risk-free interest rate	2.57%	2.47%	2.50%
Expected dividend yield	0.0%	0.0%	0.0%
Strike price	EUR 1.00	EUR 1.00	EUR 1.00
Share price on the measurement date	EUR 25.10	EUR 25.10	EUR 25.10

The period from the valuation date to the end of the exercise period of the respective sub-tranche was used as the term (see 2023 valuation overview). The share price was determined via S&P's Capital IQ from the closing price in XETRA trading on December 29, 2023. The volatility was determined as the historical volatility of the SFC share over the remaining term of the respective sub-tranche. For previous valuations, the derivation was based on the remaining term of the respective tranche. The expected volatility taken into account is based on the assumption that future trends can be inferred from historical volatility, meaning that the volatility that actually materializes may differ from the assumptions made. The expected dividend yield is based on market and management estimates for the amount of the expected future dividend on SFC shares.

If control of the company is acquired within the meaning of Section 29 (2) of the German Securities Acquisition and Takeover Act (WpÜG), SARs that have not yet expired at the time of the takeover bid can be exercised at the time of the legal termination of the employment contract. This scenario was no longer taken into account as at December 31, 2023.

As at 31 December 2023, a liability of EUR 3,578,386 (of which EUR 1,418,481 non-current) was recognized under other liabilities as part of the SAR program (December 31, 2022: EUR 4,046,886; of which EUR 3,334,647 non-current). The expense / income for the period from January 1 to December 31, 2023, amounts to EUR -323,848 (prior-year period: EUR -796,683).

The intrinsic value of the vested SARs as at the reporting date is as follows:

INTRINSIC VALUE OF THE VESTED SARS AT 31.12.2023

	Exercise price	Share price 12/31/2023	Number of vested SARs	Intrinsic value
HP3	EUR 1.00	EUR 19.52	83,333	EUR 1,543,327
DS1[1]	EUR 1.00	EUR 19.52	171,000	EUR 3,000,000
CB1	EUR 1.00	EUR 19.52	13,500	EUR 250,020
FT1	EUR 1.00	EUR 19.52	13,500	EUR 250,020
BL1	EUR 1.00	EUR 19.52	13,500	EUR 250,020
Total				**EUR 5,293,387**

1 The cash settlement of the respective partial tranche of the DS1 tranche is limited to a maximum of EUR 1.0 million (cap). The cap is used when calculating the intrinsic value of the vested SAR taken into account accordingly

Stock Option Program

The SOP programs provide for variable remuneration in the form of share options. The SOPs issued as part of the program are remuneration instruments backed by equity. They grant an entitlement to one no-par value ordinary bearer share in SFC if the performance targets are achieved and other conditions are met.

In the 2023 financial year, the share option rights issued are divided into the following tranches:

SOPS-OVERVIEW 2023 in EUR

	Tranche PP3	Tranche HP4	Tranche MC1	Tranche SA1[1]	Tranche SA2
Grant date	**07/09/2020**	**03/01/2021**	**01/01/2021**	**01/01/2021**	**05/05/2023**
Number of SOPs	**504,000**	**500,000**	**22,800**	**22,800**	**22,800**
Number of sub-tranches	4	4	3	3	3
Maximum term	8.0 years	8.0 years	7.0 years	7.0 years	7.0 years
Reference price	Average market price of the company's shares (arithmetic mean of the closing prices in XETRA trading) on the last 30 trading days prior to the respective reporting date				
Expiry date of the last sub-tranche	**07/09/2024**	**03/01/2025**	**01/01/2024**	**01/01/2024**	**05/05/2026**
Target share-price	EUR 19.00	EUR 51.54	EUR 32.72	EUR 32.72	EUR 44.59
Waiting period (from grant date) in years	4.0 - 7.0	4.0 - 7.0	4.0 - 6.0	4.0- 6.0	4.0 - 6.0
Exercise price	EUR 1.00	EUR 24.41	EUR 15.50	EUR 15.50	EUR 21.12
Cap	EUR 1.0 Mio,	EUR 1.0 Mio,	n/a	n/a	n/a
End of the exercise period of the last sub-tranche	**07/09/2028**	**03/01/2029**	**01/01/2028**	**01/01/2028**	**05/05/2030**

1 The SA1 tranche was canceled in 2022.

The tranches are each divided into individual sub-tranches. The number of SOPs vested can change up to the expiry date depending on the reference price on this date (average market price of the company's shares on the last 30 trading days before the expiry date). The complete loss of all SOPs granted is possible. If the reference price on the expiry date does not reach the price target specified in the term sheet, only a portion of the SOPs will be earned. The remaining SOPs expire without replacement or compensation on the respective key date (early expiry). The resulting number of SOPs is deemed to have been earned.

After expiry of the respective waiting period (see SOPs overview 2023), the SOPs can be exercised within a period of one year, taking into account the blackout periods. The number of SOPs that can be exercised in relation to each sub-tranche is dependent on the average market price of the company's shares on the last 30 trading days before the exercise date (reference price on the exercise date) reaching or exceeding the exercise price. If the reference price does not reach the thresholds defined in the term sheet, only part of the SOP can be exercised from the sub-tranche in accordance with the reference price and taking into account the defined bandwidths.

For the HP4 and PP3 tranches, the respective partial tranche of the SOP can only be exercised if the total intrinsic value does not exceed EUR 1.0 million when the partial tranche is exercised (cap).

In the 2023 financial year, further share option programs were granted to managers (SA2). In addition, the SA1 share option program was terminated in the last reporting period (2022). In accordance with IFRS 2.28, the entire expense still to be distributed over the future periods of the vesting period must be recognized immediately in profit or loss. The corresponding expense was subsequently recognized in the 2023 financial year.

The granting of the SOP was classified and measured as equity-settled share-based payment transactions in accordance with IFRS 2.10. The fair value of the SOP is recognized in the income statement. The fair value of the SOPs is measured once using a Monte Carlo model for the respective partial tranche and taking into account the conditions under which the SOPs were granted.

The SOPs developed as follows in the reporting year:

STOCK OPTIONS IN 2023 in EUR

	Tranche PP3	Tranche HP4	Tranche MC1	Tranche SA2
Number of stock options	**504,000**	**500,000**	**22,800**	**22,800**
Maximum term (years)	4.5	5.2	4.0	6.3
Outstanding number of stock options at the beginning of the reporting period (01/01/2023)	504,000	375,000	19,543	0
During 2023 reporting period				
Stock options granted	0	0	0	22,800
Stock options forfeited	0	125,000	4,704	0
Stock options exercised	0	0	0	0
Stock options expired	0	0	0	0
SOP outstanding at the end of the reporting period (12/31/2023)	**504,000**	**250,000**	**14,839**	**22,800**
Exercisable SOP at the end of the reporting period (12/31/2023)	**0**	**0**	**0**	**0**

In the 2022 financial year, the share options developed as follows:

STOCK OPTIONS IN 2022 in EUR

	Tranche PP3	Tranche HP4	Tranche MC1	Tranche SA1
Number of stock options	**504,000**	**500,000**	**22,800**	**22,800**
Maximum term (years)	5.5	6.2	5.0	n/a
Outstanding number of stock options at the beginning of the reporting period (01/01/2022)	504,000	500,000	22,800	22,800
During 2022 reporting period				
Stock options granted	0	0	0	0
Stock options forfeited	0	125,000	3,257	28,000[1]
Stock options exercised	0	0	0	0
Stock options expired	0	0	0	0
SOP outstanding at the end of the reporting period (12/31/2022)	**504,000**	**375,000**	**19,543**	**0**
Exercisable SOP at the end of the reporting period (12/31/2022)	**0**	**0**	**0**	**0**

1 The SA1 tranche was canceled in 2022.

As of December 31, 2023, a capital reserve of EUR 1,757,626 was recognized under the Stock Option Program (December 31, 2022: EUR 1,386,377). The expense / income for the period from January 1 to December 31, 2023, amounted to EUR 371,249 (prior year period: EUR 311,928).

The following parameters were taken into account in the valuation as of December 31, 2023:

2023 in EUR

	Tranche PP3	Tranche HP4	Tranche MC1	Tranche SA2
Measurement date	**09/04/2020**	**03/01/2021**	**02/01/2021**	**05/05/2023**
Remaining term (years)	8	8	7	7
Volatility	45.18%	49.49%	50.34%	52.42%
Risk-free interest rate	-0.54%	-0.47%	-0.69%	2.15%
Expected dividend yield	0.00%	0.00%	0.00%	0.00%
Strike price	EUR 1.00	EUR 24.41	EUR 15.50	EUR 21.12
Share price on the measurement date	EUR 10.00	EUR 28.50	EUR 22.75	EUR 21.80

The fair value of the share options granted in the financial year 2023 amounted to EUR 223,553 (previous year: EUR 0).

The period from the valuation date to the end of the contract of the respective agreement was used as the term. The share price was determined via S&P's Capital IQ from the closing price in XETRA trading on the respective valuation date. The volatility was calculated as the historical volatility of the SFC share over the respective remaining term. The expected volatility taken into account is based on the assumption that future trends can be inferred from historical volatility, meaning that the volatility that actually materializes may differ from the assumptions made. The expected dividend yield is based on market and management estimates for the amount of the expected future dividend of the SFC share on the respective valuation dates.

If control of the company is acquired within the meaning of Section 29 (2) of the German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz), the SARs that have not yet expired at the time the takeover bid is submitted can be exercised at the time of the legal termination of the employment contract. This scenario was no longer taken into account as at 31 December 2023.

(32) Transactions with related parties

Related parties as defined by IAS 24 "Related Party Disclosures" are companies and persons if one of the parties has, directly or indirectly, the ability to control or exercise significant influence over the other party or is involved in the joint control of the company.

Balances and transactions between SFC Energy AG as the parent company and its subsidiaries, which are related parties, were eliminated in the course of consolidation and are therefore not presented in this note.

Related parties are, as persons in key positions at SFC, the members of the Management Board and Supervisory Board and their close family members. The Management Board and Supervisory Board were composed as follows in financial years 2022 and 2023:

Members of the Management Board

- Dr. Peter Podesser, Simbach am Inn, Germany, CEO (Chairman of the Board)
- Daniel Saxena, Thalwil, Switzerland, CFO
- Hans Pol, Ede, Netherlands, COO

Members of the Supervisory Board

- Hubertus Krossa, Wiesbaden, active on several supervisory boards (Chairman)
- Henning Gebhardt, Bad Homburg, Managing Directors (Vice Chairman)
- Gerhard Schempp, Kaltental, Management Consultant
- Sunaina Sinha, London (UK), Managing Director

Companies that are directly or indirectly controlled by key management personnel or under their significant influence are also classified as related parties in accordance with IAS 24 "Related Party Disclosures."

The total remuneration of persons in key management positions is shown below:

REMUNERATION FINANCIAL YEAR 2023 in EUR

	Short-term employee benefits	Post-employment benefits	Other long-term employee benefits	Termination benefits	Share-based compensation	Total
Dr. Peter Podesser	653,790	0	0	0	-237,394	416,396
Hans Pol	456,060	0	0	0	-321,788	134,272
Daniel Saxena	393,800	0	0	0	158,939	552,739
Total	**1,503,650**	**0**	**0**	**0**	**-400,243**	**1,103,407**

REMUNERATION FINANCIAL YEAR 2022* in EUR

	Short-term employee benefits	Post-employment benefits	Other long-term employee benefits	Termination benefits	Share-based compensation	Total
Dr. Peter Podesser	623,657	0	0	0	-559,773	63,884
Hans Pol	434,216	0	0	0	-179,590	254,626
Daniel Saxena	378,583	0	0	0	231,334	609,917
Total	**1,436,456**	**0**	**0**	**0**	**-508,029**	**928,427**

* Adjustment of the presentation including all LTI programs, see notes Corrections of Errors for retroactively changes as a result of an error.

The negative share-based payment results from a valuation effect that exceeds the share-based payment granted.

The remuneration of the Supervisory Board totaled EUR 207,500 in the reporting year (previous year: EUR 142,500) and relates entirely to short-term benefits.

As of the balance sheet date, liabilities to key management personnel were recognized in the amount of EUR 3,714,760 (previous year: EUR 6,412,323), The liabilities can be broken down as follows break down as follows:

- Supervisory Board EUR 207,500 (previous year: EUR 142,500)
- Management Board EUR 3,507,260 (previous year: EUR 6,269,823)

The liabilities to the Supervisory Board relate entirely to the Supervisory Board remuneration granted but not yet paid. EUR 2,940,860 (previous year: EUR 3,406,695) of the liabilities to the Management Board relate to SAR programs that have not yet been exercised and EUR 566,400 (previous year: EUR 500,000) to short-term variable remuneration for members of the Management Board. In the previous year, there were also liabilities from SAR programs already exercised amounting to EUR 2,363,128.

The liabilities for Management Board members comprise the SARs programs described below:

Agreements with Management Board members

SFC AG currently has the following agreements with members of the Management Board:

Hans Pol was appointed to the Management Board with effect from 1 January 2014 until 28 February 2025. His Executive Board employment contract contains a corresponding agreement for the SARs program 2018 - 2021 (HP3) and the SOPs program 2021 - 2025 (HP4).

Dr Peter Podesser was appointed to the Executive Board with effect from 1 November 2006 until 31 December 2028. His Executive Board employment contract includes a corresponding agreement on the SOPs program 2020 - 2024 (PP3).

Daniel Saxena was appointed to the Executive Board with effect from 1 July 2020 until 30 June 2024. His Executive Board employment contract contains a corresponding agreement for the SARs program 2020 - 2024 (DS1).

No further SARs or share options were granted to members of the Group's Executive Board in the 2023 financial year.

Corresponding details on the individual agreements are presented in section (31) Share-based payment.

The shares in SFC Energy AG are in free float. No company or person held a controlling majority in the 2023 financial year.

Total remuneration in accordance with § 314 HGB

The total remuneration granted to the Management Board of SFC Energy AG in accordance with Section 314 para. 1 no. 6 HGB in the 2023 reporting period amounted to EUR 1,417,250 (previous year: EUR 1,416,456) and includes all fixed, performance-related and share-based remuneration components.

The total remuneration granted to the Supervisory Board of SFC Energy AG in accordance with Section 314 (1) no. 6 HGB in the 2023 reporting period amounted to EUR 207,500 (previous year: EUR 142,500) and includes all fixed remuneration components.

(33) Earnings per share

Earnings per share are calculated by dividing the consolidated net profit for the year attributable to the share-holders of the parent company by the average number of shares outstanding. As of the reporting date December 31, 2023, there were 17,363,691 shares (previous year: 17,363,691 shares) outstanding. The calculation of diluted earnings per share is based on the profit/loss attributable to ordinary shareholders and a weighted average of common shares outstanding after adjusting for any dilutive effects of potential common shares. The diluted earnings per share for the reporting period amounted to EUR 1.18 (previous year: EUR 0.07)

The weighted average number of common shares as of December 31, 2023, is as follows:

AVERAGE OF COMMON SHARES in EUR

	2023	2022
Number of shares in circulation at the beginning of the period	17,363,691	14,469,743
Effect of the shares issued	0	1,208,462
Weighted average number of shares on December 31	**17,363,691**	**15,678,205**
Number of potentially dilutive common shares	479,435	413,763
Weighted average number of shares for the calculation of the diluted earnings per share	**17,843,126**	**16,091,968**

The potentially dilutive common shares result from existing stock option programs.

The basic and diluted earnings per share can be found in the Consolidated Statement of Income.

