ANNUAL REPORT 2024

SFC ENERGY

CONTENT

SFC ENERGY AG – KEY FIGURES

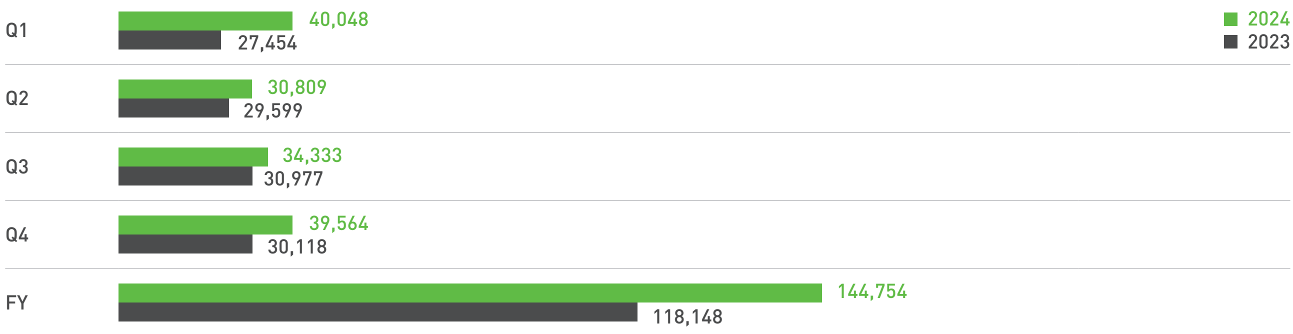
CONSOLIDATED KEY FIGURES

in EUR thousands

	2024 01.01.-31.12.	2023 01.01.-31.12.	Change
Sales	144,754	118,148	22.5%
Gross profit	59,324	46,794	26.8%
Gross margin	41.0%	39.6%	
EBITDA	20,190	14,619	38.1%
EBITDA margin	13.9%	12.4%	
Adjusted EBITDA	22,008	15,158	45.2%
Adjusted EBITDA margin	15.2%	12.8%	
EBIT	13,737	9,157	50.0%
EBIT margin	9.5%	7.8%	
Adjusted EBIT	15,556	9,696	60.4%
Adjusted EBIT margin	10.7%	8.2%	
Consolidated net result	9,355	21,062	-55.6%
Net result per share, undiluted (in EUR)	0.54	1.21	-55.5%
Net result per share, diluted (in EUR)	0.54	1.18	-54.5%

SALES BY QUARTER

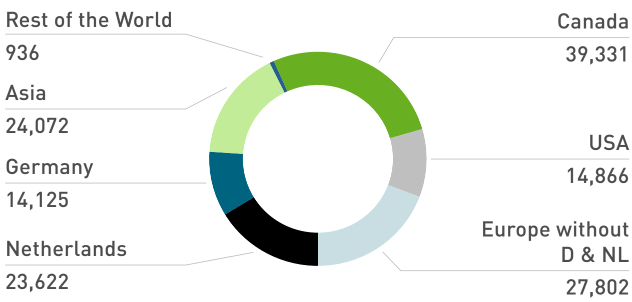
in EUR thousands



SALES BY REGION

01.01.-31.12.2024

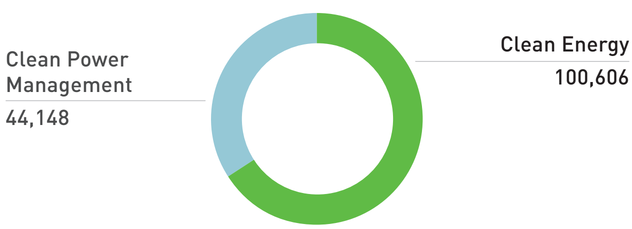
in EUR thousands



SALES BY SEGMENTS

01.01.-31.12.2024

in EUR thousands



01

TO SHAREHOLDERS

LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS,
BUSINESS PARTNERS,
DEAR EMPLOYEES OF SFC Energy,

We look back on a very successful year. Once again, we added to the series of records achieved in previous years, consolidating and expanding our leading global position in fuel cell technology for stationary applications and as a provider of highly specialised power electronics solutions.

With sales increasing by 22.5% to EUR 144.8 million (2023: EUR 118.1 million) together with adjusted EBITDA of EUR 22.0 million (2023: EUR 15.2 million) and adjusted EBIT of EUR 15.6 million (2023: EUR 9.7 million), we not only exceeded our earnings targets but also continued consistently on our profitable growth path.

Strong organic growth and a significant increase in profitability are the key differentiators setting us apart in the fuel cell sector. Thanks to targeted strategic investments, the expansion of production capacities, a product mix with attractive margins and strict cost discipline, we were able to significantly boost profitability, achieving an adjusted EBITDA margin of 15.2% (2023: 12.8%) and an adjusted EBIT margin of 10.7% (2023: 8.2%).

Significant growth in defence and public security

With a significant increase of around 60%, defence and public security were the fastest-growing end markets in 2024. Industrial applications, the largest area of use for fuel cells, also continued to register dynamic growth, rising by around 36%, while the power management sector also recorded stable growth of around 13%.

Obviously, the dynamic performance in defence and public security also reflects the changed geopolitical situation. Looking ahead, we see considerable growth potential due to the fundamentally changed and improved underlying conditions for defence spending in Germany and the rest of Europe. This is creating a very favourable environment for our technology with light and reliable energy sources that are difficult to detect. To date, we are the only supplier of NATO-qualified fuel cell systems for portable, remote and land vehicle-based deployment scenarios. This unique technological position qualifies us as a preferred partner for armed forces worldwide.

At the same time, the market for civil security and surveillance technologies – especially for closed circuit television (CCTV) – has been expanding rapidly for years. More and more companies and authorities are seeking technology-based, reliable and cost-effective alternatives to physical security guards. With our sustainable and economical fuel cell solutions, we have achieved a leading market position worldwide and are excellently positioned for further growth in this dynamic environment.

High demand for SFC solutions in Asia and Europe

Underpinned by very strong year-on-year sales growth of around 86%, our expansion in Asia is clearly bearing fruit. Our strategy is proving its merits in India in particular: by upscaling our local production in Gurgaon, Haryana, we are able to meet the national local content requirements ("Make in India") and especially also the growing demand for defence and public security solutions, such as for the Indian Ministry of Defence. This will reinforce our market position in the long term. Characterised by significant growth and a 45.3% share of sales, Europe once again replaced North America as the region with the highest sales.

Positive outlook for growth in North America

We continue to see clear opportunities for dynamic growth in the United States and Canada, given that the new US administration is increasingly focusing on key industries such as oil and gas, mining, defence and public security, all areas in which we are already positioned. Although 2024 saw a slight year-on-year decline in sales due to a phase of consolidation at a major customer, North America remains stable as a whole and continues to offer great potential for future growth. With our new location in Salt Lake City, Utah, we are able to establish local manufacturing capabilities in the short term, as is the case in India. In this way, we can also specifically overcome potential protectionist measures and trade barriers such as tariffs. In order to avert possible negative effects, we are, for example, stockpiling fuel cartridges, which were previously imported from Canada to the United States. We are also considering targeted acquisitions in order to expand our footprint on the US market in the long term and achieve above-average growth.

Fundamentally improved technology position and expanded production capacities

In 2024, we expanded our production capacities massively with the successful ramp-up of production in India and Romania, which is set to become our largest production site.

In Swindon, UK, we fundamentally broadened our technological footprint in a component that is critical for the performance and cost-efficiency of fuel cells by establishing and ramping up membrane electrode assembly (MEA) development and production. In this way, we are also aiming to achieve a long-term competitive advantage in this part of the value chain and were additionally able to resolve temporary capacity limitations in order to meet rising demand.

World's most comprehensive range of stationary fuel cells

Another strategic milestone was passed in 2024 with the acquisition from Ballard Power Systems Europe's stationary hydrogen fuel cell business in the class below 50 kW. Through this acquisition, we have enhanced our technology portfolio, adding to it hydrogen fuel cell solutions that have proven themselves on the market. Finalised in December, the transaction will also facilitate our access to growth markets in Northern Europe and other regions. By taking over existing maintenance contracts with a very interesting customer base at around 400 locations in Denmark, Norway, Sweden and Finland, we are significantly strengthening our market presence. At the same time, we have set the course for long-term expansion in Scandinavia by establishing our own subsidiary, SFC Denmark.

Structure and growth – digitalisation, security and talent as success factors

With the growth of our organisation and the new locations in Denmark, India, Romania, the UK and the United States, the expansion, optimisation and adaptation of our organisation, processes and systems are also playing an increasingly important role. A key component of this is the digital transformation, which we are systematically driving forward this year with the roll-out of a new global ERP system. At the same time, we are enhancing our security architecture and stepping up our cybersecurity efforts to meet the highest standards in digital work and data integrity.

In addition, we will be strengthening our teams worldwide significantly and systematically by expanding them, recruiting first-class specialists and continuously developing our employees. More heads, more shoulders, more expertise: this is how we are creating efficient, resilient foundations for sustainable growth. This remains a central task.

Strong order intake and solid balance sheet

With a record order backlog of EUR 104.6 million as of 31 December 2024 (31 December 2023: EUR 81.3 million), we entered 2025 on a dynamic note. The firm order intake in the fourth quarter of 2024 testifies to our customers' ongoing trust and forms a solid foundation for the continuation of our dynamic growth trajectory. In addition, SFC Energy AG continues to have a very solid balance sheet structure with an equity ratio of 72.2% as of 31 December 2024 (31 December 2023: 72.6%). In conjunction with the freely available cash and cash equivalents totalling EUR 60.5 million (31 December 2023: EUR 59.8 million), we are able to systematically remain on our sustainable growth course.

Forecast

The Management Board expects overall favourable conditions in the markets relevant for SFC in 2025. **Group sales** are expected to grow by 11 – 25% year-on-year to EUR 160.6 – 180.9 million (2024: EUR 144.8 million), underpinned to a much greater extent by the Clean Energy segment. In 2025, the Management Board sees demand rising in all regional markets, with the greatest impetus for growth set to come from North America and Asia.

The Management Board projects an increase in **adjusted EBITDA** to EUR 24.7 – 28.2 million in 2025 (2024: EUR 22.0 million), thus resulting in a stable to slightly wider EBITDA margin. The margin expansion hinges on the timing of the planned investments in future growth, particularly the further expansion of the US and Danish locations and the implementation of the new ERP system at the Group level. Based on the budgets for the Clean Energy and Clean Power Management segments, the Management Board anticipates **adjusted EBIT** for the Group of EUR 17.5 – 20.6 million in 2025 (2024: EUR 15.6 million).

We will continue to pursue our strategy with its three growth pillars: driving market penetration and international expansion, investing in the development of new fuel cell technologies and IP, broadening the cloud capabilities of our products and supplementing our growth with targeted M&A activities. The further development of our technological capabilities is a key element in strengthening our competitiveness and expanding our market leadership. One example is the introduction of the EFOY Cloud, which enables our customers to securely monitor and control their systems remotely during operation. More than 6,000 customer systems are already using this service, some of them in conjunction with our licence models. Accordingly, we expect acceptance of this product to continue gaining momentum, as the benefits for our customers are obvious. We also anticipate the first positive effects from our new activities in Northern Europe. At the same time, our strong financial basis provides us with the opportunity to drive forward market consolidation when attractive opportunities arise. With our strong order backlog, our competitive solutions and consistently solid demand, we are facing 2025 optimistically. We are convinced that we can capitalise on the opportunities that arise in our markets and benefit from them to a disproportionately large extent.

Our successes are the result of our employees' extraordinary commitment and expertise. It is only thanks to their extraordinary commitment and the necessary skills that we have been able to recognise and consistently exploit opportunities. In 2024, we further increased our employee headcount by over 15% and were successful in recruiting talented new colleagues for SFC as part of our growth strategy. With their creativity and innovativeness, they are constantly driving forward the development of our clean energy and clean power management solutions for the benefit of our customers. We on the Management Board would therefore like to expressly thank all employees for their outstanding work, commitment and passion.

We also want to thank you, our customers and business partners, for your trust and valuable cooperation. Our special thanks go to you, our shareholders. Your long-standing support and trust form the basis for our continued efforts to unlock value.

We invite you to continue accompanying us on our shared path towards a sustainable and secure future for the generations to come in an economically prosperous form.

Yours,

Dr Peter Podesser	Daniel Saxena	Hans Pol
CEO	CFO	COO

MILESTONES IN 2024

January 2024

SFC Energy starts the new year successfully – repeat order for fuel cells received from Oneberry Technologies in Singapore totalling EUR 2.1 million

Oneberry Technologies from Singapore purchases further EFOY fuel cells for innovative and sustainable safety applications. The order is worth EUR 2.1 million. With the renewed order from its longstanding partner Oneberry Technologies, SFC Energy is systematically continuing its dynamic business growth in a sharply growing market for fuel cell technologies right at the beginning of the year, thus making a significant contribution to climate neutrality.

March 2024

SFC Energy secures record order of around EUR 27.8 million

SFC Energy is once again able to secure a follow-up order from a leading international high-tech plant manufacturer in the clean power management segment for high-performance power supplies and coil solutions. The total value of the contract, which has a term of three years, stands at around EUR 27.8 million.

February 2024

SFC Energy receives first order for newly developed EFOY ProShelter hybrid system to supply critical telecommunications infrastructure in Canada

SFC Energy receives its first order from Groupe CLR for the delivery of its newly developed, fully integrated and off-grid EFOY ProShelter hybrid system to supply critical telecom infrastructures in Northern Quebec, Canada. The resilient EFOY ProShelter ensures reliable and autonomous power supplies, even in extreme climatic conditions with temperatures as low as -40° C and is not only ten times more efficient than a diesel generator but also reduces emissions by up to 99%.

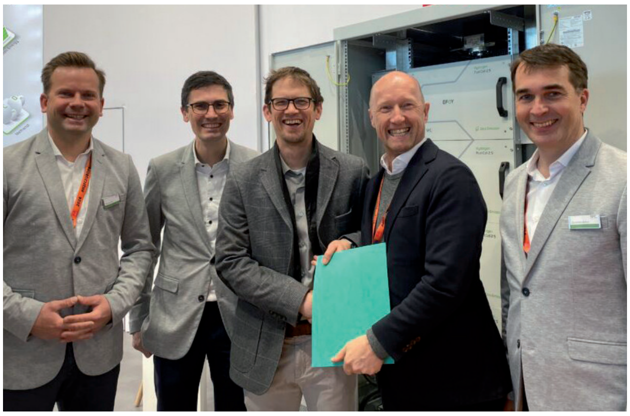
April 2024

SFC Energy AG, TEST-FUCHS GmbH and Auto AG Group start series production of the H_2Genset after successful market test phase

SFC Energy, TEST-FUCHS GmbH from Austria and the Auto AG Group from Switzerland commence series production of the latest-generation emission-free mobile hydrogen generator H_2Genset after a successful market test phase. Together, all project partners have passed a milestone in research into this mobile power supply system, as the H_2Genset sets new standards in the flexible use of hydrogen for energy production.

SFC Energy receives order from ConnectCom Sarl in Luxembourg for delivery of stationary and mobile hydrogen fuel cell solutions for establishment of emergency power systems in the public safety sector

SFC Energy has developed a customised emergency power solution with Luxembourg company ConnectCom Sarl. Under an initial order, SFC Energy is supplying two versions of the stationary EFOY H_2Cabinet X series.



ConnectCom will also be using the H_2Genset, which recently went into series production, as a mobile source of power. With this initial order, SFC is broadening its European footprint in line with its ongoing global internationalisation strategy.

April 2024

SFC Energy presents innovative fuel cells at HANNOVER MESSE 2024 – Unveiling the most powerful hydrogen fuel cell solution to date, the EFOY H_2PowerPack X50 pilot series unveiled

SFC Energy again has its own stand at HANNOVER MESSE, where it unveils the EFOY H_2PowerPack pilot series, its most powerful fuel cell solution to date. The EFOY H_2PowerPack provides users with continuous electrical output of 50 kW for their applications. It is a reliable, low-maintenance, emission-free and therefore sustainable alternative to environmentally harmful and climate-damaging power generators such as diesel aggregates.

June 2024

SFC Energy receives follow-up order worth EUR 4 million from Fuel Cell Systems Ltd. for EFOY fuel cells and accessories

Fuel Cell Systems Ltd., a distributor and project developer of fuel cell solutions for decentralised energy generation in various applications in the UK and, more recently, the Netherlands, signs a new framework agreement worth a total of EUR 4 million for the delivery of EFOY methanol fuel cells and accessories. In addition, the partnership and business activities in the field of hydrogen and hydrogen fuel cells are to be expanded.

SFC Energy celebrates the official grand opening of its US subsidiary to support dynamic growth in a ceremony attended by Utah Governor Spencer J. Cox and long-standing customer LiveView Technologies, Inc. (LVT)

SFC Energy celebrates the official opening of its US subsidiary SFC Energy LLC in Orem, Utah, near the state capital Salt Lake City. The subsidiary will serve a steadily growing number of customers in the fields of industrial emergency and off-grid power supplies as well as defence and industry.

August 2024

H_2Genset supplies sustainable energy from green hydrogen at Wacken Open Air 2024

SFC Energy partners with festival sponsor GP JOULE for the second time at Wacken Open Air 2024, one of the world's largest heavy metal festivals. The H_2Genset provides clean energy for the issue the festival wristbands. The green hydrogen comes from eFarm, the largest green hydrogen mobility project in Germany initiated by GP JOULE. This renders the world-famous heavy metal festival a little greener and secure in terms of power supplies. In line with the motto "loud at work to make a change", the festival is continuously working to improve its environmental footprint.

