

ANNUAL REPORT 2022



SFC
ENERGY

CONTENT

SFC ENERGY AG – KEY FIGURES	3
LETTER TO SHAREHOLDERS	5
MILESTONES 2022	9
SUCCESS STORIES	15
SUPERVISORY BOARD REPORT	16
SFC ENERGY ON THE CAPITAL MARKETS	24
GROUP MANAGEMENT REPORT	29
CONSOLIDATED FINANCIAL STATEMENTS	93
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	103
Responsibility statement	176
Independent Auditor's Report	177
CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 315D IN CONJUNCTION WITH SECTION 289F HGB	187
REMUNERATION REPORT OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD OF SFC ENERGY AG	189
FINANCIAL CALENDAR 2023/SHARE INFORMATION/INVESTOR-RELATIONS/IMPRINT	218/219

SFC ENERGY AG – KEY FIGURES

CONSOLIDATED KEY FIGURES

in EUR thousand

	2022 01/01-12/31	2021 01/01-12/31	Change
Sales	85,229	64,320	32.5%
Gross profit	31,406	22,638	38.7%
Gross margin	36.8%	35.2%	
EBITDA	8,593	-797	n/m
EBITDA margin	10.1%	-1.2%	
EBITDA underlying	8,150	6,233	30.8%
EBITDA margin underlying	9.6%	9.7%	
EBIT	3,599	-5,105	n/m
EBIT margin	4.2%	-7.9%	
EBIT underlying	3,157	1,925	64.0%
EBIT margin underlying	3.7%	3.0%	
Consolidated net loss	2,020	-5,829	n/m
Net loss per share, undiluted	0.13	-0.40	n/m
Net loss per share, diluted	0.13	-0.40	n/m

SALES BY QUARTER

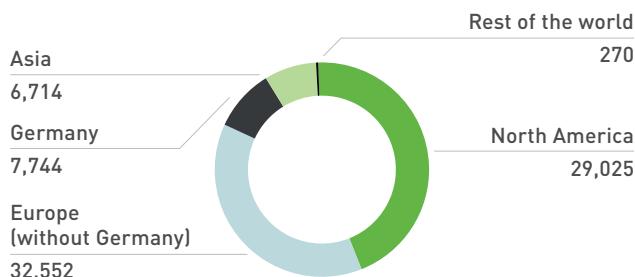
in EUR thousand

Q1	2022	2021
Q1	17,905	16,984
Q2	20,253	14,148
Q3	25,617	15,344
Q4	21,453	17,844
Q1-Q4	85,229	64,320

SALES BY REGION

01/01 – 12/31/2022

in EUR thousand



SALES BY SEGMENT

01/01-12/31/2022

in EUR thousand



01

TO SHAREHOLDERS

LETTER TO SHAREHOLDERS	5
MILESTONES 2022	9
SUCCESS STORIES	15
SUPERVISORY BOARD REPORT	16
SFC ENERGY ON THE CAPITAL MARKETS	24

LETTER TO SHAREHOLDERS

**DEAR SHAREHOLDERS,
DEAR BUSINESS PARTNERS,
DEAR SFC EMPLOYEES,**

We look back on a very successful year. Together, we once again succeeded in achieving record operating figures. We would first like to express our sincere thanks to all our employees for this great achievement. This is a matter of particular importance to us because they are passionately committed to SFC Energy every day and work innovatively, and efficiently with great dedication, for our pioneering fuel cell technology and power electronics. And these are precisely the qualities that are an integral part of our company's DNA and drive us forward as a medium-sized technology company. They create the prerequisites for meeting the dynamically growing global demand for environmentally friendly and sustainable power generation solutions.

SFC Energy makes a significant contribution on the way to climate neutrality

Our goal is to continue to meet this growing demand with our know-how and our products in the future. As SFC Energy, we are already making a significant contribution on the road to climate neutrality. After all, hydrogen and methanol fuel cells, with their efficient and environmentally friendly power generation, are vital components in reducing environmentally harmful emissions. Thus, with our fuel cell solutions, we are making a vital contribution to helping our customers improve their CO₂ balance sheet. These efforts contribute to the long-term climate targets set by society and policymakers, which must be achieved in the interests of ensuring that we have a responsible, ecological future.

Our mission statement: Clean energy – anytime and anywhere – for generations summarizes our conviction. But this transformation toward clean energy production is no longer based solely on ecological conviction, but has also taken on a new dimension with the unfortunate geopolitical changes. Our dependence on fossil fuels was brought home to us drastically last year.

SFC Energy with enormous opportunities in North America and Asia

Overcoming our dependence on fossil fuels will thus be a high priority in many countries in the coming years. In other words, renewable energies and alternative energy generation solutions will become even more important than before, and countries as well as companies are driving the energy transition even more consistently by taking targeted action. Our products have direct relevance for achieving the United Nations' sustainability goals. As a fuel cell manufacturer, we stand to benefit from this. This will open up great opportunities for SFC Energy in the future. We intend to take advantage of these opportunities in a targeted manner in order to further accelerate our growth on a sustainable basis. We have already been quite successful in the regions of North America and Asia, where we were able to achieve strong growth rates in terms of sales of around 56% and around 66%, respectively, in 2022. We laid another milestone in our growth course in February of this year by expanding our business activities in India.

The Indian government is pursuing ambitious climate targets and investing billions in ecological and clean power generation. As a medium-sized company, we take both the "Make-in-India" initiative and the "National Green Hydrogen Mission" into account in our strategy and are convinced that, as in other parts of the world, our fuel cell solutions can make a significant contribution to reducing CO₂ emissions and dependence on fossil fuels there.

SFC Energy as a pioneer and thought leader in fuel cell technology

We benefit from more than 20 years of experience in the area of fuel cell technology and power electronics, but also a network of customers, suppliers and partners that we have built up over decades. We are therefore firmly convinced that SFC Energy will continue to play a strong role in this important future market. Here, the success we had in fiscal year 2022 will give us further tailwind for the future, which we want to help shape through a constant wealth of ideas. For example, we are continuously driving new energy solutions with IoT and cloud functionalities and launching new products on the market, such as the emission-free hydrogen power generator H₂ Genset, which we developed in collaboration with our partners Test-Fuchs and Auto AG.

The H₂ Genset – consisting of EFOY Hydrogen hydrogen fuel cells, hydrogen tanks and an IoT cloud monitoring system – enables a self-sufficient, reliable and at the same time quiet energy supply even on large areas without access to the conventional power grid. At the same time, unlike conventional gasoline and diesel generators, it does not emit any environmentally harmful exhaust gases (e.g. CO₂, CO or NO_x) or particulate matter.

SFC Energy is thus not only a pioneer in the field of fuel cell technology, but also a thought leader and trailblazer for environmentally friendly power generation. And it is precisely this symbiosis that makes us one of the world's leading suppliers of hydrogen and methanol fuel cells and the related energy solutions. A company that takes responsibility and acts sustainably with its products in the interests of mankind and the environment.

SFC Energy reports record orders in both segments

So let's take a look at what we have achieved operationally. We managed to increase our sales in the reporting year by 32.5% to EUR 85,229 thousand (2021: EUR 64,320 thousand), thus exceeding the upper end of the forecast range (EUR 81,000 thousand to EUR 83,000 thousand) in an economically and politically challenging environment. Both segments contributed to this growth. Whereby the **Clean Energy** segment in particular achieved strong growth in sales of 35.8% to EUR 57,632 thousand (2021: EUR 42,428 thousand) due to the continued high demand for our fuel cell solutions, while sales in the **Clean Power Management** segment increased by 26.1% to EUR 27,597 thousand in the reporting year (2021: EUR 21,892 thousand). This growth was mainly based on an upturn in demand from current and new customers.

EBITDA adjusted for non-recurring effects increased to EUR 8,150 thousand in reporting year 2022 (2021: EUR 6,233 thousand) and was thus slightly above the middle of our expected forecast range (EUR 7,500 thousand to EUR 8,500 thousand). EBIT adjusted for non-recurring effects improved year-on-year to EUR 3,157 thousand in fiscal year 2022 (2021: EUR 1,925 thousand) and was thus also in line with expectations (EUR 2,600 thousand to EUR 3,600 thousand).

The high market potential in both segments is demonstrated above all by two milestone orders the company received. In the fourth quarter of 2023, we were able to win the largest fuel cell order in terms of units in SFC's history in the Clean Energy segment. The strategic follow-up order from a leading US company in the field of mobile monitoring technology underscores the growth potential in the United States. We are planning to establish our own presence in the US in order to further promote our important US business. The Clean Power Management segment also set a new record last year. In the spring of 2022, the business unit received the largest single order in the company's history from a leading international high-tech plant manufacturer in the amount

of EUR 20.9 million. Both orders confirm the high demand for SFC products as well as the broad diversification across all our national markets and different user industries.

The strong demand is also reflected in the order backlog as of the reporting date of December 31, 2022, which more than doubled year-on-year to EUR 74,176 thousand (2021: EUR 30,551 thousand).

SFC Energy exploits enormous market potential for fuel cells

We are continuing to build on our success in 2022 this year as well. Demand in the Clean Energy and Clean Power Management segments continues to develop dynamically. In the first weeks of 2023, we were already able to acquire orders worth around EUR 20 million. This will give us even more motivation to further expand our market position as a leading supplier of hydrogen and methanol fuel cells and to systematically exploit the huge market potential.

From our perspective, the extremely positive development in the field of climate-neutral energy generation has only just begun. Nevertheless, there are challenges which we address in advance and which we also have to face if necessary. These include geopolitical and macroeconomic developments and the related supply chain challenges. We are also adequately addressing the increasing demands on cybersecurity by further increasing our investments in this area.

SFC Energy advances to the selection index SDAX

A milestone for us was achieved shortly before the turn of the year when SFC Energy shares were included in the selection index SDAX. We view this advancement into the SDAX, in which the 70 largest companies by market capitalization and stock exchange turnover in the classic sectors below the MDAX stocks are listed, as confirmation of our work.

In a challenging stock market environment, the SFC Energy share nevertheless outperformed the German blue-chip and technology indices in 2022 despite a decline in the share price. The DAX, TecDax and the SDAX fell significantly more over the course of the year than the SFC Energy share, which declined by 11.6%. Another positive aspect is that all five analyst firms that covered SFC Energy in 2022 rated the share as either a Buy or an Outperformer. The analysts' price target is EUR 32.00 on average.

Forecast for 2023

Despite the current challenging developments both geopolitically and macroeconomically – as a result of the war in Ukraine, high raw material and energy costs in Europe, rising prices and interest rates, and inflation – SFC Energy sees continued high demand for fuel cell solutions and on this basis expects a clearly positive business development also for the current financial year and beyond.

Sales revenue

For Group sales, the Management Board projects growth of 21% to 30% compared to the previous year to approximately EUR 103,000 thousand to EUR 111,000 thousand (2022: EUR 85,229 thousand), which will be driven much more strongly by the **Clean Energy** segment. Overall, we expect to see a further increase in demand in all regional markets in 2023 and, in particular, significant growth impetus from the North American and Asian regions.

Adjusted EBITDA

Supported by the expected dynamic development of demand, but depending on the timing of the implementation of the planned growth investments, especially in regional expansion, and the extent of the anticipated burdens from increased material and procurement costs, the Management Board expects a moderate decline in the margin or slight increase in the margin for financial year 2023, assuming that the higher costs can be passed on to customers to a certain extent. Adjusted EBITDA is therefore expected to be approximately between EUR 8,900 thousand and EUR 14,100 thousand in financial year 2023 (2022: EUR 8,150 thousand).

Adjusted EBIT

Based on the planning of the Clean Energy and Clean Power Management segments, the Management Board expects adjusted EBIT for the Group in 2023 to be between EUR 3,400 thousand and EUR 8,600 thousand (2022: EUR 3,157 thousand).

Based on our continuing high order situation and the increasing demand for replacement technologies for conventional power generation, i.e. the rapid development of the fuel cell market of importance to us, we expect to further accelerate our growth course. This will offer enormous opportunities for SFC Energy. With our fuel cell technology, we hold a key to shaping a more ecological and environmentally friendly future for all of us. National declarations of intent, investments worth billions in renewable energies, as well as local and global energy transitions – SFC Energy with its know-how is right in the middle of these transformation phases. We can clearly say that we are prepared for these developments!

We would like to express our personal thanks to you, our shareholders, for the trust you have placed in us. We invite you to accompany SFC Energy AG into a future full of opportunities.

Stay tuned to us,

Sincerely yours,



Dr. Peter Podesser
Chairman of the Board



Daniel Saxena
Board Member



Hans Pol
Board Member

MILESTONES IN 2022

January 2022

Order for EFOY Pro hybrid fuel cell systems from a major Canadian natural gas producer worth CAD 600,000

Thanks to the EFOY Pro hybrid fuel cell systems, the customer is now making its production activities much more sustainable with its all-electric, zero-emission drilling rig in the Alberta Deep Basis.

Large volume order from International Security Group for camera systems

The 170 EFOY Pro 2800 fuel cells are at the heart of ISG's Video Guard surveillance towers. These systems are often used in locations further away from the conventional power grid such as construction sites, outdoor festivals or agricultural areas.

February 2022

EFOY fuel cells enable environmental monitoring and security applications in Singapore

SFC Energy will deliver 150 EFOY fuel cells to Oneberry Technologies in two tranches. The fuel cells with their environmentally friendly energy supply ensure security for public events and flood early warning systems in underground canals, among their other benefits.



SFC Energy receives multi-million order from Fuel Cell Systems for EFOY fuel cells

The UK-based company Fuel Cell Systems ordered EFOY fuel cells and accessories worth more than EUR 1 million. The distributor and project developer has been purchasing EFOY fuel cells for a wide range of applications for more than 15 years. Among other functions, they are used as decentralized power suppliers in the industrial sector for monitoring applications, for measuring systems in environmental technology and in the leisure sector.



Largest order in company history worth EUR 20.9 million received

By receiving an order with a volume of EUR 20.9 million, SFC Energy recorded the largest order in company history. The customer is a leading international high-tech plant manufacturer.

SFC Energy's high-performance power supply and coil solutions are to be used in semiconductor and life science applications.

March 2022

SFC Energy and WACKER sign Memorandum of Understanding to supply and market renewable methanol

Under the partnership, Wacker will supply SFC Energy with up to 2,000 tons of methanol per year from its RHYME Bavaria project from 2025. This particularly environmentally friendly fuel is destined for SFC's methanol fuel cells, which are used by residential, commercial and government users as a decentralized power supply.

SFC Energy receives order for EFOY fuel cells from AWILCO worth more than EUR 2.0 million

The Danish company AWILCO has been an exclusive partner and distributor of SFC Energy for almost 20 years and has now ordered EFOY fuel cells and accessories worth more than EUR 2.0 million for civil surveillance and security applications. The EFOY fuel cells will mainly be used to collect data in the area of environmental technology. For example, they supply buoys on the high seas to measure wind and current speeds.



Cooperation between SFC Energy and Wolftank Group on a climate-neutral emergency power supply for critical infrastructures

A special hydrogen tank from Wolftank Group to supply fuel cell systems in combination with SFC Energy's EFOY H₂ Cabinet now enable a climate-neutral emergency power supply. The partners are thus addressing applications in the field of emergency power generators for critical infrastructures in Italy and Austria. These include gas utilities, telecom infrastructure and hydrogen refueling stations.

April 2022

SFC Energy signs Make in India agreement and launches EFOY Hydrogen platform together with its cooperation partner FC TecNrgy

The Make in India agreement is an initiative formed by the Indian government to encourage companies to manufacture and market their products inside the country. The EFOY Hydrogen 2.5 is a modular hydrogen fuel cell solution that is ideally suited as an emission-free replacement for diesel generators.

April 2022

SFC Energy, Test-Fuchs and Auto AG Group develop zero-emission mobile hydrogen power generator H₂Genset

SFC Energy has joined forces with the other two companies to combine their respective expertise to develop the mobile and zero-emission hydrogen power generator H₂Genset. With the H₂Genset, the partners are primarily targeting users who were dependent on diesel generators for their previous energy supply and attach importance to a robust device design. Areas of application include areas without access to the conventional power grid, such as outdoor festivals or large construction sites, for example.



May 2022

US customer LiveView Technologies places follow-up order for EFOY fuel cells worth more than USD 3.7 million.

LiveView Technologies placed another order with SFC Energy. With its EFOY fuel cells, SFC Energy provides tailor-made power generation solutions for the US company that truly make a difference. The fuel cells supply electricity permanently and efficiently in off-grid areas and operate in a way that is absolutely climate-friendly.



July 2022

H₂Genset in use at Formula 1 in Austria

Several hundred thousand visitors can see for themselves how the H₂Genset reliably and self-sufficiently supplies energy to a mobile merchandising sales booth at the Red Bull Ring – without producing any environmentally harmful exhaust gases or particulate matter.



August 2022

SFC Energy delivers EFOY fuel cells worth EUR 2.0 million to Singapore

The Singapore-based company Oneberry Technologies, a long-standing partner of SFC Energy, ordered additional EFOY fuel cells with a contract value of EUR 2.0 million. The energy solutions are to be used by Oneberry for early warning systems on floods, waste disposal in high-rise buildings, ad-hoc and mobile monitoring, among other purposes.

September 2022

Three development partners SFC Energy, Test-Fuchs and Auto AG Group roll out pre-production H₂Genset with higher peak power

The H₂Genset, developed in the spring of 2022, was to receive an update. Among the advantages are that the H₂Genset would then be more flexibly transportable, have three times the tank capacity and new peak power of up to 25 kilowatts (kW).

Cooperation between SFC Energy and VINCORION bears fruit

After less than two years of development, the partners jointly developed the Portable Power Management Modules, PPM modular for short, with the integrated SFC methanol fuel cell. The PPM is a mobile power system that can be configured for any application. configured for any application.



SFC Energy and DB Bahnbau Group present pre-series of the H₂Genset hydrogen power generator at the International Trade Fair for Transport Technology (InnoTrans).

DB Bahnbau Group was already using fuel cells from SFC Energy in interlockings and signaling systems. Now it started testing the use of the pre-series of the emission-free hydrogen power generator H₂Genset.

October 2022

H₂Genset wins Lower Austrian Main Innovation Award

SFC Energy's development partner Test-Fuchs won the Karl-Ritter-von-Ghega Innovation Award 2022 of the Chamber of Commerce of Lower Austria and the Government of Lower Austria for the emission-free mobile hydrogen power generator H₂Genset.



November 2022

SFC Energy participates in the “Vision 2045” Summit in Sharm El-Sheikh as part of the UN World Climate Change Conference

The “Vision 2045” Summit supports the UN Sustainable Development Goals and included a series of ground-breaking panel discussions that brought together decision-makers from across the political, economic and social spectrum.

SFC Energy receives largest fuel cell order in company history with an order volume of USD 15 million.

SFC Energy received the largest order for EFOY fuel cells in its history, a new order that was placed by LiveView Technologies. The order volume was around USD 15 million. After delivery has been completed in 2024, there will be an installed base of approx. 5,000 EFOY fuel cells in the US market.



November 2022

SFC Energy secures first series order for power supply systems with an order value of EUR 5.3 million.

A European high-tech component manufacturer ordered power supply systems worth a total of EUR 5.3 million. The highly efficient power solutions are to be used as generator power supplies in critical plasma processes in the production of silicon wafers and glass substrates in the semiconductor industry.

December 2022

Admission to the SDAX

SFC Energy was promoted to the SDAX and listed in the German selection index on December 27, 2022. The SDAX comprises the 70 largest companies by market capitalization and stock exchange turnover in the traditional sectors below the MDAX shares.



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

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

SUCCESS STORIES

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



60,000

More than 60,000 fuel cells sold worldwide



- 5,000 t CO₂

5,000 tons of CO₂ emissions saved¹ – equal to 5,000 flights from Munich to New York or 3.372 one-week trips on a Cruise Ship²



9.3 m kWh

9.3 million kWh environmentally friendly electricity in total¹



22 Years

More than 22-year experience in fuel cell technology



130 m Bh

130 million operating hours of fuel cells in total¹



0

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

¹ Approximate values, subject to change

² Compared to diesel generators, which are often used for off-grid applications, SFC solutions have already saved more than 5,000 tons of CO₂ that are harmful to the climate. Calculations based on myclimate.org

SUPERVISORY BOARD REPORT

Dear Shareholders,

In the 2022 financial year, the Supervisory Board performed its duties under law, the Articles of Association, the Rules of Procedure and the German Corporate Governance Code (GCGC) with due care and diligence. It regularly advised the Management Board on the management of the Company and carefully monitored its activities on an ongoing basis. It also provided advice on the strategic development of the Company and key individual measures, and satisfied itself that the management of the Company and the internal control and risk management systems in place were legal, proper and expedient.

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

In the 2022 reporting year, the Supervisory Board consisted of (i) Mr. Hubertus Krossa (Chairman), (ii) Mr. Henning Gebhardt (Deputy Chairman), (iii) Mr. Gerhard Schempp, and (iv) Ms. Sunaina Sinha Haldea.

The Supervisory Board mandate of Mr. Hubertus Krossa expired at the end of the Company's Annual General Meeting on April 28, 2022. As proposed by the Supervisory Board, the Annual General Meeting on April 28, 2022, re-elected Mr. Hubertus Krossa for a term of two years. In making this proposal, the Supervisory Board complied in particular with the applicable requirements of the German Stock Corporation Act (AktG) and the GCGC; all elected members have the necessary knowledge, skills and professional experience for Supervisory Board work. The Supervisory Board re-elected Mr. Krossa as Chairman of the Supervisory Board and as a member of the Audit Committee.

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

Cooperation between the Supervisory Board and the Management Board

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

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

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

Supervisory Board Meetings

The Supervisory Board held a total of eleven meetings in the 2022 reporting year, on January 20, February 11, March 16 (to review the financial statements), April 27, June 27, July 8, July 11, July 27, August 23, October 17, and December 8. In light of the ongoing COVID 19 pandemic, all Supervisory Board all meetings were held as video conferences or as hybrid meetings, i.e., as face-to-face meetings with the option of attending in virtual form. Conference calls did not take place. The Supervisory Board meetings are attended by the Supervisory Board members and, as a rule, by the Management Board members as well. The Supervisory Board also holds regular meetings without the Management Board, in particular where Management Board matters or issues internal to the Supervisory Board are discussed.

Attendance of Supervisory Board members at Supervisory Board meetings was 89% in the reporting period. Individual attendance is reported at the end of the following section. In addition, the members of the Supervisory Board also consulted one another outside of meetings by telephone, in person, or by email, if required.

Regular topics of discussion at Supervisory Board meetings were current sales, earnings and liquidity trends, budget planning, the current state of the Company's business, risk exposure, and the control and risk management systems, Group-wide compliance, the Company's strategic goals, and organizational changes. At the meetings, the Management Board also reported on the status of individual business units, the economic, financial, technological, and strategic state of the Company and the Group, the domestic and international growth strategy, and significant current developments and events, in particular potential cooperation and M&A projects. At several meetings in the reporting year, the Supervisory Board dealt in detail with the capital increase with subscription rights from the Company's authorized capital in the amount of approx. EUR 56 million, which was successfully implemented in July 2022, and also received reports on the economic conditions and parameters of the capital increase and the marketing opportunities as well as the involvement of external consultants. Regular topics at meetings of the full Supervisory Board also included finance and controlling, sales and marketing, operations, quality management, human resources, and research & development. In the 2022 financial year, we also continuously addressed the impact of the COVID 19 pandemic and of the war between Russia and Ukraine on the Company's net assets, financial position and results of operations, as well as precautions taken.

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

At the meeting held on January 20, 2022, the Management Board reported to the Supervisory Board on the planned schedule for a possible capital increase and the related ongoing negotiations with various potential underwriting banks. The Management Board further informed the Supervisory Board about the business development of SFC Energy AG and the Group companies.

At the meeting held on February 11, 2022, the Management Board presented preliminary figures for the 2021 financial year and discussed them with the Supervisory Board. The Management Board also reported on the Management Board's focus in the 2022 financial year to secure supply chains for production and to strengthen the workforce. The Management Board in addition informed the Supervisory Board about the progress of preparations and the possible schedule of a capital increase from the Company's authorized capital. Furthermore, the Management Board consulted with the Supervisory Board on the date of the 2022 Annual General Meeting and finally informed the Supervisory Board about the status of possible cooperation or M&A projects, in particular on the status of negotiations and possible further scheduling.

At the Supervisory Board meeting held on March 16, 2022, to review the financial statements, the Supervisory Board particularly discussed the Company's annual financial statements and management report prepared in accordance with German commercial law and the IFRS consolidated financial statements and Group management report for the 2021 financial year; the annual financial statements and consolidated financial statements as well as the remuneration report were approved. Representatives of the auditor attended the meeting, reported on the key results of their audit and gave an opportunity for questions to be asked by the Supervisory Board. The Supervisory Board adopted the Supervisory Board report, the corporate governance statement, and the declaration of compliance with the GCGC for the purposes of section 161 AktG. It also addressed the independence of its members, concluding that its members were independent for the purposes of the GCGC. The format and the agenda of the 2022 Annual General Meeting, in particular the proposal for the appointment of the auditor for the 2021 financial year, were also discussed. The Supervisory Board adopted the proposed resolutions for the 2022 Annual General Meeting of SFC Energy AG. Furthermore, the Management Board provided the Supervisory Board with information on the effectiveness of the risk management system, presented the current business figures and the current state of orders and of the market for SFC Energy AG and the Group companies, and discussed these with the Supervisory Board. Finally, the Supervisory Board received a report from the Management Board on the impact of the COVID 19 pandemic, the state of possible cooperation or M&A projects, and the progress of the preparation of a capital increase, and decided on the bonus for the Management Board members for 2021 and 2022 and on the increase of Management Board members' remuneration.

At the Supervisory Board meeting held on April 27, 2022, the Management Board gave a report on the impact of the COVID 19 pandemic on the operations of SFC Energy AG and the Group companies, and discussed this with the Supervisory Board. The Management Board further reported on the current business development of SFC Energy AG and the Group companies, and on the status of possible cooperation or M&A projects, in particular in India, Italy and Austria, and of the possible capital increase. The Supervisory Board also dealt with the 2022 Annual General Meeting scheduled for the following day. The Management Board finally provided information on the effectiveness of the risk management system and on plans to reorganize the finance department.

At its meeting held on June 27, 2022, the Management Board provided updates on the progress of preparations for the capital increase, in particular on the current schedule. Following thorough discussion, the Supervisory Board decided to continue pursuing the capital increase. At the Supervisory Board meeting held on July 8, 2022, the Management Board provided the Supervisory Board with details of the planned capital increase, in particular its schedule, and discussed the possible economic parameters, which met with the approval of the Supervisory Board. At its meetings held on July 11, 2022, and July 27, 2022, the Management Board reported to the Supervisory Board on the current status of the capital increase, and the Supervisory Board adopted resolutions regarding the capital increase at each of these meetings.

At the Supervisory Board meeting held on August 23, 2022, the Management Board first provided information on measures to prevent COVID 19 cases at the facilities of SFC Energy AG and the Group companies. Thereafter, the Management Board discussed with the Supervisory Board the preliminary half-yearly results and current issues relating to trends in the business of SFC Energy AG and the Group companies, in particular sales and marketing, quality management, research & development, supply chain management, and expansions of the sites in Brunnthal/Kirchheim and Cluj, Romania. With regard to the implementation of the expansion in Cluj, the Management Board presented its new plans to the Supervisory Board, which approved them. The Management Board also reported on the successful implementation of the capital increase with subscription right from the Company's authorized capital, and on the status of possible cooperation and M&A projects. The Management Board also provided information on the requirements for sustainability reporting and on the effectiveness of the control and risk management system.

At the Supervisory Board meeting held on October 17, 2022, the Management Board first provided information on measures to prevent COVID 19 cases at the facilities of SFC Energy AG and the Group companies. The Management Board then presented the Group results for the third quarter, giving an overview of the various segments (sales and marketing, quality management, research and development, and supply chain management). The Management Board then reported on the expansion of the sites in Brunnthal/Kirchheim and Cluj, Romania. Thereafter, the Management Board discussed the new organizational and matrix structure in HR with the Supervisory Board before reporting on the current status of the Fresh ("Focusing Resources on Efficient Solutions & Human impact") project. The Management Board also reported on the status of possible cooperation and M&A projects and on the sustainability report to be prepared. The Supervisory Board also discussed the upcoming self-assessment of the Supervisory Board.

At its meeting held on December 8, 2022, the Supervisory Board first dealt with the business figures in the third quarter and the forecast for the fourth quarter of the 2022 financial year. This involved, in particular, a detailed discussion of the current situation in each of the business units and subsidiaries, giving special consideration to supply bottlenecks. In addition, the budget planning for the 2023 financial year and the medium-term budget planning for the 2024 to 2027 financial years in all business units were discussed and approved. The Supervisory Board also discussed and approved the variable remuneration component (bonus) for the Management Board for 2023. The Management Board then presented the status of possible M&A and cooperation projects, of SFC Energy AG's hydrogen strategy and of ESG reporting, and discussed these topics with the Supervisory Board. Finally, the Supervisory Board's self-assessment was discussed at that meeting.

Committees

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

The Audit Committee held four meetings in the reporting year, on June 15, October 17, November 10, and December 7, 2022. In accordance with the Rules of Procedure of the Supervisory Board, the most notable, regular subjects of its meetings are monitoring the audit (particularly the independence of the auditor and the quality of the audit), appointing the auditor, and determining focal points of the audit, preparing the audit of the annual and consolidated financial statements, discussing half-yearly and quarterly financial reports with the Management Board, auditing the accounting and monitoring the accounting process, the effectiveness of the internal control system, the risk management system, the internal audit system, and compliance. Attendance at Audit Committee meetings in the reporting period was 100%. Individual attendance is reported at the end this section. In light of the ongoing COVID 19 pandemic, the Audit Committee meetings were held as hybrid meetings, i.e., as face-to-face meetings with the option of attending in virtual form.

Key issues in the reporting period were the discussion of the audit process for the 2021 financial year, the 2022 half-yearly financial report, and the quarterly financial report for the third quarter of 2022, as well as determining the key areas for the audit of the annual and consolidated financial statements for the 2022 financial year. Some of the Audit Committee meetings were attended by representatives of the Management Board and by the auditors. The Chairman of the Committee is in regular contact with the auditor and the Chief Financial Officer between meetings.

At the meeting held on June 15, 2022, the Audit Committee dealt with the rotation required by law and the required selection procedure for the auditor. The Audit Committee discussed, including with the Management Board, the need to propose and appoint a new auditor at the 2023 Annual General Meeting, and discussed the tendering process including the qualification requirements to be met by an auditor. The Chief Financial Officer, at the request of the Audit Committee, provided assistance in conducting the selection process; the Audit Committee adopted documents announcing the tender procedure. At the Audit Committee meeting held on October 17, 2022, a representative of the auditor, Deloitte, first presented the proposed process and contents of the audit for the 2022 financial year before the Chief Financial Officer then provided the Audit Committee with up-to-date information on the selection process for the new auditor to be appointed due to rotation. On December 7, 2022, discussions were held with the applying audit firms as part of the auditor selection process.

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

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

SUPERVISORY BOARD

	Supervisory Board	Audit Committee	Attendance rate
Hubertus Krossa	11/11	3/3	100%
Gerhard Schempp	11/11	3/3	100%
Henning Gebhardt	11/11	3/3	100%
Sunaina Sinha Haldea	6/11	n/a	55%

Corporate Governance

The Company is committed to complying with the recommendations set out in the GCGC. The declaration of compliance to be provided annually by the Management Board and the Supervisory Board pursuant to section 161 AktG, most recently provided on 23 March 2023, is available on the Company's website at <https://www.sfc.com/investoren/corporate-governance/>.

Information on Supervisory Board-related aspects of the Company's corporate governance can also be found in the corporate governance statement on pages 187 of the annual report. The current declaration of compliance is also contained in the corporate governance statement. The remuneration of Supervisory Board members is contained in the remuneration report, which is reproduced on pages 200 of the annual report.

In the 2022 financial year, as in previous years, the Supervisory Board examined potential conflicts of interest affecting its members. No conflicts of interest involving members of the Supervisory Board arose in the reporting period. The Supervisory Board does not include any former members of the Company's Management Board. The Supervisory Board determined at its meeting of March 16, 2022, that it included an appropriate number of independent members for the purposes of recommendations C.6 and C.7 of the GCGC. Each Supervisory Board member is independent from the Company and its Management Board because they have no personal or business relationship with the Company or its Management Board that may cause a substantial – and not merely temporary – conflict of interest. Conflicts of interest with a controlling shareholder or a company affiliated with the controlling shareholder cannot arise for the reason alone that the Company is not controlled by any of its shareholders. This is because no control agreement exists with any shareholder, and no shareholder has the absolute majority of the voting rights or at least a sustainable voting majority at the Annual General Meeting.

Training and professional development

The members of the Supervisory Board take responsibility for undertaking the training and professional development necessary to fulfil their duties, such as in respect of changes to the legal framework and new, forward-looking technologies, and obtain relevant support by the Company. In particular, during their induction new Supervisory Board members receive explanations about, among other things, SFC Energy AG's business model and strategy as well as the work and responsibilities of the Supervisory Board. Guided factory tours are also provided. Mr. Henning Gebhardt, for example, attended the seminar "Supervisory Board Focus 2022" held by Frankfurt School of Finance & Management on November 30, 2022.

Audit

On a proposal from the Supervisory Board, the General Meeting of SFC Energy AG on April 28, 2022, elected Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, as auditor and group auditor for the 2022 financial year, and as auditor for any audit review of interim financial reports. The Supervisory Board satisfied itself in advance of the independence of Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich. The Audit Committee negotiated the audit engagement, specified the focal points of the audit, and engaged the auditor. Focal points of the agreed audit included the following:

IFRS consolidated financial statements

- I. Itemization of sales
- II. Management Override Control (MOC)
- III. Recoverability of goodwill
- IV. Accounting-related internal control system for business cycles
- V. Recoverability of capitalized development costs
- VI. Completeness and measurement of other provisions
- VII. Costs of the capital increase with subscription rights
- VIII. Risk management system
- IX. Group Management Report, Notes to the Consolidated Financial Statements and ESEF tagging
- X. Effects of the COVID-19 pandemic and of the Ukraine-Russia conflict
- XI. Compliance with financial covenants contractually agreed with lenders

Annual financial statements in accordance with the German Commercial Code

- XII. Itemization of sales
- XIII. Management Override Control
- XIV. Valuation of the shares in affiliated companies
- XV. Accounting-related internal control system for business cycles
- XVI. General IT controls of ERP system
- XVII. Valuation of inventories
- XVIII. Completeness and measurement of other provisions
- XIX. Effect of the COVID-19 pandemic
- XX. Effects of the COVID-19 pandemic and of the Ukraine-Russia conflict
- XXI. Risk management system
- XXII. Management Report and Notes

The auditor audited SFC Energy AG's annual financial statements as at December 31, 2022, as prepared by the Management Board in accordance with the German Commercial Code, and the management report, together with the bookkeeping system, and issued an unqualified audit opinion thereon. The consolidated financial statements were prepared in accordance with section 315e of the German Commercial Code (HGB) on the basis of International Financial Reporting Standards (IFRS). The auditor also audited these consolidated financial statements and the group management report and issued an unqualified audit opinion thereon.

The annual and consolidated financial statements and audit reports were distributed to all members of the Supervisory Board immediately after their preparation and audit, and were discussed in detail at the Audit Committee meeting held on 23 March 2023, and at the meeting to review the financial statements for the 2022 financial year held on 29 March 2023. The balance sheet did not show any profit, meaning that a Management Board proposal on the appropriation of distributable profit was not required. Representatives of the auditor attended the meetings, reported in each case on the progress, scope, focal points and key results of their audit, and were available to answer questions and discuss matters. As part of the preliminary audit, the Audit Committee dealt in detail with the audit progress, the audit reports, and the results and, following completion of the audit, recommended approval of the financial statements and reports to the full Supervisory Board.

Taking into account the auditor's reports, and on the basis of detailed discussions with the auditor's representatives, the Supervisory Board reviewed the annual and consolidated financial statements and the relevant management reports and concurred with the auditor's conclusions. Based on its own review of the annual and consolidated financial statements and the relevant management reports, no reservations were made. The Supervisory Board approved the annual financial statements and the consolidated financial statements for the 2022 financial year, together with the relevant management reports, at the meeting to review the financial statements; the annual financial statements for the 2022 financial year are thus adopted (section 172 AktG).

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

The Supervisory Board would like to thank all employees for their outstanding performance and great commitment to the Company in the 2022 financial year, the Management Board for its trust-based cooperation, and all shareholders and business partners for the faith they have placed in the Company.

Brunnthal, 29 March, 2023

The Supervisory Board



Hubertus Krossa
– Chairman of the Supervisory Board –

SFC ON THE CAPITAL MARKET

Basic share data

Share information

Bloomberg symbol	F3C
Reuters symbol	CXPNX
German securities identification number (WKN)	756857
International securities identification number (ISIN)	DE0007568578
Number of shares outstanding (December 31, 2022)	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

Development of the indices

The global stock market year 2022 was characterized by geopolitical developments in Eastern Europe and sharply rising inflation figures and energy costs. The performances of the Dow Jones, EURO STOXX 50 and DAX were almost identical in the first few weeks of the year. The DAX opened on January 3, 2022, at 15,947 points and reached its high of 16,285 points for the year on January 5. Optimism that the upward momentum that began in 2021 could continue in 2022 spread on the stock markets initially. This was based on the hope of an end to the corona pandemic and an early easing of the supply chains. Nevertheless, Russia's invasion of Ukraine on February 24 caused massive uncertainty on the capital markets. As a result, energy and raw material costs rose sharply in the spring, while inflation rates climbed a short time later to reach double-digit figures in Germany, the euro area and the United States. This led the central banks to tighten their monetary policy, which had a noticeable impact on the stock markets. The DAX consequently reached its low for the year of 11,862 points on September 28. The first signs of declining inflation figures, the easing of the restrictive zero-COVID policy in China and the easing of the supply chains caused the leading German index to climb to 14,675 points by mid-December. The DAX closed the year 2022 on December 30 at 13,923 points and thus recorded a 12.69% decline. The TecDAX managed to continue its record development from 2021. The technology index closed the stock market year at 2,921 points, a drop of 26.05%. The EURO STOXX 50 ended the year at 3,793 points and was thus 13.44% lower than at the beginning of the year. The leading US index Dow Jones fell by 8.73% at the end of the year, closing at a level of 33,147 points in 2022.

The SFC share was included in the SDAX with effect from December 27, 2022. Only listed companies that are among the 165 largest companies listed in the Prime Standard are eligible for inclusion in the selective index. The SDAX comprises the 70 largest companies in terms of market capitalization and stock exchange turnover in the traditional sectors below the MDAX stocks. The SDAX began the 2022 trading year at 16,484 points and closed on December 30, 2022, at 11,925 points. This represents a 4,559 point or 27.65% decline. By comparison, the performance of the SFC share left the SDAX far behind it.

Development of the sfc share – inclusion in the SDAX

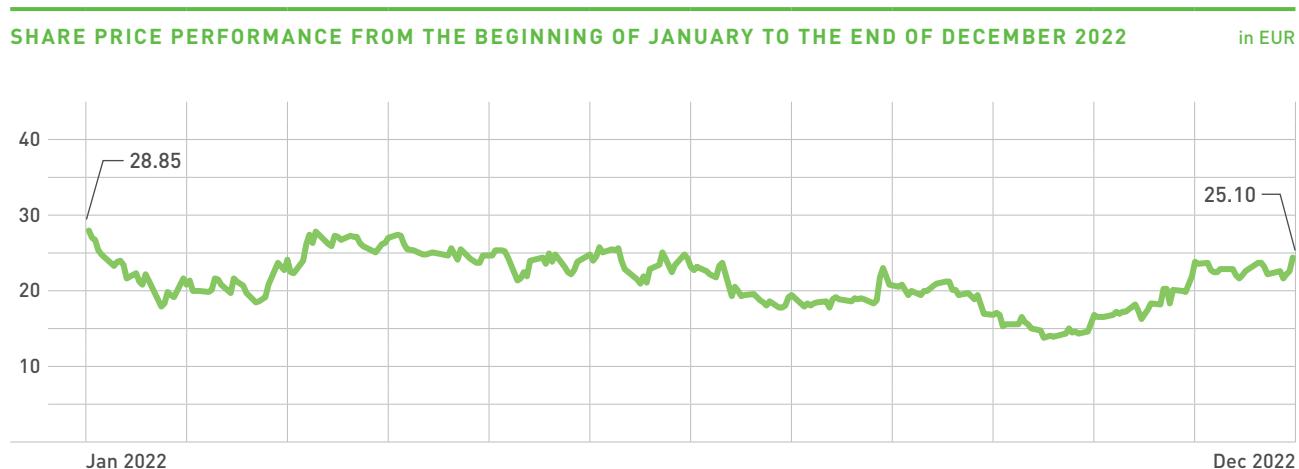
Share price development

	in EUR
Opening price	January 3, 2022
High	April 5, 2022
Low	October 13, 2022
Closing price	December 30, 2022

The share certificates of SFC Energy AG opened the stock market year on January 3 at a price of EUR 28.85. They reached their low on October 13 at EUR 15.32. A high of EUR 30.10 was reached on April 5. The SFC share finally closed the trading year on December 30 at a price of EUR 25.10. During the half year under review, SFC Energy AG's share price increased by 11.61% compared to the closing price of EUR 28.40 on December 30, 2021. Despite the positive development of the business, market-related factors such as the war in Ukraine, supply chain problems and rising inflation also put pressure on the performance of the SFC share.

The average daily trading volume on XETRA was 96,736 shares in the reporting year compared to 112,466 shares in 2021. As of December 30, 2022, the market capitalization of SFC Energy AG amounted to EUR 435.82 million with 17.36 million shares outstanding and a closing price of EUR 25.10 (previous year: EUR 410.9 million).

Performance of the SFC share (absolute)



Investor relations activities

SFC Energy maintains an intensive dialogue with current and potential shareholders and is constantly engaged in an exchange with journalists, investors and analysts. In the past fiscal year, the Management Board communicated the Company's business model, operational development and growth prospects based on hydrogen and fuel cell technology at many international road shows, capital market conferences and digital events.

Full-year, half-year, and quarterly results are announced by holding earnings calls as conference calls and are then made available as an audio cast on the SFC Energy website – sfc.com – where the SFC company presentation is always available in the latest version.

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

The Company provides comprehensive information on the business situation, the latest news and an overview of future events and activities in the Investor Relations section of the SFC Energy website – sfc.com.

Analyst research

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

RESEARCH VALUATIONS		in EUR	
Publisher	Datum	Empfehlung	Kursziel
METZLER	March 7, 2023	Buy	34.00
MM Warburg	February 15, 2023	Buy	28.00
FIRST BERLIN – EQUITY RESEARCH	February 17, 2023	Buy	35.00
BERENBERG	February 15, 2023	Buy	28.00
ODDO BHF/ABN AMRO	February 14, 2023	Outperform	35.00

Shareholder structure

As of December 31, 2022, 37.18% of SFC shares were held by institutional investors. The extended management, including the Supervisory Board, held 1.61% of the voting rights. 61.21% of SFC Energy AG shares were in free float at the end of December 2022. Detailed information on the shareholder structure can be found at sfc.com in the Investor Relations/Share section.