(34) Notes to the Consolidated Statement of Cash Flows

The Consolidated Statement of Cash Flows shows the origin and use of cash flows. In accordance with IAS 7 “Statement of Cash Flows,” a distinction is made between cash flows from operating, investing and financing activities. The cash and cash equivalents shown in the Consolidated Statement of Cash Flows correspond to the balance sheet item cash and cash equivalents (without restrictions on disposal) with the addition of current account liabilities. For the presentation of cash and cash equivalents in the cash-flow statement, cash and cash equivalents comprise cash on hand and current account balances and readily available short-term deposits with original maturities of three months or less, which can be converted into cash at any time and are subject to an insignificant risk of changes in value in the amount of EUR 57,560,495 (previous year: EUR 62,447,491), time deposits and overnight deposits (without drawing restrictions) in the amount of EUR 2,286,999 (previous year: EUR 2,355,334), totaling EUR 59,847,494 (previous year: EUR 64,80,2,825) as well as overdraft facilities in the amount of EUR 3,791,132 (previous year: EUR 4,054,845). The overdraft facilities are recognized in the balance sheet item „Liabilities to banks" under current liabilities.

Income tax payments and refunds relate primarily to capital gains tax and the solidarity surcharge withheld from interest credits when overnight and time deposits mature, as well as income tax payments for the Canadian and Romanian subsidiaries.

Since existing liquidity surpluses of SFC are invested in short-term, low-risk financial instruments, the interest received is allocated to cash flow from investing activities. The interest payments are shown in cash flow from financing activities.

The following table contains a reconciliation of the balances to the cash and cash equivalents in the cash flow statement:

AVERAGE OF COMMON SHARES — in EUR

	2023	2022
Cash and cash equivalents	59,847,494	64,802,825
Bank overdrafts	-3,791,132	-4,054,845
Balances according to cash flow statement	**56,056,362**	**60,747,980**

The following table contains a reconciliation of the cash flow from financing activities:

RECONCILIATION CASH FLOW FROM FINANCING ACTIVITIES 2023 — in EUR

	12/31/2022	Cash effective	Non-cash-effective				12/31/2023
			Exchange rate change	Interest	Additions- & Depart. IFRS 16	Allocation of stock option program	Total
Lease liabilities	10,561,072	-2,414,236	-78,393	520,939	3,973,801	0	12,563,183
Total	**10,561,072**	**-2,414,236**	**-78,393**	**520,939**	**3,973,801**	**0**	**12,563,183**

RECONCILIATION CASH FLOW FROM FINANCING ACTIVITIES 2022

in EUR

	12/31/2021	Cash effective	Non-cash-effective					12/31/2022
			Exchange rate change	Tax effect Costs of the capital incre-ase	Interest	Additions- & Depart. IFRS 16	Allocation of stock option program	Total
Lease liabilities	6,750,663	-2,210,172	13,407	0	373,150	5,634,024	0	10,561,072
Subscribed capital and capital reserve	134,106,291	51,207,747	0	953,022	0	0	311,928	186,578,987
Total	**140,856,954**	**48,997,575**	**13,407**	**953,022**	**373,150**	**5,634,024**	**311,928**	**197,140,059**

Cash flow from financing activities also includes interest in connection with current account liabilities in the amount of EUR 264,568 (previous year: EUR 153,927).

In the previous year, cash flow from financing activities included cash inflows from the capital increase.

(35) Disclosures on Group segment reporting

As part of Group segment reporting in accordance with IFRS 8 "Operating Segments," the segments are broken down according to internal reporting to the Management Board and the Supervisory Board, which serves as the basis for company planning and resource mapping.

The accounting policies of the reportable segments correspond to the Group accounting policies described.

To measure the success of the two segments Clean Energy and Clean Power Management and to manage the Group, the Management Board uses sales, gross profit, adjusted EBITDA (adjusted earnings before interest, taxes, depreciation and amortization) and adjusted EBIT (earnings before interest and taxes adjusted for non-recurring effects) as key performance indicators. For the reconciliation to adjusted EBIT/ EBITDA, please refer to Note (30) Adjusted operating profit in the Notes to the Consolidated Financial Statements.

The Clean Energy segment comprises the broad portfolio of products, systems and solutions for stationary and mobile off-grid power supply based on hydrogen (PEMFC) and direct methanol (DMFC) fuel cells for customers from the private, industrial and public sectors in various end customer markets.

The Clean Power Management segment comprises the entire business with standardized and semi-standardized power management solutions such as voltage transformers and coils, which are used in equipment for the high-tech industry. The segment also includes the business with frequency converters that are used in the upstream oil and gas industry.

The breakdown of sales and non-current segment assets by region in shown below:

SALES AND NON-CURRENT SEGMENT ASSETS BY REGION

in EUR

	Sales from transactions with external customers		Long-term Assets	
	2023	2022	12/31/2023	12/31/2022
USA	17,255,843	8,479,525	111,935	0
Canada	37,199,567	29,469,786	9,669,203	9,742,632
Europe (excluding GER & NL)	22,866,879	21,592,477	1,216,029	0
Germany	9,907,048	7,744,395	17,782,607	16,663,688
Netherlands	15,846,083	10,959,298	6,659,470	5,566,003
Asia	12,970,028	6,713,805	2,284,783	0
Rest of the world	2,102,593	269,995	0	0
Total	**118,148,041**	85,229,281	**37,724,027**	31,972,323

The breakdown of sales by region was based on the registered offices of the respective customers.

In the past financial year, no customer generated sales of more than 10% of total sales.

Depreciation and amortization of non-current assets, which are included in cost of sales, can be allocated to the individual segments as follows:

DEPRECIATION IN THE COST OF SALES

in EUR

	2023	2022
Clean Energy	2,350,211	2,655,641
Clean Power Management	1,021,204	755,729
Total	**3,371,415**	**3,411,370**

Internal reporting is limited to income and expense items. Accordingly, segment reporting does not include any balance sheet items.

(36) Auditor's fees

The fees are:

FEES (in EUR)

	2023	2022
Audit services	330,744	405,360
Other services	0	392,900
Total	**330,744**	**798,260**

(37) Declaration of Conformity with the German Corporate Governance Code

On March 27, 2024, the Management Board and Supervisory Board issued an updated Declaration of Conformity with the German Corporate Governance Code pursuant to Section AktG 161 and published it on the website of SFC Energy AG (**www.sfc.com/de/investoren/corporate-governance**). The Declaration of Compliance will be available on the Internet for the next five years and has thus been made permanently accessible to the public.

(38) Significant events after the balance sheet date

No other events of particular significance expected to have a material effect on the financial position, financial performance and cash flows of SFC AG had occurred by the time the financial statements were prepared.

Brunnthal, March 27, 2024

The Management Board

Dr. Peter Podesser
CEO

Daniel Saxena
CFO

Hans Pol
COO

RESPONSIBILITY STATEMENT

Consolidated Financial Statements and Group Management Report for Financial Year 2023

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Brunnthal, March 27, 2024

The Management Board

Dr. Peter Podesser CEO	Daniel Saxena CFO	Hans Pol COO

INDEPENDENT AUDITOR'S REPORT

Audit opinions

We have audited the consolidated financial statements of SFC Energy AG Aktiengesellschaft, Brunnthal, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2023, the consolidated statement of comprehensive income, the consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2023, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the consolidated management report of SFC Energy AG, for the financial year from January 1 to December 31, 2022. In accordance with German legal requirements, we have not audited the content of the disclosures in the group management report that are marked as unaudited.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at December 31, 2023, and of its financial performance for the financial year from January 1 to December31, 2023, and
- the accompanying consolidated management report as a whole provides an appropriate view of the Group's position. In all material respects, this consolidated management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the Group management report does not cover the content of the disclosures in the Group management report that are labelled as unaudited.

Pursuant to Section 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the consolidated management report.

Basis for the audit opinions

We conducted our audit of the consolidated financial statements and of the consolidated management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EUAPrVO") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer, IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the consolidated management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) (f) of the EU Audit Regulation, we declare that we have not provided nonaudit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and the consolidated management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

- Recoverability of goodwill and non-current assets with finite useful lives
- Valuation of stock appreciation rights (SARs) and stock option programmes (SOPs)

Our presentation of these key audit matters has been structured in each case as follows:

- Matter and issue
- Audit approach and findings
- Reference to further information

Hereinafter we present the key audit matters:

Recoverability of goodwill

Goodwill totalling TEUR 8,283 (4.7% of total assets) is reported in the Company's consolidated financial statements. While goodwill must be tested for impairment once a year or when there are indications of impairment in order to determine a possible need for amortization. The impairment test is performed at the level of the group of cash-generating units to which the respective goodwill is allocated. The carrying amount of the relevant cash-generating units (where applicable including goodwill) is compared with the corresponding recoverable amount in the context of the impairment test. The recoverable amount is the higher of fair value less costs of disposal and the value in use. The Company generally determines the recoverable amount using the value in use. The present value of the future cash flows from the respective cash-generating unit normally serves as the basis of valuation. Present values are calculated using discounted cash flow models. For this purpose, the long-term planning for the cash-generating units adopted by the executive directors forms the starting point which is extrapolated based on assumptions about long-term rates of growth. Expectations relating to future market developments and assumptions about the development of macroeconomic factors, which are currently subject to increased uncertainties, are also taken into account. The discount rate used is the weighted average cost of capital for the respective cash-generating unit. No need for impairment was identified as a result of the impairment test.

The outcome of this valuation is dependent to a large extent on the estimates made by the executive directors with respect to the future cash flows from the respective cash-generating units, the discount rate used, the rate of growth and other assumptions, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit

As part of our audit we assessed the methodology used for the purposes of performing the impairment test. After matching the future cash inflows used for the calculation against the long-term planning for the cash-generating units adopted by the executive directors, we assessed the appropriateness of the calculation, in particular by reconciling it with general and sector-specific market expectations. In addition, we assessed the appropriate consideration of the costs of group functions. In the knowledge that even relatively small changes in the discount rate applied or growth rates can have a material impact on the value of the entity calculated in this way, we focused our testing in particular on the parameters used to determine the discount rate applied, and assessed the calculation model. In order to reflect the uncertainty inherent in the projections, we evaluated own sensitivity analyses. In doing so, we determined that the carrying amounts of the cash-generating units, including the allocated goodwill, are sufficiently covered by the discounted future cash surpluses, taking into account the available information.

Overall, the valuation parameters and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

The company's disclosures on goodwill are contained in section „(19) Intangible assets" in the subsection „Impairment tests for goodwill" in the notes to the consolidated financial statements.

Valuation of stock appreciation rights (SARs) and stock option programs (SOPs)

In the company's consolidated financial statements, personnel expenses totaling EUR 47 thousand are reported for stock appreciation rights (SARs) and share option programs (SOPs). In addition, non-current liabilities of EUR 1,418 thousand and current liabilities of EUR 2,160 thousand are recognized for SARs and a capital reserve of EUR 1,758 thousand is recognized for SOPs.

For cash-settled share-based payments (SARs), the services received and the liability incurred must be recognized in accordance with the provisions of IFRS 2. A liability must be recognized as an expense over the vesting period. The expense and liability are measured at each reporting date with reference to the fair value of the equity instruments, which determines the amount of the payment obligation. Share options granted (SOPs), on the other hand, are to be classified as equity-settled share-based payment transactions in accordance with IFRS 2. In this case, the capital reserve is recognized as an expense over the vesting period and the work performance received is measured once by reference to the fair value of the equity instruments granted at the grant date. SARs and SOPs are subject to similar conditions. The SARs and SOPs can be exercised by the beneficiaries after a vesting period of four to seven years, subject to payment of an exercise price. The prerequisite for exercise is the fulfilment of various service conditions, market conditions and non-exercise conditions.

The provision for SARs is measured on a quarterly basis by determining the fair value using a Monte Carlo simulation. In contrast, SOPs are measured once at fair value at the grant date using a Monte Carlo simulation.

For the measurement of SARs and SOPs, the executive directors make assumptions that are incorporated into the financial simulation. These include the expected dividends, the share price as well as the risk-free interest rates and historical volatilities at the balance sheet date or at the time of granting These are determined on the basis of historical or current market data The company consulted an external expert to determine the fair value of the instruments granted.

The result of this valuation is highly dependent on the estimates and assumptions made by the legal representatives and is therefore subject to significant uncertainties. Against this background and due to the complexity of the valuation, this matter was of particular significance in the context of our audit.

As part of our audit, we first obtained an understanding of the Company's processes in the area of share-based payments (SARs and SOPs) and assessed their appropriateness. Based on this, we assessed the determination of the fair value of the promised benefits and the accrual basis of accounting. With the knowledge that there is an increased risk of misstatements in the accounting in the case of estimated values and that the assumptions made by the legal representatives for the valuation have a direct impact on the consolidated net profit of the company, we compared the appropriateness of the valuations with the underlying contractual data, among other things, and assessed the calculation for the valuation of share-based payment programmes and the accounting treatment in the consolidated financial statements of the company with the involvement of specialists. Finally, we verified the completeness and appropriateness of the disclosures made by the executive directors on the SARs and SOPs in the notes to the consolidated financial statements.

We were able to satisfy ourselves that the estimates and assumptions made by the executive directors for the valuation of the share-based payment programs (SARs and SOPs) are sufficiently documented and substantiated.

The company's disclosures on SARs and SOPs are contained in section „(31) Share-based payment/stock appreciation rights program" in subsection "Stock appreciation rights program/stock option plan" of the notes to the consolidated financial statements.

Other information

The executive directors are responsible for the other information. The other information comprises the sections of the consolidated management report as unaudited parts of the consolidated management report.

The other information comprises further

- the corporate governance statement pursuant to Sections 289f and 315d HGB
- the remuneration report pursuant to Section 162 AktG, for which the Supervisory Board is also responsible
- all remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited consolidated management report and our auditor's report.

Our audit opinions on the consolidated financial statements and the consolidated management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information mentioned above and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the consolidated management report disclosures audited in terms of content or with our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the executive directors and the Supervisory Board for the consolidated financial statements and the consolidated management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and for ensuring that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e. fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the consolidated management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a consolidated management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the consolidated management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and the consolidated management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the consolidated management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the consolidated management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the consolidated management report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by IDW will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this consolidated management report.

We exercise professional judgment and maintain professional skepticism throughout the audit.

We also

- Identify and assess the risks of material misstatement in the consolidated financial statements and in the consolidated management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the consolidated management report included in the consolidated management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the consolidated management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.
  However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the consolidated management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the consolidated management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the consolidated management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Report on the audit of the electronic reproduction of the consolidated financial statements and the Group management report prepared for publication purposes in accordance with Section 317 (3a) HGB

Audit opinion

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter also referred to as „ESEF documents") contained in the file „3912003HZPSTWYICYA50-2023-12-31-en.zip" and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format („ESEF format"). Under German legal requirements, this audit only extends to converting the information contained in the consolidated financial statements and the group management report into the ESEF format. It therefore does not extend to the information in these reproductions or any other information in the above-mentioned file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. Beyond this audit opinion and our audit opinions on the accompanying consolidated financial statements and on the accompanying group management report for the financial year from January 1 to December 31, 2023 contained in the „Report on the Audit of the Consolidated Financial Statements and of the Group Management Report" above, we do not express any opinion on the information contained in these reproductions or on the other information contained in the above-mentioned file.

Basis for the audit opinion statement

Since the legal representatives have not submitted any ESEF documents to us for audit up to the date of the auditor's report, we do not express an opinion on the ESEF documents.

We conducted our audit of the reproduction of the consolidated financial statements and of the group management report contained in the above-mentioned file under Section 317 (3a) HGB and the IDW Auditing Standard: Audit of the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes under Section 317 (3a) HGB (IDW PS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibilities under those standards are further described in the „Auditor's responsibilities for the audit of the ESEF documents" section. Our audit practice complies with the quality management system requirements of the IDW Quality Management Standard: Requirements for Quality Management in the Auditing Practice (IDW QMS 1 (09.2022)) have been applied.

Responsibility of the legal representatives and the Supervisory Board for the ESEF documents

The company's management is responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with Section 328 (1) sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 no. 2 HGB.

Furthermore, the company's management is responsible for such internal control as they have determined necessary to enable the preparation of ESEF documents that are free from material non-compliance, whether due to fraud or error, with the requirements of Section 328 (1) HGB for the electronic reporting format. The Supervisory Board is responsible for overseeing the process of preparing the ESEF documents as part of the financial reporting process.

Auditor's responsibility for the audit of the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material - intentional or unintentional - non-compliance with the requirements of Section 328 (1) HGB. During the audit, we exercise professional judgment and maintain professional skepticism.