October 2024

SFC Energy and HÖRMANN Warnsysteme present an innovative pilot project for securing emergency power supplies for siren warning systems using fuel cells

Under a joint pilot project with HÖRMANN Warnsysteme GmbH, SFC Energy demonstrates the potential use of fuel cells to secure long-term emergency power supplies for a siren warning system as an element of a critical infrastructure. The pilot project was executed as a demonstration for customers of both companies in Kirchseeon, Bavaria, at the headquarters of HÖRMANN, an international manufacturer of siren warning systems. The system is used to warn and protect the population in the event of a disaster, such as flooding.

September 2024

SFC Energy celebrates the next milestone in its international expansion with the official opening of its largest production facility to date in Cluj, Romania

SFC Energy passes another important milestone in its international expansion with the opening of its new production facility in Cluj, Romania. Fully equipped and already in operation, the building has a floor area of over 4,600 square metres, more than double that of the previous location. The new production facility offers a highly professional environment for the production of up to 30,000 fuel cells and electronic assemblies per year. A photovoltaic system ensures the availability of sustainable power for the site.

October 2024

SFC Energy joins the ranks of the world's largest renewable energy companies with its inclusion in the RENIXX World equity index – alongside with industry giants such as Tesla, Orsted and Vestas

SFC Energy joins the RENIXX World equity index for the renewable energy industry and now finds itself in good company in the form of industry giants such as Tesla Inc, Orsted A/S and Vestas Wind Systems A/S. The RENIXX World equity index comprises the 30 companies with the highest free-float market capitalisation worldwide in the areas of wind energy, solar energy, bioenergy, geothermal energy, hydropower, electromobility and fuel cells, thus reflecting the international renewable energy market. To be included in RENIXX World, companies must generate more than 50% of their revenues in the renewable energy industry.

November 2024

SFC Energy renews framework contract with Fuel Cell Systems Ltd. worth EUR 5.5 million for 2025

SFC Energy receives another framework agreement from its long-standing sales partner, key account and SFC brand ambassador Fuel Cell Systems Ltd. (FCSL). FCSL is a distributor and project developer for fuel cell solutions for decentralised energy supplies in various applications in the UK and the Netherlands. Worth around EUR 5.5 million, the new contract will contribute to both revenues and earnings in 2025. Like the previous agreements, it includes EFOY methanol fuel cells and accessories. The increased order volume reflects the demand for SFC fuel cell technology for security and surveillance applications (closed circuit television (CCTV)) and measurement systems in environmental technology.

SFC Energy acquires the Small Stationary Business assets, technology, IP and existing customer base from Ballard Power Systems Europe A/S

SFC Energy enters into an agreement with Ballard Power Systems to acquire selected assets of the latter's stationary hydrogen fuel cell business in Scandinavia. By integrating the expertise of Ballard Power Systems in the SFC product portfolio, SFC Energy can offer its customers the world's most comprehensive range of stationary fuel cells below 50 kW.

November 2024

SFC Energy is participating in a pilot project (GH_2GH) with a fuel cell energy solution as part of the Environmental Protection Export Initiative in Tema, Ghana

SFC Energy is participating in an international research project to test an off-grid solution with green hydrogen in sub-Saharan Africa. Under the GH_2GH project – Green Hydrogen for Decentralised Energy Systems in Sub-Saharan Africa – a pilot plant for the production, storage and demand-based reconversion of green hydrogen for fully off-grid energy supplies for the Don Bosco Solar & Renewable Energy Centre in Tema, Ghana, was executed in conjunction with the project partners Bochum University of Applied Sciences and Green Power Brains.

December 2024

SFC Energy secures another million-euro order: Linc Polska once again opts for fuel cells from SFC Energy

SFC Energy receives another follow-up order for EFOY Pro 2800 fuel cells from Linc Polska, one of its customers since 2021 and among the largest suppliers of civil surveillance technology in Poland. The framework agreement has a total value of around EUR 1.5 million and will be fully recognised in revenues and earnings in 2025. The new order is the third major contract with Linc Polska.

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

75,000

More than 75,000 fuel cells sold worldwide

–5,700 t CO_2

5,700 tons of CO_2 emissions saved‘ – equal to 5,200 flights from Munich to New York or 3,563 one-week trips on a Cruise Ship[2]

14 million kWh

14 million kWh environmentally friendly electricity in total[1]

24 years

More than 24-year experience in fuel cell technology

175 million OH

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

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

1 Approximate values, subject to change

2 Compared to diesel generators, which are often used for off-grid applications, SFC solutions have already saved more than 5,700 tons of CO_2 that are harmful to the climate. Calculations based on myclimate.org

SUPERVISORY BOARD REPORT

Dear Shareholders,

In the 2024 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 2024 reporting year until the Annual General Meeting on May 16, 2024, 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. Since the Annual General Meeting on May 16, 2024, the Supervisory Board has consisted of (i) Ms. Sunaina Sinha Haldea (Chairwoman), (ii) Mr. Henning Gebhardt (Deputy Chairman), (iii) Mr. Gerhard Schempp and (iv) Dr. Andreas Blaschke.

The Supervisory Board mandates of Mr. Hubertus Krossa and Mr. Gerhard Schempp expired at the end of the Company's Annual General Meeting on May 16, 2024. In accordance with the proposal of the Supervisory Board, the General Meeting on May 16, 2024 re-elected Mr. Gerhard Schempp to the Supervisory Board for a term of one year and elected Dr. Andreas Blaschke to the Supervisory Board for a term of three 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. Following the resignation of Mr. Hubertus Krossa from the Supervisory Board, Ms. Sunaina Sinha Haldea was elected Chairwoman of the Supervisory Board by the Supervisory Board on May 16, 2024. The Supervisory Board re-elected Mr. Schempp as a member of the Audit Committee and its Deputy Chairman and Dr. Andreas Blaschke 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 statutory provisions and 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 10 meetings in the 2024 reporting year, on February 15, March 21/27 (to review the financial statements), May 15, May 16, July 9, July 25, September 17, October 10, November 14 and on December 10/19. Six Supervisory Board meetings were held as video conferences or hybrid meetings, i.e., where members were electronically connected to a face-to-face meeting of the other Supervisory Board members, and four face to face. Conference calls did not take place. The Supervisory Board meetings are attended by the Supervisory Board members and, as a rule, by the Management Board members as well. The Supervisory Board also holds regular meetings without the Management Board, in particular where Management Board matters or issues internal to the Supervisory Board are discussed. When the auditor provides its reports, the Supervisory Board also discussed issues with the auditor in the absence of the Management Board.

Attendance of Supervisory Board members at Supervisory Board meetings was 95.00% 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. One Supervisory Board resolution was passed in writing by email.

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 system, Group-wide compliance, the Company's strategic goals, and organizational changes and sustainability questions, particularly with regard to the Company's reporting and the Group-wide implementation of a new ERP system. At the meetings, the Management Board also reported on the reporting segments, legal entities, 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 corporate financing- cooperation and M&A projects as well as ESG / CSRD and compliance matters.

The Individual Meetings During the Reporting Period Focused on the Following Issues:

At the meeting on February 15, 2024, the Management Board reported to the Supervisory Board on the status of two planned cooperation and M&A projects in Austria and Denmark. The Management Board reported on the withdrawal from a project in Austria, which was approved by the Supervisory Board. The Management Board also reported on the status of the implementation of SAP in the SFC Group.

At the Supervisory Board meeting held on March 21/27, 2024, 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 2023 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 outcomes of their audit and gave an opportunity for questions or queries to be raised by the members of the Supervisory Board. The Supervisory Board adopted the corporate governance statement, the Supervisory Board report, and the remuneration report for the 2023 reporting year, as well as 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 Management Board provided the Supervisory Board with information on key business issues, in particular sales and marketing, i.e. the current order and market situation of SFC Energy AG and the Group companies, quality management, research and development and human resources. In addition, the Management Board explained the status of expansion projects and the status of cooperation and ongoing M&A projects, in various countries and discussed these with the Supervisory Board. The Management Board informed the Supervisory Board about the status of the implementation of SAP and also about the status of risk management. In addition, the Supervisory Board was informed about the current status of the implementation of sustainability reporting (CSRD Directive) against the background of normative requirements and the sustainability targets (ESG targets) of SFC Energy AG in the area of CO_2 emissions and the circular economy for the period 2024 to 2027. The Supervisory Board passed a resolution on the sustainability targets. The Supervisory Board also decided on the bonus for the members of the Management Board for 2023.

At the Supervisory Board meeting held on May 15, 2024, the Management Board gave a report on trends in the business of SFC Energy AG and its Group companies in the first quarter of 2024, and discussed this with the Supervisory Board. The Supervisory Board also dealt with the 2024 Annual General Meeting taking place the following day. The Management Board reported again on the status of cooperation and M&A projects, including in Denmark. The Supervisory Board also resolved to extend the mandates of Mr. Daniel Saxena and Mr. Hans Pol as members of the Management Board by five years each and authorized the Chairman of the Supervisory Board to conclude new Management Board service agreements with Mr. Saxena and Mr. Pol
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At its meeting on May 16, 2024, the Supervisory Board elected Ms. Sunaina Sinha Haldea as Chairwoman of the Supervisory Board and Mr. Henning Gebhardt as her deputy. Dr. Andreas Blaschke and Mr. Gerhard Schempp were elected to the Audit Committee of the Supervisory Board.

At the Supervisory Board meeting on July 9, 2024, the Supervisory Board dealt in more detail with the status of a corporate financing / M&A project in Europe.

At the meeting on July 25, 2024, the Management Board presented the preliminary half-year results. In addition, the Management Board provided the Supervisory Board with information on key business issues and current issues regarding trends in the business of SFC Energy AG and the Group companies, particularly regarding sales and marketing, quality management, research and development and human resources. The Supervisory Board was informed about the imminent completion of the production facility in Cluj, Romania and the opening of a subsidiary in the USA for sales, service and refurbishment. Moreover, reports were provided about the ongoing corporate financing / M&A projects, in the various regions, including in Denmark and Germany, and the Supervisory Board addressed these. The Management Board also informed the Supervisory Board about the current status of the implementation of SAP and the status of the implementation of sustainability reporting (CSRD Directive) at SFC Energy AG. The Management Board then provided information on risk management. Lastly, the Management Board informed the Supervisory Board about further organizational developments of the sales and research and development organization.

At the Supervisory Board meeting on September 17, 2024, the Management Board informed the Supervisory Board about the status of a M&A project in Germany.

The subject of the Supervisory Board meeting on October 10, 2024 was the Group-wide compliance.

On September 24, 2024, Mr. Gebhardt and Dr. Blaschke attended the opening of SFC Energy AG's new location of SFC Energy AG in Cluj, Romania.

At the Supervisory Board meeting on November 14, 2024, the Management Board presented the preliminary results for the third quarter of 2024, gave an outlook for the financial year 2024 and discussed this with the Supervisory Board. In addition, the Management Board provided the Supervisory Board with information on key business issues and current issues regarding trends in the business of SFC Energy AG and the Group companies, particularly regarding sales and marketing, quality management, research and development and human resources. The Supervisory Board was informed about the successful opening of SFC Energy AG's production facility in Cluj, Romania. In addition, the Management Board explained the status of the ongoing and potential corporate financing / M&A projects, particularly in Denmark and Germany. The Management Board also informed the Supervisory Board about the current status of the implementation of SAP and the status of the implementation of sustainability reporting (CSRD Directive) at SFC Energy AG, in particular the steps necessary to implement the audit of the financial statements in the 2025 financial year. Finally, the Management Board informed the Supervisory Board about the current status of risk management. Representatives of the auditor, who were present as guests, then presented the procedure for and scope of the 2024 audit process to the Supervisory Board and gave the Board an outlook on the audit process for the 2025 financial year. Finally, the Management Board reported on some organizational restructuring in the Netherlands, Romania and Germany.

At the Supervisory Board meeting held on December 10/19, 2024, the Supervisory Board discussed key business issues, including finance, sales and marketing, quality management, research and development and human resources. The Supervisory Board also made a site visit of SFC Energy UK Ltd, Swindon, UK.

The forecasts for the fourth quarter of the 2024 financial year were also discussed and the Management Board provided the Supervisory Board with an overview of key developments in the respective business areas, unless this had already been done at the Supervisory Board meeting on November 14, 2025. The Supervisory Board also discussed and approved the budget planning for the upcoming 2025 financial year and the medium-term planning for the 2026 to 2029 financial years with the Executive Board. In addition, the Management Board explained to the Supervisory Board the status of potential expansion projects and the status of current or potential future cooperation or M&A projects. The Supervisory Board also dealt with Group-wide compliance and was informed by the Management Board about topics relating to ongoing digital transformation processes at the company, in particular the status of the SAP implementation in the SFC Group. The Management Board then informed the Supervisory Board about the risk management system and improvements made to it in the 2024 financial year. Finally, the Supervisory Board discussed and approved the variable remuneration component for the Management Board for 2025.

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. Until the Annual General Meeting on May 16, 2024, the members of the Audit Committee were Mr. Henning Gebhardt (Chairman), Mr. Gerhard Schempp (Deputy Chairman) and Mr. Hubertus Krossa. Since the 2024 Annual General Meeting, the members of the Audit Committee are Mr. Henning Gebhardt (Chairman), Mr. Gerhard Schempp (Deputy Chairman) and Dr. Andreas Blaschke.

The Audit Committee held three meetings in the reporting year, on March 20, July 23 and November 13. 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, and auditing the accounting and monitoring the accounting process, the effectiveness of the internal control system, the risk management system, the internal audit system, and compliance. Attendance at Audit Committee meetings in the reporting period was 100%. Individual attendance is reported at the end of this section. Two Audit Committee meetings were held as video conferences and one meeting was held in person.

The main topic in the reporting period was the discussion of the audit process for the 2024 financial year. The Audit Committee meetings were also attended by representatives of the Management Board and the auditor, however the representatives of the Management Board were not continually present in the meetings and the Audit Committee also consulted with the auditors without the representatives of the Management Board being present. The Chairman of the Committee is in regular contact with the auditor and the Chief Financial Officer between meetings.

At the meeting on March 20, 2024 , the Audit Committee discussed the focal points and results of the audit of the consolidated and separate financial statements for the 2023 financial year. The Audit Committee discussed the work and results of the audit. SFC Energy AG's risk management system and internal control system were also discussed. Finally, the representation of individual items on the previous years' balance sheets selected by the previous auditor was discussed in detail. At the meeting of the Audit Committee on July 23, 2024, various items were discussed. The CFO took the Audit Committee through the status of the implementation of sustainability reporting (CSRD Directive) at SFC Energy AG. The Chairman of the Management Board took the Audit Committee through the status of SAP implementation in the SFC Group. The representatives of the auditor gave the members of the Audit Committee an outlook on the preliminary audit for the 2024 financial year. In particular, individual milestones as well as special considerations and recommendations of the auditor for the upcoming audit process were also discussed. In addition, the past audit process for the 2023 financial year was reflected upon in order to draw the necessary conclusions for the upcoming audit.

The audit for the 2024 financial year was discussed at the meeting of the Audit Committee on November 13, 2024.

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
Sunaina Sinha Haldea	8/10	n/a	80%
Gerhard Schempp	10/10	3/3	100%
Henning Gebhardt	10/10	3/3	100%
Dr. Andreas Blaschke	7/7[1]	2/2[1]	100%
Hubertus Krossa	3/3[1]	1/1[1]	100%

1 The supervisory board member attended all supervisory board meetings that took place during his term of office

Corporate Governance

The Company is committed to complying with the recommendations set out in the GCGC. The declaration of compliance to be provided annually by the Management Board and the Supervisory Board pursuant to section 161 AktG, most recently provided on March 25, 2025, 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 195 et seq. 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 197 et seq. of the annual report.

In the 2024 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 21, 2024, that it included an appropriate number of independent members for the purposes of recommendations C.6 and C.7 of the GCGC. The Supervisory Board members are independent from the Company and its Management Board because none of them have any 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 – this affected Dr. Andreas Blaschke in the reporting period – new Supervisory Board members receive information 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.

Audit

Upon the proposal of the Supervisory Board, the General Meeting of SFC Energy AG on May 16, 2024 elected PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Munich, as auditor and group auditor for the 2024 financial year, and as auditor for a possible audit review of interim financial reports. The Supervisory Board satisfied itself in advance of the independence of PricewaterhouseCoopers 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

- Irregularities in revenue recognition
- Management Override Control (MOC)
- Recoverability of goodwill
- Accounting treatment of stock appreciation rights (SARs), stock option programmes (AOPs) and performance share programmes (PSPs)

Annual Financial Statements in Accordance with the German Commercial Code

- Recoverability of financial assets
- Accounting treatment of stock appreciation rights (SARs), stock option programmes (AOPs) and performance share programmes (PSPs)

The auditor audited SFC Energy AG's annual financial statements as at December 31, 2024, 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 March 26, 2025, and at the meeting to review the financial statements for the 2024 financial year held on March 26, 2025. 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 2024 financial year, together with the relevant management reports, at the meeting to review the financial statements; the annual financial statements for the 2024 financial year are thus adopted (section 172 sentence 1 AktG).

