H1 2023

HALF-YEAR REPORT

January 1 to June 30, 2023

SFC ENERGY

TABLE OF CONTENTS

The figures presented in this Interim Group Report have been rounded in accordance with standard commercial practice. As a result, individual figures may not add up to the totals presented.

The financial figures for the first six months of 2023 are not subject to an auditor’s review.

SFC ENERGY AG – COMPACT

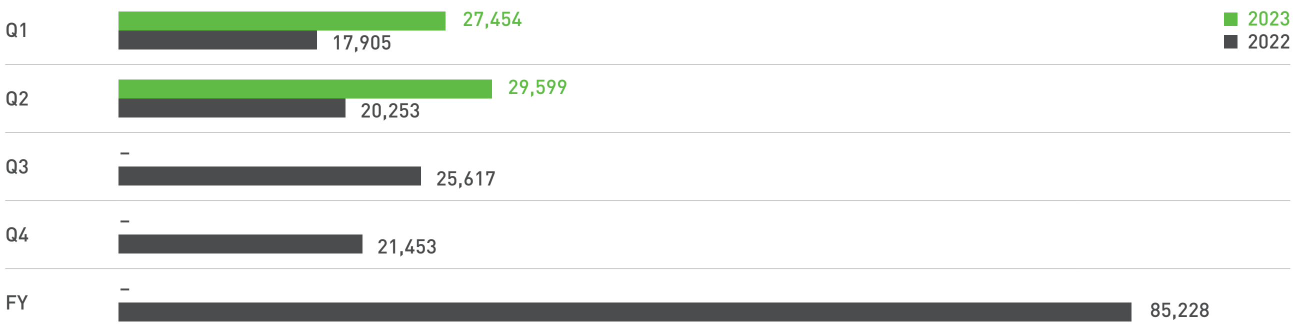
CONSOLIDATED KEY FIGURES

in EUR thousand

	2023 01/01-06/30	2022 01/01-06/30	Change	2023 04/01-06/30	2022 04/01-06/30	Change
Sales	57,053	38,159	49.5%	29,599	20,253	46.1%
Gross profit	21,876	13,463	62.5%	11,662	7,855	48.5%
Gross margin	38.3%	35.3%		39.4%	38.8%	
EBITDA	6,788	3,060	121.8%	3,283	2,899	13.2%
EBITDA margin	11.9%	8.0%		11.1%	14.3%	
Adjusted EBITDA	7,321	3,112	135.3%	3,975	2,303	72.6%
Adjusted EBITDA margin	12.8%	8.2%		13.4%	11.4%	
EBIT	3,822	658	481.2%	1,512	1,723	-12.3%
EBIT margin	6.7%	1.7%		5.1%	8.5%	
Adjusted EBIT	4,355	709	514.2%	2,204	1,127	95.5%
Adjusted EBIT margin	7.6%	1.9%		7.4%	5.6%	
Consolidated net income for the period	3,327	369	801.0%	1,292	1,547	-16.5%
Earnings per share, undiluted	0.19	0.03	650.9%	0.07	0.11	-30.4%
Earnings per share, diluted	0.19	0.03	630.9%	0.07	0.11	-32.3%

SALES BY QUARTER

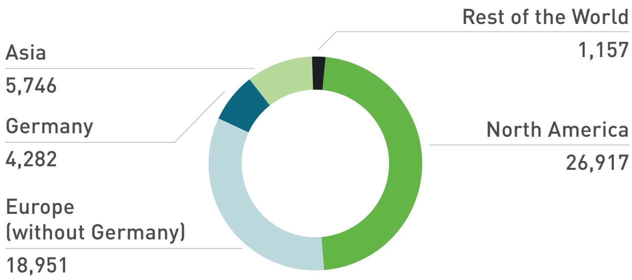
in EUR thousand



SALES BY REGION

01/01-06/30/2023

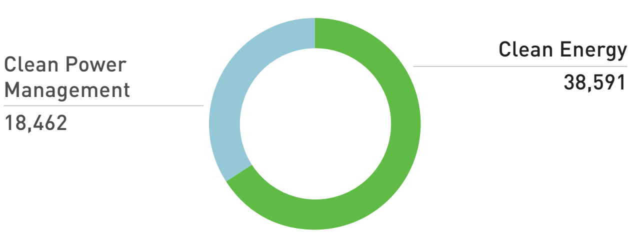
in EUR thousand



SALES BY SEGMENTS

01/01-06/30/2023

in EUR thousand



LETTER TO THE SHAREHOLDERS

Dear shareholders,
Dear business partners,
Dear SFC employees,

In the first half of the year, SFC Energy was operationally above expectation in all financial figures. In addition, we have taken the next strategic steps in regional and technological expansion. We continued realizing exceptional revenue growth and at the same time expanded our margins significantly. The strong growth in sales of 49.5% to EUR 57.1 million compared to the previous year's figure of EUR 38.2 million is the result of globally increasing demand for fuel cell solutions and an increasing market penetration of our products, both internationally and technologically. This momentum is based on steadily increasing global demand for environmentally friendly and sustainable power generators as well as energy supply solutions on the way to a climate-neutral energy landscape.

The significant increase in our profitability is the result of an increasing easing of the strong organic growth, the price adjustments implemented on our products, and a continuously improved product mix as well as an increasing easing of the supply chains. EBITDA adjusted for non-recurring effects, the most relevant financial performance indicator for us to manage our operating business, more than doubled in the first half of the year to EUR 7.3 million compared to the prior-year figure of EUR 3.1 million. The adjusted EBITDA margin increased by 4.7 percentage points to 12.8% (previous year: 8.2%) and was thus significantly above the previous year's level.

Technological and regional expansion in the UK and India

Our half-year under review was characterized not only by a strong operating performance. We also systematically worked through the key areas of the use of funds from the capital increase we successfully placed last year – regional and technological expansion, acceleration of R&D activities and inorganic growth opportunities. For example, we successfully implemented further important expansion steps by founding the subsidiaries SFC Energy UK Ltd., London (UK) and SFC Energy India Pvt. Ltd., Gurgaon (India).

The establishment of the wholly owned subsidiary SFC Energy UK Ltd. followed the technology transfer agreement and further partnership with our long-standing partner Johnson Matthey concluded in April. The goal of this cooperation and this agreement is to secure market and technology leadership as well as the supply chain in the field of direct methanol fuel cells (DMFCs) by taking over the membrane production, as well as to continue our decade-long development partnership for hydrogen products with Johnson Matthey (JM). The new development and production site in the UK is scheduled to start operations in the fourth quarter.

The operational highlight in the first half of the year is our new site in India, near Delhi. In February 2023, during talks between German Chancellor Olaf Scholz and Prime Minister Narendra Modi, we gave the go-ahead with our local partner FC TecNrgy Pvt Ltd. for the construction of a new production facility for hydrogen and methanol fuel cells and further market development in India. After only around five months, we celebrated the opening of the site in July in the presence of Germany's Federal Minister for Economic Affairs and Climate Action Robert Habeck. In the first half of the year, we were able to obtain major orders in the area of public security with a volume of over EUR 33 million for fuel cells to supply energy in the world's most populous nation. Other focal points include the planned replacement of diesel generators in various civilian fields of application. India, with a partly unstable electricity supply and a lot of local power that is often still generated by diesel generators, offers huge market potential. Our early market entry is now paying off. With local production, we meet the requirements of the „Make-in-India" regulatory framework and can benefit from the Indian government's extensive investment programs for sustainable energy production as part of the „National Green Hydrogen Mission".

India is of course also very interesting for us in terms of attracting qualified employees and expanding our supply chains. This is also part of SFC Energy's internationalization and is no longer just a goal and strategy for SFC Energy, but a lived reality.

Growth in North America and Asia significantly expanded

Globally, the demand for energy from regenerative technologies will increase. Fuel cell technology plays a key role here as a decentralized and environmentally friendly energy solution. Particularly in the technology-agnostic companies in North America and Asia, we are therefore seeing significantly stronger regional growth for our business than in Europe. In the North America region, we increased sales by 72.8% year-on-year in the first half of the year, while the increase in Asia was 94.7%, but from a lower level. Our diversification strategy of recent years is now bearing fruit. The establishment of our subsidiary in the US is on the agenda for the fourth quarter in order to further expand and consolidate our presence in the important US market.

With the progress already made, we are confident for the second half of the year. However, this is contrasted by the unchanged weakening global economy with considerable uncertainties, burdens of inflation and continuing cost pressure. Despite these macroeconomic challenges, we see continued very high demand for our fuel cell and power electronics solutions, which is also reflected in the further increased order backlog of EUR 85.7 million as of June 30 (December 31, 2022: EUR 74.2 million). SFC therefore expects business to continue to develop positively in the second half of the year in line with the forecast for the financial year, which has been narrowed to the upper half of the range.

The strong growth demands a great deal from our team in particular. In this respect, the Management Board would like to explicitly thank all employees for their extraordinary commitment and dedication. We would also like to thank you, our shareholders, for your trust and support. As a leading supplier of hydrogen and methanol fuel cells, we will continue to seize the major market opportunities with determination. Please continue to accompany us on our journey.

Sincerely yours,

Dr. Peter Podesser
Chief Executive Officer (CEO)

Daniel Saxena
Member of the
Management Board (CFO)

Hans Pol
Member of the
Management Board (COO)

SFC ON THE CAPITAL MARKET

Basic share data

BASIC INFORMATION ON THE SHARE

Bloomberg Symbol	F3C
Reuters Symbol	CXPNX
GSIN	756857
ISIN	DE0007568578
Number of shares outstanding (June 6, 2023)	17,363,691
Type of shares	No-par-value shares
Stock exchange segment	SDAX, Prime Standard, Renewable Energies
Stock exchange	Frankfurt, FWB
Designated Sponsors	mwb fairtrade Wertpapierhandelsbank AG

Development of the indices

The general conditions of importance to the global economy improved in the first half of the year. Lower energy prices, China's departure from its zero-COVID policy, declining inflation rates and a further easing of supply chains brought about a strong recovery in the global economy. As a result, the international stock markets performed positively overall despite key interest rate increases by the US Federal Reserve and the European Central Bank. In the first half of the year, the leading US Dow Jones index rose by a total of 3.9% compared to its closing figure on December 30, 2022, while the S&P 500 recorded an even stronger increase of nearly 16.3%. European stock exchanges also benefited from the general market momentum. As of June 30, 2023, the EURO STOXX 50 was trading around 16.0% higher than at the close of 2022. Germany's leading index, the DAX, also rose, recording a gain of 12.3% in the first six months compared to the closing price on December 30, 2022. The German SDAX share index, which also includes the shares of SFC Energy AG, recorded an increase of 10.1% in the same period.

Performance of the SFC share

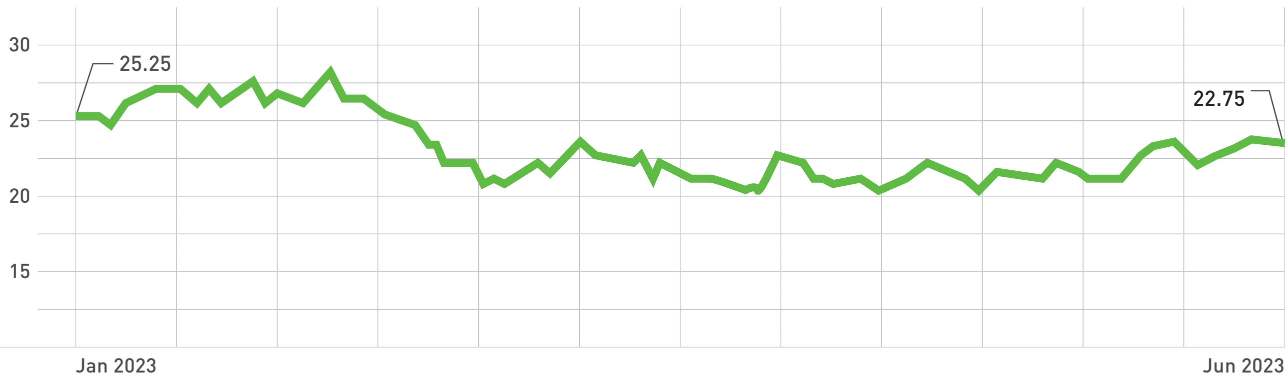
PRICE DEVELOPMENT

in EUR

Opening price	01/02/2023	25.25
High	02/02/2023	27.30
Low	03/28/2023	19.84
Closing price	06/30/2023	22.75

The SFC Energy share was nevertheless unable to benefit from an easing economic environment and an accompanying recovery phase on the capital markets in the half year under review. Despite a good and continuous flow of news as well as a strong operational business development, the SFC Energy share could not escape the generally negative sentiment of hydrogen fuel cell shares. The SFC Energy share opened the trading year 2023 on January 2 at a price of EUR 25.25. The share reached its high for the six-month period on February 2 at a price of EUR 27.30. The shares marked their low on March 28 at EUR 19.84. The SFC Energy share ended the first half of the year at a price of EUR 22.75 on June 30, 2023. Compared to the closing price of EUR 25.10 on December 30, 2022, the share declined by 10.5%. The average daily trading volume in the first half of 2023 was 87,922 shares compared to 102,787 shares in the same period of the previous year. As of June 30, 2023, the market capitalization of SFC Energy AG was approximately EUR 394.9 million with 17.36 million total shares outstanding and a closing price of EUR 22.75. As of the closing date of 2022, the market capitalization was EUR 435.7 million with the same number of shares and a closing price of EUR 25.10 (all data based on Xetra prices).