Successful capital increase

SFC Energy AG successfully placed the capital increase with subscription rights the Company had announced on July 11, 2022, in July 2022. By the end of the subscription period, subscription rights for 2,044,314 new shares had been exercised. This equates to 70.6% of the up to 2,893,948 new shares. In addition, 849,634 new shares, for which no subscription rights were exercised during the subscription period, were successfully offered at a price of EUR 19.50 per new share to qualified investors in Germany and other jurisdictions outside the United States in offshore transactions pursuant to Regulation S of the Securities Act (residual share placement). The final gross proceeds from the capital increase amounted to approximately EUR 56.4 million. SFC intends to use the net proceeds from the capital increase to pursue its regional and technological expansion, accelerate its R&D activities and to explore inorganic growth opportunities.

As a result of the capital measure, the share capital increased from EUR 14,469,743.00 to EUR 17,363,691.00 by issuing 2,893,948 new no-par value bearer shares.

02

GROUP MANAGEMENT REPORT

PRINCIPLES OF THE GROUP	30
ECONOMIC REPORT	34
BUSINESS PERFORMANCE AND ECONOMIC SITUATION	38
RISK AND OPPORTUNITIES REPORT	59
RISK REPORT	66
OPPORTUNITIES REPORT	81
FORECAST REPORT	84

GROUP MANAGEMENT REPORT FOR FINANCIAL YEAR 2022

Principles of the Group

Organization of the SFC Group and basis of reporting

Die SFC Energy AG („SFC AG“) bildet gemeinsam mit ihren Tochterunternehmen eine international tätige SFC Energy AG („SFC AG“) together with its subsidiaries forms an internationally active Group of companies („SFC“ or „Group“) in the fuel cell sector. In addition to the parent company SFC Energy AG (Germany), the scope of consolidation of the Group includes the subsidiaries SFC Energy B.V. (Netherlands) („SFC B.V.“), its subsidiary SFC Energy Power SRL (Romania) and SFC Energy Ltd. (Canada) („SFC Ltd.“).

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

The legal basis for managing and monitoring the Group is the German Stock Corporation Act and other capital market laws, as well as the German Corporate Governance Code.

The registered office of SFC AG is located in Germany, with the Group's headquarters in Brunnthal. Its subsidiary SFC Energy B.V. has its headquarters in Almelo, The Netherlands, with a manufacturing subsidiary in Cluj, Romania. The subsidiary SFC Energy Ltd. is headquartered in Calgary, Canada, with Canadian offices located in Edmonton and Grand Prairie.

As of December 31, 2022, the Group had a total of 354 employees.

Segments, sales markets, products and services

As of December 31, 2022, SFC had the following reportable segments, according to which the Management Board steers the Group: **Clean Energy** and **Clean Power Management**.

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

The segmentation of the Group's activities primarily follows the Group's internal organizational and reporting structure by business area. Since January 1, 2021, this has been based on the Group's technology platforms and product and service portfolio. The Clean Energy segment comprises the portfolio of products, systems and solutions for stationary and mobile off-grid power supply based on hydrogen (PEMFC) and direct methanol (DMFC) fuel cells. The fuel cell solutions are used in applications in the industrial, private

and government (public security) sectors in various markets, such as the telecommunications equipment, security and surveillance technology, remote sensing technology, defense technology, but also the caravaning and marine markets. The Clean Power Management segment bundles the entire business with technically advanced, standardized and semi-standardized power management solutions such as voltage transformers and coils that are used in equipment for the high-tech industry. Furthermore, the segment includes the business with frequency converters for the upstream oil and gas industry, some of which are integrated into solutions, but which are also sold.

Goals and strategy

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

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

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

Control system

The most important financial performance indicators used by the Management Board to manage the operating business are sales revenue and its growth, as well as the earnings indicators adjusted EBITDA (adjusted earnings before interest, taxes, depreciation and amortization) and adjusted EBIT (adjusted earnings before interest and taxes) for the Group and the segments.

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

Research and development

With our research and development activities, we continue to pursue the goal of securing or strengthening SFC's competitive and technological position against the backdrop of the upcoming transformation of energy systems in many countries. In particular, 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 working to improve its existing products and solutions.

With an average of 68 (previous year: 64) employees as of the reporting date, approx. 21% (previous year: 23%) of the Group's workforce was engaged in the development of fuel cell technology and power supply systems and their implementation in Group products.

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

TOTAL RESEARCH AND DEVELOPMENT EXPENSES	in EUR thousand	
	2022	2021
Research and development expenses recognized in profit or loss	4,441	3,257
Capitalized development expenses	2,620	2,493
Expenses related to development partnerships	904	816
Grants received	361	253
Extraordinary effects (Special expenses for the LTI programs)	-11	-202
Total research and development expenses	8,315	6,617

In the financial year 2022 ("reporting year"), R&D expenses adjusted for the non-recurring expenses for the LTI programs listed below and including development expenses capitalized, expenses for joint development projects and grants received in the reporting year ("total R&D expenses") increased significantly to EUR 8,315 thousand (previous year: EUR 6,617 thousand) compared to the expenses in financial year 2021 ("previous year" or "prior-year period"). Research and development activities in the reporting year were mainly used to improve competitiveness and mainly related to intangible assets or capitalized development expenses in the amount of EUR 2,620 thousand (previous year: EUR 2,493 thousand) for the further development and digital connection of the Group's products and the development of new generations of fuel cell systems. This corresponds to a capitalization rate (capitalized development expenses in relation to total R&D expenses) of 32% (previous year: 38%).

The amortization of capitalized research and development costs in the year amounted to EUR 1,793 thousand (previous year: EUR 1,457 thousand).

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

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

- 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 Jupiter system
- Development and construction of emergency power systems based on the hydrogen fuel cell system EFOY Hydrogen
- Development of a new EFOY hydrogen fuel cell system with integrated control and voltage conversion
- Development of hydrogen fuel cell systems for power ranges over 50 kW
- Continuous development and implementation of service-optimized functions of the cloud-based remote monitoring system for the newly introduced fuel cell product generations
- Development of a 12V and 24V battery optimized for the EFOY fuel cells, including an integrated battery management system (BMS) for lithium batteries
- Further development of an intelligent fuel management system to extend the autonomy of the new product generations
- Development of a smart communication module for connecting lithium batteries to the EFOY fuel cell systems
- Development of an intelligent sensor and I/O module for integrating external sensor signals, recording the energy flow in EFOY energy solutions and connecting I/O signals;
- Consistent improvements and further developments to increase the performance and lower the costs of current EFOY generations.

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

- Further development of the current 3.8kW to 4kW energy platform;
- Development of a new technology 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

Growth dynamics of the global economy characterized by constraining influences

After the global economy was on its way to recovery from the recession triggered by the COVID-19 pandemic at the end of 2021, 2022 was characterized by geopolitical and economic turbulence, which caused the global economy to weaken significantly over the course of the year. To start with, global economic efforts to combat the COVID-19 pandemic initially continued to affect global economic development, although its effects had weakened in most countries. As a result, the economy benefited from the economic recovery and government support, even if regional lockdowns and the ongoing tense situation with global supply and logistics chains continued to have a dampening effect on the economy.

The outbreak of hostilities in Ukraine and the global effects they triggered, in particular an energy crisis combined with an energy price shock and an increase in raw material prices, exacerbated the current economic challenges and supply bottlenecks in many countries again. These developments pushed elevated inflation to peaks in many countries, leading to a rapid tightening of monetary policy.

In light of these developments, global GDP growth prospects for 2022 were lowered to 3.2% in July 2022, after growth of 6.1% in 2021.¹ A further slowdown in global GDP growth to 2.2%² to 2.9%³ is expected for 2023.

Economic slowdown the basic trend for the euro zone

Despite the geopolitical turbulence, economic output in the euro zone rose noticeably in the first half of the year by 0.8% in the first quarter and 0.7% in the second quarter. However, it lost momentum in the third and fourth quarters and seasonally adjusted GDP growth slowed to 0.3%⁴ or down 0.1% compared to the previous quarter.⁵

Headwinds from the global economic environment and restraint in private consumption mean that a phase of economic weakness can also be expected for the quarters that lie ahead. Due to an expected strong increase in public investment in 2023 and declining inflation⁶, real income growth and economic activity should pick up over the quarters in 2023 and 2024 to avoid a deep recession like the one seen after the financial crisis or the COVID-19 pandemic. The recovery could remain modest, however, if governmental energy crisis support measures are phased out and the impact of higher interest rates on activity becomes more evident.

On the supply side, bottlenecks in the supply and logistics chains and the associated higher costs continue to restrict production, albeit to a lesser extent. On the demand side, high inflation is the main burdening factor on real incomes and, is dampening private consumption, while slowing export market growth and rising interest rates weigh on investment.

1 International Monetary Fund Washington, (July 2022); World Economic Outlook

2 OECD, OECD Paris (Februar 2023); Real GDP forecast, <https://data.oecd.org/gdp/real-gdp-forecast.htm>

3 International Monetary Fund Washington, (Januar 2023); World Economic Outlook

4 Eurostat Luxembourg, (December 2022); euro indicators - estimate of the main GDP aggregates and employment for the third quarter of 2022

5 Eurostat Luxembourg, (February 2023); euro indicators - Flash estimate of GDP and employment for the fourth quarter of 2022

6 European Central Bank Frankfurt, (December 2022); Eurosystem staff macroeconomic projections for the euro area;

As a result, annual growth in the euro zone is expected to be low at 0.6% in 2023 and projected to only increase again by 1.7% next year.⁷

Slow economic growth in the US

After economic growth measured in terms of real GDP in the US fell in the first two quarters of 2022 compared to the previous quarter and extrapolated for the year, expansion compared to the previous quarter was able to set in in the third quarter⁸. Growth was mainly supported by the international business. Real GDP also grew by 2.9% in the fourth quarter, supported by increased consumer and public spending, and investment by companies.⁹ The International Monetary Fund expects the US economy, as measured by real GDP, to grow at a muted pace of 1.4% in 2023 and 1.0% in 2024.¹⁰

Canada: Economic slump likely for 2023

The Canadian economy showed relative resilience in 2022 despite global issues and rising uncertainty. Moderate growth was supported, among other developments, by a strong recovery in the job market,¹¹ and high commodity prices.

Canada recorded modest quarter-on-quarter growth of 0.7% in the third quarter of 2022¹², following growth of 0.8% in both the first and second quarters of 2022¹³.

Most of the companies expect sales growth to be significantly weaker in 2023. This affects sectors such as construction and manufacturing, among other areas, where changes in interest rates have a greater impact on their business. Only companies from the raw materials sector and technology companies remain confident.¹⁴

The Bank of Canada expects real GDP growth in 2023 to be quite low at 2.0%.¹⁵

High inflation has most likely passed its peak

Compared to the central banks' original forecasts, inflation proved to last longer and was surprisingly high, especially in the US and Europe, even if inflation eased towards the end of 2022.

In OECD countries, inflation as measured by the Consumer Price Index fell to 9.4% in 2022 from a peak of 10.8% in October 2022.¹⁶ Annual inflation in the euro zone was estimated at 8.3% for 2022, up from 2.6% a year earlier. Consumer prices in the US increased by 8.0% in 2022 compared to the previous year and in Canada by 6.8%. In 2021, the increases were 4.7% and 3.4%, respectively.¹⁷

Towards the end of the year, consumer prices in Europe as well as the United States and Canada showed reduced year-on-year inflationary pressures. One of the main reasons for this is that energy prices have recently fallen noticeably again. This can also be seen not least in the development of producer prices, whose high growth rates have recently fallen significantly but are still at a high level.

7 Ifo Institute Munich (December 2022); ifo Economic Forecast Winter 2022

8 Statista, Hamburg (December 2022); USA: Real gross domestic product growth

9 Bureau of Economic Analysis, Maryland (January 2023); Gross Domestic Product, Fourth Quarter and Year 2022 (Advance Estimate)

10 International Monetary Fund Washington (January 2023); World Economic Outlook

11 Statistics Canada Ottawa, (December 2022); Employment growth in Canada and the United States during the recovery from COVID-19

12 Statistics Canada Ottawa, (November 2022); Gross domestic product, income and expenditure, third quarter 2022

13 Statistics Canada Ottawa, (May 2022, August 2022); Gross domestic product, income and expenditure, first / second quarter 2022

14 Bank of Canada Ottawa, (January 2023); Business Outlook Survey—Fourth Quarter of 2022

15 Bank of Canada Ottawa, (January 2023); Monetary Policy Report

16 OECD Paris (December 2022); Statistics News Release - Consumer Price Index

17 OECD Paris (February 2023); inflation forecast; <https://data.oecd.org/price/inflation-forecast.htm#indicator-chart>

The inflation rate is likely to be at a high level again in 2023 at an expected 6.8% in the euro zone, 3.9% in the US and 4.1% in Canada¹⁸ before the tighter monetary policy and a slowdown in growth should help dampen inflation.

Geopolitical tensions: Extraordinary level of uncertainty

The economic outlook remains surrounded by an exceptional level of uncertainty as hostilities continue in Ukraine. Escalating tensions between the EU and US and China could put the brakes on China's growth potential and limit the potential positive impact of the end of China's strict zero-COVID policy.

The greatest threat continues to come from unfavorable developments with the energy supply and prices and further shocks on other commodity markets triggered by geopolitical tensions. Nevertheless, developments in recent months have shown that the markets are able to cope with major changes in the framework conditions.

Great potential in stationary fuel cell applications

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

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

In the course of climate change and the path to greenhouse gas neutrality, the energy supply and economic structures in many of the national economies are changing radically. Large parts of state institutions, the sciences, business world and society regard renewable energies in general and hydrogen in particular as a pillar of the strategy for transforming the energy sector. Broad initiatives aimed at establishing global CO2 pricing and at promoting the development and expansion of a hydrogen infrastructure are representative of these efforts. A number of new national initiatives and strategies were adopted in 2022, such as the agreement of the European Parliament on a CO2 border adjustment system for the EU¹⁹, the IPCEI Hy2Tech project approved by the EU Commission to promote hydrogen in the amount of EUR 5.2 billion²⁰ and the "Inflation Reduction Act" passed in the United States, which provides tax credits for the production of green hydrogen and the installation of fuel cells²¹.

Apart from their importance for decarbonizing economies, fuel cells and hydrogen took on greater importance in 2022 as a means of increasing energy security. The global energy crisis caused by the armed conflict in Ukraine has made it clear that politicians must reconcile the requirements of energy security with climate goals. Many countries are increasingly striving for energy independence and energy diversification, especially in view of the current geopolitical challenges. Hydrogen and fuel cells can contribute to energy security by reducing dependence on fossil fuels, both by replacing fossil fuels in end-use applications and by switching fossil-fuel-based hydrogen production to renewable hydrogen.

¹⁸ OECD Paris [Februar 2023]; Inflation forecast; <https://data.oecd.org/price/inflation-forecast.htm#indicator-chart>

¹⁹ European Parliament, Brussels [December 2022]; Press release: EU agreement on the CBAM CO2 border adjustment mechanism

²⁰ European Commission, Brussels [September 2022]; press release; State Aid: Commission approves up to € 5.2 billion of public support

²¹ The White House Washington [August 2022]; inflation-reduction-act-guidebook <https://www.whitehouse.gov/cleanenergy/inflation-reduction-act-guidebook/>

The REPowerEU announcement, which was published by the European Commission only a few weeks after the outbreak of the armed conflict in Ukraine, formulates, among other objectives, the goal of having 10 million tons for the domestic production of hydrogen from renewable sources and 10 million tons for the import of renewable to achieve hydrogen by 2030.²²

A study conducted by an internationally recognized consulting firm concludes that the total relevant market potential for the Group's fuel cell solutions will increase from 4.3 GW of installable capacity in 2021 to 8.1 GW in 2026. This would be equivalent to market growth of 12% per year. The relevant market comprises nine use cases in the power spectrum < 100 kW, including telecommunications towers, construction power supply, upstream and midstream monitoring of oil and gas wells and pipelines, environmental monitoring of wind farms, and CCTV surveillance.

The market researchers expect the global fuel cell market to grow from around USD 3.0 – 7.0 billion in 2022 to around USD 20.0 – 40.0 billion in 2030, which would equate to an average growth rate of around 25% – 30%²³. Stationary applications, among other uses, hold great potential. Diesel generators that have been commonly used up to now can be replaced by environmentally friendly fuel cells. The market volume of diesel generators for decentralized power generation in 2021 amounted to USD 17.8 billion.²⁴

The business climate and expectations in the electronics industry are brightening

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

Although 2022 was still marked by the effects of the corona pandemic, order momentum picked up again. In its most recent publication, the ZVEI Economic Barometer of December 2022, the German Electrical and Digital Manufacturers' Association (ZVEI) reported an 11.1% increase in orders in the period from January to October 2022 compared to the same period of the previous year. Domestic orders increased by 9.3% in the period mentioned, while foreign orders rose by 12.5%. Sales in Germany therefore totaled EUR 86.7 billion and foreign sales EUR 96.2 billion.²⁵

The business climate weakened in the second half of the year. The most recent decline in November 2022 was very moderate, however. The assessment of the situation deteriorated significantly compared to the previous month. On the other hand, business expectations increased.²⁶

According to the industry association, the vast majority of industry companies expect activities in 2023 to remain the same for the first half of the year.²⁷

22 European Commission Brussels (May 2022); Press release Questions and answers on the REPowerEU notification

23 Allied Market Research Portland (April 2022); Fuel Cell Market; Markets and Markets Research London (May 2022) Fuel Cell Market; Presence Research Ottawa (February 2022); Fuel Cell Market Research; P&S Intelligence Delhi (May 2022); Fuel Cell Market Report

24 Grand View Research San Francisco (May 2022); Market Analysis Report

25 ZVEI e.V. Frankfurt (December 2022); ZVEI economic barometer

26 ZVEI registered association Frankfurt (December 2022); ZVEI economic barometer

27 ZVEI registered association Frankfurt (January 2023); ZVEI economic barometer

2022 was a turbulent year for the electronics industry, which was also significantly impacted by negative spill overs from the military conflict in Ukraine, China's strict zero-COVID policy, and rising tensions between China and the United States. The year was characterized by supply chain bottlenecks, excess demand and high prices for electronic components. For 2023, analysts and those who follow the industry have an overall positive outlook despite the challenges that lie ahead.

In the semiconductor industry survey conducted by KPMG and the Global Semiconductor Alliance in the fourth quarter of 2022, a large majority of the managers surveyed expected that the supply shortage for semiconductors would ease in 2023, or that supply and demand for most products would already be in balance. In the very same poll, 24% expressed there was already a surplus of semiconductor inventory, and 31% believed it would occur in 2023.²⁸

Business performance and economic situation

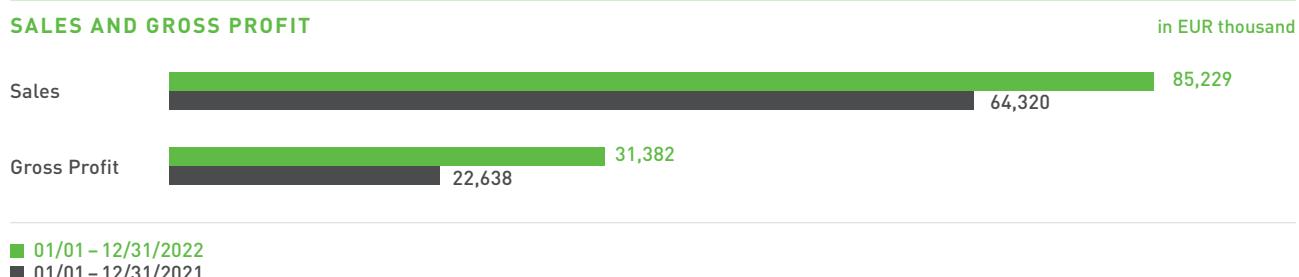
Earnings position

In the reporting year, the Group's net sales revenue increased sharply compared to the previous year by EUR 20,909 thousand or 32.5% to EUR 85,229 thousand (previous year: EUR 64,320 thousand). Both segments contributed to the growth in sales, with the Clean Energy segment in particular recording a particularly strong increase in sales of 35.8% due to the sustained high demand for the Group's fuel cell solutions.

The Clean Energy segment's share of Group sales increased slightly to 67.6% (previous year: 66.0%), while the share of the Clean Power Management segment declined accordingly to 32.4% (previous year: 34.0%).

Exchange rate effects from the translation of the sales revenues of SFC Ltd. had a positive effect of EUR 2,832 thousand (previous year: EUR 737 thousand) on the Group's sales revenues.

Both the increased sales contribution of the higher-margin Clean Energy segment and the increased gross profit margin of the segment resulted in a strong increase in the consolidated gross profit by EUR 8,768 thousand or 38.7% to EUR 31,406 thousand (previous year: EUR 22,638 thousand). The resulting gross profit margin of the Group (gross profit as a percentage of sales) improved to 36.8% (previous year: 35.2%).



Reconciliation of adjusted EBITDA and adjusted EBIT

Adjusted EBITDA and adjusted EBIT are shown in order to neutralize the impact of non-recurring effects that both increase and detract from the operating result for the reporting period in the presentation of financial performance indicators and to ensure comparability of these performance indicators between periods. Here, the effects of the special items listed below included in the respective functional costs 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 year, these non-recurring effects include expenses and income from the increase or reversal of provisions and the capital reserve for obligations under the long-term variable share price-based remuneration programs ("LTI programs") as well as expenses associated with transaction efforts.

The LTI programs are stock appreciation rights ("SARs") and stock option programs ("SOP") for the Management Board and for the managers of Group companies. The expenses for these programs amounted to EUR 665 thousand in the reporting year (previous year: EUR 7,193 thousand) ("special expenses"). At the same time, income from the reversal of provisions for the SARs ("special orders") of EUR 1,149 thousand (previous year: EUR 484 thousand) was recognized in the reporting year. This income was due to the reversal through profit or loss of provisions already recognized for the SARs, which were higher than the cash payments in the current reporting year.

Expenses associated with transaction efforts in the amount of EUR 42 thousand (previous year: EUR 321 thousand) are included in the non-recurring effects ("special expenses").

Overall, the non-recurring effects are recognized as a net expense in the amount of EUR 442 thousand (previous year: EUR -7,030 thousand) for the reporting year are included in EBIT and EBITDA.

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

The non-recurring effects are comprised as follows:

NON-RECURRING EFFECTS	in EUR thousand	
	2022	2021
Expenses from the recognition of provisions in connection with the LTI programs	-665	-7,193
Income from the reversal of provisions for SARs	1,149	484
Expenses in connection with transaction efforts	-42	-321
Total net expense	442	-7,030
thereof included in selling expenses	-254	-4,294
thereof included in research and development expenses	-11	-202
thereof included in general and administrative expenses	-442	-3,018
thereof included in other operating income	1,149	484

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

RECONCILIATION OF EBIT / EBITDA TO ADJUSTED EBIT / ADJUSTED EBITDA		in EUR thousand	
		2022	2021
Operating result according to the income statement (EBIT)		3,599	-5,105
Selling expenses			
Expenses for LTI programs (personnel expenses)		-254	-4,294
Research and development expenses			
Expenses for LTI programs (personnel expenses)		-11	-20
General administrative expenses			
Expenses for LTI programs (personnel expenses)		-400	-2,697
Expenditure for transaction efforts		-42	-321
Other operating income			
Income from LTI programs		1,149	484
Adjusted EBIT		3,157	1,925
 EBITDA		 8,593	 -797
Selling expenses			
Expenses for LTI programs (personnel expenses)		-254	-4,294
Research and development expenses			
Expenses for LTI programs (personnel expenses)		-11	-202
General administrative expenses			
Expenses for LTI programs (personnel expenses)		-400	-2,697
Expenditure for transaction efforts		-42	-321
Other operating income			
Income from LTI programs		1,149	484
Adjusted EBITDA		8,150	6,233

Group sales of EUR 75,000 thousand to EUR 83,000 thousand, adjusted EBITDA of EUR 6,000 thousand to EUR 9,100 thousand and adjusted EBIT of EUR 1,600 thousand to EUR 2,900 thousand were originally forecast for the reporting year on February 14, 2022

Due, in particular, to the good course of business in the first nine months of the reporting year, the persistently high demand for the Group's products and solutions, the visibility with regard to potential delivery bottlenecks for electronic components and the positive prospects for the fourth quarter of 2022, the Management Board specified for the reporting year on November 15, 2022, the forecast range related to Group sales to EUR 81,000 thousand to EUR 83,000 thousand, adjusted EBITDA to EUR 7,500 thousand to EUR 8,500 thousand and raised the forecast range with regard to adjusted EBIT to EUR 2,600 thousand to EUR 3,600 thousand.

With the sales of EUR 85,229 thousand achieved in the reporting year, the Group is well above the previous year's figure and at the upper end of the Management Board's expectations. One key reason for this was the above-mentioned strong growth in sales in the Clean Energy segment resulting from the sustained high demand for fuel cell solutions in connection with tangible sales growth in the Clean Power Management segment due to an improved market environment in the core target industries.

Both the adjusted EBITDA of EUR 8,150 thousand and the adjusted EBIT of EUR 3,157 thousand were also within the target range of the Management Board's expectations. The strong increase in gross profit, which resulted from the achievement of the target of an increase in the consolidated gross profit margin in connection with the growth in sales, contributed to this development. Furthermore, the slightly disproportionate increase in adjusted selling expenses compared to sales, which accounted for the largest share of functional costs, and adjusted general and administrative expenses, which increased only slightly in relation to sales, had a positive effect on adjusted EBITDA and adjusted EBIT. This was counteracted by a significant increase in adjusted general research and development expenses.

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

Sales development by segments

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

SALES BY SEGMENT	in EUR thousand			
Segment	2022	2021	Change	Change in %
Clean Energy	57,632	42,428	15,204	35.8%
Clean Power Management	27,597	21,892	5,705	26.1%
Total	85,229	64,320	20,909	32.5%

The **Clean Energy** segment in particular benefited in the reporting year with an increase in sales of 35.8% to EUR 57,632 thousand (previous year: EUR 42,428 thousand) from market growth and high demand for fuel cells. This applied in particular to energy solutions for industrial applications, which address the core target markets of "civil security technology," "data transmission and digitization" and accounted for the largest share of segment sales. In this context, the increased revenue contribution from the North America region in particular had a positive effect on segment growth. Sales of fuel cell solutions in the core target markets for consumer applications remained approximately at the level of the previous year, while sales for applications in the core target markets of public safety, which accounted for the smallest share of segment sales, declined sharply. One main reason for this is the market in the public safety sector, which is generally characterized by project business, with a few major projects whose timing and delivery have a significant impact on annual sales in this end customer market.

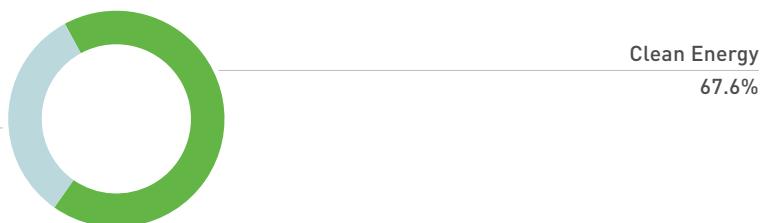
Sales in the **Clean Power Management** segment showed significant growth of 26.1% to EUR 27,597 thousand (previous year: EUR 21,892 thousand) in the reporting year. This growth was mainly based on a recovery in demand from current customers in the end customer market oil and gas and mining as a result of the significantly higher price of crude oil and the improved market environment in the reporting year.

BREAKDOWN OF SALES BY SEGMENT

01/01 – 12/31/2022

in %

Clean Power Management
32.4%



With regard to the distribution of sales across the segments in the reporting year, the Clean Energy segment's share of Group sales increased slightly. With a share of 67.6% (previous year: 66.0%), Clean Energy remained the stronger segment in terms of sales, while the share of sales accounted for by Clean Power Management decreased slightly to 32.4% (previous year: 34.0%).

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 individually or as solutions to customers in the private, industrial and governmental sectors in various markets.

Overall, the segment has proven to be remarkably resilient to crises in recent years and has been characterized by strong demand dynamics. SFC expects that the energy transition in many countries, the increasing conversion to low-carbon electricity generation in connection with increasing government subsidies for fuel cells and a hydrogen infrastructure, and the increase in off-grid and/or grid-independent fields of application will increase future demand for fuel cell solutions.

In the markets Clean Energy addresses, a growing demand for clean energy and increasingly stringent national energy regulations to decarbonize value chains²⁹ are currently shifting market demand away from power generation with fossil fuels towards reliable, sustainable solutions with either low or no emissions at all. This is becoming particularly evident in Europe, North America and Asia. The International Energy Agency (IEA) believes that replacing fossil fuels with electricity from renewable energy sources in many

²⁹ World Economic Forum, [January 2021]: Net Zero Challenge: The supply chain opportunity

sectors of the economy, including the key sectors transport, heating and industry, is a crucial pillar on the path to achieving net-zero. In a scenario analysis, the IEA projects that around 50% of final energy consumption will be met by electricity by 2050, up from around 20% today.³⁰

The segment generated sales of EUR 57,632 thousand in the reporting year (previous year: EUR 42,428 thousand) and thus an increase of EUR 15,204 thousand or 35.8% compared to the same period of the previous year.

As mentioned above, the segment's growth in sales was driven by continued strong demand for fuel cell solutions in the area of industrial applications. In the reporting year, SFC was able to acquire important initial and follow-up orders, so that sales in this end customer market increased particularly strongly by 69.5% or EUR 15,413 thousand to EUR 37,582 thousand (previous year: EUR 22,170 thousand). After achieving a high growth rate the previous year and strongly influenced by restrained consumer spending, sales to customers for private applications remained at around the same level as in the previous year.

Sales for applications in the public sector fell significantly in the reporting year. The main reasons for this were fewer large orders than in the previous year and an expected delay in the awarding of large orders, partly due to long award procedures in key regional target markets.

Clean Power Management

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

The segment also includes the business with frequency converters for customers in the oil and gas industries. Parts of the product portfolio of the Clean Power Management segment are also used in the Clean Energy segment.

Power management solutions are a key component of power conversion systems. The solutions are used to improve power density, reduce electromagnetic interference, preserve power and signal integrity, maintain safety in the presence of variable voltage ranges, as well as extend battery life, among other purposes. The demand for these components has traditionally been shaped by changes in the general economic environment, but is benefiting from the emergence of new uses and a number of trends: These include the critical transition towards lower emissions and more sustainable operations by equipment designers and manufacturing companies, and digitalization leading to increasing demand for smarter devices as well as power storage and flexible control of power distribution, including with a higher share of renewable energy.³¹ Components are further developed based on new materials. Conversion systems require new topologies and ever higher levels of compactness and efficiency.

³⁰ International Energy Agency, (October 2021): Net Zero by 2050 – A Roadmap for the Global Energy Sector.

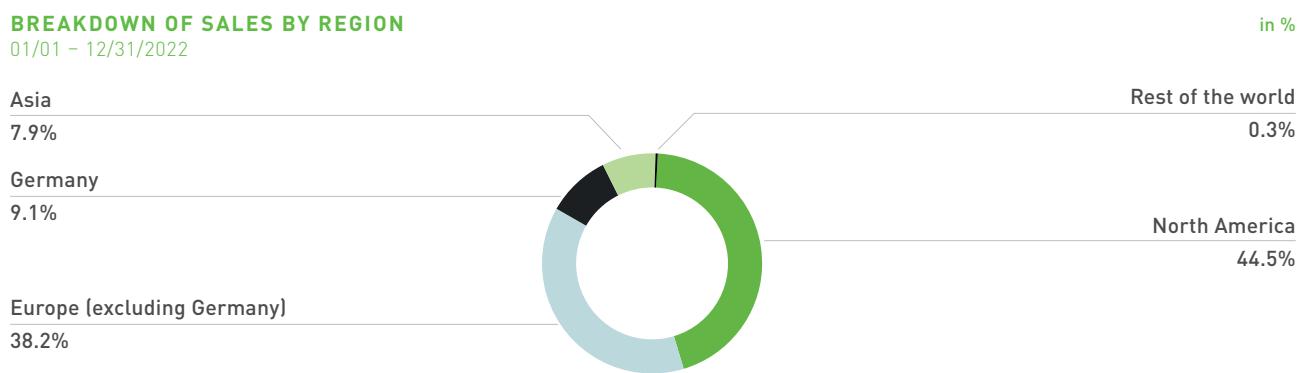
³¹ ZVEI (January 2022): Four percent production growth: electrical and digital industry optimistic about 2022. <https://www.zvei.org/presse-medien/pressebereich/>

Compared to the previous year's figure, the Clean Power Management segment recorded sales growth of 26.1% to EUR 27,597 thousand (previous year: EUR 21,892 thousand). This growth was based in particular on the significant increase in capital expenditure by oil, gas and mining companies in connection with a favorable commodity price environment. Furthermore, the market environment was characterized by demand recovering from the COVID-19 pandemic and the improved market environment and good capacity utilization, despite the uncertain global economic outlook, in the segment's core target markets. At the same time, however, skyrocketing costs for electronic components and tensions in supply chains hampered the segment's growth.

Sales development by region

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

SALES BY REGION		in EUR thousand		
		2022	2021	Change
				Change in %
North America		37,949	24,186	13,764
Europe (excluding Germany)		32,552	29,025	3,527
Germany		7,744	6,694	1,051
Asia		6,714	4,039	2,675
Rest of the world		270	377	-107
Total		85,229	64,320	20,909
				32.5%



The following changes occurred in the regional development of sales in the reporting year compared to the same period of the previous year: North America's share of Group sales increased strongly in the reporting year to 44.5% (previous year: 37.6%), mainly due to the strong sales growth of SFC Ltd., both in Canada and in the United States. North America has thus replaced Europe excluding Germany, which contributed 38.2% (previous year: 45.1%) to Group sales in the reporting year, as the region with the highest sales. Germany's share of sales fell slightly to 9.1% (previous year: 10.4%), but just like the Asia region, whose share of sales was 7.9% (previous year: 6.3%), it recorded absolute sales growth.

Gross profit

Compared to the previous year, gross profit increased by 38.7% to EUR 31,406 thousand (previous year: EUR 22,638 thousand) and thus increased by EUR 8,768 thousand compared to the previous year's figure. The gross profit margin of the Group (gross profit as a percentage of sales) resulting from the development of sales increased significantly to 36.8% in the reporting period (previous year: 35.2%). Both the gross profit margin of the Clean Energy segment, which was slightly higher than in the previous year, and the higher contribution to sales from the segment contributed to this result.

At 42.6%, the gross margin of the Clean Energy segment in the reporting year (previous year: 40.1%) and gross profit from sales of EUR 24,531 thousand (previous year: EUR 17,011 thousand) were both above the level of the previous year's figures due to a better product mix with a higher sales contribution from products for industrial applications, which tend to have higher margins, and generally good price enforcement in the Clean Energy segment.

Although the gross profit of the Clean Power Management segment increased to EUR 6,875 thousand (previous year: EUR 5,627 thousand), the resulting gross margin was slightly below the level of the same period of the previous year at 24.9% (previous year: 25.7%). This decrease is due to higher expenses for the procurement of materials and higher costs for electronic components, but also an unfavorable product mix in the first half of the year.

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

GROSS PROFIT ON SALES		in EUR thousand		
Segment		2022	2021	Change
Clean Energy		24,531	17,011	7,520
Clean Power Management		6,875	5,627	1,248
Total		31,406	22,638	8,768
				38.7%

Selling expenses

Selling expenses declined by 5.7% compared to the previous year in the reporting year to EUR 14,187 thousand (previous year: EUR 15,051 thousand). The special expenses included in selling expenses that were significantly lower than in the same period of the previous year amounted to EUR 254 thousand (previous year: EUR 4,294 thousand).

Adjusted for these effects, selling expenses in the reporting year increased to EUR 13,933 thousand (previous year: EUR 10,757 thousand) and thus by 29.5%. The significant increase is due in particular to higher advertising and travel expenses, which were moderate in the previous year due to the pandemic. Furthermore, both personnel expenses adjusted for special expenses and the expenses for consulting and commissions increased, partly due to sales-related higher short-term performance-related remuneration. Group-wide, adjusted selling expenses as a percentage of sales decreased slightly to 16.3% (previous year: 16.7%) due to the higher sales.

Selling expenses of the Clean Energy segment adjusted for the aforementioned special expenses of EUR 254 thousand (previous year: EUR 4,294 thousand) were 36.3% above the previous year's level at EUR 11,962 thousand (previous year: EUR 8,777 thousand). A large part of the increases in expenses referred to above arose in this segment. In particular, the segment's selling expenses include higher sales commissions and bonuses due to the sharp rise in sales. Selling expenses in the Clean Power Management segment, which do not include any special expenses, remained at the previous year's level of EUR 1,971 thousand (previous year: EUR 1,980 thousand).

Research and development expenses

Research and development expenses reported in the income statement increased quite considerably by 36.4% to EUR 4,441 thousand in the reporting year (previous year: EUR 3,257 thousand).

Adjusted for the above-mentioned special expenses of EUR 11 thousand (previous year: EUR 202 thousand) and including development expenses capitalized in the reporting year, the expenses for joint development projects and grants received in the total amount of EUR 3,885 thousand (previous year: EUR 3,562 thousand), the total expenditure for research and development of the Group amounted to EUR 8,315 thousand (previous year: EUR 6,617 thousand) in the reporting year. The main reason for this development was the sharp rise in personnel costs, due to adjustments made to salaries and an increase in the workforce in the Clean Energy segment.

The Group's overall development ratio (total R&D expenses as a percentage of sales) fell slightly to 9.8% (previous year: 10.3%) due to the growth in sales.

General administrative expenses

At EUR 10,293 thousand (previous year: EUR 10,292 thousand), general administrative expenses in the reporting year were at the same level as in the previous year. After adjustment for the abovementioned non-recurring effects amounting to EUR 442 thousand (previous year: EUR 3,018 thousand), general and administrative expenses rose sharply compared to the same period of the previous year by 35.4% to EUR 9,851 thousand (previous year: EUR 7,275 thousand). The increase is mainly due to significantly higher personnel expenses, including personnel procurement costs in connection with a higher number of employees in both segments as well as increased auditing, legal and consulting expenses.

Other operating income

Other operating income increased significantly in the reporting year compared to the same period of the previous year EUR 2,521 thousand (previous year: EUR 904 thousand). This was mainly due to income from exchange rate differences in the amount of EUR 1,328 thousand (previous year: EUR 415 thousand), which is offset by the expenses from exchange rate differences listed below. Furthermore, this item also includes the income from the reversal of SARs provisions in the amount of EUR 484 thousand (previous year: EUR 1,149 thousand), which is listed in the special effects described above.

Other operating expenses

Other operating expenses in the reporting period amounted to EUR 1,407 thousand (previous year: EUR 48 thousand) and resulted from expenses from exchange rate differences.

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

Earnings before interest, taxes, depreciation and amortization (EBITDA) of the Group increased particularly strongly in the reporting year to EUR 8,593 thousand (previous year: EUR -797 thousand), resulting in an EBITDA margin (EBITDA in relation to sales) of 10.1% (previous year: -1.2%). In addition to the significantly increased gross profit, the positive EBITDA is also due in particular to the income from the above-mentioned special effects, while EBITDA in the previous year was burdened by high expenses from these special effects.

The key financial performance indicator for managing the operating business, EBITDA adjusted for special effects (adjusted EBITDA), amounted to EUR 8,150 thousand (previous year: EUR 6,233 thousand) and increased significantly by EUR 1,917 thousand compared to the previous year's figure. At 9.6% (previous year: 9.7%), the adjusted EBITDA margin was roughly at the previous year's level.

Mainly as a result of the significantly higher gross profit, the Clean Energy segment's EBITDA adjusted for non-recurring effects improved to EUR 7,354 thousand in the reporting year (previous year: EUR 5,539 thousand), although the segment's adjusted EBITDA margin was 12.8% (previous year: 13.1%), slightly below the previous year's level.

EBITDA for the Clean Power Management segment does not include any non-recurring effects. Mainly due to the strong increase in sales, EBITDA increased significantly in the reporting period to EUR 796 thousand (previous year: EUR 694 thousand) despite the slight decrease in the gross profit margin. The segment's EBITDA margin fell moderately to 2.9% (previous year: 3.2%), however.

Operating result (EBIT)

Earnings before interest and taxes (EBIT) of the Group increased significantly in the reporting year to EUR 3,599 thousand (previous year: EUR -5,105 thousand). The EBIT margin (EBIT in relation to sales) increased analogously to EBIT to 4.2% (previous year: -7.9%) also due to the lower burdens from the non-recurring effects listed above. EBIT adjusted for the non-recurring effects (adjusted EBIT) amounted to EUR 3,157 thousand (previous year: EUR 1,925 thousand) and was therefore at EUR 1,232 thousand considerably higher than the previous year. This resulted in a slightly higher adjusted EBIT margin of 3.7% (previous year: 3.0%) than in the previous year.

Adjusted EBIT of the Clean Energy segment for the reporting year amounted to EUR 3,450 thousand (previous year: EUR 2,343 thousand). The EBIT of the Clean Power Management segment, which does not include any non-recurring effects, improved to EUR -293 thousand (previous year: EUR -419 thousand), however.

Interest and similar income

Interest and similar income amounted to EUR 0 (previous year: EUR 0) due to the relatively low level of interest rates, particularly in the first half of the reporting year.

Interest and similar expenses

Interest and similar expenses in the amount of EUR 609 thousand (previous year: EUR 410 thousand) include interest expenses from the application of IFRS 16 in the amount of EUR 445 thousand (previous year: EUR 215 thousand), Interest payments for financial liabilities and negative interest on short-term bank deposits. The increase in the item resulted from higher interest expenses in connection with the application of IFRS 16.

INTEREST AND SIMILAR EXPENSES		in EUR thousand		
Segment		2022	2021	Change
Lease liabilities (IFRS 16)		445	215	230
Credit institutions		165	195	-30
Total		609	410	200
				107.2%

Group annual result

The reporting year was concluded with a consolidated result for the period of EUR 2,020 thousand (previous year: EUR -5,829 thousand).

Earnings per share

The undiluted and diluted loss per share in accordance with IFRS amounted to EUR 0.13 (previous year: EUR -0.40).

Order intake and order backlog

Order intake increased significantly in the reporting year to EUR 127,195 thousand (previous year: EUR 89,087 thousand). Accordingly, the Group's order backlog also grew to EUR 74,176 thousand (previous year: EUR 30,552 thousand) as of the reporting date December 31, 2022. Of this amount, SFC AG accounted for EUR 19,522 thousand (previous year: EUR 8,529 thousand), SFC B.V. for EUR 34,937 thousand (previous year: EUR 10,907 thousand) and SFC Ltd. for EUR 19,717 thousand (previous year: EUR 11,116 thousand).

Asset and financial position

Principles and objectives of financial management

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

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

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

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

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

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

Capital structure

Equity amounted to EUR 103,437 thousand as of December 31, 2022 (December 31, 2021: EUR 50,019 thousand) and thus increased by EUR 53,418 thousand.

The net financial position (freely available cash and cash equivalents less liabilities to banks) increased by EUR 38,860 thousand to EUR 60,748 thousand in the reporting year (December 31, 2021: EUR 21,888 thousand).