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

The Supervisory Board would like to thank all employees for their outstanding performance and great commitment to the Company in the 2024 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, March 27, 2025

The Supervisory Board

Sunaina Sinha Haldea
– Chairwoman of the Supervisory Board –

SFC ENERGY ON THE CAPITAL MARKET

Basic data on the share

Share information

Bloomberg symbol	F3C:GR
Reuters symbol	F3CG.DE
GSIN	756857
ISIN	DE0007568578
Number of shares outstanding (31 December 2024)	17,381,691
Share type	No-par value shares
Stock market segment	Prime standard
Sector	Renewable energies
Index membership	SDAX
Home exchange	Frankfurt, FWB
Designated sponsor	mwb fairtrade Wertpapierhandelsbank AG

Performance of the stock markets and indices

Once again, capital market participants faced challenges in 2024. As in 2023, the year was dominated by heavy volatility and persistent uncertainty. Despite a number of known negative factors such as inflation, geopolitical conflicts and recurring fears of recession, particularly in Germany, the major international indices reached new highs over the course of the year. This favourable performance was driven in particular by interest rate cuts by the central banks, primarily the European Central Bank (ECB) and the US Federal Reserve, which had been expected by investors and were announced in the second half of the year. The outcome of the US presidential election on 5 November 2024 with Donald Trump's victory was also greeted with euphoria on the capital markets together with hopes of economic policies aimed at promoting growth. The almost simultaneous break-up of the governing coalition in Germany did not place a damper on this sentiment.

Over the course of the year, shares of companies in the field of artificial intelligence (AI) and, for the most part, large caps were in strong demand. US technology bluechips were omnipresent and remained a particular favourite for investors, causing the S&P 500 to rise by 23.8% and the Nasdaq 100 by 25.6%. By contrast, the EURO STOXX 50 gained only 7.7%. In comparison, Germany's benchmark index, the DAX, climbed 18.9%, reaching an all-time high of 20,522.82 points on 13 December. This was exceeded again shortly into the new year.

However, the performance of the DAX does not reflect the broad economic situation in Germany. Price-adjusted gross domestic product (GDP) contracted by 0.2%[1] in 2024 , thus declining for the second year in a row. The German small and mid-cap sector as a whole was also unable to benefit from the upbeat sentiment on the stock markets. The general reluctance of institutional investors to invest in mid and small caps was reflected in a 5.7% decline in the closing price of the MDAX and a 1.8% drop in the SDAX in 2024.

1 https://www.destatis.de/DE/Presse/Pressemitteilungen/2025/01/PD25_019_811.html

Performance of the SFC share

Share price development

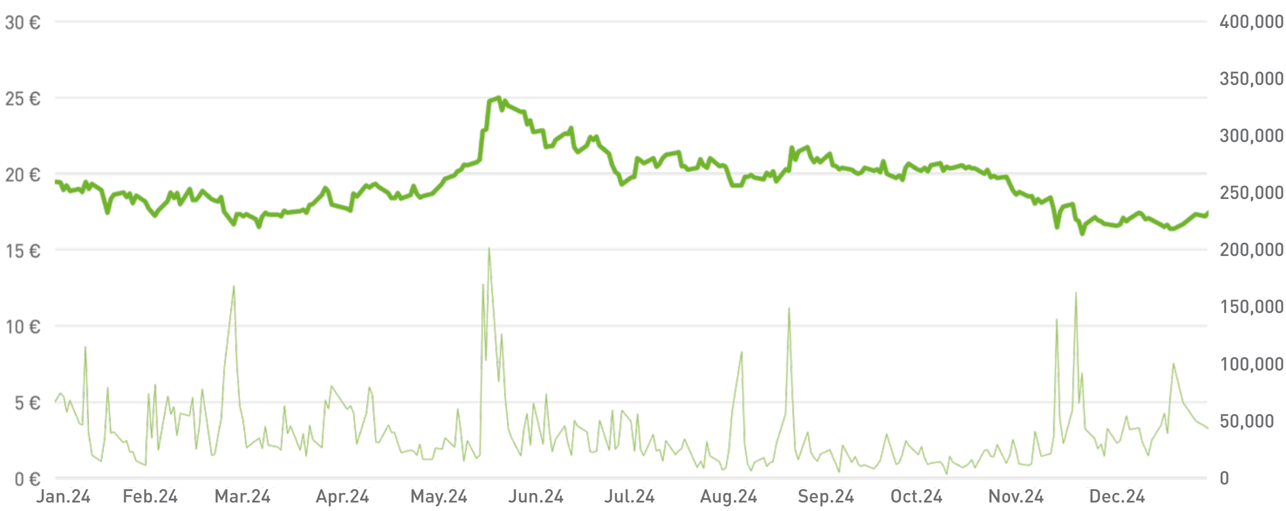
		in EUR
Opening price	January 2, 2024	19.60
High	May 20, 2024	25.05
Low	November 21, 2024	15.94
Closing price	December 30, 2024	17.20

The SFC Energy AG share entered the year at EUR 19.60 in XETRA trading on 2 January 2024. It reached a high of EUR 25.05 in the first half of the year on 20 May 2024. The low for the year of EUR 15.94 was recorded on 21 November 2024. On the final trading day in 2024, the share closed at EUR 17.20, down from the previous year's closing price of EUR 19.52. The SFC Energy AG share was thus 11.9% down in terms of its year-end price. Accordingly, SFC Energy AG's extremely favourable business performance was unable to avoid the aforementioned pronounced tendency for institutional investors to shun small and mid-cap shares.

Average daily XETRA trading volumes in the year under review stood at 37,703 shares, compared to 40,404 shares in 2023. As of 30 December 2024, SFC Energy AG had a market capitalisation of EUR 298.97 million on the basis of 17.38 million shares outstanding and a closing price of EUR 17.20 (previous year: EUR 336.16 million).

Performance of the SFC share (absolute)

PERFORMANCE OF THE SFC SHARE FROM JANUARY 2024 TO DECEMBER 2024 (IN EUR) TRADING VOLUME IN UNITS



Investor relations

In 2024, the Management Board and the Investor Relations department maintained an active, transparent and ongoing dialogue with existing and potential investors and the entire financial community via various channels and formats. At investor conferences and roadshows as well as in conference calls, the focus was on targeted exchange to heighten understanding of and confidence in the sustainable success of SFC Energy's business model. The main topics discussed with all stakeholders included operating business and the systematic implementation of the company's growth strategy based on hydrogen and fuel cell technology.

Roadshows were organised in partnership with various banks in the United Kingdom, Switzerland and France. In addition, investors had an opportunity of meeting SFC Energy at the Duxebridge Family Equity Summit (Switzerland), the Metzler Small Cap Days (Germany), the Acatis Value Conference (Germany), the ODDO BHF Nextcap Forum (France), the Hamburg Investor Days (Germany), the Berenberg & Goldman Sachs Corporate Conference (Germany) and the Deutsche Eigenkapitalforum (Germany). The SFC Management Board was also present at the Warburg Renewables Conference (Germany) and the Metzler Small Cap Days (Germany).

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

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

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

Analyst research

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

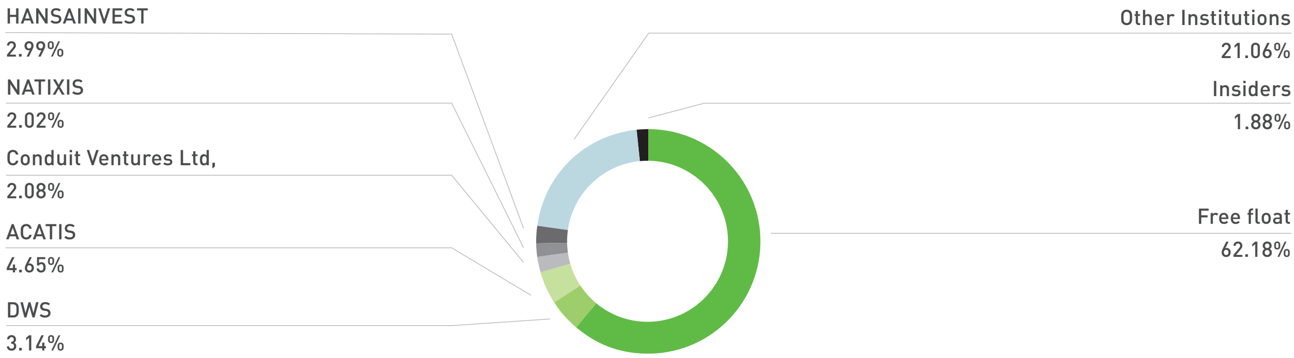
RESEARCH ASSESSMENTS in EUR

Issued by	Date	Recommendation	Target price
Berenberg	March 12, 2025	Buy	25.00
FIRST BERLIN – EQUITY RESEARCH	March 3, 2025	Buy	31.00
Metzler	February 25, 2025	Buy	30.00
ABN AMRO/ODDO BHF	February 25, 2025	Outperform	26.00
MM Warburg	February 25, 2025	Buy	27.00

Shareholder structure

As of 31 December 2024, 35.94% of SFC shares were held by institutional investors. The Management Board and the Supervisory Board together held 1.88% of the shares. The proportion of SFC Energy AG shares classified as free float stood at 62.18% at the end of December 2024. Detailed information on the shareholder structure can be found at sfc.com in the Investors/Share section.

SHAREHOLDER STRUCTURE in %



Share capital

SFC Energy AG's share capital increased from EUR 17,363,691.00, divided into 17,363,691 no-par value shares, to EUR 17,381,691.00, divided into 17,381,691 no-par value shares, following the exercise of share options by selected senior managers under long-term variable share price-based remuneration programmes ("LTI programmes").

02

GROUP MANAGEMENT REPORT

GROUP MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2024

Principles of the Group

Organisation of the SFC Group and reporting principles

SFC Energy AG (“**SFC AG**”, “Company”) has its registered offices in Brunnthal (Germany) and is entered in the commercial register of the Local Court of Munich under the number HRB 144296. SFC AG, together with its subsidiaries (“**SFC**” or “**Group**”), is an internationally active group of companies operating in the fuel cell sector. In addition to the parent company SFC AG, the Group includes the following consolidated subsidiaries:

SUBSIDIARIES INCLUDED IN THE SCOPE OF CONSOLIDATION in %

	Seat	Share in capital			Currency
		Directly	Indirectly	Total	
SFC Energy B,V, („**SFC NL**“)	Almelo Netherlands	100%	–	100%	EUR
SFC Energy Power SRL („**SFC RO CP**”)	Cluj-Napoca Romania	-	100%	100%	RON
SFC Energy Ltd, („**SFC CA**“)	Calgary Canada	100%	-	100%	CAD
SFC Energy India Pvt, Ltd,. („**SFC IN**“)	Gurgaon India	92%	-	92%	INR
SFC Clean Energy SRL („**SFC RO CE**”)	Cluj-Napoca Romania	100%	-	100%	RON
SFC Energy UK Ltd. („**SFC UK**“)	Swindon UK	100%	-	100%	GBP
SFC Energy LLC („**SFC USA**“)	Wilmington USA	100%	-	100%	USD
SFC Energy Denmark ApS („**SFC DK**“)	Aarhus Denmark	100%	-	100%	DKK

The Management Board of SFC is responsible for managing the Company. The Supervisory Board appoints, monitors and advises the Management Board and is directly involved in decisions that are of fundamental importance to SFC.

The legal basis for managing and supervising the Company is the German Stock Corporation Act and other capital market legislation as well as the German Corporate Governance Code in the version dated 28 April 2023 (published in the Bundesanzeiger on 27 June 2022).

As of 31 December 2024 (“reporting date”), the Group had 470 employees.

Segments, markets, products and services

As of 31 December 2023, SFC had the following reportable segments, on the basis of which the Management Board manages the Group: Clean Energy and Clean Power Management.

The segmentation of the Group's activities is primarily aligned to its internal organisational and reporting structure by business area. Since 1 January 2021, it has been based on the technology platforms and the product and service portfolio offered by the Group. The **Clean Energy segment** comprises the portfolio of products, systems and solutions for stationary and mobile off-grid energy supplies based on hydrogen and direct methanol fuel cells. The fuel cell solutions are used in the industrial, private and government (public security) sectors for various markets, such as telecommunications equipment, security and surveillance technology, remote sensing technology, defence technology, as well as the caravanning and marine markets. **The Clean Power Management segment** pools all of the Group's business in high-tech, standardised and semi-standardised power management solutions, such as voltage converters and coils, which are used in equipment for the high-tech industry. The segment also includes business in frequency converters for the upstream oil and gas industry as well as other industries, some of which are integrated and some sold.

SFC's core business is the development, production and sale of modern energy supply systems as well as modules and components for off-grid and grid-connected appliances based on fuel cell technology. The Group engages in the necessary investments and all other related transactions. The product portfolio also includes accessories and spare parts, particularly fuel cartridges, solutions for combining fuel cell products with other power sources, storage and consumers as well as mechanical, electronic and electrical instruments for monitoring and controlling production and logistics processes. SFC is one of the first companies in the world to have commercial series products in the field of direct methanol fuel cells ("**DMFC**") for a number of markets. SFC also has commercial series products in the field of hydrogen fuel cells ("**PEMFC**").

Goals and strategies

The Company continued to pursue its strategic focus on expanding its position in the market for environmentally friendly stationary and mobile off-grid energy solutions in the year under review. The aim is to gain market leadership as a provider of low-emission or free 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 with fuel cell generators. The fuel cells aim to offer low-emission and emission-free alternatives to diesel engines, which have so far been used as emergency power generators or to cover peak loads, and to supplement existing off-grid energy supply systems.

This strategy is to be implemented both through organic growth and non-organically, such as the acquisition of assets from the stationary hydrogen fuel cell business of Ballard Power Systems Europe A/S in the year under review as well as joint ventures, investments and partnership agreements.

SFC believes that its strategy has been vindicated by its favourable business performance in the year under review.

Management process system

The main financial performance indicators used by the Management Board to manage operating business are sales growth, adjusted EBITDA (adjusted earnings before interest, taxes, depreciation and amortisation) and adjusted EBIT (adjusted earnings before interest and taxes) for the Company.

In addition to detailed financial reporting and controlling, the risk management system also utilises numerous non-financial performance indicators such as quality parameters. However, these are not used for direct management purposes.

Research and development

With its research and development activities, the Company continues to pursue the goal of securing and strengthening its competitive and technological position against the backdrop of the upcoming reorganisation of regional and national energy systems, including with regard to efficiency and emission reduction in numerous countries. SFC therefore continues to invest considerable resources in research and development ("**R&D**"). In the 2024 financial year ("**year under review**"), a total of EUR 11,027 thousand (previous year: EUR 8,632 thousand) and thus 27.7% more than in the previous year was spent in this area.[1]

With an average of 76 employees (previous year: 77), around 17.3% (previous year: 19.8%) of the Group's staff were involved in the development and enhancement of Group technologies and their implementation in its products in 2024. The majority of these employees worked in the Clean Energy segment.

In order to safeguard the Group's technological position and competitiveness and to reinforce market entry barriers, an active strategy is being pursued with regard to patents and other intellectual property ("IP") rights, including the active management of the existing IP portfolio and the development of new IP assets.

TOTAL EXPENDITURE ON RESEARCH AND DEVELOPMENT — EUR thousands

	2024	2023
Research and development expenses through profit and loss	7,269	5,296
Capitalised development expenses	3,160	2,892
Grants received	668	443
Non-recurring effects (extraordinary expenses for LTI programme)	-70	1
Total expenditure on research and development	**11,027**	**8,632**

In the 2024 financial year ("year under review"), research and development expenses adjusted for the non-recurring effect of LTI programmes listed below (i.e. plus the extraordinary expenses included in this item and less extraordinary income) and including the development expenses capitalised in the year under review and grants received ("total R&D expenses) increased significantly over the 2023 financial year ("previous year" or "prior-year period") to EUR 11,027 thousand (previous year: EUR 8,632 thousand). The increase is mainly due to higher personnel expenses as well as the higher cost of materials used in research and development and increased depreciation and amortisation. Capitalised development expenses also increased significantly.

Research and development activities in the year under review were mainly used to improve competitiveness and primarily related to intangible assets and capitalised development expenses of EUR 3,160 thousand (previous year: EUR 2,892 thousand) for the further development and digital networking of Group products and the development of new generations of fuel cell systems. This corresponds to a capitalisation ratio (capitalised development expenses relative to total R&D expenses) of 29% (previous year: 34%).

1 Research and development costs reported in the income statement, adjusted for extraordinary expenses and including development expenses capitalised in the year under review and grants received

Scheduled amortisation of capitalised development costs amounted to EUR 1,696 thousand in the year under review (previous year: EUR 1,897 thousand).

In the year under review, impairment losses on capitalised development expenses amounting to EUR 146 thousand (previous year: EUR 614 thousand) were recognised within SFC AG's research and development costs. These reflected the full impairment of development costs for a project for the development of a high-performance DMFC fuel cell system.

The Group's research and development activities were funded to a minor extent by government grants, e.g. via the "National Organisation Hydrogen and Fuel Cell Technology" in the year under review and, looking forward, this is expected to remain the case.[2]

SFC pursues an active patent strategy aimed at building up technological barriers to third-party market entry and safeguarding its own competitiveness and marketing opportunities. SFC currently holds a portfolio of 4 (previous year: 3) patent families.