PERFORMANCE OF THE SFC SHARE (IN ABSOLUTE FIGURES) in EUR



Investor Relations activities

In the first half of 2023, the Management Board and Investor Relations maintained an active and transparent dialogue with investors at conferences, roadshows and in conference calls in order to strengthen understanding and confidence in the sustainable success of the SFC Energy business model. The thematic focus in the exchange with all stakeholder groups was on the operational development and the further pursuit of the company's growth strategy.

As Designated Sponsor, mwb fairtrade Wertpapierhandelsbank AG ensured binding bid/ask prices as well as adequate liquidity and the corresponding tradability of the SFC share during the reporting period.

In the Investor Relations section of SFC Energy's website, sfc.com, the company provides comprehensive information on how the business is developing, current news and an overview of future events and activities.

Analyst research

The SFC Energy AG share is listed in the SDAX selection index and is regularly evaluated by analysts from renowned research firms. All five analysts recommend the SFC share as a buy. Thus, based on the closing price of EUR 22.75 on June 30, 2023, the SFC share has further price potential of 23.1% to 58.2%. Compared to the average analyst price target of EUR 32.20, this represents an upside of 41.5%.

Investors can find detailed information in the Investor Relations/Share section at sfc.com.

RESERACH RATINGS in EUR

Publisher	Date	Recommendation	Target price (EUR)
ABN AMRO/ODDO BHF	08/27/2023	Outperform	35.00
Berenberg	05/16/2023	Buy	28.00
First Berlin – Equity Research	05/25/2023	Buy	36.00
Metzler Capital Markets	05/30/2023	Buy	34.00
MM Warburg	05/30/2023	Buy	28.00

Shareholder structure

The shareholder structure of SFC Energy AG as of June 30, 2023, has not changed significantly compared to December 31, 2022. Institutional investors held 37.18% of the shares at the end of the first half of the year. The extended management, including the Supervisory Board, held 1.52% of the voting rights. 61.21% of SFC Energy AG shares were in free float at the end of June 2022. Detailed and up-to-date information on the shareholder structure can be found at sfc.com in the Investor Relations/Share section.

INTERIM GROUP MANAGEMENT REPORT

INTERIM GROUP MANAGEMENT REPORT FOR THE PERIOD JANUARY 1 TO JUNE 30 2023

This chapter of this Half-Year Financial Report summarizes key developments at SFC Energy AG in the first half of 2023 ("the reporting period"). A detailed description of SFC Energy AG, its Group and its segments can be found in the 2022 Annual Report.

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 "the Group") in the fuel cell sector. Besides the parent company SFC Energy AG (Germany), the consolidated Group includes the subsidiaries SFC Energy B.V. (Netherlands) ("SFC B.V."), its subsidiary SFC Energy Power SRL (Romania), SFC Energy Ltd. (Canada) ("SFC Ltd."), SFC Energy UK Ltd. (United Kingdom) and SFC Energy India Pvt. Ltd. (India).

The segmentation of the Group's activities primarily follows the Group's internal organizational and reporting structure by business area. This is based on the technology platforms and the Group's portfolio of products and services. The Clean Energy segment comprises the portfolio of products, systems and solutions for stationary and mobile off-grid energy supply based on hydrogen (PEMFC) and direct methanol (DMFC) fuel cells. The segment addresses customers from the private, industrial and government sectors in various markets. These include equipment suppliers and system integrators for telecommunications, security and surveillance technology, remote sensing technology and defense technology, as well as for the caravaning and marine markets. The Clean Power Management segment bundles the entire business with high-tech, standardized and semi-standardized power management solutions such as voltage transformers and coils, which are used in devices for the high-tech industry. Furthermore, the segment includes the business with frequency converters for the upstream oil and gas industry that are partly integrated and partly distributed.

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 that are equipped with 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 generators or to cover peak loads, as well as to supplement existing systems 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 sees the good economic development of the Group in the reporting period as confirmation of its strategy.

Research and development

With its research and development activities, SFC continues to pursue the goal of securing or strengthening its competitive and technological position against the backdrop of the upcoming transformation of energy systems in numerous countries. In particular, we are 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 our solutions. In addition to this continuous renewal of our product portfolio, SFC is also improving its existing products and solutions.

With 84 (previous year: 64) employees, 22% (previous year: 22%) of the Group's workforce was engaged in the development of fuel cell technology and power supply systems and their implementation in Group products.

TOTAL RESEARCH AND DEVELOPMENT EXPENDITURE

	2023 01/01- 06/30	2022 01/01- 06/30	2023 04/01- 06/30	in EUR thousand 2022 04/01- 06/30
Research and development costs recognized in profit or loss	2,834	2,159	1,629	1,079
Capitalized development expenses	1,466	1,042	695	438
Grants received	199	227	27	132
Special effects (special expenses for LTI programs)	-10	0	-10	3
Total research and development expenditure	**4,490**	**3,429**	**2,340**	**1,652**

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

Overall, the company expects total R&D expenditure in the current fiscal year to be higher than in fiscal year 2022. In the reporting period, the Group's R&D activities were supported to a small extent by government grants, e.g. via the National Organization for Hydrogen and Fuel Cell Technology, and are expected to continue to be so in the future.

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

- Further development of the newly launched 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 grid replacement 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 above 50 kW

- Continuous development and implementation of service-optimized functions of the cloud-based remote monitoring system for the newly introduced product generations of fuel cells
- 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 the integration of external sensor signals, for the detection of the energy flow in EFOY energy solutions and connection of I/O signals
- Consistent improvements and further developments to increase performance and reduce the costs of existing 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:

- Further development of the current 3.8kW to 4kW energy platform
- Technology development to increase the power of today's platforms from 4kW to 5kW.
- Integration of a new energy platform into laser systems

Economic Report

Macroeconomic and industry-specific conditions

Falling inflation stimulates the global economy

The first half of the year saw an improvement in key conditions that were largely responsible for the weakening of the global economy last year. For example, energy prices fell, the economic outlook brightened in China with the abandonment of the zero COVID policy, and supply bottlenecks are no longer impacting the economy to a significant degree. Global inflation rates also declined in the first six months of the current year after reaching long-term highs in 2022. In June 2023, inflation rates in the markets relevant to SFC were 5.5% in the euro zone (June 2022: 8.6%), 3.0% in the US (9.1%), 2.8% in Canada (8.1%), and 4.8% in India (7.0%).

The improved environment favored the global economy in the first quarter, which grew by 0.8%, the highest rate since the end of 2021. However, the Kiel Institute for the World Economy (IfW) expects weaker growth in the second quarter. Overall, the IfW expects global output to expand by 2.8% in 2023 as a whole. This represents an increase of 0.3 percentage points compared to the spring forecast. India is a key driver of global economic growth. The International Monetary Fund (IMF) forecasts growth of 6.1% in India, the market relevant for SFC, in 2023. This represents an upward revision of 0.2 percentage points compared to the spring forecast and is due to unexpectedly strong domestic investment. The US economy is expected to grow by 1.8% in the current year, the Canadian economy by 1.7%. For the euro zone, the IMF forecasts economic growth of 0.9% in 2023.

German economy: moderate expansion expected

With the renewed decline in gross domestic product in the first quarter of -0.3%, the German economy slipped into a technical recession. The decline in the first three months was primarily due to a special effect in government consumer spending rather than reflecting a broad-based economic slowdown. Nevertheless, as economic indicators have become gloomier, fears have increased that the after-effects of the energy crisis and the tightening of monetary policy could weigh more heavily on the economy than previously expected. Overall, however, the IfW expects the German economy to return to a moderate expansion course as the year progresses. Private consumption in particular is expected to recover, as rising wages are likely to boost purchasing power and this will be accompanied by a decline in inflation. Nevertheless, the IfW expects the GDP to decline by 0.3% in 2023 as a whole. The spring forecast had still assumed an increase of 0.5%. Inflation will decrease in the course of the year. The IfW expects the average inflation rate to rise by 5.8% this year (2022: 6.9%).

Clean Energy

Continued dynamic development of the fuel cell market

International demand for decentralized energy generation systems, such as fuel cells, is a key factor in the development of the market in the Clean Energy segment. These units are used in a wide range of stationary applications.

Besides decarbonizing economies, fuel cells and hydrogen continue to gain importance as a means of energy security. The Ukraine conflict has heightened awareness of the need for policymakers to balance energy security with climate goals. For example, on March 16, 2023, the EU Commission initiated the Net-Zero Industry Act to help strengthen European manufacturing capacity for net-zero technologies and overcome barriers to expanding manufacturing capacity in Europe. The regulation seeks to improve the competitiveness of companies whose net-zero technologies help increase the EU's energy resilience. The list of net-zero technologies now includes electrolyzers and fuel cells. This shows the importance attached to fuel cells and hydrogen in the EU to reduce dependence on fossil fuels. Firstly, as a substitute for fossil fuels in end-use applications, and secondly, by switching from fossil fuel-based hydrogen production to renewable hydrogen.

In view of the political tailwind, the market researchers at Grand View Research continue to forecast a dynamic development of the fuel cell market in the coming years. According to the study, the global market for fuel cells will be worth USD 6.3 billion in 2022 and will grow at a compound annual growth rate of 19.9% to around USD 26.9 billion by 2030. The increasing focus on reducing greenhouse gases and other emissions is the main driving factor. According to Grand View Research, increasing demand for unconventional energy sources is one of the main factors driving this growth. Growing public-private partnerships and reduced environmental impact are also expected to drive demand. Governments worldwide are expected to encourage these developments and provide appropriate financing programs for expansion in fuel cells. In this context, the establishment of a sound regulatory framework for an investment-friendly environment is of vital importance.

Clean Power Management

Lower demand, higher sales of electronic components

In order to look at the economic development of the markets that SFC Energy operates in in this segment (power electronics and switched-mode power supplies), data from the trade associations "Electronic Components & Systems" and "PCB & Electronic Systems" of the German Electrical and Electronic Manufacturers' Association (ZVEI) is assessed.

The trade association recorded a slight decline in demand for electronic components for the first five months of 2023 (more up-to-date figures were not available at the time of going to press). Thus, incoming orders declined by 1.9% from January to May. Imports rose by 12.8% to EUR 112.7 billion, while foreign demand increased by 9.7% to EUR 105.2 billion.

In the full first five months of the current year, aggregate industry sales reached a level of EUR 98.9 billion, compared to EUR 87.3 billion in the same period of 2022. Although the business climate in the electrical and digital industry weakened in June for the third time in a row, it remains in positive territory, according to the ZVEI. For 2023 as a whole, the industry association expects growth of one to two percent following the record revenues of EUR 224.5 billion the previous year.

Business performance and economic situation

Significant events

Changes in the Group

As of June 30, 2023, the Interim Financial Statements include SFC Energy AG as the parent company and the following subsidiaries:

SUBSIDIARIES INCLUDED IN THE SCOPE OF CONSOLIDATION in %

COMPANY	SEAT	SHARE IN 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

The following changes took place in the reporting period.

SFC Energy UK Ltd., London (UK), was founded as a wholly owned subsidiary on April 3, 2023. Furthermore, SFC Energy India Pvt. Ltd., Gurgaon (India), was founded on June 6, 2023. SFC Energy AG holds 92% of the shares, the other 8% were subscribed to by the strategic partner FC TecNrgy Pvt. Ltd., Gurgaon.