In addition

- Identify and assess the risks of material non-compliance with the requirements of Section 328 (1) HGB, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit of the ESEF documentation to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of these controls.
- We assess the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents meets the requirements of Delegated Regulation (EU) 2019/815 in the version applicable at the reporting date for the technical specification for this file.
- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and the audited group management report.
- We assess whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with Articles 4 and 6 of the Delegated Regulation (EU) 2019/815 in the version applicable at the reporting date provides an adequate and complete machine-readable XBRL copy of the XHTML reproduction.

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the Annual Shareholders' Meeting on Juni 5, 2023. We were engaged by the Supervisory Board on December 22, 2023.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

NOTE ON ANOTHER MATTER - USE OF THE AUDIT OPINION

Our audit opinion should always be read in conjunction with the audited consolidated financial statements and the audited Group management report as well as the audited ESEF documents. The consolidated financial statements and the group management report converted into the ESEF format - including the versions to be filed in the company register - are merely electronic reproductions of the audited consolidated financial statements and the audited group management report and do not replace them. In particular, the „Report on the audit of the electronic reproduction of the consolidated financial statements and the group management report prepared for publication purposes under Section 317 (3a) HGB" and our audit opinion contained therein can only be used in conjunction with the audited ESEF documents provided in electronic form.

NOTE ON THE SUPPLEMENTARY AUDIT

We issue this auditor's report on the consolidated financial statements and the group management report as well as on the reproduction of the consolidated financial statements and the group management report included in the file „3912003HZPSTWYICYA50-2023-12-31-en.zip" and prepared for publication purposes based on our statutory audit completed on March 27, 2024 and our supplementary audit completed on April 23, 2024, which related to the first-time submission of the ESEF documents.

AUDITOR RESPONSIBLE FOR THE AUDIT

The German Public Auditor responsible for the engagement is Alexander Fiedler.

Munich, March 27, 2024 / limited to the first submission of the ESEF documents mentioned in the note on the supplementary audit: April 23, 2024

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Holger Lutz German Public Auditor	Alexander Fiedler German Public Auditor

CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289F HGB OR SECTION 315D IN CONJUNCTION WITH SECTION 289F HGB

In this corporate governance statement, the Management Board and the Supervisory Board provide information on SFC Energy AG's corporate governance pursuant to section 289f of the German Commercial Code (Handelsgesetzbuch – "HGB") or section 315d in conjunction with section 289f HGB and pursuant to Principle 23 of the German Corporate Governance Code as amended on April 28, 2022 (and published in the Federal Gazette (Bundesanzeiger) on June 27, 2022; "GCGC").

The term "corporate governance" stands for responsible and transparent governance aimed at sustainable value creation and refers to a company's entire management and monitoring system, including its organization, business policy principles and guidelines as well as internal and external steering and monitoring mechanisms. Corporate governance promotes confidence among German and international investors, business partners, financial markets, employees, and the general public in the management and supervision of SFC Energy AG. Instruments of effective corporate governance are efficient cooperation between the Management Board and the Supervisory Board in a relationship of mutual trust, respect for shareholders' interests, and open and up-to-the-minute corporate communication. The Management Board and the Supervisory Board of SFC Energy AG are committed to upholding the principles of good corporate governance, and they believe that these principles are an essential building block of the Company's success. SFC Energy AG regularly reviews and improves its system of corporate governance.

Declaration of compliance with the German Corporate Governance Code (statement pursuant to section 161 AktG)

Pursuant to section 161 of the German Stock Corporation Act (Aktiengesetz – "AktG"), the management board and the supervisory board of exchange-listed companies must declare annually that the company has complied, and will comply, with the recommendations of the Government Commission on the German Corporate Governance Code published by the German Federal Ministry of Justice in the official section of the Federal Gazette (Bundesanzeiger) and/or which recommendations the company has not applied and/or will not apply and why not. This declaration has to be made accessible to the public on a permanent basis on the company's website.

Relevant companies may depart from the recommendations of the GCGC, but in this case they are obliged to disclose and explain such departures each year. This enables companies to take into account sector- or company-specific needs. The GCGC thus helps to make corporate governance of German companies more flexible and promotes their self-regulation. SFC Energy AG follows all recommendations of the German Corporate Governance Code which only a few exceptions, which are explained in the following declaration of compliance pursuant to section 161 AktG.

On March 21, 2024, the Management Board and the Supervisory Board of SFC Energy AG made the following declaration of compliance pursuant to section 161 AktG:

"After due examination, the Management Board and the Supervisory Board of SFC Energy AG declare that, since March 23, 2023, (the date the last declaration of compliance was made) and since April 28, 2023, (date the last declaration of compliance was updated), the Company has complied, and will comply, with the recommendations of the German Corporate Governance Code as amended on April 28, 2022, (published in the Federal Gazette on June 27, 2022, "GCGC"), with the following exceptions:

- Pursuant to recommendation B.3 GCGC, the first-time appointment of Management Board members shall be for a period of not more than three years. A departure from this recommendation is made insofar as the Supervisory Board decides on the specific term of the initial appointment in each individual case, in order to maintain sufficient flexibility in recruiting particularly qualified candidates for Management Board positions, while also considering the interest in long-term and sustainable corporate management.

- According to recommendation C.1 GCGC, the Supervisory Board shall determine concrete objectives regarding its composition, and shall prepare a profile of skills and expertise for the entire Board. In this process, the Supervisory Board shall be mindful of matters of diversity. Since the current version of the GCGC came into force, the Supervisory Board's profile of skills and expertise is also to include expertise on sustainability issues of importance to the entity. Proposals by the Supervisory Board to the General Meeting shall take these objectives into account, while simultaneously aiming at fulfilling the overall profile of required skills and expertise of the entire Board. The implementation status shall be disclosed in the corporate governance statement, and since the current version of the GCGC came into force in the form of a qualification matrix. The corporate governance statement shall also provide information about what the shareholder representatives on the Supervisory Board regard as the appropriate number of independent Supervisory Board members representing shareholders, and the names of these members. The Company departs from the recommendation to determine specific objectives, to prepare a profile of skills and expertise for the entire Board, and to provide information about what the shareholder representatives on the Supervisory Board regard as the appropriate number of independent Supervisory Board members representing shareholders, and the names of these members. The composition of the Supervisory Board must ensure that the Management Board is effectively advised and supervised in line with the Company's best interests. To ensure compliance with these statutory requirements the Supervisory Board shall continue to base its proposals of candidates primarily on the knowledge, skills and experience of eligible candidates. In this process, the Supervisory Board shall be mindful of matters of diversity and sustainability expertise. However, the Supervisory Board does not consider it necessary or reasonable to determine specific targets or quotas in advance beyond the target quota of women for the Supervisory Board required by section 111(5) AktG, as to do so would impose a sweeping restriction on the selection of suitable candidates, particularly for SFC Energy AG as a smaller, stock-listed stock corporation with a Supervisory Board that is composed of only four members. Accordingly, the corporate governance statement does not report on any such objectives and implementation. The Supervisory Board does not consider it necessary to provide further information on the independence of the members of the Supervisory Board. This means a departure from recommendation C.1 GCGC.
- Depending on the specific circumstances of the enterprise and the number of Supervisory Board members, the Supervisory Board pursuant to recommendation D.2 sentence 1 GCGC shall form committees of members with relevant specialist expertise. The Supervisory Board has not formed an audit committee. The Supervisory Board does not consider it necessary to form further committees, including in particular a committee dealing with Management Board remuneration, in order to perform efficient advisory and monitoring activities. As a precautionary measure, a departure from recommendations C.10, sentence 1 and D.2, sentence 1 GCGC is therefore declared.
- Pursuant to recommendation D.5 GCGC, the Supervisory Board shall form a Nomination Committee, composed exclusively of shareholder representatives, which names suitable candidates to the Supervisory Board for its proposals to the General Meeting. The Supervisory Board has not formed a Nomination Committee. The Supervisory Board takes the view, consistent with the legal literature on this subject, that a nomination committee does not need to be formed in the case of a supervisory board the size of the Supervisory Board of SFC Energy AG, which consists of only four members. It is sometimes conside-

red that, under these conditions, no qualification of the declaration of compliance pursuant to section 161 AktG is required here. Thus, to err on the side of caution, a departure from recommendation D.4 GCGC is declared in this respect.

- Pursuant to recommendation G.1 GCGC, the remuneration system shall define, in particular, how the target total remuneration is determined for each Management Board member, and the amount that the total remuneration must not exceed (maximum remuneration). The remuneration system adopted on June 5, 2023, complies with this recommendation. As a matter of precaution, we hereby wish to note that existing agreements with Management Board members concluded in the period since the GCGC as amended on December 16, 2019, came into force and before the remuneration system was resolved do not provide for total maximum remuneration. However, compliance with the maximum compensation in accordance with the compensation system is largely ensured (with the exception of certain special situations) by means of caps on the amounts of short-term and long-term variable compensation components agreed with the members of the Management Board since the GCGC as amended on December 16, 2019, came into force. The ongoing virtual stock option programs from the time before the GCGC as amended on December 16, 2019, came into force did not yet provide for any payout limits.
- Pursuant to recommendation G.12 GCGC, if a management board member's contract is terminated, the disbursement of any remaining variable remuneration components attributable to the period up until contract termination shall be based on the originally agreed targets and comparison parameters, and on the due dates or holding periods stipulated in the contract. Pursuant to the Management Board Remuneration System 2023 approved by the General Meeting on June 5, 2023, the Supervisory Board can deviate from this with regard to the long-term variable remuneration (LTI 2021) originally applicable from 2021 and provide for immediate payment of any portions of the LTI 2021 not yet due should contractual termination occur in the event of a change of control. In the view of the Supervisory Board, this is a standard provision and premature, full settlement of long-term remuneration entitlements is appropriate in this situation. In other cases, the due dates and holding periods for all other variable remuneration components remain unaffected by the premature termination of a Management Board employment contract in accordance with recommendation G.12 GCGC. There is thus a deviation from recommendation G.12 GCGC with regard to compliance with the due dates.

Brunnthal, March 21, 2024

SFC Energy AG

The Management Board
The Supervisory Board

The current declaration of compliance together with the declarations of compliance for the past five years are available to the general public at any time on the SFC Energy AG website at (**https://www.sfc.com/investoren/corporate-governance/#s2**).

Remuneration report / remuneration system

The remuneration report for the reporting year 2023 and the auditor's audit opinion pursuant to section 162(3) AktG, the current remuneration system for the Management Board members pursuant to section 87a(1) and (2) sentence 1 AktG approved by the General Meeting on June 5, 2023, and the resolution adopted by the General Meeting on June 5, 2023 pursuant to section 113(3) AktG on the remuneration of the Supervisory Board members are made available to the general public on the SFC Energy AG website (**https://www.sfc.com/en/investors-sfc-energy-ag/corporate-governance/)**.

Disclosure of corporate governance practices

There are no relevant corporate governance practices at SFC Energy AG over and above the legal obligations.

Structure and procedures of the management and supervisory bodies; diversity

SFC Energy AG believes that a responsible and transparent governance and controlling structure is the foundation for creating value and instilling confidence in the Company. SFC Energy AG is subject to German stock corporation law and therefore has a dual management system consisting of the Management Board as the management body and the Supervisory Board as the supervisory body. Their duties and powers, as well as the requirements for their procedures and composition, are essentially based on the German Stock Corporation Act (Aktiengesetz) and the Articles of Association of SFC Energy AG, as well as their rules of procedure. The structures of the Company's management and supervisory bodies are as follows:

Shareholders and General Meeting

The shareholders of SFC Energy AG exercise their co-determination and monitoring rights at the General Meeting, which is held at least once a year. SFC Energy AG regularly informs its shareholders, as well as analysts, shareholders' associations, media representatives, and the interested public through its financial calendar, which is published in the Company's annual report, its quarterly communications, and on its website. In addition, as part of SFC Energy AG's investor relations activities, the Company regularly meets with analysts and institutional investors. The Company also holds an analysts' conference at least once a year. The last such conference took place on November 27/28, 2023 at the German Equity Forum.

The General Meeting of SFC Energy AG is held during the first eight months of each financial year and resolves on all matters reserved for the General Meeting by law, including, inter alia, the appropriation of profits, election and approval of the actions of the Supervisory Board members, approval of the actions of the Management Board members, election of the auditors, and amendments to the Company's Articles of Association. Shareholders exercise their rights and, in particular, their voting rights at the General Meeting. When votes are taken, each share grants one vote.

To facilitate exercising their rights and to prepare for the meeting, shareholders will receive the annual report and the meeting notice in advance of the General Meeting, providing them with in-depth information about the past financial year and the agenda items to be transacted. All of the documents and information pertaining to the General Meeting, including the annual report, will also be published on the Company's website. To facilitate the exercise of shareholders' rights, SFC Energy AG offers any shareholder who is unable to exercise, or chooses not to exercise, their voting rights personally or by proxy the opportunity to exercise their voting rights at the General Meeting through a proxy who is bound by instructions given.

Management Board

The Management Board of SFC Energy AG manages the Company with the goal of creating sustainable value on its own responsibility and in the best interests of the Company, i.e., with the interests of shareholders, employees, and other stakeholders in mind. The Management Board acts without being subject to instructions from any third parties and in accordance with the law, the Company's Articles of Association and the rules of procedure adopted by the Supervisory Board for the Management Board, and taking account of the resolutions adopted by the General Meeting. When making appointments to executive positions in the Company, the Management Board of SFC Energy AG also considers diversity and seeks to ensure, in particular, appropriate representation of women (for more details, see the section headed "Information required by section 289f(2) no. 4 HGB", page 199 below).

Notwithstanding the principle of overall responsibility according to which all Management Board members are jointly responsible for managing the company, each Management Board member has sole responsibility for the business area assigned to them. Its members work together in a spirit of collegiality and keep one another informed about major transactions and measures in their respective business areas. The Chairman of the Management Board has primary responsibility for the overall management and business policy of the Company. He ensures coordination and consistency of business management within the Management Board and represents the Company in public.

The Management Board and the Supervisory Board of SFC Energy AG cooperate closely and on a trust basis for the benefit of the Company. The Management Board reports to the Supervisory Board regularly, without delay and comprehensively on all issues that are relevant to the Company, in particular regarding planning, business development, strategy, the risk situation, including the control and risk management system (including the sustainability-related goals) and compliance, and on all other major events that are of material importance for the management of the Company; the Management Board regularly coordinates the strategy and sustainability issues of SFC Energy AG, especially the ecological and social goals of the corporate strategy and planning, with the Supervisory Board. Between meetings, the Chairman of the Supervisory Board will be in regular contact with the Management Board – in particular, the Chairman of the Management Board, in order to discuss with them important issues and current events, in particular those regarding strategy, business development, the risk situation, the control and risk management system, and compliance of the Company.

In accordance with the law and the rules of procedure laid down by the Supervisory Board for the Management Board, certain material decisions by the Management Board are additionally subject to the approval of the Supervisory Board. The approval of the Supervisory Board is also required for material transactions between SFC Energy AG group companies on the one hand and Management Board members or their related persons or enterprises on the other hand; no such transactions have been made in the reporting period. Management Board members must inform the Chairman of the Supervisory Board of any conflicts of interest without undue delay; the other Management Board members must be informed thereof. No such transactions or conflicts of interest have occurred in the reporting year. Management Board members may only assume sideline activities, especially supervisory board mandates outside the group, with the approval of the Supervisory Board. In the past financial year, no Management Board member was a supervisory board member of any commercial company or partnership not belonging to the group.