In the year under review, research and development activities in the **Clean Energy segment** mainly focused on the next-generation fuel cell modules as well as the digitalisation and connectivity of products. Development activities in the year under review mainly comprised the following projects:

- The further development of direct methanol fuel cells ("DMFC")
- The development and enhancement of proton-exchange membrane fuel cell systems ("PEMFC")
- The development and establishment of emergency power systems based on PEMFC fuel cells
- The development of a new PEMFC fuel cell system with integrated control and voltage conversion
- The development of a PEMFC fuel cell system for power ranges above 50 kW
- The continuous development and implementation of service-optimised functions in the cloud-based remote monitoring system for the newly launched fuel cell generations
- The further development of an intelligent fuel management system to broaden the autonomy of the new-generation products
- The 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
- Systematic improvements and further developments to increase the performance and reduce the costs of existing EFOY generations

Development activities in the **Clean Power Management segment** concentrated on aspects such as increasing power density, power efficiency and the watt/euro ratio for the power management solutions on offer. The focus in the year under review was on:

- The development of a module and system solution based on the existing energy platform to combine several 4 kW power supplies and to create an 8 kW to 20 kW system, for example
- Technology development to increase the output of existing platforms from 4kW to 5kW
- Preparations for future changes to EMC standards
- The integration of a new energy platform in laser systems

2 Section outside the audit of the Group management report (non-management report disclosures)

As in previous years, the Company continues to budget significant R&D spending to expand its strong position in technology and marketing. The Company's R&D activities were subsidised by the public sector to a minor extent in 2024 and, looking forward, this is expected to remain the case[3].

Economic Report

Macroeconomic and sector conditions

Lower inflationary pressure coupled with geopolitical and economic uncertainties

2024 was again characterised by global efforts to contain inflation. The International Monetary Fund (IMF) considers this battle to have been largely won, even if price pressure still persists in some countries or varies greatly. This is reflected in the IMF's diverging estimates for inflation expectations up to the end of 2024 for industrialised countries and developing and emerging economies. In the case of the former, this is 2.6% (2023: 4.6%). The forecast for developing and emerging economies is 7.8% (2023: 8.1%). Global inflation is expected to subside to 5.7% (2023: 6.7%). The IMF estimates that the downward trend will continue in 2025, yielding rates of 2.1% for industrialised countries and 5.6% for developing and emerging economies. Overall, average global inflation of 4.2% is projected.[4]

In the markets relevant to SFC Energy, the annual inflation rates were 2.4% in the Eurozone (2023: 2.9%) , 2.9%[5] in the United States (2023: 4.1%) [6], 2.4% in Canada (2023: 3.9%) [7] and 5.5% in India (2023: 5.7%)[8] based on data available to date for 2024.

The IMF identifies the restrictive monetary policy in the form of interest rate hikes by central banks in the past as a key factor in the process to address inflation. Despite the end of interest rate hikes by the European Central Bank (ECB) in July 2023 and the US Federal Reserve (Fed) in September 2023 and the interest rate cuts in June 2024 and September 2024, respectively, high borrowing costs continued to weigh on the manufacturing sector for large parts of the year. The service sector was again the main driver of global economic growth. At the same time, rising prices in the services sector increasingly exerted pressure as they repeatedly gave rise to fears that the central banks could return to more restrictive monetary policies.[9]

Despite the global decline in inflation, growing downside risks dominate the (economic) outlook. These are a (further) escalation of regional conflicts, restrictive monetary policies over a protracted period of time, volatile financial markets, a more pronounced slowdown in growth in China and a further tightening of protectionist policies, particularly by the Trump administration in the United States.[10]

Against this backdrop, the IMF's January 2025 projection for global GDP growth in 2024 stood at 3.2%, down from 3.3% in 2023. Slightly faster GDP growth of 3.3% is forecast for 2025. Developing and emerging economies are expected to be the drivers of this expansion with projected GDP growth of 4.2% for 2025 (2024: 4.2%). The forecast for industrialised countries stands at 1.9% (2024: 1.7%).[11]

3 Section outside the audit of the Group management report (non-management report disclosures)
4 IMF: World Economic Outlook – Global Growth: Divergent and Uncertain, January 2025 https://www.imf.org/en/Publications/WEO/Issues/2025/01/17/world-economic-outlook-update-january-2025
5 Eurostat: EURO INDICATORS – Annual inflation up to 2.4% in the euro area https://ec.europa.eu/eurostat/web/products-euro-indicators/w/2-17012025-ap
6 US INFLATION CALCULATOR: Current US Inflations Rates 2000- 2025 https://www.usinflationcalculator.com/inflation/current-inflation-rates/
7 Statistics Canada: Consumer Price Index – Annual review, 2024 https://www150.statcan.gc.ca/n1/daily-quotidien/250121/dq250121b-eng.htm
8 GOVERNMENT OF INDIA: CONSUMER PRICE INDEX NUMBERS ON BASE 2012=100 FOR RURAL, URBAN AND COMBINED FOR THE MONTH OF DECEMBER 2024 https://mospi.gov.in/sites/default/files/press_release/CPI_PR_13Jan25.pdf
9 IMF: World Economic Outlook – Policy Pivot, Rising Threats, October 2024
10 IMF: World Economic Outlook – Policy Pivot, Rising Threats, October 2024 https://www.imf.org/en/Publications/WEO/Issues/2024/10/22/world-economic-outlook-october-2024
11 IMF: World Economic Outlook – Global Growth: Divergent and Uncertain, January 2025 https://www.imf.org/en/Publications/WEO/Issues/2025/01/17/world-economic-outlook-update-january-2025

The Eurozone economy has bottomed out

The IMF is still expecting GDP growth to accelerate to 0.8% in 2024 (2023: 0.4%) following revisions made to estimates during the year. It is thus assumed that the bottom was reached in 2023. The reason for the slight recovery is seen in an improvement in exports of goods. Looking ahead to 2025, the IMF expects growth to accelerate to 1.2%, underpinned by stronger domestic demand. Rising real wages should boost consumer spending, while a gradual easing of monetary policy looks set to support capital spending. That said, the persistent weakness of the manufacturing sector is placing a damper on growth in countries such as Germany and Italy.[12 13 14]

United States: The driving force among industrialised countries

Unlike for the Eurozone, the IMF revised its forecasts for GDP growth in the United States upwards several times over the course of the year. In January 2025, it projected growth of 2.8% for 2024 (2023: 2.9%). The United States is thus offsetting the downward adjustments for other advanced economies – particularly the Eurozone countries – and is the economic powerhouse among the industrialised countries. The background to this is the protracted solid labour market and, associated with this, strong consumer spending, including non-residential construction spending. Estimates for 2025 have already been raised to 2.7% (previously: 2.2%), meaning that the divergence between the industrialised countries will continue.[15 16]

Slightly slower growth in Canada

The Canadian economy sagged slightly over the course of 2024. Following GDP growth of 0.5% in the first and second quarters, the third quarter saw an increase of 0.3%. The contributions to GDP growth from higher household and government spending were weakened by a slower accumulation of non-agricultural inventories, lower business spending and reduced exports.[17 18 19]

For 2024, the IMF is forecasting lower growth of 1.3%, down from 1.5% in 2023. Growth is currently expected to accelerate to 2.0% in 2025.[20]

India: global driving force at a more leisurely pace

India continued to grow at an above-average rate in a difficult global environment in 2024. However, the growth rate will be slightly lower than in 2022 (7.2%)[21] and 2023 (8.2%), which were characterised by efforts aimed at overcoming the COVID-19 pandemic and responding to the pent-up excess demand. In 2024, higher prices, particularly for food, took their toll on purchasing power, especially in urban areas, while slower expansion in the manufacturing sector had a negative impact. Nevertheless, the IMF is projecting economic growth of 6.5% for 2024. Growth of 6.5% is also expected for 2025.[22 23]

12 Eurostat: Euro indicators dashboard – Euro area (EA) https://ec.europa.eu/eurostat/cache/dashboard/euro-indicators/
13 IMF: World Economic Outlook – Policy Pivot, Rising Threats, October 2024 https://www.imf.org/en/Publications/WEO/Issues/2024/10/22/world-economic-outlook-october-2024
14 IMF: World Economic Outlook – Global Growth: Divergent and Uncertain, January 2025 https://www.imf.org/en/Publications/WEO/Issues/2025/01/17/world-economic-outlook-update-january-2025
15 IMF: World Economic Outlook – Policy Pivot, Rising Threats, October 2024 https://www.imf.org/en/Publications/WEO/Issues/2024/10/22/world-economic-outlook-october-2024
16 IMF: World Economic Outlook – Global Growth: Divergent and Uncertain, January 2025 https://www.imf.org/en/Publications/WEO/Issues/2025/01/17/world-economic-outlook-update-january-2025
17 Statistics Canada: Gross domestic product, income and expenditure, third quarter 2024 https://www150.statcan.gc.ca/n1/daily-quotidien/241129/dq241129a-eng.htm?HPA=1&indid=3278-1&indgeo=0
18 Statistics Canada: Gross domestic product by industry, October 2024 https://www150.statcan.gc.ca/n1/daily-quotidien/241223/dq241223a-eng.htm
19 Bank of Canada: Monetary Policy Report – October 2024 https://www.bankofcanada.ca/publications/mpr/mpr-2024-10-23/
20 IMF: World Economic Outlook – Global Growth: Divergent and Uncertain, January 2025 https://www.imf.org/en/Publications/WEO/Issues/2025/01/17/world-economic-outlook-update-january-2025
21 IMF: World Economic Outlook – Near-Term Resilience, Persistent Challenges July 2023 https://www.imf.org/en/Publications/WEO/Issues/2023/07/10/world-economic-outlook-update-july-2023
22 IMF World Economic Outlook – Policy Pivot, Rising Threats, October 2024 https://www.imf.org/en/Publications/WEO/Issues/2024/10/22/world-economic-outlook-october-2024
23 IMF: World Economic Outlook – Global Growth: Divergent and Uncertain, January 2025 https://www.imf.org/en/Publications/WEO/Issues/2025/01/17/world-economic-outlook-update-january-2025

The Indian economy and government have made a clear commitment to sustainable development, which is reflected, among other things, in a strong focus on the expansion of renewable energies and is attracting investment from all over the world. The Indian government's extensive infrastructure investments are also enhancing the appeal of what is now the fifth largest and fastest growing economy in the world.[24] [25]

Economic and geopolitical tensions: heavy uncertainty persisting

The economic outlook remains characterised by extraordinary uncertainty. While there is no end in sight to the war between Ukraine and Russia, there are signs of a slight stabilisation in the Middle East. The election of Donald Trump as US president and, associated with this, the uncertainty surrounding the future course of US foreign policy – particularly the expansion of protectionist policies – are causing additional uncertainty. Consequently, existing tensions and trade conflicts between the EU and the United States as well as China could intensify, while new ones may emerge.

Even before the presidential elections, the US government had adopted various measures to specifically slow down China's efforts to catch up in the high-tech sector. The Chinese government responded by restricting exports of critical raw materials to the United States.

Towards the end of November 2024, election winner Donald Trump announced that he would impose tariffs on imports from the three most important trading partners – Mexico, China and Canada.[26] These were implemented at the beginning of February. However, Canada and Mexico were granted a delay as they responded to the US government's demands in connection with the imposition of tariffs by stepping up border protection. The US government thereupon expressed its willingness to negotiate. No such agreement existed with China at the time this report was prepared. China responded with counter-tariffs on US imports and filed a complaint with the World Trade Organisation (WTO). The future effects and the further course of the trade dispute are not yet foreseeable. However, this does not mean that the challenges facing China are diminishing.[27] This is because attempts to boost the domestic economy sustainably have so far fallen short of expectations, partly because exports have failed to materialise. The crisis in the real estate sector is also continuing. The government could therefore still be tempted to distract from its internal challenges through foreign policy, e.g. by attacking Taiwan.

Aggravated economic and geopolitical crises could trigger new price shocks on the markets, e.g. for energy, raw materials or food, and have a negative impact on inflation and economic growth worldwide.

Great potential for the new stationary fuel cell energy solutions

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

24 The Economic Times: India's economic triumph: A chronicle ot the fastest-growing major economy https://economictimes.indiatimes.com/news/economy/indicators/indias-economic-triumph-a-chronicle-of-the-fastest-growing-major-economy/articleshow/106083873.cms?from=mdr
25 The Economic Times: Govt committed to increase India's renewable energy production to 500 GW by 2023: Pralhad Joshi https://economictimes.indiatimes.com/industry/renewables/govt-committed-to-increase-indias-renewable-energy-production-to-500-gw-by-2023-pralhad-joshi/articleshow/117430647.cms?from=mdr
26 USA: Wichtigste Handelspartner der USA nach dem Gesamtvolumen des Außenhandels (Exporte und Importe) im Jahr 2024 https://de.statista.com/statistik/daten/studie/1384206/umfrage/wichtigste-handelspartner-der-usa-nach-gesamtvolumen-des-aussenhandels/
27 US-Zölle gegen China haben begrenzte Wirkung https://www.gtai.de/de/trade/china/specials/us-zoelle-gegen-china-haben-begrenzte-wirkung-1865260

The sales and expenses arising in connection with SFC's hydrogen (PEMFC) and direct methanol (DMFC) fuel cell business are allocated to the Clean Energy segment. The segment addresses customers in the private, industrial and public sectors in various end customer markets.

In the wake of climate change and the path to greenhouse gas neutrality, energy supplies and economic structures in many national economies are undergoing fundamental change. Large parts of government institutions, the research community, business and society regard renewable energies in general and hydrogen in particular as a pillar of the strategy for restructuring the energy sector. Comprehensive initiatives to establish global carbon pricing and to drive forward the development and expansion of a hydrogen infrastructure highlight these efforts. Despite the more difficult macroeconomic conditions, a growing number of hydrogen projects are in the global pipeline. According to the Hydrogen Council 2024 September Update, the number of announced hydrogen projects stands at 1,572. This is an increase of 154 over the December 2023 publication. The associated investment budget is valued at around USD 680 billion (2023: USD 570 billion) and should result in the production of 48 million tonnes of hydrogen by 2030.[28]

In September 2024, the Draghi Report repeatedly emphasised the importance of hydrogen and the associated development of the necessary infrastructure to strategically strengthen the EU's competitiveness and to decarbonise industry.[29] Against this backdrop, the European Commission is funding 21 studies on the development of a hydrogen infrastructure in the EU with more than EUR 250 million as part of a total funding framework of EUR 1.2 billion for cross-border energy infrastructure projects. The grants are earmarked for projects in 16 countries and are intended to help minimise investment risks in this emerging market.[30]

The establishment of such infrastructures involves a large volume of emissions from conventional and established methods and procedures in the construction industry. However, research is being conducted that specifically addresses the transformation of the construction industry towards "clean building", which is defined by the C40 network as "decarbonised, resource-efficient, resilient and socially just built environment and building systems". In its report, the network concludes that the investment involved in moving away from a carbon-intensive construction industry is outweighed by the benefits. Accordingly, "clean building" reduces carbon emissions, contributes to improving air quality, increases climate resilience, creates new jobs and reduces noise pollution, etc.[31] A Norwegian consortium, consisting of a grid company, a project developer and a construction company, has been working on the "emission-free construction site" since 2019 and has confirmed its feasibility with corresponding development spending, e.g. for emission-free construction machinery.[32] The existing obstacles in this context due to the electrical energy required – grid capacities are not (yet) designed to accommodate additional supplies for construction sites[33] – can be overcome by using PEMFC and DMFC fuel cells for stationary and mobile off-grid power.

Apart from their importance for the decarbonisation of economies, fuel cells and hydrogen are increasingly relevant for improving the reliability of energy supplies. The global energy crisis triggered by the armed conflict in Ukraine has made it clear that politicians must align the need for reliable energy supplies with climate targets, especially as economic and geopolitical risks continued to rise in 2024. Many countries are therefore increasingly striving for energy autonomy and the diversification of their own energy supplies. Hydrogen and

28 Hydrogen Council: Hydrogen Insights 2024 – September 2024 https://hydrogencouncil.com/wp-content/uploads/2024/09/Hydrogen-Insights-2024.pdf
29 The future of European competitiveness: Part A I A competitiveness strategy for Europe https://commission.europa.eu/document/download/97e481fd-2dc3-412d-be4c-f152a8232961_en?filename=The%20future%20of%20European%20competitiveness%20_%20A%20competitiveness%20strategy%20for%20Europe.pdf
30 Europäische Kommission: EU invests over €1.2 billion in cross-border infrastructure contributing to build our Energy Union and to boost competitiveness https://ec.europa.eu/commission/presscorner/detail/en/ip_25_377
31 C40 Cities: Building Greener Cities: Green Job Opportunities in Clean Construction - Global Policy Report January 2025 https://www.c40.org/wp-content/uploads/2025/01/Building-greener-cities-green-job-opportunities-in-clean-construction_-Global-Report_-FINAL_28-Jan-2025.pdf
32 Baner vei for utslippsfrie byggeplasser https://www.enova.no/bedrift/bygg-og-eiendom/tema/baner-vei-for-utslippsfrie-byggeplasser/
33 Baner vei for utslippsfrie byggeplasser https://www.enova.no/bedrift/bygg-og-eiendom/tema/baner-vei-for-utslippsfrie-byggeplasser/

fuel cells can contribute to this by reducing dependence on fossil fuels. This can be done by replacing fossil fuels in end-use applications and by converting fossil fuel-based hydrogen production to renewable hydrogen.