The two companies founded in the first half of 2023 were not included in the Interim Financial Statements as of June 30, 2023, due to immateriality.

Personnel changes

Supervisory Board

Mrs. Sunaina Sinha Haldea and Mr. Gerhard Schempp were re-elected to the Supervisory Board of SFC Energy AG by resolution of the Annual General Meeting on June 5, 2023. Mr. Schempp was also re-elected by the Supervisory Board to the Audit Committee. Mrs. Haldea's term of office runs until the end of the Annual General Meeting in 2025 and Mr. Schempp's term of office runs until the end of the Annual General Meeting in 2024.

Earnings position

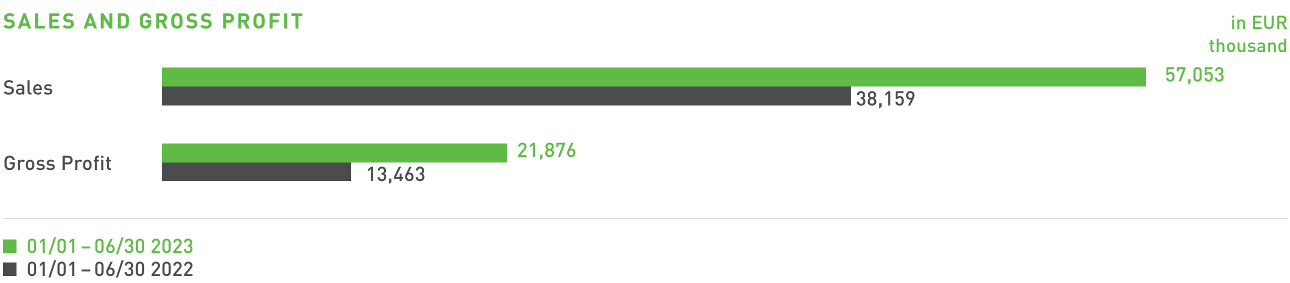
In the reporting period, the Group generated sales of EUR 57,053 thousand (previous year: EUR 38,159 thousand) and thus recorded a significant increase in sales of 49.5% compared to the same period of the previous year. The main reasons factors for this positive development were both the very strong organic growth in sales in the Clean Energy segment and exceptionally strong sales growth in the Clean Power Management segment.

Compared to the previous year, the Clean Energy segment recorded sales growth of 44.8% to EUR 38,590 thousand (previous year: EUR 26,648 thousand). In the reporting period, sales in the Clean Power Management segment increased by 60.4% to EUR 18,463 thousand (previous year: EUR 11,510 thousand).

The Clean Energy segment, whose share of Group sales rose slightly in the reporting period to 67.6% (previous year: 69.8%), remained the segment with the highest sales. Accordingly, the Clean Power Management segment's share of Group sales increased to 32.4% (previous year: 30.2%).

Compared to the same period of the previous year, the Group's gross profit, as well as Group sales, increased significantly by EUR 8,413 thousand or 62.5% to EUR 21,876 thousand (previous year: EUR 13,463 thousand). At the same time, the Group's gross profit margin (gross profit as a percentage of sales) increased to 38.3% (previous year: 35.3%), which is significantly above the previous year's level.

SALES AND GROSS PROFIT



Development of sales by region

The development of sales by region for the reporting period and the second quarter of 2023 compared to the previous year is as follows:

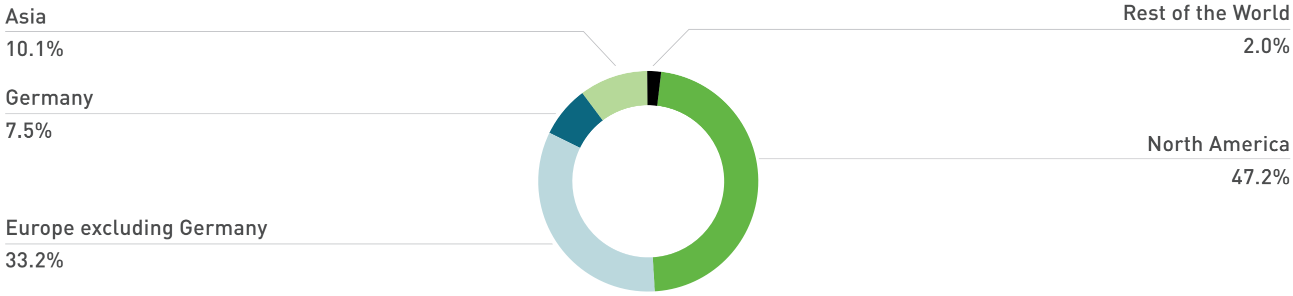
SALES BY REGION

in EUR thousand

	2023 01/01- 06/30	2022 01/01- 06/30	Change	2023 04/01- 06/30	2022 04/01- 06/30	Change
North America	26,917	15,576	72.8%	13,041	8,098	61.0%
Europe excluding Germany	18,951	15,743	20.4%	9,069	8,619	5.2%
Germany	4,282	3,802	12.6%	1,997	1,823	9.5%
Asia	5,746	2,952	94.7%	4,789	1,669	186.9%
Rest of the World ("RoW")	1,157	85	n.a.	703	45	n.a.
Total	**57,053**	**38,159**	**49.5%**	**29,599**	**20,253**	**46.1%**

BREAKDOWN OF SALES BY REGION
01/01- 06/30/2023

in %



The following changes in the regional development of sales took place in the reporting period compared to the same period of the previous year: The North America region's contribution to Group sales increased noticeably in the reporting period, mainly driven by increased demand for fuel cell solutions for industrial applications, to 47.2% (previous year: 40.8%) and, with an increase of EUR 11,341 thousand, the highest regional sales growth. By contrast, the relative share of Group sales accounted for by the Europe region (excluding Germany) fell to 33.2% (previous year: 41.3%), but increased by a total of EUR 3,207 thousand. By contrast, the share of sales accounted for by Asia decreased significantly to 10.1% (previous year: 7.7%).

In the reporting period, 7.5% (previous year: 10.0%) of Group sales were generated in Germany and 2.0% (previous year: 0.2%) were generated in RoW.

Reconciliation of adjusted EBITDA and adjusted EBIT

Adjusted EBITDA and adjusted EBIT are shown in order to neutralize distortions caused by special factors that both boost and reduce the operating result for the reporting period in the presentation of financial performance indicators and to ensure comparability of these performance indicators between periods. In this context, the effects of the special effects listed below included in the respective functional costs and in other operating income are eliminated in the reporting period as part of a reconciliation to adjusted EBITDA and adjusted EBIT.

In the reporting period, these special effects included expenses and income from the increase or reversal of provisions and the additional paid-in capital for obligations under the long-term variable share-based payment programs ("LTI programs"), as well as expenses associated with transaction efforts.

These programs comprise stock appreciation rights ("SARs") and stock option programs ("SOP") for the Management Board and for executives of Group companies. The expenses for these programs in the reporting period amounted to EUR 392 thousand (previous year: EUR 241 thousand) ("special expenses"). In the reporting period, income from the reversal of provisions for the SARs in the amount of EUR 113 thousand (previous year: EUR 1,207 thousand) was recognized. This income was due, among other factors, to the reversal through profit or loss of provisions already recognized for the SARs that were higher than the payment for the amounts received in cash in the current reporting period.

Expenses associated with transaction efforts in the amount of EUR 254 thousand (previous year: EUR 1,018 thousand) are included in the special effects.

In total, the special effects are included in EBIT and EBITDA as a net expense for the reporting period in the amount of EUR 533 thousand (previous year: EUR 52 thousand).

Expenses for the LTI programs of the members of the Management Board currently in office are included in both selling expenses and general and administrative expenses. Expenses for the LTI programs of employees (executives) are included in selling expenses and in research and development expenses. Expenses associated with transaction efforts are included in general and administrative expenses and income from reversals of SARs provisions is included in other operating income.

SPECIAL EFFECTS

in EUR thousand

	2023 01/01-06/30	2022 01/01-06/30
Expenses for the LTI programs	-392	-241
Income from SARs	113	1,207
Expenditure for transaction efforts	-254	-1,018
Total net expense	**-533**	**-52**
thereof included in selling expenses	-130	-117
thereof included in research and development expenses	-10	0
thereof included in general and administrative expenses	-506	-1,142
thereof included in other operating income	113	1,207

Development of sales by segments

The segmentation of sales revenues for the reporting period and the second quarter of 2023 compared to the previous year is as follows:

SALES BY SEGMENT

in EUR thousand

	2023 01/01- 06/30	2022 01/01- 06/30	Change	2023 04/01- 06/30	2022 04/01- 06/30	Change
Clean Energy	38,590	26,648	44.8%	20,826	14,370	44.9%
Clean Power Management	18,463	11,510	60.4%	8,773	5,884	49.1%
Total	**57,053**	**38,159**	**49.5%**	**29,599**	**20,253**	**46.1%**

BREAKDOWN OF SALES BY SEGMENT
01/01- 06/30/2023

in %

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 and direct methanol fuel cells for power generation. The segment has an extensive portfolio of products that are sold either individually or as solutions to customers in the private, industrial and government sectors in various markets.

In the markets addressed by Clean Energy, increasing demand for clean energy and increasingly stringent national energy regulations to decarbonize value chains are currently shifting market demand away from fossil fuel power generation, towards reliable, sustainable solutions with low or no emissions. This is particularly evident in Europe, North America and Asia. The International Energy Agency (IEA) believes that replacing fossil fuels with renewable electricity in many sectors of the economy, including the key sectors of transportation, heating, and industry, will be an essential pillar on the path to "net-zero." In an analysis of the scenario, the IEA projects that around 90% of final energy consumption will be met by renewables by the year 2050.

In the period under review, the segment recorded sales revenues of EUR 38,590 thousand (previous year: EUR 26,648 thousand) and thus achieved extremely strong sales growth of EUR 11,942 thousand or 44.8% compared to the same period of the previous year. The growth in sales was due on the one hand to the continuing high demand for fuel cell solutions for industrial applications, which account for around 2/3 of the segment's sales, and on the other hand to increased demand from the government sector (public safety). Thus, sales of fuel cell solutions in the core target markets for industrial applications, such as "civil security technology" and "data transmission and digitalization," increased by more than 40% and more than doubled with customers in the core target markets for public safety.

The segment's gross margin of 44.6% (previous year: 40.1%) was noticeably above the level of the previous year due to both the good product mix and the effectiveness of the improved pricing. In line with the significant increase in sales and the improved gross margin, gross profit for the reporting period was EUR 17,210 thousand (previous year: EUR 10,691 thousand) was significantly higher than in the same period of the previous year.

The segment's selling expenses adjusted for special expenses of EUR 130 thousand (previous year: EUR 117 thousand) amounted to EUR 6,530 thousand (previous year: EUR 5,314 thousand), 22.9% and thus considerably above the previous year's level. Higher personnel expenses, advertising and travel expenses, as well as consulting costs and commissions, which were also due to the increase in sales, were the main reasons for this.

The general and administrative expenses of the segment adjusted for the special expenses listed above in the amount of EUR 506 thousand (previous year: EUR 1.142 thousand) rose by 12.3% in the reporting period to EUR 5,083 thousand (previous year: EUR 4,525 thousand) and were thus significantly above the level of the previous year. This increase is mainly attributable to higher personnel expenses and consulting costs.

As a result of the significant increase in gross profit and the lower increase in functional costs in relation to sales, EBITDA adjusted for special effects for the reporting period improved to EUR 5,947 thousand (previous year: EUR 3,371 thousand) and resulted in a significantly higher adjusted EBITDA margin for the segment of 15.4% (previous year: 12.6%).

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 high-tech power management solutions that are used to generate and control regulated voltages in electronic systems. The target customers for these solutions include equipment 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.

Power management solutions represent a key component of power conversion systems. The solutions are used to improve power density, reduce electromagnetic interference, maintain power and signal integrity, maintain safety in the presence of variable voltage ranges, as well as extend battery life, among other applications. Demand for these components has traditionally been affected by changes in the general economic environment, but is being supported by the emergence of new uses and a number of trends: These include decarbonization and digitalization, which lead to a growing demand for smarter devices as well as electricity storage and the flexible control of electricity distribution, including those that employ a higher share of renewable energy. Components are being developed further based on new materials. Conversion systems require new topologies and ever higher levels of compactness and efficiency.