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

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

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

Cash capital increase

On July 27, 2022, SFC AG resolved a capital increase with subscription rights and the subsequent private placement of 2,893,948 no-par value bearer shares in the company at a price of EUR 19.50 per new share. As part of the capital increase, subscription rights were exercised for 2,044,314 or 70.6% of the new shares. The remaining shares were successfully placed via a private placement in the form of an accelerated bookbuilding with qualified investors in Germany and other jurisdictions outside the United States. The company received gross proceeds from the issue of EUR 56,432 thousand from the capital increase.

Cash and cash equivalents

As of December 31, 2022, freely available cash and cash equivalents amounted to EUR 64,803 thousand (December 31, 2021: EUR 24,623 thousand).

Overall, liabilities to banks increased by EUR 1,320 thousand in the reporting year to EUR 4,055 thousand (December 31, 2021: EUR 2,735 thousand) due to higher utilization of working capital credit lines compared to the reporting date in 2021.

SFC Energy AG

As part of the operational financing of SFC Energy AG, a guarantee facility in the amount of EUR 500 thousand with a fixed guarantee commission and an indefinite term was concluded in reporting year 2021. Liquid funds in the same amount are to be pledged as collateral for guarantees issued. As of December 31, 2022, the guarantee utilization amounted to EUR 99 thousand (December 31, 2021: EUR 99 thousand).

SFC Ltd.

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

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

A loan with a term to maturity in May 2022 was repaid as scheduled in the reporting year.

SFC AG has issued a letter of subordination to SFC Ltd.'s bank for a current shareholder loan. The shareholder loan is short-term and bears interest of 9.0% p.a. The loan is valued at EUR 1,501 thousand including interest as of the balance sheet date (as of December 31, 2021: EUR 1,421 thousand).

SFC B.V.

As part of the financing of the subsidiary SFC B.V., Almelo, the Netherlands, a working capital loan agreement with a term of 12 months and an extension option as well as a frame of up to EUR 3,000 thousand and a variable interest rate (EURIBOR plus a fixed margin) was concluded. In addition, a working capital loan agreement with a frame of up to EUR 500 thousand without a fixed term ("until further notice") was also concluded with a variable interest rate (1-month EURIBOR plus a variable mark-up and a fixed margin).

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

As part of the financing of the direct sub-subsidiary SFC Energy Power S.R.L., Cluj, Romania, a working capital loan agreement of up to EUR 1,000 thousand with a variable interest rate (EURIBOR rate plus a fixed margin) and a term of 12 months together with an annual extension option was concluded with a bank. The financial covenants agreed in the contract (debt and solvency ratio) were complied with in the reporting year.

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

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

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

EQUITY RATIO OF THE GROUP		in EUR thousand	
		12/31/2022	12/31/2021
Equity		103.437	50.019
as a percentage of total capital		70,3%	57,3%
Borrowed capital		43.734	37.346
as a percentage of total capital		29,7%	42,7%
Long-term debt		17.142	16.348
Short-term debt		26.591	20.998
Group balance sheet total		147.171	87.365

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

Liquidity

In the reporting year 2022, there was a net inflow of funds of EUR 40,213 thousand (previous year: net outflow of EUR -6,841 thousand).

The freely available cash and cash equivalents as of the reporting date increased to EUR 64,803 thousand (December 31, 2021: EUR 24,623 thousand). In addition, cash and cash equivalents in the amount of EUR 385 thousand (December 31, 2021: EUR 385 thousand) were restricted in favor of a landlord and in favor of a bank in connection with a guarantee.

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

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

As of the balance sheet date, there were current liabilities to banks in the amount of EUR 4,055 thousand (December 31, 2021: EUR 2,735 thousand). There were no long-term liabilities to banks.

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

UTILIZATION OF CREDIT LINES AS OF 12/31/2022		in EUR thousand
	Credit line	Utilization
SFC Ltd.; operating credit line	TCAD 4,000	TCAD 1,082
SFC Energy Power S.R.L.; operating credit line	TEUR 1,000	TEUR 788
SFC B.V.; operating credit line I	TEUR 3,000	TEUR 2,055
SFC B.V.; operating credit line II	TEUR 500	TEUR 462

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

Cash flow and investments

CASHFLOW		in EUR thousand
	01/01-12/31/2022	01/01-12/31/2021
Operating cash flow before changes in working capital	8,742	5,977
Cash flow from		
Operating activities	-4,761	1,078
Investing activities	-5,202	-3,873
Financing activities	50,176	-4,046

Operating cash flow and cash flow from operating activities

Operating cash flow before changes in net working capital and income taxes (operating result before changes in working capital) amounted to EUR 8,742 thousand (previous year: EUR 5,977 thousand) and was thus significantly higher than in the previous year.

After taking the change in net working capital into account, which increased by EUR 13,263 thousand (previous year: EUR 4,567 thousand) and income tax payments, the negative cash flow from operating activities amounted to EUR -4,761 thousand (previous year: positive cash flow of EUR 1,078 thousand). The main reason for this decline was the increase in net working capital mentioned above.

With regard to the main changes in net current assets, inventories increased by EUR 10,810 thousand, whereby a large share of the increase was attributable to SFC AG. Furthermore, other receivables and assets increased by EUR 3,058 thousand and trade payables increased by EUR 1,615 thousand in the same period. Trade receivables increased by EUR 1,042 thousand in the reporting year. Together with the other items under net current assets, this resulted in an increase in net current assets and thus a cash outflow of EUR 13,263 thousand (previous year: EUR 4,567 thousand) in the reporting period.

The net change in cash and cash equivalents amounted to EUR 40,213 thousand (previous year: net outflow of EUR -6,841 thousand). As of December 31, 2022, the balance of freely available cash and cash equivalents amounted to EUR 64,803 thousand (December 31, 2021: EUR 24,623 thousand).

Cash flow from investing activities

Cash flow from investing activities in the reporting year amounted to EUR -5,202 thousand (previous year: EUR -3,873 thousand). The decline is mainly due to higher investments in the Group's operating and office equipment, which amounted to EUR 1,760 thousand in the reporting year (previous year: EUR 851 thousand).

Investments

Investments in property, plant and equipment excluding investments in rights of use in connection with the application of IFRS 16 amounted to EUR 2,146 thousand (previous year: EUR 969 thousand) in the reporting year. Investments in intangible assets amounted to EUR 3,055 thousand (previous year: EUR 2,762 thousand), of which EUR 2,620 thousand (previous year: EUR 2,493 thousand) is attributable to capitalizable development expenses.

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

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

INVESTMENTS	in EUR thousand	
	2022	2021
Clean Energy	9,065	2,872
Clean Power Management	1,940	1,244
Total	11,005	4,117

Cash flow from financing activities

The significantly positive cash flow from financing activities in the reporting year of EUR 50,176 thousand (previous year: EUR -4,046 thousand) was mainly characterized by the capital increase in July 2022 with a cash inflow of EUR 56,432 thousand. This was offset by an outflow of funds from the costs of the capital increase in the amount of EUR 5,224 thousand.

Asset position

Total assets of EUR 147,171 thousand as of December 31, 2022 (December 31, 2021: EUR 87,365 thousand) increased by 68.5% compared to the end of the previous financial year to EUR 59,806 thousand.

Inventories increased significantly by 75.7% to EUR 24,921 thousand (December 31, 2021: EUR 14,185 thousand) due to growth and higher stock levels. In particular, inventories at SFC B.V. and SFC Ltd. increased especially strongly as of the reporting date compared to December 31, 2021. Overall, the Group continued to pursue the strategic goal of higher stockpiling of intermediate goods at all Group companies in the reporting year 2022 in order to prevent potential interruptions in the supply chains due to the COVID-19 pandemic and/or the military conflict in Ukraine.

In line with sales, trade receivables also increased as a result of growth. As of the reporting date, they amounted to EUR 18,110 thousand (previous year: EUR 17,608 thousand) and, at 2.9%, were only slightly above the previous year's level despite the strong growth in sales. While trade receivables at SFC AG had fallen significantly as of the reporting date, they increased considerably at SFC Ltd. and at SFC B.V.

In the reporting year, the share of non-current assets in total assets declined considerably to 23.1% (December 31, 2021: 32.8%), in particular due to the increase in cash and cash equivalents from the capital increase carried out in July of the reporting year.

Intangible assets increased slightly as of the reporting date to EUR 18,576 thousand (previous year: EUR 17,698 thousand), mainly due to capitalized development expenses, which amounted to EUR 9,595 thousand as of December 31, 2022 (December 31, 2021: EUR 8,768 thousand). Capitalized development expenses of EUR 1,793 thousand (previous year: EUR 1,457 thousand) in the reporting year were amortized.

Property, plant and equipment increased sharply by EUR 4,509 thousand to EUR 13,396 thousand (December 31, 2021: EUR 8,887 thousand). Similarly, investments in property, plant and equipment, including the capitalization of rights of use in connection with IFRS 16, also rose sharply in the reporting year to EUR 7,950 thousand (previous year: EUR 1,355 thousand), of which EUR 5,803 thousand (previous year: EUR 368 thousand) resulted from the capitalization of rights of use (IFRS 16), however.

In the reporting year, current liabilities increased significantly by EUR 5,593 thousand or 26.6% to EUR 26,591 thousand (December 31, 2021: EUR 20,998 thousand). Trade payables in the amount of EUR 9,046 thousand (December 31, 2021: EUR 7,642 thousand) were a significant item included in current liabilities. They rose by EUR 1,404 thousand in the reporting year in line with the increased operating performance and were thus significantly above the level of financial year 2021.

Another significant item, other liabilities and deferred income in the amount of EUR 8,317 thousand (December 31, 2021: EUR 6,327 thousand) increased by a total of EUR 1,990 thousand in the reporting year, in particular due to liabilities to employees. Other current provisions declined by EUR 446 thousand to EUR 1,495 thousand (December 31, 2021: EUR 1,942 thousand).

Current lease liabilities increased by EUR 149 thousand to EUR 2,009 thousand (December 31, 2021: EUR 1,860 thousand).

Non-current liabilities rose slightly in the reporting period by EUR 794 thousand to EUR 17,142 thousand (December 31, 2021: EUR 16,348 thousand). The main items included in non-current liabilities are lease liabilities in the amount of EUR 8,552 thousand (December 31, 2021: EUR 4,891 thousand) and liabilities from the LTI programs in the amount of EUR 4,047 thousand (December 31, 2021: EUR -7,210 thousand), which are included in other liabilities. The significant increase in lease liabilities by EUR 3,661 thousand in the reporting year results from lease liabilities recognized as liabilities in connection with the application of IFRS 16 for the extension of the lease of a building owned by SFC AG.

Financial liabilities increased in the reporting year by EUR 1,320 thousand to EUR 4,055 thousand (December 31, 2021: EUR 2,735 thousand) and are exclusively of a short-term nature. These are the operating credit lines of SFC B.V., SFC Energy Power SRL and SFC Energy Ltd.

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

NET FINANCIAL LIABILITIES	in EUR thousand		
	12/31/2022	12/31/2021	Change
Liabilities to banks	4,055	2,735	1,320
thereof SFC Energy AG	–	–	–
thereof SFC Energy B.V.	2,517	1,385	1,132
thereof SFC Energy Power SRL	788	2,209	-17
thereof SFC Energy Ltd.	749	545	204
Less			
Freely available cash and cash equivalents ^a	64,803	24,623	40,180
Total	60,748	21,888	38,860

Overall, debt as a percentage of total capital amounted to 29.7% (December 31, 2021: 42.7%).

The Group's equity increased to EUR 103,437 thousand in the reporting year (December 31, 2021: EUR 50,019 thousand). The equity ratio also increased to 70.3% (December 31, 2021: 57.3%). With regard to the development of equity, reference is also made to the Consolidated Statement of Changes in Equity.

^a Cash and cash equivalents less restricted cash and cash equivalents

Summary of the business performance and situation

In summary, one can conclude from the business situation presented above that the Group has a stable asset and financial position as of the reporting date, in particular due to the good level of cash and cash equivalents thanks to the capital increase that took place in 2022 and taking possible future additions to capital, regardless of the current result, into account. However, the overall picture could change negatively in the event of a negative development in earnings that deviates from the sales and earnings forecast and a resulting deterioration in the financial position.

Financial and non-financial performance indicators

The Management Board places a particular focus on the sustainable development of the Group. The financial performance indicators for managing the Group and their development in reporting year 2022 have already been presented above under the item "Control system."

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

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

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

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

To determine the quality of a supplier, the ratio of the number of complaints on the goods received are set in relation to the total number of goods received with regard to the seven most important suppliers. These seven most important suppliers are determined annually by Quality Control and Purchasing based on various criteria. The supplier quality ratio was 0.89% defective parts (previous year: 0.80%) and thus slightly below the previous year's figure. Two suppliers contributed to the deterioration.

The mean time to failure for SFC AG's industrial equipment is used to determine product quality. At 2,965 hours (previous year: 2,934 hours), this increased slightly compared to the previous year and thus improved.

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

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

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

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

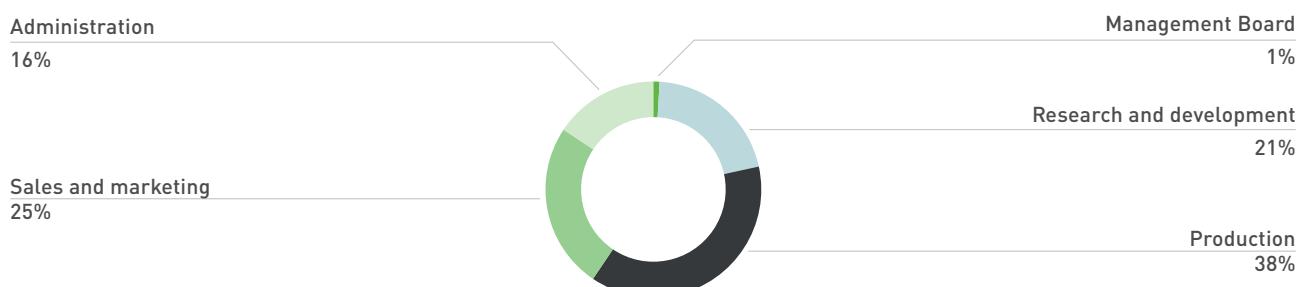
Employees

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

AVERAGE NUMBER OF EMPLOYEES

	12/31/2022	12/31/2021	Change
Management Board	3	3	-
Research and development	68	64	4
Production, logistics, quality management	124	103	21
Sales and marketing	81	76	5
Administration	50	42	9
Permanent employees	326	288	39

EMPLOYEES BY FUNCTIONAL AREA (AVERAGE)



As of December 31, 2022, the Group employed 354 permanent employees worldwide (December 31, 2021: 298).

Risk and Opportunities Report

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

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

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

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

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

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

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

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

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

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

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

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

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

Due to the size of the Group, there is no Group internal audit department.

In principle, it should be noted that an internal control system, regardless of its design, does not provide absolute assurance that material misstatements in the financial statements will be prevented or detected.

Compliance Management System ³²

In the reporting year, SFC's compliance management system (the „CMS“), with its key elements of risk analysis/prevention, detection and response, was further aligned with the Group's risk situation. The main goal of compliance management, namely to ensure that employees act lawfully and responsibly, was expressed in a Code of Conduct that applies throughout the Group. A number of fundamental statements in the Code of Conduct have been expanded in further, separate directives. This applies in particular to the areas of corruption prevention, economic sanctions and the whistleblower system. The legal provisions applicable in this respect are explained in more detail and practical advice is given on correct behavior in specific situations.

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

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

³² Section was not the subject of the audit of the group management report (information unrelated to the management report)

Risk Management System

The Group's risk management ("RMS") is an integral part of the Group's business processes and is designed to ensure a comprehensive overview of the Group's risk situation. The identification and assessment of significant risks and, above all, early recognition and active reduction of risks that could potentially jeopardize the company's existence are the primary objectives of the RMS. In particular, risks with a significant negative impact on the asset, financial and earnings positions are to be identified at an early stage so that measures can be taken to avoid, reduce or manage them. The Risk Management System is the responsibility of the Management Board and takes the requirements arising from legislation, case law, the German Corporate Governance Code and other internationally recognized governance standards into account. It is monitored by the Supervisory Board and the Audit Committee of the Supervisory Board. In accordance with the Group's organizational and responsibility hierarchy, the respective management of the subsidiaries, business areas and organizational units (collectively "risk owners") are obliged to implement a Risk Management System that is tailored to meet their specific business and responsibilities while complying with the Group's overarching principles that apply.

The Group's strategic objectives form the basis for the Risk Management System. The goals are grouped into five areas: Growth and Profitability, Innovation and Operational Performance. They are reviewed annually by the Management Board and Supervisory Board and adjusted as necessary. In addition, the strategic goals form the basis for the Group's five-year business plan, which is reviewed and updated annually.³³

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

The respective department heads as well as the members of management and the extended management of the Group companies are directly responsible for the identification, analysis, control and communication of risks. They assist the Management Board with identifying and assessing risks in their area of responsibility. The risk officers provide information on changes in the risk situation in the business areas by holding meetings to set the targets between the Management Board and the risk officers and through regular reporting. Thematic risk and opportunity assessments then serve to evaluate the company-wide risk and opportunity situation in the Management Board meetings that usually take place each week and the quarterly Supervisory Board meetings.

The RMS is constantly and systematically developed further. The guideline on the RMS was reviewed in the financial year to ensure that it was up-to-date and adjusted accordingly. The main goal of the RMS is to inform the Management Board and Supervisory Board of the risks with medium and high expected value ("material risks," the expected value is a combination of the probability of occurrence and the level of the negative effects on the asset, financial and earnings position. The risk assessment criteria are derived from the Management Board's risk strategy. Changes in risks and opportunities are constantly monitored, assessed, and incorporated into the company's planning as necessary during the year.

³³ Section was not the subject of the audit of the group management report (information unrelated to the management report)

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

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

RISK CLASSIFICATION MATRIX – EXPECTED VALUE

Probability of occurrence / degree of impact	Unlikely from < 20%	Possible from 20 % to < 70 %	Probable from >= 70 %
Insignificant (up to EUR 500 thousand)	Low	Low	Moderate
Moderate (from EUR 500 thousand to EUR 1,000 thousand)	Low	Moderate	High
Significant (from EUR 1,000 thousand)	Moderate	High	High

The Group distinguishes between financial risks on the one hand and business opportunities and risks on the other. These represent the main influencing factors for SFC. The financial risks are presented under “Risk reporting with regard to the use of financial instruments.” The financial risks as well as the business risks and opportunities are shown in detail under “Risk Reporting.” Changes from the previous year are explicitly explained.

It should be noted, however, that risk and control systems such as the ICS, CMS and RMS, regardless of their design, do not provide absolute certainty that all risks that actually occur can be detected in advance or that all process violations can be prevented. Based on the ICS, CMS and RMS described above, the Management Board has no indication that the ICS, CMS and RMS in their respective entirety were not adequate or effective as of December 31, 2022.³⁴

The German Corporate Governance Code contains recommendations on the disclosure of the internal control system and the Risk Management System that extend beyond the statutory requirements for the Management Report. Accordingly, the disclosures made in accordance with these recommendations are not part of the substantive audit of the Management Report carried out by the auditor.

Risk reporting with regard to the use of financial instruments

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

One of the main tasks of SFC is to coordinate and manage the Group’s financial requirements and to ensure the Group’s financial independence. This involves optimizing financing and limiting financial risks. Appropriate processes have been established and documented to manage financial opportunities and risks. Financial planning forms one of

³⁴ Section was not the subject of the audit of the group management report (information unrelated to the management report)

the building blocks and serves as the basis for determining the expected liquidity requirements. Financial planning covers a planning horizon of at least twelve months and is updated regularly.

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

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

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

RISKS RELATING TO FINANCIAL INSTRUMENTS

	Probability of occurrence	Degree of impact
Default risk	Possible	Significant
Currency risk	Possible	Moderate
Liquidity risk	Unlikely	Significant
Interest rate risk	Possible	Insignificant

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

Default risk (credit risk)

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

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

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

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

Receivables from product sales are secured for SFC AG by retention of title.

The outstanding receivables, for which there are value adjustments in the amount of EUR 1,505 thousand (December 31, 2021: EUR 853 thousand), are of high creditworthiness due to the current customer structure. As of the balance sheet date, there were no indications that payment defaults can be expected with regard to these receivables.

There are also potential default risks for liquid funds. Cash and cash equivalents essentially include short-term time deposits and overnight deposits and bank balances that are immediately available. In connection with the investment of cash and cash equivalents, SFC is exposed to losses from credit risks if banks fail to meet their obligations. To minimize this risk, the banks with which investments are made are selected very carefully and the investments are spread across several banks. Great care is taken to ensure that the majority of liquid funds are invested with banks based in Germany that are members of the deposit protection fund of the Federal Association of German Banks and the compensation scheme of German banks GmbH. In addition, only short-term time deposits with a maximum term of three months are agreed. The maximum risk position corresponds to the carrying amount of the liquid funds on the balance sheet date. As of the balance sheet date, SFC had not invested any liquid funds in time deposits.

Overall, the credit or default risk is to be assessed as a high risk due to the imponderables and the related high probability of occurrence, as well as the significant negative impact due to the volume of the assets concerned.

Currency risk

Due to the international orientation of its business activities, the Group is exposed to risks from exchange rate fluctuations. An exchange rate risk consists of possible changes in value, especially with receivables and liabilities in a currency other than the respective functional currency of the Group companies, due to fluctuations in exchange rates (transaction risk). An increasing share of the Group's sales revenues, operating costs and capital expenditures are denominated in Canadian dollars and US dollars. Due to the volume of the business of SFC Ltd. in particular, the Group generates a significant share of its sales in Canadian dollars, which are also offset by expenses or expenditures in the same currency. Furthermore, SFC AG and SFC Ltd. in North America generate their sales in US dollars, which are also only partly offset by expenses in US dollars for the purchase of preliminary products or services. By expanding its business activities in North America, the company generates an increasing surplus of funds in both foreign currencies and this is expected to be the case in the future, as well.

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

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

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

Currency translation of the assets and liabilities of SFC Ltd. as of December 31, 2022, would have resulted in an effect of EUR -898 thousand (previous year: EUR -879 thousand) if the CAD exchange rate had fluctuated by -5% and in an effect of EUR 898 thousand (previous year: EUR 879 thousand) if the CAD exchange rate had fluctuated by +5%, which would have been reflected in the Group's equity.

If the exchange rate of the CAD to the EUR changes by 5% compared with the assumptions in the company's planning, this will have an impact of around 2.0% on Group sales (previous year: 1.8%) and around 1.7% (previous year: 0.5%) on adjusted Group EBITDA.

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

Due to the higher business volume in North America, the potential negative effects of currency risks are no longer considered insignificant, but rather now assessed as moderate and possible. Overall, this no longer results in a low risk, but in a medium risk.

Liquidity risk

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

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

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

No liquidity risk is currently discernible for SFC. As of the reporting date, the freely available liquid funds without restrictions on disposal amounted to EUR 64,803 thousand (previous year: EUR 24,623 thousand).

Overall, the liquidity risk is assessed as unlikely, but with a significant degree of moderate risk.

Interest rate risk

Negative developments on the financial markets and changes in central bank policies can lead to fluctuations in interest rates, which can have a negative impact on SFC's financial results. In the reporting year, interest rates rose in the highly developed economies, among other factors due to increased macroeconomic uncertainties (e.g., inflation, COVID-19, the war in Ukraine). Changes in the level of interest rates influence the interest expense for drawing on credit lines and the income from the investment of cash and cash equivalents, in particular due to variable interest rates. Currently, cash investments are made with a maximum term of 3 months, therefore SFC's interest result is significantly influenced by short-term interest rates on the capital market. The interest rate risk from the investment of liquid funds results in particular from the interest on short-term time deposits.

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

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

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

The interest rates for the agreed credit lines correspond to the EURIBOR or the Canadian Prime Lending Rate plus a margin. At present, only the 1-month EURIBOR is used as the prime rate in Europe.

Due to the increased macroeconomic uncertainties, the interest rate risk is no longer assessed as possible, but rather as probable. However, due to the Group's relatively low level of debt financing, it still has potentially minor negative effects on the asset, financial and earnings position. Overall, this risk is assessed as low.

Risk Report

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

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

Business risks

BUSINESS RISKS		Probability of occurrence	Degree of impact
Market risks		wahrscheinlich	erheblich
Clean Power Management segment		möglich	erheblich
Clean Energy segment		unwahrscheinlich	erheblich

Market risks

Macroeconomic development

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

The global economic and geopolitical outlook is currently subject to great uncertainty and the macroeconomic environment was volatile during the reporting year due to various negative factors (e.g., the energy crisis caused by the war in Ukraine, the ongoing impact of the COVID-19 pandemic and high inflation). The negative factors could all intensify further in 2023. Above all, the war in Ukraine and its political and economic consequences, such as sanctions and countermeasures, harbor far-reaching risks. Even if the Group did not have any significant business relationships in Russia and Ukraine before the Russian invasion of Ukraine, the war can have an indirect negative impact on how's sales develop, production processes as well as purchasing and logistics processes, through interruptions in supply chains and the energy supply or due to shortages of components and raw materials, for example. The conflict could further escalate and spread to other countries, including NATO countries, and unconventional weapons could be used. An escalation of the war could have a significant impact on the Group's market environment. Furthermore, the current state of war could also have a continued negative impact on economic development if potential energy supply bottlenecks require rationing in industry and households or even lead to power outages in the months that lie ahead. This would fuel the already high inflation, which in turn poses the risk of a sustained wage-price spiral.

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

In addition, risks could arise from other geopolitical tensions (particularly related to Ukraine, the Baltic States, Eastern Europe, the Western Balkans, China, Taiwan and Iran). Obstructing and having to redefine international cooperation could severely affect the Group's business. As a result, increasing trade barriers, protectionism, sanctions and technical regulations would have a negative impact on production costs and make access to sales markets considerably more difficult or even impossible.

Potential bottlenecks in the supply chain caused by the lack of availability of intermediate products, especially electronic components, pose a significant risk to Group sales and the cost structure.

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

Both the excess demand in global merchandise trade and the supply-side bottlenecks had a price-driving effect on intermediate products in the financial year. Together with the sharp rise in fossil fuel prices, this also had a direct impact on global consumer prices. These were significantly higher in the reporting year than in the previous year in the euro zone.³⁵

The Group's international business structure, the broad product portfolio for customers from the private, industrial and government sectors in the various markets, which follow different business cycles, help to balance the consequences of unfavorable developments in individual markets. For example, the Clean Power Management segment, with its significantly higher share of electronic components in the pre-products than the Clean Energy segment, is affected by delivery bottlenecks to a much greater extent.

Strategic Risks

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

The Group's strategy is geared towards growth and internationalization in the fuel cell market. The strategic assumptions regarding growth are based on assumptions and estimates that may subsequently prove to be incorrect. This includes operational and regulatory developments as well as future economic developments and market changes, as core customer industries and regional markets that the Group strategically focuses

³⁵ Ifo Institute, Munich (December 2022)

on can develop differently than expected. The Group lowers these risks by conducting careful analysis. Notwithstanding this, it cannot be ruled out that any of the aforementioned circumstances could lead to the expected results not being achieved in individual markets. Overall, the Group attempts to counter these risks through a broad diversification of markets and regions.

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

COVID-19 pandemic

COVID-19 is still putting a burden on global economic activity, particularly due to the lifting of the strict zero-COVID policy in China with potential spillover effects on the global economy (e.g., re-emergence of the COVID-19 pandemic in Europe and North America, or emergence of more aggressive or even deadly variants). In this context, the emergence of more aggressive and deadly variants also poses a key risk to the global economy.

In the reporting year, the effects of the COVID-19 pandemic were less severe than in the previous year. Nevertheless, there were still pandemic-related disruptions to manufacturing or supply chains, such as in China, for instance. This had and is still having an impact on the availability of raw materials and components as well as on the Group's sales. These risks could intensify if the COVID-19 pandemic flares up again. The COVID-19 pandemic and any other pandemic, epidemic or outbreak of infectious diseases could have a material adverse effect on the Group's business, results of operations and financial position.

The Management Board and the extended management team across all functional areas of the Group continue to closely monitor COVID-19 events and actively participate in mitigation actions as needed.

Overall, market risk is considered to be a high risk due to the probability of occurrence that is considered probable and the potentially significant negative impact.

Clean Energy segment

The energy transition and climate protection have become dominant issues in society, politics, the business world and society in recent years. According to our estimates, there will be upheavals in the energy sector, also in response to climate target obligations. Power generation from fossil fuels is coming under increasing pressure as the prevailing trend in many regions of the world is toward sustainable power generation from renewables or carbon-neutral fuels. This is shown, for example, by the alliance of large parts of science, the business world and civil society for comprehensive CO₂ pricing, the climate package of the federal government, but also the IPCEI Hy2Tech project for funding of hydrogen³⁶ approved by the EU Commission in July 2022, but also the tax credits for the production of green hydrogen passed in the United States in November 2022 as part of the "Inflation Reduction Act."³⁷

³⁶ The European Commission. Brüssel (September 2022); Pressemitteilung Statement by Executive Vice-President Vestager on the second Important Project of Common European Interest in the hydrogen value chain https://ec.europa.eu/commission/presscorner/detail/en/STATEMENT_22_5677

³⁷ The White House. Washington (January 2023). A GUIDEBOOK TO THE INFLATION REDUCTION ACT'S INVESTMENTS IN CLEAN ENERGY AND CLIMATE ACTION

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

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

The relevant changes could take place gradually over several years or even decades, however. There is a risk that demand for hydrogen and direct methanol fuel cell solutions will fall short of forecasts because the transition to the technology takes place more slowly than we expect or other low-emission or emission-neutral technologies will be put to use. There is also a risk that corresponding requirements or regulatory measures (e. g. CO₂ pricing, deployment restrictions on technologies that emit greenhouse gases, promotion of the hydrogen infrastructure) will be implemented over a much longer period of time than we expect and could force us to rethink our strategy and organizational structure as well as our product portfolio.

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

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

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

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

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

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

Clean Power Management Segment

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

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

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

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

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

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

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

Operational Risks

OPERATIONAL RISKS

	Probability of occurrence	Degree of impact
Technological risks	Possible	Moderate
Patent law risks	Unlikely	Insignificant
Competitive risks	Possible	Moderate
Product risks	Possible	Significant
Procurement risks	Probable	Significant
Production risks	Possible	Significant
Commodity price risks	Probable	Significant
Human Resources risks	Probable	Significant
Information technology risks	Possible	Significant
Risks in the regulatory environment	Possible	Significant
Compliance risks	Possible	Significant
Environmental Social Governance risks	Possible	Significant
Company development risks	Possible	Significant

Technological risks

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

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

The conclusion and continuation of intensive cooperation agreements and the externalization of certain development services are of major importance. A deviation from the strategic goals defined for this purpose could have a critical negative impact on the future earnings situation of the Group. The know-how generated during (further) development represents an important competitive advantage for SFC. The Group's patents and intellectual property portfolio are actively maintained and developed in order to secure and expand the Group's technology position. On the one hand, however, not all products manufactured in the Group are subject to patent protection, on the other hand, patents and other intellectual property rights cannot prevent competitors from developing and selling products and technologies themselves that are similar to those of SFC and compete with SFC. Such risks are mitigated by the speed of the development process and de facto protection in the form of the know-how held within the Group.

A change in the budgetary situation in Germany could lead to restrictions on the allocation of subsidies. However, it must be taken into account that only a small number of potential projects will be considered for funding in 2023 and that very few grants went towards current projects in 2022. Therefore, the opportunities outweigh the risks here, due in particular to the national hydrogen strategy and, to some extent, the Research Allowance Act.

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

Patent law risks

The increasingly confusing intellectual property situation and the complexity of the products mean that some of SFC's processes or products may infringe on patents whose existence we are not aware of.

Thanks to its unique position as a supplier of commercial direct methanol fuel cells, SFC has acquired intellectual property rights and applications (currently: 13 patent families) that give it a strong competitive position vis-a-vis its competitors. Nevertheless, it cannot be ruled out that legal costs could arise to defend these patents. Due to the orientation of SFC as a provider of energy supply solutions, there is also the risk that integration solutions are subject to property rights that have already been granted. SFC constantly works with experienced patent attorneys to obtain legal certainty also in other countries with respect to patents that could be relevant there.

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

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

It cannot be guaranteed that the measures taken by SFC to protect its intellectual property will be successful under all circumstances. The impact of these risks on business activities depends on the individual case, product-specific factors, and above all regional aspects. The general threat resulting from patent law risks is considered unlikely overall. The negative effects on the asset, financial and earnings position of the Group are not considered to be significant. Overall, the risk is classified as low.

Competitive risks

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

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

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

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

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

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

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

Product risks

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

Despite these quality assurance processes, it cannot be completely ruled out that flaws or defects can occur in products, that products may not meet quality specifications, and that customers or the authorities could make

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

Depending on the product and the severity of the complaint, it is possible that considerable negative impacts on the asset, financial and earnings positions could result. Accordingly, we classify the risk as high.

Procurement risks

The results of our operating business units depend on reliable and effective management of our supply chain for components, parts and materials. Unexpected delivery failures or supply bottlenecks resulting from ineffective supply chain management and/or capacity constraints at individual suppliers could lead to production bottlenecks, delivery delays, quality problems and additional costs.

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

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

As in the previous year, there were bottlenecks in the supply of numerous raw materials in the reporting year due to persistently high excess demand, particularly for electronic components, and scarce transport capacities. The consequences of the war in Ukraine intensified the already existing supply bottlenecks and the rise in prices for raw materials and energy, particularly in the first half of the reporting year. In the second half of the reporting year, the material shortage recovered, at least in parts of the value chain, although there were still tight delivery situations for many electronic components and semiconductors. There are currently signs that the situation in the global supply chains is slowly easing, so that a further recovery in the supply chains can be expected for financial year 2023. The slowdown in the global economy should also help to improve the situation. However, the supply bottlenecks will remain at an elevated level compared to the phase before the pandemic.

Apart from that, uncertainties remain, especially with regard to the situation in China. The zero-COVID policy there was a major cause of the global supply problems. It is unclear what impact the lifting of this policy will have on the global economy.

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

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

Production risks

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

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

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

Commodity price risks

The Clean Energy segment requires certain precious metals to produce fuel cells that are purchased from suppliers. The Clean Power Management segment requires electronic components for its production process. The purchase prices for these raw materials can fluctuate significantly due to market conditions, political crises or legislation – combined with possible supply shortages – and volatile demand for individual raw materials.

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

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

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

As a result of the global spread of the COVID-19 pandemic, many raw material producers temporarily halted their production partially or completely. This temporary shortage of supply, while demand was recovering at the same time, particularly in the highly developed economies in the reporting year, led to persistently high and in some cases increasing raw material prices. Due to largely unchanged uncertain framework conditions, due among other factors to inflation, the uncertain further course of the COVID-19 pandemic in China, including renewed lockdown measures, the further escalation of the war in Ukraine and the supply and price development of fossil fuels, price fluctuations with uncertain and inconsistent trends are expected to continue in financial year 2023.

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

Precious metals are reported as raw materials and supplies in the Consolidated Statement of Financial Position until they are used in SFC's products. The precious metals would only be devalued if the product produced with them cannot be sold on the market to cover costs. The carrying amount of the platinum and ruthenium held in stock at the balance sheet date was EUR 747 thousand (previous year: EUR 472 thousand).

Overall, the commodity price risk continues to be assessed as probable in terms of the probability of its occurrence. The negative effects on the asset, financial and earnings position are classified as significant in individual cases. Overall, this risk is assessed as high.

Human resources risks

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

Competition for generally above-average qualified employees in the industries and the regions in which we do business remains intense and is increasing. Nevertheless, we constantly need highly qualified employees to implement our growth strategy and to compensate for staff turnover.

If we are unable to recruit management, specialist and junior staff to fill vacancies who have the commercial, technical or industry-specific skills we are looking for, this could have an adverse effect on the Group, as could inadequate qualifications or a lack of motivation among employees.

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

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

Due to the intense competition for qualified specialists, the occurrence of this risk is classified as possible, with a potentially significant negative impact on the asset, financial and earnings position, and is therefore assessed as a high risk.

Information technology risks

The Group's business activities require suitable software and hardware as well as reliable data backup, data access for authorized persons at all times, redundancy and network reliability. Digital technologies are therefore deeply integrated into the Group's business processes. Secure protection against unauthorized access to sensitive information from development, sales, purchasing, or to the Group's economic information, for example, is particularly important. There is a risk of such unauthorized access or the non-availability of data as a result of a hacker attack, weaknesses in the Group companies' network or, for example, the installation of unwanted software by Group employees. This could possibly lead to the publication, manipulation or loss of information – such as through industrial espionage. It could also lead to deliberate misuse of the Group's information systems or to production stoppages and supply bottlenecks, with possible negative effects on the Group's reputation, competitiveness and business results.

SFC has its own IT specialists; if necessary, they are supported by external consultants and specialists. The Group counters the increasing IT risks, among other measures, through regular internal and external audits. The cost of protecting the Group's systems and data increased significantly in the financial year. This applies to both personnel expenses and technical equipment. Irrespective of this, the Management Board expects the number of attacks on the IT infrastructure of major German companies and on SFC to continue to increase.

The threat resulting from IT risks in general is seen as possible overall and classified as a risk of considerable magnitude and thus represents a high risk.

Risks in the regulatory environment

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

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

Compliance risks

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

Compliance risks can arise in all areas of the Group. The compliance organization works to ensure both the lawful and process-compliant conduct of the Group and its employees and an appropriate response to potential or actual violations of external and internal rules. Financial and non-financial disadvantages or sanctions that the Group could incur as a result of misconduct or illegal actions are to be prevented by Group-wide guidelines, standards and procedures. In addition to the policies, SFC's Code of Conduct serves as a guide for actions and decisions in the organization. It defines SFC's mission statement and values as well as the rules of conduct required to live them within the organization.³⁸

Nevertheless, despite extensive audit and control mechanisms, the risks stemming from illegal actions by individuals cannot be ruled out. Any suspected cases are actively investigated. In the event of any investigations, the Group cooperates with the respective authorities.

Employees of SFC are encouraged to report misconduct and violations of legal provisions or regulations and internal company guidelines. The report can be made to the Compliance Officer, to the respective supervisor, to the Human Resources department or via an installed whistleblower system, with the help of which information can also be provided anonymously.³⁹

Proven misconduct leads to consequences for those involved and – if necessary – to changes to the organization. The financial impact of compliance cases on the Group result is very difficult to assess, however. Depending on the case and circumstances, a considerable range can be assumed. The effects of compliance risks and their influence on the asset, financial and earnings position are assessed as possible with potentially significant effects, despite the mitigating measures taken. Overall, the risk is classified as high.

Environmental Social Governance

If the Group does not meet the increasing regulatory requirements and the expectations and requirements of stakeholders in the area of Environment, Social and Governance (ESG) to the required extent or in the necessary level of detail, negative financial and non-financial effects could result. For example, customers could exclude the Group companies from placing orders, private and institutional investors could decide not to include the Group's shares in their portfolios, financial institutions could either not grant loans or only grant them at increased costs.

Business activities that touch on sensitive ESG issues can generate negative reactions from stakeholders or negative media coverage, which could damage the Group's reputation and jeopardize the achievement of business objectives.

³⁸ Section was not the subject of the audit of the group management report (information unrelated to the management report)

³⁹ Section was not the subject of the audit of the group management report (information unrelated to the management report)

The Group counteracts these risks by anchoring the topics of future CSR/ESG reporting in its company strategy in line with globally recognized standards (e.g., Global Reporting Initiative) and striving for continuous improvement in customer and CSR/ESG ratings by internationally renowned agencies and institutions in the reporting year. The Group also mitigates these risks through audits, consulting and training on environmental protection, occupational health and safety, and energy and CO₂ management measures. The Group complies not only with high technical standards but also with the Code of Conduct and all legal requirements in the areas of environmental protection, occupational health and safety, and environmental protection.⁴⁰

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

Corporate development risks

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

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

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

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

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

We strive to reduce risk exposure through good due diligence processes and closely managed integration processes. Before any investment decision is made, a careful business assessment and analysis of the commer-

⁴⁰ Statements in connection with non-financial reporting and the non-financial control system were not subject of the audit of the Group Management Report.
(statements unrelated to the management report)

cial, technical, legal, tax and financial framework is carried out (due diligence). For the optimal integration of businesses, we have established the necessary structures and processes and work according to a standardized post-merger concept. We also benefit from our many years of experience with successfully integrating companies and businesses.

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

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

Summary of the Risk Report

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

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

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

Opportunities report

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

The most important opportunities for the Group are described below, but they only represent a selection of the opportunities available to us. The assessment of opportunities is also subject to ongoing changes.

Market opportunities

Growing fuel cell business

With over 20 years of experience in fuel cell technology, SFC is a leading supplier of fuel cell solutions for stationary and mobile applications. In addition to its many years of success in the marketing of direct methanol fuel cells, the company's successful market launch of hydrogen fuel cells also contributes to its growth. A favorable political and regulatory environment, including the transition to a low-carbon economy, continued to drive positive sentiment for fuel cell investments during the reporting year. The negative geopolitical changes of the past ten months have tended to accelerate the general demand for alternative technologies for conventional energy production based on fossil fuel cells.

Key opportunities to improve and accelerate the Group's future development lie above all in measures to exploit sales growth potential. In this context, particular mention should be made of increased penetration of existing core customer markets and regional markets, and the development of new core customer markets and regional markets through a further focus on the supply of systems solutions and products in higher performance classes.

Supporting the energy transition and counteracting climate change

As the world's population grows and industrialization and digitalization increase, so does the global demand for energy. In order to limit CO₂ emissions, to achieve the decarbonization of the world resolved by the end of this century at the Paris Climate Summit in 2015 and to achieve climate neutrality in the European Union by 2050 as part of the Fit for 55 initiative and the "Green Deal concept," renewable energies will play a very important role. In the meantime, many nations and the EU at the supranational level have chosen hydrogen as the element of choice to successfully finalize the energy transition. The expansion of renewable energy production capacity requires the storage and transportability of energy. This is to be done using hydrogen. Fuel cells from SFC will then enable the clean and efficient conversion of hydrogen into electrical energy in a decentralized manner close to the user. Fuel cells are increasingly being used as a substitute for conventional power generators (diesel gensets), in off-grid industrial applications and as emergency power generators for telecommunications infrastructure, for example. The Group sees further sales potential here from the many new customers gained and from the replacement of current technologies (replacement of diesel generators that pollute the environment).

Market access and activities in Asia and North America

Both Asia and North America are regions with high sales potential for SFC. Accordingly, the developments and growth opportunities there are of immense importance and relate to the markets served by SFC for industrial applications, including the oil and gas market, as well as for government applications. If the company succeeds in strengthening its international sales activities and positioning SFC more prominently in the various markets, this could create many new opportunities and have a positive effect on the growth and profitability of the business.

Other opportunities

Strategic approach “System solutions”

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

Further development of the current product portfolio

SFC Energy AG is constantly developing the product portfolio and is guided by impulses from customers and target markets. The focus here is on products in higher performance classes, additional functionalities and projects aimed at reducing the cost of materials. In this way, the company seeks to always be prepared for its customers’ needs and at the same time actively creates new needs on the market by offering innovative and economical solutions. Close networking of the development departments with market research, sales and service and the provision of an appropriate R&D budget ensure SFC’s innovative strength for the future. The continuous development of the product portfolio can lead to changes in the product mix.