A study by an internationally renowned consulting firm assumes that the market potential relevant for the Company's solutions will widen from 4.3 gigawatts (GW) of installable capacity in 2021 to 8.1 GW in 2026. This translates into market growth of 12% p.a. The relevant market comprises nine types of applications in the <100 kW power range, including telecommunication towers, construction site power supplies, upstream and midstream monitoring of oil and gas wells and pipelines, environmental monitoring of wind farms and CCTV monitoring.

Market researchers estimate that the global market for fuel cells was worth USD 8.8 billion in 2024, with over 60% accounted for by PEMFC solutions. The market is expected to grow at an average annual rate of over 27% between now and 2030.[34] Among other things, stationary applications offer great potential. Diesel generators, which have been frequently used up to now, can be replaced by environmentally friendly fuel cells. In 2024, the market for diesel generators for decentralised energy production was worth around USD 17.9 billion.[35]

Business climate and expectations at a low level

The main sell-side industries for **power management solutions** are in the high-tech sector, such as manufacturers of analytical systems and semiconductor equipment. Frequency converters are mainly in demand in the upstream oil and gas industry.

In its latest publication – the January 2025 ZVEI Economic Barometer – the German Electrical and Electronic Manufacturers' Association (ZVEI) reports an 8.5% year-on-year decline in orders in the period from January to November 2024. Down 11.0%, domestic demand fell much more sharply than foreign orders, which contracted by 6.4%. Order intake from the Eurozone dropped by 7.9% and thus more sharply than orders from third countries, which were down 5.6%. Overall, domestic sales totalled EUR 97.7 billion (down 7.2%). Foreign sales came to EUR 109.9 billion (down 5.6%) for the period from January to November 2024. Cumulative domestic and foreign sales reached EUR 204.6 billion, which corresponds to a decline of 6.3%.[36]

After a temporary recovery, the business climate for companies in the sector deteriorated again towards the end of the year. This is consistent with the sentiment of all companies in Germany, as measured by the ifo business confidence index. Assessments of the business situation and expectations of companies in the electrical and digital industries also paint the same picture, with both figures stuck in negative territory.[37] [38]

Only 9% of those surveyed expect business to improve over the next six months. 28% of companies fear a further deterioration. According to industry association ZVEI, the majority – 63% – expect activities to remain the same in the first half of 2025.[39]

Overall, business confidence in the European and German economy appears to be stabilising at a low level and is close to bottoming out. However, very little economic impetus is expected for 2025.[40]

34 Grand View Research: Fuel Cell Market Size, Share & Trends Analysis Report By Product (PEMFC, MCFC, PAFC, SOFC, AFC, MFC), By Components, By Fuel, By Size, By Application, By End-use, By Region, And Segment Forecasts, 2024 – 2030 https://www.grandviewresearch.com/industry-analysis/fuel-cell-market
35 MarketsandMarkets: Diesel Generator Market by Application (Standby Power, Peak Shaving, Prime & Continuous Power), Design (Stationary, Portable), Power Rating (Up to 50 KW, 51-280 KW, 281-500 KW, 501-2,000 KW, Above 2,000 KW),End-User & Region - Global Forecast to 2029 https://www.marketsandmarkets.com/Market-Reports/diesel-generators-market-163671714.html
36 ZVEI: ZVEI-Konjunkturbarometer Dezember 2024 https://www.zvei.org/presse-medien/publikationen/zvei-konjunkturbarometer-januar-2025
37 ZVEI: ZVEI-Konjunkturbarometer Dezember 2024 https://www.zvei.org/presse-medien/publikationen/zvei-konjunkturbarometer-januar-2025
38 ifo Institut: ifo Geschäftsklimaindex gestiegen (Januar 2025) https://www.ifo.de/fakten/2025-01-27/ifo-geschaeftsklimaindex-gestiegen-januar-2025
39 ZVEI: ZVEI-Konjunkturbarometer Dezember 2024 https://www.zvei.org/presse-medien/publikationen/zvei-konjunkturbarometer-januar-2025
40 IKB Deutsche Industriebank: Stimmung in der deutschen Wirtschaft: Nicht auf Wunder hoffen https://www.ikb-blog.de/stimmung-in-der-deutschen-wirtschaft-nicht-auf-wunder-hoffen/

Business performance and economic situation

Earnings position

In the year under review, the Group generated sales of EUR 144,754 thousand (previous year: EUR 118,148 thousand) and thus recorded extremely strong growth of EUR 26,606 thousand or 22.5% compared to the previous year. The growth in sales is attributable both to the very strong increase in Clean Energy segment sales, which rose by 27.3% year on year, and to strong sales growth of 12.9% in the Clean Power Management segment.

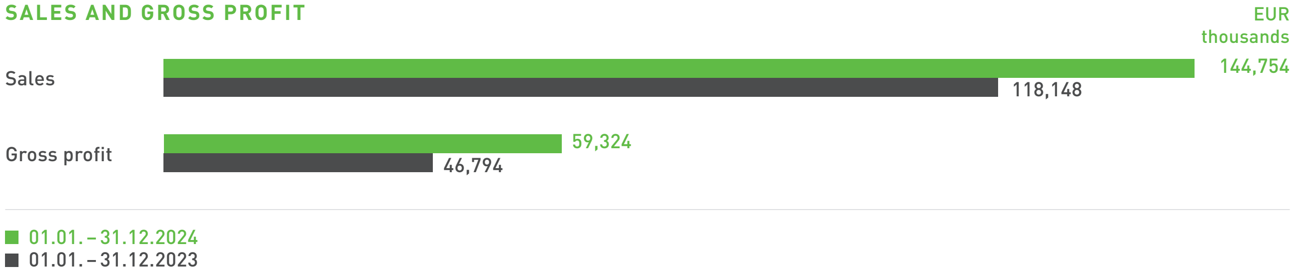
The Clean Energy segment, whose share of Group sales widened significantly in the year under review to 69.5% (previous year: 66.9%), contributed the highest sales. The Clean Power Management segment's share of Group sales contracted significantly to 30.5% (previous year: 33.1%).

In the year under review, the overall growth in sales in particular, as well as the wider gross profit margins in both segments, led to a significant increase in **gross profit** of EUR 12,530 thousand or 26.8% to EUR 59,324 thousand (previous year: EUR 46,794 thousand). The resulting gross profit margin for the Group (gross profit as a percentage of sales) widened slightly to 41.0% (previous year: 39.6%) and was therefore higher than in the previous year.

It should be noted that gross profit from sales revenue in the year under review was influenced by special effects. This includes income of EUR 548 thousand (previous year: EUR 0 thousand) from the negative difference arising from the purchase price allocation for the acquisition of the assets. In addition, it includes expense of EUR 1,533 thousand (previous year: EUR 0 thousand) for provisions for a warranty for a specific component.

Reconciliation of adjusted EBITDA and adjusted EBIT

SALES AND GROSS PROFIT



Adjusted EBITDA and adjusted EBIT are reported to account for any distortions in the presentation of financial performance indicators caused by non-recurring effects that may either increase or decrease operating earnings in the year under review and to ensure the comparability of these performance indicators from period to period. The non-recurring effects listed below, which are included in the relevant functional costs, are eliminated in the year under review as part of the reconciliation with adjusted EBITDA and adjusted EBIT.

In the year under review, these non-recurring effects include (net) expenses from the increase or reversal of provisions and the share premium for obligations under the long-term variable share-based payment programmes ("**LTI programmes**"), expenses associated with transaction endeavours (e.g. acquisitions) and income from a negative difference arising from the purchase price allocation for the acquisition of assets.

The LTI programmes comprise stock appreciation rights ("**SARs**") and stock options ("**SOPs**") as well as performance shares ("**PSs**") for the Management Board and for managers of Group companies. The net expenses or income (i.e. expenses less any income generated) for this totalled EUR -1,442 thousand (previous year: EUR -47 thousand) ("**extraordinary expenses**") in the year under review.

Expenses associated with transaction endeavours, such as potential acquisitions, amounting to EUR 925 thousand (previous year: EUR 491 thousand) are included in non-recurring effects ("**extraordinary expenses**"). Furthermore, the negative difference arising from the purchase price allocation for the acquisition of the Small Stationary Business assets from Ballard Power Systems Europe A/S in the amount of EUR 548 thousand (previous year: EUR 0 thousand) is included in non-recurring effects ("**extraordinary income**").

On balance, non-recurring effects are included in EBIT and EBITDA as net expenses in the amount of EUR 1,818 thousand for the year under review (previous year: 539 thousand).

The net expenses for the LTI programmes for Management Board members Dr. Peter Podesser, Daniel Saxena and Hans Pol are included in both selling expenses and general administrative expenses. The net expenses for the LTI programmes for employees (managers) are included in selling expenses and in research and development expenses. The expenses associated with transaction endeavours are included in general administrative expenses. The income from the negative difference arising from purchase price allocation is recognised in the cost of sales.

The aforementioned non-recurring effects break down as follows:

NON-RECURRING EFFECTS — EUR thousands

	2024	2023
Net expenses from the recognition of provisions and share premium for LTI programmes	-1,442	-47
Expenses in connection with transaction endeavours	-925	-491
Income from negative difference arising from purchase price allocation	548	0
Total net expense/income	**-1,818**	**-539**
of which income included in the cost of sales	548	0
of which net expense/income included in selling expenses	-615	324
of which net expense/income included in research and development expenses	-70	1
of which net expense/income included in general administrative expenses	-1,682	-863

These non-recurring effects are eliminated in the year under review through the reconciliation with adjusted EBIT and adjusted EBITDA. The reconciliation with adjusted EBITDA and adjusted EBIT (= adjusted operating earnings) and the allocation of the non-recurring effects to the items of the consolidated income statement break down as follows:

RECONCILIATION EBIT / EBITDA WITH EBIT ADJUSTED / EBITDA ADJUSTED EUR thousands

	2024	2023
Operating earnings according to the income statement (EBIT)	**13,737**	**9,157**
Cost of goods sold		
- negative difference arising from purchase price allocation	-548	0
Selling expenses		
+/- Net expense/income for LTI programmes (personnel expenses)	615	-324
Research and development expenses		
+/- Net expense/income for LTI programmes (personnel expenses)	70	-1
General administrative expenses		
+/- Net expense/income for LTI programmes (personnel expenses)	757	372
+ Expenses for transaction endeavours	925	491
Adjusted EBIT	**15,556**	**9,696**

EBITDA	**20,190**	**14,619**
Cost of goods sold		
- negative difference arising from purchase price allocation	-548	0
Selling expenses		
+/- Net expense/income for LTI programmes (personnel expenses)	615	-324
Research and development expenses		
+/- Net expense/income for LTI programmes (personnel expenses)	70	-1
General administrative expenses		
+/- Net expense/income for LTI programmes (personnel expenses)	757	372
+ Expenses for transaction endeavours	925	491
Adjusted EBITDA	**22,008**	**15,158**

On 22 February 2024, Group sales of EUR 141,700 thousand to EUR 153,500 thousand), adjusted EBITDA of EUR 17,500 thousand to EUR 22,400 thousand and adjusted EBIT of EUR 9,800 thousand to EUR 14,700 thousand had originally been forecast for the year under review.

In view of the positive impact of the protracted solid market demand on SFC's financial performance and expected business growth in the fourth quarter of the year under review, the Management Board revised the forecast range for the year under review on 19 November 2024, now projecting consolidated sales of around EUR 142,000 thousand to EUR 145,000 thousand and adjusted EBITDA of around EUR 20,000 thousand to EUR 21,500 thousand. The Management Board raised the upper end of the target corridor for adjusted EBIT moderately but reduced the corridor to around EUR 13,800 thousand to EUR 15,100 thousand.

The Group sales of EUR 144,754 thousand achieved in the year under review are well above the previous year and marginally below the Management Board's expectations regarding the upper end of the forecast. One of the main reasons for this was the above-mentioned very strong sales growth in the Clean Energy segment resulting from the continued high demand for fuel cell solutions from both existing and new customers.

The adjusted EBITDA of EUR 22,008 thousand and the adjusted EBIT of EUR 15,556 thousand were slightly above the target corridor defined by the Management Board. The significant increase in gross profit, which resulted from the wider Group gross profit margin in line with the target in conjunction with sales growth, contributed to this performance. Furthermore, the disproportionately low increase in adjusted selling expenses compared to sales and the increase in net other operating income (other operating income less other operating expenses) had a positive effect on adjusted EBITDA and adjusted EBIT. However, this was offset by a significant increase in adjusted general administrative expenses.

Overall, the Management Board is satisfied with the Company's business performance.

Sales by segment

Sales by segment for the year under review compared to the previous year break down as follows:

SALES BY SEGMENT — EUR thousands

Segment	2024	2023	Change	Change in %
Clean Energy	100,606	79,032	21,574	27.3%
Clean Power Management	44,148	39,116	5,032	12.9%
Total	**144,754**	**118,148**	**26,606**	**22.5%**

The **Clean Energy segment** continued to benefit from the strong demand for the Group's fuel cell solutions in the year under review with a very sharp increase in sales of 27.3% to EUR 100,606 thousand (previous year: EUR 79,032 thousand). This performance was particularly underpinned by energy solutions for industrial applications, which address the core target markets of "civil security technology/video surveillance" and "data transmission and digitalisation", among others, and accounted for the largest share of segment sales. Demand from the core target markets for public security also increased significantly in the year under review, while sales of applications in the core target markets for private applications fell sharply and now contributed the smallest share of segment sales. The Management Board believes that one of the main reasons for this continues to be consumer restraint and heightened price sensitivity among private households, particularly in Germany.

Sales in the **Clean Power Management** segment recorded strong growth in the year under review of 12.9% , rising to EUR 44,148 thousand (previous year: EUR 39,116 thousand) . With business in power management solutions expanding noticeably, frequency converter business in the upstream oil and gas industry experienced moderate growth over the year-ago period.

BREAKDOWN OF SALES BY SEGMENT
1 Jan. – 31 Dec. 2024

in %

A breakdown of sales by segment in the year under review shows that the Clean Energy segment's share of Group sales widened noticeably. Accounting for 69.5% (previous year: 66.9%) , Clean Energy remained the segment with the highest sales, while Clean Power Management's share of sales contracted significantly to 30.5% (previous year: 33.1%).

Clean Energy

The Clean Energy segment's core business entails the development, production, delivery, integration and marketing of products, systems and solutions based on technologically advanced hydrogen and direct methanol fuel cells for power production. The segment has an extensive range of products that are sold on a stand-alone basis or as solutions for customers in the industrial, public and private sectors in various markets.

In recent years, the segment has largely proven to be comparatively resilient to crises, enjoying sustained strong demand and continued sales growth. Overall, growing interest in fuel cell technology and a broad discussion regarding alternatives to stationary power generation, including for back-up applications in data centres and telecommunications facilities as well as commercial buildings (hospitals, offices, etc.), has also boosted the commercial appeal of fuel cells.

Despite the recent increase in criticism of the economic costs of climate-neutral policies, concern over global carbon dioxide (CO_2) emissions has continued to grow in many countries and regions. In this context, fuel cells are a viable alternative to diesel generators and offer a way of increasing the number of systems for green power generation.

While the Management Board believes that DMFCs can compete with conventional technologies in numerous applications and high growth rates are forecast for the global market for DMFCs [41], the slow development of the hydrogen economy and the lack of fuel flexibility currently pose obstacles to the broad acceptance of PEMFCs. In particular, the hydrogen industry is struggling with rising investment costs, slower than expected progress in key technologies such as the storage of renewable energies and electrolysis and an uncertain legal framework.[42] The Management Board assumes that demand for PEMFCs will grow as the hydrogen economy grows.

In the year under review, the segment generated sales of EUR 100,606 thousand (previous year: EUR 79,032 thousand), thus posting a very sharp increase of EUR 21,574 thousand or 27.3% over the previous year.

As mentioned above, the segment's sales growth was driven by continued strong demand for fuel cell solutions for industrial applications, which account for around two thirds of segment sales, and by greater demand from the government sector (public security). In the year under review, SFC secured significant initial and follow-up orders, causing segment sales in the core industrial target markets to climb significantly by around 36% to over EUR 65,000 thousand (previous year: over EUR 45,000 thousand). As already mentioned, sales to customers for private applications dropped significantly in the year under review.

Clean Power Management

The core business of the Clean Power Management segment entails the development, production and marketing of the Group's wide range of high-tech power management solutions, which are used to generate and control regulated voltages in electronic systems. The target customers for these solutions are manufacturers of high-tech industrial machinery for various sectors. The segment particularly addresses companies with a long-term positioning, especially in high-growth areas.

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

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

Power management solutions are a key component of power conversion systems. Among other things, they are used to improve power density, reduce electromagnetic interference, preserve power and signal integrity, ensure safety in variable voltage ranges and extend battery life. Demand for these components is traditionally exposed to changes in the general macroeconomic environment but is being spurred by the emergence of new applications as well as a number of trends. This includes rising demand for automation technologies and the emergence of Industry 4.0. In addition, the priority being given to energy efficiency and the demand for renewable energies is fuelling the market's growth potential.[43]

Compared to the previous year, the Clean Power Management segment recorded extremely strong sales growth of 12.9% to EUR 44,148 thousand (previous year: EUR 39,116 thousand). While business in power management solutions expanded significantly , frequency converter business for the upstream oil and gas industry saw moderate year-on-year growth. The growth in Power Management sales was driven by recurring sales to customers in the analytical industry and good price enforcement on the one hand, and pleasing sales growth in the semiconductor equipment market and the successful launch of the Standard Power platform on the other.