The Clean Power Management segment recorded exceptionally strong sales growth of 60.4% in the reporting period to EUR 18,463 thousand (previous year: EUR 11,510 thousand). Segment sales in the previous year were impacted by a challenging procurement environment and supply bottlenecks in particular, which only gradually eased in the second half of 2022. The easing of supply bottlenecks continued in the reporting period and, based on this trend among other factors, segment sales increased significantly in the first half of 2023.

The gross profit of the segment increased disproportionately to sales growth by 68.3% or EUR 1,894 thousand to EUR 4,666 thousand (previous year: EUR 2,772 thousand). The increase was mainly due to significantly higher segment sales, but also to a slightly improved gross profit margin, which amounted to 25.3% (previous year: 24.1%) in the reporting period and was thus above the level of the same period of the previous year. This was due to the product mix on the one hand and to improved pricing.

The segment's selling expenses amounted to EUR 1,043 thousand (previous year: EUR 943 thousand). Rising by 10.6%, they were noticeably above the previous year's level, due in particular to higher personnel expenses and increased advertising and travel costs.

The segment's general and administrative expenses in the reporting period amounted to EUR 1,960 thousand (previous year: EUR 1,551 thousand). They were EUR 409 thousand higher than in the same period of the previous year, mainly due to higher personnel expenses and IT expenses.

The segment's EBITDA does not include any special effects. Due to the significant increase in gross profit, in particular, in conjunction with the relatively lower increase in functional costs, EBITDA improved significantly in the reporting period to EUR 1,375 thousand (previous year: EUR -259 thousand), resulting in an EBITDA margin for the segment of 7.4% (previous year: -2.3%).

Group

Gross profit

Gross profit increased by 62.5% in the period under review to EUR 21,876 thousand (previous year: EUR 13,463 thousand) and thus by EUR 8,413 thousand compared to the previous year's figure. This increase was mainly due to the above-mentioned strong growth in organic sales combined with higher margins, also as a result of the effectiveness of improved pricing.

The gross profit margin of the Group (gross profit as a percentage of sales revenues) resulting from the development of sales was at 38.3% (previous year: 35.3%), significantly above the level of the same period of the previous year and also above the gross profit margin for fiscal year 2022 (36.8%).

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

GROSS PROFIT BY SEGMENT — in EUR thousand

	2023 01/01- 06/30	2022 01/01- 06/30	Change	2023 04/01- 06/30	2022 04/01- 06/30	Change
Clean Energy	17,210	10,691	61.0%	9,562	6,485	47.4%
Clean Power Management	4,666	2,772	68.3%	2,100	1,370	53.3%
Total	**21,876**	**13,463**	**62.5%**	**11,662**	**7,855**	**48.5%**

Selling expenses

Selling expenses increased by 20.8% in the reporting period compared to the previous year to EUR 7,703 thousand (previous year: EUR 6,374 thousand). The special expenses included in selling expenses in the amount of EUR 130 thousand (previous year: EUR 117 thousand) were roughly at the same level as in the previous year.

Adjusted for these effects, selling expenses in the reporting period also increased significantly by 21.0% to EUR 7,573 thousand (previous year: EUR 6,258 thousand). This was due to higher consulting costs and commissions, advertising and travel expenses, as well as personnel expenses, as a result of the growth in sales, among other factors.

Group-wide, however, adjusted selling expenses as a percentage of sales were at 13.3%, slightly below the level of the previous year (previous year: 16.4%), due to the growth in sales.

Research and development expenses

Research and development expenses recognized in the income statement increased by 31.3% to EUR 2,834 thousand (previous year: EUR 2,159 thousand).

Adjusted for the above-mentioned special effects and including development expenses capitalized in the reporting period and grants received totaling EUR 1,666 thousand (previous year: EUR 1,269 thousand), the Group's total research and development expenses amounted to EUR 4,490 thousand (previous year: EUR 3,429 thousand) and were thus 24.1% above the previous year's figure. The higher total expenses in the reporting period resulted mainly from increased personnel expenses, higher costs for materials used in the development department, and significantly higher depreciation and amortization.

The overall development ratio of the Group (research and development expenses adjusted for special effects and including capitalized development costs and grants as a percentage of sales) increased to 7.9% (previous year: 9.5%) due to the growth in sales, despite higher expenses overall

.

Impairment losses on capitalized development expenses amounting to EUR 508,0 thousand in the reporting period (previous year: EUR 0 thousand) were recognized in the research and development expenses of SFC Energy AG. These resulted from the planned premature discontinuation of a accessory product.

General administrative expenses

General and administrative expenses in the reporting period amounted to EUR 7,548 thousand (previous year: EUR 6,076 thousand) and were thus significantly higher than in the same period of the previous year. After adjustment for the aforementioned special effects amounting to EUR 506 thousand (previous year: EUR 1,142 thousand), general administrative expenses increased by EUR 2,109 thousand or 42.7% compared to the same period of the previous year to EUR 7,043 thousand (previous year: EUR 4,934 thousand). The increase is mainly attributable to higher personnel expenses in both segments, higher legal and consulting expenses, higher personnel recruitment costs, and higher IT expenses.

Other operating income

In the reporting period, other operating income decreased by approximately half compared to the same period of the previous year and amounted to EUR 947 thousand (previous year: EUR 1,926 thousand). The main reason for this is the income from the reversal of SARs provisions through profit or loss, as described above, which amounted to EUR 113 thousand (previous year: EUR 1,207 thousand) and was thus significantly lower than in the same period of the previous year. The item also includes income from exchange rate differences amounting to EUR 834 thousand (previous year: EUR 683 thousand).

Other operating expenses

Other operating expenses amounted to EUR 915 thousand in the reporting period (previous year: EUR 122 thousand) and resulted from expenses from exchange rate differences.

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

Driven by the good operating performance, the Group's earnings before interest, taxes, depreciation and amortization (EBITDA) increased in the reporting period to EUR 3,728 thousand and amounted to EUR 6,788 thousand (previous year: EUR 3,060 thousand). This also resulted in a significant increase in the EBITDA margin (EBITDA in relation to sales) to 11.9% (previous year: 8.0%).

EBITDA adjusted for special effects (adjusted EBITDA), the key financial performance indicator for managing the operating business, amounted to EUR 7,321 thousand (previous year: EUR 3,112 thousand) and, by increasing by EUR 4,210 thousand, was more than double the previous year's figure. The adjusted EBITDA margin recorded an increase of 4.7 percentage points and reached 12.8% (previous year: 8.2%), significantly above the level of the previous year.

The increase in adjusted EBITDA was mainly attributable to the strong growth with a relatively smaller increase in functional costs, combined with the marked improvement in the gross profit margin.

Operating result (EBIT)

The Group's earnings before interest and taxes (EBIT) increased particularly sharply in the reporting period to EUR 3,822 thousand (previous year: EUR 658 thousand). The EBIT margin (EBIT in relation to sales) improved accordingly to 6.7% (previous year: 1.7%).

EBIT adjusted for the special effects (adjusted EBIT) amounted to EUR 4,355 thousand (previous year: EUR 709 thousand) and was thus a significant EUR 3,646 thousand higher than in the previous year. This resulted in a substantial increase in the adjusted EBIT margin to 7.6% (previous year: 1.9%).

Interest and similar income

Interest and similar income amounted to EUR 313 thousand (previous year: EUR 0 thousand) due to the higher level of interest rates and the higher level of cash and cash equivalents in the reporting period.

Interest and similar expenses

Interest and similar expenses amounted to EUR 339 thousand (previous year: EUR 200 thousand).

Consolidated net income for the period

The consolidated net profit for the period increased in particular due to the good operating performance and the lower charges with the special effects listed above to EUR 3,327 thousand (previous year: EUR 369 thousand) and was thus significantly higher than in the same period of the previous year.

Earnings per share

Earnings per share in accordance with IFRS, basic and diluted, increased in the reporting period to EUR 0.19 (previous year: EUR 0.03).

Order intake and order backlog

Order intake in the period under review was below the level of the previous year at EUR 68,871 thousand (previous year: EUR 72,512 thousand). However, as of the reporting date, the Group's order backlog as of June 30, 2023, increased to EUR 85,709 thousand (December 31, 2022: EUR 74,176 thousand). SFC AG accounted for EUR 34,079 thousand of this amount (December 31, 2022: EUR 19,522 thousand), SFC Energy B.V. for EUR 32,879 thousand (December 31, 2022: EUR 34,937 thousand) and SFC Energy Ltd. for EUR 18,751 thousand (December 31, 2022: EUR 19,717 thousand).

Asset and Financial position

Capital structure

As of June 30, 2023, equity amounted to EUR 106,993 thousand (December 31, 2022: EUR 103,437 thousand) and thus increased slightly by EUR 3,555 thousand.

The net financial position (freely available cash and cash equivalents less liabilities to banks) decreased by EUR 6,331 thousand in the reporting period and amounted to EUR 54,417 thousand (December 31, 2022: EUR 60,748 thousand).

Cash and cash equivalents

As of June 30, 2023, freely available cash and cash equivalents amounted to EUR 59,373 thousand (Decem-ber 31, 2022: EUR 64,803 thousand).

Overall, liabilities to banks increased by EUR 901 thousand in the reporting period compared to the end of fiscal year 2022 to EUR 4,956 thousand (December 31, 2022: EUR 4,055 thousand).

Continuous investment in product development as well as potential joint ventures, equity investments 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 areas of business. Financial obligations or additional financing requirements can arise from the implementation of this strategy.

In February 2023, SFC 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 context, a financial investment in the amount of EUR 1,000 thousand will be made in FC TecNrgy Pvt. Ltd. in fiscal year 2023. These are investment obligations of the newly founded company SFC Energy India Pvt. Ltd. This investment is to be financed from SFC's cash and cash equivalents.

Until they are used, liquidity surpluses are invested in low-risk financial securities (e.g. overnight and time deposits) with various banks.

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

Cash flow and investments

CASHFLOW — in EUR thousand

	01/01-06/30/2023	01/01-06/30/2022
Operating cash flow before changes in working capital	7,339	2,134
Cash flow from		
operating activities	-1,522	-8,917
investing activities	-3,608	-1,773
financing activities	-312	-96

Operating cash flow and cash flow from operating activities

Cash flow from operating activities improved significantly in the reporting period compared to the same period of the previous year, but remained negative. The main reasons for this extremely strong improvement were the very positive operating performance and the strong growth in adjusted EBITDA and operating cash flow before changes in working capital and income taxes (operating profit before changes in working capital). This increased significantly by 5,205 thousand to EUR 7,339 thousand in the reporting period (previous year: EUR 2,134 thousand). At the same time, net working capital recorded a noticeably lower increase compared to the same period of the previous year by EUR 8,014 thousand (previous year: EUR 10,933 thousand). After taking the change in net working capital and income tax payments into consideration, cash flow from operating activities amounted to EUR -1,522 thousand (previous year: EUR -8,917 thousand).

With regard to the main changes in net working capital, inventories increased in the period under review with an effect on liquidity by EUR 2,250 thousand. Furthermore, trade receivables increased by EUR 7,888 thousand with an effect on liquidity in the reporting period and trade payables increased by EUR 3,790 thousand in the same period with an effect on liquidity. Together with the other items of net current assets, this resulted in an increase in net current assets and thus a cash outflow of EUR 8,014 thousand (previous year: EUR 10,933 thousand) in the reporting period.

Cash flow from investing activities and capital expenditures

Cash outflows from investing activities in the reporting period totaled EUR -3,608 thousand (previous year: EUR -1,773 thousand). The payments included therein for the acquisition of intangible assets amounting to approx. EUR 1,193 thousand (previous year: EUR 153 thousand) and investments in plant and equipment amounting to EUR 1,243 thousand (previous year: EUR 578 thousand) are the main reasons for the increase. Investments in research and development (capitalized development costs) amounted to EUR 1,466 thousand (previous year: EUR 1,042 thousand) and were also above the previous year's level.

The investments were made from the company's own funds or within the framework of the existing credit agreements.

Cash flow from financing activities

The higher cash outflow from financing activities in the reporting period of EUR -312 thousand compared to the same period of the previous year (previous year: EUR -96 thousand) is mainly due to the lower cash inflow from the utilization of current financial liabilities (working capital lines) in the amount of EUR 901 thousand (previous year: EUR 1,287 thousand). Although this increase was offset by slightly lower cash outflows from repayments of lease liabilities of EUR 881 thousand (previous year: EUR 974 thousand) in connection with the application of IFRS 16 than in the previous year, this was only partially offset by higher interest payments of EUR 332 thousand (previous year: EUR 200 thousand).