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

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

External determinants

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

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

Forecast Report

Expectations for market growth

The global economy is beset with exceptional uncertainty regarding geopolitical and macroeconomic developments such as the war in Ukraine, the tensions regarding trade developments between China, the EU and the US and the further course of the COVID-19 pandemic. These developments can have a negative impact on the global supply and logistics chains and the development of raw material and energy prices. In addition, ongoing inflationary pressures on consumers and businesses, tighter monetary policy and potentially higher interest rates, and a slowdown in economic growth are all complicating the economic outlook. Nevertheless, it is expected that the global supply bottlenecks for electronic components will improve, although individual challenges may remain, which can lead to supply bottlenecks. Growth of the real global gross domestic product of between 2.2%⁴¹ and 2.9%⁴² is expected in 2023.

In the first half of the 2022 reporting year, the energy markets in Europe in particular were characterized by sharply rising energy prices resulting from deep uncertainty regarding the supply of fossil fuels. Many European countries announced new or updated policy packages to accelerate the clean energy transition and reduce import dependency on individual countries. Global growth in electricity demand in 2022 slowed only slightly despite the headwind from the energy crisis. Global electricity demand growth is expected to increase to 2.6% in 2023 and to an average of 3.2% in 2024-2025. This stronger growth would be well above the 2.4% growth rate seen before the pandemic over the period 2015-2019. At the same time, low-emission energy sources are expected to dominate almost all of the growth in global electricity supply and will meet more than 90% of the additional demand.⁴³ In addition to climate protection goals, one of the biggest drivers for the growth of renewable energies is energy security.

In this context, hydrogen and methanol fuel cells can contribute to energy security by reducing dependence on fossil fuels by switching the production of hydrogen or methanol from fossil to renewable energies. In addition, fuel cells remain an important pillar of the decarbonization of the global energy system, alongside energy efficiency and behavioral change.

Sales

In view of the expectations discussed above for growth in the global economy and in the market for fuel cells, which is relevant for SFC, the company expects Group sales to grow by 21% to 30% in financial year 2023 compared to the previous year to around EUR 103,000 thousand to EUR 111,000 thousand (2022 financial year: EUR 85,229 thousand), which will be significantly more strongly driven by the “Clean Energy” segment. Overall, it is expected that demand will continue to rise in all regional markets in the 2023 reporting year, although significant growth impetus will come from North America and Asia.

41 OECD, OECD Paris (Februar 2023); Real GDP forecast, <https://data.oecd.org/gdp/real-gdp-forecast.htm>

42 International Monetary Fund Washington, (Januar 2023); World Economic Outlook

43 IEA, Paris (Februar 2023); Electricity Market Report 2023

Adjusted EBITDA

Driven by the expected dynamic development of demand, but depending on the timing of the planned growth investments, especially in regional expansion and the extent of the expected burdens from increased material and procurement costs, the Management Board expects a moderate margin contraction or a slight margin expansion for financial year 2023. It is assumed that the higher costs can be passed on to customers to a certain extent. Adjusted EBITDA in financial year 2023 is therefore expected to be approximately between EUR 8,900 thousand and EUR 14,100 thousand (financial year 2022: EUR 8,150 thousand).

Adjusted EBIT

Based on the planning of the Clean Energy and Clean Power Management segments, the Management Board expects adjusted EBIT for the Group in the year 2023 to be between EUR 3,400 thousand and EUR 8,600 thousand (financial year 2022: EUR 3,157 thousand).

The capitalization rate for research and development costs is expected to be at the level of 2022 (Financial year 2022: EUR 2,620 thousand).

As of the 2022 balance sheet date, the Group reported freely available cash and cash equivalents in the amount of EUR 64,803 thousand. If the results of operations for financial year 2023 develop in line with the forecast sales and earnings, the Group will have sufficient cash and cash equivalents to meet its financial obligations.

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

Takeover-relevant disclosures (disclosures pursuant to section 315a German Commercial Code)

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

The management report and in the group management report contain a true and fair view of the situation of SFC Energy AG as it was in the past 2022 financial year, unless a later reporting date is expressly stated in the reports. This report pursuant to Section 176(1) of the German Stock Corporation Act (Aktiengesetz - AktG) explains the situation as it was up to the balance sheet date of December 31, 2022.

Situation as of the balance sheet date

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

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

To the knowledge of the Management Board, there are no restrictions affecting voting rights or the transfer of shares, including restrictions between shareholders.

As of December 31, 2022, the Management Board was not aware of any direct or indirect interests in the share capital which exceed 10 per cent of the voting rights.

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

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

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

Pursuant to section 179(2) sentence 1 AktG in conjunction with Article 20 para. 2 sentence 1 of the Company's Articles of Association, amendments to the Articles of Association require the majority of votes stipulated by law and, insofar as a majority of the share capital is required, a simple majority of the share capital represented when the resolution is passed, unless the law or the Articles of Association mandatorily prescribe otherwise. Any repeal or amendment of Article 20 para. 2 sentence 1 of the Articles of Association and any amend-

ment of this majority requirement (Article 20 para. 2 sentence 2 of the Articles of Association) require a majority of at least three quarters of the share capital represented when the resolution is passed. Amendments to Article 15a of the Articles of Association require a qualified majority of votes of at least 90% of the share capital represented when the resolution is passed. An amendment to this majority requirement also requires a majority of at least 90% of the share capital represented at the time the resolution is passed (Article 20 para. 2 sentence 3 of the Articles of Association). A resolution of the Annual General Meeting on the dissolution of the Company requires, pursuant to Article 22 of the Articles of Association, a majority of 80% of the Company's entire voting share capital. Pursuant to Article 14 para. 2 of the Articles of Association, the Supervisory Board is entitled to make amendments to the Articles of Association that only concern the wording.

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

Authorized capital

Pursuant to Article 5 para. 6 of the Articles of Association, the Management Board, with the consent of the Supervisory Board, is authorized to increase the Company's registered share capital until May 15, 2024 once or repeatedly by up to a total of EUR 915,427.00 by issuing new no-par value bearer shares against contributions in cash and/or in kind (Authorized Capital 2019).

Conditional capital

According to Article 5 para. 4 of the Company's Articles of Association, SFC Energy AG has what is known as Conditional Capital 2011 in the amount of EUR 278,736.00. Since the reclassification by the resolution of the Annual General Meeting on May 7, 2015, the conditional capital increase has served to issue no-par value bearer shares to the holders of convertible bonds and/or warrant-linked bonds (or combinations of these instruments) which are issued by the Company or its direct or indirect subsidiaries against payment in cash on the basis of the authorization resolved by the General Meeting held on May 7, 2015 and confer conversion and/or option rights to acquire new no-par value shares of the Company or create a conversion obligation or a right to deliver shares. By resolution of December 16, 2015, the Management Board, with the approval of the Supervisory Board, made use of the power granted to it at the Annual General Meeting on May 7, 2015 to issue convertible and/or warrant-linked bonds, profit participation rights and/or participating bonds (or combinations of these instruments) and created the convertible bond 2015/2018 in the amount of up to EUR 5,000,000.00 on the basis of the Conditional Capital 2011, excluding the shareholders' subscription rights. The convertible bond was issued in the amount of EUR 3,300,000.00. The conversion option was exercised in full. In accordance with a self-imposed restriction published in the "Investor Relations" section of the Company's website on April 21, 2022, the Management Board is obliged under the more detailed provisions thereof not to use the authorization granted by the Annual General Meeting of May 7, 2015 under agenda item 8 a) and therefore also not to use the specific Art. 5 para. 4 of the Company's Articles of Association.

Pursuant to Article 5 para. 5 of the Company's Articles of Association, SFC Energy AG has what is known as Conditional Capital 2016 in the amount of EUR 295,300.00. The conditional capital increase served to issue no-par value bearer shares to the holders of convertible bonds and/or warrant-linked bonds (or combinations of

these instruments) which are issued by the Company or its direct or indirect subsidiaries against payment in cash on the basis of the authorization resolved by the Annual General Meeting held on June 14, 2016 and confer conversion and/or option rights to acquire new no-par value shares of the Company or create a conversion obligation or a right to deliver shares. By resolution of August 3, 2017, the Management Board, with the approval of the Supervisory Board granted on the same day, made use of the authorization given to it at the Annual General Meeting on June 14, 2016 to issue convertible and/or warrant-linked bonds, profit participation rights and/or participating bonds (or combinations of these instruments) and issued a warrant bond 2017/2022 by way of private placement which offered an option right in relation to 204,700 shares of the Company, excluding the shareholders' subscription rights. The conversion option was exercised in full. In accordance with a self-imposed restriction published in the "Investor Relations" section of the Company's website on April 21, 2022, the Management Board is obliged under the more detailed provisions thereof not to use the authorization granted by the Annual General Meeting of June 14, 2016 under agenda item 7 b) (as linked to the conditional capital under Art. 5 para. 5 of the Articles of Association) and therefore also not to use the specific Art. 5 para. 5 of the Company's Articles of Association.

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

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

Repurchase of treasury shares

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

Material agreements

The Company has not entered into any significant agreements that are subject to the condition of a change of control as a result of a takeover bid beyond the company's remuneration agreements with the members of the Management Board or with employees in the event of a takeover bid, as listed below.

Agreements with Management Board members and employees

The Management Board employment agreements with Management Board members Dr. Podesser and Mr. Saxena provide for the right of the relevant Management Board member to resign from office for good cause and terminate the Management Board employment agreement (special right of termination) in the event of a takeover of the majority of the voting rights of the Company by a third party (change of control). The special right of termination of Management Board members Dr. Podesser and Mr. Saxena in the event of a change of control only exists until September 30, 2023 and, at the request of the Supervisory Board of the Company and/or the acquirer of the controlling majority, the termination can only take place with a notice period of six months from the change of control. In the event of early termination of his service on the Management Board by September 30, 2023 due to a change of control, Dr. Podesser generally has a maximum entitlement to payment of the amount of the remuneration for the remaining term of the Management Board employment agreement at the time of resignation; Mr. Saxena in turn has a maximum entitlement to payment of the amount of two years' remuneration, but no more than the remuneration for the remaining term of the Management Board employment agreement. The Management Board employment agreement with Management Board member Pol provides for a special termination right for Mr. Pol in the event of an acquisition of control of the Company within the meaning of Section 29(2) German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz - WpÜG), entitling Mr. Pol to terminate his service agreement within three months of the legal occurrence of the change of control by giving twelve months' notice.

The Management Board employment agreement with Dr. Peter Podesser was extended from April 1, 2017 to March 31, 2020; in connection with this extension, Dr. Peter Podesser was granted 360,000 SARs with an exercise price per stock appreciation right of EUR 1.00 on December 14, 2016 (2017-2020 SAR Program). A specified portion of the SARs can expire on three predefined dates depending on the share price of SFC Energy AG. After a vesting period of four to six years, in each case one third of the SARs that have not expired can be exercised at the defined reference price when certain performance targets are reached. In the event of an acquisition of control of SFC Energy AG, the SARs that had not yet expired at the time the takeover offer was made are to be paid out in accordance with specified ranges based on the reference price. In this context, the reference price corresponds to the offer price within the meaning of section 31(1) WpÜG. In all SAR Programs for the Management Board, the cash payment of SAR not yet expired at the time the takeover offer is made, in addition to the change of control, further depend on the exercise of the extraordinary termination right of such Management Board member stipulated for this case. Furthermore, the Management Board employment agreement with Dr. Peter Podesser was extended from April 1, 2020 to March 31, 2024. In this context, Dr. Peter Podesser was granted an additional 420,000 SARs on May 15, 2019 (2020-2024 SAR Program); this SAR program was transformed into the 2020-2024 Stock Option Program with regard to Dr. Podesser.

On March 27, 2018, the Management Board employment agreement with Mr. Hans Pol was extended until June 30, 2021. His Management Board employment agreement contains a corresponding agreement on the 2017-2020 SAR Program. In connection with this extension to the Management Board employment agreement, Mr. Hans Pol was granted 180,000 SARs on July 1, 2018 (2018-2021 SAR Program).

Daniel Saxena was appointed to the Management Board with effect from July 1, 2020 for a term of office ending on June 30, 2024. His Management Board employment agreement contains a corresponding agreement on the 2020-2024 SAR Program with a term ending on June 30, 2027. Mr. Saxena was granted SAR 228,000.

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

As part of the extension of his Management Board employment agreement of February 26, 2021, Mr. Pol was granted a total of 500,000 stock option rights with an exercise price of EUR 24.41 per stock option on March 31, 2021 under the 2021-2025 Stock Option Program with a term until March 31, 2029. A specified portion of the stock options can expire on four predefined dates depending on the share price of SFC Energy AG. After a vesting period of four to seven years from the Grant Date, in each case one quarter of the stock options that have not expired can be exercised at the defined reference price when certain performance targets are reached. In the event of acquisition of control over SFC Energy AG and Mr. Pol's exercise of the extraordinary termination right stipulated for such case, the stock options that had not yet expired at the time the takeover offer was made are to be paid out in the form of a cash compensation in accordance with specified ranges based on the reference price. In this context, the reference price corresponds – as determined by the Supervisory Board – to the offer price within the meaning of section 31(1) WpÜG or within the meaning of the value calculated pursuant to section 7 WpÜG Offer Ordinance of the bidder's shares possibly offered as alternative consideration, which are not admitted to trading on an organized market within the meaning of section 2(7) WpÜG but only outside the European Economic Area, or to a combination of both values.

A corresponding agreement on the Stock Option Program 2021-2024 exists with one SFC Energy Group executive. The executive was granted 22,800 stock option rights on January 1, 2021 with an exercise price per stock option of EUR 15.50 and a term of the option plan of seven years from the grant date. A specified portion of the stock options can expire on three predefined dates depending on the share price of SFC Energy AG. After a vesting period of four to six years from the Grant Date, one third of the volume of SARs not expired can in each case be exercised at the defined reference price when certain performance targets are reached. In the event of acquisition of control over SFC Energy AG for the purposes of section 29(2) WpÜG, the stock options not yet expired at the time the takeover offer was made are to be paid out as cash compensation, in accordance with defined ranges and depending on the reference price; the relevant amount is determined on the basis of the reference price less the exercise price, multiplied by the number of stock options. In this context, the specific reference price corresponds to the offer price for the purposes of section 31(1) WpÜG.

Corporate Governance Statement

The Corporate Governance Statement pursuant to section 289f HGB or section 315d in conjunction with section 289f HGB is published on the SFC Energy AG website <https://www.sfc.com/en/investors-sfc-energy-ag/corporate-governance/>

Brunnthal, March 29, 2023

SFC Energy AG
The Management Board



Dr. Peter Podesser
Chairman of the Board



Daniel Saxena
Board Member



Hans Pol
Board Member

03

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT	94
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	95
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	96
CONSOLIDATED STATEMENT OF CASH FLOWS	98
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	100
CONSOLIDATED SEGMENT REPORTING	101

CONSOLIDATED FINANCIAL STATEMENTS FOR FINANCIAL YEAR 2022

Group income statement

FOR THE FINANCIAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2022			in EUR
	Notes	2022 01/01-12/31	2021 01/01-12/31
Sales revenues	(1)	85,229,281	64,320,299
Cost of goods sold and services rendered to generate revenue	(2)	-53,823,208	-41,682,094
Gross profit		31,406,073	22,638,205
Selling expenses	(3)	-14,186,999	-15,050,537
Research and development expenses	(4)	-4,441,245	-3,257,233
General administrative expenses	(5)	-10,292,638	-10,292,380
Other operating income	(6)	2,521,462	904,300
Other operating expenses	(7)	-1,407,249	-47,654
Operating result (EBIT)		3,599,404	-5,105,298
Interest and similar income	(8)	5	5
Interest and similar expenses	(8)	-609,352	-409,531
Earnings before taxes		2,990,057	-5,514,825
Taxes on income and earnings	(9)	-969,932	-314,633
Consolidated net result for the period		2,020,125	-5,829,458
Earnings per share			
basic	(33)	0.13	-0.40
diluted		0.13	-0.40

Consolidated Statement of Comprehensive Income

FOR THE FINANCIAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2022		in EUR	
	Notes	2022 01/01-12/31	2021 01/01-12/31
Consolidated net result for the period		2,020,124	-5,829,458
Differences from the translation of foreign subsidiaries		-121,536	492,140
Changes in value recognized directly in equity			
(Total other comprehensive income)	(27)	-121,536	492,140
Total comprehensive income for the year		1,898,589	-5,337,318

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

Consolidated Statement of Financial Position

ASSETS AS OF DECEMBER 31, 2022		in EUR	
	Notes	12/31/2022	12/31/2021
Current assets		113,145,754	58,724,007
Inventories	(13)	24,921,204	14,184,541
Trade receivables	(14)	18,110,324	17,608,015
Assets from contracts with customers	(15)	1,265,883	243,437
Other assets and receivables	(16)	3,660,591	1,680,439
Cash and cash equivalents	(17)	64,802,825	24,622,648
Restricted cash and cash equivalents	(18)	384,927	384,927
Non-current assets		34,025,247	28,641,235
Intangible assets	(19)	18,576,279	17,698,268
Property, plant and equipment	(20)	13,396,044	8,886,706
Deferred tax assets	(9)	2,052,924	2,056,261
Assets		147,171,001	87,365,242

Consolidated Statement of Financial Position

LIABILITIES AND SHAREHOLDERS' EQUITY AS OF DECEMBER 31, 2022			in EUR
	Notes	12/31/2022	12/31/2021
Current liabilities		26,591,389	20,998,034
Tax provisions	(21)	568,439	78,710
Other provisions	(21)	1,495,468	1,941,650
Liabilities to banks	(22)	4,054,845	2,734,888
Liabilities from advance payments	(23)	498,154	136,703
Liabilities from deliveries and services	(24)	9,045,990	7,641,959
Leasing liabilities	(25)	2,009,259	1,859,824
Liabilities from contracts with customers	(15)	601,841	277,157
Other liabilities and PRAP	(26)	8,317,393	6,327,143
Non-current liabilities		17,142,494	16,348,354
Other accrued liabilities	(21)	1,882,784	1,529,184
Leasing liabilities	(25)	8,551,813	4,890,839
Other liabilities	(26)	4,644,125	8,005,575
Deferred tax liabilities	(9)	2,063,772	1,922,756
Equity		103,437,118	50,018,854
Subscribed capital	(27)	17,363,691	14,469,743
Capital reserve	(27)	168,262,275	119,636,548
Other changes in equity not affecting net income	(27)	-748,104	-626,568
Results carried forward	(27)	-83,460,869	-77,631,411
Consolidated net loss	(27)	2,020,125	-5,829,458
Liabilities		147,171,001	87,365,242

Consolidated Statement of Cash Flows

FROM JANUARY 1 TO DECEMBER 31, 2022

in EUR

	Notes	2022 01/01-12/31	2021 01/01-12/31
Cash flow from operating activities			
Earnings before taxes		2,990,057	-5,514,825
+ Interest result	(8), (34)	609,347	409,527
+ Amortization of intangible assets and depreciation of property, plant and equipment	(11), (19), (20)	4,993,132	4,308,468
+/- Expenses/income from LTI programs	(31)	-484,755	6,709,260
+ Change in valuation allowances	(13), (14)	274,566	43,345
+/- Losses/gains on the disposal of non-current assets	(19), (20)	419,804	-2,475
+/- Other non-cash income and expenses		-59,811	23,778
Operating cash flow before changes in working capital		8,742,340	5,977,078
+/- Increase / decrease in provisions	(21)	-128,000	456,719
-/+ Increase / decrease in trade receivables	(14)	-1,041,860	-4,954,975
-/+ Increase / decrease in inventories	(13)	-10,809,976	-1,376,763
-/+ Increase / decrease in other receivables and assets	(15), (16)	-3,057,734	-148,813
+/- Increase / decrease in trade payables	(24)	1,614,863	2,589,191
+/- Increase/decrease in other liabilities	(23), (26)	159,497	-1,194,970
Cash flow from operating activities before income taxes		-4,520,870	1,347,467
+/- Income tax refunds/payments	(9), (34)	-240,627	-269,133
Cash flow from operating activities		-4,761,497	1,078,334

Consolidated Statement of Cash Flows

FROM JANUARY 1 TO DECEMBER 31, 2022

in EUR

	Notes	2022 01/01-12/31	2021 01/01-12/31
Cash flow from investing activities			
Investments in intangible assets from development projects	(19)	-2,619,736	-2,492,828
+ Investments in other intangible assets	(19)	-435,738	-269,311
+ Investments in property, plant and equipment	(22), (25)	-2,146,075	-1,020,970
Interest and similar income received		5	5
+ Proceeds from the purchase of restricted bank balances		0	-99,307
+ Sale of fixed assets	(19), (20)	0	9,000
Cash flow from investing activities		-5,201,544	-3,873,413
Cash flow from financing activities			
+ Proceeds from the issue of equity instruments of the company	(27)	56,431,986	0
- Cost of equity issuance	(27)	-5,224,239	0
- Repayment of financial debt	(22)	-238,960	-654,115
+/- Change in current account liabilities	(22)	1,570,855	-1,294,766
- Repayment of lease liabilities	(25)	-1,837,022	-1,698,876
- Interest paid and similar expenses	(8), (34)	-527,077	-398,616
Cash flow from financing activities		50,175,543	-4,046,373
Cash-effective change in cash and cash equivalents		40,212,502	-6,841,451
Effect of exchange rate changes and other changes on cash and cash equivalents		-32,325	0
Cash and cash equivalents at the beginning of the reporting period	(18)	24,622,648	31,464,099
Cash and cash equivalents at the end of the reporting period	(18)	64,802,825	24,622,648
Net change in cash and cash equivalents		40,212,502	-6,841,451

Consolidated Statement of Changes in Equity

FOR THE FINANCIAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2022

in EUR

	Notes	Subscribed capital	Capital reserve	Other changes in equity not affecting net income	Consolidated net profit/loss	Total
Balance on 01/01/2021		14,469,743	119,118,339	-1,118,708	-77,631,411	54,837,963
Consolidated result for the period						
Consolidated annual result					-5,829,458	-5,829,458
Income and expense recognized directly in equity from foreign currency translation	(27)			492,140		492,140
Equity-settled share-based payment transactions	(31)		518,209			518,209
Balance on 12/31/2021		14,469,743	119,636,548	-626,568	-83,460,869	50,018,854
Consolidated result for the period						
Consolidated annual result					2,020,125	2,020,125
Income and expense recognized directly in equity from foreign currency translation	(27)			-121,536		-121,536
Equity-settled share-based payment transactions	(31)		311,928			311,928
Capital increase						
Capital increase	(27)	2,893,948	53,538,038			56,431,986
Costs of the capital increase	(27)		-5,224,239			-5,224,239
Balance on 12/31/2022		17,363,691	168,262,275	-748,104	-81,440,744	103,437,118

Group Segment Reporting (part of the Notes)

FROM JANUARY 1 TO DECEMBER 31, 2022

in EUR

	Clean Energy		Clean Power Management		Group	
	2022	2021	2022	2021	2022	2021
	57,632,107	42,428,097	27,597,174	21,892,202	85,229,281	64,320,299
Sales revenues						
Cost of goods sold and services rendered to generate revenue	-33,101,443	-25,417,069	-20,721,765	-16,265,025	-53,823,208	-41,682,094
Gross profit	24,530,664	17,011,028	6,875,409	5,627,177	31,406,073	22,638,205
Selling expenses	-12,215,623	-13,071,036	-1,971,376	-1,979,501	-14,186,999	-15,050,537
Research and development expenses	-2,294,431	-1,446,906	-2,146,814	-1,810,327	-4,441,245	-3,257,233
General administrative expenses	-7,203,560	-8,036,529	-3,089,078	-2,255,851	-10,292,638	-10,292,380
Other operating income	2,441,566	904,300	79,896	0	2,521,462	904,300
Other operating expenses	-1,366,163	-47,654	-41,086	0	-1,407,249	-47,654
Operating result (EBIT)	3,892,453	-4,686,796	-293,050	-418,502	3,599,403	-5,105,299
Adjustments EBIT	-442,467	7,030,080	0	0	-442,467	7,030,080
Adjusted EBIT	3,449,986	2,343,283	-293,050	-418,502	3,156,937	1,924,781
Depreciation	-3,903,842	-3,195,915	-1,089,290	-1,112,553	-4,993,132	-4,308,468
EBITDA	7,796,295	-1,490,881	796,240	694,051	8,592,536	-796,831
Adjustments to EBITDA	-442,467	7,030,080	0	0	-442,467	7,030,080
Adjusted EBITDA	7,353,828	5,539,199	796,240	694,051	8,150,069	6,233,249
Financial result					-609,347	-409,527
Income from continuing operations					2,990,057	-5,514,825
Taxes on income and earnings					-969,932	-314,633
Consolidated net loss					2,020,124	-5,829,458

For disclosures on Group segment reporting, please refer to Note (38) Disclosures on Group segment reporting in the notes to the consolidated financial statements. The adjustments to determine the adjusted EBIT/EBITDA result mainly from the LTI programs and the expenses for transaction efforts.

04

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL POLICIES AND SCOPE OF CONSOLIDATION	104
ACCOUNTING POLICIES	113
2. NOTES TO THE CONSOLIDATED INCOME STATEMENT	126
3. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION	134
4. OTHER INFORMATION	152
RESPONSIBILITY STATEMENT	176
INDEPENDENT AUDITORS' REPORT	177
CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 315D IN CONJUNCTION WITH SECTION 289F OF HGB	187
REMUNERATION REPORT OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD OF SFC ENERGY AG	198

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR FINANCIAL YEAR 2022

1. General principles and scope of consolidation

Company information

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

The Clean Power Management segment focuses on the development, manufacture and marketing of standardized and semi-standardized power management and electronics equipment.

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

Accounting principles

The 2022 Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and related Interpretations issued by the International Accounting Standards Board (IASB) and the related Interpretations issued by the IFRS Interpretations Committee (IFRIC or previously SIC) prepared as adopted by the European Union.

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

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

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

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

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

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

The 2022 Consolidated Financial Statements of SFC AG have been prepared on a going concern basis.

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

The Management Board of SFC AG approved the Consolidated Financial Statements for release to the Supervisory Board on March 29, 2023. The Supervisory Board is responsible for reviewing the Consolidated Financial Statements and deciding whether to adopt them.

New accounting standards applied

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

Amendments to IFRS 3

Amendments to IFRS 3 – “Business Combinations” update a reference in IFRS 3 to the financial reporting framework without changing the accounting requirements for business combinations. To avoid the changed definition of assets and liabilities resulting in acquired assets and liabilities being derecognized immediately through profit or loss, the IASB amended IFRS 3 in such a way that for provisions or contingent liabilities that fall within the scope of IAS 37, the rules in IAS 37.15-22 are to be applied when assessing whether there is a present obligation from past events at the acquisition date. For levies within the scope of IFRIC 21, this interpretation is to be used to assess whether the event that triggers an obligation to pay a levy has occurred by the time of acquisition. These amendments to IFRS 3 (Business Combinations), applicable from January 1, 2022, have no effect on the Consolidated Financial Statements.

Amendments to IAS 16

The amendments to IAS 16 – ‘Property, plant and equipment’ prohibit an entity from deducting any proceeds it receives from the sale of items manufactured in the process of preparing the asset for its intended use from the cost of the property, plant and equipment. Instead, an entity recognizes such sales proceeds and related costs in profit or loss.

Costs for test runs to check whether an asset is functioning properly are still to be considered as directly attributable costs in the acquisition or production costs. These are costs involved in assessing whether an asset is technically and physically such that it can be used for the production or supply of goods or services, for leasing to others, or for administrative purposes.

Conversely, income from the sale of all items manufactured and the cost of manufacturing them during the period in which the item of property, plant and equipment is brought to the site and brought into working order is to be recognized in profit or loss going forward. A deduction of the net income from the acquisition or production costs of an item of property, plant and equipment is no longer permitted. These amendments to IAS 16 (regarding the measurement of property, plant and equipment), which are to be applied from January 1, 2022, have no effect on the Consolidated Financial Statements.

Amendments to IAS 37

The International Accounting Standards Board (IASB) published an amendment to IAS 37 regarding onerous contracts in the second quarter of 2020. According to IAS 37, a contract is classified as onerous if the unavoidable costs of fulfilling the contractual obligations exceed the expected economic benefit. The unavoidable costs represent the lowest amount of compliance costs and any compensation payments or penalties resulting from non-compliance. The changes reflect that compliance costs include costs directly related to the contract. On the one hand, these consist of costs that a company incurs as a result of the contract (incremental costs), such as direct wage and material costs, and on the other hand, other costs that can be directly allocated from the contract, such as pro rata depreciation of property, plant and equipment. The transitional regulations stipulate that the amendments are to be applied to all contracts that have not yet been completely fulfilled at the time of initial application. The comparative period is not to be adjusted and the effect of the first-time application is to be recognized in retained earnings at the time of acquisition. These amendments to IAS 37 to be applied from January 1, 2022 (regarding onerous contracts) have no effect on the Consolidated Financial Statements.

Annual Improvements to IFRS Standards 2018 – 2020 Cycle

In the second quarter of 2020, as part of the Annual Improvement Project 2018 – 2020, the International Accounting Standards Board (IASB) published amendments to IFRS 1 – “First-time Adoption of International Financial Reporting Standards,” IFRS 9 – “Financial Instruments,” IFRS 16 – “Leases” and IAS 41 – “Agriculture.”

IFRS 1: A subsidiary that becomes a first-time adopter of IFRSs after its parent and makes use of the relief in IFRS 1.D16(a) for its assets and liabilities can also take advantage of the same relief for accumulated foreign currency translation differences under IFRS 1.D13A through these amendments.

IFRS 9: For the application of the 10% test when modifying financial liabilities, it is clarified that only fees that are paid by the company to the creditor or vice versa are to be included in the 10% test. Costs or fees paid to third parties are not allowed to be included.

IFRS 16: In the illustrative example no. 13 regarding IFRS 16, passages on reimbursement payments for leasehold improvements were deleted as they led to misunderstandings.

IAS 41: The taxable cash flows must be taken into account when determining the fair value of biological assets and agricultural products. Tax effects must therefore be taken into account in both the discount rate and in the cash flows. As a result, the regulations in IAS 41 were aligned with the regulations in IFRS 13.

These amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41, applicable from January 1, 2022, have no effect on the Consolidated Financial Statements.

New accounting standards not yet applied

The following, new and revised standards, which were not adopted early by SFC for the year 2022, were published by the IASB by the date of preparation of these Consolidated Financial Statements and have been endorsed in part by the EU Commission:

Application of IFRS 17 – “Insurance Contracts”

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

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

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

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

Insurance companies that apply the classification overlay to financial assets must present their comparative information as if the classification and measurement requirements of IFRS 9 had been applied to those financial assets. This requires using reasonable information that is available at the transition date to determine how the company is expected to classify and measure its financial assets upon first-time application of IFRS 17 with IFRS 9.

When applying this transitional rule, the application of the impairment regulations according to IFRS 9 for the comparative period can be waived. In these cases, the impairment regulations of IAS 39 are to be applied instead.

The classification overlay can be applied by companies that apply IFRS 17 and IFRS 9 simultaneously and adjust the comparative information while applying IFRS 9. In these cases, the transitional rule applies to financial assets that were derecognized in the comparative period. If the comparative information is not restated while applying IFRS 9, the approach can be applied to all financial assets from the comparative period. When applying IFRS 9 prior to the initial application of IFRS 17, the classification overlay can be applied to the financial assets that would have been redesignated under IFRS 17.C29 if they had not been derecognized in the comparative period.

The changes stipulate that companies that make use of the regulations must state this fact in the Notes to the Consolidated Financial Statements. In addition, qualitative information is to be provided that allows the recipient of the financial statements to understand the impact of the classification overlay on the presentation of the comparative period.

Due to the publication in the Official Journal of the European Union on November 8, 2022, these amendments to IFRS 17 are to be applied for financial years beginning on or after January 1, 2023. No significant effects on the Consolidated Financial Statements are expected.

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

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

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

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

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

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

Amendments to IAS 8 – “Changes in Accounting Estimates”

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

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

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

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

Subject to adoption into European law by the European Union, the amendments are effective for annual periods beginning on or after January 1, 2023. No significant effects on the Consolidated Financial Statements are expected.

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

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

Subject to adoption into European law by the European Union, the amendments are effective for annual periods beginning on or after January 1, 2024. No significant effects on the Consolidated Financial Statements are expected.

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

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

Subject to adoption into European law by the European Union, the amendments are effective for annual periods beginning on or after January 1, 2024. No significant effects on the Consolidated Financial Statements are expected.

Estimation uncertainty and judgments

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

In preparing these financial statements, the significant judgments made by management in the process of applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those uniformly applied in the preparation of the Consolidated Financial Statements for the year ended December 31, 2021.

The assumptions and estimates primarily relate to:

Measurement of provisions

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

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

The estimated useful lives of fixed assets are based on management estimates. SFC reviews the estimated useful lives of property, plant and equipment and intangible assets at the end of each financial year. There

were no changes in the estimates of useful lives during the current financial year. As part of business acquisitions, the useful lives of customer relationships were determined on the basis of statistical analyses that included management estimates, and the useful lives of acquired technology were determined on the basis of empirical values with regard to the average product life cycle in the industry (see explanations on “Intangible assets” in the section “Accounting and valuation principles”).

Mandatory capitalization of self-developed intangible assets

Based on management's planning and estimates, development costs are capitalized if the recognition criteria under IFRS are met. For the development and capitalized development costs in the financial year, please see Note (19) Intangible assets.

Recognition of deferred tax assets, particularly for losses carried forward

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

Measurement of share-based compensation

The Supervisory Board of the company has implemented a virtual stock option program (SAR/share option program) and a stock option program aimed at achieving the alignment of interests between shareholders and the Management Board. This provides for the allocation of virtual stock options to the members of the Management Board. Note (31) contains information about the estimated valuation parameters used in the valuation model to determine the resulting expenses.

Revenue recognition on contract development

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

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

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

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

minate the lease are taken into account. In determining the term, such options are only taken into account if they are sufficiently certain.

Impairment of non-financial assets

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

Recoverability of receivables

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

Scope of Consolidation

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

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

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

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

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

The company's direct and indirect shareholdings in subsidiaries included in the scope of consolidation as of December 31, 2022, are shown in the following table.

FULLY CONSOLIDATED SUBSIDIARIES			in %		
Name	Country	Share in the capital			Currency
		directly	indirectly	total	
SFC Energy Ltd.	Calgary (Canada)	100.00	-	100.00	CAD
SFC Energy B.V.	Almelo (Netherlands)	100.00	-	100.00	EUR
SFC Energy Power Srl.	Cluj-Napoca (Romania)	-	100.00	100.00	RON

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

Accounting and valuation principles

Revenue recognition

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

SFC AG's sales are generated from the sale of fuel cell systems. The EFOY product family is used in the "Clean Energy" segment. This segment includes the leisure market, particularly for RVs and boats. In addition, the EFOY Pro is sold in the industrial applications sub-segment for off-grid power supply, e.g. for monitoring systems, measuring stations, oil and gas plants and in many other applications. The product Power Manager is an electronic, general-purpose converter that enables charging and operation of various terminal devices and batteries with different power sources. In addition, revenues are generated from the sale of fuel cartridges and other products for network solutions, as well as from other services and consulting in the military sector.

SFC Energy B.V. (hereinafter SFC B.V.) is allocated to the Clean Power Management segment. SFC B.V. develops, manufactures and markets customized high-tech power solutions, from power supplies to complete power systems for industrial plant and equipment manufacturers. SFC B.V. converts these solutions, some via platform solutions, into marketable products with an integrated high-power platform. This enables the reliable qualitative processing of mains power exactly according to the specific requirements of the system.

The power supplies adapt the electrical power to the energy required by the system in a modular manner. SFC B.V. meets demanding customer requirements based on the SFC B.V. Technology it developed in-house. This compact, scalable power supply technology, which is offered by the "Clean Power Management" segment, offers maximum flexibility in the development and manufacture of standardized and semi-standardized high-performance and high-precision power supplies for demanding industrial applications, e.g. in laser technology and other high-tech industrial fields. Some of SFC B.V.'s products are manufactured at its Romanian subsidiary in Cluj.

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

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

Revenue is recognized when the amount of the expected consideration can be reliably determined, it is sufficiently probable that the company will receive the economic benefit from the sale and its own costs can be estimated. Therefore, SFC recognizes revenue from the sale of products when control has been transferred to the buyer. The majority of revenue is recognized from the sale of products at a point in time when control of the goods has been transferred (change of control). Customer discounts and rebates as well as returns of goods are generally recognized as a reduction of revenue. Provisions for customer discounts and rebates as well as returns of goods are recognized on an accrual basis in accordance with the underlying sales revenues. In doing so, the management makes use of its best estimates. Contracts with customers are also reviewed for separate performance obligations. This is particularly important for sales that grant an additional guarantee that extends beyond the statutory guarantee period. In this context, SFC accrues payments for multi-year maintenance contracts for the portion that exceeds the statutory minimum of the first year and recognizes these revenues ratably over the contractual warranty period.

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

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

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

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

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

Expense realization

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

Fair value measurement

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

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

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

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

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

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

Intangible assets

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

■ Software	5 to 8 years
■ Software	3 to 10 years
■ Patents	5 to 14 years
■ Licenses	2 to 5 years

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

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

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

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

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

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

Property, plant and equipment

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

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

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

Borrowing costs

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

Impairment of non-financial assets

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

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

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

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

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

Leases

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

As of January 1, 2019, SFC as a lessee for leases generally recognizes assets for the right-of-use assets and liabilities for the payment obligations incurred. Exceptions to this include short-term leases (defined as leases with a term of 12 months or less) and leases of assets with a low value (e.g. IT equipment as meant in IFRS 16.B6). The right-of-use asset is initially measured at the present value of the future lease payments plus initial direct costs and is subsequently depreciated or amortized over the term of the lease to account for impairments. The lease liability is measured at the time of addition as the present value of the lease payments to be made during the lease term. In subsequent measurement, the carrying amount is compounded at the interest rate applied and reduced by the lease payments made. The lease payments of the SFC Group are discounted using the incremental borrowing rate.

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

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

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

- The lease term has changed or there is a material event or change in circumstances leading to a change in the assessment regarding the exercise of a purchase option. In this case, the lease liability is remeasured by discounting the adjusted lease payments using an updated interest rate.

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

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

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

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

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

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

- Right-of-use Assets 3 to 7.5 years

Inventories

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

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

Financial assets

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

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

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

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

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

As of the reference date December 31, 2022, as was already the case as of December 31, 2021, financial assets were not allocated or designated to the “at fair value through profit or loss” category in the Group.

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

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

Impairment of financial assets

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

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

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

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

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

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

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

Expected credit losses are calculated using the following factors:

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

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

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

Offsetting and derecognition

Financial assets and liabilities are only offset and reported at their net amount in the balance sheet if there is a legal right to do so and the intention is to settle on a net basis or, at the same time, liquidate the asset in question to settle the related liability.

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

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

Government grants

In the past financial year, government grants included subsidies for the development activities of SFC AG and SFC B.V., which were granted for the development of new fuel cell systems and power supply solutions.

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

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

Grants for investments are deducted from acquisition costs.

Furthermore, in 2021, Group companies received government subsidies for wage costs as part of government initiatives for immediate financial support related to the COVID-19 pandemic. The allowances for wage costs were recognized in the cost of sales, selling expenses, research and development expenses and general administrative expenses.

Deferred and actual taxes

Deferred tax assets and liabilities are recognized in accordance with IAS 12 "Income Taxes" using the balance sheet-oriented temporary concept for all temporary and quasi-permanent differences between the tax base and the IFRS carrying amounts. In accordance with IAS 12.34, deferred tax assets on loss carry forwards may only be recognized to the extent that it is probable that future taxable profits will be available against which these loss carry forwards can be utilized. Deferred tax assets on loss carry forwards are therefore currently recognized by the Group only to the extent that they can be offset against deferred tax liabilities, as future taxable income cannot yet be assumed with sufficient certainty.

Deferred taxes are determined on the basis of the tax rates that apply according to the current legal situation at the time of realization.

The actual taxes are calculated using country-specific tax rates.

Short-term and other long-term employee benefits

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

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

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

Provisions

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

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

Provisions for warranty claims are recognized on the basis of previous or estimated future claims experience, taking future income from the recycling of fuel cells into account. There are no guarantee or warranty obligations that extend beyond the usual commercial guarantee/warranty obligations.

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

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

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

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

Financial liabilities

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

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

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

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

Consolidation

Capital consolidation is carried out in accordance with IFRS 10 "Consolidated Financial Statements" by offsetting the carrying amount of the investment against the equity of the subsidiary at the time of initial consolidation. The effects of all major intragroup transactions are eliminated. Receivables and liabilities between the companies included in the Consolidated Financial Statements are offset against each other. All income and expenses from intragroup transactions are likewise eliminated.

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

Foreign currency translation

In the consolidated companies' annual financial statements, which are prepared in their local currency, foreign currency transactions arising from business activities are measured by applying the transaction exchange rate in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates." Gains or losses arising from this foreign currency translation are recognized in profit or loss.

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

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

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

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

EXCHANGE RATES			in EUR	
	Average rate		Rate on the reporting date	
	2022	2021	12/31/2022	12/31/2021
US dollar (USD)	1.0533	1.1828	1.0676	1.1319
Canadian dollar (CAD)	1.3697	1.4826	1.4439	1.4417
Romanian Leu (RON)	4.9301	4.9204	4.9474	4.9481

2. Notes to the Consolidated Statement of Income

(1) Sales revenues

Sales revenues are shown in the following overview:

	in EUR	
	2022	2021
Sales revenues	85,229,281	64,320,299
thereof from period-related revenue recognition	499,433	1,408,177

The Clean Energy segment generated sales revenues of EUR 57,632,107 (previous year: EUR 42,428,097) in the reporting year and thus achieved an increase of EUR 15,204,010 or 35.8% compared to the same period of the previous year.

The segment's sales growth has been driven by the continued high demand for fuel cell solutions in the area of industrial applications. In the reporting year, SFC managed to acquire important initial and follow-up orders, so that sales in this core target market increased particularly strongly by 69.5% or EUR 15,412,647 to EUR 37,582,394 (previous year: EUR 22,952,157). After achieving a high growth rate in the previous year and characterized by restrained consumer spending, sales with customers for private applications remained at around the same level as in the previous year.

Sales for applications in the public sector fell significantly in the reporting year. The main reasons for this were fewer large orders than in the previous year and an expected delay in the awarding of large orders, partly due to long award procedures in the key regional target markets.

Compared to the previous year's figure, the Clean Power Management segment recorded sales growth of 26.1% to EUR 27,597,174 (previous year: EUR 21,892,202). This growth was based in particular on the significant increase in capital expenditure by oil, gas and mining companies in connection with a favorable commodity price environment. Furthermore, the market environment was characterized by demand recovering from the COVID-19 pandemic and the improved market environment and good capacity utilization, despite the uncertain global economic outlook, in the segment's core target markets. At the same time, however, bottlenecks in the supply chain for electronic components in particular in the Clean Energy segment hampered the segment's growth.