41 Spherical Insights, Ohio USA August 2024 "„Global Direct Methanol Fuel Cells Market", Report Ocean Illinois USA July 2024 "Direct Methanol Fuel Cells (DMFC) Market Gaining Momentum with Positive External Factors"
42 Mc Kinsey & Company 2024; „What is hydrogen energy ?"
43 Fortune Business Insights (Januar 2025): Power Electronics Market Size, Share & Industry Analysis, Source: https://www.fortunebusinessinsights.com/power-electronics-market-102595

One specific reason for the slower growth in the oil and gas industry was the run-off of high inventories by a major customer. However, oilfield service providers reported their best performance in the past 34 years in the period from 2023 to 2024. In addition, some companies are increasingly investing in low-carbon technology projects to offset the risks associated with the traditional oil and gas market.[44]

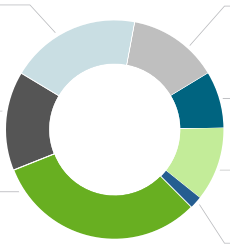
Sales by region

Sales by region for the year under review compared to the previous year break down as follows:

SALES BY REGION — EUR thousands

	2024	2023	Change	Change in %
Canada	39,331	37,200	2,132	5.7%
USA	14,866	17,256	-2,390	-13.9%
Europe (excluding Germany & Netherlands)	27,802	22,867	4,935	21.6%
Netherlands	23,622	15,846	7,776	49.1%
Germany	14,125	9,907	4,218	42.6%
Asia	24,072	12,970	11,102	85.6%
Other regions	936	2,102	1,166	-55.5%
Total	**144,754**	**118,148**	**26,607**	**22.5%**

BREAKDOWN OF SALES BY REGION
1 JAN. – 31 DEC. 2024 — in %



The regional distribution of sales was as follows in the year under review: At 45.3% (previous year: 41.2%), Europe replaced North America as the region with the highest sales. Within Europe, the Netherlands' share of Group sales widened noticeably to 16.3% (previous year: 13.4%), while Germany's share of sales increased moderately to 9.8% (previous year: 8.4%).

The share of Group sales attributable to North America amounted to 37.4% (previous year: 46.1%), shrinking noticeably in favour of the other regions, although absolute sales remained stable. Within North America, Canada's share of Group sales fell noticeably short of the previous year, coming to 27.2% (previous year: 31.5%). The share of Group sales attributable to the United States also shrank noticeably to 10.3% (previous year: 14.6%).

44 Deloitte (December 2024): 2025 Oil and Gas Industry Outlook https://www2.deloitte.com/us/en/insights/industry/oil-and-gas/oil-and-gas-industry-outlook.html

In addition to less favourable average exchange rates for the US dollar and the Canadian dollar against the euro, the previous year's very strong sales growth in the region must also be taken into account in connection with this development.

At 16.6% (previous year: 11.0%), Asia reported a sharp increase in its share of Group sales and also recorded the highest relative sales growth.

Gross profit

Compared to the previous year, gross profit increased significantly by 26.8% to EUR 59,324 thousand (previous year: EUR 46,794 thousand), thus rising by EUR 12,530 thousand. The Group's gross profit margin (gross profit as a percentage of sales) widened slightly in the year under review to 41.0% (previous year: 39.6%). This increase was mainly due to the above-mentioned extremely strong sales growth combined with margin expansion in both segments together with a favourable product mix and increased production capacity utilisation in both segments.

As explained above, gross profit includes income of EUR 548 thousand (previous year: EUR 0 thousand) from the negative difference arising from the purchase price allocation for the acquisition of the assets. In addition, it includes expense of EUR 1,533 thousand (previous year: EUR 0 thousand) for provisions for a warranty for a specific component. This income and expense arose in the Clean Energy segment.

At 46.6% (previous year: 46.0%), the gross margin in the Clean Energy segment was moderately higher than in the previous year, partly due to the negative impact of the aforementioned warranty provisions. At EUR 46,866 thousand (previous year: EUR 36,334 thousand), the segment's gross profit was higher than in the previous year, mainly due to the very sharp increase in segment sales.

The gross profit of the Clean Power Management segment increased sharply to EUR 12,458 thousand (previous year: EUR 10,460 thousand). At 28.2% (previous year: 26.7%), the gross margin was slightly wider than in the previous year. This positive performance is largely due to the noticeably improved gross profit margin in power management solutions business, partly as a result of improved pricing and partly due to the dilution of production overheads in connection with sales growth.

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

GROSS PROFIT

EUR thousands

Segment	2024	2023	Change	Change in %
Clean Energy	46,866	36,334	10,532	29.0%
Clean Power Management	12,458	10,460	1,998	19.1%
Total	**59,324**	**46,794**	**12,530**	**26.8%**

Selling expenses

Selling expenses increased significantly in the year under review compared to the previous year by 10.6% to EUR 16,674 thousand (previous year: EUR 15,082 thousand). The extraordinary expenses included in selling expenses totalled EUR 615 thousand (previous year: extraordinary income of EUR 324 thousand). Adjusted for this effect, selling expenses in the year under review increased by 4.2% to EUR 16,059 thousand (previous year: EUR 15,406 thousand). This noticeable increase particularly arose from a significant increase in other selling expenses as well as higher depreciation and amortisation and higher consulting and commission expenses. It was offset by slightly lower personnel costs in this area.

Although the Group's adjusted selling expenses increased significantly in the year under review, the proportion of costs in sales shrank noticeably to 11.1% (previous year: 13.0%) due to the higher sales.

The selling expenses of the Clean Energy segment adjusted for the aforementioned extraordinary expenses increased by 5.6% to EUR 13,883 thousand (previous year: EUR 13,144 thousand) and were therefore significantly higher than in the previous year. A large proportion of the above-mentioned increases in expenses are attributable to this segment.

At EUR 2,176 thousand (previous year: EUR 2,262 thousand), selling expenses in the Clean Power Management segment, which do not include any extraordinary items, were substantially lower than in the previous year but account for a significantly smaller proportion of the Group's selling expenses.

Research and development expenses

Research and development expenses recognised in the income statement rose sharply in the year under review by 37.2% to EUR 7,269 thousand (previous year: EUR 5,296 thousand).

In the year under review, extraordinary expenses of EUR 70 thousand (previous year: extraordinary income of EUR 1 thousand) are included in research and development expenses, as stated above. Adjusted for these extraordinary expenses and income and including the development expenses capitalised in the year under review as well as grants received totalling EUR 3,828 thousand (previous year: EUR 3,334 thousand), the Group's total expenditure on research and development came to EUR 11,027 thousand in the year under review (previous year: EUR 8,632 thousand) and, at 27.7%, was significantly above the previous year.

The main reasons for this increase are significantly higher personnel expenses and the increased cost of materials used in research and development, partly due to the intensified development of the membrane electrode assembly (MEA) in the year under review, as well as higher depreciation and amortisation. Impairment losses on capitalised development expenses amounting to EUR 146 thousand (previous year: EUR 614 thousand) were included in this depreciation and amortisation expense in the year under review. These reflected the full impairment of development costs for a project for the development of a high-performance DMFC fuel cell system.

The Group's overall development ratio (total R&D expenditure as a percentage of sales) widened slightly to 7.6% (previous year: 7.3%) due to the broader development activities.

General administrative expenses

General administrative expenses totalled EUR 20,860 thousand in the year under review (previous year: EUR 15,491 thousand) and, at 34.7%, were significantly higher than in the previous year. After adjustments for the aforementioned extraordinary expenses of EUR 1,682 thousand (previous year: EUR 863 thousand), general administrative expenses also climbed significantly over the previous year by 31.1% to EUR 19,178 thousand (previous year: EUR 14,628 thousand). This increase is mainly due to significantly higher personnel expenses, including recruitment costs in connection with a higher average headcount in both segments, as well as significantly higher audit, legal and consulting expenses, travel expenses, depreciation and amortisation and IT costs. The increase in costs was mainly due to sales growth, international expansion and the Company's dynamic development.

Other operating income

Other operating income in the year under review totalled EUR 2,074 thousand (previous year: EUR 1,174 thousand), 76.7% higher and thus very significantly above the previous year. This was mainly due to the income from exchange rate differences recognised in this item, which amounted to EUR 1,914 thousand in the year under review (previous year: EUR 1,074 thousand), i.e. EUR 840 thousand up on the previous year.

Other operating expenses

Other operating expenses fell in the year under review by 39.0% to EUR 1,679 thousand (previous year: EUR 2,751 thousand). This item mainly comprises expenses from exchange rate differences, which totalled EUR 1,423 thousand in the year under review (previous year: EUR 1,626 thousand), i.e. EUR 203 thousand or 12.5% below the previous year. Expenses for provisions, which are also included in this item, were significantly lower in the year under review than in the previous year.

Impairment losses on financial assets

An individual impairment allowance for a trade receivable from a customer was recognized under impairment expenses in the amount of EUR 1,367 thousand (previous year: EUR 696 thousand) in the year under review.

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

The Group's earnings before interest, taxes, depreciation and amortisation (EBITDA) increased particularly sharply in the year under review to EUR 20,190 thousand (previous year: EUR 14,619 thousand), resulting in an EBITDA margin (EBITDA relative to sales) of 13.9% (previous year: 12.4%). In addition to the significant increase in sales, the considerably higher EBITDA is due in particular to the slightly wider gross margin in conjunction with the moderately lower increase in operating costs compared to sales. Net other operating income/other operating expenses, which totalled EUR 395 thousand in the year under review (previous year: EUR -1,577 thousand), also made a significant contribution.

As the key financial performance indicator for managing operating business, EBITDA adjusted for non-recurring effects (adjusted EBITDA) reached EUR 22,008 thousand in the year under review (previous year: EUR 15,158 thousand), increasing very sharply by EUR 6,850 thousand over the previous year. The adjusted EBITDA margin exceeded the previous year by 2.4 percentage points, improving significantly to 15.2% (previous year: 12.8%).

EBITDA in the Clean Energy segment adjusted for non-recurring effects improved significantly in the year under review by EUR 5,331 thousand to EUR 17,093 thousand (previous year: EUR 11,762 thousand), while the segment's adjusted EBITDA margin widened to 17.0% (previous year: 14.9%). This was mainly due to the slightly lower operating costs relative to segment sales and the lower charges from other operating result.

EBITDA in the Clean Power Management segment, which does not include any non-recurring effects, improved significantly by EUR 1,519 thousand to EUR 4,914 thousand (previous year: EUR 3,396 thousand). The segment's EBITDA margin of 11.1% (previous year: 8.7%) expanded noticeably. This positive development was mainly due to the sharp rise in sales and the wider gross profit margin in conjunction with the slower increase in selling expenses and general administrative expenses relative to sales.

Earnings before interest and taxes (EBIT)

The Group's earnings before interest and taxes (EBIT) improved considerably in the year under review, rising to EUR 13,737 thousand (previous year: EUR 9,157 thousand). Reflecting this, the EBIT margin (EBIT relative to sales) widened to 9.5% (previous year: 7.8%).

EBIT adjusted for non-recurring effects (adjusted EBIT) amounted to EUR 15,556 thousand (previous year: EUR 9,696 thousand) and increased by more than half (EUR 5,859 thousand) over the previous year despite a sharp increase in depreciation and amortisation expense. This yielded a significant year-on-year increase in the adjusted EBIT margin to 10.7% (previous year: 8.2%). This increase was mainly due to the effects described in the above paragraph on EBITDA.

Adjusted EBIT in the Clean Energy segment rose substantially in the year under review to EUR 12,288 thousand (previous year: EUR 7,634 thousand). EBIT in the Clean Power Management segment, which does not include any non-recurring effects, also recorded a disproportionately strong increase relative to sales, rising to EUR 3,267 thousand (previous year: EUR 2,063 thousand).

Interest and similar income

Interest and similar income increased sharply by EUR 105 thousand or 10.7% to EUR 1,091 thousand (previous year: EUR 986 thousand) as a result of the higher average investments compared to the previous year.

Interest and similar expenses

Interest and similar expenses of EUR 880 thousand (previous year: EUR 799 thousand) include interest expenses of EUR 570 thousand (previous year: EUR 521 thousand) from the application of IFRS 16.

INTEREST AND SIMILAR EXPENSES — EUR thousands

	2024	2023	Change	Change in %
Lease liabilities (IFRS 16)	570	521	49	9.3%
Banks	310	278	32	11.4%
Total	**880**	**799**	**81**	**10.1%**

Income taxes

IIn the year under review, tax expense of EUR 4,594 thousand arose (previous year: tax income of EUR 17,416 thousand). The tax income in the previous year resulted from the recognition of deferred tax assets for tax reduction claims from the expected utilisation of unused tax losses existing in the previous year.

Consolidated net result

Driven by the good operating performance, the year under review closed with a consolidated net result of EUR 9,355 thousand (previous year: EUR 21,062 thousand). The significantly higher consolidated net result recorded in the previous year resulted from the recognition of deferred taxes of EUR 11,719 thousand.

Earnings per share

Basic and diluted earnings per share in accordance with IFRS totalled EUR 0.54 (previous year: EUR 1.21) and EUR 0.54 (previous year: EUR 1.18), respectively, in the year under review, thus falling short of the previous year due to the tax income mentioned above.

Order intake and backlog

Order intake increased sharply to EUR 167,762 thousand in the year under review (previous year: EUR 124,799 thousand). The Group order backlog increased substantially as of 31 December 2024 to EUR 104,583 thousand (previous year: EUR 81,300 thousand). Of this, SFC AG accounted for EUR 34,529 thousand (previous year: EUR 37,111 thousand), SFC NL (including SFC RO CPM) for EUR 59,129 thousand (previous year: EUR 27,267 thousand) SFC CA EUR for 8,248 thousand (previous year: EUR 16,922 thousand), SFC IN for EUR 1,956 thousand (previous year: EUR 0 thousand) and SFC DK for EUR 721 thousand (previous year: EUR 0 thousand).

Asset and financial position

Principles and objectives of financial management

The purpose of financial management is to safeguard SFC's financial strength in the long term. At its core, this involves covering the financial requirements of operating business as well as the financial requirements for investments to a sufficient extent. SFC's financial management comprises capital structure management, liquidity management and an appropriate response to market price risks (currency, interest rates) and credit risks.

Capital structure management organises the capital structure of the Group and its subsidiaries. The Group companies' capital requirements are determined on the basis of requirements for cost- and risk-optimised financial and capital resources.

As part of liquidity management, cash flows from operating business and from financial transactions are recognised in a rolling budget. SFC covers the resulting liquidity requirements by using suitable liquidity management instruments, such as internal Group financing in the form of loans or credit financing with local banks. SFC pursues a prudent funding policy that is geared towards ensuring ample surplus liquidity and a balanced financing portfolio with diversified maturities.

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

The management of credit risks involves monitoring the risk exposure arising from the Group's liabilities to financial institutions and customers. The credit risk towards financial institutions arises from the investment of liquid funds as an element of liquidity management.

The management of these credit risks is essentially based on an analysis of the creditworthiness of the financial institution or the corresponding deposit protection systems. The customer credit risk from goods and services results from the relationship with dealers as well as corporate and private customers. Key elements for managing credit risks are proper credit assessment, which is supported by risk classification procedures, as well as structured portfolio analysis and monitoring.

Capital structure

As of 31 December 2024, equity amounted to EUR 139,218 thousand (31 December 2023: EUR 128,133 thousand) and increased significantly by EUR 11,084 thousand or 8.7%, particularly as a result of the positive net result for the year.

In addition, the Management Board issued a total of 18,000 shares from Contingent Capital 2020 in the year under review (see also the explanatory report of the Management Board on the takeover-related disclosures on page 90 ff).

The net financial position (freely available cash and cash equivalents less liabilities to banks) increased marginally by EUR 302 thousand or 0.5% to EUR 56,359 thousand in the year under review (31 December 2023: EUR 56,056 thousand).

SFC's strategic alignment and, in particular, the strategy that it has adopted require further capital spending, which must be financed in the interests of future business success. This involves engaging in product development, opening up further market segments and new regions, expanding existing market segments and developing new technologies. Surplus liquidity is invested in low-risk financial instruments (e.g. overnight and fixed-term deposits) at various banks until it is needed.

SFC's Articles of Association do not define any capital requirements.

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

Cash and cash equivalents

The freely available cash and cash equivalents were valued at EUR 60,494 thousand as of 31 December 2024 (31 December 2023: EUR 59,847 thousand).

Overall, liabilities to banks increased significantly by EUR 345 thousand to EUR 4,136 thousand in the year under review (31 December 2023: EUR 3,791 thousand) due to the higher utilisation by SFC NL and SFC RO CP of the working capital facilities described below as of the reporting date compared to 31 December 2023.

SFC AG

SFC AG has a guarantee facility of EUR 500 thousand with a fixed guarantee commission and an indefinite term to finance operations. No guarantees had been utilised as of the reporting date (31 December 2023: EUR 0 thousand).

SFC CA

As part of the funding for the Canadian subsidiary SFC Energy Ltd, Calgary, a working capital loan agreement was entered into with a bank for up to CAD 4,000 thousand without any fixed term and subject to a variable interest rate (Canadian Prime Lending Rate plus fixed margin).

A financial covenant (current assets/current liabilities) has been agreed with the financing bank. Furthermore, the assessment basis for drawing down loans is linked to the value of trade receivables and net inventories.