Cash-effective change in cash and cash equivalents

The net change in cash and cash equivalents amounted to EUR -5,441 thousand (previous year: EUR -10,786 thousand). As of June 30, 2023, the balance of freely available cash and cash equivalents amounted to EUR 59,373 thousand (December 31, 2022: EUR 64,803 thousand).

Asset position

Total assets of EUR 153,981 thousand as of June 30, 2023 (December 31, 2022: EUR 147,171 thousand) increased by EUR 6,810 thousand or 4.6% compared to the end of the previous fiscal year. This was mainly due to the increase in current assets, and here in particular to the increase in trade receivables and the increase in intangible assets.

Due to the growth in sales, inventories increased moderately in the reporting period by 8.1% to EUR 26,930 thousand (December 31, 2022: EUR 24,921 thousand).

Trade receivables increased significantly in the reporting period by 43.3% to EUR 25,951 thousand (previous year: EUR 18,110 thousand), which is also attributable to the relatively high level of Group sales at the end of the first half of the year.

As of the reporting date, non-current assets accounted for 22.9% (December 31, 2022: 23.1%) and thus remained at the level of the share at the end of fiscal year 2022.

Intangible assets increased as of June 30, 2023, by EUR 1,074 thousand to EUR 19,651 thousand (previous year: EUR 18,576 thousand), mainly due to capitalized development expenses and the acquisition of intangible assets in connection with the acquisition of technologies from Johnson Matthey for the production of membrane electrode assemblies (MEAs).

Property, plant and equipment amounted to EUR 13,479 thousand (December 31, 2022: EUR 13,396 thousand) at the level at the end of fiscal year 2022.

Current liabilities increased by EUR 3,828 thousand to EUR 30,420 thousand in the reporting period (December 31, 2022: EUR 26,591 thousand). The significant increase is mainly due to the strong increase in trade payables described below.

Trade payables amounted to EUR 12,828 thousand (December 31, 2022: EUR 9,046 thousand), 41.8% or EUR 3,782 thousand above the level at the end of the previous fiscal year. This was partly due to an increase in purchasing volumes in connection with the growth in sales.

Current lease liabilities decreased by EUR 30 thousand to EUR 1,979 thousand (December 31, 2022: EUR 2,009 thousand) and thus remained at approximately the same level as at the end of fiscal year 2022.

Non-current liabilities increased slightly by EUR 574 thousand as of the reporting date to EUR 16,568 thousand (December 31, 2022: EUR 17,142 thousand). A significant item included in non-current liabilities is non-current lease liabilities, which decreased particularly sharply in the reporting period by EUR -652 thousand or 7.6%.

Financial liabilities increased by EUR 901 thousand to EUR 4,956 thousand in the reporting period (December 31, 2022: EUR 4,055 thousand) and are exclusively of a current nature. These mainly relate to working capital lines of SFC Energy B.V. and SFC Energy Ltd.

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

NET FINANCIAL DEBT — in EUR thousand

	06/30/2023	12/31/2022	Change
Liabilities to banks	4,956	4,055	22.2%
thereof SFC Energy AG	0	0	0%
thereof SFC Energy B.V.	4,015	3,306	21%
thereof SFC Energy Ltd.	941	749	26%
Less			
Freely available cash and cash equivalents [a]	59,373	64,803	-8.4%
Total	**54,417**	**60,748**	**-10.4%**

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

Overall, the share of debt in total capital amounted to 30.5% (December 31, 2022: 29.7%).

The Group's equity increased to EUR 106,993 thousand in the reporting period (December 31, 2022: EUR 103,437 thousand). However, the equity ratio decreased slightly to 69.5% (December 31, 2022: 70.3%).

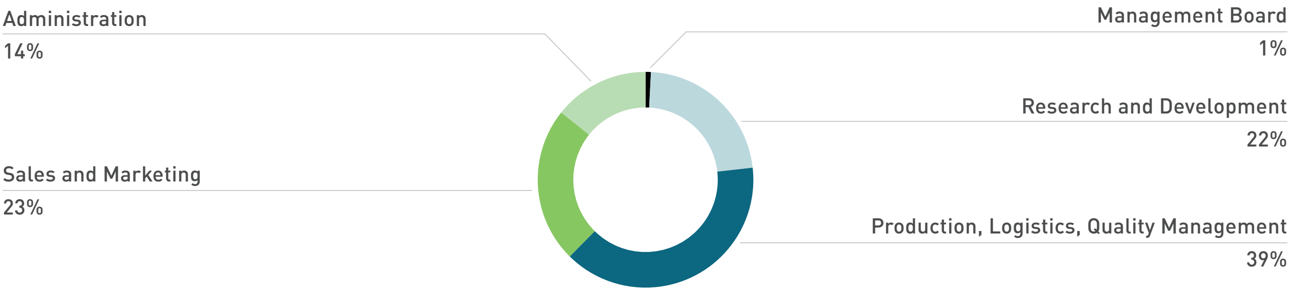
Employees

The number of permanent employees as of June 30, 2023, was as follows:

EMPLOYEES

	06/30/2023	12/31/2022	Change
Management Board	3	3	–
Research and Development	84	68	23,5%
Production, Logistics, Quality Management	147	137	7,2%
Sales and Marketing	87	88	-0,8%
Administration	54	58	-7,8%
Permanent employees	**375**	**354**	**5,8%**

EMPLOYEES BY FUNCTIONAL AREA



As of June 30, 2023, the Group employed 375 (December 31, 2022: 354) permanent employees worldwide.

Risk and Opportunity Report

As an internationally operating Group, SFC is active in innovative business areas with its technology platforms. On the one hand, this gives rise to major opportunities; on the other hand, the business activities are also subject to potential risks that can have a significant and lasting impact on the achievement of the financial and non-financial objectives and thus also on the Group's asset, financial and earnings positions (including effects on assets, liabilities and cash flows).

SFC has implemented a risk management system throughout the Group in order to identify, assess and mitigate potential risks and opportunities, monitor them on an ongoing basis and incorporate them into planning during the year if necessary. Business-related risks and opportunities, e.g. financial risks, technological risks, competitive risks, risks in the procurement of intermediate goods, risks in the area of human resources and information technology, as well as in the area of environment, climate and safety, are constantly monitored. With regard to legal risks, we monitor potential issues such as litigation, product risks, patent risks, and risks in the regulatory environment.

The opportunities and risks described in the Annual Report 2022 remain largely valid in the current reporting period and a large share of the risks have been revised or reassessed mainly on the basis of current planning figures. In the course of the reporting period, we have not identified any further significant risks and opportunities beyond those described in our Annual Report 2022.

Apart from the risk situation described in the previous paragraph, there are no significant changes to the risk landscape. Other risks and opportunities of which we are currently unaware or which we currently assess as immaterial could also impact our business activities. At present, no risks have been identified which either individually or in combination with other risks could jeopardize the continued existence of the Group.

Forecast Report

The main factors influencing the further economic development in 2023 are continuing inflation and the interest rate policy of the central banks, as well as the further course of the war in Ukraine. In a recent study, the International Monetary Fund (IMF) expects global growth to fall from an estimated 3.5% in 2022 to 3.0% in 2023 and 2024. Although the forecast for 2023 is slightly higher than predicted in the April 2023 World Economic Outlook (WEO), it remains weak by historical standards.

The increase in key interest rates by central banks to combat inflation continues to put pressure on economic activity. However, total global inflation is expected to decline from 8.7% in 2022 to 6.8% in 2023 and 5.2% in 2024. Underlying inflation (core inflation) is expected to decline at a slower pace, and forecasts for inflation in 2024 have been revised upward

On a positive note, various indicators suggest that the supply chain bottlenecks and logistical challenges, which have been steadily increasing over the course of 2021 and early 2022, will continue to ease and a normalization could occur. However, the economic outlook remains subject to considerable uncertainties and the burdens or cost pressures remain.

Despite these macroeconomic challenges, we see continued very high demand for our fuel cell solutions, and market and industry studies also provide indications of the further development of the segments. Based on the solid operating performance in the first half of 2023, SFC expects the business to continue to develop positively in the second half of the year. This is based on a continued good order situation as well as the improved availability of intermediate goods.

Due to the economic and geopolitical uncertainties summarized above, our present forecast is subject to increased uncertainty and volatility. We are monitoring further developments very closely and, if necessary, adjusting our expectations accordingly. The forecast excludes charges arising from legal and regulatory issues as well as significant impairment losses and reversals of impairment losses.

Sales revenues

Due to the very positive development of sales in both segments in the first half of 2023, which were characterized by high demand dynamics, we are concretizing the forecast for sales growth 2023 for SFC Energy AG at 26% to 30% compared to the previous year. We now expect consolidated sales in 2023 to be between EUR 107,000 thousand and EUR 111,000 thousand, therefore reaching the upper half of the range of the previous forecast (EUR 103,000 thousand to EUR 111,000 thousand).

Adjusted EBITDA

For adjusted EBITDA for the full year, one of our key financial performance indicators for managing the operating business, we are also narrowing our range to the upper half of the original forecast. Management expects the adjusted EBITDA to reach between EUR 10,500 thousand and EUR 14,100 thousand (previous forecast: EUR 8,900 thousand to EUR 14,100 thousand).

In our forecast, we assume moderate price increases for intermediate goods. We also anticipate continued good price penetration for our products and only slightly negative exchange rate effects.

Adjusted EBIT

In line with the expectations described above, we are also narrowing our range for the adjusted EBIT to the upper half of the original forecast. Management expects the adjusted EBIT to reach between EUR 5,000 thousand and EUR 8,600 thousand (previous forecast: EUR 3,400 thousand to EUR 8,600 thousand).

Report on significant related party transactions

Transactions with related parties

Related parties within the meaning of IAS 24 (Related-Party Disclosures) are legal entities or individuals that can influence SFC Energy AG and its subsidiaries or that are subject to control, joint control or significant influence by SFC Energy AG or its subsidiaries. These include, in particular, unconsolidated subsidiaries, joint ventures and associates accounted for at cost or using the equity method, and pension plans, as well as the members of SFC Energy AG's executive bodies.

The group of related parties has not changed compared to the Consolidated Financial Statements as of December 31, 2022, with the exception of the newly established companies.

Related companies

As in the previous year, there were no transactions with non-consolidated subsidiaries in the reporting period.

Other related party disclosures

As of June 30, 2023, the members of the Management Board and the Supervisory Board held a total of approximately 1.52% (December 31, 2022: 1.52%) of the shares issued by SFC Energy AG.

Brunnthal, August 22, 2023

The Management Board

Dr. Peter Podesser Chief Executive Officer (CEO)	Daniel Saxena Member of the Management Board (CFO)	Hans Pol Member of the Management Board (COO)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS FOR THE PERIOD FROM JANUARY 1 TO JUNE 30, 2023

Group Income Statement

FROM JANUARY 1 TO JUNE 30, 2023 (UNAUDITED)

in EUR

	2023 01/01-06/30	2022 01/01-06/30
Sales revenues	57,053,042	38,158,787
Cost of goods sold and services rendered to generate revenue	-35,176,595	-24,695,542
Gross profit	**21,876,448**	**13,463,245**
Selling expenses	-7,703,455	-6,374,440
Research and development expenses	-2,834,372	-2,159,072
General administrative expenses	-7,548,405	-6,075,889
Other operating income	947,239	1,925,585
Other operating expenses	-915,307	-121,813
Operating result (EBIT)	**3,822,148**	**657,616**
Interest and similar income	313,130	4
Interest and similar expenses	-338,578	-200,239
Earnings before taxes	**3,796,700**	**457,381**
Taxes on income and earnings	-469,334	-88.091
Consolidated net income for the period	**3,327,366**	**369,290**
Earnings per share		
undiluted	0.19	0.03
diluted	0.19	0.03

Consolidated Statement of Comprehensive Income

FROM JANUARY 1 TO JUNE 30, 2023 (UNAUDITED) — in EUR

	2023 01/01-06/30	2022 01/01-06/30
Consolidated net income for the period	**3,327,366**	**369,290**
Differences from the translation of foreign subsidiaries	27,111	568,745
Changes in value recognized directly in equity (Total other comprehensive income)	**27,111**	**568,745**
Total comprehensive income for the period	**3,354,477**	**938,035**