Sales for the period January 1 to December 31, 2022 ("reporting year") and the comparative period January 1, 2021, to December 31, 2021 ("previous year") can be broken down as follows:

SALES BY SEGMENT		in EUR					
		Clean Energy		Clean Power Management		Total	
		2022	2021	2022	2021	2022	2021
Regions							
North America	26,231,615	16,941,305	11,717,696	7,244,399	37,949,311	24,185,704	
Europe (excluding Germany)	18,512,865	15,717,029	14,038,910	13,308,023	32,551,775	29,025,052	
Germany	7,354,802	6,080,483	389,593	613,194	7,744,395	6,693,677	
Asia	5,382,395	3,492,121	1,331,410	546,791	6,713,805	4,038,911	
Rest of the world	150,430	197,159	119,565	179,796	269,995	376,955	
Total	57,632,107	42,428,097	27,597,174	21,892,202	85,229,281	64,320,299	
Time of realizing revenue							
Revenue recognition refer to a certain point in time	57,132,674	41,718,694	27,597,174	21,193,428	84,729,848	62,912,122	
Revenue recognition refer to a certain period	499,433	709,403	0	698,774	499,433	1,408,177	
Total	57,632,107	42,428,097	27,597,174	21,892,202	85,229,281	64,320,299	

Further information can be found in Note (35) Disclosures on Group segment reporting and Note (15) Assets and liabilities from contracts with customers.

(2) Production costs of work performed to generate sales

Inventories are composed of the following items:

INVENTORIES ARE COMPOSED OF THE FOLLOWING ITEMS:		in EUR	
		2022	2021
Cost of materials		40,448,168	32,102,464
Personnel costs		5,825,565	4,398,253
Cost of premises		441,010	312,634
Transport costs		2,036,682	1,229,070
Depreciation on capitalized development costs		1,793,439	1,457,186
Other depreciation and amortization		1,617,931	1,432,532
Consulting		62,441	55,799
Other		1,597,972	694,156
Total		53,823,208	41,682,094

Other manufacturing costs include warranties in the amount of EUR 969,552 (previous year: EUR 396,947).

(3) Selling expenses

Selling expenses were as follows in the reporting year:

SELLING EXPENSES	in EUR	
	2022	2021
Personnel costs	8,989,577	12,394,786
Depreciation/amortization	570,234	616,957
Advertising and travel costs	1,969,194	971,297
Consulting/commissions	866,750	283,829
Cost of materials	325,966	120,796
Additions to allowances for receivables	418,636	36,655
Other	1,046,642	626,217
Total	14,186,999	15,050,537

Other selling expenses included vehicle costs in the amount of EUR 315,128 (previous year: EUR 155,049).

(4) Research and development expenses

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

RESEARCH AND DEVELOPMENT COSTS	in EUR	
	2022	2021
Personnel expenses	4,494,718	3,219,930
Consulting and patents	203,144	189,557
Cost of premises	52,352	141,830
Cost of materials	1,786,211	1,821,092
Other depreciation and amortization	458,810	325,435
Capitalization of self-developed intangible assets	-2,619,736	-2,492,828
Set-off against grants	-361,040	-252,513
Other	426,786	304,730
Balance (expense as per the Consolidated Statement of Income)	4,441,245	3,257,233

(5) General administrative expenses

The general administrative expenses were as follows in the reporting year:

GENERAL ADMINISTRATIVE EXPENSES	2022	2021
Personnel expenses	4,933,412	6,027,868
Audit and consulting costs	1,971,919	1,617,399
Investor Relations/Annual General Meeting	429,457	486,437
Insurance	279,882	250,233
Depreciation/amortization	552,718	476,358
Recruiting costs	250,817	122,326
Car costs	245,369	179,176
Travel expenses	274,593	102,183
Supervisory Board remuneration	142,500	128,125
Costs of hardware and software maintenance	353,499	215,296
Other	858,472	686,981
Total	10,292,638	10,292,380

(6) Other operating income

The breakdown of other operating income is shown in the following table:

OTHER OPERATING INCOME	2022	2021
Income from exchange rate differences	1,327,793	414,514
Income from the reversal of SAR liabilities	1,149,442	483,650
Other	44,227	6,136
Total	2,521,462	904,300

The income from the reversal of liabilities from the SARs program resulted from the exercise of part of the entitlements in the SAR tranche of Dr. Peter Podesser and the SAR tranche of Hans Pol and from the termination of part of the stock option program totaling EUR 1,149,442 (previous year: EUR 483,650).

(7) Other operating expenses

The breakdown of other operating expenses is shown in the following table:

OTHER OPERATING EXPENSES	in EUR	
	2022	2021
Expenses from exchange rate differences	1,405,808	47,654
Other	1,441	0
Total operating expenses	1,407,249	47,654

(8) Financial result

Interest and similar income for the financial year can be taken from the following overview:

INTEREST AND SIMILAR INCOME	in EUR	
	2022	2021
Interest income from cash and cash equivalents	5	5
Total	5	5

Interest and similar expenses for the reporting year are shown in the following overview:

INTEREST AND SIMILAR EXPENSES	in EUR	
	2022	2021
Interest and similar expenses	164,843	196,323
Interest expenses for leasing	444,509	213,208
Compounding of other provisions	10,915	10,915
Total	609,352	409,531

(9) Income taxes

The composition of income taxes for the reporting year is shown in the following table:

INCOME TAXES	in EUR	
	2022	2021
Actual income taxes on the result for the current year	827,710	361,010
Deferred tax income (-)/expense (+)	142,222	-46,377
Balance of tax income (-)/expense (+) from income taxes	969,932	314,633

The assessment rate for trade tax in the municipality of Brunnthal is 330% on the taxable amount of 3.5%. This results in a trade tax rate of 11.6% and a total corporate tax rate of SFC including corporation tax of 15% and solidarity surcharge of 5.5% on corporation tax of 27.4% (previous year: 27.4%).

For the subsidiaries in the Netherlands, Romania and Canada, income taxes are calculated using the country-specific tax rates applicable there. Tax rates of 16% to 26.9% (previous year: 16% to 26.9%) are to be taken into consideration.

Deferred tax assets and liabilities for the reporting year were as follows:

DEFERRED TAX ASSETS AND LIABILITIES	in EUR	
	12/31/2022	12/31/2021
Deferred tax assets		
Loss carry forwards	1,897,754	1,805,189
Provisions	-9,152	51,061
Inventories	49,104	168,924
Accounts receivables	-4,529	5,919
Liabilities from leasing	665,111	96,401
Other	47,603	18,913
Offsetting deferred tax assets	-592,967	-90,146
Total deferred tax assets	2,052,924	2,056,261
Deferred tax liabilities		
Internally generated intangible assets	1,992,079	1,878,364
Fixed assets	644,346	63,867
Receivables	0	9,715
Other assets Sonstige Vermögenswerte	20,314	60,956
Netting of deferred tax liabilities	-592,967	-90,146
Total	2,063,772	1,922,756

As of the reporting date, there were tax loss carry forwards in Germany and the Netherlands subject to review in the amount of approximately EUR 75,383,574 (previous year: EUR 76,061,117) for corporate income tax and approximately EUR 65,829,761 (previous year: EUR 68,820,020) for trade tax. Deferred tax assets in the amount of EUR 1,897,754 (previous year: EUR 1,805,189) were recognized on these tax loss carry forwards of SFC AG and its Dutch subsidiary. As of December 31, 2022, no deferred tax assets are recognized for tax loss carry forwards in the Group in the amount of EUR 69,269,521 from corporate income tax and EUR 57,778,683 (previous year: EUR 61,190,446) from trade tax, totaled EUR 127,048,204 (previous year: EUR 131,414,716). Deferred tax assets on loss carry forwards are recognized in the Group only to the extent that they can be offset against deferred tax liabilities. The future taxable income for the remaining loss carry forwards cannot be assumed with sufficient certainty. Of these tax loss carryforwards, the amount of EUR 69,460,328 (previous year: EUR 72,159,627) from corporate income tax and EUR 65,829,761 (previous year: 68,820,020) from trade tax, total of EUR 135,290,089 (previous year: EUR 140,979,647) can be carried forward indefinitely in Germany; in the Netherlands, the amount of EUR 5,923,246 (previous year: EUR 3,901,490) from corporate income tax can be carried forward. The previous year's amounts for the loss carry forwards were adjusted in accordance with the separate determinations of the remaining loss carry forwards.

The reason for not recognizing deferred tax assets on the loss carry forwards above is that, as of the reporting date, it is not probable that sufficient taxable profit will be available to allow for all or part of the deferred tax asset to be utilized.

There are no deferred tax liabilities on outside basis differences.

The following table shows the tax reconciliation of the income tax expense/income expected in the respective financial year to the actually reported tax expense (+) or income (-) according to the Consolidated Statement of Income:

RECONCILIATION OF TAXES	in EUR	
	2022	2021
Tax rate	27.38 %	27.38 %
Profit/loss (-) before taxes	2,990,057	-5,514,825
Expected tax expense (-)/income	818,678	-1,509,959
Reconciliation to the reported tax expense		
Tax ineffective loss carry forwards	380,499	0
Change in write-down of deferred tax assets	789,119	1,640,572
Differences in the tax rate	109,793	609
Taxes from permanent differences – non-deductible expenses	255,820	171,087
Expenses not recognized in profit or loss for the costs of the capital measure	-1,430,397	0
Other	46,420	12,324
Tax income/expense according to the Consolidated Statement of Income	969,932	314,633

The profit/loss before tax corresponds to the profit/loss from continuing operations.

(10) Cost of materials

Cost of materials before offsetting against grants received and capitalization of internally generated intangible assets were as follows in the reporting year:

COST OF MATERIALS	2022	2021
Raw materials and supplies and related goods	41,446,928	32,776,964
Services received	1,113,417	1,267,388
Total	42,560,345	34,044,352

(11) Depreciation/amortization

For information about depreciation, amortization and impairments, please see Notes (19) Intangible assets, (20) Property, plant and equipment and (25) Leases.

In the Consolidated Statement of Income prepared using the cost of sales method, depreciation and amortization of property, plant and equipment and amortization of intangible assets are included in cost of sales, selling expenses, research and development expenses and general and administrative expenses.

(12) Personnel expenses and employees

Personnel expenses for financial year 2022 were as follows:

PERSONNEL EXPENSES	2022	2021
Wages and salaries	18,844,452	15,287,070
Social security expenses required by law	2,210,869	1,909,678
Variables/bonuses	1,537,095	1,299,811
Other social security expenses/pensions	286,507	343,994
Expenses for severance payments	93,514	0
Expenses/income from the Long-Term Incentive Plan (SAR/SOP)	664,687	7,192,910
Other	606,149	7,374
Total	24,243,272	26,040,837

The statutory social security expenses include the contributions to the statutory pension insurance to be borne by the company of EUR 674,872 (previous year: EUR 565,790). According to IAS 19, statutory pension insurance is equivalent to a defined contribution plan.

In the past financial year, the Group received government subsidies for wage costs of EUR 36,178 (previous year: EUR 884,172) as part of government initiatives for immediate financial support in connection with the COVID-19 pandemic. There are no future related costs in respect of these grants, which were awarded solely as compensation for costs incurred in the current reporting year. The subsidies for labor costs were recognized in cost of sales, selling expenses, research and development expenses, and general and administrative expenses.

The average number of permanent employees developed as follows:

EMPLOYEES

	2022	2021
Full-time employees	280	247
Part-time employees	46	37
Total	326	284

The company employed an average of 10 (previous year: 8) trainees, graduates and student trainees.

3, Notes to the Consolidated Statement of Financial Position

(13) Inventories

As in the previous year, inventories all have an expected turnover time of less than one year and break down as follows:

INVENTORIES

in EUR

	12/31/2022	12/31/2021
Finished goods	9,821,434	6,276,761
Unfinished goods	3,108,383	1,250,725
Raw materials, consumables and supplies	11,991,387	6,657,055
Total	24,921,204	14,184,541

Taking the achievable net proceeds on disposal into account, inventories were written down as follows:

INVENTORIES – RAW MATERIALS AND SUPPLIES		in EUR	
		12/31/2022	12/31/2021
Raw materials and supplies – before write-downs		12,754,836	7,395,736
Write-downs		-763,449	-738,681
Net carrying amount		11,991,387	6,657,055

INVENTORIES – UNFINISHED AND FINISHED GOODS		in EUR	
		12/31/2022	12/31/2021
Unfinished and finished goods - before impairment		13,828,963	8,597,049
Write-downs		-899,146	-1,069,563
Net book value		12,929,817	7,527,486

Inventories with a carrying amount of EUR 7,879,211 (previous year: EUR 3,614,164) were pledged as collateral for liabilities on the balance sheet date.

In the reporting period, inventories of EUR 42,560,345 (prior year: EUR 34,044,352) were recognized as expense.

(14) Trade receivables

Trade receivables and the individual value adjustments made for default risks are as follows:

INDIVIDUAL VALUE ADJUSTMENTS		in EUR	
		12/31/2022	12/31/2021
Trade receivables – itemization		19,615,031	18,690,953
Individual valuation allowances		-1,504,707	-1,082,938
Total		18,110,324	17,608,015

As in the previous year, all trade receivables are due within less than one year. For information on the development of valuation allowances, please see the section on "credit risk" in Note (30) "Financial instruments." The normal payment term for trade receivables is 30 days. For individual contracts with customers, the term of payment can also extend to up to 90 days.

For further information on the risk profile and the allowance matrix for trade receivables, please refer to "Default risk" in Note (33) "Financial instruments".

Trade receivables with a residual carrying amount of EUR 10,658,616 (previous year: EUR 7,497,356) are pledged as security for liabilities.

(15) Assets and liabilities from contracts with customers

To the extent that the costs incurred for contracts not yet completed in the reporting year, including profit contributions, exceed the amounts already invoiced (progress billings made), the resulting balance is recognized as assets from contracts with customers. Conversely, construction contracts with a debit balance are recognized as liabilities from contracts with customers.

ASSETS AND LIABILITIES	in EUR	
	12/31/2022	12/31/2021
Production contracts with a positive balance due from the customer (reported as receivables from contracts with customers)	1,265,883	243,437
Production contracts with a negative balance due from the customer (reported as liabilities from contracts with customers)	-601,841	-277,157

During the term of the project, changes to the order by the customer with regard to the agreed scope of services to be provided, e.g. changes to the specification of the service or the duration of the contract, can lead to an increase or reduction in the order revenue and costs. The resulting effects for the current period and foreign currency effects are recognized in profit or loss.

As of December 31, 2022, the accumulated benefits recognized as contract assets from contracts with customers (contract costs incurred less progress billings) were higher than in the previous year. At the same time, liabilities from contracts with customers as of the reporting date December 31, 2022, increased compared to the previous year. With regard to the risk profile of the assets from contracts with customers, there were no significant changes in valuation or estimates in the past financial year.

As in the previous year, assets and liabilities from contracts with customers have a remaining term of less than one year.

The transaction price for the remaining performance obligations that will be settled in 2023 is EUR 601,841.

As of the reporting date December 31, 2022, there were no capitalized costs incurred in connection with the initiation or performance of contracts.

(16) Other assets and receivables

Other current assets and receivables have a remaining term of less than one year and are comprised as follows:

OTHER ASSETS AND RECEIVABLES	in EUR	
	12/31/2022	12/31/2021
Prepaid expenses	218,372	119,345
VAT receivables	498,534	203,815
Receivables from grants	412,968	325,872
Geleistete Anzahlungen	2,344,857	910,370
Other	185,860	121,037
Total	3,660,591	1,680,439

Other current assets and receivables include financial assets in the amount of EUR 412,968 as of the reporting date (previous year: EUR 325,872).

(17) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and current account balances as well as fixed and call money accounts with banks that are due within a maximum of three months.

(18) Cash and cash equivalents with limitation on disposal

In connection with the lease agreement for the company's building at Eugen-Sänger-Ring 7, there is a fixed-term deposit account in the amount of EUR 285,620 (previous year: EUR 285,620) that is blocked in favor of the landlord as of the balance sheet date. In addition, there is a guarantee account in the amount of EUR 99,308 (previous year: EUR 99,308).

(19) Intangible assets

The intangible assets of the Group developed as follows:

DEVELOPMENT OF GROUP FIXED ASSETS – INTANGIBLE ASSETS							in EUR
	Software	Patents and licenses	Capitalized patents	Development costs	Goodwill	Other intangible assets	Total
Acquisition costs as of 01/01/2021	1,305,625	435,840	571,488	12,278,220	12,814,593	6,555,767	33,961,533
Additions	269,311	0	0	2,492,828	0	0	2,762,139
Disposals	0	0	0	0	0	0	0
Reclassification	-1	0	0	1	0	0	0
Differences arising from currency translation	5,286	0	0	0	560,193	327,468	892,947
as of 12/31/2021	1,580,221	435,840	571,488	14,771,049	13,374,786	6,883,235	37,616,619
 Additions	 435,738	 0	 0	 2,619,736	 0	 0	 3,055,474
Disposals	-151,513	0	0	0	0	0	-151,513
Reclassification	-1	0	0	2	0	0	1
Differences arising from currency translation	-3,532	0	0	0	-11,023	-6,444	-20,999
as of 12/31/2022	1,860,913	435,840	571,488	17,390,787	13,363,763	6,876,791	40,499,582
 Depreciation and impairment losses as of 01/01/2021	 -1,008,782	 -319,542	 -571,488	 -4,545,538	 -4,961,138	 -6,555,767	 -17,962,255
Scheduled depreciation	-140,682	-30,320	0	-1,457,186	0	0	-1,628,188
Differences arising from currency translation	-439	-1	0	0	0	-327,468	-327,908
as of 12/31/2021	-1,149,903	-349,863	-571,488	-6,002,724	-4,961,138	-6,883,235	-19,918,351
 Scheduled depreciation	 -227,903	 -30,319	 0	 -1,793,439	 0	 0	 -2,051,661
Disposals	39,827	0	0	0	0	0	39,827
Differences arising from currency translation	437	1	0	0	0	6,444	6,882
as of 12/31/2022	-1,337,542	-380,181	-571,48	-7,796,163	-4,961,138	-6,876,791	-21,923,303
 Carrying amounts	 296,843	 116,298	 0	 7,732,682	 7,853,455	 0	 15,999,278
as of 01/01/2021	430,318	85,977	0	8,768,325	8,413,648	0	17,698,268
as of 12/31/2021	523,371	55,659	0	9,594,624	8,402,625	0	18,576,279

Intangible assets include EUR 94,022 (previous year: EUR 37,921) pledged as security for liabilities.

Development costs

In connection with development activities, grants amounting to EUR 361,040 (previous year: EUR 252,513) were received and treated as a reduction in research and development costs.

Impairment tests for goodwill

The goodwill included in the Consolidated Financial Statements relates to the differences between the respective purchase prices and the net assets of the acquired business operations measured in accordance with IFRS 3 arising from the business combinations of SFC Energy B.V. (SFC B.V.), including its Romanian subsidiary, and SFC Energy Ltd. (SFC Ltd.).

The goodwill from the business combination SFC Ltd. amounts to CAD 10,430,435 or EUR 7,223,793 (previous year: CAD 10,430,435, EUR 7,234,817) and was allocated proportionately as of January 1, 2021, to the Clean Energy segment in the amount of CAD 9,667,101 and EUR 6,186,153 respectively, and proportionately to the Clean Power Management segment in the amount of CAD 763,334 or EUR 488,471. SFC Ltd. remains the cash-generating unit. Due to this allocation of goodwill, the impairment test for the portion of goodwill allocated to the Clean Energy segment is performed at the level of this entire segment and for the portion allocated to the Clean Power Management segment at the level of that entire segment (including the cash flows of the SFC B.V. contained therein).

The goodwill of SFC B.V. in the amount of EUR 1,178,831 thousand was allocated in full to the cash-generating unit SFC B.V. within the Clean Power Management segment. The impairment test on this goodwill continues to be performed at the level of the cash-generating unit SFC B.V., as it does not extend across the boundary of two operating segments.

In both cases, the respective recoverable amount is determined by calculating the higher of the fair value less costs to sell and the value in use using the discounted cash flow method. Taking the significant input factors into account, the determination of the fair value falls under Level 3 of the hierarchy under IFRS 13.

The planned cash flows from the five-year plan (2023 to 2027) prepared by the responsible management were used. In addition, the planned values were extrapolated using a growth rate of 1.0% p.a. (2028 et seqq.), which was also used as the sustainable growth rate.

Goodwill of SFC Energy B.V. (SFC B.V.)

The goodwill of SFC B.V. amounts to EUR 1,178,831 (previous year: EUR 1,178,831)

Key assumptions used to determine the fair value less costs to sell are sales growth, the operating EBIT margin and the cost of capital used.

Sales growth and EBIT margin

The assumptions are based on the budget prepared by management, which contains a projection of sales, operating costs, capital expenditure and depreciation and amortization for a period of five years. The cash flows relevant to the valuation result from the sales and earnings planning as well as additional assumptions regarding working capital.

The assumptions on sales growth are based on the general macroeconomic environment, the development of the relevant markets and the specific development of new target markets in regional terms (Asia) and industry-specific terms (lasers, semiconductors, security), in particular on the basis of system solutions. Based on these identified potentials, an above-average development is expected, which corresponds to average sales growth (CAGR) of approx. 19.0% p.a. over the entire planning horizon (2023 - 2027).

The planned development of the EBIT margin is based on historically observable gross margins on sales and detailed resource and material cost planning. The expected long-term operating EBIT margin is around 10.0%.

Cost of capital

The cost of capital used to discount the cash flows corresponds to the weighted average cost of capital (WACC), which was determined on the basis of a group of peer companies in the same industry as SFC B.V. using publicly available data. The WACC indicates the average weighted return required by providers of equity and debt capital based on the ratio of the capital granted in each case to fair values. To determine the WACC, an analysis of the cost of equity as well as the cost of debt and the capital structure at fair value is required. The WACC used in the reporting year was around 9.76% (or around 8.76% after a growth discount in the terminal value).

Based on the foregoing, no impairment loss was recognized in respect of goodwill in the reporting year.

Management has determined that a possible change in two key parameters could result in the carrying amount of the CGU exceeding the recoverable amount. This situation occurs when:

- the discount rate (WACC) is 19.02% (previous parameter: 9.76%), or
- the sustainable EBIT margin in the pension year is lower than 2.87% (previous parameter: 10.00 %),

The calculations were based on the assumption that the respective other parameter remains unchanged (*ceteris paribus*).

Clean Energy segment

The Clean Energy cash-generating unit comprises part of SFC Ltd. and the operating part of SFC AG. This was formed for the first time in the previous year as part of the change in reportable segments.

The key assumptions used to determine the fair value less costs to sell are sales growth, the operating EBIT margin and the cost of capital used.

Sales growth and EBIT margin

The assumptions are derived from the budget prepared by management, which contains a projection of sales, operating costs, capital expenditure and depreciation and amortization for a period of five years. The cash flows relevant to the valuation result from the sales and earnings planning as well as additional assumptions regarding working capital.

The sales growth assumptions are based on the segment-specific market environment and on the company's currently observed growth rates. Based on the entire planning horizon (2023–2027), the average growth in sales (CAGR) amounts to around 27.7% p.a.

The planned development of the EBIT margin is based on historically observable gross margins on sales and detailed resource and material cost planning. The expected long-term operating EBIT margin is around 12.0%.

Cost of capital

The cost of capital used to discount the cash flows corresponds to the weighted average cost of capital (WACC) determined on the basis of a group of peer companies in the same industry using publicly available data. The WACC indicates the weighted average return required by providers of equity and debt capital based on the ratio of the respective capital granted in each case to fair values. To determine the WACC, an analysis of the cost of equity as well as the cost of debt and the capital structure at fair value is required. The weighted average cost of capital used in the reporting year was around 13.56% (or around 12.56% after a growth discount in the terminal value).

There were no indications of impairment of goodwill in the year under review.

Management has determined that a change in two key parameters that is considered possible could result in the carrying amount of the CGU exceeding its recoverable amount. This situation occurs when:

- the discount rate (WACC) of the Clean Energy segment exceeds the amount of 23.98% (previous parameter: 13.56%), or
- the sustainable EBIT margin of the Clean Energy segment in the pension year is lower than 2.77% (previous parameter: 12.0 %).

The calculations were based on the assumption that the respective other parameter remains unchanged (*ceteris paribus*).

Clean Power Management segment

The cash-generating unit Clean Power Management comprises part of SFC Ltd. and part of SFC B.V. This was formed for the first time in the reporting year as part of the change in the reportable segments.

The key assumptions used to determine the fair value less costs to sell are sales growth, the operating EBIT margin and the cost of capital used.

Sales growth and EBIT margin

The assumptions are based on the budget prepared by management, which contains a projection of sales, operating costs, capital expenditure and depreciation and amortization for a period of five years. The cash flows relevant to the valuation result from the sales and earnings planning as well as additional assumptions regarding working capital.

The sales growth assumptions are based on the segment-specific market environment and on the company's currently observed growth rates. Based on the entire planning horizon (2023–2027), the average growth in sales (CAGR) amounts to around 13.7% p.a.

The planned development of the EBIT margin is based on historically observable gross margins on sales and detailed resource and material cost planning. The expected long-term operating EBIT margin is around 8.0%.

Cost of capital

The cost of capital used to discount the cash flows corresponds to the weighted average cost of capital (WACC) determined on the basis of a group of peer companies in the same industry using publicly available data. The WACC indicates the average weighted return required by providers of equity and debt capital on the basis of the ratio of the capital granted in each case to fair values. To determine the WACC, an analysis of the cost of equity as well as the cost of debt and the capital structure at fair value is required. The weighted average cost of capital used in the reporting year was around 9.73% (or around 8.73% after a growth discount in the terminal value).

There were no indications of any impairment of goodwill in the year under review.

Management has determined that a change in two key parameters that is considered possible could result in the carrying amount of the CGU exceeding the recoverable amount. This situation occurs when:

- the discount rate (WACC) of the Clean Power Management segment exceeds the amount of 15.56% (previous parameter: 9.73%), or
- the sustainable EBIT margin of the Clean Power Management segment in the pension year is lower than 3.51% (previous parameter: 8.0%).

The calculations were based on the assumption that the respective other parameter remains unchanged (*ceteris paribus*).

(20) Property, plant and equipment

The Group's property, plant and equipment developed as follows:

PROPERTY, PLANT AND EQUIPMENT					in EUR
	Buildings	Technical equipment and machinery	Other equipment, fixtures and fittings	Prepayments made and assets under construction	Total
Acquisition costs as of 01/01/2021	9,930,374	2,788,812	6,895,923	0	19,615,109
Additions	-3	135,992	135,992	433,835	1,354,787
Disposals	0	-9,000	-22,025	0	-31,025
Reclassification	0	-2	2	0	0
Differences arising from currency translation	219,026	12,886	81,879	0	313,791
as of 12/31/2021	10,149,397	2,928,688	8,174,577	433,835	21,252,662
 Additions	 5,497,386	 385,928	 2,066,20	 798,270	 7,949,514
Disposals	0	0	-347,589	0	-347,589
Reclassification	-190,978	0	0	-316,264	-190,978
Differences arising from currency translation	-5,862	-258	-9,268	0	-15,388
as of 12/31/2022	15,449,943	3,314,358	9,883,920	915,841	28,648,221
 Depreciation and impairment losses as of 01/01/2021	 -2,760,785	 -1,926,451	 -4,942,776	 0	 -9,630,012
Scheduled depreciation	-1,739,516	-158,496	-782,269	-863	-2,680,281
Disposals	0	2,475	22,025	0	24,500
Reclassification	0	53,419	-53,419	0	0
Differences arising from currency translation	-30,849	-6,815	-42,499	0	-80,163
as of 12/31/2021	-4,531,150	-2,035,868	-5,798,938	-863	-12,365,956
 Scheduled depreciation	 -1,765,493	 -208,707	 -967,271	 0	 -2,941,471
Disposals	0	0	39,470	0	39,470
Depreciation on reclassification	0	0	-17,532	0	-17,532
Differences arising from currency translation	22,162	950	-42,499	59	33,312
as of 12/31/2022	-6,274,481	-2,243,625	-6,734,071	-804	-15,252,177
 Carrying amounts					
as of 01/01/2021	7,169,589	862,361	1,953,147	0	9,985,097
as of 12/31/2021	5,618,247	892,820	2,375,639	432,972	8,886,706
as of 12/31/2022	9,175,462	1,070,733	3,149,849	915,037	13,396,044

At SFC Ltd., fixed assets with a residual carrying amount of EUR 449,805 (previous year: EUR 388,348) are pledged as collateral for liabilities as of December 31, 2022. At SFC B.V., fixed assets with a residual carrying amount of EUR 235,271 are pledged as collateral as of December 31, 2022, (previous year: EUR 73,590).

(21) Other provisions and provisions for taxes

The development of other provisions is shown in the following overview:

OTHER PROVISIONS AND PROVISIONS FOR TAXES		in EUR		
		Warranty provisions	Other miscellaneous provisions	Total other provisions
as of 01/01/2022		2,867,512	603,323	3,470,834
Differences arising from currency translation		-1,676	26,179	24,503
Additions		828,753	7,500	836,253
Compounding (incl. change in interest rate)		10,915	0	10,915
Utilization		-404,741	-524,202	-928,943
Release		-35,310	0	-35,310
as of 12/31/2022		3,265,452	112,800	3,378,252
thereof with a remaining term between one and five years		568,439	112,800	1,882,784
				0

Warranty provisions

The amount recognized is the present value of the net amount required to settle the obligation. Discounting is based on an interest rate of 0.52% (previous year: 0.34%) on the portion due after 2 years, 0.59% (previous year: 0.40%) on the portion due after 3 years, 0.67% (previous year: 0.49%) on the portion due after 4 years and 0.75% (previous year: 0.58%) on the portion due after 5 years.

Miscellaneous other provisions

Miscellaneous other provisions mainly relate to provisions for the retention of business documents in the amount of EUR 75,900 and provisions in connection with the German Electrical and Electronic Equipment Act in the amount of EUR 12,000.

(22) Liabilities to banks

Liabilities to banks are shown in the following table:

LIABILITIES TO BANKS				in EUR
	12/31/2022	12/31/2021	Interest rate	Maturity
Short term loans (interest-bearing)				
Short term loan SFC Energy Ltd.	0	227,026	9%	Until May 2022
Current account SFC Energy Ltd.	749,031	317,784	Canadian Prime Rate + 1.25%	Until further notice
Current account SFC Energy B.V.	2,517,373	1,384,873	1M-EURIBOR + 2.5%	Yearly prolongation
Current account SFC Energy Power Srl.	788,441	805,206	1M-EURIBOR + 2.0%	Yearly prolongation

As of December 31, 2022, there were no long-term liabilities to banks.

There is a financial covenant (loan agreement clauses) for the credit line of SFC Ltd.:

- „Current Ratio“

The following financial covenants (loan agreement clauses) exist for the credit line of the Romanian subsidiary of SFC Energy Srl.:

- „Debt Ratio“.
- „Solvency Ratio“,

All financial covenants were complied with in the past and previous financial year. Please refer to Note (30) "Financial instruments" for further information on the categorization of loans.

(23) Liabilities from advance payments

Liabilities from advance payments relate to advance payments received on orders and, as on the previous year's reporting date, all have a remaining term of less than one year. These are liabilities from contracts with customers that result from contracts with point-in-time realization.

(24) Trade payables

As in the previous year, all trade payables have a remaining term of less than one year.

(25) Leases

As a result of the first-time application of IFRS 16 as of January 1, 2019, all leased buildings and other equipment, factory and office equipment were recognized as right-of-use assets with corresponding lease liabilities.

The remaining terms of the contracts are less than 1 year and up to 7.5 years. The contracts contain renewal clauses on a monthly basis as well as purchase options at the end of the lease contracts. The net carrying amounts of the right-of-use assets capitalized under the leases as of the reporting date are shown in the table below:

LEASES	in EUR		
	Buildings	Other equipment, fixtures and fittings	Total
Acquisition costs as of 01/01/2021	9,930,373	1,427,126	11,357,499
Additions	0	367,724	367,724
Disposals	0	0	0
Reclassifications	0	0	0
Differences arising from currency translation	219,023	59,159	278,182
as of 12/31/2021	10,149,396	1,854,009	12,003,405
 Additions	 5,497,387	 305,834	 5,803,221
Währungsdifferenzen	-15,675	-1,256	-16,931
as of 12/31/2022	15,631,108	2,158,587	17,789,695
 Depreciation and impairment losses as of 01/01/2021	 -2,760,784	 -863,829	 -3,624,613
Scheduled depreciation	-1,739,516	-274,602	-2,014,118
Disposals	0	0	0
Reclassifications	0	0	0
Differences arising from currency translation	-30,849	-38,573	-69,422
as of 12/31/2021	-4,531,149	-1,177,004	-5,708,153
 Scheduled depreciation	 -1,765,493	 -346,700	 -2,112,193
Differences arising from currency translation	31,974	6,527	38,501
Other	-190,978	0	-190,978
as of 12/31/2022	-6,455,646	-1,517,177	-7,972,823
 Carrying amounts	 5,618,247	 677,005	 6,295,252
as of 12/31/2021	9,175,462	641,410	9,816,872
as of 12/31/2022			

The capitalized rights of use to leased buildings are depreciated over a period of 3 to 7.5 years as of the reporting date. The depreciation cycles of the rights of use to other equipment, factory and office equipment range from less than one to seven years.

In the Consolidated Statement of Income prepared using the cost of sales method, proportionate depreciation of the leased rights of use (right-of-use assets) can be found in the cost of sales, selling expenses, research and development expenses and general administrative expenses and amounted to EUR 2,112,193 (previous year EUR 2,014,118) for the past financial year.

The proportionate depreciation was recognized in the functional costs as follows:

DEPRECIATION	in EUR		
	Buildings	Other equipment, fixtures and fittings	Total
Total depreciation for financial year 2022 included in			
Production costs of work performed to generate sales	-882,473	-175,943	-1,058,416
Sales costs	-446,425	-85,782	-532,207
General administrative costs	-272,378	-50,504	-322,882
Research and development costs	-164,217	-34,471	-198,688
as of 12/31/2022	-1,765,493	-346,700	-2,112,193

DEPRECIATION	in EUR		
	Buildings	Other equipment, fixtures and fittings	Total
Total depreciation for financial year 2021 included in			
Production costs of work performed to generate sales	-821,018	-125,370	-946,388
Sales costs	-444,143	-71,448	-515,591
General administrative costs	-320,916	-52,908	-373,824
Research and development costs	,153,439	-24,876	-178,315
as of 12/31/2021	-1,739,516	-274,602	-2,014,118

The contractually agreed undiscounted lease payments as of December 31, 2022, totaled EUR 11,745,528 (previous year: EUR 7,397,010) and were broken down into the different maturity bands as follows:

MATURITY STRUCTURE	in EUR	
	12/31/2022	12/31/2021
Lease liabilities/Maturity structure - contractually agreed undiscounted cash flows		
Amounts due in 1 year or less	2,161,772	1,956,661
Amounts due between 1 and 5 years	7,044,668	4,920,480
Amounts due in more than 5 years	2,539,088	519,870
Total of undiscounted lease payments	11,745,528	7,397,010

Discounted lease liabilities of EUR 10,561,072 (previous year: EUR 6,750,663) were reported in the Consolidated Statement of Financial Position as of December 2022. These lease liabilities are broken down into current and non-current liabilities as follows:

SHORT-TERM AND LONG-TERM LEASE LIABILITIES	in EUR	
	12/31/2022	12/31/2021
Short-term	2,009,259	1,859,824
Long-term	8,551,813	4,890,839
Total of lease liabilities as in Group consolidation	10,561,072	6,750,663

The payments relating to lease liabilities, which have been included in both operating and financing cash flows, can be seen in the following table for both the past and the previous financial year:

CLASSIFICATION IN CASH FLOW	in EUR	
	12/31/2022	12/31/2021
Classification in Cash Flow		
Repayment of liabilities under the finance lease in the Consolidated Statement of Cash Flows	-1,837,022	-1,698,875
Cash outflow for interests under finance lease in the Consolidated Statement of Cash Flows	373,150	-213,208
Cash outflow for short-term lease liabilities, for low-value asset leases or for variable lease payments that are not included in the measurement of the lease liability and should be recognized under cash flow from operations which are not included in the measurement of the lease liability and are to be recognized in operating cash flow	-20,784	-7,253
Cash outflows for prepayments on rights of use in investment cash flow	0	-33,908

The expenses recorded in the Consolidated Statement of Income can be found in the table below.

LEASE EXPENSES	12/31/2022	12/31/2021	in EUR
Lease expense in the Profit & Loss statement			
Interest expense on lease liabilities	-444,509	-213,208	
Expenses in connection with short-term leases	-4,215	-3,895	
Expenses in connection with leases of minor assets, excluding short-term leases of assets of low value	-16,569	-3,358	

(26) Other liabilities

Current other liabilities comprise the following:

OTHER CURRENT LIABILITIES	12/31/2022	12/31/2021	in EUR
Performance-related remuneration/bonuses	1,637,078	1,507,315	
Outstanding vacation	873,580	822,935	
Wage tax	309,954	624,320	
VAT	82,054	109,369	
Wages and salaries and as part of social security	2,702,358	211,08	
Supervisory Board remuneration	229,863	128,125	
13th salaries	30,333	18,662	
Contributions to employers' liability insurance association	69,600	57,600	
SAR Stock Appreciation Rights	0	1,660,209	
Surcharge for non-employment of disabled persons	20,400	14,400	
Overtime	219,901	163,703	
Customer-related accruals and commissions	724,288	275,135	
Costs from the dissolution of contracts	35,414	22,200	
Other	1,382,570	712,083	
Total	8,317,393	6,327,143	

Other current liabilities include financial liabilities in the amount of EUR 299,463 (previous year: EUR 185,725).

Other non-current liabilities comprise the following:

OTHER NON-CURRENT LIABILITIES	12/31/2022	12/31/2021	in EUR
Liabilities from payroll taxes	423,775	594,068	
SAR Stock Appreciation Rights	4,046,886	7,210,198	
VAT	173,464	201,309	
Total	4,644,125	8,005,575	

Other non-current liabilities as of December 31, 2022, include the liability recognized under the Stock Appreciation Rights Program (SARs program) for the Management Board members Dr. Peter Podesser, Daniel Saxena and Hans Pol. Please see Note (31) Share-based payment/Stock Appreciation Rights Program for details on these agreements. Furthermore, liabilities in connection with payroll tax and VAT from the Dutch subsidiary are included, which were deferred due to governmental measures in connection with the COVID-19 pandemic.

(27) Equity

The change in SFC's equity is shown in the Consolidated Statement of Changes in Equity.

Subscribed capital

The subscribed capital increased from EUR 14,469,743 to EUR 17,363,691 in the reporting year. This increase resulted from a capital increase in July 2022, in which 2,893,948 new no-par-value bearer shares were issued. Gross issue proceeds amounted to approximately EUR 56,431,986. The Group's share capital increased by EUR 2,893,948 as a result of this equity-changing measure.

There was no increase in share capital in financial year 2021.

The bearer shares of 17,363,691 (previous year: 14,469,743), with a notional value of EUR 1 per share carry one voting right each and are fully entitled to dividends.

Capital reserve

The capital reserve amounted to EUR 168,262,275 at the balance sheet date (previous year: 119,636,548). In the past financial year, the capital reserve increased net by EUR 48,625,727, resulting from the share-based payment settled by equity instruments in the amount of EUR 311,928 and the capital increase in the gross amount of EUR 53,538,038 less capital increase costs of EUR 5,224,239.

Authorized capital

The Annual General Meeting on May 16, 2019, approved the cancellation of the Authorized Capital of May 17, 2017 (Authorized Capital 2017/I), the creation of new Authorized Capital (Authorized Capital 2019/I) and the amendment to Section 5 (Authorized Capital) of the Articles of Association.

By resolution of the Annual General Meeting on May 16, 2019, the Management Board was authorized, with the approval of the Supervisory Board, to increase the share capital on one or more occasions on or before May 15, 2024, by a total of up to EUR 5,124,806, whereby the subscription rights of shareholders may be excluded under certain conditions (Authorized Capital 2019/I).

In the reporting year, SFC AG still had authorized capital of EUR 915,427 (Authorized Capital 2019/I) in accordance with Section 5 (6) of the Articles of Association.

Conditional capital

Based on the resolution of the Annual General Meeting of SFC AG on May 19, 2020, the Management Board was authorized, with the consent of the Supervisory Board, to increase the share capital of the company by up to EUR 1,300,000.00 (Conditional Capital 2020). The Conditional Capital 2020/I serves exclusively to grant new no-par value shares to the holders of option rights that can be issued by the company in accordance with the authorization resolution of the Annual General Meeting of May 19, 2020, under agenda item 7 lit. a).

SFC AG also has additional Conditional Capital in the amount of EUR 2,824,503 (Conditional Capital 2019/I), in the amount of EUR 295,300 (Conditional Capital 2016/I) and in the amount of EUR 278,736 (Conditional Capital 2011 /I) for the granting of no-par value bearer shares to the holders or creditors of convertible bonds and/or bonds with warrants, profit participation rights and/or participating bonds (or combinations of these instruments).

With regard to the Conditional Capital 2019/I, the Management Board is obliged, pursuant to a self-restriction declaration dated April 21, 2022, that was published on the company's website in the "Investor Relations" section, to make use of the authorization resolved in the Annual General Meeting of June 14, 2016, under agenda item 7 b) and the authorization resolved in the Annual General Meeting of May 16, 2019 under agenda item 7 b) as well as to make use of Section 5 (7) of the Articles of Association of SFC Energy AG only to the extent that the share capital is conditionally increased by up to EUR 1,593,949 by issuing up to 1,593,949 new no-par value ordinary bearer shares with a pro rata amount in the share capital of EUR 1.00 per individual share.

Authorization to buy treasury shares

By resolution of the Annual General Meeting on May 16, 2019, the Management Board of the company is not authorized to acquire treasury shares representing up to 10% of the company's share capital until May 15, 2024. No use had been made of this authorization by the balance sheet date.

Other changes in equity not affecting net income

The other changes in equity that do not affect income relate to changes in equity that do not affect profit or loss from the currency translation of foreign subsidiaries.

4. Other Information

(28) Contingent liabilities

Contingent liabilities are possible obligations that are based on past events and the existence of which will only be confirmed by the occurrence of one or more uncertain future events that are beyond SFC's control. Current obligations also represent contingent liabilities if claims are unlikely and/or the amount of the obligation cannot be reliably estimated.

As in the previous year, no contingent liabilities were recognized as of the balance sheet date.

(29) Other financial obligations

Order commitment

As of the balance sheet date, the Group had purchase commitments of EUR 34,329,279 (previous year: EUR 30,239,484). These relate primarily to blanket purchase orders for raw materials, consumables and supplies.

Contingent liabilities

There were no contingent liabilities as of the balance sheet date.