SFC AG has issued a letter of subordination to SFC CA's bank for an existing shareholder loan. The shareholder loan is long-term and subject to interest of 9.0% p.a. It was valued at EUR 1,527 thousand including accrued interest as of the reporting date (31 December 2023: EUR 1,428 thousand).

SFC NL

As part of the funding for SFC Energy B.V. Almelo, Netherlands, a working capital loan agreement with an indefinite term for an amount of up to EUR 3,000 thousand was entered into at a variable interest rate (1-month EURIBOR plus fixed margin). In addition, a working capital loan for up to EUR 500 thousand without any fixed term ("until further notice") was also taken out at a variable interest rate (1-month EURIBOR plus a variable premium and a fixed margin).

No financial covenants (loan collateralisation clauses) were agreed with the financing bank.

As part of the funding for the indirectly held Romanian subsidiary SFC Energy Power S.R.L, a working capital loan agreement was entered into with a bank for up to EUR 1,500 thousand. The loan is subject to interest at a variable rate (1-month EURIBOR plus fixed margin) and has a term of 12 months plus an annual renewal option. The financial covenants provided for in the contract (debt and solvency ratio) were complied with in the year under review.

Ongoing investment in product development and potential joint ventures, equity investments and acquisitions remain an important part of SFC's growth and internationalisation strategy in order to strengthen and expand its market positions in a targeted manner or to supplement existing business or penetrate new business areas. The implementation of this strategy may result in financial obligations or additional financing requirements.

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

GROUP EQUITY RATIO OF THE GROUP EUR thousands

	31 Dec. 2024	31 Dec. 2023
Equity	**139,218**	**128,133**
Percentage of total capital	71.7%	72.6%
External capital	**54,912**	**48,266**
Percentage of total capital	28.3%	27.4%
Non-current liabilities	15,788	14,688
Non-current liabilities	39,124	33,578
Consolidated total	**194,129**	**176,399**

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

Liquidity

In 2024, a net cash inflow of EUR 282 thousand (previous year: net cash outflow of EUR -4,585 thousand) was recorded.

As a result, freely available cash and cash equivalents decreased moderately to EUR 60,494 thousand as of the reporting date (31 December 2023: EUR 59,847 thousand). In addition, cash and cash equivalents of EUR 286 thousand (31 December 2023: EUR 286 thousand) were subject to restrictions in favour of a lessor.

SFC currently invests its cash and cash equivalents solely in short-term investments. As a result, it is generally exposed to interest rate risks.

There were no outstanding currency or commodity futures transactions as of the reporting date.

As of the reporting date, current liabilities to banks were valued at EUR 4,136 thousand (31 December 2023: EUR 3,791 thousand). There were no non-current liabilities to banks.

As of the reporting date, the following credit facilities have been utilised:

UTILISATION OF CREDIT FACILITIES AS OF 31 DECEMBER 2024 EUR thousands

	Credit facility	Utilisation
SFC CA; working capital facility	CAD 4,000 thousand	CAD 0 thousand
SFC RO CP; working capital facility	EUR 2,500 thousand	EUR 1,355 thousand
SFC NL; working capital facility I	EUR 3,000 thousand	EUR 2,350 thousand
SFC NL; working capital facility II	EUR 500 thousand	EUR 431 thousand

Utilisation of the working capital facility by SFC CA and by SFC NL is linked to the value of trade receivables and inventories.

In February 2023, SFC entered into a strategic partnership agreement with Indian company FC TecNrgy Pvt. Ltd. to set up a new production facility for fuel cells and for further market development in India. In this connection, SFC AG undertook to make a financial investment of EUR 1,000 thousand in FC TecNrgy Pvt. Ltd in 2023. This is an investment commitment on the part of SFC IN. Due to regulatory requirements in India, this investment was delayed and had not materialised as of the end of the year under review. This investment is to be financed from SFC's cash and cash equivalents in 2025.

Cash flow and investments

CASH FLOW EUR thousands

	1 Jan - 31 Dec. 2024	1 Jan. - 31 Dec. 2023
Operating cash flow before changes in working capital	23,039	15,786
Cash flow from		
operating activities	14,460	3,576
investing activities	-11,082	-5,482
financing activities	-3,096	-2,679

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) improved significantly in the year under review, totalling EUR 23.039 thousand (previous year: EUR 15,786 thousand).

After allowing for the change in net working capital, which increased by EUR 6,559 thousand in the year under review (previous year: EUR 10,978 thousand), and income tax payments, a positive cash flow from operating activities of EUR 14,460 thousand was generated (previous year: EUR 3,576 thousand). This substantial increase was mainly due to the considerable increase in the cash flow from operating activities in conjunction with a moderately lower increase in net working capital compared to the previous year.

With regard to the significant changes in net working capital, trade receivables increased in the year under review for liquidity-related and reporting-date factors, partly due to the significant increase in sales, rising by EUR 8,422 thousand (previous year: EUR 10,760 thousand), while inventories climbed by EUR 3,220 thousand (previous year: EUR 1,307 thousand). Other receivables and assets, mainly receivables from tax prepayments, rose by only EUR 137 thousand (previous year: EUR 3,381 thousand).

Trade payables climbed by EUR 2,751 thousand as of the reporting date (previous year: EUR 3,977 thousand) and were reflected in liquidity.

Together with the other items of net working capital, this resulted in a significantly lower increase in net working capital in the year under review compared to the previous year and a correspondingly lower cash outflow of EUR 6,559 thousand (previous year: EUR 10,978 thousand).

Cash flow from investing activities and investments

Cash outflows from investing activities totalled EUR 11,082 thousand in the year under review (previous year: EUR 5,482 thousand). This higher cash outflow is mainly due to the particularly sharp increase in investments in technical equipment and machinery, including in connection with the expansion of the production sites in Swindon (UK) and Cluj (Romania), which totalled EUR 5,915 thousand in the year under review (previous year: EUR 2,243 thousand).

Overall, gross investments[45] in property, plant and equipment and intangible assets totalled EUR 9,162 thousand in the year under review (previous year: EUR 6,377 thousand). Gross investments in property, plant and equipment amounted to EUR 5,907 thousand in the year under review (previous year: EUR 2,173 thousand), while gross investments in intangible assets were valued at EUR 3,255 thousand (previous year: EUR 4,204 thousand), of which EUR 3,160 thousand (previous year: EUR 2,892 thousand) was attributable to capitalisable development expenses.

The strategic focus on regional and technological expansion will remain the guiding principle underlying the Group's further development and investments in growth in the coming years. This also includes a strong commitment to development and the digitalisation of business processes and may also entail targeted company acquisitions.

Investments have been and will continue to be made from the Company's own funds or within the scope of existing loan agreements.

GROSS INVESTMENTS BY SEGMENT EUR thousands

	2024	2023	Change
Clean Energy	7,942	4,982	59.4%
Clean Power Management	1,220	1,395	-12.6%
Total	**9,162**	**6,377**	**43.7%**

Cash flow from financing activities

The cash outflow from financing activities totalled EUR 3,096 thousand in the year under review (previous year: EUR 2,679 thousand).

The change in cash flow from financing activities is mainly due to higher repayments of lease liabilities, which increased by EUR 382 thousand to EUR 2,275 thousand in the year under review (previous year: EUR 1,893 thousand), also in connection with the new SFC UK and SFC RO CE locations.

45 Value of additions less disposals, effects from the application of IFRS 16 and the acquisition of assets under asset deals

Asset position

The consolidated total assets of EUR 194,129 thousand as of 31 December 2024 increased again by EUR 17,730 thousand or 10.1% compared to the end of the previous year (31 December 2023: EUR 176,399 thousand).

The proportion of current assets in total assets widened marginally in the year under review to 69.8% or EUR 135,792 thousand (31 December 2023: 68.7% or EUR 121,259 thousand).

In this connection, inventories climbed significantly by EUR 5,550 thousand to EUR 30,593 thousand in the year under review (31 December 2023: EUR 25,043 thousand), primarily due to the ramp-up of membrane electrode assembly (MEA) production at the SFC UK site. Overall, however, the Group continued to reduce or optimise inventories of individual intermediate goods in relative terms at all Group companies in the year under review.

Reflecting the increase in business volumes, trade receivables also rose, primarily for growth-related reasons. As of the reporting date, they totalled EUR 35,843 thousand (previous year: EUR 28,645 thousand) and were thus up a significant 25.1% or EUR 7,198 thousand on the previous year. While trade receivables at SFC CA fell sharply as of the reporting date, they increased at the other Group companies.

Other assets and receivables, mainly tax receivables and prepayments, increased by EUR 2,018 thousand to EUR 7,442 thousand in the year under review (previous year: EUR 5,424 thousand). The main reasons for this are, in particular, tax claims by SFC DK arising from the acquisition of assets and by SFC AG in connection with the business expansion.

The ratio of non-current assets to total assets narrowed marginally in the year under review to 30.2% or EUR 58,653 thousand (31 December 2023: 31.3% or EUR 55,141 thousand).

Intangible assets increased significantly as of the reporting date by EUR 891 thousand to EUR 20,711 thousand (previous year: EUR 19,820 thousand). The main reason for this was the higher capitalised development expenses, which rose significantly by EUR 1,171 thousand to EUR 11,146 thousand in the year under review (previous year: EUR 9,975 thousand).

Property, plant and equipment increased significantly from EUR 5,636 thousand to EUR 22,579 thousand (31 December 2023: EUR 16,944 thousand). In this connection, gross investments in property, plant and equipment more than doubled over the previous year, as explained above, while the capitalisation of right-of-use assets under IFRS 16 decreased slightly in the year under review. The increase in gross investments in property, plant and equipment was primarily due to the fitting-out of the new SFC sites. Gross investments in property, plant and equipment plus the capitalisation of right-of-use assets amounted to EUR 9,561 thousand in the year under review (previous year: EUR 5,936 thousand) and were significantly higher than in the previous year.

Current liabilities rose substantially by EUR 5,862 thousand or 17.5% to EUR 39,440 thousand in the year under review (31 December 2023: EUR 33,578 thousand). At EUR 15,555 thousand (31 December 2023: EUR 12,890 thousand), trade payables were the main item within current liabilities and increased at a slightly slower rate than operating output, rising by EUR 2,665 thousand or 20.7% in the year under review, but were still significantly higher than in 2023.

Another significant item in current liabilities, other (current) liabilities, amounted to EUR 11,025 thousand (31 December 2023: EUR 9,608 thousand), thus increasing significantly by EUR 1,417 thousand. A key factor here was also an increase in tax liabilities and other provisions at SFC AG.

As explained above, current liabilities to banks included in current liabilities increased significantly by EUR 345 thousand to EUR 4,136 thousand (31 December 2023: EUR 3,791 thousand). Current lease liabilities climbed by EUR 379 thousand to EUR 2,579 thousand (31 December 2023: EUR 2,200 thousand). Other current provisions climbed by EUR 2,002 thousand to EUR 4,110 thousand (31 December 2023: EUR 2,108 thousand). In this context, personnel-related provisions and provisions for financial statements and audits at SFC AG have increased in particular.

Non-current liabilities rose slightly by EUR 1,100 thousand to EUR 15,788 thousand in the year under review (31 December 2023: EUR 14,688 thousand). The main item within non-current liabilities is the lease liabilities of EUR 11,428 thousand (31 December 2023: EUR 10,363 thousand), which increased significantly in the year under review by EUR 1,064 thousand or 10.3% in connection with regional expansion and new leases for buildings, among other things. Another significant item, other non-current liabilities, which include non-current SAR liabilities of EUR 802 thousand (previous year: EUR 1,418 thousand) , decreased to EUR 1,017 thousand (31 December 2023: EUR 2,016 thousand) and thus by EUR 999 thousand in the year under review.

Liabilities towards credit institutions rose by EUR 345 thousand to EUR 4,136 thousand in the year under review (31 December 2023: EUR 3,791 thousand) and are solely of a current nature. These are the working capital facilities of SFC NL, SFC RO and SFC CA.

The composition of and changes in net financial liabilities are presented below:

NET FINANCIAL LIABILITIES EUR thousands

	31 Dec. 2024	31 Dec. 2023	Change
Liabilities to banks	4,136	3,791	-264
of which SFC Energy AG	0	0	0
of which SFC Energy B.V.	2,781	2,325	456
of which SFC Energy Power SRL	1,355	1,465	111
of which SFC Energy Ltd.	0	0	0
Less			
Freely available cash and cash equivalents [a]	60,494	59,847	647
Total	**56,359**	**56,056**	**302**

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

Overall, the proportion of liabilities relative to total capital stood at 28.4% (31 December 2023:27.4%).

The Group's equity increased significantly in the year under review to EUR 139,218 thousand (31 December 2023: EUR 128,133 thousand). However, at 71.6%, the equity ratio was marginally below the previous year (31 December 2023: 72.6%). Please also refer to the consolidated statement of changes in equity for information on changes in equity.

Summary of business performance and situation

To summarise, it can be seen from the above description of the business situation that the Group has stable net assets and a stable financial position as of the reporting date, particularly due to its cash and cash equivalents and in the light of possible future capital injections, irrespective of its current earnings position. However, if the earnings situation were to deteriorate and fall short of the sales and earnings forecast, thus impairing its financial position, the overall picture could change for the worse.

Financial and non-financial performance indicators

The Management Board attaches particular importance to the sustainable development of the Group. The financial performance indicators for managing the Group in 2024 have already been presented above in the section entitled "Management process system".

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

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

However, unlike the financial performance indicators, these key figures and indicators are not used directly for Group management.

The Management Board is kept continuously informed of supplier quality and product quality.

To determine supplier quality, the ratio of the number of complaints about incoming goods to the total number of incoming goods is calculated for the nine most important suppliers at SFC AG. These nine top suppliers are determined annually by Quality Control and Purchasing on the basis of various criteria. At 0.38% defective parts (previous year: 2.72%), the supplier quality rate was significantly lower than in the previous year. The previous year's very high rate was caused by a component group that had exhibited a significantly higher probability of defects due to limited component availability. These defects have been remedied.

The mean time to failure for SFC AG industrial appliances is used to determine product quality. At 2,935 hours (previous year: 2,990 hours), there was a slight deterioration in this rate compared to the previous year. The reasons for this are being continuously investigated.

As sustainability forms an essential basis for the Group's long-term business success, the Management Board strives to maximise the ecological efficiency of all activities. This aspect is at the core of product development and production processes. The Group also fulfils its social responsibility towards its employees.
To ensure that production is as environmentally friendly as possible, the Group is working to continuously optimise the use of its resources. These measures often also have a cost-reducing effect.

One prerequisite for business operations that are as sustainable and environmentally friendly as possible is top quality in order to minimise waste in the production process. To this end, all of the SFC Group's production sites have their own quality management system, which is also certified in accordance with DIN ISO 9001. SFC applies an integrated quality management system, which integrates monitoring and management of the entire process chain within one specialised area of responsibility. In addition, SFC AG and SFC NL have had their environmental management system certified under ISO 14001 since 2014. SFC CA is tested and certified according to COR (Certificate of Recognition).

In the interests of sustainable corporate management, SFC offers its employees a motivating and socially balanced working environment. It attaches great importance to satisfied employees to encourage long-term loyalty to the Group. Employees at SFC receive individual support. In addition to professional qualification programmes, individual training courses are available. These measures are defined in the annual employee appraisals. With respect to occupational health and safety, we implement an annual training programme at all SFC Energy locations worldwide. In addition, SFC gives its employees an appropriate share in the Company's success in the form of a variable remuneration component.

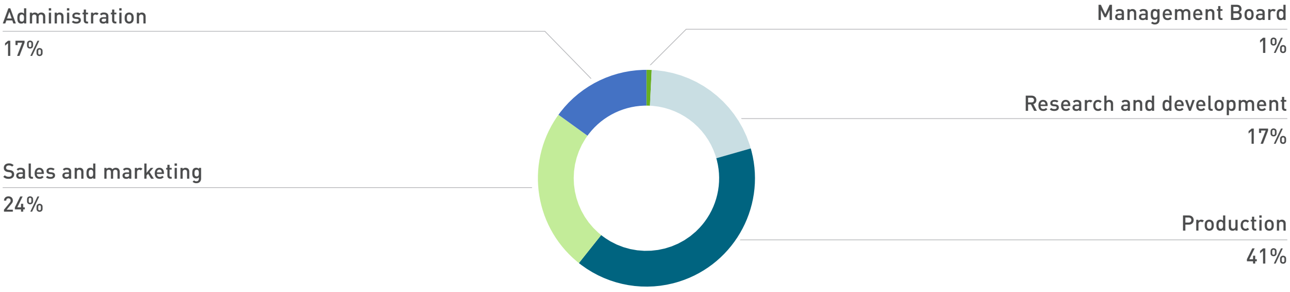
Employees

The average number of employees in the year under review breaks down as follows:

AVERAGE NUMBER OF EMPLOYEES

	2024	2023	Change
Management Board	3	3	0
Research and development	76	77	-1
Production, logistics, quality management	181	156	25
Sales and marketing	107	94	13
Administration	73	58	15
Permanent employees	**441**	**388**	**53**

EMPLOYEES BY FUNCTIONAL AREA (AVERAGE)



As of 31 December 2024, the Group had 470 permanent employees worldwide (31 December 2023: 403).

Risk and Opportunities Report

The SFC Group faces various risks that are inherently tied to its business operations. Risk is defined as the potential for events or actions to hinder the Group or its segments from reaching their objectives. At the same time, recognizing and capitalizing on opportunities is essential for maintaining and strengthening the Group's competitive position.