Together with the Management Board, the Supervisory Board ensures long-term succession planning. In the past year, the Supervisory Board, together with the Management Board, discussed long-term personnel planning. When appointing members to the Management Board, the Supervisory Board ensures that the Management Board's composition is most beneficial to the Company, diverse and complementary, and that there is long-term succession planning. When examining candidates for a Management Board position, the Supervisory Board believes that key suitability criteria are the candidates' professional qualifications for the position in question, convincing leadership qualities, previous performance, experience, industry knowledge and knowledge of the Company. The Supervisory Board will not appoint a Management Board member who has reached the age of 65 at the time of appointment. The decision on the appointment of a specific Management Board member is always based on the interests of the Company, taking into account all circumstances of the specific case. The three Management Board members have different professional backgrounds, horizons of experience, and expertise together, including notable international experience. Diversity is an important and lived objective of SFC Energy AG; however, the Company does not have a formal diversity concept for the Management Board for the purposes of section 289f(2) no. 6 HGB, in order to maintain sufficient flexibility.

The Management Board of SFC Energy AG in the 2023 reporting year had, and currently has, three members, namely Dr. Peter Podesser as the Chairman of the Management Board/Chief Executive Officer (CEO), Mr. Daniel Saxena as Chief Financial Officer (CFO), and Mr. Hans Pol as Chief Operating Officer (COO). Further information on the Management Board members and their memberships to be disclosed pursuant to section 285 no. 10 HGB are available in the notes to the consolidated financial statements under (32) Transactions with related entities and persons; more detailed information on the areas of responsibility and curricula vitae of the Management Board members are available on the Company's website at **https://www.sfc.com/en/company-sfc-energy-ag/management-supervisory-board-sfc-energy-ag/**.

The Management Board members are covered by directors' and officers' liability insurance (D&O insurance) in accordance with the requirements of section 93(2) sentence 3 AktG.

Supervisory Board

The Supervisory Board appoints the members of the Management Board and supervises the Management Board in the management of SFC Energy AG. The Supervisory Board is directly involved in all decisions that are of fundamental importance for the Company. Pursuant to applicable law, the Company's Articles of Association and the Management Board's rules of internal procedure or resolutions adopted by the Supervisory Board, certain matters relating to the management of the Company require the Supervisory Board's consent. The Supervisory Board actively assists the Management Board by consultations and discussions, performs the duties incumbent on it by law and under the Articles of Association, and continuously supervises the management of the Company's business on the basis of Management Board reports and joint meetings (see the Supervisory Board report on page 16 et seqq.). Other major responsibilities of the Supervisory Board are the examination and adoption of the annual financial statements and the approval of the consolidated financial statements. The responsibilities and internal organization of the Supervisory Board and its committees result from the law, the Articles of Association, and the rules of procedure of the Supervisory Board, which are available on SFC Energy AG's website at **https://www.sfc.com/wp-content/uploads/sites/4/geschäftsordnung-aufsichtsrat-en.pdf**. The GCGC also contains recommendations for the Supervisory Board's work.

The Chairman of the Supervisory Board coordinates the work of the Supervisory Board, chairs its meetings and represents its interests externally. He maintains regular contact with the Management Board, particularly the Chairman of the Management Board, discussing in particular the Company's strategy, business development, major transactions, risk management, risk situation, and compliance, as well as sustainability issues. The Supervisory Board has adopted its own rules of procedure which, in accordance with the law and the Articles of Association, include provisions regarding, inter alia, Supervisory Board meetings and the adoption of resolutions, the duty of confidentiality and the handling of conflicts of interest.

Composition of the Supervisory Board

In the 2023 financial year, the Supervisory Board consisted of, and today consists of, (i) Mr. Hubertus Krossa (Chairman), (ii) Mr. Henning Gebhardt (Deputy Chairman), (iii) Mr. Gerhard Schempp (re-elected on June 5, 2023), and (iv) Ms. Sunaina Sinha Haldea (re-elected on June 5, 2023). Mr. Hubertus Krossa has been a member of the Company's Supervisory Board since May 16, 2014, Mr. Henning Gebhardt since May 19, 2021, Mr. Gerhard Schempp since June 1, 2020, and Ms. Sunaina Sinha Haldea since August 12, 2021.

The term of office of the members of the Supervisory Board is staggered (and hence is referred to as a "staggered board"). As a general rule, Supervisory Board members are generally be elected for a term of four years, and two Supervisory Board members resign from the Supervisory Board every two years. Further information on the Supervisory Board's composition in the reporting year are available in the Supervisory Board report from page 16 et seq. Further information on the Supervisory Board members and their memberships to be disclosed pursuant to section 285 no. 10 HGB are available in the notes to the consolidated financial statements under (32) Transactions with related entities and persons; more detailed information on the areas of responsibility and curricula vitae of the Supervisory Board members are available on the Company's website at **https://www.sfc.com/en/company-sfc-energy-ag/management-supervisory-board-sfc-energy-ag/**.

Among the Supervisory Board members currently in office, Mr. Krossa and Mr. Gebhardt in particular have expertise in the areas of accounting and auditing, with Mr. Krossa's expertise being in accounting and sustainability reporting and Mr. Gebhardt having expertise in auditing and sustainability auditing. Mr. Krossa has gained the necessary knowledge and experience in the many years of his professional career, particularly as a member of the Executive Board of Linde AG and as CEO of the KION Group; Mr. Gebhardt has gained such knowledge and experience as Head of Global Equity Fund Management at DWS Investment, member of the Working Group on External Corporate Accounting (AKEU) and as a board member of Deutsches Aktieninstitut as well as through further training.
The Supervisory Board has not determined specific targets regarding its composition, except for the determi-

nation of a target quota of women for the Supervisory Board as required by law (see the section entitled "Information required by section 289f(2) no. 4 HGB"), and has not adopted a diversity concept for the purposes of section 289f(2) no. 6 HGB, in order to maintain sufficient flexibility. In order to ensure the due performance of its statutory duties, the Supervisory Board will continue to base its proposals for candidates to the General Meeting primarily on the knowledge, skills, and experience of eligible candidates. In this respect, the Supervisory Board will also appropriately take account of the international activities of the Company, potential conflicts of interest, the number of independent members of the Supervisory Board, an age limit laid down in the rules of procedure of the Supervisory Board and diversity. However, the Supervisory Board does not consider it necessary or reasonable to determine specific targets or gender-specific quotas in advance beyond the target quota of women for the Supervisory Board required by section 111(5) AktG, as to do so would restrict the selection of suitable candidates, particularly for SFC Energy AG as a smaller, stock-listed stock corporation. The Supervisory Board will not consider any persons as candidates who have reached the age of 75 at the time of election. The term of office of Supervisory Board members currently varies between one year and four years and, following full implementation of the staggered board structure, will regularly be four years in the future.

No former members of the Management Board of SFC Energy AG are members of the Supervisory Board. The Management Board and the Supervisory Board believe that the Supervisory Board has an appropriate number of independent members.

Potential conflicts of interest of Supervisory Board members

Provisions for avoiding and addressing potential conflicts of interest are laid down in the rules of procedure of the Supervisory Board. Each member of the Supervisory Board shall disclose conflicts of interest to the Chairman of the Supervisory Board. Each member of the Supervisory Board is obliged to act in the best interests of the Company. Material conflicts of interest involving a member of the Supervisory Board that are not merely temporary shall result in the termination of that member's Supervisory Board mandate. Any consultancy or other work or service contracts between a Supervisory Board member and the Company require a resolution by the Supervisory Board to be adopted with qualified majority. In its report, the Supervisory Board will inform the General Meeting of any conflicts of interest that have arisen and how they are addressed; the Supervisory Board has not determined any potential conflicts of interest in relation to a Supervisory Board member in the reporting year.

Supervisory Board committees

The Supervisory Board performs its work both in plenary sessions and in the Audit Committee. The Supervisory Board has an Audit Committee, whose responsibilities are laid down by the Rules of Procedure of the Supervisory Board, available on the SFC Energy AG website at **https://www.sfc.com/wp-content/uploads/sites/4/geschäftsordnung-aufsichtsrat-en.pdf**. The Committee chairman reports to the Supervisory Board on the Committee's work on a regular basis.

The Audit Committee comprises three Supervisory Board members. The members of the Audit Committee are Mr. Henning Gebhardt (Chairman), Mr. Gerhard Schempp (Deputy Chairman) and Mr. Hubertus Krossa. In accordance with the requirements of stock corporation law and recommendation D.3 GCGC, Chairman Henning Gebhardt has particular expertise in the field of auditing, including the auditing of sustainability reporting, and Mr. Hubertus Krossa has particular expertise in the field of accounting, including sustainability reporting. Mr. Krossa has gained the necessary knowledge and experience in the many years of his professional career, particularly as a member of the Executive Board of Linde AG and as CEO of the KION Group. Mr. Gebhardt has gained this knowledge and experience as a long-standing fund manager with DWS Investment and as a board member of Deutsches Aktieninstitut, as well as via professional development training.

The Audit Committee addresses in particular the monitoring of the audit and the selection of the auditor, including appointment of the auditor and determining focal points of the audit, the preparation of the audit of the annual and consolidated financial statements, the discussion of semi-annual and quarterly financial reports with the Management Board, the monitoring of the accounting process, the effectiveness of the internal control system, the risk management system, the internal audit system, and compliance.

The Supervisory Board takes the view that a Nomination Committee need not be formed because there are no employee representatives on the Company's Supervisory Board.

Training and professional development; self-assessment

Pursuant to recommendation D.12 GCGC, the Company shall support Supervisory Board members sufficiently upon their appointment and during training and professional development measures. As the Supervisory Board members re-elected to the Supervisory Board in the year under review, Mr. Gerhard Schempp and Ms. Sunaina Sinha Haldea, have already been members of the Supervisory Board since 2020 and 2021, respectively, and given that no new Supervisory Board members were otherwise elected in the year under review, there was no need to support a Supervisory Board member upon their appointment. The members of the Supervisory Board were therefore only required to provide appropriate support for training and professional development measures.

Pursuant to recommendation D.12 GCGC, the Supervisory Board shall assess, at regular intervals, how effective the Supervisory Board and its committees fulfil their tasks. The Supervisory Board of SFC Energy AG regularly assesses how effectively it is performing its duties and decides on action that it can take to improve. A self-assessment was carried out in September 2023 with the involvement of external experts using detailed questionnaires, including on the issues of organization and meeting preparation, information supply, openness and discussion culture. After an evaluation, the main results were presented at the Supervisory Board meeting on October 25, 2023.

The Supervisory Board members are covered by directors' and officers' liability insurance (D&O insurance) which does not provide for a deductible.

Risk management and compliance

Good corporate governance involves a responsible management of risks. The Management Board of SFC Energy AG ensures that the Company's control and risk management system and risk controlling are adequate (including the Compliance Management System). This ensures that risks are identified in time and potential risks are minimized. More detailed information on risk management can be found in the Report on Risks and Opportunities of the Group Management Report, on pages 58 et seqq.

SFC Energy AG believes that compliance with the provisions of law and internal policies relevant for the Company's activities (hereinafter also referred to as "compliance") is an essential part of corporate governance. Therefore, the governance tasks in all group entities include the duty to ensure compliance with applicable regulations in each area of tasks or responsibilities. Work processes and procedures must be designed in accordance with such rules. In order to ensure this, SFC Energy AG conducts internal business and finance reviews at regular intervals. In addition, the Company gives employees the opportunity to report, in a protected manner, suspected breaches of the law ("whistleblowing"). Since its establishment, the Audit Committee has monitored the effectiveness of the compliance management system in the reporting period on the basis of relevant regular reports by the Management Board.

Transparency

SFC Energy AG aims to ensure maximum transparency and to provide all target groups with the same information at the same time. All target groups can keep abreast of the latest developments at the Company via the internet. Information on the Company's economic situation is also provided by the financial reports (annual report, semi-annual financial report and quarterly statements). SFC Energy AG publishes ad hoc announcements as well as press releases and other corporate news on its website. The current declaration of compliance with the German Corporate Governance Code and the declarations of compliance for previous years are also available at the Company's website.

Pursuant to Art. 19 of the Market Abuse Regulation (Regulation (EU) No 596/2014, MAR), the members of the Management Board and of the Supervisory Board of SFC Energy AG and certain employees in executive positions, as well as persons closely associated with them, are required to report purchases and sales of shares in the Company and of any financial instruments linked thereto if the value of the transactions within one calendar year reaches or exceeds the amount of EUR 20,000.

All directors' dealings pursuant to Art. 19 MAR are published via EQS News (EQS Group AG) and can be viewed on the Company's website at **https://www.sfc.com/en/investors-sfc-energy-ag/corporate-governance/directors-dealings/**.

The total percentage of shares in SFC Energy AG held by all Management Board members as of December 31, 2023 was 1.65%, of which 0.77% were held by the Chairman of the Management Board, Dr. Peter Podesser, 0.76% were held by Management Board member Hans Pol, and 0.02% were held by Management Board member Daniel Saxena. As of this date, among the Supervisory Board members, Hubertus Krossa held 0.06% and Henning Gebhardt held 0.04% of the shares issued by the Company.

Accounting and auditing

The consolidated financial statements and interim reports of SFC Energy AG are prepared in accordance with the International Financial Reporting Standards (IFRS) pursuant to the guidelines of the International Accounting Standards Board. The annual financial statements of SFC Energy AG are prepared in accordance with the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). The annual financial statements and the consolidated financial statements are prepared by the Management Board and audited by the auditors and the Supervisory Board.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Munich, was elected by the Annual General Meeting to audit the Company's financial statements for the 2023 reporting year and was engaged for the audit by the Supervisory Board. The auditor participated in the Supervisory Board's discussions and reported on the material results of its audit. The financial statements and interim reports are available to shareholders and other interested parties on the Company's website.

Information required by section 289f(2) no. 4 HGB

The Supervisory Board is obliged to set targets for the share of women on the Supervisory Board and the Management Board, as well as deadlines for reaching this target. The Management Board is obliged to set targets for the share of women on the two management levels below the Management Board, and deadlines for reaching such targets.

In order to achieve synchronization with the financial year of the Company, which is the calendar year, the Supervisory Board set target quotas on the Supervisory Board and the Management Board, and the Management Board set a target quota for the two management levels below the Management Board, by setting the close of December 31, 2025 as the deadline for reaching each of such targets.

Target quota of women for the Supervisory Board

On March 16, 2022, the four-member Supervisory Board set a target of 25% for the share of women on the Supervisory Board for the period up to the close of December 31, 2025. The main consideration here was to strengthen gender diversity on the Supervisory Board while maintaining sufficient flexibility in the succession process for Supervisory Board positions. As at December 31, 2023, the Supervisory Board consisted of four members, including one woman (share of women of 25%), meaning that the set target of 25% was achieved.

Target quota of women for the Management Board

On March 16, 2022, the Supervisory Board set the target for women on the Management Board of the Company at 25% for the period up to the end of December 31, 2025. The Supervisory Board intends to expand the Management Board by one member and to appoint a woman to the Management Board for this purpose. The main consideration in setting the target was to strengthen gender diversity on the Management Board while maintaining sufficient flexibility in filling Management Board positions. As of December 31, 2023, the Management Board consisted of three members, none of whom were women (share of women of 0%), meaning that the target of 25% has not yet been reached.

Target quota of women for the two management levels below the Management Board

With regard to the targets for the share of women on the two management levels below the Management Board, in its meeting on March 16, 2022 the Management Board set the target for the share of women at the management level below the Management Board at 40% for the period up to the end of December 31, 2025. At the same time, the Management Board noted that there is only one management level at the Company below the Management Board. The Management Board set this target quota and made this determination on the basis of the following definition: The Management Board determines the Company's management levels based on their direct reporting lines to the Management Board and disciplinary authority. All executives are members of the management team and have authority to steer the conduct of other employees by giving instructions. Only persons employed by the Company are taken into consideration. Diversity among the executive personnel is a cornerstone of SFC Energy AG's corporate culture. The Management Board endeavors to further strengthen the share of women on the management level below the Management Board. The Management Board has therefore increased this quota from the previous value of 30% to 40% for the first management level below the Management Board in order to reflect the Management Board's ambitions in the area of diversity.

With regard to the targets, the Management Board started by re-examining the previous definition and deemed retaining it to be expedient. On the basis of these criteria, the Company continues to have only one management level below the Management Board as of December 31, 2023, which at this time comprises 9 persons, of whom 4 are female and 5 male. By the close of December 31, 2023, the proportion of women at the (first) management level below the Management Board was 44%, meaning that the target quota of 40% that had been set was achieved. As the Company does not have a second management level below the Management Board, the corresponding share of women at that level could not be determined.