(30) Financial instruments

The following overview shows the financial assets and liabilities by measurement category and class:

CARRYING AMOUNTS SHOWN IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION		in EUR
	12/31/2022	12/31/2021
Financial assets		
Assets measured at amortized cost		
Trade receivables	18,110,324	17,608,015
Other assets and receivables – current	412,968	325,872
Cash and cash equivalents	64,802,825	24,622,648
Cash and cash equivalents with limitation on disposal	384,927	384,927
Financial liabilities		
Liabilities measured at amortized cost		
Liabilities to banks	4,054,845	2,734,888
Trade payables	9,045,990	7,641,959
Liabilities under leases	10,561,072	6,750,663
Other liabilities – current	299,463	185,725

In particular due to their short-term nature, the carrying amounts of the financial assets and financial liabilities recognized in the financial statements at amortized cost largely correspond to their fair values.

Financial assets and liabilities measured at fair value are allocated to the following three hierarchical levels: Financial assets and liabilities are allocated to **Level 1** if there is an exchange price for identical assets and liabilities on an active market. Allocation to **Level 2** takes place if the parameters on which the determination of the fair value is based can be observed either directly as prices or indirectly derived from prices. Financial assets and liabilities are reported in **Level 3** if the fair value is determined from non-observable parameters. In the reporting year and as was already the case at the end of the previous year, there were financial liabilities or financial assets based on a **Level 3** fair value measurement.

Allocation to the fair value levels is thus as follows:

FAIR VALUE LEVEL	in EUR		
	12/31/2022		
	Level 1	Level 2	Total
Financial assets			
measured at amortized cost			
Trade receivables	0	18,110,324	18,110,324
Other assets and receivables – current	0	412,96	412,96
Cash and cash equivalents	0	64,802,825	64,802,825
Cash and cash equivalents with limitation on disposal	0	384,927	384,927
Financial liabilities			
measured at amortized cost			
Liabilities to banks	0	4,054,845	4,054,845
Trade payables	0	9,045,990	9,045,990
Lease liabilities	0	10,561,072	10,561,072
Other liabilities – current	0	299,463	299,463

The expenses and income from financial instruments by measurement category are as follows:

EXPENSES AND INCOME FROM FINANCIAL INSTRUMENTS	in EUR	
	2022	2021
Financial assets		
measured at amortized cost		
Trade receivables		
Income from the reversal of valuation allowances	2,255	5,795
Expense from write-downs of trade receivables	-424,042	-36,655
Income from currency translation of trade receivables	1,244,250	411,484
Expense from currency translation of trade receivables	-1,199,190	-21,490
Cash and cash equivalents		
Interest income	5	5
Net result of assets measured at fair value through profit or loss	-376,704	359,139
Financial liabilities		
measured at amortized cost		
Liabilities to banks		
Interest expense	-219,603	-186,242
Trade payables		
Income from currency translation	83,544	3,030
Expense from currency translation	-206,619	-26,165
Lease liabilities		
Interest expense	-444,509	-213,208
Net result of liabilities carried at amortized cost	-787,187	-422,585

Capital management

SFC sees a strong financial profile of the Group as a basic prerequisite for its continued growth. The strategic orientation of SFC and especially the expansive strategy chosen require further that need to be financed to ensure future business success – especially in the areas of product development, opening up additional market segments and new regions and expanding existing market segments. The funds received by the company from the capital increases carried out in July 2019, November 2020 and July 2022 and the exercise of the warrant bond in January 2020 were raised for these investments. Until used in the context of the growth strategy, surplus liquidity is invested in low-risk financial securities (e.g. overnight and time deposits) at various banks.

The Group's capital management relates to cash and cash equivalents (see Note (17), equity (see Note (27) and liabilities to banks (see Note (22)).

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

GROUP EQUITY RATIO	in EUR	
	12/31/2022	12/31/2021
Equity	103,437,118	50,018,854
As a percentage of total capital	70.3%	57.3%
Non-current liabilities	17,142,495	16,348,354
Current liabilities	26,591,388	20,998,034
Liabilities	43,733,883	37,346,388
As a percentage of total capital	29.7%	42.7%
Total capital	147,171,001	87,365,242

SFC's capital structure changed considerably in the reporting year. Due to the capital increase and the positive consolidated net income for the period, the equity ratio increased to 70.3% (previous year: 57.3%). Last year, the equity ratio had fallen due to the negative consolidated result for the period.

Adjusted operating result

In the reporting year, the company used, the so-called "adjusted operating result" among other measures, for internal management purposes. The table below shows the reconciliation of the operating result (EBIT) reported in the Consolidated Statement of Income of SFC to the adjusted operating result:

RECONCILIATION TO THE ADJUSTED OPERATING RESULT (EBIT)	in EUR	
	2022	2021
EBIT (earnings before interest and taxes)	3,599,404	-5,105,298
Reported under research and development costs:		
Expenses for the LTI program	11,115	202,282
Reported as sales costs		
Expenses for the LTI programs	253,819	4,293,660
Reported as general administrative costs		
Expenses for the LTI programs	399,753	2,696,969
Expenses for acquisition-related costs	42,288	320,820
Reported under other operating income:		
Income from the reversal of SAR/SOP liabilities	-1,149,442	-483,650
Adjusted operating result	3,156,937	1,924,781

Financial risks, such as market, default or liquidity risks, can arise in connection with financial instruments and are explained below.

Risks and hedging policy

Due to SFC's international activities, changes in exchange rates, raw material prices and interest rates affect the Group's asset, financial and earnings positions. Furthermore, there are default and liquidity risks that are related to market price risks or associated with a deterioration in the operating business or disruptions on the financial markets.

In general, there are still risks of rising raw material and energy costs, which can have a negative impact on product margins. Volatility of the platinum price of 5% would have an impact on expenses amounting to approximately EUR 33,000 p. a.

Default risk

Default risk resulted mainly from trade receivables. This risk consists of the danger of default by a contractual partner, which is characterized by the customer structure with various major customers. In order to prevent the risk of default, credit checks are carried out in the form of inquiries with credit agencies for selected customers and regular status reports with an early warning function are requested. New customers are generally only supplied in exchange for payment in advance. In addition, all overdue receivables are discussed on a weekly basis as part of receivables management and measures are initiated with the sales employees responsible. For the subsidiaries SFC B.V. and SFC Ltd., prevention of the default risk takes place in such a way that, due to the manageable number of customers or bad debts, overdue receivables are first addressed by accounting employees and then discussed with the customer by the sales employee responsible.

The amounts reported in the Consolidated Statement of Financial Position are net of the allowance for doubtful accounts estimated by management based on the expected credit loss model and the current economic environment. Specific valuation allowances are recognized as soon as there is an indication that receivables are uncollectible. The indications are based on intensive contacts as part of receivables management. The expected losses are determined based on the historical payment behavior of customers. On each balance sheet date, the expected loss is determined over the remaining term as a percentage depending on the length of time overdue.

The Group considers a financial asset to be in default if it is unlikely that the debtor will be able to pay its credit obligation to the Group in full without the Group having to resort to measures such as the liquidation of collateral (if any has been provided). The maximum default amount corresponds to the net carrying amount of the receivables. In the reporting period, as in the previous year, no collateral was acquired and recognized from defaulted receivables. Receivables from product sales are secured for SFC by retention of title.

Indicators that a financial asset is credit-impaired include the following observable inputs:

- significant financial difficulties of the customer
- a breach of contract, such as default or overdue by more than 90 days
- restructuring of a loan or credit by the Group that it would not otherwise consider
- it is likely that the customer will enter bankruptcy or other reorganization proceedings, or
- disappearance of an active market for a security due to financial difficulties.

The trade receivables in the amount of EUR 18,110,324 (previous year: EUR 17,608,015) are attributable to the five largest customers in the amounts of EUR 2,045,723, EUR 2,031,076, EUR 1,213,492, EUR 945,977 and EUR 801,549, in total EUR 7,037,817 (previous year: EUR 2,361,749, EUR 1,692,049, EUR 823,346, EUR 821,637 and EUR 743,076), in total EUR 6,441,857). There are no other significant concentrations of risk.

The following table shows the development of allowances for trade receivables:

DEVELOPMENT OF WRITE-DOWNS ON TRADE RECEIVABLES		in EUR	
		2022	2021
Write-downs as of January 1		1,082,938	1,061,156
Additions		424,024	36,655
Drawdown/utilization		0	-9,078
Release		-2,255	-5,795
Write-downs as of December 31		1,505,707	1,082,938

Expected credit losses break down as follows:

BREAKDOWN OF EXPECTED CREDIT LOSSES ON TRADE RECEIVABLES			
		2022	2021
Balance as of January 1		1,082,93	1,061,156
Lifetime expected credit losses (collectively assessed)		302,124	230,229
Credit impaired financial assets (lifetime expected credit losses)		1,202,583	852,709
Balance as of December 31		1,504,707	1,082,938

The maturity bands of trade receivables past due but not yet impaired in the amount of EUR 9,602,299 (previous year: EUR 7,018,065) are shown in the following table:

ACCOUNTS RECEIVABLE	in EUR	
	2022	2021
Not past due or impaired	8,513,413	10,589,950
Past due and not impaired		
Up to one month past due and not impaired	4,909,289	2,879,585
One to three months past due and not impaired	2,225,271	1,170,646
Three to six months past due and not impaired	100,725	199,949
Over six months past due and not impaired	2,361,625	2,767,885
Receivables per Consolidated Statement of Financial Position	18,110,324	17,608,015

The outstanding receivables that are neither overdue nor impaired are of high credit quality due to the current customer structure. As of the balance sheet date, there were no indications that payment defaults were to be expected with regard to these receivables.

The expected loss rate per maturity band is broken down as follows:

LOSS RATE	12/31/2022				in EUR
	not overdue	overdue less than 30 days	overdue 30 to 90 days	overdue more than 90 days	Total
Expected loss rate (in %)	1%	2%	4%	34%	
Trade receivables (gross)	8,587,940	5,107,638	2,291,200	3,781,253	19,615,031
Allowance for doubtful accounts	74,527	108,349	65,929	1,255,902	1,504,707

	12/31/2021			
	not overdue	overdue less than 30 days	overdue 30 to 90 days	overdue more than 90 days
Expected loss rate (in %)	1%	2%	4%	23%
Trade receivables (gross)	10,646,594	2,951,306	1,215,789	3,877,264
Allowance for doubtful accounts	56,644	71,721	45,143	909,430

No valuation allowances were recognized for the other financial assets, which mainly comprise receivables from grants. There were no overdue claims in this regard as of the balance sheet date.

There are also default risks relating to cash and cash equivalents. Cash and cash equivalents mainly include short-term time and overnight deposits and bank balances that are immediately available. In connection with the investment of cash and cash equivalents, SFC is exposed to losses from credit risks if banks fail to meet their obligations. To minimize this risk, the banks with which investments are made are carefully selected and the investments are spread across several banks. In addition, only short-term time deposits are arranged that are covered by the deposit insurance of the banks. The maximum risk position corresponds to the carrying amount of the cash and cash equivalents as of the balance sheet date.

Liquidity risk

Liquidity risk describes the risk that SFC will not be able to meet its payment obligations to a sufficient extent. This risk was countered by the capital increases in July 2019, November 2020 and July 2022 and the exercise of the warrant bond in January 2020 as well as all previous capital-increasing measures. Liquidity reserves rose sharply year-on-year due to significant cash inflows from financing activities as a result of the capital increase in the past financial year.

Responsibility for liquidity risk management ultimately lies with the Management Board, which has established an appropriate concept for managing short-, medium- and long-term financing and liquidity requirements. The Group manages liquidity risks by holding reserves and by constantly monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

SFC incurs contractual cash outflows from the financial liabilities held, which are shown in the schedule below with their earliest possible dates. The cash inflows from financial instruments of current and non-current assets are shown analogously. The remaining net liquidity outflow is covered by current cash and cash equivalents.

FINANCIAL LIABILITIES

in EUR

	2022				2021			
	Total	≤ 1 year	>1 – 5 years	>5 years	Total	≤ 1 year	>1 – 5 years	>5 years
Non-derivative financial liabilities								
Liabilities to banks	-4,054,845	-4,054,845	0	0	-2,734,888	-2,734,888	0	0
Trade payables	-9,045,990	-9,045,990	0	0	-7,641,959	-7,641,959	0	0
Lease liabilities	-10,561,072	-2,009,259	-6,164,025	-2,387,788	-6,750,663	-1,859,824	-4,467,840	-422,999
Other financial liabilities	-299,463	-299,463	0	0	-185,725	-185,725	0	0
Total cash outflow	-23,961,370	-15,409,557	-6,164,025	-2,387,788	-17,313,235	-12,422,396	-4,467,840	-422,999
Non-derivative financial assets								
Cash and cash equivalents	65,187,752	65,187,752	0	0	25,007,575	25,007,575	0	0
Trade receivables	18,110,324	18,110,324	0	0	17,608,015	17,608,015	0	0
Other financial assets	412,968	412,968	0	0	325,872	325,872	0	0
Total cash inflow	83,711,044	83,711,044	0	0	42,941,462	42,941,462	0	0
Net liquidity from financial instruments	59,749,674	68,301,487	-6,164,025	-2,387,788	25,628,227	30,519,066	-4,467,840	-422,999

The liabilities in connection with the loan to SFC Ltd. were repaid in full in the past financial year. Based on the interest rate of 5.95%, which is calculated from the Canadian Prime Lending rate plus a 3.5% margin, interest payments in the amount of EUR 245,416 resulted (previous year: EUR 6,936).

The cash and cash equivalents shown include restricted cash.

Interest rate risk

Interest rate risk results mainly from the debt financing of the subsidiaries SFC Ltd. and SFC B.V., which are based on variable interest rates, and from the short-term investment of cash and cash equivalents. A 50-basis point increase or decrease in interest rates would have improved or worsened the interest result by EUR 20.274 (previous year: EUR 13.674). The Group is not exposed to any significant interest rate risks from variable-rate instruments.

Please also refer to the Risk Report in the Group Management Report for information on risk management objectives and measures. Risk measurement is carried out in the course of the rolling year-end forecast.

Currency risk

Due to the business volume of SFC Ltd., SFC generates a significant share of its consolidated sales in Canadian dollars, which are offset by expenses or expenditures in the same currency. Furthermore, SFC AG and SFC Ltd. in North America generate sales in US dollars. In addition, SFC Ltd. purchases certain products in US dollars. No forward exchange transactions were entered into in the reporting year.

The currency translation of the assets and liabilities of SFC Ltd. as of December 31, 2022, would have resulted in an effect of EUR -897,956 (previous year: EUR -879,336) if the exchange rate had fluctuated by -5% and in an effect of EUR 897,956 (previous year: EUR 879,336) if the exchange rate had fluctuated by +5%, which would have been reflected in the Group's equity.

The translation of the Romanian subsidiary and the transactions in RON did not have any material impact.

The valuation of the foreign currency receivables and liabilities of SFC AG, SFC B.V. and SFC Ltd. as of December 31, 2022, would have resulted in a foreign currency result that would have changed by EUR -98,195 (prior year: EUR -108,836) if the exchange rate had fluctuated by -5% and by EUR 98,195 (prior year: EUR 108,836) if the exchange rate had fluctuated by +5%.

The objective of foreign currency management is to minimize currency losses compared to budget assumptions. For this purpose, an open foreign currency position is calculated based on actual and planned foreign currency positions and adjusted as part of the rolling year-end forecast. Where larger open positions exist, the open balance is largely hedged using forward exchange contracts if significant deviations from the budgeted assumptions arise from the forecast and market expectations. As of the balance sheet date and as in the previous year, there are no open forward exchange contracts. In this respect, there is a foreign currency risk for the unhedged portion of sales.

(31) Share-based payment/Stock Appreciation Rights Program

In the course 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 objective 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 entitles the holder to an equivalent cash payment equal to the applicable share price upon exercise, less the exercise price. SARs can be exercised within a period of one year after the end of the respective waiting period, provided that the performance targets are met and the so-called blackout periods are observed. The number of SARs that can be exercised basically depends on the average share price of SFC over a period of 30 trading days before the end of the respective waiting period (reference price).

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

No further SARs were granted in financial year 2022. Some of Hans Pol's claims were exercised in the reporting period on the basis of Tranche HP2 (Hans Pol Program 2). Dr. Peter Podesser's remaining claims were exercised in the reporting period due to Tranche PP2 (Peter Podesser Program 2).

In financial year 2021, Markus Binder's claims were replaced by a cash payment in the first half of 2021. Furthermore, part of Dr. Peter Podesser's claims under Tranche PP2 (Peter Podesser Program 2) were exercised in the reporting period.

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

SARs developed as follows in the reporting period:

DEVELOPMENTS OF SARs IN 2022				in EUR
	Tranche PP2	Tranche HP3	Tranche DS1	Tranche CB1/ BL1/FT1
Number of Stock Appreciation Rights (SAR)	360,000	180,000	228,000	47,500
Maximum term (years)	5.00	7.00	8.00	7.00
Outstanding number of SARs at the beginning of the 2022 reporting period (01/01/2022)	146,667	125,000	228,000	40,500
During the 2022 reporting period				
SARs awarded	0	0	0	0
SARs forfeited	0	0	0	0
SARs exercised	146,667	35,000	0	0
SARs expired	0	0	0	0
Outstanding number of SARs at the end of the 2022 reporting period (12/31/2022)	(0)	90,000	228,000	40,500
Exercizable SARs at the end of the reporting period (12/31/2022)	0	6,667	0	0

SARs developed as follows in the prior-year period:

DEVELOPMENTS OF SARs IN 2021						in EUR
	Tranche PP2	Tranche HP2	Tranche HP3	Tranche DS1	Tranche CB1/ BL1/FT1	Tranche MB 1
Number of Stock Appreciation Rights (SAR)	360,000	180,000	180,000	228,000	47,250	180,000
Maximum term (years)	5.00	7.00	7.00	8.00	7.00	7.00
Outstanding number of SARs at the beginning of the 2021 reporting period (01/01/2021)	220,000	20,000	125,000	228,000	47,250	55,000
During the 2021 reporting period						
SARs awarded	0	0	0	0	47,250	0
SARs forfeited	0	0	0	0	6,750	0
SARs exercised	73,333	20,000	0	0	0	55,000
SARs expired	0	0	0	0	0	0
SARs outstanding at the end of the reporting period (12/31/2021)	146,667	0	125,000	228,000	40,500	0
Exercizable SARs at the end of the reporting period (12/31/2021)	73,333	0	0	0	0	0

1 Tranche PP1 was replaced by a stock option program tranche (Peter Podesser Stock Option Program 1) in financial year 2020.

The following parameters were taken into account in the valuation as of December 31, 2022:

2022	Tranche HP3	Tranche DS1	Tranche CB1/ BL1/FT1	in EUR
	12/31/2022	12/31/2022	12/31/2022	
Measurement date				
Remaining term (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%	
Strike price	EUR 1.00	EUR 1.00	EUR 1.00	
Share price on the measurement date	EUR 25.10	EUR 25.10	EUR 25.10	

The following parameters were used as a basis for the valuation as of the previous year (December 12/31/2021):

2021	in EUR			
	Tranche PP2	Tranche HP3	Tranche DS1	Tranche CB1/ BL1/FT1
	12/31/2021	12/31/2021	12/31/2021	12/31/2021
Measurement date				
Remaining term (years)	2.25	3.50	6.50	5.00
Volatility	56.33 %	54.73 %	68.15 %	69.51 %
Risk-free interest rate	- 0.70 %	- 0.67 %	- 0.44 %	- 0.46 %
Expected dividend yield	0.00 %	0.00 %	0.00 %	0.00 %
Strike price	EUR 1.00	EUR 1.00	EUR 1.00	EUR 1.00
Share price on the measurement date	EUR 28.40	EUR 28.40	EUR 28.40	EUR 28.40

The period from the measurement date to the end of the contract of the respective agreement was taken as the term. The share price was determined via Refinitiv from the closing price in XETRA trading as of December 31, 2022. The volatility was determined as the historical volatility of the SFC share appropriate to the term over the respective remaining term. The expected volatility taken into account is based on the assumption that future trends can be inferred from historical volatility, so that the volatility that actually occurs may differ from the assumptions made. The yield on German government bonds was taken as the risk-free interest rate. The expected dividend yield is based on market estimates for the amount of the expected dividend of the SFC share in the years 2022 and 2023.

As of December 31, 2022, a liability of EUR 4,046,886 (of which EUR 4,046,886 is non-current) was recognized under other liabilities as part of the SARs program (December 31, 2021: EUR 8,870,407; thereof EUR 7,210,198 long-term). The expense for the period from January 1 to December 31, 2022, amounts to EUR -796,683 (prior-year period: EUR 6,674,701).

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 both Dr. Peter Podesser and Hans Pol. Furthermore, contracts were concluded for two more executives. One of these contracts was terminated in the reporting year. The goal of this program is also to support 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' shareholding. In financial year 2021, a grant was made to Mr. Hans Pol (Stock Option Program 2) as well as to two other executives.

Tranche PP1 (Peter Podesser Stock Option Program 1) provides for variable remuneration in the form of so-called stock options. A stock option entitles the holder to subscribe to one no-par value ordinary bearer share of the company upon simultaneous payment of the exercise price by the option holder. Stock options can be exercised after expiration of the respective vesting period within a period of one year, taking the so-

called blackout periods into account. The number of stock options that may be exercised basically depends on the average share price of SFC over a period of 30 trading days before the end of the respective waiting period (reference price).

Stock Option Program 2 began on March 1, 2021, and has a maximum term of eight years. In accordance with the terms of the option, the option rights can be exercised within one year after a waiting period has expired. The waiting period is four or seven years, in each case beginning 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 purchase one SFC share. The subscription rights granted can only be exercised if the stock market price of the SFC share, as defined in more detail by the Annual General Meeting, has reached a specific price target at certain times during the four-year waiting period and the subscription rights have therefore not (in whole or in part) expired. The exercise of stock options with respect to each sub-tranche is also 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 threshold values set by the Annual General Meeting.

The stock option program ensures that, after expiry of the waiting period, option rights for the respective drawing period may only be exercised if the sum 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).

In the last reporting period, further stock option programs were granted to executives (SA1 or Stock Option Program 3, MC1 or Stock Option Program 4), of which the Stock Option Program SA1 was discontinued in the reporting year.

Stock Option Program 4 began on March 1, 2021, and has a maximum term of eight years. In accordance with the option conditions, the option rights may be exercised within one year after a waiting period has expired. The waiting period is four or six years, beginning on the issue date of the tranche (beginning 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 only be exercised if the stock market price of the SFC share, as 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 the subscription rights have therefore not (in whole or in part) expired. The exercise of stock options with respect to each sub-tranche is also conditional upon an average market price of the SFC share at the time of exercise, as defined in more detail by the Annual General Meeting, reaching or exceeding threshold values 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 terms and conditions upon which the stock options were granted into account.

STOCK OPTIONS IN 2022

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

Stock options developed as follows in financial year 2021:

STOCK OPTIONS IN 2021

	Tranche PP1	Tranche HP4	Tranche SA1	Tranche MC1	in EUR
Number of stock options	504,000	500,000	22,800	22,800	
Maximum term (years)	8.00	8.00	7.00	7.00	
Outstanding number of stock options at the beginning of the reporting period (01/01/2021)	504,000	0	0	0	
During 2021 reporting period					
Stock options granted	0	500,000	22,800	22,800	
Stock options forfeited	0	0	0	0	
Stock options exercised	0	0	0	0	
Stock options expired	0	0	0	0	
SAR outstanding at the end of the reporting period (12/31/2021)	504,000	500,000	22,800	22,800	
Exercizable SAR at the end of the reporting period (12/31/2021)	0	0	0	0	

As of December 31, 2022, a capital reserve of EUR 1,386,377 is recognized under the stock option program (December 31, 2021: EUR 1,074,449). The expense for the period from January 1 to December 31, 2022, amounted to EUR 400,008 with an offsetting effect from a reversal of EUR 88,080 (same period of the previous year: EUR 518,209).

The following parameters were taken into account in the valuation as of December 31, 2022:

2022	in EUR		
	Tranche PP1	Tranche HP4	Tranche SA1/MC 1
Measurement date	09/04/20	03/01/21	02/01/21
Remaining term (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%
Strike price	EUR 1.00	EUR 24.41	EUR 15.50
Share price on the measurement date	EUR 10.00	EUR 28.50	EUR 22.75

The following parameters were used as the basis for the valuation as of December 31, 2021:

2021	in EUR		
	Tranche PP1	Tranche HP4	Tranche SA1/MC 1
Measurement date	09/04/20	03/01/21	02/01/21
Remaining term (years)	6.53	7.17	6.00
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 %
Strike price	EUR 1.00	EUR 24.41	EUR 15.50
Share price on the measurement date	EUR 10.00	EUR 28.50	EUR 22.75

(32) Transactions with related parties

Related parties as defined by IAS 24 "Related Party Disclosures" are companies and persons if one of the parties has, directly or indirectly, the ability to control or exercise significant influence over the other party or is involved in the joint control of the company.

Transactions between SFC and its subsidiaries that are related parties were eliminated in the course of consolidation and are not explained in this note.

Related parties are, as persons in key positions at SFC, the members of the Management Board and Supervisory Board and their close family members. The Management Board and Supervisory Board were composed as follows in financial years 2021 and 2022:

Members of the Management Board

- Dr. Peter Podesser, Simbach am Inn, Germany, CEO (Chairman of the Board)
- Daniel Saxena, Thalwil, Switzerland, CFO
- Hans Pol, Ede, Netherlands, COO

Members of the Supervisory Board

- Hubertus Krossa, Wiesbaden, active on several supervisory boards (Chairman)
- Gerhard Schempp, Kaltental, Management Consultant
- Sunaina Sinha, London (UK), Management Consultant (since May 20, 2021)
- Henning Gebhardt, Bad Homburg, Fund Manager (since May 20, 2021)
- Tim van Delden, Düsseldorf, Fund Manager (Chairman until May 19, 2021)

Companies that are directly or indirectly controlled or significantly influenced by key management personnel or close members of their families are also classified as related parties in accordance with IAS 24 "Related Party Disclosures."

The total remuneration of persons in key management positions is shown below:

REMUNERATION	in EUR			
	2022		2021	
	Fixed portion	Variable portion	Fixed portion	Variable portion
Management board	1,046,930	1,053,333	929,828	5,387,279
Supervisory Board	142,500	0	128,125	0
Total	1,189,430	1,053,333	1,057,953	5,387,279

As of the balance sheet date, liabilities to key management personnel were recognized in the amount of EUR 2,505,986 (previous year: EUR 5,547,970). The liabilities can be broken down as follows break down as follows:

- Supervisory Board EUR 142,500 (previous year: EUR 128,125)
- Management Board EUR 2,363,486 (previous year: EUR 5,419,845)

The liabilities for members of the Management Board include the SARs programs described below.

Agreements with Management Board members

SFC AG currently has the following agreements with members of the Management Board, some of which are subject to the condition of a change of control following a takeover bid:

In accordance with his Management Board employment contract, Dr. Peter Podesser was granted 360,000 virtual stock options (SARs) for the SARs program 2014 - 2016 with an exercise price per virtual stock option of EUR 1.00. The SARs could expire to a specified extent on three defined dates in 2015, 2016 and 2017 depending on the share price of SFC AG. After a waiting period of four to six years, one third of the unvested volume could or can be exercised at the defined reference price if certain performance targets are met. In the event of an acquisition of control of SFC AG, the SARs that had not yet expired at the time the takeover bid was submitted are to be paid out in accordance with defined ranges depending on the reference price. The reference price corresponds to the offer price within the meaning of Section 31 (1) of the German Securities Acquisition and Takeover Act (Wp\G). The Management Board employment contract of Dr. Peter Podesser was extended from April 1, 2017, to March 31, 2020. As part of this, Dr. Peter Podesser was granted another 360,000 SARs on December 14, 2016 (SARs program 360,000 – 2017). The conditions of the SARs program 2017 – 2020 essentially corresponded to the SARs program 2014 – 2016. Furthermore, the Management Board employment contract of Dr. Peter Podesser was extended from April 1, 2020, to March 31, 2024. As part of this, Dr. Peter Podesser was granted an additional 420,000 SARs on May 15, 2019 (SARs program 2020 – 2024). The SARs can expire to a specified extent on four defined dates in 2021, 2022, 2023 and 2024, depending on the share price of SFC AG. After a waiting period of four to seven years, a quarter of the unvested volume can be exercised at the defined reference price if certain performance targets are met. The SARs program 2020 – 2024 was converted into a physical stock option program in financial year 2020, which essentially contains the terms and conditions of the corresponding SARs program.

Hans Pol was appointed to the Management Board with effect from January 1, 2014, until June 30, 2015. His Management Board employment contract includes a corresponding agreement on the SARs program 2014 – 2016 with a term until December 31, 2018. Mr. Pol was granted 90,000 SARs on January 1, 2014. On March 24, 2015, Hans Pol's Management Board employment contract was extended until June 30, 2018. As part of this, Hans Pol was granted another 180,000 SARs on July 1, 2015 (SARs program 2015 – 2018). On March 27, 2018, Hans Pol's Management Board employment contract was extended until June 30, 2021. As part of this, Hans Pol was granted an additional 180,000 SARs on July 1, 2018 (SARs program 2018 – 2021).

Daniel Saxena was appointed to the Management Board with effect from July 1, 2020, until June 30, 2024. His Management Board employment contract contains a corresponding agreement on the SARs program 2020 – 2024 with a term until June 30, 2027. Mr Saxena was granted 228,000 SARs.

No further SARs or stock options were granted to the Management Board of the Group in financial year 2022.

The variable portion includes, among other items, the expense for the Stock Appreciation Rights Program (SARs program) and the stock option program for the members of the Management Board.

REMUNERATION IN THE FINANCIAL YEAR

in EUR

	Fixed remuneration	Short-term performance based remuneration		Long-term performance based remuneration		Total
		2022	2021	2022	2021	
		2022	2022	2022	2022	
Dr. Peter Podesser	394,490	229,167		150,684		774,341
Hans Pol	277,966	156,250		171,315		605,531
Daniel Saxena	264,000	114,583		231,334		609,917
Total	936,456	500,000		553,333		1,989,789

Balances and business transactions between SFC Energy AG as the parent company and its subsidiaries, which are related companies, were eliminated in the course of consolidation and are therefore not shown in this explanation.

(33) 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 the reporting date December 31, 2022, there were 17,363,691 shares (previous year: 14,469,743 shares) outstanding. The calculation of diluted earnings per share is based on the profit/loss attributable to ordinary shareholders and a weighted average of common shares outstanding after adjusting for any dilutive effects of potential common shares. Earnings per share for the reporting period amounted to EUR 0.13 (previous year: EUR -0.40)

The weighted average number of common shares as of December 31, 2022, is as follows:

AVERAGE OF COMMON SHARES

in EUR

		2021	2021
Number of shares in circulation at the beginning of the period		14,469,743	14,469,743
Effect of the shares issued		17,363,691	0
Weighted average number of shares on December 31		15,678,205	14,469,743

The weighted average number of shares used for the calculation of diluted earnings per share is 16,091,968. Through the existing stock option programs, the number of potentially dilutive common shares as of December 31, 2022, is 413,763.

The basic and diluted earnings per share can be found in the Consolidated Statement of Income.

(34) Notes to the Consolidated Statement of Cash Flows

The Consolidated Statement of Cash Flows shows the origin and use of cash flows. In accordance with IAS 7 "Statement of Cash Flows," a distinction is made between cash flows from operating, investing and financing activities. The cash and cash equivalents shown in the Consolidated Statement of Cash Flows correspond to the balance sheet item cash and cash equivalents (without restrictions on disposal). Cash and cash equivalents comprise cash on hand and current account balances in the amount of EUR 62,447,491 (previous year: EUR 24,617,557) as well as time deposits and overnight money (without restrictions on disposal) in the amount of EUR 2,355,334 (previous year: EUR 104,339).

Income tax payments and refunds relate primarily to capital gains tax and the solidarity surcharge withheld from interest credits when overnight and time deposits mature, as well as income tax payments for the Canadian and Romanian subsidiaries.

Since existing liquidity surpluses of SFC are invested in short-term, low-risk financial instruments, the interest received is allocated to cash flow from investing activities. The interest payments are shown in cash flow from financing activities.

The following table contains a reconciliation of the movements in debt to cash flows from financing activities.

MOVEMENTS IN DEBT IN 2022							in EUR
	12/31/2021	Payment effective	Payment non-effective			Allocation of stock option program	12/31/2022
			Exchange rate change	Interest	Conversion IFRS 16		Total
Liabilities to banks	-2,734,888	1,177,968	-11,938	153,927	0	0	-4,054,845
Lease liabilities	-6,750,663	-2,210,172	13,407	373,150	5,634,024	0	-10,561,072
Subscribed capital and capital reserve	-134,106,291	51,207,747	0	0	0	311,928	-185,625,965
Total	-143,591,842	50,175,543	1,469	527,077	5,634,024	311,928	-200,241,882

MOVEMENTS IN DEBT IN 2021

in EUR

	12/31/2020	Payment effective			Payment non-effective		12/31/2021
				Exchange rate change	Interest	Additions under IFRS 16	
Liabilities to banks	-4,549,400	-2,134,288	134,369	185,408	0	0	-2,734,888
Lease liabilities	-7,901,039	-1,912,084	214,683	213,208	333,816	0	-6,750,663
Subscribed capital and capital reserve	-133,588,082	0	0	0	0	518,209	-134,106,291
Total	-146,038,521	-4,046,372	349,052	398,616	333,816	518,209	-143,591,842

(35) Disclosures on Group segment reporting

As part of Group segment reporting in accordance with IFRS 8 "Operating Segments" (see also the preceding numerical representation), the segments are broken down according to internal reporting to the Management Board and the Supervisory Board, which serves as the basis for company planning and resource mapping.

The accounting policies of the reportable segments correspond to the Group accounting policies described.

To measure the success of the two segments Clean Energy and Clean Power Management and to manage the Group, the Management Board uses sales, gross profit, adjusted EBITDA (adjusted earnings before interest, taxes, depreciation and amortization) and adjusted EBIT (earnings before interest and taxes adjusted for non-recurring effects) as key performance indicators. For the reconciliation to adjusted EBIT/ EBITDA, please refer to the sub-point "Adjusted operating profit" in Note (30) "Financial instruments."

The Clean Energy segment comprises the broad portfolio of products, systems and solutions for stationary and mobile off-grid power supply based on hydrogen (PEMFC) and direct methanol (DMFC) fuel cells for customers from the private, industrial and public sectors in various end customer markets.

The Clean Power Management segment comprises the entire business with standardized and semi-standardized power management solutions such as voltage transformers and coils, which are used in equipment for the high-tech industry. The segment also includes the business with frequency converters that are used in the upstream oil and gas industry. The breakdown of sales and non-current segment assets by region is shown below:

SALES AND NON-CURRENT SEGMENT ASSETS BY REGION

in EUR

	Sales from transactions with external customers		Long-term Assets	
			12/31/2022	12/31/2021
	2022	2021		
North America	37,949,311	24,185,704	9,742,632	10,106,838
Europe (excluding Germany)	32,551,775	29,025,052	5,566,003	4,720,078
Germany	7,744,395	6,693,677	16,663,688	11,758,058
Asia	6,713,805	4,038,911	0	0
Rest of the world	269,995	376,955	0	0
Total	85,229,281	64,320,299	31,972,323	26,584,974

The breakdown of sales by region was based on the registered offices of the respective customers. Sales of EUR 7,744,395 (previous year: EUR 6,693,677) were generated in the Group's German domestic market.

In the past financial year, no customer generated sales of more than 10% of total sales.

Depreciation and amortization of non-current assets, which are included in cost of sales, can be allocated to the individual segments as follows:

DEPRECIATION OF NON-CURRENT ASSETS

in EUR

	2022	2021
Clean Energy	2,655,641	2,194,043
Clean Power Management	755,729	695,675
Total	3,411,370	2,889,718

Interest expenses are attributable to the Clean Energy segment in the amount of EUR 511,268 (previous year 308,619) and to the Clean Power Management segment in the amount of EUR 98,084 (previous year: EUR 100,912).

Internal reporting is limited to expense and income items. Accordingly, the segment reporting does not include any balance sheet items.

(36) Auditor's fees

The fees are:

FEES	in EUR	
	2022	2021
Audit services	405,360	254,000
Other confirmation services	392,900	0
Total	798,260	254,000

The other confirmation services related in particular to the issuance of a comfort letter in connection with the capital increase carried out in financial year 2022.

(37) Declaration of Conformity with the German Corporate Governance Code

On March 23, 2023, the Management Board and Supervisory Board issued an updated Declaration of Conformity with the German Corporate Governance Code pursuant to Section AktG 161 and published it on the website of SFC Energy AG (www.sfc.com/de/investoren/corporate-governance). The Declaration of Compliance will be available on the Internet for the next five years and has thus been made permanently accessible to the public.

(38) Significant events after the balance sheet date

On February 23, 2023, SFC AG announced the establishment of a subsidiary in Gurgaon, India, to manufacture fuel cells for the Indian market. At the same time, SFC and its long-standing Indian partner FC TecNrgy Pvt Ltd. published, that they agreed on a mutual equity participation of the local companies. Under a share-subscription and exclusivity agreement signed by both companies on February 25, 2023, SFC's yet-to-be-established Indian subsidiary will subscribe to new shares amounting to eight percent of the subscribed capital in FC TecNrgy Pvt Ltd. for an amount of EUR 1,000,000.

Brünthal, March 29, 2023

The Management Board



Dr. Peter Podesser
Chairman of the Board



Daniel Saxena
Board Member



Hans Pol
Board Member

RESPONSIBILITY STATEMENT

Consolidated Financial Statements and Group Management Report for Financial Year 2022

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Brünthal, March 29, 2023

The Management Board



Dr. Peter Podesser
Chairman of the Board



Daniel Saxena
Board Member



Hans Pol
Board Member

INDEPENDENT AUDITOR'S REPORT

To SFC Energy AG, Brunnthal

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of SFC Energy AG, Brunnthal/Germany, and its subsidiaries (the Group) which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January to 31 December 2022, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of SFC Energy AG, Brunnthal/Germany, for the financial year from 1 January to 31 December 2022. We have not audited the content of the corporate governance statement pursuant to Section 289f or Section 315d HGB, which is referred to in the section „Statement on Corporate Governance“ of the group management report, in accordance with German legal requirements.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2022 and of its financial performance for the financial year from 1 January to 31 December 2022, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of the Group's corporate governance statement referred to above.

Pursuant to Section 322 (3) sentence 1 German Commercial Code (HGB), we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014; referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with

these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In the following we present the key audit matters we have determined in the course of our audit:

1. Recoverability of goodwill
2. Valuation of stock appreciation rights (SARS) and stock option programs (SOP)

Our presentation of these key audit matters has been structured as follows:

Recoverability of goodwill

- a) The goodwill of SFC Energy AG disclosed within the consolidated financial statements of kEUR 8,403 in total (5.7% of the balance sheet total) relates to the goodwill of three companies, which is subject to an impairment test at least once a year as of balance sheet date.

The respective recoverable amount is determined by calculating the fair value less costs to sell on the basis of the discounted cash flow method by an external service provider. The fair value is determined on the basis of the five-year plan (2023 to 2027) prepared by the executive directors and approved by the supervisory board as well as the assumptions made by the executive directors with regard to the expected growth rates in the perpetuity. In this context, expectations about future market developments and country-specific assumptions are also taken into account. Discounting is based on the weighted cost of capital of the respective cash-generating unit. In total, three cash-generating units were identified, with two cash-generating units corresponding to the respective segment reporting (Clean Energy and Clean Power Management) and the remaining cash-generating unit also being part of a segment (Clean Power Management). Discretionary decisions by the executive directors have a significant influence on the result of these valuations when estimating future cash inflows and selecting the discount rate. As a result, the corresponding impairment tests are associated with a high degree of uncertainty. As a result of the complexity and uncertainties presented, this matter was of particular significance in our audit.

Information provided by the executive board on the impairment tests performed can be found in the notes to the consolidated financial statements in Chapter 3. Under point (19); Information on the accounting and valuation principles applied is provided in section 1. „General principles and scope of consolidation“ under the heading „Impairment of non-financial assets“.

b) We obtained an understanding of the methods used by the executive directors with regard to the valuation of goodwill. We also critically analysed the underlying assumptions and data sources as well as the process of involving the external service provider in this assessment. To ensure the correct data basis for the accrual, we traced the procedure as well as the related reporting and control structures.

In assessing the reliability of the planning system of SFC Energy AG, we analysed, critically questioned and reconciled with historical market data the core planning assumptions and planned measures, focusing on the development of the sales markets in Canada and Europe as well as the development of sales and procurement prices. Furthermore, we examined whether the detailed planning used for the fair value calculation is in line with the five-year planning prepared by the executive directors and approved by the supervisory board. Against the background of the increased forecast uncertainty, we also assessed the sensitivity analyses prepared by the external service provider on the basis of general and industry-specific market forecasts and expectations as well as our own analyses. We also assessed the extent to which the approach was influenced by subjectivity, complexity or other inherent risk factors.

In connection with the determination of the discount rates used, we examined the underlying parameters, including the weighted average cost of capital (WACC), with the involvement of our valuation experts, as well as the calculation scheme. In addition, we reviewed the method used to perform the impairment test and assessed and recalculated the specific application of the discounted cash flow calculation scheme.

Within the scope of our audit of the facts, we assessed whether the methods applied, assumptions made and data used by the executive directors can be assessed as justifiable.

Finally, we assessed the completeness and appropriateness of the disclosures in the notes to the consolidated financial statements on the recoverability of goodwill.

Valuation of stock appreciation rights (SARS) and stock option programs (SOP)

a) The consolidated financial statements of SFC Energy AG include personnel expenses of kEUR 665 for stock appreciation rights (SARS) and stock option programs (SOPs). In addition, non-current other liabilities of kEUR 4,047 for SARS and a capital reserve of kEUR 1,386 for SOPs are disclosed.

If the SARs are exercised, a cash payment is made in the amount of the difference between the reference price and the respective exercise price. The reference price is the average market price of the Company's shares (arithmetic mean of the closing prices in XETRA trading) on the last 30 trading days prior to the date of exercise of the SARs. The number of SARs that can finally be exercised also depends on the long-term performance of SFC's share price. The provision for the SARs is measured on a quarterly basis by determining the fair value by means of a Monte Carlo simulation.

In addition to the SARs, the Company has also granted a variable remuneration to individual executive board members that takes the form of stock options based on stock option programs (SOPs). Such a share option entitles the holder to subscribe to one ordinary share of the Company (no-par value share) with simultaneous payment of the exercise price by the option holder. After expiration of the respective waiting period, the stock options can be exercised within a period of one year, taking into account the so-called blackout periods. The number of stock options that can be exercised depends largely on the ave-

rage share price of the SFC share over a period of 30 trading days before the expiration of the respective waiting period (reference price). The fair value of the SOPs is measured at the time of grant by means of a Monte Carlo simulation. As part of the valuation, the executive directors are required to make assumptions about the product-specific pay-offs, the volatility of the SFC share and the interest rate curve to be used.

We determined the matter to be a key audit matter, because the valuations of the provision and the capital reserve to be created for the SARs and the SOPs are complex and are associated with a number of discretionary estimates and assumptions made by the executive directors.