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 JUNE 30, 2023 (UNAUDITED)

in EUR

	06/30/2023	12/31/2022
Current assets	**118.736.415**	**113,145,754**
Inventories	26,929,985	24,921,204
Trade receivables	25,951,072	18,110,324
Assets from contracts with customers	1,573,250	1,265,883
Other assets and receivables	4,623,239	3,660,591
Cash and cash equivalents	59,373,249	64,802,825
Restricted cash and cash equivalents	285,620	384,927
Non-current assets	**35,244,320**	**34,025,247**
Intangible assets	19,650,581	18,576,279
Property, plant and equipment	13,478,848	13,396,044
Deferred tax assets	2,114,891	2,052,924
Assets	**153,980,734**	**147,171,001**

Consolidated Statement of Financial Position

LIABILITIES AND EQUITY AS OF JUNE 30, 2023 (UNAUDITED)

in EUR

	06/30/2023	12/31/2022
Current liabilities	**30,419,854**	**26,591,389**
Provisions for taxes	203,147	568,439
Other provisions	1,600,600	1,495,468
Liabilities to banks	4,955,990	4,054,845
Liabilities from advance payments	191,913	498,154
Liabilities from deliveries and services	12,827,683	9,045,990
Leasing liabilities	1,979,154	2,009,259
Liabilities from contracts with customers	1,597,571	601,841
Other liabilities and PRAP	7,063,798	8,317,393
Non-current liabilities	**16,568,280**	**17,142,494**
Other provisions	2,054,140	1,882,784
Leasing liabilities	7,899,953	8,551,813
Other liabilities	4,529,042	4,644,125
Deferred tax liabilities	2,085,145	2,063,772
Equity	**106,992,599**	**103,437,118**
Subscribed capital	17,363,691	17,363,691
Capital reserve	168,463,279	168,262,275
Other changes in equity not affecting net income	-720,993	-748,104
Results carried forward	-81,440,744	-83,460,869
Consolidated net income for the period	3,327,366	2,020,125
Liabilities	**153,980,734**	**147,171,001**

Consolidated Statement of Cash Flows

FROM JANUARY 1 TO JUNE 30, 2023 (UNAUDITED) in EUR

		2023 01/01-06/30	2022 01/01-06/30
	Cash flow from operating activities		
	Earnings before taxes	**3,796,700**	**457,381**
+	Interest result	25,448	200,235
+	Amortization of intangible assets and depreciation of property, plant and equipment	2,966,177	2,402,482
+/-	Expenses/income from LTI programs	278,573	-966,513
+	Change in the valuation allowance	321,417	50,092
+/–	Losses/gains on the disposal of non-current assets	0	50,919
+/–	Other non-cash income and expenses	-49,374	-60,670
	Operating cash flow before changes in working capital	**7,338,941**	**2,133,926**
+/–	Increase/decrease in provisions	268,484	-141,847
-/+	Increase/decrease in trade receivables	-7,887,751	-2,057,271
-/+	Increase/decrease in inventories	-2,249,712	-7,528,989
-/+	Increase/decrease in other receivables and assets	-1,144,318	-3,038,675
+/–	Increase/decrease in trade payables	3,790,119	1,829,160
+/–	Increase/decrease in other liabilities	-790,538	4,778
	Cash flow from operating activities before income taxes	**-674,775**	**-8,798,918**
+/–	Income tax refunds/payments	-846,924	-118,232
	Cash flow from operating activities	**-1,521,699**	**-8,917,150**

Consolidated Statement of Cash Flows

FROM JANUARY 1 TO JUNE 30, 2023 (UNAUDITED) in EUR

		2023 01/01-06/30	2022 01/01-06/30
	Cash flow from investing activities		
	Investments in intangible assets from development projects	-1,466,286	-1,042,305
+	Investments in other intangible assets	-1,193,124	-152,558
+	Investments in property, plant and equipment	-1,243,030	-578,152
+	Interest and similar income received	195,005	5
+	Deposits from the purchase of restricted bank balances	99,307	0
	Cash flow from investing activities	**-3,608,128**	**-1,773,010**
	Cash flow from financing activitiest		
–	Repayment of financial liabilities	0	-235,419
+/–	Change in current account liabilities	901,146	1,287,279
–	Repayment of lease liabilities	-881,046	-947,543
–	Interest paid and similar expenses	-331,631	-200,240
	Cash flow from financing activities	**-311,531**	**-95,923**
	Cash-effective change in cash and cash equivalents	**-5,441,358**	**-10,786,083**
	Effect of exchange rate changes and other changes on cash and cash equivalents	11,782	32,011
	Cash and cash equivalents at the beginning of the reporting period	64,802,825	24,622,648
	Cash and cash equivalents at the end of the reporting period	59,373,249	13,868,576
	Net change in cash and cash equivalents	**-5,441,358**	**-10,786,083**

Group segment reporting

FROM JANUARY 1 TO JUNE 30, 2023 (UNAUDITED) in EUR

	Clean Energy		Clean Power Management		Group	
	2023	2022	2023	2022	2023	2022
Sales revenues	**38,590,207**	**26,648,389**	**18,462,835**	**11,510,398**	**57,053,042**	**38,158,787**
Cost of goods sold and services rendered to generate revenue	-21,380,137	-15,957,447	-13,796,457	-8,738,095	-35,176,594	-24,695,542
Gross profit	**17,210,070**	**10,690,942**	**4,666,378**	**2,772,303**	**21,876,448**	**13,463,245**
Selling expenses	-6,660,093	-5,431,266	-1,043,362	-943,174	-7,703,455	-6,374,440
Research and development expenses	-1,917,902	-1,089,358	-916,470	-1,069,715	-2,834,372	-2,159,072
General administrative expenses	-5,588,669	-4,524,738	-1,959,736	-1,551,151	-7,548,405	-6,075,889
Other operating income	922,013	1,925,585	25,226	0	947,239	1,925,585
Other operating expenses	-880,118	-121,813	-35,189	0	-915,307	-121,813
Operating result (EBIT)	**3,085,301**	**1,449,352**	**736,847**	**-791,737**	**3,822,148**	**657,616**
Adjustments to EBIT	533,057	51,512	0	0	533,057	51,512
Adjusted EBIT	**3,618,358**	**1,500,864**	**736,847**	**-791,737**	**4,355,205**	**709,128**
Depreciation	-2,328,147	-1,870,119	-638,030	-532,363	-2,966,177	-2,402,482
EBITDA	**5,413,448**	**3,319,471**	**1,374,877**	**-259,374**	**6,788,325**	**3,060,098**
Adjustments to EBITDA	533,057	51,512	0	0	533,057	51,512
Adjusted EBITDA	**5,946,505**	**3,370,983**	**1,374,877**	**-259,374**	**7,321,382**	**3,111,610**
Financial result					-25,448	-200,235
Income from continuing operations					**3,796,700**	**457,381**
Taxes on income and earnings					-469,334	-88,091
Consolidated net income for the period					**3,327,366**	**369,290**

SELECTED EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

General principles and scope of consolidation

Information on the company

SFC Energy AG ("the company" or "SFC AG") is a stock corporation domiciled in Germany. The registered office of the company is Eugen-Sänger-Ring 7, 85649 Brunnthal. The company is registered 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") are the development, production and marketing 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 in the private, industrial and public sectors in various end-customer markets, the making of the necessary investments for this purpose and all other related business.

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

Accounting principles

These Interim Financial Statements as of June 30, 2023, have been prepared in condensed form in accordance with the requirements of IAS 34, in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board, London, which are endorsed by the European Union and effective on the reporting date, and the Interpretations issued by the IFRS Interpretations Committee. The Condensed Consolidated Financial Statements do not contain all the information required for the Consolidated Financial Statements for a fiscal year and should be read in conjunction with the Consolidated Financial Statements for the year ended December 31, 2022.

The explanations in the Notes to the 2022 Consolidated Financial Statements apply accordingly, in particular with regard to the significant accounting policies. The standards, amendments and interpretations listed there that are to be applied for the first time in fiscal year 2023 did not have any material effect on the SFC Group in the current fiscal year.

The Interim Financial Statements are presented in euros (EUR). Unless stated otherwise, the figures in these Interim Financial Statements have been rounded to the nearest euro (EUR). Differences can arise from the use of rounded amounts and percentages due to commercial rounding.

Estimation uncertainties and discretionary decisions

The preparation of the Consolidated Financial Statements in conformity with IFRS requires management to make certain assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results can differ from these estimates. The estimates and underlying assumptions are reviewed by management on an ongoing basis. Changes in estimates are recognized in the period in which the estimates are changed and in any future periods affected.

In preparing these Interim 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 applied in the preparation of the Consolidated Financial Statements for the year ended December 31, 2022.

Scope of consolidation

As of June 30, 2023, four companies, including the parent company SFC Energy AG (December 31, 2022: four), were fully consolidated. These are the same companies as on December 31, 2022.

Two subsidiaries were newly founded in the reporting period: SFC Energy UK Limited, a wholly owned subsidiary of SFC Energy AG, was founded on April 3, 2023. SFC Energy India Private Limited was founded, in which SFC Energy AG holds 92% of the shares, was founded on June 6, 2023. Both newly founded companies were not included in the scope of consolidation as of the reporting date June 30, 2023, due to their minor significance to the Group's asset, financial and earnings positions.

The company's direct and indirect shareholdings in its subsidiaries as of June 30, 2023, are shown in the following table.

SUBSIDIARIES in %

Company	Seat	Share in 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 UK Ltd.	London (Great Britain)	100.00	-	100.00	GBP
SFC Energy India Pvt. Ltd.	Gurgaon (India)	92.00	-	92.00	INR

As of June 30, 2023, there were no changes in ownership interests in the Group that would have resulted in a loss of control. There were no significant restrictions on the ability of the Group or its subsidiaries to access and use the Group's assets or to discharge the Group's liabilities.

Economic and seasonal influences on business activity

The main factors influencing further economic development in 2023 include persistent inflation and the interest rate policy of central banks, as well as the further course of the war in Ukraine. In a recent study, the International Monetary Fund (IMF) expected global growth to fall from an estimated 3.5% in 2022 to 3.0% in 2023 and 2024. Although the forecast for 2023 is slightly higher than predicted in the April 2023 World Economic Outlook (WEO), it remains weak by historical standards.

The increase in key interest rates by central banks to combat inflation continues to put pressure on economic activity. However, total global inflation is expected to decline from 8.7% in 2022 to 6.8% in 2023 and 5.2% in 2024. Underlying inflation (core inflation) is expected to decline more slowly, and forecasts for inflation in 2024 have been revised upward.

On a positive note, various indicators suggest that the supply chain bottlenecks and logistical challenges, which have been steadily increasing over the course of 2021 and early 2022, will continue to ease and a normalization might take place. Nevertheless, the economic outlook remains subject to considerable uncertainties and the burdens or cost pressures remain.

Other liabilities

Non-current other liabilities include the liability recognized under the stock appreciation rights program (SAR program) for the members of the Management Board Daniel Saxena and Hans Pol and for three executives. For details of this agreement, please refer to the following note on "The stock appreciation rights program."

Stock Appreciation Rights Program

As part of the Management Board contracts, an agreement was concluded between the company and the Management Board members on the conclusion of a stock appreciation rights program (SARs Program). The goal of the program 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.

The program provides for variable remuneration in the form of Stock Appreciation Rights (SARs). An SAR grants the holder the right to a cash payment of equal value equivalent to the valid share price at the time of exercise less the exercise price. SARs can be exercised after expiry of the respective waiting period in a period of one year, subject to the achievement of performance targets and observance of the so-called blackout periods. The number of SARs that can be exercised depends largely on the average SFC share price over a period of 30 trading days before the end of the respective waiting period (reference price).

Under the performance targets, the average stock market price of the company 30 trading days prior to the expiration of the respective waiting period must exceed the average stock market price 30 trading days prior to the issue of the SARs.

No further SARs were granted in fiscal year 2023. Some of Hans Pol's entitlements were exercised in the reporting period on the basis of Tranche HP3 (Hans Pol Program 3).

The remaining entitlements of Dr. Peter Podesser were exercised on the basis of Tranche PP2 (Peter Podesser Program 2) in fiscal year 2022.

The granting of SARs was classified and measured as cash-settled share-based payment transactions in accordance with IFRS 2.30. The fair value of the SARs is remeasured as of each balance sheet date using a Monte Carlo model and taking the terms and conditions upon which the SARs were granted into account.