REMUNERATION REPORT OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD OF SFC ENERGY AG

In accordance with section 162 of the German Stock Corporation Act (AktG), this Remuneration Report prepared by the Supervisory and Management Boards presents and explains the remuneration of the current and former members of the Management Board and the members of the Supervisory Board of SFC Energy AG in financial year 2023.

The Remuneration Report is to be formally audited by the auditor of SFC Energy AG, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, in accordance with section 162 (3) AktG. The report issued by the auditor on the basis of this audit will be attached to the Remuneration Report as part of the public disclosure on the Company's website in accordance with section 162 (4) AktG.

Management Board Remuneration System pursuant to section 87a (1) AktG

For the first time in the 2021 financial year, the Supervisory Board adopted a remuneration system for the Management Board in accordance with the requirements of section 87a (1) AktG and submitted this to the Annual General Meeting on May 19, 2021, for approval (hereinafter referred to as the "Management Board Remuneration System 2021"). The Management Board Remuneration System 2021 was approved by the Annual General Meeting as presented with an approval rate of 80%. The Management Board Remuneration System 2021 for the Management Board and Supervisory Board approved by the Annual General Meeting in 2021 can be found at: **www.sfc.com/en/investors-sfc-energy-ag/corporate-governance/**.

In the 2023 financial year, the Supervisory Board decided to adjust the existing remuneration system due to changes in the Company's economic parameters and accordingly adopted an amended remuneration system for the Management Board in accordance with the provisions of section 87a (1) AktG. This was submitted to the Annual General Meeting on June 5, 2023, for approval (hereinafter referred to as the "Management Board Remuneration System 2023"). The Management Board Remuneration System 2023 was approved by the Annual General Meeting as presented with an approval rate of 85.66%.

Most notably, the amended Management Board Remuneration System 2023 contains the following new provisions:

- For remuneration periods beginning with the new/re-appointment of a member to the Management Board from January 1, 2024, onwards, a new maximum remuneration pursuant to section 87a (1) sentence 2 no. 1 AktG of EUR 4 million for the CEO and EUR 2 million for each of the ordinary Management Board members for each financial year is set. In the case of special benefits that do not serve as direct consideration for the services of the Management Board member but may be granted by the Supervisory Board in individual cases in special situations (e.g. relocation expenses, compensation payments for bonus losses at the previous employer), the Supervisory Board may increase the applicable maximum remuneration for the relevant financial year by a maximum of 20%. In addition, in the event of a change of control, the Supervisory Board may increase the applicable maximum remuneration for the year of the change of control by a maximum of 20%.
- For remuneration periods beginning with the new/re-appointment of a member to the Management Board from January 1, 2024 onwards, new ranges (in each case approximate values) are set for the remuneration components – in relation to the target total remuneration which is based on 100% target achievement: Basic remuneration: approx. 18-25%, fringe benefits: approx. 0.5-3%, pension contributions/pension substitute: approx. 0.5-5%, short-term variable remuneration (bonus): approx. 10-20%, long-term share-based variable remuneration (LTI): approx. 60-70%.

- For remuneration periods beginning with the new/re-appointment of a member to the Management Board from January 1, 2024, onwards, only a pension substitute instead of contributions to a company pension scheme will be granted. Only in one individual case, for reasons of protection of existing rights, a defined contribution benefit granted via a reinsured provident fund will be continued in the event of re-appointment from January 1, 2024, onwards.
- For remuneration periods beginning with the new/re-appointment of a member to the Management Board from January 1, 2024, onwards, the long-term variable remuneration (LTI) is based on a rolling performance share plan (PSP) and more closely defined performance criteria, with settlement occurring in cash (or shares at the free option of the Company) (LTI 2024). The malus / clawback rules already provided for under the Management Board Remuneration System 2021 will also apply to the LTI 2024.
- For remuneration periods prior to those beginning with the appointment or re-appointment of a member to the Management Board from January 1, 2024, onwards, the long-term variable remuneration is granted on the basis of stock options (in accordance with the Management Board Remuneration System 2021) with a four-year performance period (LTI Model 2021) Changed caps apply on the basis of the Remuneration System 2023: A cap of EUR 2.75 million applies for the CEO, EUR 1.5 million for the CFO and EUR 1 million for the COO. The total amount of the caps (originally a uniform EUR 1.75 million per Management Board member) is therefore not being changed (given the current composition of the Management Board). The relevant cap does not apply in the event of a change of control and exercise of the Special Termination Right. Long-term variable compensation commitments still in effect from the period prior to the submission of this amended Management Board Remuneration System 2023 to the Annual General Meeting may be adjusted to the aforementioned amended cap rules in accordance with the Management Board Remuneration System 2023, provided the relevant waiting period under the program has not yet expired in each case.
- In the event of a new appointment or reappointment to the Management Board that takes place on or after January 1, 2024, the members of the Management Board are obligated to make a personal investment in SFC shares (Share Investment Obligation). The amount to be invested (Investment Amount) corresponds to an amount equal to 150% of the annual Fixed Remuneration (gross) (for the CEO) or 100% of the annual Fixed Remuneration (gross) (for the CFO and COO). The shareholding is to be built up over a period of four years from the initial appointment or, in the case of a reappointment (and the first time the Share Investment Obligation takes effect), over a period of two years (Build-Up Phase) until the Investment Amount – taking into account existing shareholdings – is reached. The shares acquired are to be held for the duration of the Management Board member's term of office and for a further year after termination of the Management Board member's term of office (Share Retention Obligation). The obligations of the Management Board members to invest in and to retain shares of the Company will further align the interests of the Management Board with those of the shareholders and also incentivize the long-term successful development of the Company. The Share Investment Obligation / Share Retention Obligation ends in connection with the completion of a change of control or – at the discretion of the Supervisory Board – as early as upon submission of the takeover bid. The Supervisory Board may also decide to deviate from the Share Investment Obligation / Share Retention Obligation in individual cases at its reasonable discretion, taking into account the individual circumstances.

The details of the Management Board Remuneration System 2023 for the Management Board and Supervisory Board approved by the Annual General Meeting in 2023 can be found at: **www.sfc.com/en/investors-sfc-energy-ag/corporate-governance/**.

Remuneration received in the 2023 reporting year partly on the basis of the previous remuneration system

The remuneration granted in the 2023 reporting year was partly based on the Management Board service agreements protected under section 26j (1) sentence 3 EGAktG from the times before the Management Board Remuneration Systems for 2021 and 2023 were each presented (hereinafter referred to as the "Existing Remuneration System"), which, however, already correspond in part to the Management Board Remuneration System 2021 and Management Board Remuneration System 2023. This Existing Remuneration System applied to the remuneration granted to the Management Board members Dr. Podesser and Mr. Saxena in the reporting year.

The remuneration granted to Mr. Pol in the reporting year was based on the Management Board Remuneration System 2021 (and partly on payments from an earlier long-term incentive program, see below on the SARs programs from the time before the introduction of the Management Board Remuneration System 2021).

In the reporting year, the early reappointment of Dr. Podesser with effect from January 1, 2024, was resolved upon and a corresponding new service agreement was concluded with Dr. Podesser with effect from January 1, 2024, on the basis of the Management Board Remuneration System 2023.

Target total remuneration for the 2023 financial year

In accordance with the relevant Management Board service contracts, the Supervisory Board determined the target total remuneration for each Management Board member for the 2023 financial year. To promote the transparency of this report, the following table shows the individual target total remuneration per Management Board member and the relative shares of the individual remuneration elements in the target total remuneration for the 2023 financial year. These figures are therefore not the remuneration amounts granted and owed in the 2023 financial year, however (see below under "Management Board remuneration granted and owed"), but rather a presentation of the target total remuneration of a Management Board member for the 2023 reporting year, which is made up of the sum of all fixed and variable remuneration components for the reporting year.

TARGET TOTAL REMUNERATION FOR THE MANAGEMENT BOARD [2, 3] in EUR

Management Board members in office as at 12/31/2023		Peter Podesser		Daniel Saxena		Hans Pol [1]	
		2023	in % TTR	2023	in % TTR	2023	in % TTR
Fixed rem.	Basic remuneration	370,000	44.3%	240,000	34.6%	249,996	45.1%
	+ Fringe benefits	14,190	1.7%	24,000	3.5%	29,064	5.2%
	Contribution to provident fund	10,000	1.2%	0	0.0 %	0	0.0%
	Total	**394,190**	**47.3%**	**264,000**	**38.1%**	**279,060**	**50.4%**
Variable rem.	**+ Short-term variable remuneration**						
(excl. special bonus)	Target bonus for the financial year[2]	220,000	28.4%	110,000	15.0%	150,000	27.1%
	+ Long-term variable remuneration						
	SARs [3]	0	0.0%	358,831	49.0%	0	0.0%
	Stock options ("SOP") [4]	160,506	20.7%	0	0.0 %	124,800	22.5%
	Total	**380,506**	**49.1%**	**468,831**	**64.0%**	**274,800**	**49.6%**
Total remuneration	**= Target total remuneration ("TTIP")**	**774,696**	**100.0%**	**732,831**	**100.0%**	**553,860**	**100.0%**

1) Remuneration details for Mr. Pol including fixed remuneration of EUR 99,996 and fringe benefits of EUR 11,724 from SFC Energy B.V.
2) The value corresponds to the variable bonus for the 2023 reporting year assuming 100% target achievement.
3) For the SARs allocated under the Daniel Saxena Program 5 (2020-2024), which also serve as long-term variable remuneration for the 2023 reporting year, the value of the SARs from this program is recognized for the purposes of the presentation of the target remuner-ation in this table in accordance with the fair value as of the reporting date December 31, 2023, for the corresponding tranche for the year 2023.
4) The stock options granted under the Dr. Podesser Stock Option Program 2020-2024 in 2020 and the Hans Pol Stock Option Program 2021-2025 in 2021 also serve pro rata as long-term variable remuneration for the 2023 reporting year. For the purpose of presenting the target remuneration in this table, the value of the stock options granted under these programs is recognized in accordance with their fair values as of the reporting date December 31, 2023, for the corresponding tranches for the year 2023. As a result, the relative shares of the remuneration components shown here differ somewhat from the relative shares provided for in the Management Board Remuneration System 2021, which relate to the time at which the remuneration commitment was made and, by their nature, could not anticipate their performance in detail.

Determination of Management Board remuneration by the Supervisory Board

The Supervisory Board determines the remuneration of the Management Board in accordance with AktG requirements. It pays particular attention to its appropriateness. To ensure the appropriateness of the remuneration, remuneration levels are subjected to a market comparison with comparable entities (horizontal comparison). The peer group last used by the Supervisory Board in 2023 on the occasion of the conclusion of the new contract with Dr. Podesser regarding remuneration with effect from January 1, 2024, consisted of relevant companies with regard to size and/or sector or industry from the SDAX / TecDAX and companies from the hydrogen sector. In order to ascertain whether remuneration is in line with usual levels within the Company itself, when setting the Management Board remuneration, the Supervisory Board also takes the relationship between Management Board remuneration and the remuneration of Managing Directors and/or the top management level of the individual companies in the Group and the workforce as a whole into account, and how remuneration has developed over time.

Components of Management Board remuneration in the 2023 reporting year

In the 2023 reporting year, remuneration for Management Board members consisted of the components described below:

Basic remuneration

The members of the Management Board received a fixed annual salary, which was paid in twelve equal monthly instalments. The level of the basic remuneration is determined based on the responsibility and experience of the relevant member of the Management Board.

The members of the Management Board also received certain market-standard fringe benefits. For example, the Company provides a company car to each member of the Management Board for personal use or pays a vehicle allowance if the Management Board member does not use a company car. In addition, fringe benefits include premium allowances for personal pension, accident, and life insurance policies for the members of the Management Board as well as subsidies for health insurance.

Retirement benefits

In the 2023 reporting year, the Management Board members were able to convert the current basic remuneration of up to EUR 25,000 into a company pension by paying contributions to external pension providers. This option was not exercised.

Dr. Podesser has a contribution-based payment commitment via a provident fund. In the event of a pension claim, the provident fund will pay the agreed pension benefits to Dr. Podesser. The Company allocates the necessary funds to the provident fund. The amount of the pension benefits depends on the actuarial implementation of the pension amount resulting from the individual agreement reached with Dr. Podesser. The pension benefits are reinsured by a life insurance policy. Dr. Podesser will receive a lifelong monthly retirement pension from the provident fund if he leaves the Company's service after reaching the age of 65. If Dr. Podesser draws the full amount of his retirement pension from the statutory pension insurance scheme, or if he leaves the Company's service after reaching the age of 60 in order to retire, he may claim the pension benefit from that time onwards. In this case, Dr. Podesser will receive the pension benefits that can be financed from the portion of the provident fund assets set aside for him at that time. Upon occurrence of a pension claim, a one-time lump-sum payment may be requested instead of the retirement pension in agreement with the provident fund. In the event of Dr. Podesser's death, a survivor's pension has been agreed.

Short-term variable remuneration / performance-related bonus for the 2023 reporting year

In the event that certain performance targets are achieved, the members of the Management Board have the opportunity to receive a variable remuneration that rewards their contribution to implementing the business strategy during the financial year (hereinafter "Bonus" or "STI"). The bonus for the relevant financial year is not set by the Supervisory Board and does not become due until the following financial year. The bonus for the 2023 reporting year will therefore not be reported as remuneration granted (actually paid in the 2024 financial year) until the 2024 financial year.

The bonus for the 2023 reporting year is measured according to four performance criteria equally weighted at 25%.

The following four equally weighted performance criteria were defined in relation to the reporting year: (i) meeting budget target concerning consolidated sales (based on the budgeted exchange rate for the Canadian dollar to the euro), (ii) gross margin (iii) adjusted EBITDA and (iv) discretionary component. Financial or non-financial performance criteria or a combination of both can be set using the discretionary component. The Supervisory Board applied the following defined non-financial performance criteria (incl. ESG targets) for the 2023 financial year and assessed them from a qualitative, overall perspective: (i) Implement long-term business development plans (regional expansion into India and the USA and broadening the hydrogen product range), (ii) the continued implementation of non-financial reporting (ESG / CSR), (iii) promote Group-wide initiatives to retain key employees and attract new employees and (iv) maintain a stable and long-term oriented shareholder base to support further growth of the Company. The same performance criteria were applied to all Management Board members for the 2023 financial year and the same performance weighting was applied. The performance criteria underlying the bonus for the 2023 reporting year are summarized in the table below to promote the transparency of the report. The STI amount actually achieved will not accrue until the 2024 year and will therefore only be reported in the next remuneration report as remuneration granted within the meaning of section 162 (1) sentence 1 AktG (see table "Remuneration granted and owed").

Performance criteria of the STI / performance-related bonus granted in the 2023 reporting year

The performance criteria shown in the table below are based on the short-term variable remuneration granted (i.e. accrued) in the 2023 reporting year for the 2022 financial year. The financial performance criteria for 2022 were the same as those also applicable to the 2023 financial year (each with a 25% weighting). In the 2022 financial year, the non-financial performance criteria, which are included in their entirety with a weighting of 25% in the assessment of the short-term variable remuneration, consisted of: For Dr. Podesser and Mr. Saxena, the implementation of an Environmental Social Governance (ESG) and Corporate Social Responsibility (CSR) program and report, for Messrs. Pol and Saxena, the implementation of a long-term cybersecurity strategy and systems for Dr. Podesser and Mr. Pol and the long-term business development with the aim of offering a full range of hydrogen fuel cell products.