Information provided by the executive directors on the valuation of SARs and SOPs is provided in the notes to the consolidated financial statements, in particular in section 3., Note (31) „Share-based remuneration/Stock Appreciation Rights Program“.

b) First of all, we obtained an understanding of the valuation methodology used by the executive directors and of the identification and evaluation of the relevant data sources. We also looked at the contractual basis of the SOPs and SARs and assessed their contents. Subsequently, we examined the appropriateness of the material assumptions and decisions of the executive directors. In addition, we assessed the procedure for valuation of provisions or for determining the capital reserves with the involvement of our valuation experts. In a follow-up analysis, we examined the reliability of the valuation results of the past.

Our analysis of the assumptions and valuation parameters used by the executive directors, in particular the product-specific pay-off, the volatility of the SFC share and the interest rate curve used for discounting, was carried out under consideration of our assessment of the reliability of the Company's approach to the valuation of the SARs and SOPs, *inter alia* by reviewing the variant of the Monte Carlo simulation applied as well as by means of a plausibility check of selected valuation parameters performed by our valuation experts. Against the background of the particular valuation uncertainties related to the share price development, we have assessed the valuation of SARs and SOPs performed by the executive directors in relation to the above mentioned valuation parameters for discounting and volatility of the SFC share.

In connection with our assessment of whether the assumptions made, methods applied and data used by the executive directors are reasonable, we have assessed the extent to which the approach has been influenced by subjectivity, complexity or other inherent risk factors.

Finally, we examined the completeness and appropriateness of the information provided by the executive directors on the SARs and the SOPs within the notes to the consolidated financial statements.

Other Information

The executive directors and/or the supervisory board are responsible for the other information. The other information comprises

- the report of the supervisory board,
- The corporate governance statement pursuant to Section 289f and Section 315d HGB, which is referred to in the section „Statement on Corporate Governance“ within the group management report, and

- the statement according to Section 161 German Stock Corporation Act (AktG) concerning the German Corporate Governance Code, which is part of note (37) "Corporate governance statement" in the notes to the consolidated financial statements and
- the executive directors' confirmation regarding the consolidated financial statements and the group management report pursuant to Section 297 (2) sentence 4 and Section 315 (1) sentence 5 HGB, and
- the content of the group management report marked as "unaudited" by means of footnote, amongst those the marked disclosures within the group management report chapters
 - "Compliance-Management-System",
 - „Risk Management System",
 - „Compliance Risks" and
 - „Environmental Social Governance", as well as
- all other parts of the annual report, which will be published after this auditor's report has been issued,
- but not the consolidated financial statements, not the audited content of the group management report and not our auditor's report thereon.

The supervisory board is responsible for the report of the supervisory board. The executive directors and the supervisory board are responsible for the statement according to Section 161 German Stock Corporation Act (AktG) concerning the German Corporate Governance Code, which is part of the corporate governance statement within the group management report pursuant to Section 289f HGB and Section 315d in conjunction with Section 289f HGB. Otherwise the executive directors are responsible for the other information. Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information identified above and, in doing so, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that as a whole provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German Legally Required Accounting Principles.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably

ly be thought to bear on our independence, and where applicable, the actions taken or safeguards applied to eliminate independence threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the current period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the Audit of the Electronic Reproductions of the Consolidated Financial Statements and of the Group Management Report Prepared for Publication Pursuant to Section 317 (3a) HGB

Audit Opinion

We have performed an audit in accordance with Section 317 (3a) HGB to obtain reasonable assurance whether the electronic reproductions of the consolidated financial statements and of the group management report (hereinafter referred to as "ESEF documents") prepared for publication, contained in the provided file, which has the SHA256: 55dc75615b944f32acf7ff80675eb304fb84ca2a7dacc445f77b323088f8d6c1, meet, in all material respects, the requirements for the electronic reporting format pursuant to Section 328 (1) HGB ("ESEF format"). In accordance with the German legal requirements, this audit only covers the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format, and therefore covers neither the information contained in these electronic reproductions nor any other information contained in the file identified above.

In our opinion, the electronic reproductions of the consolidated financial statements and of the group management report prepared for publication contained in the file identified above meet, in all material respects, the requirements for the electronic reporting format pursuant to Section 328 (1) HGB. Beyond this audit opinion and our audit opinions on the accompanying consolidated financial statements and on the accompanying group management report for the financial year from 1 January to 31 December 2022 contained in the "Report on the Audit of the Consolidated Financial Statements and of the Group Management Report" above, we do not express any assurance opinion on the information contained within these electronic reproductions or on any other information contained in the file identified above.

Basis for the Audit Opinion

We conducted our audit of the electronic reproductions of the consolidated financial statements and of the group management report contained in the file identified above in accordance with Section 317 (3a) HGB and on the basis of the IDW Auditing Standard: Audit of the Electronic Reproductions of Financial Statements and Management Reports Prepared for Publication Purposes Pursuant to Section 317 (3a) HGB (IDW AuS 410 [06.2022]). Our responsibilities in this context are further described in the "Group Auditor's Responsibilities for the Audit of the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the parent are responsible for the preparation of the ESEF documents based on the electronic files of the consolidated financial statements and of the group management report according to Section 328 (1) sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements according to Section 328 (1) sentence 4 no. 2 HGB.

In addition, the executive directors of the parent are responsible for such internal controls that they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements for the electronic reporting format pursuant to Section 328 (1) HGB.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Audit of the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.
- obtain an understanding of internal control relevant to the audit on the ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- evaluate the technical validity of the ESEF documents, i.e. whether the provided file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, in the version in force at the balance sheet date, on the technical specification for this electronic file.
- evaluate whether the ESEF documents enable a XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited group management report.
- evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the balance sheet date, enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as Group auditor by the general meeting on 28 April 2022. We were engaged by the supervisory board on 28 October 2022. We have been the group auditor of SFC Energy AG, Brunnthal/Germany, without interruption since the financial year 2007.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

OTHER MATTER – USE OF THE AUDITOR'S REPORT

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as with the audited ESEF documents. The consolidated financial statements and the group management report converted into the ESEF format – including the versions to be submitted for inclusion in the Company Register – are merely electronic reproductions of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the ESEF report and our audit opinion contained therein are to be used solely together with the audited ESEF documents made available in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Dirk Bäßler.

Munich/Germany, 29 March 2023

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed:
(Dirk Bäßler)
Wirtschaftsprüfer
(German Public Auditor)

Signed:
(Oliver Pointl)
Wirtschaftsprüfer
(German Public Auditor)

CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289F HGB OR SECTION 315D IN CONJUNCTION WITH SECTION 289F HGB

In this corporate governance statement, the Management Board and the Supervisory Board provide information on SFC Energy AG's corporate governance pursuant to section 289f of the German Commercial Code (Handelsgesetzbuch – "HGB") or section 315d in conjunction with section 289f HGB and pursuant to Principle 23 of the German Corporate Governance Code as amended on April 28, 2022 (and published in the Federal Gazette (Bundesanzeiger) on June 27, 2022; "GCGC").

The term "corporate governance" stands for responsible and transparent governance aimed at sustainable value creation and refers to a company's entire management and monitoring system, including its organization, business policy principles and guidelines as well as internal and external steering and monitoring mechanisms. Corporate governance promotes confidence among German and international investors, business partners, financial markets, employees, and the general public in the management and supervision of SFC Energy AG. Instruments of effective corporate governance are efficient cooperation between the Management Board and the Supervisory Board in a relationship of mutual trust, respect for shareholders' interests, and open and up-to-the-minute corporate communication. The Management Board and the Supervisory Board of SFC Energy AG are committed to upholding the principles of good corporate governance, and they believe that these principles are an essential building block of the company's success. SFC Energy AG regularly reviews and improves its system of corporate governance.

Declaration of compliance with the German Corporate Governance Code (statement pursuant to section 161 AktG)

Pursuant to section 161 of the German Stock Corporation Act (Aktiengesetz – "AktG"), the management board and the supervisory board of exchange-listed companies must declare annually that the company has complied, and will comply, with the recommendations of the Government Commission on the German Corporate Governance Code published by the German Federal Ministry of Justice in the official section of the Federal Gazette (Bundesanzeiger) and/or which recommendations the company has not applied and/or will not apply and why not. This declaration has to be kept available to the public on a permanent basis on the company's website.

Relevant companies may depart from the recommendations of the GCGC, but in this case they are obliged to disclose and explain such departures each year. This enables companies to take into account sector- or company-specific needs. The GCGC thus helps to make corporate governance of German companies more flexible and promotes their self-regulation. SFC Energy AG follows all recommendations of the German Corporate Governance Code which only a few exceptions, which are explained in the following declaration of compliance pursuant to section 161 Akt.

On March 23, 2023, the Management Board and the Supervisory Board of SFC Energy AG made the following declaration of conformity pursuant to section 161 AktG:

"After due examination, the Management Board and the Supervisory Board of SFC Energy AG declare that, since March 16, 2022 (the date of the last declaration of compliance), the recommendations of the German Corporate Governance Code as amended on December 19, 2019 (and published in the Federal Gazette on

March 20, 2020) or (as of validity by publication in the Federal Gazette on June 27, 2022) as amended on April 28, 2022 ("GCGC") have been complied with, and are being and will be complied with in the future, with the following exceptions:

- Pursuant to recommendation B.3 GCGC, the first-time appointment of Management Board members shall be for a period of not more than three years. A departure from this recommendation is made insofar as the Supervisory Board decides on the specific term of the initial appointment in each individual case, in order to maintain sufficient flexibility in recruiting particularly qualified candidates for Management Board positions, while also considering the interest in long-term and sustainable corporate management.
- According to recommendation C.1 GCGC, the Supervisory Board shall determine concrete objectives regarding its composition, and shall prepare a profile of skills and expertise for the entire Board. In this process, the Supervisory Board shall be mindful of matters of diversity. Since the current version of the GCGC came into force, the Supervisory Board's profile of skills and expertise is also to include expertise on sustainability issues of importance to the entity. Proposals by the Supervisory Board to the General Meeting shall take these objectives into account, while simultaneously aiming at fulfilling the overall profile of required skills and expertise of the entire Board. The implementation status shall be disclosed in the corporate governance statement, and since the current version of the GCGC came into force in the form of a qualification matrix. The corporate governance statement shall also provide information about what the shareholder representatives on the Supervisory Board regard as the appropriate number of independent Supervisory Board members representing shareholders, and the names of these members. The Company departs from the recommendation to determine specific objectives, to prepare a profile of skills and expertise for the entire Board, and to provide information about what the shareholder representatives on the Supervisory Board regard as the appropriate number of independent Supervisory Board members representing shareholders, and the names of these members. The composition of the Supervisory Board must ensure that the Management Board is effectively advised and supervised in line with the company's best interests. To ensure compliance with these statutory requirements the Supervisory Board shall continue to base its proposals of candidates primarily on the knowledge, skills and experience of eligible candidates. In this process, the Supervisory Board shall be mindful of matters of diversity and sustainability expertise. However, the Supervisory Board does not consider it necessary or reasonable to determine specific targets or quotas in advance beyond the target quota of women for the Supervisory Board required by section 111(5) AktG, as to do so would impose a sweeping restriction on the selection of suitable candidates, particularly for SFC Energy AG as a smaller, stock-listed stock corporation with a Supervisory Board that is composed of only four members. Accordingly, the corporate governance statement does not report on any such objectives and implementation. The Supervisory Board does not consider it necessary to provide further information on the independence of the members of the Supervisory Board. This means a departure from recommendation C.1 GCGC.

- Depending on the specific circumstances of the enterprise and the number of Supervisory Board members, the Supervisory Board pursuant to recommendation D.2 GCGC shall form committees of members with relevant specialist expertise. The Supervisory Board has not formed an audit committee. The Supervisory Board does not consider it necessary to form further committees, including in particular a committee dealing with Management Board remuneration, in order to perform efficient advisory and monitoring activities. As a precautionary measure, a departure from recommendations C.10, sentence 1 and D.2, sentence 1 GCGC is therefore declared.
- Pursuant to recommendation D.5 GCGC, the Supervisory Board shall form a Nomination Committee, composed exclusively of shareholder representatives, which names suitable candidates to the Supervisory Board for its proposals to the General Meeting. The Supervisory Board has not formed a Nomination Committee. The Supervisory Board takes the view, consistent with the legal literature on this subject, that a Nomination Committee does not need to be formed if there are no employee representatives on the Supervisory Board. This means a departure from recommendation D.4 GCGC.
- Pursuant to recommendation G.1 GCGC, the remuneration system shall define, in particular, how the target total remuneration is determined for each Management Board member, and the amount that the total remuneration must not exceed (maximum remuneration). The remuneration system resolved on March 23, 2021 complies with this recommendation. As a matter of precaution, we hereby wish to note that existing agreements with Management Board members concluded in the period since the GCGC as amended on December 16, 2019, came into force and before the remuneration system was resolved do not provide for total maximum remuneration. However, compliance with the maximum compensation in accordance with the compensation system is largely ensured (with the exception of certain special situations) by means of caps on the amounts of short-term and long-term variable compensation components agreed with the members of the Management Board since the GCGC as amended on December 16, 2019, came into force. The ongoing virtual stock option programs from the time before the GCGC as amended on December 16, 2019, came into force did not yet provide for any payout limits.

Brunnthal, March 23, 2023

SFC Energy AG
The Management Board

The Supervisory Board

The current declaration of compliance together with the declarations of compliance for the past five years are available to the general public at any time on the SFC Energy AG website at [\[https://www.sfc.com/investoren/corporate-governance/#s2\]](https://www.sfc.com/investoren/corporate-governance/#s2)

Remuneration report / remuneration system

The remuneration report for the reporting year 2022 and the auditor's audit opinion pursuant to section 162(3) AktG, the current remuneration system for the Management Board members pursuant to section 87a(1) and (2) sentence 1 AktG approved by the General Meeting on May 19, 2021, and the resolution adopted by the General Meeting on May 19, 2021 pursuant to section 113(3) AktG on the remuneration of the Supervisory Board members are made available to the general public at <https://www.sfc.com/investoren/corporate-governance/>.

Disclosure of corporate governance practices

SFC Energy AG does not apply corporate governance practices beyond legal requirements.

Structure and procedures of the management and supervisory bodies; diversity

SFC Energy AG believes that a responsible and transparent governance and controlling structure is the foundation for creating value and instilling confidence in the company. SFC Energy AG is subject to German stock corporation law and therefore has a dual management system consisting of the Management Board as the management body and the Supervisory Board as the supervisory body. Their duties and powers, as well as the requirements for their procedures and composition, are essentially based on the German Stock Corporation Act (Aktiengesetz) and the Articles of Association of SFC Energy AG, as well as their rules of procedure. The structures of the company's management and supervisory bodies are as follows:

Shareholders and General Meeting

The shareholders of SFC Energy AG exercise their co-determination and monitoring rights at the General Meeting, which is held at least once a year. SFC Energy AG regularly informs its shareholders, as well as analysts, shareholders' associations, media representatives, and the interested public through its financial calendar, which is published in the Company's annual report, its quarterly communications, and on its website. In addition, as part of its investor relations activities, the Company regularly meets with analysts and institutional investors. In addition, the Company holds at least one analysts' conference each year, most recently on November 28/29, 2022 at the German Equity Forum.

The General Meeting of SFC Energy AG is held during the first eight months of each financial year and resolves on all matters reserved for the General Meeting by law, including, *inter alia*, the appropriation of profits, election and approval of the actions of the Supervisory Board members, approval of the actions of the Management Board members, election of the auditors, and amendments to the Company's Articles of Association. Shareholders exercise their rights and, in particular, their voting rights at the General Meeting. When votes are taken, each share grants one vote.

To facilitate exercising their rights and to prepare for the meeting, shareholders will receive the annual report and the meeting notice in advance of the General Meeting, providing them with in-depth information about the past financial year and the agenda items to be transacted. All of the documents and information pertaining to the General Meeting, including the annual report, will also be published on the Company's website. To facilitate the

exercise of shareholders' rights, SFC Energy AG offers any shareholder who is unable to exercise, or chooses not to exercise, their voting rights personally or by proxy the opportunity to exercise their voting rights at the General Meeting through a proxy who is bound by instructions given. In 2022, against the backdrop of the COVID 19 pandemic, the Annual General Meeting of SFC Energy AG was held as a virtual AGM (as in 2020 and 2021) without the physical presence of shareholders or their proxies.

Management Board

The Management Board of SFC Energy AG manages the Company with the goal of creating sustainable value on its own responsibility and in the best interests of the Company, i.e., with the interests of shareholders, employees, and other stakeholders in mind. The Management Board acts without being subject to instructions from any third parties and in accordance with the law, the Company's Articles of Association and the rules of procedure adopted by the Supervisory Board for the Management Board, and taking account of the resolutions adopted by the General Meeting. When making appointments to executive positions in the Company, the Management Board of SFC Energy AG also considers diversity and seeks to ensure, in particular, appropriate representation of women (for more details, see the section headed "Information required by section 289f(2) no. 4 HGB", page 196 below).

Notwithstanding the principle of overall responsibility according to which all Management Board members are jointly responsible for managing the company, each Management Board member has sole responsibility for the business area assigned to them. Its members work together in a spirit of collegiality and keep one another informed about major transactions and measures in their respective business areas. The Chairman of the Management Board has primary responsibility for the overall management and business policy of the Company. He ensures coordination and consistency of business management within the Management Board and represents the Company in public.

The Management Board and the Supervisory Board of SFC Energy AG cooperate closely and on a trust basis to the benefit of the Company. The Management Board reports to the Supervisory Board regularly, without delay and comprehensively on all issues that are relevant to the Company, in particular regarding planning, business development, strategy, the risk situation, including the control and risk management system (including the sustainability-related goals) and compliance, and on all other major events that are of material importance for the management of the Company; the Management Board regularly coordinates the strategy and sustainability issues of SFC Energy AG, especially the ecological and social goals of the corporate strategy and planning, with the Supervisory Board. Between meetings, the Chairman of the Supervisory Board will be in regular contact with the Management Board – in particular, the Chairman of the Management Board, in order to discuss with them important issues and current events, in particular those regarding strategy, business development, the risk situation, the control and risk management system, and compliance of the Company.

In accordance with the law and the rules of procedure laid down by the Supervisory Board for the Management Board, certain material decisions by the Management Board are additionally subject to the approval of the Supervisory Board. The approval of the Supervisory Board is also required for material transactions between SFC Energy AG group companies on the one hand and Management Board members or their related persons or enterprises on the other hand; no such transactions have been made in the reporting period.

Management Board members must inform the Chairman of the Supervisory Board of any conflicts of interest without undue delay; the other Management Board members must be informed thereof. No such transactions or conflicts of interest have occurred in the reporting year. Management Board members may only assume sideline

activities, especially supervisory board mandates outside the group, with the approval of the Supervisory Board. In the past financial year, no Management Board member was a supervisory board member of any commercial company or partnership not belonging to the group.

Together with the Management Board, the Supervisory Board ensures long-term succession planning. In the past year, the Supervisory Board, together with the Management Board, discussed long-term personnel planning. When appointing members to the Management Board, the Supervisory Board ensures that the Management Board's composition is most beneficial to the Company, diverse and complementary, and that there is long-term succession planning. When examining candidates for a Management Board position, the Supervisory Board believes that key suitability criteria are the candidates' professional qualifications for the position in question, convincing leadership qualities, previous performance, experience, industry knowledge and knowledge of the Company. The Supervisory Board will not appoint a Management Board member who has reached the age of 65 at the time of appointment. The decision on the appointment of a specific Management Board member is always based on the interests of the Company, taking into account all circumstances of the specific case. The three Management Board members have different professional backgrounds, horizons of experience, and expertise together, including notable international experience. Diversity is an important and lived objective of SFC Energy AG; however, the Company does not have a formal diversity concept for the Management Board for the purposes of section 289f(2) no. 6 HGB, in order to maintain sufficient flexibility.

The Management Board of SFC Energy AG in the 2022 reporting year had, and currently has, three members, namely Dr. Peter Podesser as the Chairman of the Management Board/Chief Executive Officer (CEO), Mr. Daniel Saxena as Chief Financial Officer (CFO), and Mr. Hans Pol as Chief Operating Officer (COO). Further information on the Management Board members and their memberships to be disclosed pursuant to section 285 no. 10 HGB are available in the notes to the consolidated financial statements under (35) Transactions with related entities and persons; more detailed information on the areas of responsibility and curricula vitae of the Management Board members are available on the Company's website at <https://www.sfc.com/sfc-energy/management-aufsichtsrat/>.

The Management Board members are covered by directors' and officers' liability insurance (D&O insurance) in accordance with the requirements of section 93(2) sentence 3 AktG.

Supervisory Board

The Supervisory Board appoints the members of the Management Board and supervises the Management Board in the management of SFC Energy AG. The Supervisory Board is directly involved in all decisions of fundamental importance to the Company. Pursuant to applicable law, the Company's Articles of Association and the Management Board's rules of internal procedure or resolutions adopted by the Supervisory Board, certain matters relating to the management of the Company require the Supervisory Board's consent. The Supervisory Board actively assists the Management Board by consultations and discussions, performs the duties incumbent on it by law and under the Articles of Association, and continuously supervises the management of the Company's business on the basis of Management Board reports and joint meetings (see the Supervisory Board report on page 17 et seqq.). Other major responsibilities of the Supervisory Board are the examination and adoption of the annual financial statements and the approval of the consolidated financial statements. The responsibilities and internal organization of the Supervisory Board and its committees result from the law, the Articles of Association, and the rules of procedure of the Supervisory Board, which are available on SFC Energy AG's website at <https://www.sfc.com/wp-content/uploads/sites/4/geschäftsordnung-aufsichtsrat-de.pdf>. The GCGC also contains recommendations for the Supervisory Board's work.

The Chairman of the Supervisory Board coordinates the work of the Supervisory Board, chairs its meetings and represents its interests externally. He maintains regular contact with the Management Board, particularly the Chairman of the Management Board, discussing in particular the Company's strategy, business development, major transactions, risk management, risk situation, and compliance, as well as sustainability issues. The Supervisory Board has adopted its own rules of procedure which, in accordance with the law and the Articles of Association, include provisions regarding, *inter alia*, Supervisory Board meetings and the adoption of resolutions, the duty of confidentiality and the handling of conflicts of interest.

Composition of the Supervisory Board

In the 2022 financial year, the Supervisory Board consisted of, and today consists of, (i) Mr. Hubertus Krossa (Chairman) (reelected on April 28, 2022), (ii) Mr. Henning Gebhardt (Deputy Chairman), (iii) Mr. Gerhard Schempp, and (iv) Ms. Sunaina Sinha Haldea. Mr. Hubertus Krossa has been a member of the Company's Supervisory Board since May 16, 2014, Mr. Henning Gebhardt since May 19, 2021, Mr. Gerhard Schempp since June 1, 2020, and Ms. Sunaina Sinha Haldea since August 12, 2021. On April 28, 2022, the Supervisory Board re-elected Mr. Hubertus Krossa as Chairman of the Supervisory Board.

The term of office of the members of the Supervisory Board is staggered (and hence is referred to as a "staggered board") As a general rule, Supervisory Board members are generally elected for a term of four years, and two Supervisory Board members resign from the Supervisory Board every two years. Further information on the Supervisory Board's composition in the reporting year are available in the Supervisory Board report under page 17 et seqq. Further information on the Supervisory Board members and their memberships to be disclosed pursuant to section 285 no. 10 HGB are available in the notes to the consolidated financial statements under (32) Transactions with related entities and persons; more detailed information on the areas of responsibility and curricula vitae of the Supervisory Board members are available on the Company's website at <https://www.sfc.com/sfc-energy/management-aufsichtsrat/>.

Among the Supervisory Board members currently in office, Mr. Krossa and Mr. Gebhardt in particular have expertise in the areas of accounting and auditing, as well as sustainability reporting and its auditing, with Mr. Krossa in accounting and Mr. Gebhardt in auditing. Mr. Krossa has gained the necessary knowledge and experience in the many years of his professional career, particularly as a member of the management board of Linde AG and as CEO of the KION Group; Mr. Gebhardt has gained such knowledge and experience as a long-standing fund manager with DWS Investment and as a board member of Deutsches Aktieninstitut, as well as via professional development training.

The Supervisory Board has not determined specific targets regarding its composition, except for the determination of a target quota of women for the Supervisory Board as required by law (see the section entitled "Information required by section 289f(2) no. 4 HGB"), and has not adopted a diversity concept for the purposes of section 289f(2) no. 6 HGB, in order to maintain sufficient flexibility. In order to ensure the due performance of its statutory duties, the Supervisory Board will continue to base its proposals for candidates to the General Meeting primarily on the knowledge, skills, and experience of eligible candidates. In this respect, the Supervisory Board will also appropriately take account of the international activities of the Company, potential conflicts of interest, the number of independent members of the Supervisory Board, an age limit laid down in the rules of procedure of the Supervisory Board and diversity. However, the Supervisory Board does not consider it necessary or reasonable to determine specific targets or gender-specific quotas in advance beyond the target quota of women for the Supervisory Board required by section 111(5) AktG, as to do so would restrict the selection of suitable candidates, particularly for SFC Energy AG as a smaller, stock-listed stock corporation. The Supervisory Board will

not consider any persons as candidates who have reached the age of 75 at the time of election. The term of office of Supervisory Board members currently varies between two and four years and, following implementation of the staggered board structure, will regularly be four years in the future.

No former members of the Management Board of SFC Energy AG are members of the Supervisory Board. The Management Board and the Supervisory Board believe that the Supervisory Board has an appropriate number of independent members.

Potential conflicts of interest of Supervisory Board members

Provisions for avoiding and addressing potential conflicts of interest are laid down in the rules of procedure of the Supervisory Board. Each member of the Supervisory Board shall disclose conflicts of interest to the Chairman of the Supervisory Board. Each member of the Supervisory Board is bound to observe the Company's best interests. Material conflicts of interest involving a member of the Supervisory Board that are not merely temporary shall result in the termination of that member's Supervisory Board mandate. Any consultancy or other work or service contracts between a Supervisory Board member and the Company require a resolution by the Supervisory Board to be adopted with qualified majority. In its report, the Supervisory Board will inform the General Meeting of any conflicts of interest that have arisen and how they are addressed; the Supervisory Board has not determined any potential conflicts of interest in relation to a Supervisory Board member in the reporting year.

Supervisory Board committees

The Supervisory Board performs its work both in plenary sessions and in the Audit Committee. The Supervisory Board has an Audit Committee, whose responsibilities are defined in the Rules of Procedure of the Supervisory Board (available at <https://www.sfc.com/wp-content/uploads/sites/4/geschäftsordnung-aufsichtsrat-en.pdf>). The Committee chairman reports to the Supervisory Board on the Committee's work at the following meeting.

The Audit Committee comprises three Supervisory Board members. The members of the Audit Committee are Mr. Henning Gebhardt (Chairman), Mr. Gerhard Schempp and Mr. Hubertus Krossa. In accordance with the requirements of stock corporation law and recommendation D.3 GCGC, Chairman Henning Gebhardt has particular expertise in the field of auditing and Mr. Hubertus Krossa has particular expertise in the field of accounting, including sustainability reporting and the auditing thereof. Mr. Krossa has gained the necessary knowledge and experience in the many years of his professional career, particularly as a member of the management board of Linde AG and as CEO of the KION Group Mr. Gebhardt has gained this knowledge and experience as a long-standing fund manager with DWS Investment and as a board member of Deutsches Aktieninstitut, as well as via professional development training.

The Audit Committee addresses in particular the monitoring of the audit and the selection of the auditor, including appointment of the auditor and determining focal points of the audit, the preparation of the audit of the annual and consolidated financial statements, the discussion of semi-annual and quarterly financial reports with the Management Board, the monitoring of the accounting process, the effectiveness of the internal control system, the risk management system, the internal audit system, and compliance.

The Supervisory Board takes the view that a Nomination Committee need not be formed because there are no employee representatives on the Company's Supervisory Board.

Training and professional development; self-assessment

Pursuant to recommendation D.12 GCGC, the Company shall support Supervisory Board members sufficiently upon their appointment and during training and professional development measures. As the Supervisory Board member re-elected to the Supervisory Board in the year under review, Mr. Hubertus Krossa, has already been a member of the Supervisory Board since originally 2014, and no new Supervisory Board members were otherwise elected in the year under review, there was no need to support a Supervisory Board member upon their appointment. The members of the Supervisory Board were therefore only required to provide appropriate support for training and professional development measures.

Pursuant to recommendation D.13 GCGC, the Supervisory Board shall assess, at regular intervals, how effective the Supervisory Board and its committees fulfil their tasks. The Supervisory Board of SFC Energy AG regularly assesses how effective it fulfils its tasks and decides on measures for improvement. A self-assessment was carried out in November/December 2022 with the involvement of external experts using detailed questionnaires, including on the issues of organization and meeting preparation, information supply, openness and discussion culture. Following an evaluation, the main findings were discussed by the Supervisory Board at its meeting on December 8th, 2022, and in the Audit Committee, and improvement measures were discussed with the involvement of the Management Board.

The Supervisory Board members are covered by directors' and officers' liability insurance (D&O insurance) which does not provide for a deductible.

Risk management and compliance

Good corporate governance involves a responsible management of risks. The Management Board of SFC Energy AG ensures that the Company's control and risk management system and risk controlling are adequate (including the Compliance Management System). This ensures that risks are identified in time and potential risks are minimized. More detailed information on risk management can be found in the Report on Risks and Opportunities of the Group Management Report, on pages 58 et seqq.

SFC Energy AG believes that compliance with the provisions of law and internal policies relevant for the Company's activities (hereinafter also referred to as "compliance") is an essential part of corporate governance. Therefore, the governance tasks in all group entities include the duty to ensure compliance with applicable regulations in each area of tasks or responsibilities. Work processes and procedures must be designed in accordance with such rules. In order to ensure this, SFC Energy AG conducts internal business and finance reviews at regular intervals. In addition, the Company gives employees the opportunity to report, in a protected manner, suspected breaches of the law ("whistleblowing"). Since its establishment, the Audit Committee has monitored the effectiveness of the compliance management system in the reporting period on the basis of relevant regular reports by the Management Board.

Transparency

SFC Energy AG aims to ensure maximum transparency and to provide all target groups with the same information at the same time. All target groups can keep abreast of the latest developments at the Company via the internet. Information on the Company's economic situation is also provided by the financial reports (annual report, semi-annual financial report and quarterly statements). SFC Energy AG publishes ad-hoc announcements as well as press releases and other corporate news on its website. The current declaration of compliance with the Ger-

man Corporate Governance Code and the declarations of compliance for previous years are also available at the Company's website.

Pursuant to Art. 19 of the Market Abuse Regulation (Regulation (EU) No 596/2014, MAR), the members of the Management Board and of the Supervisory Board of SFC Energy AG and certain employees in executive positions, as well as persons closely associated with them, are required to report purchases and sales of shares in the Company and of any financial instruments linked thereto if the value of the transactions within one calendar year reaches or exceeds the amount of EUR 20,000.

All directors' dealings pursuant to Art. 19 MAR are published via the DGAP (Deutsche Gesellschaft für Ad-hoc-Publizität mbH) and can be viewed on the Company's website at <https://www.sfc.com/investoren/corporate-governance/directors-dealings/>.

The total percentage of shares in SFC Energy AG held by all Management Board members as of December 31, 2022 was 1.5%, of which 0.74% were held by the Chairman of the Management Board, Dr. Peter Podesser, 0.76% were held by Management Board member Hans Pol, and 0.02% were held by Management Board member Daniel Saxena. As of this date, among the Supervisory Board members, Hubertus Krossa held 0.05% and Henning Gebhardt held 0.04% of the shares issued by the Company.

Accounting and auditing

The consolidated financial statements and interim reports of SFC Energy AG are prepared in accordance with the International Financial Reporting Standards (IFRS) pursuant to the guidelines of the International Accounting Standards Board. The annual financial statements of SFC Energy AG are prepared in accordance with the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). The annual financial statements and the consolidated financial statements are prepared by the Management Board and audited by the auditors and the Supervisory Board.

Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, was elected by the Annual General Meeting to audit the Company's financial statements for the 2022 reporting year and was engaged for the audit by the Supervisory Board. The auditor participated in the Supervisory Board's discussions and reported on the material results of its audit. The financial statements and interim reports are available to shareholders and other interested parties on the Company's website.

Information required by section 289f(2) no. 4 HGB

The Supervisory Board is obliged to set targets for the share of women on the Supervisory Board and the Management Board, as well as deadlines for reaching this target. The Management Board is obliged to set targets for the share of women on the two management levels below the Management Board, and deadlines for reaching such targets.

In order to achieve synchronization with the financial year of the Company, which is the calendar year, the Supervisory Board set target quotas on the Supervisory Board and the Management Board, and the Management Board set a target quota for the two management levels below the Management Board, by setting the close of December 31, 2025 as the deadline for reaching each of such targets.

Target quota of women for the Supervisory Board

On March 16, 2022, the four-member Supervisory Board set a target of 25% for the share of women on the Supervisory Board for the period up to the close of December 31, 2025. The main consideration here was to strengthen gender diversity on the Supervisory Board while maintaining sufficient flexibility in the succession process for Supervisory Board positions. As at December 31, 2022, the Supervisory Board consisted of four members, including one woman (share of women of 25%), meaning that the set target of 25% was achieved.

Target quota of women for the Management Board

On March 16, 2022, the Supervisory Board set the target for women on the Management Board of the Company at 25% for the period up to the end of December 31, 2025. The Supervisory Board intends to expand the Management Board by one member and to appoint a woman to the Management Board for this purpose. The main consideration in setting the target was to strengthen gender diversity on the Management Board while maintaining sufficient flexibility in filling Management Board positions. As of December 31, 2022, the Management Board consisted of three members, none of whom were women (share of women of 0%), meaning that the target of 25% has not yet been reached.

Target quota of women for the two management levels below the Management Board

With regard to the targets for the share of women on the two management levels below the Management Board, in its meeting on March 16, 2022 the Management Board set the target for the share of women at the management level below the Management Board at 40% for the period up to the end of December 31, 2025. At the same time, the Management Board noted that there is only one management level at the Company below the Management Board. The Management Board set this target quota and made this determination on the basis of the following definition: The Management Board determines the Company's management levels based on their direct reporting lines to the Management Board and disciplinary authority. All executives are members of the management team and have authority to steer the conduct of other employees by giving instructions. Only persons employed by the Company are taken into consideration. Diversity among the executive personnel is a cornerstone of SFC Energy AG's corporate culture. The Management Board endeavors to further strengthen the share of women on the management level below the Management Board. The Management Board has therefore increased this quota from the previous value of 30% to 40% for the first management level below the Management Board in order to reflect the Management Board's ambitions in the area of diversity.

With regard to the targets, the Management Board started by reexamining the previous definition and deemed retaining it to be expedient. On the basis of these criteria, the Company continues to have only one management level below the Management Board as of December 31, 2022, which at this time comprises 15 persons, of whom six are female and nine male. As of the close of December 31, the share of women on the (first) management level below the Management Board was 40%, meaning that the set target quota of 40% had not yet been achieved. As the Company does not have a second management level, the corresponding share of women on that level could not be determined.

REMUNERATION REPORT OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD OF SFC ENERGY AG

In accordance with Section 162 of the German Stock Corporation Act (AktG), this Remuneration Report presents and explains the remuneration of the current and former members of the Management Board and the members of the Supervisory Board of SFC Energy AG in financial year 2022.

The Remuneration Report is to be formally audited by the auditor of SFC Energy AG, Deloitte GmbH Wirtschaftsprüfungsgesellschaft, in accordance with Section 162 (3) of the German Stock Corporation Act (AktG). The opinion issued by the auditor on the basis of this audit will be attached to the Remuneration Report as part of the public disclosure on the company's website in accordance with Section 162 (4) of the German Stock Corporation Act (AktG).

Management Board Remuneration System pursuant to Section 87a (1) AktG

In accordance with the requirements of Section 87a (1) AktG, the Supervisory Board resolved a new remuneration system for the Management Board in financial year 2021 and submitted this to the Annual General Meeting for approval on May 19, 2021. The Management Board remuneration system was approved by the Annual General Meeting as presented with an approval rating of 80%. The new remuneration system for the Management Board and Supervisory Board approved by the 2021 Annual General Meeting can be found at: <https://www.sfc.com/investoren/corporate-governance/>.

Remuneration received in reporting year 2022 partly under the previous remuneration system

Part of the remuneration granted in the reporting year 2022, however, was still based on the previously existing contractual arrangements that still applied (existing remuneration system), but largely correspond to the remuneration system approved by the Annual General Meeting in 2021. Two Management Board contracts still have terms until 2024 and are therefore not (yet) covered by the new remuneration system from 2021 (cf. Section 26 j (1) sentence 3 EG of the German Stock Corporation Act (AktG)).

Target remuneration for financial year 2022

In accordance with the respective relevant Management Board service contracts, the Supervisory Board determined the target total remuneration for each Management Board member for financial year 2022. To promote the transparency of this report, the following table show the individual target remuneration per Management Board member and the relative shares of the individual remuneration elements in the target total remuneration for financial year 2022. These figures are therefore not the remuneration amounts granted and owed in financial year 2022, however (see below under "Management Board remuneration granted and owed"), but rather a presentation of the target total remuneration of an Management Board member for reporting year 2022, which is made up of the sum of all fixed and variable remuneration components for the reporting year.

TARGET TOTAL REMUNERATION FOR THE MANAGEMENT BOARD

in EUR

Management Board members in office as of Dec. 31, 2022		Peter Podesser		Daniel Saxena		Hans Pol	
		2022	in % TTR	2022	in % TTR	2022	in % TTR
Fixed remuneration	Basic remuneration	370,000	44.3%	240,000	34.6%	249,996	48.7%
	+ Fringe benefits ¹	14,490	1.7%	24,000	3.5%	27,970	5.5%
	Contribution to provident fund	10,000	1.2%	0	0.0 %	0	0.0%
	Total	394,490	47.3%	264,000	38.1%	277,966	54.2%
Variable remuneration	+ Short-term variable remuneration						
	Target bonus for the financial year ¹	220,000	26.4%	110,000	15.9%	150,000	29.2%
	+ Long-term variable remuneration						
	SARs ²	0	0.0%	319,096	46.0%	0	0.0%
	Stock options ("MSOP") ³	219,854	26.4%	0	0.0 %	85,218	16.6%
	Total	439,854	52.7%	429,096	61.9%	235,218	45.8%
Total remuneration	= Target Total Remuneration ("TTR")	834,344	100.0%	693,096	100.0%	513,183	100.0%

1 The value corresponds to the variable bonus for reporting year 2022 for 100% target achievement.

2 For the SARs allocated under the Daniel Saxena Program 5 (2020-2024), which also serve as long-term variable remuneration for reporting year 2022, the value of the SARs from this program is recognized for the purposes of the presentation of the target remuneration in this table in accordance with the fair value as of the reporting date December 31, 2022, for the corresponding tranche for the year 2022.

3 The share options granted under the Dr. Podesser Share Option Program 2020-2024 in 2020 and the Hans Pol Share Option Program 2021-2025 in 2021 also serve pro rata as long-term variable remuneration for reporting year 2022. For the purpose of presenting the target remuneration in this table, the value of the share options granted under these programs is recognized in accordance with their fair values as of the reporting date December 31, 2022, for the corresponding tranches for the year 2022.

Determination of the remuneration of the Management Board by the Supervisory Board

The Supervisory Board determines the remuneration of the Management Board in accordance with AktG requirements. It pays particular attention to its appropriateness. To ensure the appropriateness of the remuneration, remuneration levels are subjected to a market comparison with comparable entities (horizontal comparison). The peer group last used by the Supervisory Board in 2021 consisted of relevant companies with regard to size and/or sector or industry from the SDAX / TecDAX and companies from the hydrogen sector. In order to ascertain whether remuneration is in line with usual levels within the company itself, when setting the Management Board remuneration, the Supervisory Board also takes the relationship between Management Board remuneration and the remuneration of Managing Directors and/or the top management level of the individual companies in the Group and the workforce as a whole into account, and how remuneration has developed over time.

Components of Management Board Remuneration in Reporting Year 2022

The remuneration of the members of the Management Board in reporting year 2022 consisted of the components described below in reporting year 2022:

Basic Remuneration

The members of the Management Board received a fixed annual salary, which was paid in twelve equal monthly installments. The level of the basic remuneration is determined based on the responsibility and experience of the respective member of the Management Board.

The members of the Management Board also received certain marketstandard fringe benefits. For example, the company provides a company car to each member of the Management Board or pays a vehicle allowance if the Management Board member does not use a company car. In addition, fringe benefits include premiums for pension, accident and life insurance policies for the members of the Management Board as well as subsidies for health insurance. In the year under review, the fringe benefits also included the one-time flat-rate energy fee.

Retirement Benefits

In the reporting year 2022, the Management Board members were able to convert current basic remuneration of up to EUR 25,000 into a company pension by paying contributions to external pension providers. To date, this option has not been used.

Dr. Podesser has a contributionbased payment commitment via a support fund. In the event of a pension claim, the support fund will pay the agreed pension benefits to Dr. Podesser. The company allocates the necessary funds to the support fund. The amount of the pension benefits depends on the actuarial implementation of the pension amount resulting from the individual agreement reached with Dr. Podesser. The pension benefits are reinsured by a life insurance policy. Dr. Podesser will receive a lifelong monthly retirement pension from the support fund if he leaves the company's service after reaching the age of 65. If Dr. Podesser draws the full amount of his retirement pension from the statutory pension insurance scheme, or if he leaves the company's service after reaching the age of 60 in order to retire, he may claim the pension benefit from that time onwards. In this case, Dr. Podesser will receive the pension benefits that can be financed from the portion of the support fund assets set aside for him at that time. Upon occurrence of a pension claim, a one-time lump sum payment may be requested instead of the retirement pension in agreement with the support fund. In the event of Dr. Podesser's death, a survivor's pension has been agreed.

Short-Term Variable Remuneration / Performance-Related Bonus for Reporting Year 2022

In the event that certain performance targets are achieved, the members of the Management Board have the opportunity to receive a variable remuneration ("bonus") that rewards their contribution to implementing the business strategy during the financial year. The bonus for the respective financial year is not set by the Supervisory Board, and does not become due until the following financial year. The bonus for the reporting year 2022 will therefore not be reported as remuneration granted (actually paid) /due (due but not paid) until financial year 2023.

The bonus for the reporting year 2022 is measured according to four performance criteria equally weighted at 25%.

The following financial parameters were set with regard to the reporting year: Budget target achievement for (i) consolidated sales (based on the budgeted exchange rate for the Canadian dollar to the euro), (ii) gross margin, and (iii) adjusted EBITDA (each weighted at 25%). In the context of the discretionary component (weighted at 25% in total), financial or non-financial performance criteria or a combination of both can be set. The Supervisory Board applied the following defined non-financial performance criteria (incl. ESG targets) for financial year 2022 and assessed them from a qualitative, overall perspective: For Dr. Peter Podesser and Daniel Saxena, the implementation of an Environmental Social Governance (ESG) and Corporate Social Responsibility (CSR) program and Report, for Hans Pol and Daniel Saxena, the implementation of a long-term cyber-security strategy and systems, and for Dr. Peter Podesser and Hans Pol, long-term business development with the aim of offe-

ring a full range of hydrogen fuel cell products. The performance criteria underlying the bonus for reporting year 2022 are summarized in the table below to promote the transparency of the report. The STI amount actually achieved will not accrue until the year 2023 and will therefore not be reported until the next Remuneration Report.