SARs developed as follows in the first half of 2023:

DEVELOPMENT OF SARS IN 2023

in EUR

	Tranche HP3	Tranche DS1	Tranche CB1 / BL1 / FT1
Number of Stock Appreciation Rights (SARs)	**180,000**	**228,000**	**47,250**
Maximum term (years)	7.00	8.00	7.00
SARs outstanding at the beginning of the reporting period 2023 (Jan. 1, 2023)	90,000	228,000	40,500
In the 2023 reporting period			
SARs granted	0	0	0
SARs forfeited	0	0	0
SARs exercised	6,667	0	0
SARs expired	0	0	0
SARs outstanding at the end of the 2023 reporting period (June 30, 2023)	**83,333**	**228,000**	**40,500**
SARs exercisable at the end of the 2023 reporting period (June 30, 2023)	**0**	**0**	**0**

SARs developed as follows in the first half of 2022:

DEVELOPMENT OF SARS IN 2022

in EUR

	Tranche PP2	Tranche HP3	Tranche DS1	Tranche CB1 / BL1 / FT1
Number of Stock Appreciation Rights (SARs)	**360,000**	**180,000**	**228,000**	**47,250**
Maximum term (in years)	7.00	7.00	8.00	7.00
SARs outstanding at the beginning of the 2022 reporting period (01/01/2022)	146,667	120,000	228,000	40,500
In the 2022 reporting period				
SARs granted	0	0	0	0
SARs forfeited	0	0	0	0
SARs exercised	36,667	0	0	0
SARs expired	0	0	0	0
SARs outstanding at the end of the 2022 reporting period (06/30/2022)	**110,000**	**120,000**	**228,000**	**40,500**
SARs exercisable at the end of the 2022 reporting period (06/30/2022)	**110,000**	**0**	**0**	**0**

The following parameters were taken into account in the valuation as of June 30, 2023:

2023 in EUR

Valuation date	Tranche HP3 06/30/2023	Tranche DS1 06/30/2023	Tranche CB1 / BL1 / FT1 06/30/2023
Remaining term (in years)	2.00	5.00	3.50
Volatility	43.08%	53.28%	56.01%
Risk-free interest rate	3.14%	2.55%	2.76%
Expected dividend yield	0.00%	0.00%	0.00%
Exercise price	EUR 1.00	EUR 1.00	EUR 1.00
SFC share price on the valuation date	EUR 22.75	EUR 22.75	EUR 22.75

The following parameters were used as a basis for the valuation as of the previous year (December 31, 2022):

2022 in EUR

Valuation date	Tranche HP3 12/31/2022	Tranche DS1 12/31/2022	Tranche CB1 / BL1 / FT1 12/31/2022
Remaining term (in years)	2.50	5.50	4.00
Volatility	52.69%	52.82%	55,51%
Risk-free interest rate	2,57%	2,47%	2,50%
Expected dividend yield	0.00%	0.00%	0.00%
Exercise price	EUR 1.00	EUR 1.00	EUR 1.00
SFC share price on the valuation date	EUR 25.10	EUR 25.10	EUR 25.10

The period from the measurement date until the end of the respective contract agreement was used as the term. The share price was determined via S&P's Capital IQ from the closing price in XETRA trading as of June 30, 2023. The volatility was determined as the historical volatility of the SFC share over the respective remaining term to maturity. The expected volatility taken into account is based on the assumption that future trends can be inferred from historical volatility, so that the volatility that actually occurs may differ from the assumptions made. The expected dividend yield is based on market estimates for the amount of the expected dividend of the SFC share in the years 2023 and 2024.

As of June 30, 2023, a liability of EUR 3,979,803 (thereof EUR 3,979,803 non-current) was recognized under other liabilities as part of the SARs program (December 31, 2022: EUR 4,046,886; thereof EUR 4,046,886 non-current). The expense / income for the period from January 1 to June 30 amounted to EUR 77,569 (same period of the previous year: EUR -1,094,003).

Stock Option Program

As part of the Management Board contracts, an agreement on the conclusion of a stock option program (SOP) was concluded between the company and Dr. Podesser as well as Hans Pol. Furthermore, contracts were also concluded for two other executives. The objective of this program is to pursue a business policy that is primarily aligned with the interests of the shareholders and promotes the long-term increase in the value of the shareholders' investment. In fiscal year 2021, stock options were granted to Hans Pol (Stock Option Program 2) and to two other executives.

Tranche PP1 (Peter Podesser Stock Option Program 1) provides for variable remuneration in the form of stock options. A stock option entitles the holder to subscribe to one no-par value ordinary bearer share of the company with simultaneous payment of the exercise price by the option holder. Stock options can be exercised after expiry of the respective vesting period within a period of one year, taking the so-called blackout periods into account. The number of exercisable stock options depends largely on the average SFC share price over a period of 30 trading days prior to the expiration of the respective waiting period (reference price).

Stock option program 2 commenced on March 1, 2021, and has a maximum term of eight years. The option rights may be exercised in accordance with the option terms and conditions within one year of the expiry of a waiting period. The waiting period is either four or seven years, in each case starting on the issue date of the tranche (beginning on March 1, 2021). The exercise price is EUR 24.41. Each option right entitles the holder to subscribe to one SFC share. Subscription rights granted may only be exercised if a stock market price of the SFC share defined in more detail by the Annual General Meeting has reached a certain price target at certain times during the four-year waiting period and subscription rights have therefore not lapsed (in whole or in part). The exercise of stock options with respect to each sub-tranche is further conditional upon an average stock market price of the SFC share at the time of exercise, as defined in more detail by the Annual General Meeting, reaching or exceeding thresholds set by the Annual General Meeting.

The stock option program ensures that, after expiry of the waiting period, option rights may only be exercised for the respective drawing period if the total of the number of option rights exercised multiplied by the closing price on the exercise date of these option rights less the exercise price and the number of option rights to be exercised multiplied by the closing price on the trading day before the intended date of exercise of the option rights less the exercise price does not exceed an amount of EUR 1 million (cap).

Stock option programs 3 and 4 commenced on January 1, 2021, and have a maximum term of seven years. The option rights can be exercised in accordance with the option conditions within one year after expiry of a waiting period. The waiting period is either four or six years, respectively, beginning on the issue date of the tranche (starting on January 1, 2021). The exercise price is EUR 15.50. Each option right entitles the holder to purchase one SFC AG share. Subscription rights granted may be exercised only if a stock market price of the SFC share defined in more detail by the Annual General Meeting has reached a certain price target at certain times during the four-year waiting period and subscription rights have therefore not lapsed (in whole or in part). The exercise of stock options with respect to each sub-tranche is further conditional upon an average stock market price of the SFC share at the time of exercise, as defined in more detail by the Annual General Meeting, reaching or exceeding thresholds set by the Annual General Meeting.

Stock option program 3 was terminated in 2022.

Stock option program 5 with tranche SA2 began on May 5, 2023, and has a maximum term of seven years. The option rights can be exercised in accordance with the option conditions within one year after the expiry of a waiting period. The waiting period is either four or six years, in each case starting on the issue date of the tranche (beginning on May 5, 2023). The exercise price is EUR 21.12. Each option right entitles the holder to purchase one SFC AG share. Subscription rights granted may only be exercised subject to the condition that a stock market price of the SFC share defined in more detail by the Annual General Meeting has reached a certain price target at certain points in time during the four-year waiting period and subscription rights have therefore not lapsed (in whole or in part). The exercise of stock options with respect to each sub-tranche is further conditional upon an average stock market price of the SFC share at the time of exercise, as defined in more detail by the Annual General Meeting, reaching or exceeding thresholds set by the Annual General Meeting.

The granting of stock options was classified and measured as equity-settled share-based payment in accordance with IFRS 2.10. The fair value of the stock options is measured once using a Monte Carlo model and taking the conditions under which the stock options were granted into account.

Stock options developed as follows in the current fiscal year until June 30, 2023:

STOCK OPTIONS IN 2023 in EUR

	Tranche PP1	Tranche HP4	Tranche MC1	Tranche SA2
Number of stock options	504,000	500,000	22,800	22,800
Maximum term (in years)	8.00	8.00	7.00	7.00
Stock options outstanding at the beginning of the reporting period 2023 (Jan. 1, 2023)	504,000	500,000	22,800	0
In the 2023 reporting period				
Stock options granted	0	0	0	22,800
Stock options forfeited	0	0	0	0
Stock options exercised	0	0	0	0
Stock options expired	0	0	0	0
Stock options outstanding at the end of the 2023 reporting period (06/30/2023)	**504,000**	**500,000**	**22,800**	**22,800**
Stock options exercisable at the end of the 2023 reporting period (06/30/2023)	**0**	**0**	**0**	**0**

Stock options developed as follows in fiscal year 2022:

STOCK OPTIONS IN 2022 in EUR

	Tranche PP1	Tranche HP4	Tranche SA1	Tranche MC1
Number of stock options	504,000	500,000	22,800	22,800
Maximum term (in years)	8.00	8.00	7.00	7.00
Stock options outstanding at the beginning of the 2022 reporting period (01/01/2022)	504,000	500,000	0	22,800
In the 2023 reporting period				
Stock options granted	0	0	0	22,800
Stock options forfeited	0	0	0	0
Stock options exercised	0	0	0	0
Stock options expired	0	0	22,800	0
Stock options outstanding at the end of the 2022 reporting period (12/31/2022)	**504,000**	**500,000**	**0**	**22,800**
Stock options exercisable at the end of the 2022 reporting period 2022 (12/31/2022)	**0**	**0**	**0**	**0**

The following parameters were taken into account in the valuation as of June 30, 2023:

2023 in EUR

	Tranche PP1	Tranche HP4	Tranche MC 1	Tranche SA2
Valuation date	09/04/20	03/01/21	02/01/21	05/05/23
Remaining term (in years)	5.18	5.67	4.50	5.85
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 %
Exercise price	EUR 1.00	EUR 24.41	EUR 15.50	EUR 21.12
SFC share price on the valuation date	EUR 10.00	EUR 28.50	EUR 22.75	EUR 21.80

As part of the valuation as of December 31, 2022, the following parameters were used:

2022 — in EUR

	Tranche PP1	Tranche HP4	Tranche MC 1
Valuation date	09/04/20	03/01/21	02/01/21
Remaining term (in years)	5.53	6.17	5.00
Volatility	45.18%	49.49%	50.34%
Risk-free interest rate	-0.54%	-0.47%	-0.69%
Expected dividend yield	0.00 %	0.00 %	0.00 %
Exercise price	EUR 1.00	EUR 24.41	EUR 15.50
SFC share price on the valuation date	EUR 10.00	EUR 28.50	EUR 22.75

As of June 30, 2023, a capital reserve of EUR 1,587,381 was recognized under the Stock Option Plan (December 31, 2022: EUR 1,386,377). The expense for the period from January 1 to June 30 amounted to EUR 201,004 (same period of the previous year: EUR 240,735).