PERFORMANCE CRITERIA FOR THE SHORT-TERM VARIABLE REMUNERATION OF THE MANAGEMENT BOARD MEMBERS

for the 2023 financial year

in EUR 000ss

		Target achievement			Bonus		Actually achieved		
Board member		Weighting	Min.	Max.	Min.	Max.	Target achievement	Total target achievement	Total bonus in EUR 000s
Peter Podesser	Sales (budgeted)	25%	0%	125%	–	69	114%		
	Gross Maring (budgeted)	25%	0%	125%	–	69	121%		
	EBITDA adjusted (budgeted)	25%	0%	125%	–	69	125%		
	1. implementation of long-term business development plans: a) regional expansion India & USA b) broadening the hydrogen product offering 2. implementation of non-financial reporting (ESG / CSR) 3. promotion of group-wide initiatives to retain key employees and attract new employees 4. maintaining a stable, long-term orientated shareholder base“	25%	0%	125%	-	69	118%	119%	**262**
Daniel Saxena	Sales (budgeted)	25%	0%	125%	–	34	114%		
	Gross Maring (budgeted)	25%	0%	125%	–	34	121%		
	EBITDA adjusted (budgeted)	25%	0%	125%	–	34	125%		
	1. implementation of long-term busi-ness development plans: a) regional expansion India & USA b) broadening the hydrogen product offering 2. implementation of non-financial reporting (ESG / CSR) 3. promotion of group-wide initiatives to retain key employees and attract new employees 4. maintaining a stable, long-term orientated shareholder base“	25%	0%	125%	–	34	118%	119%	**131**
Hans Pol	Sales (budgeted)	25%	0%	125%	-	47	114%		
	Gross Maring (budgeted)	25%	0%	125%	-	47	121%		
	EBITDA adjusted (budgeted)	25%	0%	125%	-	47	125%		
	1. implementation of long-term busi-ness development plans: a) regional expansion India & USA b) broadening the hydrogen product offering 2. implementation of non-financial reporting (ESG / CSR) 3. promotion of group-wide initiatives to retain key employees and attract new employees 4. maintaining a stable, long-term orientated shareholder base“	25%	0%	125%	–	47	118%	119%	**179**

PERFORMANCE CRITERIA FOR THE SHORT-TERM VARIABLE REMUNERATION OF THE MANAGEMENT BOARD MEMBERS
for the 2022 financial year

in EUR 000s

Board member		Target achievement: Weighting	Target achievement: Min.	Target achievement: Max.	Bonus: Min.	Bonus: Max.	Actually achieved: Target achievement	Actually achieved: Total target achievement	Actually achieved: Total bonus in EUR 000s
Peter Podesser	Sales (budgeted)	25%	0%	125%	–	69	103%	109%	239
	Gross Maring (budgeted)	25%	0%	125%	–	69	103%		
	EBITDA adjusted (budgeted)	25%	0%	125%	–	69	116%		
	Implementation of an Environmental Social Governance (ESG) / Corporate Social Responsibility (CSR) program and report Long-term business development with the aim of offering a complete product range of hydrogen fuel cells	25%	0%	125%	–	69	113%		
Daniel Saxena	Sales (budgeted)	25%	0%	125%	–	34	103%	109%	119
	Gross Maring (budgeted)	25%	0%	125%	–	34	103%		
	EBITDA adjusted (budgeted)	25%	0%	125%	–	34	116%		
	Implementation of an Environmental Social Governance (ESG) / Corporate Social Responsibility (CSR) program and report Implementation of a long-term cybersecurity strategy or the implementation of the relevant systems	25%	0%	125%	–	34	113%		
Hans Pol	Sales (budgeted)	25%	0%	125%	–	47	103%	109%	163
	Gross Maring (budgeted)	25%	0%	125%	–	47	103%		
	EBITDA adjusted (budgeted)	25%	0%	125%	–	47	116%		
	Implementation of a long-term cybersecurity strategy or the implementation of the relevant systems Long-term business development with the aim of offering a complete product range of hydrogen fuel cells	25%	0%	125%	–	47	113%		

Performance criteria for special bonus granted in the 2023 reporting year

Mr. Saxena was granted a special bonus in the 2023 reporting year depending on the accelerated implementation of a special project in connection with the international expansion. The bonus amount depended firstly on the successful completion of the project and secondly on a discretionary overall assessment of the project by the Supervisory Board (taking into account cost and time aspects as well as the timing of implementation in relation to planning). On this basis, the Supervisory Board determined and granted a special bonus for Mr. Saxena in the amount of EUR 50,000 in the 2023 financial year.

Long-term variable remuneration

As a contribution to the sustainable development of the Company, a significant portion of the Management Board's remuneration is linked to the long-term performance of SFC shares. Various virtual or physical stock option programs were introduced in the past as long-term variable share-based remuneration, on the basis of which virtual stock options ("Stock Appreciation Rights" or "SARs") or Stock Option Programs ("SOPs") were granted to current or former members of the Management Board and which in part also have an effect on remuneration in the 2023 reporting year. There were no SARs or SOPs still outstanding (exercisable in the future or exercised in the reporting year) for former Management Board members in the 2023 reporting year. By granting SARs or SOPs as a long-term variable remuneration element, the Company is pursuing the goal of incentivizing and promoting a business policy that is primarily aligned with the interests of shareholders, namely increasing the value of the share.

Stock Appreciation Rights program (SARs programs)

The Company's Supervisory Board implemented a SAR Program for the first time at the beginning of the 2014 financial year, with the aim of aligning the interests of the shareholders with the Management Board. Further SAR programs were subsequently set up, of which the SAR program 2018-2021 (Hans Pol; program 4) and SAR program 2020-2024 (Daniel Saxena; program 5) still existed in the reporting year. Dr. Podesser was granted Stock Appreciation Rights (SARs) in 2020 (Dr Peter Podesser Program 6) as part of the extension for the next appointment period. This SARs allocation under Program 6 was transferred to a (physical) Stock Option Program (Stock Option Program 2020-2024) on July 9, 2020, and thus replaced.

Dr. Peter Podesser Program 3 (on the basis of which Dr. Podesser was allocated stock appreciation rights (SARs) in 2017) was settled in 2022 by being exercised for the last time, meaning that it no longer applied in the reporting year; due to it still being exercised in 2022, these SARs payments were already reported as part of the remuneration owed in 2022, although the settlement / inflow did not take place until January 2023). Only the SARs programs relevant to the reporting period are described below. These are:

- Hans Pol Program 4, on the basis of which Mr. Pol was granted stock appreciation rights (SARs) in 2018 as part of the extension of his Management Board employment contract.
- Daniel Saxena Program 5, on the basis of which Mr. Saxena was granted stock appreciation rights (SARs) upon his appointment in July 2020.

The basic principles of the aforementioned SARs Programs are the same, with some differences in the programs: Accordingly, a one-time allocation of a certain number of SARs was made for the relevant appointment period of the Management Board member, the stock of which can be reduced depending on the expiry of SARs on certain expiry dates. The portfolio of granted and non-expired SARs (at a record date one year after the last expiration date) is composed of equal-sized sub-tranches for the years of Management Board service for which the grant was made. Starting from the grant date of the relevant SARs tranche, a waiting period begins that varies in terms of length for the individual sub-tranches, with a waiting period of four years starting from the grant date always applying to the first sub-tranche and an extended waiting period applying to the relevant further sub-tranches. After expiration of the defined waiting period for the relevant sub-tranche, the SARs of the sub-tranche may be exercised in an exercise period of one year after expiration of the relevant waiting period of the sub-tranche (subject to certain blackout periods) as long as they have not previously expired on the relevant defined expiry dates. The expiration of SARs on the specified expiration dates is based on the average stock exchange price of the Company's shares during the last 30 trading days prior to the relevant expiration date (expiration date price). A certain fixed number of SARs expire depending on the average stock price achieved; no SARs expire if the fixed average stock price target is reached or exceeded before the relevant expiration date. After expiration of the waiting period and subject to forfeiture on the expiration dates, a certain number of SARs may be exercised within the exercise period. The number of exercisable SARs depends on the average stock exchange price of the Company's share on the last 30 trading days before the day of exercise (the "reference price"). For this purpose, certain reference price ranges are defined in the individual SARs programs, which specify a certain maximum number of exercisable SARs. Exercising SARs gives rise to an entitlement to cash compensation, calculated as follows: (reference price - exercise price) x number of exercisable SARs.

The Hans Pol Program 4 additionally stipulates as a prerequisite for the exercisability of SARs that another specific performance target must be achieved prior to the expiration of the relevant waiting period: the average stock market price of the Company's share on the last 30 trading days before expiration of the waiting period exceeds the average stock exchange price of the Company's shares on the last 30 trading days prior to the grant date. The exercise price is EUR 1.00 per SAR. The number of SARs granted (and not yet forfeited or already exercised in previous years) as well as the SARs forfeited and exercised in the 2022 reporting year are shown in the following table (taking section 162 (1) sentence 2 no. 3 AktG into account):

SARS ALLOCATION

MANAGEMENT BOARD MEMBERS IN OFFICE AS AT 12/31/2023	Daniel Saxena	Hans Pol
	Program 5	Program 4
Allotment date	07/01/2020	07/01/2018
Number of Stock Appreciation Rights (SARs)	228,000	180,000
Maximum term (years)	8	7
Number of sub-tranches [1]	4	3
Performance period:	07/01/2020 06/30/2024	07/01/2018 06/30/2021
Expiry of waiting period [2]		
Tranche 1	07/01/2024	07/01/2022
Tranche 2	07/01/2025	07/01/2023
Tranche 3	07/01/2026	07/01/2024
Tranche 4	07/01/2027	–
Performance targets [3]	–	EUR 8.65
Exercise price:	EUR 1.00	EUR 1.00
SARs outstanding as of January 1, 2023	228,000	90,000
SARs expired in the reporting period	–	–
SARs exercised in the reporting period	–	6,667
SARs outstanding as of December 31, 2023	228,000	83,333

1) Number of annual tranches into which the allocated SARs are divided equally.
2) Exercise period is one year for each sub-tranche.
3) The Hans Pol Program 4 additionally stipulates as a prerequisite for the exercisability of SARs that another specific performance target must be achieved prior to the expiration of the relevant waiting period: the average stock market price of the Company's share on the last 30 trading days before expiration of the waiting period exceeds the average stock exchange price of the Company's shares on the last 30 trading days prior to the grant date (this amounts to EUR 8.65).

The remuneration granted or owed in the 2023 reporting year (table "Management Board remuneration granted in the 2023 financial year") only includes the amounts from SARs that were owed or led to a payout (i.e. were granted) in 2023 as a result of an exercise, unless such amounts were already reported due to an exercise in the 2022 reporting year.

The performance criteria that led to a pay out or amounts owed from an exercise from SAR tranches in the 2023 reporting year are shown in the table below:

SARS PROGRAM

			Expiration Date					Exercise				
					SARs							
	Tranche	No. of SARs	Date	Price [1]	Expiration	Remainder	End wait	Exercisable [3]	Date	Price [2]	SARs	Cash settlement
Hans Pol Progr. 2018-2021	Complete Program	180,000			55,000	125,000						
	Tranche 1 (HP 4,1) [4]	60,000	07/01/19	13.86	25,000	35,000	07/01/22	41,667	Dec 22 Jun 23	22.82 22.70	35,000 6,667	763,583 144,644
	Tranche 2 (HP 4,2)	60,000	07/01/20	12.64	30,000	30,000	07/01/23	41,667	-	-	-	-
	Tranche 3 (HP 4,3)	60,000	07/01/21	26.21	0	60,000	07/01/24	41,667	-	-	-	-

1) Average market price of SFC shares on the last 30 trading days prior to the relevant expiration date for the relevant sub-tranche.
2) Average stock market price of SFC shares on the last 30 trading days prior to the exercise date relevant for the relevant sub-tranche.
3) One third of the SARs held at the balance sheet date may be exercised after expiry of the relevant waiting period.
4) Amount of EUR 763,583 already reported as remuneration due in 2022 due to exercise in 2022.

If the reference price does not reach at least EUR 16.50 at the time of exercise of the relevant SAR sub-tranche of the Hans Pol 4 Program, only a share of the SARs may be exercised in accordance with the reference price. Furthermore, the exercise of the SARs requires as a performance target that the average stock exchange price of the share exceeds EUR 8.65 on the last 30 trading days prior to the expiry of the relevant waiting period.

Stock option programs

The Supervisory Board of the Company has granted stock options to individual Management Board members under two different stock option programs in the past: to Dr. Podesser under the SOP 2020-2024 and to Mr. Pol under the SOP 2021-2025.

Under these programs, Dr. Podesser and Mr. Pol received a number of option rights determined by the Supervisory Board for the term of their Management Board service contract, whereby the granting took place in the first year of the contract term.

Option rights may not be exercised by the relevant member of the Management Board during periods determined by the General Meeting or during closed periods within the meaning of the regulations on trading prohibitions (Closed Periods) pursuant to the Market Abuse Regulation and the delegated acts issued in this regard.

The option rights each have a maximum term of eight years from the day on which the relevant option right arises or is granted. The waiting period for exercise is staggered according to the tranches issued, meaning members of the Management Board can each exercise one quarter of the option rights of the relevant tranche (sub-tranche). The waiting period for exercising the Sub-Tranches is four, five or six years, starting with the issue date of the tranche in each case.

The subscription rights can be exercised within one year after expiry of the waiting period for the relevant sub-tranche (drawing period). In accordance with the option terms and conditions to be determined, each option right confers the entitlement to subscribe to one no-par value bearer share (no-par value share) of the company. The exercise price under the new stock option program in accordance with the Management Board Remuneration System 2021 and 2023 corresponds to the average stock market price of the Company's shares on the last 30 trading days prior to the issue date, while under the program for Dr. Podesser (2020-2024) the exercise price is EUR 1.

Members of the Management Board may only exercise the subscription rights granted to them in the drawing period to the full extent of the relevant sub-tranche if the average stock market price of the shares of the Company on the last 30 trading days before the cut-off date relevant to the sub-tranche (cut-off date price) reaches a certain price target in euros. If the cut-off date price does not reach at least the target price, only a portion of the options may be exercised from the sub-tranche in accordance with the cut-off date price, for which the General Meeting has determined a certain number of exercisable subscription rights depending on ranges of the cut-off date price. Apart from that, subscription rights shall expire without compensation or substitution on the relevant effective date.

The exercise of stock options is further conditional, in respect of each sub-tranche, on the average stock market price of the Company's shares on the last 30 trading days prior to the day on which the member of the Management Board submits a subscription declaration in respect of granted stock options reaching or exceeding specified thresholds. If the reference price does not reach at least the price target, only a portion of the options may be exercised from the sub-tranche in accordance with the reference price, for which the General Meeting has determined a certain number of exercisable subscription rights depending on bandwidths of the reference price. For each additional exercise of option rights of the sub-tranche within the drawing period, the option rights already exercised during the drawing period will be credited against the number of option rights that would be exercisable on the additional exercise date in accordance with the current exercise requirement.

The stock option program ensures that option rights can only be exercised for the relevant drawing period if the sum of the number of exercised option rights multiplied by the closing price in XETRA trading on the exercise date of these option rights less the exercise price and the number of option rights to be exercised multiplied by the XETRA closing price on the trading day before the intended day of exercise of the option rights less the exercise price does not exceed an amount of EUR 1 million (in the case of Mr. Pol) or EUR 2.75 million (for Dr. Podesser as CEO) (caps in accordance with the Management Board Remuneration System 2023). In the event of a change of control and exercise of the Special Termination Right, the cap does not apply.

The stock options promised or granted to Dr. Podesser and Mr. Pol are listed in the following table within the meaning of section 162 (1) sentence 2 no. 3 AktG (insofar as they have not already expired or been exercised). Stock options granted in a financial year that grant a direct right to purchase shares are recorded as remuneration granted in the relevant financial year of granting in the table "Management Board remuneration granted and owed in the financial year".

No new stock options were granted to the members of the Management Board in the 2023 reporting period.