PERFORMANCE CRITERIA FOR THE SHORT-TERM VARIABLE REMUNERATION OF THE MANAGEMENT BOARD MEMBERS							in TEUR		
Management Board member		Target Achievement			Bonus in EUR thousand		Actually Achieved	Total Target Achievement	Total Bonus in EUR thousand
		Weight	Min.	Max.	Min.	Max.	Target Achievement		
Peter Podesser	Revenue (budgeted)	25%	0%	125%	–	69	103%		
	Gross profit (budget)	25%	0%	125%	–	69	103%		
	EBITDA adjusted (budgeted)	25%	0%	125%	–	69	116%		
	Implementation of an Environmental Social Governance (ESG) / Corporate Social Responsibility (CSR) program and Report; Long-term business development with the aim of offering a full range of hydrogen fuel cell products;	25%	0%	125%	–	69	113%	109%	239
Daniel Saxena	Revenue (budgeted)	25%	0%	125%	–	34	103%		
	Gross profit (budget)	25%	0%	125%	–	34	103%		
	Adjusted EBITDA (budgeted)	25%	0%	125%	–	34	116%	109%	119
	Implementation of an ESG or CSR program and Report	25%	0%	125%	–	34	113%		
Hans Pol	Long-term cybersecurity strategy or the implementation of the respective systems	25%	0%	125%	–	34	113%		
	Revenue (budgeted)	25%	0%	125%	–	47	103%		
	Gross profit (budget)	25%	0%	125%	–	47	103%		
	Adjusted EBITDA (budgeted)	25%	0%	125%	–	47	116%	109%	163
	Long-term cybersecurity strategy or the implementation of the respective systems	25%	0%	125%	–	47	113%		
	Long-term business development with the aim of offering a full range of hydrogen fuel cell products	25%	0%	125%	–	47	113%		

Short-Term Variable Remuneration Granted / Performance-Related Bonus Granted in Reporting Year 2022

The performance criteria shown in the table below are based on the short-term variable remuneration granted in reporting year 2022; they were determined for financial year 2021. The financial performance criteria are the same as those applicable for financial year 2022 (each with a 25% weighting). The non-financial performance criteria, which are included in their entirety with a weighting of 25% in the assessment of the short-term variable remuneration, consisted of: Implementation of strategic objectives (further development of target customer markets, broadening of the industrial partner base, regional expansion), employee retention (creation and preservation of attractive jobs), adherence to high quality standards, maintenance of a stable shareholder base with a long-term orientation, and operational stability and health protection for employees and business partners during the pandemic.

PERFORMANCE CRITERIA FOR THE SHORT-TERM VARIABLE REMUNERATION OF THE MANAGEMENT BOARD MEMBERS
FOR FINANCIAL YEAR 2021

in TEUR

Management Board member		Target Achievement			Bonus in EUR thousand		Actually achieved		Bonus in EUR thousand
		Weight	Min.	Max.	Min.	Max.	Target Achievement	Overall Target Achievement	
Peter Podesser	Revenue (budgeted)	25%	0%	125%	–	69	104%		
	Gross profit margin (budgeted)	25%	0%	125%	–	69	101%		
	Adjusted EBITDA (budgeted)	25%	0%	150%	–	69	110%		
	Implementation of strategic objectives							107%	236
	Employee retention								
	High quality standards								
	Stable and long-term oriented shareholder base								
	Company stability/health protection during the pandemic	25%	0%	125%	–	69	114%		
	Revenue (budgeted)	25%	0%	125%	–	34	104%		
	Gross profit margin (budgeted)	25%	0%	125%	–	34	101%		
Daniel Saxena	Adjusted EBITDA (budgeted)	25%	0%	125%	–	34	110%		
	Implementation of strategic objectives							107%	118
	Employee retention								
	High quality standards								
	Stable and long-term oriented shareholder base								
	Company stability/								
	Health protection during the pandemic	25%	0%	125%	–	34	114%		
	Revenue (budgeted)	25%	0%	125%	–	43	104%		
	Gross profit margin (budgeted)	25%	0%	125%	–	43	101%		
	Adjusted EBITDA (budgeted)	25%	0%	125%	–	43	110%		
Hans Pol	Implementation of strategic objectives							107%	149
	Employee retention								
	High quality standards								
	Stable and long-term oriented shareholder base								
	Company stability/								
	Health protection during the pandemic	25%	0%	125%	–	43	114%		
	Revenue (budgeted)	25%	0%	125%	–	43	104%		
	Gross profit margin (budgeted)	25%	0%	125%	–	43	101%		
	Adjusted EBITDA (budgeted)	25%	0%	125%	–	43	110%		
	Implementation of strategic objectives								

Long-Term Variable Remuneration

As a contribution to the sustainable development of the company, a significant portion of the Management Board's remuneration is linked to the long-term performance of SFC shares. Various virtual or physical stock option programs were introduced in the past as long-term variable share-based remuneration, on the basis of which virtual stock options ("Stock Appreciation Rights" or "SARs") or Stock Option Programs ("SOPs") were granted. There were no SARs or SOPs still outstanding (exercisable in the future or exercised in the reporting year) for former Management Board members in the reporting year 2022. By granting SARs or SOPs as a long-term variable remuneration element, the company is pursuing the goal of incentivizing and promoting a business policy that is primarily aligned with the interests of shareholders, namely increasing the value of the share.

Virtual Stock Option Program (SAR Program)

The company's Supervisory Board implemented a SAR program (SAR Program 2014–2016; Program 1) for the first time at the beginning of financial year 2014, with the aim of aligning the interests of the shareholders with the Management Board. Subsequently, other SAR programs were set up: SAR Program 2015-2018 (Hans Pol Program 2), SAR Program 2017-2019 (Dr. Peter Podesser Program 3), SAR Program 2018-2021 (Hans Pol Program 4), and SAR Program 2020-2024 (Daniel Saxena Program 5). Dr. Peter Podesser was granted virtual stock options (SARs) in 2020 (Dr. Peter Podesser Programme 5) as part of the extension for the next appointment period. This SARs allocation under Program 5 was transferred to a (physical) Share Option Program (Share Option Program 2020-2024) on July 9, 2020, and thus replaced.

Only the SARs programs relevant to the reporting period are described below.

- Dr. Peter Podesser was granted virtual stock options (SARs) in 2017 (Dr. Peter Podesser Program 3) as part of the extension for the next appointment period.
- Hans Pol was granted virtual stock options (SARs) in 2018 as part of the extension of his Management Board employment contract (Hans Pol Program 4).
- Daniel Saxena was granted virtual stock options (SARs) with his appointment in July 2020 (Daniel Saxena Program 5).

The basic principles of the aforementioned SARs programs are the same, with some differences in the programs. Accordingly, a one-time allocation of a certain number of SARs was made for the respective appointment period of the Management Board member, the stock of which can be reduced depending on the expiry of SARs on certain expiry dates. The portfolio of granted and non-expired SARs (at a record date one year after the last expiration date) is composed of equal-sized sub-tranches for the years of Management Board service for which the grant was made. Starting from the grant date of the respective SARs tranche, a waiting period begins that varies in terms of length for the individual sub-tranches, with a waiting period of four years starting from the grant date always applying to the first sub-tranche and an extended waiting period applying to the respective further partial tranches. After expiration of the defined waiting period for the respective sub-tranche, the SARs of the sub-tranche may be exercised in an exercise period of one year after expiration of the relevant waiting period of the sub-tranche (subject to certain blackout periods) as long as they have not previously expired on the relevant defined expiry dates. The expiration of SARs on the specified expiration dates is based on the average stock exchange price of the company's shares during the last 30 days of trading prior to the relevant expiration date (expiration date price). A certain fixed number of SARs expire depending on the average stock price achieved; no SARs expire if the fixed average stock price target is reached or exceeded before the respective expiration date. After expiration of the waiting period and subject to forfeiture on the expiration dates, a certain number of SARs may be exercised within the exercise period. The number of exercisable SARs depends on the average stock exchange price of the company's share on the last 30 days of trading before the day of exercise (the so-called reference price). For this purpose, certain reference price ranges are defined in the individual SARs programs, which specify a certain maximum number of exercisable SARs. The exercise of the SARs gives rise to an entitlement to cash settlement, which is calculated as follows: (reference price – exercise price) x number of exercisable SARs.

The Hans Pol Program 4 additionally stipulate as a prerequisite for the exercisability of SARs that another specific performance target must be achieved prior to the expiration of the respective waiting period: the average stock market price of the company's share on the last 30 days of trading before expiration of the waiting period exceeds the average stock exchange price of the company's shares on the last 30 trading days prior to the issue date.

The exercise price is EUR 1.00 per SAR. The number of SARs granted (and not yet forfeited or already exercised in previous years) as well as the SARs forfeited and exercised in the reporting year 2022 are shown in the following table (taking Section 162 (1) sentence 2 no. 3 AktG into account):

SARs GRANTED			
as of 12/31/2022 for acting Management Board members	Peter Podesser	Daniel Saxena	Hans Pol
	Program 3	Program 5	Program 4
Grant date:	04/01/2017	07/01/2020	07/01/2018
Number of Stock Appreciation Rights (SARs)	360,000	228,000	180,000
Maximum term (years)	5	8	7
Number of sub-tranches¹	3	4	3
Performance period:	04/01/2017 03/31/2020	07/01/2020 06/30/2024	07/01/2018 06/30/2021
Expiry of the waiting period²			
Tranche 1	04/01/2021	07/01/2024	07/01/2022
Tranche 2	09/01/2021	07/01/2025	07/01/2023
Tranche 3	02/01/2022	07/01/2026	07/01/2024
Tranche 4	-	07/01/2027	-
Performance targets³	-	-	EUR 8.65
Exercise price:	EUR 1.00	EUR 1.00	EUR 1.00
SARs outstanding as of January 1, 2022	146,667	228,000	125,000
SARs expired in the reporting period	-	-	-
SARs exercised in the reporting period	146,667	-	35,000
SARs outstanding as of December 31, 2022	-	228,000	90,00

1 Number of annual tranches into which the allocated SARs are divided equally

2 Exercise period is one year for each sub-tranche

3 The Hans Pol Program 4 additionally stipulates as a prerequisite for the exercisability of SARs that another specific performance target must be achieved prior to the expiration of the relevant waiting period: the average stock market price on the last 30 trading days prior to the expiry of the waiting period exceeds the average market price of the company's share on the last 30 trading days prior to the allocation date.

The remuneration granted or owed in reporting year 2022 (Table "Management Board remuneration granted in financial year 2022") only includes the amounts from SARs that led to a pay out in 2022 due to them being exercised.

The performance criteria that led to a payout or amounts owed from an exercise from SAR tranches in the reporting year 2022 are shown in the table below:

SARs PROGRAM

	Tranche	No. of SARs	Expiration Date				End of waiting period	Exercise				
			SARs					Exer-cisable ³	Date	Price ²	SARs	
			Date	Price ¹	Expira-tion	Remain-der						
Peter Podesser Progr. 2017-2019	Complete program	360,000			140,000	220,000			Jun 21	24.25	60,000	
	Tranche 1 [PP3.1]	120,000	04/01/18	7.92	60,000	60,000	04/01/21	73,333	Jun 21	24.25	13,333	
	Tranche 2 [PP3.2]	120,000	04/01/19	10.25	40,000	80,000	09/01/21	73,333	Jan 22	25.01	36,667	
	Tranche 3 [PP3.3]	120,000	04/01/20	10.12	40,000	80,000	02/01/22	73,334	Dez 22	22.82	73,334	
Hans Pol Progr. 2018-2021	Complete program	180,000			55,000	125,000						
	Tranche 1 [HP 4.1]	60,000	07/01/19	13.86	25,000	35,000	07/01/22	41,667	Dez 22	22.82	35,000	
	Tranche 2 [HP 4.2]	60,000	07/01/20	12.64	30,000	30,000	07/01/23	41,667	-	-	-	
	Tranche 3 [HP 4.3]	60,000	07/01/21	26.21	0	60,000	07/01/24	41,667	-	-	-	

1 Average market price of SFC shares on the last 30 trading days prior to the relevant expiration date for the respective sub-tranche.

2 Average stock market price of SFC shares on the last 30 trading days prior to the exercise date relevant for the respective sub-tranche.

3 One-third of the SARs held at the balance sheet date may be exercised after expiry of the relevant waiting period.

If the reference price does not reach at least EUR 11.50 at the time of exercise of the respective SAR sub-tranche of the Peter Podesser 3 Program, only a share of the SARs may be exercised in accordance with the reference price.

If the reference price does not reach at least EUR 16.50 at the time of exercise of the respective SAR sub-tranche of the Hans Pol 4 Program, only a share of the SARs may be exercised in accordance with the reference price. Furthermore, the exercise of the SARs requires as a performance target that the average stock exchange price of the share exceeds EUR 8.65 on the last 30 days of trading prior to the expiry of the respective waiting period.

Stock option programs

The Supervisory Board of the company has granted stock options to individual Management Board members under two different stock option programs in the past: to Dr. Podesser under the SOP 2020-2024 and to Hans Pol under the SOP 2021-2025.

Among it, the members of the Management Board received a number of option rights determined by the Supervisory Board for the term of their Management Board service contract, whereby the granting took place in the first year of the contract term.

Option rights may not be exercised by the respective member of the Management Board during periods determined by the Annual General Meeting or during closed periods within the meaning of the regulations on trading prohibitions (Closed Periods) pursuant to the Market Abuse Regulation and the Delegated Acts adopted in this respect.

The option rights each have a maximum term of eight years from the day on which the respective option right arises or is allocated. The waiting period for exercise is staggered according to the tranches issued, so that members of the Management Board can each exercise one quarter of the option rights of the respective tranche (sub-tranche). The waiting period for the exercise of the sub-tranches is four, five, six and seven years, respectively, starting on the issue date of the tranche.

The subscription rights can be exercised within one year after expiry of the waiting period for the respective sub-tranche (drawing period). In accordance with the option terms and conditions to be determined, each option right confers the entitlement to subscribe to one no-par value bearer share (no-par value share) of the company. The exercise price under the new stock option program in accordance with the Management Board remuneration system corresponds to the average stock market price of the company's shares on the last 30 days of trading prior to the issue date, while under the program for Dr. Peter Podesser (2020-2024) the exercise price is EUR 1.

Members of the Management Board may only exercise the subscription rights granted to them in the drawing period to the full extent of the respective partial tranche if the average stock market price of the shares of the company on the last 30 days of trading before the cut-off date relevant for the respective partial tranche (cut-off date price) reaches a certain price target in euros. If the closing price does not reach at least the target price, only a portion of the options may be exercised from the sub-tranche in accordance with the closing price, for which the Annual General Meeting has determined a certain number of exercisable subscription rights depending on ranges of the closing price. Apart from that, subscription rights shall expire without compensation or substitution on the relevant effective date.

The exercise of share options is further conditional, in respect of each sub-tranche, on the average stock market price of the company's shares on the last 30 days of trading prior to the day on which the member of the Management Board submits a subscription declaration in respect of granted share options reaching or exceeding specified thresholds. If the reference price does not reach at least the price target, only a portion of the options may be exercised from the sub-tranche in accordance with the reference price, for which the Annual General Meeting has determined a certain number of exercisable subscription rights depending on bandwidths of the reference price. For each additional exercise of option rights of the sub-tranche within the drawing period, the option rights already exercised during the drawing period will be credited against the number of option rights that would be exercisable on the additional exercise date in accordance with the current exercise requirement.

The stock option program ensures that option rights can only be exercised for the respective drawing period if the sum of the number of exercised option rights multiplied by the closing price in XETRA trading on the exercise date of these option rights less the exercise price and the number of option rights to be exercised multiplied by the XETRA closing price on the trading day before the intended day of exercise of the option rights less the exercise price does not exceed an amount of EUR 1 million (cap); This varies from or is lower than the cap of EUR 1.75 million provided for by the Management Board remuneration system.

The stock options granted to Dr. Podesser and Hans Pol are listed in the following table within the meaning of Section 162 para. 1 sentence 2 no. 3 of the German Stock Corporation Act (AktG) (insofar as they have not already lapsed or been exercised). Share options granted in a financial year that grant a direct right to purchase shares are recorded as remuneration granted in the respective financial year of granting in the table "Management Board remuneration granted and owed in the financial year."

No new share options were granted to the members of the Management Board in the reporting period 2022.

STOCK OPTIONS

	Peter Podesser	Hans Pol
	Programm 2020	Programm 2021
Grant date:	09,07,2020	01,03,2021
Number of SOPs	504,000	500,000
Maximum term	8 Jahre	8 Jahre
Number of sub-tranches	4	4
Performance center	09,07,2020 08,07,2024	01,03,2021 28,02,2025
Expiry / end of the waiting period for the sub-tranches ¹	09,07,2021 09,07,2024 09,07,2022 09,07,2025 09,07,2023 09,07,2026 09,07,2024 09,07,2027	01,03,2022 01,03,2025 01,03,2023 01,03,2026 01,03,2024 01,03,2027 01,03,2025 01,03,2028
Exercise price:	EUR 1.00	EUR 24.41
SOPs outstanding as of January 1, 2022	504,000	500,000
SOPs expired in the reporting period	-	125,000
SOPs exercised in the reporting period	-	-
SOPs outstanding as of December 31, 2022	504,000	375,000

1 Four partial tranches; the subscription rights can be exercised within one year from expiry of the waiting period for the respective sub-tranche

Promoting the long-term development of the company through remuneration

The remuneration of the Management Board members is intended to further support SFC AG's business strategy and its implementation. In addition, by defining performance criteria that are linked to the long-term and sustainable success of the company and supplementing them with ambitious annual and multi-year targets, a contribution is also being made to the company's long-term targets. Outstanding performance should be rewarded by appropriate remuneration. Performance that falls short of achieving the targets set should result in a noticeable reduction in remuneration. The remuneration system sets incentives that are in line with, and promote, the company strategy.

The short-term variable remuneration (bonus) of the Management Board members for the two financial years 2021 and 2022 is aligned with the economic performance targets of sales, the gross margin and adjusted EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) and provides for a discretionary element that was aligned with sustainability targets for both financial years. The bonus is intended to motivate Management Board members to achieve ambitious and challenging financial, operational and strategic goals during a

certain financial year. The goals reflect the company strategy and are aimed at increasing the value of the company. The remuneration system gives the Supervisory Board the opportunity to take individual responsibility on the one hand and the performance of the Management Board members as a whole on the other into account.

In order to align the remuneration of Management Board members with the long-term development of SFC Energy AG, long-term variable share-based remuneration accounts for a significant share of their total remuneration. Long-term variable remuneration is granted on the basis of (under the new Management Board remuneration system physical) stock options with a four-year performance period. The economic performance target relates to the performance of the SFC Energy AG share price during the performance and exercise period. The company value and the value for shareholders is increased in the long term by setting ambitious targets that are linked to share price performance.

Compliance with the maximum remuneration pursuant to Section 162 (1) sentence 2 no. 7 AktG

Pursuant to Section 87a (1) sentence 2 no. 1 AktG, the Supervisory Board has set maximum remuneration including fringe benefits for the members of the Management Board in the new remuneration system. The maximum remuneration for a financial year was set as follows:

- Maximum remuneration pursuant to Section 87a para. 1 sentence 2 no. 1 AktG for the Chairman of the Management Board: EUR 2.5 million
- Maximum remuneration pursuant to Section 87a (1) sentence 2 no. 1 AktG for ordinary members of the Management Board: EUR 1.5 million

The maximum remuneration of the Management Board remuneration system as approved by the Annual General Meeting in 2021 refers to the sum of all payments resulting from the remuneration arrangements for one financial year.

Given that the remuneration from Hans Pol's stock option rights for financial year 2022 cannot be determined until they have been exercised, it is not yet possible to provide a conclusive report on compliance with the maximum remuneration cap.

Compliance with the maximum remuneration for Mr. Pol in financial year 2022 is expected to be ensured by the individual caps of his variable remuneration components for the 2022 reporting year that apply in principle (maximum target achievement of 125% for the performance-related bonus, i.e. a maximum of EUR 187,500 and the basic exercise cap per sub-tranche under the 2021-2025 stock option program of EUR 1 million).

In all other cases, the agreements were entered into under the legacy system, which did not have a maximum remuneration cap within the meaning of Section 87a (1)2 (1) AktG.

Commitments in the event of premature termination of a Management Board member's service

In the event of premature termination of Management Board activities without good cause, any payments to be agreed with the Management Board members, including fringe benefits, are not to exceed the value of one year's remuneration (severance pay cap) and may not exceed the value of the remuneration for the remaining

term of the Management Board employment contract. For the calculation of the severance pay cap, the total remuneration of the past financial year and, if applicable, also the expected total remuneration for the current financial year are to be taken into account.

If the employment contract ends due to extraordinary termination by the company, the members of the Management Board are not entitled to continued payment of the variable remuneration ("performance-related bonus").

In the event that Management Board members should die during the term of their service agreement, their widow(er) and children, provided they have not attained the age of 25 years and are still in vocational training, shall have a claim, as joint and several to continued payment of the basic monthly remuneration for the month of death and the six following months.

If Management Board members become permanently incapacitated for work during the term of their service agreement, the respective service agreement shall end at the end of the quarter in which the permanent incapacity has been established, at the earliest after expiry of the remuneration continuation period (duration of the current and the following six months, at the longest until termination of the employment contract), at the latest upon expiry of the term of office of the Management Board member.

Dr. Peter Podesser

The option rights from the stock option program 2020-2024 expire in the event of extraordinary termination by the company (exceptions: Withdrawal of confidence by the Annual General Meeting or the loss of confidence by the Supervisory Board) or for extraordinary termination by Dr. Podesser prior to the expiry date for which the company is not responsible. In the event of a departure from the company for any other reason, the option rights expire on a pro rata basis calculated over the entire contractual term of 48 months (e.g.: departure after 24 months results in the expiry of 50% of the option rights held).

The SARs from the Dr. Peter Podesser Program 3 expire without replacement in the event of extraordinary termination by the company (exception: Withdrawal of confidence by the Annual General Meeting or the loss of confidence by the Supervisory Board) or in the event of extraordinary termination by Dr. Podesser before April 1, 2020, for which the company is not responsible. In the event of a departure from the company for any other reason, the SARs expire on a pro rata basis calculated over the entire contractual term of 36 months (e.g. departure after 18 months results in the expiry of 50% of the SARs held at the time of departure).

In the event of a change of control occurring by September 30, 2023 (understood as the acquisition of the majority of voting rights in the company by a third party), Dr. Podesser may only exercise his right of termination for cause at the request of the company's Supervisory Board and/or the acquirer of the majority of control by observing a notice period of six months from the date on which the change of control legally occurs. In principle, Dr. Podesser has a maximum claim to payment of the value of the remuneration for the remaining term of the Management Board employment contract at the time of departure in the event of premature termination of his Management Board activities due to a change of control up until September 30, 2023. In the event of a change of control after September 30, 2023, however, Dr. Podesser's extraordinary right of termination in the event of a change of control is excluded; no severance pay will be granted.

In the event of the acquisition of a controlling interest in the company within the meaning of Section 29 para. 2

WpÜG and the exercise by Dr. Podesser of the extraordinary right to termination provided for in this case, the option rights from the Stock Option Program 2020-2024 which had not yet expired at the time of the submission of the takeover offer shall be paid out as cash compensation at the time of the legal termination of the employment contract as follows (number of option rights to be paid out x (reference price – exercise price)), whereby in this case the reference price corresponds to the offer price within the meaning of Section 31 para. 1 WpÜG. No maximum amount applies with regard to the cash settlement.

In the event of an acquisition of control over the company and the exercise of the right to termination for cause provided for in this case by Dr. Podesser, the SARs under the Dr. Podesser Program 3 that have not yet expired at the time of submission of the takeover offer shall be paid out as follows at the time of the legal termination of the employment contract (number of SARs to be paid out x (reference price – exercise price)), whereby, in this case, the reference price corresponds to the offer price within the meaning of Section 31 para. 1 WpÜG.

For the existing defined contribution benefit commitment in favor of Dr. Podesser, the pension entitlement is maintained in the amount of the benefit that can be financed from the part of the fund assets of the provident fund set up for him if Dr. Podesser leaves the company's service before the insured event occurs. If Dr. Podesser becomes unable to work before a pension claim occurs and the inability to work lasts until his death or a pension claim occurs, the pension entitlements are retained in full. In the event that the occupational incapacity ceases to exist, this date shall be deemed to be the departure date.

Hans Pol

The option rights from the Stock Option Program 2021-2025 expire without substitution in the event of extraordinary termination by the company (exceptions: Exceptions: Withdrawal of confidence by the Annual General Meeting or loss of confidence by the Supervisory Board) as well as extraordinary termination by Hans Pol prior to the expiry date, for which the company is not responsible. In the event of a departure from the company for any other reason, the option rights expire on a pro rata basis calculated over the entire contractual term of 48 months (e.g.: departure after 24 months results in the expiry of 50% of the option rights held).

The SARs from the Hans Pol Program 4 expire without replacement in the event of extraordinary termination by the company (exceptions: withdrawal of confidence by the Annual General Meeting) and extraordinary termination by Hans Pol before June 30, 2021, for which the company is not responsible. In the event of a departure from the company for any other reason, the SARs expire on a pro rata basis calculated over the entire contractual term of 36 months (e.g. departure after 18 months results in the expiry of 50% of the SARs held at the time of departure).

In the event of an acquisition of control of the company within the meaning of Section 29 (2) WpÜG, Mr. Pol is entitled to terminate the employment contract within three months of the legal occurrence of the change of control by observing a notice period of twelve months.

In the event of an acquisition of control of the company within the meaning of Section 29 para. 2 WpÜG and the exercise by Mr. Pol of his extraordinary right to termination provided for in this case, the option rights under the Stock Option Program 2021-2025 which had not yet expired at the time of the submission of the takeover offer shall be paid out as cash compensation at the time of the legal termination of the employment agreement, in which case the reference price shall correspond to the offer price within the meaning of Section 31 para. 1 WpÜG or the value calculated in accordance with Section 7 WpÜG Offer Ordinance, of the offeror's shares which may have been offered as optional consideration and which are not admitted to trading on an organized market within the meaning of Section 2 para. 7 WpÜG

but only outside the EEA, or a combination of both values. No maximum amount applies with regard to a cash settlement. In the event of an acquisition of control over the company within the meaning of Section 29(2) WpÜG and of Mr. Pol exercising his special right of termination provided for in such case, the SARs under the Hans Pol Program 4 that have not yet expired are to be paid out as follows at the time of the legal termination of the employment contract: [number of SARs to be paid out x (reference price – exercise price)]. In such case, the reference price corresponds to the higher value of either (i) the offer price within the meaning of Section 31(1) WpÜG or (ii) the amount calculated pursuant to Section 7 WpÜG Offer Ordinance of the bidder's shares possibly offered as optional consideration and which are not admitted to trading on an organized market within the meaning of Section 2 para. 7 WpÜG but only outside the EEA. In the event of acquisition of control after termination of the service relationship, the same rules and principles for payment shall apply, with the exception that payment is to be made immediately upon acquisition of control.

Daniel Saxena

The SARs from the Daniel Saxena Program 5 expire in the event of extraordinary termination by the company (exceptions: a vote of no confidence by the Annual General Meeting or by the Supervisory Board) or in the event of an extraordinary termination by Mr. Saxena before July 1, 2024, for which the company is not responsible. In the event of a departure from the company for any other reason, the SARs expire on a pro rata basis calculated over the entire contractual term of 48 months (e.g.: departure after 24 months results in the expiry of 50% of the SARs held at the time of departure).

In the event of a change of control (understood as the acquisition of the majority of voting rights in the company by a third party) occurring by September 30, 2023, Mr. Saxena may only exercise his right to termination for cause at the request of the company's Supervisory Board and/or the acquirer of the majority of control by observing a notice period of twelve months from the date on which the change of control legally occurs. In the event of premature termination of his Management Board activities due to a change of control, Mr. Saxena is in principle entitled to a maximum payment of the value of two years' remuneration until September 30, 2023, which may not exceed the value of the remuneration for the remaining term of the Management Board employment contract. In the event of a change of control after September 30, 2023, however, Mr. Saxena's extraordinary right of termination in the event of a change of control is excluded; no severance pay is to be granted.

In the event of the acquisition of a controlling interest in the company within the meaning of Section 29 para. 2 WpÜG and the exercise by Mr. Saxena of his extraordinary termination right provided for in this case, the SARs from the Daniel Saxena Program 5 which had not yet expired at the time of the submission of the takeover offer are to be paid out as cash compensation at the time of the legal termination of the employment contract as follows (number of SARs to be paid out x (reference price – exercise price)), whereby, in this case, the reference price corresponds to the offer price within the meaning of Section 31 para. 1 WpÜG or the value calculated in accordance with Section 7 WpÜG Offer Ordinance, of the offeror's shares which may have been offered as optional consideration and which are not admitted to trading on an organized market within the meaning of Section 2 para. 7 WpÜG but only outside the EEA, or a combination of both. No maximum amount applies with regard to a cash settlement.

Commitments in the event of regular termination of a Management Board member's service

As described above, Dr. Podesser has a defined contribution plan via a provident fund. In the event of a pension claim, the provident fund shall pay the agreed pension benefits to Dr. Podesser. The company allocates the required funds of EUR 10,000 p.a. to the provident fund (see also below in the table Management Board remuneration granted and owed in financial year 2022).

No further benefit commitments have been made in the event of the regular termination of a member of the Management Board (within the meaning of Section 162 para. 2 nos. 2 and 3 AktG).

Commitments and grants to Management Board members who left in the reporting year

No Management Board members terminated their service in the reporting year.

Payments from third parties

In the reporting period, no benefits were promised or granted to any member of the Management Board by a third party with regard to the activity as a member of the Management Board.

Malus and clawback provisions for short-term variable remuneration (bonus)

Both under the existing remuneration system and on the basis of the remuneration system adopted in 2021, the Supervisory Board has the option of withholding or reclaiming the short-term variable remuneration (bonus) at its reasonable discretion if a member of the Management Board seriously and intentionally violates the duties of care under Section 93 of the German Stock Corporation Act (AktG), an obligation under the Management Board employment contract, or another material principle of the company's conduct, e.g. under the compliance guidelines.

In exercising its reasonable discretion, the Supervisory Board shall, after careful investigation of the facts, take the seriousness of the violation, the degree of culpability of the member of the Management Board and the material and immaterial damage into consideration. Before making its decision, the Supervisory Board of the company shall offer the member of the Management Board the opportunity to comment within a reasonable period of time. The timing of the repayment is to be determined by the Supervisory Board of the company after consulting with the member of the Management Board, with an appropriate term and, if necessary, partial payments, taking any existing cases of hardship into account. Recovery of remuneration already paid is not permitted if the infringement in question occurred more than five years ago. In cases of continuous infringements, the end of the continuous infringements shall be decisive. Claims for damages against the Management Board member remain unaffected.

In the reporting year 2022, no variable remuneration components were reclaimed from Management Board members due to the fact that the aforementioned prerequisites for a clawback were not met.

Deviations from the remuneration system

In the reporting year 2022, the remuneration system approved by the Annual General Meeting 2021 did not yet apply to the Management Board members Dr. Podesser and Daniel Saxena, therefore there were no deviations to report. Mr Pol's remuneration for financial year 2022 granted in the year under review was in accordance with the remuneration system.

Individualized Management Board remuneration in the reporting year 2022

The remuneration granted/owed in the reporting year 2022 includes the annual fixed remuneration granted in the reporting year, the value of fringe benefits granted in the reporting year, the short-term variable remuneration granted in the reporting year), as well as the long-term variable remuneration in the form of pay out amounts granted in 2022 from the SARs programs and the fair market value of the options granted in the reporting year from the stock option program. This sum includes all compensation benefits granted (i.e. paid out) and owed in 2022. The remuneration components or other benefits actually received in the reporting period are considered to have been granted; Remuneration components that are legally due but not yet paid are understood as owed.

GRANTED AND OWED MANAGEMENT BOARD REMUNERATION FOR THE FINANCIAL YEARS 2021 AND 2022				in EUR	
Management Board member in office on 12/31/2022					
	Peter Podesser Chairman of Management Board since 01/11/2006				
Fixed		2022	in % TR	2021	in % TR
	Basic remuneration	370,000	9.5%	370,000	16.5%
	+ Fringe benefits	14,490	0.4%	14,113	0.6%
	+ Contribution provident fund ¹	10,000	0.3%	10,000	0.4%
	Total⁵	394,490	10.1%	394,113	17.6%
Variable					
	+ Short-term variable				
	Bonus ²	236,305	6.1%	138,042	6.2%
	+ Long-term variable				
	SARs granted ("SARS") ³	1,663,352	42.7%	1,704,992	76.2%
	SARs owed ⁷	1,599,903	41.1%	-	0.0%
	Stock options ("SOP") ⁴	0	0.0%	-	0.0%
	Total⁵	3,499,560	89.9%	1,843,034	82.4%
Total	= Total remuneration ("TR")	3,894,050	100.0%	2,237,147	100.0%

FOOTNOTES ON PAGE 216

GRANTED AND OWED MANAGEMENT BOARD REMUNERATION FOR THE FINANCIAL YEARS 2021 AND 2022				in EUR	
Management Board Member in office on 12/31/2022					
	Daniel Saxena Management Board member since 07/01/2020				
Fixed		2021	in % TR	2021	in % TR
	Basic remuneration	240,000	62.8%	240,000	75.2%
	+ Fringe benefits	24,000	6.3%	24,000	7.5%
	+ Contribution provident fund ¹	-	0.0%	-	0.0%
	Total⁵	264,000	69.1%	264,000	82.8%
Variable					
	+ Short-term variable				
	Bonus ²	118,153	30.9%	55,000	17.2%
	+ Long-term variable				
	SARs granted ("SARS") ³	-	0.0%	-	0.0%
	SARs owed ⁷	-	0.0%	-	0.0%
	Stock options ("SOP") ⁴	-	0.0%	-	0.0%
	Total⁶	118,153	30.9%	55,000	17.2%
Total	= Total Remuneration ("TR")	382,153	100.0%	319,000	100.0%

GRANTED AND OWED MANAGEMENT BOARD REMUNERATION FOR THE FINANCIAL YEARS 2021 AND 2022 in EUR

Management Board member in office on 12/31/2022

Hans Pol Management Board member since 01/01/2014

	2022	in % TR	2021	in % TR
Fixed	Basic remuneration	21.0%	241,663	22.1%
	+ Fringe benefits ¹	2.4%	30,174	2.8%
	+ Contribution provident fund ¹	0.0%	0	0.0%
	Total⁵	23.4%	271,837	24.9%
Variable	+ Short-term variable			
	Bonus ²	12.5%	50,197	4.6%
	+ Long-term variable			
	SARs granted ("SARS") ³	0.0%	600,033	55.0%
Total	SARs owed ⁷	64.2%		
	Stock options ("SOP") ⁴	0.0%	169,555	15.5%
	Total⁶	76.6%	819,785	75.1%
	= Total Remuneration ("TR")	100.0%	1,091,622	100.0%

¹ Administrative expenses and the PSV contribution are not included here, as they constitute obligations of the company.² The short-term variable remuneration received in the financial year for the respective previous financial year.³ This figure corresponds to the amount received from SARs exercised in the financial year.⁴ This figure corresponds to the fair market value for option rights granted in the financial year to subscribe to ordinary shares in the company ("Stock Option Program" or "SOP"). This corresponds to the value of the total option rights allocated.⁵ These disclosures represent the total fixed remuneration granted and owed.⁶ This information represents the total variable remuneration granted and owed.⁷ This figure corresponds to the amount owed from the SARs exercised in financial year 2022. The exercise took place in December 2022 with the consequence of immediate maturity. However, the corresponding payment and thus the inflow will not be made until 2023. The corresponding amount is no longer reported as granted remuneration in the Remuneration Report for 2023 in order to avoid double reporting.

Individualized Remuneration of the Supervisory Board

The members of the Supervisory Board receive pure annual fixed remuneration of EUR 25,000 each, whereby the Chairman of the Supervisory Board receives EUR 50,000 and his Deputy EUR 37,500. In the event of changes in the composition of the Supervisory Board during a year, the remuneration is granted pro rata temporis. In addition, annual fixed remuneration amounting to EUR 10,000 is paid to the Chairperson of the Audit Committee, EUR 5,000 is paid to their Deputy, and EUR 2,500 to each member of the Committee.

The maximum annual basic remuneration for the Chairman of the Supervisory Board is limited to EUR 50,000 and to EUR 37,500 for his Deputy. This also covers the expenses for memberships and chairpersonships of committees.

The members of the Supervisory Board are also entitled to reimbursement of the cash expenses incurred in the performance of their Supervisory Board duties, including the value added tax payable on their expenses, as well as to inclusion in the D&O insurance policy taken out by the company for its management bodies.

The remuneration of the Supervisory Board in financial year 2022 is distributed among the individual Supervisory Board members as follows:

REMUNERATION GRANTED AND OWED TO MEMBERS OF THE SUPERVISORY BOARD				in EUR	
				for the financial years 2021 and 2022	
Members of the Supervisory Board	Basic compensation		Committee remuneration		Total Compensation
	in EUR	% of GM	in EUR	% of GM	
Hubertus Krossa (since 05/2014, Chairman since 05/2021)	2022 50,000	100.0%	–	0.0%	50,000
	2021 45,263	100.0%	–	0.0%	45,263
Henning Gebhardt (since 05/2021, Deputy Chairperson)	2022 37,500	100.0%	–	0.0%	37,500
	2021 23,108	100.0%	–	0.0%	23,108
Gerhard Schempp (since 06/2020)	2022 25,000	83.3%	5,000	16.7%	30,000
	2021 25,000	92.3%	2,083	7.7%	27,083
Sunaina Sinha (since 08/2021)	2022 25,000	100.0%	–	0.0%	25,000
	2021 9,658	100.0%	–	0.0%	9,658
Tim van Delden (until 05/2021, Chairman)	2022 –	0.0%	–	0.0%	–
	2021 20,833	100.0%	–	0.0%	20,833
Total	2022 137,500	96.5%	5,000	3.5%	142,500
	2021 123,861	98.3%	2,083	1.7%	125,945

The remuneration system determined for the Supervisory Board does not provide for any malus or clawback provisions. No variable remuneration components were therefore reclaimed from members of the Supervisory Board in the reporting year 2022.

Comparative presentation within the meaning of Section 162 para. 1 (2) (2) AktG (vertical comparison)

The following table shows the development over time within the meaning of Section 162 Para. 1 (2) (2) AktG (over the last five financial years) of the remuneration of the Board members compared to the average remuneration of the total workforce of SFC Energy AG in Germany on a full-time equivalent basis. In addition, the development of the earnings of SFC Energy AG and the Group as a whole is presented. The development of earnings is shown on the basis of the Group key figures sales and adjusted EBITDA. Given that both are key performance indicators, they are also part of the financial targets for the Management Board's short-term variable remuneration (bonus) and thereby have a significant influence on the amount of remuneration paid to the members of the Management Board. In addition, the development of the annual net profit of SFC AG is presented in accordance with Section 275 para. 3 no. 16 HGB.

For the members of the Management Board and the Supervisory Board, the comparison is based on the remuneration granted and owed in the respective financial year within the meaning of Section 162 (1) sentence 1 AktG.

The presentation of average employee remuneration is based on the total workforce of SFC AG in Germany. The average remuneration of employees includes personnel expenses for wages and salaries, as well as fringe be-

nefits, employer contributions to social security and the short-term variable remuneration components attributable to the respective financial year. Furthermore, for remuneration in connection with share plans, the amounts accrued in the financial year are taken into account. As such, the remuneration of employees is in line with the definition of remuneration granted and remuneration owed, as is the case with the remuneration of the Management Board and the Supervisory Board.

5-YEAR REVIEW IN COMPARISON (PURSUANT TO SECTION 162 PARA 1 (2) NO. 2 AKTG)										in EUR thousand
Financial year	2018	2019	2020		2021		2022		Change	
			Change		Change		Change		Change	Change
Development of earnings										
AG net earnings for the year (HGB)	-1,892	-7,814	n/m	-8,418	-8%	-6,636	21%	-3,399	-49%	
Group sales revenue	61,704	58,538	-5%	53,223	-9%	64,320	21%	85,229	33%	
Group adj. EBITDA	3,705	3,614	-2%	2,936	-19%	6,233	112%	8,150	n/a	
Group profit for the period	-1	-1,927	n/m	-5,184	-169%	-5,829	-12%	2,020	n/a	
Group equity	18,204	40,260	121%	54,838	36%	50,019	-9%	103,437	107%	
Average employee remuneration										
SFC AG employees	-	-	-	64	n/a	65	2%	68	4%	
Management Board remuneration										
Dr. Peter Podesser	543	697	28%	524	-25%	2,237	327%	3,894	74%	
Hans Pol	271	369	36%	277	-25%	1,092	294%	1,190	9%	
Daniel Saxena	-	-	-	132	n/a	319	142%	382	20%	
Former members of the Management Board										
Markus Binder 03/01/2014 – 02/28/2020	259	269	4%	33	-88%	0	n/m	0	n/m	
Supervisory Board remuneration										
Hubertus Krossa (since 05/2014, Chairman since 05/2021)	25	26	3%	38	48%	45	19%	50	10%	
Henning Gebhardt (since 05/2021, Deputy Chairman)	0	0	-	0	-	23	-	38	62%	
Gerhard Schempp (since 06/2020)	0	0	-	15	-	27	86%	30	11%	
Sunaina Sinha (since 08/2021)	0	0	-	0	-	10	n/m	25	159%	
Former members of the Supervisory Board										
Tim van Delden	50	50	0.0 %	50	0.0 %	21	-58%	0	n/m	
David Morgan	38	39	3%	0	n/m	0	-	0	-	

Approval by the Annual General Meeting

The Remuneration Report will be submitted to the 2023 Annual General Meeting for approval (Section 120a para. 4 AktG).

Based on the approval of the 2021 Remuneration Report by the Annual General Meeting, with an 80% approval rate, the company feels that there is no reason to question the basic approach in connection with the remuneration of the Management Board and Supervisory Board and to change how it is reported on.

FINANCIAL CALENDAR 2023

04/2/2023	MTF RENEWABLES CONFERENCE
05/16/2023	QUARTERLY RELEASE Q1 2023
05/24/2023	ANNUAL GENERAL MEETING
08/18/2023	QUARTERLY RELEASE Q2 2023
08/23 – 08/24/2023	HAMBURG INVESTORS DAY, HIT
09/19/2023	BERENBERG AND GOLDMAN SACHS TWELFTH GERMAN CORPORATE CONFERENCE
11/15/2023	QUARTERLY RELEASE Q3 2023
11/27 – 11/29/2023	GERMAN EQUITY FORUM, FRANKFURT (MAIN)

SHARE INFORMATION

Bloomberg symbol	F3C
Reuters symbol	CXPNX
German securities identification number (WKN)	756857
International securities identification number (ISIN)	DE0007568578
Number of shares outstanding (December 31, 2022)	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:
Oneberry Technologies Pte Ltd.
Wireless CCTV Ltd
Fuel Cell Systems Ltd.
Wolftank Gruppe, Wolftank Hydrogen GmbH
LiveView Technologies, Inc.

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

Statements about the future

This annual report contains statements and information about the future. Such passages contain such words 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 authoritative and universally valid version is the German language document.