Breakdown of sales revenue

Revenue in the first half of the reporting period and the comparative period can be broken down as follows:

SALES REVENUE BY SEGMENT JANUARY 1 TO JUNE 30, 2023 — in EUR

	Clean Energy		Clean Power Management		Total	
	2023	2022	2023	2022	2023	2022
Regions						
North America	18,977,089	11,900,775	7,940,224	3,675,164	26,917,313	15,575,939
Europe (excluding Germany)	10,491,229	8,898,069	8,459,651	6,845,377	18,950,880	15,743,447
Germany	3,548,166	3,516,372	733,447	285,786	4,281,613	3,802,158
Asia	5,488,369	2,247,879	257,920	704,071	5,746,289	2,951,950
Rest of the world	85,354	85,293	1,071,593	0	1,156,947	85,293
Total	**38,590,207**	**26,648,389**	**18,462,835**	**11,510,398**	**57,053,042**	**38,158,787**
Timing of revenue recognition						
Time-related transfer of goods	37,803,567	26,127,629	18,462,835	10,942,344	56,266,402	37,069,973
Period-related revenue recognition/provision of services	786,640	520,760	0	568,055	786,640	1,088,814
Total	**38,590,207**	**26,648,389**	**18,462,835**	**11,510,398**	**57,053,042**	**38,158,787**

Cost of goods sold and services rendered to generate sales revenue

The cost of sales in the reporting period was as follows:

COST OF SALES in EUR

	01/01-06/30/2023	01/01-06/30/2022
Cost of materials	28,052,583	18,452,731
Personnel costs	3,347,415	2,861,420
Room costs	241,504	205,852
Transport costs	843,369	932,894
Amortization of capitalized development costs	944,967	859,181
Warranties	567,063	266,312
Other depreciation and amortization	737,264	803,317
Consulting	35,701	19,666
Other	406,728	294,168
Total	**35,176,594**	**24,695,542**

Selling expenses

Selling expenses in the reporting period were as follows:

SELLING EXPENSES in EUR

	01/01-06/30/2023	01/01-06/30/2022
Personnel costs	5,167,246	4,372,425
Depreciation	221,873	311,112
Advertising and travel expenses	1,233,497	901,917
Consulting/Commission	412,916	242,547
Receivables defaults/Cost of materials	76,050	126,561
Other	591,873	419,879
Total	**7,703,455**	**6,374,440**

Research and development expenses

Research and development expenses in the reporting period were as follows:

RESEARCH AND DEVELOPMENT EXPENSES in EUR

	01/01-06/30/2023	01/01-06/30/2022
Personnel costs	2,230,222	2,047,298
Consulting and patents	40,070	108,540
Room costs	56,130	91,561
Cost of materials	1,185,537	803,394
Other depreciation and amortization	244,954	191,488
Amortization of internally generated intangible assets	508,030	0
Offsetting against grants received	-199,351	-227,124
Capitalization as internally generated intangible assets	-1,466,286	-1,042,305
Other	235,066	186,221
Total	**2,834,372**	**2,159,072**

General administrative expenses

General administrative expenses in the reporting year were as follows:

GENERAL ADMINISTRATIVE EXPENSES in EUR

	01/01-06/30/2023	01/01-06/30/2022
Personnel costs	3,038,321	2,465,198
Audit and consulting fees	1,852,071	2,095,601
Investor Relations/Annual General Meeting	145,117	206,478
Insurance	154,371	137,007
Depreciation	309,089	237,384
Recruitment costs	252,958	58,158
Vehicle costs	146,795	123,270
Travel expenses	165,510	105,656
Supervisory Board remuneration	103,750	71,250
Maintenance costs for hardware and software	336,509	138,264
Other	1,043,915	437,623
Total	**7,548,405**	**6,075,889**

Other operating income and expenses

In the reporting period, other operating income mainly included income from exchange rate differences amounting to EUR 734,229 (previous year: EUR 682,877) and income from the reversal of provisions amounting to EUR 113,360 (previous year: EUR 1,207,248). The other operating income from the reversal of provisions is exclusively attributable to the reversal of provisions from the SARs Program and the Stock option program. For more details on these agreements, please refer to the two chapters "Stock Appreciation Rights Program" and "Stock Option Program." Other operating income amounted to EUR 947,239 in total (previous year: EUR 1,925,585).

Other operating expenses in the reporting period include expenses from exchange rate differences amounting to EUR 915,307 (previous year: EUR 120,865).

Income taxes

As in the Consolidated Financial Statements as of December 31, 2022, deferred tax assets on tax loss carryforwards of SFC and its subsidiaries are recognized at a maximum of the amount at which they can be offset against deferred tax liabilities after deduction of the other deferred tax assets, since a future economic benefit from these loss carryforwards cannot yet be sufficiently substantiated.

Segment Report

In the context of Group segment reporting in accordance with IFRS 8 "Operating Segments," the segments are broken down according to the internal reporting to the Management Board and the Supervisory Board, which serves as the basis for the company's planning and resource mapping.

The accounting policies of the reportable segments are consistent with the Group accounting policies described.

To measure the performance of the Clean Energy and Clean Power Management segments 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 special effects) as key performance indicators.

Sales revenue, gross profit, EBITDA and the reconciliation of EBITDA to profit/loss from operations (EBIT) according to the Consolidated Statement of Income were as follows in the reporting period:

GROUP SEGMENT REPORTING JANUARY 1 TO JUNE 30, 2023

in EUR

	Clean Energy		Clean Power Management		Group	
	2023	2022	2023	2022	2023	2022
Sales revenues	**38,590,207**	**26,648,389**	**18,462,835**	**11,510,398**	**57,053,042**	**38,158,787**
Cost of goods sold and services rendered to generate revenue	-21,380,137	-15,957,447	-13,796,457	-8,738,095	-35,176,594	-24,695,542
Gross profit	**17,210,070**	**10,690,942**	**4,666,378**	**2,772,303**	**21,876,448**	**13,463,245**
Selling expenses	-6,660,093	-5,431,266	-1,043,362	-943,174	-7,703,455	-6,374,440
Research and development expenses	-1,917,902	-1,089,358	-916,470	-1,069,715	-2,834,372	-2,159,072
General administrative expenses	-5,588,669	-4,524,738	-1,959,736	-1,551,151	-7,548,405	-6,075,889
Other operating income	922,013	1,925,585	25,226	0	947,239	1,925,585
Other operating expenses	-880,118	-121,813	-35,189	0	-915,307	-121,813
Operating result (EBIT)	**3,085,301**	**1,449,352**	**736,847**	**-791,737**	**3,822,148**	**657,616**
Adjustments to EBIT	533,057	51,512	0	0	533,057	51,512
Adjusted EBIT	**3,618,358**	**1,500,864**	**736,847**	**-791,737**	**4,355,205**	**709,128**
Depreciation	-2,328,147	-1,870,119	-638,030	-532,363	-2,966,177	-2,402,482
EBITDA	**5,413,448**	**3,319,471**	**1,374,877**	**-259,374**	**6,788,325**	**3,060,098**
Adjustments to EBITDA	533,057	51,512	0	0	533,057	51,512
Adjusted EBITDA	**5,946,505**	**3,370,983**	**1,374,877**	**-259,374**	**7,321,382**	**3,111,610**
Financial result					-25,448	-200,235
Income from continuing operations					**3,796,700**	**457,381**
Taxes on income and earnings					-469,334	-88,091
Consolidated net income for the period					**3,327,366**	**369,290**

The Clean Energy segment comprises the Group's broad portfolio of products, systems and solutions for stationary and mobile off-grid energy solutions 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 bundles the entire business with standardized and semi-standardized power management solutions such as voltage transformers and coils for the operation of equipment in the high-tech industry. Furthermore, the segment also includes the business with frequency converters used in the upstream oil and gas industry.

Other disclosures on financial instruments

The carrying amounts of the financial assets and financial liabilities recognized in the financial statements at amortized cost largely correspond to their fair values, as they are mainly current.

CARRYING AMOUNTS ACCORDING TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in EUR

	06/30/2023	12/31/2022
Financial assets		
Assets measured at amortized cost		
Trade receivables	25,951,072	18,110,324
Other assets and receivables – current	244,731	412,968
Cash and cash equivalents	59,373,249	64,802,825
Restricted cash and cash equivalents	285,620	384,927
Financial debt		
Liabilities measured at amortized cost		
Liabilities to banks	4,955,990	4,054,845
Trade payables	12,827,683	9,045,990
Leasing liabilities	9,879,107	10,561,072
Other liabilities – current	159,719	299,463

Financial assets and liabilities measured at fair value are allocated to the following three hierarchy levels: Financial assets and liabilities are allocated to Level 1 if a quoted price for identical assets and liabilities is available on an active market. They are allocated to Level 2 if the parameters on which the fair value is based are observable 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 unobservable inputs. In the current period, there were no financial liabilities and financial assets based on a Level 3 fair value measurement.

The allocation to fair value levels as of June 30, 2023 is as follows:

FAIR VALUE LEVELS in EUR

	06/30/2023		
	Level 1	Level 2	Total
Financial assets			
Assets measured at amortized cost			
Trade receivables	0	25,951,07	25,951,072
Other assets and receivables – current	0	244,731	244,731
Cash and cash equivalents	0	59,373,249	59,373,249
Restricted cash and cash equivalents	0	285,620	285,620
Financial debt			
Liabilities measured at amortized cost			
Liabilities to banks	0	4,955,990	4,955,990
Trade payables	0	12,827,683	12,827,683
Leasing liabilities	0	9,879,107	9,879,107
Other liabilities – current	0	159,719	159,719

The allocation to fair value levels as of December 31, 2022, was as follows:

FAIR VALUE LEVELS in EUR

	12/31/2022		
	Level 1	Level 2	Total
Financial assets			
Assets measured at amortized cost			
Trade receivables	0	18,110,324	18,110,324
Other assets and receivables – current	0	412,968	412,968
Cash and cash equivalents	0	64,802,825	64,802,825
Restricted cash and cash equivalents	0	384,927	384,927
Financial debt			
Liabilities measured at amortized cost			
Liabilities to banks	0	4,054,845	4,054,845
Trade payables	0	9,045,990	9,045,990
Leasing liabilities	0	10,561,072	10,561,072
Other liabilities – current	0	299,463	299,463

Employees

The number of permanent employees as of June 30, 2023, was as follows:

EMPLOYEES

	06/30/2023	06/30/2022
Full time employees	314	272
Part-time employees	49	42
Total	**363**	**314**

In addition, a total of 15 (previous year: 17) interns, diploma students and student trainees were employed at the end of June 2023.

Earnings per share

Earnings per share are calculated by dividing the consolidated net profit for the year attributable to the shareholders of the parent company by the average number of shares outstanding. As of June 30, 2023, there were 17,363,691 shares outstanding (June 30, 2022: 14,469,743 shares). The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding after adjusting for the effects of all dilutive potential ordinary shares. Earnings per share for the reporting period amounted to EUR 0.19 (previous year: EUR 0.03).

Significant events after the balance sheet date

No events of particular significance occurred up until the date of preparation that can be expected to have a material effect on the asset, financial and earnings positions of the Group.

Brunnthal, August 22, 2023

The Management Board

Dr. Peter Podesser
Chief Executive Officer (CEO)

Daniel Saxena
Member of the
Management Board (CFO)

Hans Pol
Member of the
Management Board (COO)

ASSURANCE OF THE LEGAL REPRESENTATIVES

To the best of our knowledge, and in accordance with the applicable reporting principles, the Interim Consolidated Financial Statements give a true and fair view of the asset, financial and earnings positions 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, August 22, 2023

The Management Board

Dr. Peter Podesser
Chief Executive Officer (CEO)

Daniel Saxena
Member of the Management Board (CFO)

Hans Pol
Member of the Management Board (COO)

FINANCIAL CALENDAR 2023

AUGUST 23, 2023	HAMBURGER INVESTORS DAY, HIT
SEPTEMBER 19, 2023	BERENBERG AND GOLDMAN SACHS TWELFTH GERMAN CORPORATE CONFERENCE
SEPTEMBER 22, 2023	CAPITAL MARKETS DAY, BRUNNTHAL
NOVEMBER 15, 2023	Q3 QUARTERLY RELEASE 2023
NOVEMBER 27 – NOVEMBER 29, 2023	GERMAN EQUITY FORUM, FRANKFURT

SHARE INFORMATION

Bloomberg symbol	F3C
Reuters symbol	CXPNX
German securities identification number (WKN)	756857
International securities identification number (ISIN)	DE0007568578
Number of shares outstanding (June 30, 2023)	17,363,691
Type of shares	No-par value shares
Stock exchange segment	Prime Standard, Renewable Energies
Stock exchange	Frankfurt, FWB
Designated Sponsors	mwb fairtrade Wertpapierhandelsbank AG

INVESTOR RELATIONS

SFC Energy AG
Eugen-Saenger-Ring 7
85649 Brunnthal
Germany

Phone: +49 (0) 89 / 673 592 – 378
Fax: +49 (0) 89 / 673 592 – 169
Email: ir@sfc.com

IMPRINT

SFC Energy AG
Eugen-Saenger-Ring 7
85649 Brunnthal
Germany
Phone: +49 (0) 89 / 673 592 – 0
Fax: +49 (0) 89 / 673 592 – 369

Photo credit:
SFC Energy AG

Responsible: SFC Energy AG
Editing: SFC Energy AG/
CROSS ALLIANCE communication GmbH
Concept and Design:
CROSS ALLIANCE communication GmbH

Statements about the future
This annaul report contains statements and information about the future. Such passages contain such word as "expect", "intend", "plan", "believe", "aim", "estimate", etc. Such statements about the future are based on current expectations and certain assumptions. They therefore also contain a number of risks and uncertainties. A multitude of factors, many of which are beyond the control of SFC, affect our business, our success, and our results. These factors can lead the Group's actual results, success, and performance to deviate from the results, success, and performance in the statements made explicitly or implicitly about the future. SFC assumes no obligation to update any forward looking statements. This is a translation of the German "Geschäftsbericht 2021 der SFC Energy AG". Sole authorative and universally valid version is the German language document.