STOCK OPTIONS

	Peter Podesser		Hans Pol	
	Program 2020		Program 2021	
Grant date		07/09/2020		03/01/2021
Number of SOPs		504,000		500,000
Maximum term		8 years		8 years
Number of sub-tranches		4		4
Performance period	07/09/2020	07/08/2024	03/01/2021	02/28/2025
Expiry date / end of waiting period for the sub-tranches [1]	07/09/2021 07/09/2022 07/09/2023 07/09/2024	07/09/2024 07/09/2025 07/09/2026 07/09/2027	03/01/2022 03/01/2023 03/01/2024 03/01/2025	03/01/2025 03/01/2026 03/01/2027 03/01/2028
Exercise price		EUR 1.00		EUR 24.41
SOPs outstanding as of January 1, 2023		504,000		375,000
SOPs expired in the reporting period		–		125,000
SOPs exercised in the reporting period		–		–
SOPs outstanding as of December 31, 2023		504,000		250,000

1) Four sub-tranches; the subscription rights can be exercised within one year from expiry of the waiting period for the relevant sub-tranche

Promoting the long-term development of the Company through remuneration

The remuneration of the Management Board members is intended to further support SFC Energy AG's business strategy and its implementation. In addition, by defining performance criteria that are linked to the long-term and sustainable success of the Company and supplementing them with demanding annual and multi-year targets, a contribution is also being made to the Company's long-term and sustainable development. Outstanding performance should be rewarded by appropriate remuneration. Performance that falls short of achieving the targets set should result in a noticeable reduction in remuneration. The remuneration system sets incentives that are in line with, and promote, the Company strategy.

The short-term variable remuneration (bonus) of the Management Board members – for both the 2022 and 2023 financial years – is aligned with the economic performance targets of sales, gross margin, and adjusted EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) and provides for a discretionary element that was aligned with sustainability targets for both financial years. The bonus is intended to motivate Management Board members to achieve ambitious and challenging financial, operational, and strategic goals during a certain financial year. The goals reflect the Company strategy and are aimed at increasing the value of the Company. The remuneration system gives the Supervisory Board the opportunity to take individual responsibility on the one hand and the performance of the Management Board members as a whole on the other into account.

In order to align the remuneration of Management Board members with the long-term development of SFC Energy AG, long-term variable share-based remuneration accounts for a significant share of their total remuneration. Long-term variable remuneration for the reporting year is granted on the basis of stock options (Dr. Podesser and Mr. Pol) or SARs allocations (Mr. Saxena) with a four-year performance period. The economic performance target relates to the performance of the SFC Energy AG share price during the performance and exercise period. The company value and the value for shareholders is increased in the long term by setting ambitious targets that are linked to share price performance.

Compliance with the maximum remuneration pursuant to section 162 (1) sentence 2 no. 7 AktG

Pursuant to section 87a (1) sentence 2 no. 1 AktG, the Supervisory Board has set maximum remuneration (including fringe benefits) for the members of the Management Board in the Management Board Remuneration System 2021 and 2023 (insofar as their contracts are not grandfathered under section 26j (1) sentence 3 EGAktG).

The maximum remuneration for a financial year was first set as follows under the Management Board Remuneration System 2021 and will continue to apply under the Management Board Remuneration System 2023 to remuneration periods prior to those beginning with the new/re-appointment of a member to the Management Board from January 1, 2024, onwards, which means that the maximum remuneration for the reporting period is still set as follows (unless grandfathering applies):

- Maximum remuneration pursuant to section 87a (1) sentence 2 no. 1 AktG for the Chairman of the Management Board: EUR 2.5 million
- Maximum remuneration pursuant to section 87a (1) sentence 2 no. 1 AktG for ordinary members of the Management Board: EUR 1.5 million

The maximum remuneration of the Management Board Remuneration System as approved by the Annual General Meeting in 2021 and 2023 refers to the sum of all payments/remuneration payments resulting from the remuneration arrangements for one financial year.

The remuneration from Hans Pol's stock option rights will also be paid on a pro rata basis for the 2023 financial year (under the Stock Option Program 2021-2025) and since the value of which cannot be determined until they have been exercised, it is not yet possible to provide a conclusive report on the remuneration granted in the 2023 financial year.

Compliance with the maximum remuneration for Mr. Pol in the 2023 financial year is expected to be ensured by the individual caps of the variable remuneration components for the 2023 reporting year that apply in principle (maximum target achievement of 125% and 125% disbursement cap for the performance-related bonus, i.e. a maximum of EUR 187,500 and the basic exercise cap per sub-tranche under the Stock Option Program 2021-2025 of EUR 1 million).

In all other cases, the agreements were entered into under the Existing Remuneration System (i.e. for which grandfathering is in place), which did not have a maximum remuneration cap within the meaning of section 87a (1) sentence 2 no. 1 AktG.

Commitments in the event of premature termination of a Management Board member's service

In the event of premature termination of a Management Board member's service without good cause, any payments to be agreed with the Management Board members, including fringe benefits, are not to exceed the value of one year's remuneration (Severance Payment Cap) and may not exceed the value of the remuneration for the remaining term of the Management Board employment agreement. For the calculation of the Severance Payment Cap, the total remuneration of the past financial year and, if applicable, the expected total remuneration for the current financial year are to be taken into account

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If the employment agreement ends due to termination for good cause by the Company, the members of the Management Board are not entitled to continued payment of the variable remuneration ("performance-related bonus").

In the event that Management Board members should die during the term of their employment agreement, their widow(er) and children, provided they have not attained the age of 25 years and are still in vocational training, shall have a claim, as joint and several creditors, to continued payment of the basic monthly remuneration for the month of death and the six following months.

If Management Board members become permanently incapacitated for work during the term of their employment agreement, the respective employment agreement shall end at the end of the quarter in which the permanent incapacity has been established, at the earliest after expiry of the remuneration continuation period (duration of the current and the following six months, at the longest until termination of the employment agreement), at the latest upon expiry of the term of office of the Management Board member.

Dr Peter Podesser

The option rights from the Stock Option Program 2020-2024 expire in the event of termination for good cause by the Company (exceptions: withdrawal of confidence by the Annual General Meeting or the loss of confidence by the Supervisory Board) or in the event of termination for good cause by Dr. Podesser prior to the expiry date, for which the Company is not responsible. In the event of a departure from the Company for any other reason, the option rights expire on a pro rata basis calculated over the entire contractual term of 48 months (e.g.: departure after 24 months results in the expiry of 50% of the option rights held at the time of departure).

In the event of a change of control occurring on or before September 30, 2023, (understood to mean the acquisition of the majority of voting rights in the Company by a third party), Dr. Podesser may, under his service agreement in effect in the reporting year, only exercise his right of termination for cause at the request of the Company's Supervisory Board and/or the acquirer of the majority of control by observing a notice period of six months from the date on which the change of control legally occurs. In the event of premature termination of his service on the Management Board due to a change of control occurring on or before September 30, 2023, Dr. Podesser is, in principle, entitled to a maximum payment of the value of the remuneration for the remaining term of the Management Board employment agreement at the time of departure. This scenario did not occur in the reporting year. In the event of a change of control occurring after September 30, 2023, however, Dr. Podesser's extraordinary right of termination in the event of a change of control is excluded under the service agreement still in effect in the reporting year and severance pay will not be granted. In the event of an acquisition of control over the Company within the meaning of section 29 (2) of the German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz – WpÜG), Dr. Podesser is entitled, according to the service agreement concluded with effect from January 1, 2024, to terminate the new Management Board employment agreement within three months of the legal occurrence of the change of control by observing a notice period of twelve months. There is no separate entitlement to severance pay in this case. In the event of premature termination of Management Board activities without good cause, the new Management Board Service Agreement still provides that any severance payments to be agreed upon, including fringe benefits, shall not exceed the value of one year's gross remuneration and shall not exceed the value of the remuneration for the remaining term of the Management Board employment agreement ("Severance Payment Cap"). For the calculation of the Severance Payment Cap, the total remuneration of the past financial year and, if applicable, the expected total remuneration for the current financial year are to be taken into account.

In the event of an acquisition of control over the Company within the meaning of section 29 (2) WpÜG and the exercise by Dr. Podesser of the extraordinary right to termination provided for in this case, the option rights from the Stock Option Program 2020-2024 which have not yet expired at the time of the submission of the takeover offer shall be paid out as cash settlement at the time of the legal termination of the employment agreement as follows (number of option rights to be paid out x (reference price - exercise price)), in which case the reference price corresponds to the offer price within the meaning of section 31 (1) WpÜG. No maximum amount applies with regard to the cash settlement.

For the existing defined contribution benefit commitment in favor of Dr. Podesser, the pension entitlement is maintained in the amount of the benefit that can be financed from the part of the fund assets of the provident fund set up for him if Dr. Podesser leaves the Company's service before a pension claim occurs. If Dr. Podesser becomes unable to work before a pension claim occurs and the inability to work lasts until his death or until a pension claim occurs, the pension entitlements are retained in full. In the event that he is no longer unable to work, this date shall be deemed the departure date.

Hans Pol

The option rights from the Stock Option Program 2021-2025 expire in the event of termination for good cause by the Company (exceptions: withdrawal of confidence by the Annual General Meeting or the loss of confidence by the Supervisory Board) or in the event of termination for good cause by Mr. Pol prior to the expiry date, for which the Company is not responsible. In the event of a departure from the Company for any other reason, the option rights expire on a pro rata basis calculated over the entire contractual term of 48 months (e.g.: departure after 24 months results in the expiry of 50% of the option rights held at the time of departure).

SARs from Hans Pol Program 4 shall expire in the event of termination for good cause by the Company (exception: withdrawal of confidence by the Annual General Meeting) or in the event of termination for good cause by Mr. Pol prior to June 30, 2021, for which the Company is not responsible. In the event of a departure from the Company for any other reason, the SARs expire on a pro rata basis calculated over the entire contractual term of 36 months (e.g. departure after 18 months results in the expiry of 50% of the SARs held at the time of departure).

In the event of an acquisition of control over the Company within the meaning of section 29 (2) WpÜG, Mr. Pol is entitled to terminate the employment agreement within three months of the legal occurrence of the change of control by observing a notice period of twelve months.

In the event of an acquisition of control over the Company within the meaning of section 29 (2) WpÜG and the exercise by Mr. Pol of his extraordinary right to termination provided for in this case, the option rights under the Stock Option Program 2021-2025 which have not yet expired at the time of the submission of the takeover offer shall be paid out as cash settlement at the time of the legal termination of the employment agreement, in which case the reference price shall correspond to the offer price within the meaning of section 31 (1) WpÜG or to the value calculated in accordance with section 7 WpÜG Offer Ordinance of the bidder's shares which may have been offered as optional consideration and which are not admitted to trading on an organized market within the meaning of section 2 (7) WpÜG but only outside the EEA, or a combination of both values. No maximum amount applies with regard to the cash settlement.

In the event of an acquisition of control over the Company within the meaning of section 29 (2) WpÜG and the exercise by Mr. Pol of his special right of termination provided for in such case, the SARs under the Hans Pol Program 4 that have not yet expired at the time of the submission of the takeover offer shall be paid out as follows at the time of the legal termination of the employment agreement: (number of SARs to be paid out x (reference price - exercise price)). In such case, the reference price corresponds to the higher value of either (i) the offer price within the meaning of section 31 (1) WpÜG or (ii) the amount calculated pursuant to section 7 WpÜG Offer Ordinance of the bidder's shares which may have been offered as optional consideration and which are not admitted to trading on an organized market within the meaning of section 2 (7) WpÜG but only outside the EEA. In the event of an acquisition of control after termination of the employment relationship, the same rules and principles for payment shall apply, with the exception that payment is to be made immediately upon the change of control.

Daniel Saxena

SARs from Daniel Saxena Program 5 shall expire in the event of termination for good cause by the Company (exceptions: withdrawal of confidence by the Annual General Meeting or the loss of confidence by the Supervisory Board) or in the event of termination for good cause by Mr. Saxena prior to July 1, 2024, for which the Company is not responsible. In the event of a departure from the Company for any other reason, the SARs expire on a pro rata basis calculated over the entire contractual term of 48 months (e.g.: departure after 24 months results in the expiry of 50% of the SARs held at the time of departure).

In the event of a change of control occurring on or before September 30, 2023, (understood to mean the acquisition of the majority of voting rights in the Company by a third party), Mr. Saxena may only exercise his right of termination for cause at the request of the Company's Supervisory Board and/or the acquirer of the majority of control by observing a notice period of twelve months from the date on which the change of control legally occurs. In the event of premature termination of his service on the Management Board due to a change of control occurring on or before September 30, 2023, Mr. Saxena is, in principle, entitled to a maximum payment of the value of two years' remuneration, with said amount not being permitted to exceed the value of the remuneration for the remaining term of the Management Board employment agreement. In the event of an acquisition of control over the Company within the meaning of section 29 (2) WpÜG and the exercise by Mr. Saxena of his extraordinary termination right provided for in this case, the SARs from the Daniel Saxena Program 5 which have not yet expired at the time of the submission of the takeover offer are to be paid out as cash settlement at the time of the legal termination of the employment agreement as follows (number of SARs to be paid out x (reference price - exercise price)), in which case the reference price shall correspond to the offer price within the meaning of section 31 (1) WpÜG or to the value calculated in accordance with section 7 WpÜG Offer Ordinance of the bidder's shares which may have been offered as optional consideration and which are not admitted to trading on an organized market within the meaning of section 2 (7) WpÜG but only outside the EEA, or a combination of both values. No maximum amount applies with regard to the cash settlement. A change of control did not occur in the reporting year. In the event of a change of control occurring after September 30, 2023, Mr. Saxena's extraordinary right of termination in the event of a change of control is excluded under the service agreement in effect in the reporting year.

Commitments in the event of regular termination of a Management Board member's service

As described above, Dr. Podesser has a defined contribution plan via a provident fund. In the event of a pension claim, the provident fund will pay the agreed pension benefits to Dr. Podesser. The Company allocates the required funds of EUR 10,000 p.a. to the provident fund (see also below in the table Management Board Remuneration Granted and Owed in the 2023 financial year).

No further benefit commitments have been made in the event of the regular termination of a member of the Management Board (within the meaning of section 162 (2) nos. 2 and 3 AktG).

Commitments and grants to Management Board members who left in the reporting year

No Management Board members terminated their service in the reporting year.

Payments from third parties

In the reporting period, no benefits were promised or granted to any member of the Management Board by a third party outside the Group with regard to the activity as a member of the Management Board. Remuneration from third parties within the Group is included in this report and is shown separately in the reported target total remuneration or the total remuneration granted and owed.

Malus and clawback provisions for short-term variable remuneration (bonus)

Both under the Existing Remuneration System and on the basis of the Management Board Remuneration System 2021 and 2023, the Supervisory Board has the option of withholding or reclaiming the short-term variable remuneration (bonus) – as well as future payments based on the LTI Model 2024 – at its reasonable discretion if a member of the Management Board seriously and intentionally violates the duties of care under section 93 AktG, an obligation under the Management Board employment agreement, or another material principle of the Company's conduct, e.g. under the compliance guidelines.

In exercising its reasonable discretion, the Supervisory Board shall, after careful investigation of the facts, take the seriousness of the violation, the degree of culpability of the member of the Management Board and the material and immaterial damage into consideration. Before making its decision, the Supervisory Board of the Company shall give the member of the Management Board the opportunity to comment within a reasonable period of time. The timing of the repayment is to be determined by the Supervisory Board of the Company after consulting with the member of the Management Board, with an appropriate term and, if necessary, partial payments, taking any existing cases of hardship into account. Recovery of remuneration already paid is not permitted if the infringement in question occurred more than five years ago. In cases of continuous infringements, the end of the continuous infringements shall be decisive. Claims for damages against the Management Board member remain unaffected.

Variable remuneration components were not recovered from Management Board members in the 2023 reporting year as the aforementioned requirements were not met.

Deviations from the remuneration system

With regard to Mr. Pol, there were no deviations from the applicable Management Board Remuneration System to report in the reporting year.

The service agreements of Dr. Podesser and Mr. Saxena in effect in the reporting year were not yet fully governed by a Management Board Remuneration System submitted to the Annual General Meeting for approval. The special bonus granted to Mr. Saxena in the reporting year (see above) deviates from the Management Board Remuneration System 2021 and 2023, as such a bonus is not provided for under any Management Board Remuneration Systems submitted to the Annual General Meeting for approval. The special bonus was promised and granted to Mr. Saxena in addition to his grandfathered remuneration.

Individualized Management Board remuneration in the 2022 reporting year

The remuneration granted/owed in the 2023 reporting year includes the annual fixed remuneration granted in the reporting year, the value of fringe benefits granted in the reporting year, the short-term variable remuneration granted in the reporting year (bonus for 2022), as well as the long-term variable remuneration in the form of pay out amounts granted in 2023 from the SARs programs (unless already reported as remuneration owed in 2022 in each case). This sum includes all remuneration benefits granted (i.e. paid out) and owed in 2023 (including the annual payment to the provident fund for Dr. Podesser and insofar as payments were not already reported as remuneration owed in 2022). The remuneration components or other benefits actually received in the reporting period are considered to have been granted; remuneration components that are legally due but not yet paid are considered to be owed. The remuneration granted and owed is shown in the following table. Any remuneration for activities for Group companies of SFC Energy AG is included in the remuneration of the respective Management Board member:

MANAGEMENT BOARD REMUNERATION GRANTED AND OWED FOR THE 2022 AND 2023 FINANCIAL YEARS [10] in EUR

Management Board member in office on 12/31/2023 — **Peter Podesser** Chairman of the Management Board since 11/01/2006

		2022	in % TR	2023	in % TR
Fixed remuneration	Basic remuneration	370,000	9.5%	370,000	58.5%
	+ Fringe benefits	14,490	0.4%	14,190	2.2%
	+ Contribution to provident fund [2]	10,000	0.3%	10,000	1.6%
	Total [6]	**394,490**	**10.1%**	**394,190**	**62.3%**
Variable remuneration	**+ Short-term variable rem.**	236,305	6.1%	238,733	37.7%
	Bonus [3]				
	+ Long-term variable				
	SARs („SARS") [4]	1,663,352	42.7%	-	0.0%
	SARs owed [8]	1,599,903	41.1%	-	0.0%
	Stock options ("SOP") [5]	-	0.0%	-	0.0%
	Total [7]	**3,499,560**	**89.9%**	**238,733**	**37.7%**
Total remuneration	**= Total remuneration ("TR")**	**3,894,050**	**100.0%**	**632,923**	**100.0%**

MANAGEMENT BOARD REMUNERATION GRANTED AND OWED FOR THE 2022 AND 2023 FINANCIAL YEARS [10] in EUR

Management Board member in office on 12/31/2023 — **Daniel Saxena** Management Board member since 07/01/2020

		2022	in % TR	2023	in % TR
Fixed remuneration	Basic remuneration	240,000	62.8%	240,000	55.4%
	+ Fringe benefits	24,000	6.3%	24,000	5.5%
	+ Contribution to provident fund [2]	-	0.0%	-	0.0%
	Total [6]	**264,000**	**69.1%**	**264,000**	**60.9%**
Variable remuneration	**+ Short-term variable rem.**				
	Bonus [3]	118,153	30.9%	119,366	27.5%
	Special bonus [9]	–	0.0%	50,000	11.5%
	+ Long-term variable				
	SARs („SARS") [4]	-	0.0%	-	0.0%
	SARs owed [8]	-	0.0%	-	0.0%
	Stock options ("SOP") [5]	-	0.0%	-	0.0%
	Total [7]	**118,153**	**30.9%**	**169,366**	**39.1%**
Total remuneration	**= Total remuneration ("TR")**	**382,153**	**100.0%**	**433,366**	**100.0%**

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MANAGEMENT BOARD REMUNERATION GRANTED AND OWED FOR THE 2022 AND 2023 FINANCIAL YEARS [10] in EUR

Management Board member in office on 12/31/2023		Hans Pol Management Board member since 01/01/2014			
		2022	in % TR	2023	in % TR
Fixed remuneration	Basic remuneration of which from SFC Energy B.V.	249,996 99,996	21.0%	249,996 99,996	42.6%
	+ Fringe benefits of which from SFC Energy B.V.	27,970 10,479	2.4%	29,064 11,724	5.0%
	+ Contribution to provident fund [2]	–	0.0%	–	0.0%
	Total [6]	**277,966**	**23.4%**	**279,060**	**47.6%**
Variable remuneration	**+ Short-term variable rem.**				
	Bonus [3]	148,586	12.5%	162,772	27.8%
	+ Long-term variable rem.				
	SARs („SARS“) [4]	–	0.0%	144,644	24.7%
	SARs owed [8]	763,583	64.2%	–	0.0%
	Stock options ("SOP") [5]	–	0.0%	–	0.0%
	Total [7]	**912,169**	**76.6%**	**307,416**	**52.4%**
Total remuneration	**= Total remuneration ("TR")**	**1,190,135**	**100.0%**	**586,476**	**100.0%**

1) Including Group remuneration for activities in subsidiaries.
2) Administrative expenses and the PSV contribution are not included here, as they constitute obligations of the Company.
3) This figure represents the short-term variable remuneration received in the financial year for the respective previous financial year.
4) This figure corresponds to the amount received from SARs exercised in the financial year.
5) This figure corresponds to the fair market value for option rights granted in the financial year to subscribe to ordinary shares in the Company ("Stock Option Program" or "SOP"). This corresponds to the value of the total option rights granted.
6) This figure represents the total fixed remuneration granted and owed.
7) This figure represents the total variable remuneration granted and owed.
8) This figure corresponds to the amount owed from the SARs exercised in the 2022 financial year. The exercise took place in December 2022 with the consequence of immediate maturity. However, the corresponding payment was not made or received until 2023. In order to avoid double reporting, the corresponding amount is no longer reported as remuneration granted in 2023 in the Remuneration Report for 2023.
9) Special bonus related to the accelerated implementation of a regional expansion project.
10) The premiums paid by the Company in the reporting year for D&O insurance for the members of the Management Board are not included as remuneration granted, as these are not non-cash benefits within the meaning of income tax law.

Individualized remuneration of the Supervisory Board

The remuneration system for members of the Supervisory Board of SFC Energy AG is set out in section 16 of the Articles of Association and was adopted by the Annual General Meeting on May 7, 2015. In accordance with section 113 (3) AktG, the 2021 Annual General Meeting was presented with a remuneration system that had been amended in terms of language and, to some extent, content – with regard to remuneration for activities in any committees established by the Supervisory Board – but was otherwise unchanged (in particular with regard to the amount of Supervisory Board remuneration).

Both the Management Board and Supervisory Board believe that the basic structure of the remuneration is still appropriate, although the amount of remuneration, which had not been adjusted since 2015, no longer reflected the increased demands in terms of content and time presented by the duties of an SFC Energy AG Supervisory Board member. Both the responsibility to be taken and the individual scope of activities to be performed by Supervisory Board members are constantly increasing.

In order to continue to remunerate the members of the Supervisory Board appropriately for the performance of their duties, to remain competitive and to ensure that the Company remains in a position to attract outstandingly qualified candidates for membership of the Supervisory Board, remuneration was therefore adjusted in 2023 in line with the market.

The amended remuneration system for the members of the Supervisory Board was approved by the 2023 Annual General Meeting with an approval rate of 99.84% in accordance with section 113 (3) AktG.

The following has therefore applied since January 1, 2023:

Under the amended remuneration system, members of the Supervisory Board receive pure annual fixed remuneration of EUR 35,000 each (previously EUR 25,000), whereby the Chairman of the Supervisory Board receives EUR 70,000 (previously EUR 50,000) and his Deputy EUR 45,000 (previously EUR 37,500). In the event of changes in the composition of the Supervisory Board during a year, the remuneration is granted pro rata temporis. In addition, annual fixed remuneration amounting to EUR 10,000 is paid to the Chairperson of the Audit Committee, EUR 7,500 (previously EUR 5,000) is paid to their Deputy, and EUR 5,000 (previously EUR 2,500) to each member of the Committee. The members of other committees (but not those established in the reporting year) that were active at least once annually receive an additional annual fixed remuneration of EUR 5,000 (previously EUR 2,500). Chairing another committee shall result in the annual fixed remuneration being increased by EUR 10,000 (previously EUR 5,000) and acting as deputy chair shall result in an increase of EUR 5,000. For the purposes of increased remuneration, work on a committee shall be taken into account for a maximum of one committee, with the highest paid role being determinative where this maximum number is exceeded.

The maximum annual basic remuneration for the Chairman of the Supervisory Board is limited to EUR 80,000 if he is also chairman of a committee.

The members of the Supervisory Board are also entitled to reimbursement of the cash expenses incurred in the performance of their Supervisory Board duties, including the value added tax payable on their expenses, as well as to inclusion in the deductible-free D&O insurance policy taken out by the Company for its management bodies, with a sum insured of at least EUR 15,000,000.00.

The remuneration of the Supervisory Board in the 2023 financial year is distributed among the individual Supervisory Board members as follows:

REMUNERATION GRANTED AND OWED TO MEMBERS OF THE SUPERVISORY BOARD[1] in EUR

for the 2022 and 2023 financial years

		Basic remuneration		Committee remuneration		Total remuneration
Supervisory Board members		in EUR	in % TR	in EUR	in % TR	in EUR
Hubertus Krossa (since 05/2014, Chairman since 05/2021)	2023	70,000	93.3%	5,000	6.7%	75,000
	2022	50,000	100.0%	–	0.0%	50,000
Henning Gebhardt (since 05/2021, Deputy Chairman)	2023	45,000	81.8%	10,000	18.2%	55,000
	2022	37,500	100.0%	–	0.0%	37,500
Gerhard Schempp (since 06/2020)	2023	35,000	82.4%	7,500	17.6%	42,500
	2022	25,000	83.3%	5,000	16.7%	30,000
Sunaina Sinha (since 08/2021)	2023	35,000	100.0%	–	0.0%	35,000
	2022	25,000	100.0%	–	0.0%	25,000
Total	2023	**185,000**	**89.2%**	**22,500**	**10.8%**	**207,500**
	2022	**137,500**	**96.5%**	**5,000**	**3.5%**	**142,500**

1) The premiums paid by the Company in the reporting year for D&O insurance for the members of the Supervisory Board are not included as remuneration granted, as these are not non-cash benefits within the meaning of income tax law.

The remuneration system established for the Supervisory Board does not provide for variable remuneration components or any malus or clawback provisions. No variable remuneration components were therefore reclaimed from members of the Supervisory Board in the 2023 reporting year.

Comparative presentation within the meaning of section 162 (1) sentence 2 no. 2 AktG (vertical comparison)

The following table shows the development over time within the meaning of section 162 (1) sentence 2 no. 2 AktG (over the last five financial years) of the remuneration of the Board members (i.e. of the remuneration granted and owed in the respective financial year within the meaning of section 162 (1) sentence 1 AktG) compared to the average remuneration of the total workforce of SFC Energy AG in Germany on a full-time equivalent basis. In addition, the development of the earnings of SFC Energy AG and the Group as a whole is presented. The development of earnings is shown on the basis of the Group's key figures for revenues and adjusted EBITDA. Given that both are key performance indicators, they are also part of the financial targets for the Management Board's short-term variable remuneration (bonus) and thereby have a significant influence on the amount of remuneration paid to the members of the Management Board. In addition, the development of the annual net profit of SFC Energy AG is presented in accordance with section 275 (3) no. 16 of the German Commercial Code (Handelsgesetzbuch – HGB).

The presentation of average employee remuneration is based on the total workforce of SFC Energy AG in Germany. The average remuneration of employees includes personnel expenses for wages and salaries, as well as fringe benefits, employer contributions to social security in the financial year and the short-term variable remuneration components attributable to the respective financial year (i.e. paid out in the financial year). Furthermore, for remuneration in connection with share plans, the amounts accrued in the financial year are taken into account. As such, the remuneration of employees is in line with the definition of remuneration granted and remuneration owed in the reporting year, as is the case with the remuneration of the Management Board and the Supervisory Board.

5-YEAR COMPARATIVE REVIEW (PURSUANT TO SECTION 162 (1) SENTENCE 2 NO. 2 AKTG)

in EUR 000s

Financial year	2019	2020		2021		2022		2023	
			Change		Change		Change		Change
I. DEVELOPMENT OF EARNINGS									
AG net earnings for the year (HGB)	-7,814	-8,418	-8%	-6,636	21%	-3,399	49%	5,040	n/a
Group sales revenue	58,538	53,223	-9%	64,320	21%	85,229	33%	118,148	38.6%
Group adj. EBITDA	3,614	2,936	-19%	6,233	112%	8,150	31%	15,158	86.0%
Group profit for the period	-1,927	-5,184	-169%	-5,829	-12%	2,020	n/a	21,062	942.6%
Group equity	40,260	54,838	36%	50,019	-9%	103,437	107%	128,133	23.9%
II: AVERAGE EMPLOYEE REMUNERATION									
SFC AG employees	–	64	n/a	65	2%	62	-5%	67	8%
III. MANAGEMENT BOARD REMUNERATION									
Dr. Peter Podesser	697	524	-25%	2,237	327%	3,894	74%	633	-84%
Daniel Saxena	-	132	n/a	319	142%	382	20%	483	26%
Hans Pol	369	277	-25%	1,092	294%	1,190	9%	586	-51%
FORMER MEMBERS OF THE MANAGEMENT BOARD									
Markus Binder (since 01.03.2017 until 28.02.2020)	269	33	-88%	–	n/a	–	n/a	–	n/a
IV. SUPERVISORY BOARD REMUNERATION									
Hubert Krossa since 05/2014, Chairman since 05/2021)	26	38	48%	45	19%	50	10%	75	50%
Henning Gebhardt (since 05/2021, Deputy Chairman)	–	–	0%	23	n/a	38	62%	55	47%
Gerhard Schempp (since 06/2020)	–	15	n/a	27	86%	30	11%	43	42%
Sunaina Sinha (since 08/2021)	–	–	0%	10	n/a	25	159%	35	40%
FORMER MEMBERS OF THE SUPERVISORY BOARD									
Tim van Delden (until 05/2021)	50	50	0 %	21	-58%	–	0%	–	0%
David Morgan (until 05/2020)	39	16	-60%	–	0%	–	0%	–	0%

Approval by the Annual General Meeting

The remuneration report for the 2022 reporting year was submitted to the 2023 Annual General Meeting for approval in accordance with section 120a (4) AktG.

The Annual General Meeting approved the remuneration report with an approval rate of 69.96% on June 5, 2023. In view of the voting result and for the sake of consistency, the Supervisory Board and Management Board see no reason to change the basic approach to reporting remuneration or the manner in which remuneration is reported.

FINANCIAL CALENDAR 2024

04/22/2024	METZLER SMALL CAP DAYS. FRANKFURT
05/15/2024	QUARTERLY RELEASE Q1 2024
05/16/2024	ANNUAL GENERAL MEETING
06/07/2024	ACATIS VALUE CONFERENCE
08/20/2024	QUARTERLY RELEASE Q2 2024
08/21/2024	HAMBURGER INVESTOR DAY, HIT
09/23 – 25/2024	BERENBERG AND GOLDMAN SACHS TWELFTH GERMAN CORPORATE CONFERENCE
09/26/2024	SFC CAPITAL MARKETS DAY
11/19/2024	QUARTERLY RELEASE Q3 2024
11/25 – 27/2024	GERMAN EQUITY FORUM

SHARE INFORMATION

Bloomberg symbol	F3C
Reuters symbol	CXPNX
WKN	756857
ISIN	DE0007568578
Number of shares outstanding (31 December 2023)	17,363,691
Share characteristics	No-par value shares
Stock-market segment	Prime standard
Sector	Renewable energies
Index membership	SDAX
Home exchange	Frankfurt, FWB
Designated sponsors	mwb fairtrade Wertpapierhandelsbank AG

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Responsible: SFC Energy AG
Editing: SFC Energy AG/
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Concept and Design:
CROSS ALLIANCE communication GmbH

Photo credit:
BauWatch
LiveView Technologies
GP Joule. Wacken Open Air 2023
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