Effectively managing the balance between risks and opportunities is crucial. While opportunities should be leveraged, risks must 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 overall risk profile is shaped by its risk appetite, which is managed through the risk management strategies outlined below. This appetite is aligned with SFC's strategic commitment to sustainable growth. A cautious approach is taken, with a strong emphasis on ensuring liquidity in the short and medium term.

Internal control system and risk management system for the Group accounting process

SFC has an internal control and risk management system with regard to the (Group) accounting processes in which suitable structures and processes are defined and implemented in the organization to ensure the correctness and reliability of the accounting process. 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 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 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 its Romanian subsidiary SFC Energy Power SRL is performed in Cluj, Romania. The accounting of the Canadian subsidiary SFC Energy Ltd. and the Romanian Subsidiary SFC Clean Energy SRL is performed by the accounting department in Canada and Romania respectively.

The uniform application of accounting standards in accordance with IFRS throughout the Group is ensured by appropriately qualified personnel locally and at the parent company. An internationally renowned accounting firm performs the accounting of the Indian, UK, US and Danish subsidiaries. These financial statements are also reviewed by appropriately qualified personnel from the parent company who also ensure that accounting standards according to IFRS are applied uniformly throughout the Group.

Based on the data of the companies included in the scope of consolidation, 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-based controls are continuously monitored by accounting staff and supplemented by performing adequate 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 segregation of duties, and compliance with work instructions, for example.

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

The Management Board of SFC AG is of the opinion that the accounting-related internal control system was functional in the financial year. The adequacy and effectiveness of the internal control system[46] is monitored and assessed by the Supervisory Board of SFC AG. 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[47]

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 SFC's compliance management system, is to build a compliance program that reflects how SFC wants to conduct business with the highest level of integrity and at the same time ensure that SFC's employees act lawfully and responsibly, as expressed in the Code of Conduct that applies throughout the Group. A number of fundamental statements in the Code of Conduct have been expanded in further detail as separate policies, procedures and 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 potential violations, and it has its own inherent limitations. 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.

SFC is committed to continue its efforts in strengthening its compliance management system to systematically mitigate and minimize compliance risks by building a culture of ethical integrity and transparency,

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

Risk management system[48]

Risk management process and fundamental principles

The Group's risk management system (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. 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 main objective of the group RMS is to ensure that the Management Board and the Supervisory Board are fully informed about the material risks in a timely manner.

Risk management organization and responsibilities

In the Group's continuous efforts to strengthen its RMS, the risk organization is established in line with the widely known three lines of defense model to: increase accountability for risk reporting and ensure timely communication to key decision makers. The legal requirements (section 107(3) of the German Stock Corporation Act and the German Corporate Governance Codex) regarding the oversight responsibility of the Supervisory Board and organizational duties of the Management Board have been taken into account since the initial establishment of the RMS.

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

ROLES AND RESPONSIBILITIES WITHIN THE GROUP RISK ORGANIZATION

ROLES	KEY RESPONSBILITIES AND ACCOUNTABILITY
SUPERVISORY BOARD	▪ Oversight of Risk Management function which includes Risk Management, Internal Controls and Compliance Management system
AUDIT COMMITTEE	▪ Oversees the adequacy and effectiveness of the different Risk Management functions ▪ Discussion and evaluation of significant risk-related matters ▪ Recommendation of measures
EXECUTIVE MANAGEMENT BOARD	▪ Oversight and monitoring of Risk Management functions ▪ Embed RMS to strategic decision making and organizational objectives ▪ Establishment of an early detection system in accordance with the German Stock Corporation Act (AktG) ▪ Regular risk reporting to the Supervisory Board
RISK OWNERS (1st line of defense)	▪ Identifying, assessing and monitoring risks on a continuous basis ▪ Implementation of measures in line with the risk management guideline ▪ Regular risk reporting to Group Risk Management – Timely communication on any changes in the risk situation
GROUP RISK MANAGEMENT FUNCTION (2nd line of DEFENSE)	▪ Development and improvement of the different Risk Management functions in line with applicable frameworks and standards ▪ Central point of contact for Risk Management within the Group ▪ Regular risk reporting to Management Board and Supervisory Board

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

Risk assessment methodology

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

The RMS used at SFC is supplemented by an early warning 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. All of SFC's subsidiaries are also integrated into the RMS. The scope of activities to be carried out by each subsidiary differs and depends, among other factors, on the scope of functions and the specific risks associated with the respective company.

Thematic risk and opportunity assessments then serve to evaluate the company-wide risk and opportunity situation in the regular Management Board meetings and the quarterly Supervisory Board meetings. The Group's Risk Management guideline outlines the principles, processes, people, key responsibilities, risk categories, reporting requirements, and communication timelines within the company. The risk management guideline was reviewed during 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 moderate and high severity/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.

Known risks are assessed at least quarterly 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 (residual risk) 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	POSSIBLE FROM 20% TO < 70%	PROBABLE OUT OF 70%
INSIGNIFICANT (UP TO EUR 500K)	Low	Low	Moderate
MODERATE (FROM EUR 500K TO EUR 1,000K)	Low	Moderate	High
SIGNIFICANT (MORE THAN EUR 1,000K)	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. Other qualitative impact criteria (e.g. brand reputation, workforce impact, legal consequences, etc.) are also taken into account for the risk assessment of non-financial risks.

The financial risks are presented under "Risk reporting with regard to the use of financial instruments." The financial risks as well as the business risks and opportunities are shown in detail under "Risk Reporting." Changes from the previous year (if any) are explicitly explained.

In principle, however, it should be noted 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 would be detected in advance or that all process violations can be prevented. Based on the described ICS, the CMS and the RMS, the Executive Management Board has no indications that the ICS, CMS and RMS were not appropriate or effective in their respective entirety as of 31 December 2024.

Risk reporting with regard to the use of financial instruments

The Supervisory Board generally receives monthly summary of the financial performance, 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 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.

The overview of the financial risks and changes to prior year are presented below:

RISKS RELATING TO FINANCIAL INSTRUMENTS

	Probability of occurrence	Degree of impact	Changes to 2023
Default risk	Possible	Significant	Unchanged
Currency risk	Possible	Moderate	Unchanged
Liquidity risk	Unlikely	Significant	Unchanged
Interest rate risk	Possible	Insignificant	Unchanged

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

Default risk (credit risk)

Credit or default risk is defined as an unexpected loss on financial instruments if a counterparty fails to meet its obligations in full and when due, or if collateral loses value. Default risks resulted mainly from trade receivables and the risk of potential default by a contractual partner. The customer structure of SFC is characterized by various major customers, among other characteristics. To prevent the risk of default, credit limits are set for selected customers based on 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's subsidiaries, 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 2.651 thousand (31 December 2023: EUR 1.576 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 with the probability of occurrence being classified as possible but with a significant negative impact due to the volume of assets basically affected.

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 Energy Ltd. in particular, the Group generates a significant share of its sales in Canadian dollars, which are only partly offset by expenses or expenditures in the same currency. Furthermore, SFC AG and SFC US. in North America generate their sales in US dollars, which are also only partly offset by expenses in US dollars for the purchase of preliminary products or services. By expanding its business activities in North America, the company generates an increasing surplus of funds in both foreign currencies and this is expected to be the case in the future, as well. SFC's international business in India in the United Kingdom as well as in Denmark also results in a currency risk, as the operating expenses in the functional currency of SFC IN, SFC UK and SFC DK may not be partly or completely matched by sales in the same currency.

To limit risks from foreign currencies and to minimize currency losses compared to budget assumptions, foreign currency management seeks to avoid surpluses in Canadian dollars, US dollars and Indian rupee and / or to include exchange rate adjustment clauses in sales agreements.

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 CA and SFC UK. as of December 31, 2024, would have resulted in an effect of EUR -1,837 thousand (previous year: EUR -1,242 thousand) if the CAD and GBP exchange rates had fluctuated by -5% and in an effect of EUR 1,837 thousand (previous year: EUR 1242 thousand) if the CAD and GBP exchange rates 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 1,5% on Group sales and around 1,6% on adjusted Group EBITDA.

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

Overall, due to the higher business volume in North America, the potential negative effects of currency risks continue to be considered as moderate but with the probability of occurrence being classified as possible. This results in a moderate risk.

Liquidity risk

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

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

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

No liquidity risk is currently discernible for SFC. As of the reporting date, the freely available liquid funds without restrictions on disposal amounted to EUR 60.494 thousand (previous year: EUR 59.847 thousand). Overall, the liquidity risk is assessed as unlikely, but with a potential significant impact. This results in a 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 year under review, interest rates rose in the highly developed economies, among other factors due to increased macroeconomic uncertainties (e.g., inflation, geopolitical events such as Ukraine-war crisis, pandemic aftereffects, etc.). 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 CA contain financial covenants (compliance with various financial ratios). In the event of non-compliance or non-fulfillment of the covenants, there is a risk that a surcharge will have to be paid on the interest rate or that the respective loan will be called due prematurely. In addition to the earnings situation, increased financing requirements can also lead to an increased covenant risk.

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

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

The interest rates for the agreed credit lines correspond to the EURIBOR or the Canadian Prime Lending Rate plus a margin. The EURIBOR used as a basis for drawing the loan is based on the interest period, which can be a maximum of one month.

Due to the prevailing macroeconomic uncertainties, the interest rate risk's probability of occurrence is still assessed as possible. 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.
In addition to the risks described above in connection with financial instruments, the Group's business activi-

ties give rise to the following business and operational risks that could have material adverse effects on the Group's asset, financial and earnings position (i.e. effects on assets, liabilities and cash flows) and non-financial performance of the Group. Unless individual segments are listed below, the risks pertain to all segments. The risks to the Group companies relate proportionately to the segments.

BUSINESS RISKS

	Probability of occurrence	Degree of impact	Changes to 2023
Market risks	Probable	Significant	Unchanged
Clean Energy Segment	Unlikely	Significant	Unchanged
Clean Power Management Segment	Possible	Significant	Unchanged

OPERATIONAL RISKS

	Probability of occurrence	Degree of impact	Changes to 2023
Technological risks	Possible	Moderate	Unchanged
Patent law risks	Unlikely	Insignificant	Unchanged
Competitive risks	Possible	Moderate	Unchanged
Product risks	Possible	Significant	Unchanged
Procurement risks	Possible	Significant	Changed
Production risks	Possible	Significant	Unchanged
Commodity price risks	Probable	Significant	Unchanged
Human Resources	Possible	Moderate	Changed
Information technology risks	Possible	Significant	Unchanged
Risks in the regulatory environment	Possible	Significant	Unchanged
Compliance risks	Possible	Significant	Unchanged
Environmental Social Governance risks	Possible	Moderate	Changed
Company development risks	Possible	Significant	Unchanged

Changes from the previous year (if any) are explicitly explained in the section below.

Business risks

Market risks

Macroeconomic development

The development of the Group's operating business is influenced by market factors such as geographical and industry-specific economic trends, political and financial changes, raw material prices and exchange rates. These factors are interconnected and subject to various global influences that create both risks and opportunities.

Currently, the global economic and geopolitical outlook is currently subject to high uncertainties and the macroeconomic environment deteriorated in the year under review due to various negative factors (e.g., outbreak, escalation or continuation of armed conflicts, political instabilities in certain economies and high inflation). The negative factors could all intensify further in 2025 . Above all, the armed conflicts in Ukraine and Israel-Gaza and its political and economic consequences, such as sanctions and countermeasures, harbor far-reaching risks. Even if the Group has no business in Russia and the Ukraine the armed conflicts 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 conflicts 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. Geopolitical tensions also threaten global energy supplies, particularly where clean energy production is dependent on traditional energy infrastructure. An escalation could lead to shortages in both conventional and renewable energy sources, increasing operational costs and exacerbating inflation through potential energy rationing. Another key risk for the Group is that central banks fail to bring or keep 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.

SFC's sales potential is closely tied to the performance of key industries. Any ongoing or worsening structural and economic challenges in its core customer industries—particularly those in the clean energy and technology sectors—could negatively affect the Group's asset, financial and earnings position. A downturn in demand could lead to lower prices for SFC's products, systems, and solutions, further affecting profitability.
The possibility of a resurgence of COVID-19, the outbreak of a new pandemic, a major terrorist attack, or significant cybercrime incidents could disrupt global economic activity, reduce consumer confidence, and destabilize markets. The highly interconnected global economy also remains vulnerable to natural disasters and hybrid warfare, all of which could create operational uncertainties for SFC.

Escalating trade tensions and protectionist policies pose significant risks to the clean energy sector, potentially disrupting global supply chains, increasing costs, and slowing down market expansion. The imposition of tariffs, export restrictions, and trade barriers—especially between major economies such as the U.S., China, and the EU—could directly impact the availability of critical components such as precious metals which are essential for clean energy technology.

Furthermore, government subsidies and domestic production incentives, such as the U.S. Inflation Reduction Act and the EU Green Deal, could lead to retaliatory measures from trade partners, creating further uncertainty in international markets. If supply chains become fragmented due to geopolitical tensions, SFC may face higher procurement costs and delays in scaling up solutions.

For SFC, these risks could lead to increased volatility in raw material prices, supply chain bottlenecks, and potential restrictions on market access in key regions. Additionally, heightened trade conflicts could reduce cross-border investment in green technology projects, slowing down global efforts to transition to sustainable energy. To mitigate these risks, SFC is actively exploring supply chain diversification strategies, strengthening partnerships with alternative suppliers, and staying engaged in policy developments to adapt to changing trade regulations.

SFC faces potential risks related to the imposition of U.S. tariffs on European goods. These tariffs could particularly affect the export of fuel cell systems to the U.S., which are critical to SFC's global business. U.S. tariffs on finished fuel cell components could result in higher production costs. These increased costs would impact SFC's pricing structure, potentially making its products less competitive in the price-sensitive U.S. clean energy market. As a result, this could lead to reduced demand, especially in industries that rely on cost-efficient clean energy solutions.

The unpredictability of trade policies has created an unstable business environment, making long-term planning and investment decisions more challenging. Other key risks arising from the imposition of U.S. tariffs include currency fluctuations, uncertainty in trade relations, and regulatory and compliance impacts.
To mitigate these risks and sustain long-term growth, SFC is considering several strategies, including strategic partnerships, localization, and proactive adaptation to regulatory changes. However, with the growing global demand for clean energy and fuel cell technologies, SFC remains well-positioned to navigate the evolving trade environment and continue to expand its footprint in the U.S. and beyond.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.

SFC is implementing various measures to proactively address geopolitical risks that may impact the Group. This involves diversifying supply chains where possible, staying informed about political developments, engaging in scenario planning, and maintaining adaptability in the face of geopolitical uncertainties. SFC also stays optimistic about collaborative efforts between governments, industry stakeholders, and international organizations that can play a key role in mitigating or reducing the overall impact of some of these inherent risks to the business.

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 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.

Overall, the market risk due to various influencing factors 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 global push towards renewable energy transition and climate change mitigation has intensified with an increasing focus on expanding the capacity of clean energy sources. According to our estimates, there will be upheavals in the energy sector, driven by environmental concerns and regulatory demand for various companies 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.

The European Commission and other national legislations have been acknowledging the important role played by hydrogen in the transition to climate neutrality by 2050. In 2024, the European Union (EU) has undertaken several significant initiatives to advance hydrogen technologies, focusing on infrastructure development, funding support, and policy frameworks to accelerate the adoption of hydrogen as a clean energy source.

The European Commission approved the IPCEI Hy2Infra project in early 2024, aimed at supporting hydrogen infrastructure expected to unlock significant private investments. The EU Innovation Fund allocated €4.8 billion to 85 innovative projects in 2024 [49] with hydrogen projects accounting for one-third of the total awards. This marks the largest allocation since the fund's inception in 2020, underscoring the EU's commitment to supporting hydrogen technologies.

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. However, any changes in these policies, such as reduced government incentives for clean energy technologies or new regulations that delay or increase the cost of projects, could negatively impact the segment's growth.

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.

49 https://hydrogeneurope.eu/2024-innovation-fund-grants-hydrogen-projects-account-for-30-of-total-awards/?utm_source=chatgpt.com

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 it 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 but likely to become softer based on expectations of growth in global supply and relatively stable demand.

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

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

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

Operational Risks

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 2025and that very few grants went towards current projects in 2024. 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

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

Thanks to its unique position as a supplier of commercial direct methanol fuel cells, SFC has acquired intellectual property rights and applications that give it a strong competitive position 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. We do not consider the negative effects on the asset, financial and earnings position of the Group to be significant. Overall, the risk is classified as low.

Competitive risks

SFC AG continues to have 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 partnerships for cooperation, 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 risk 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, which 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 moderate negative impacts on the asset, financial and earnings positions could result. Accordingly, we classify the risk as high.

Procurement risks

The results of SFC's operating business units depend on reliable and effective management of SFC's supply chains 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. Furthermore, SFC may be exposed to the risk of delays and interruptions in the supply chains as a consequence of catastrophic events (including pandemics), geopolitical uncertainties, energy shortages, sabotage, cyber incidents, suppliers' financial difficulties or suppliers not meeting SFC's standards, particularly if SFC is unable to identify alternative sources of supply or means of transportation in a timely manner or at all.

Also, SFC's 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. However, efforts are continuously underway to qualify alternative suppliers where feasible, further strengthening SFC's ability to mitigate supply chain risks.

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, and 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. With the establishment of the SFC UK facility, the key component of fuel cells—membrane electrode assemblies (MEAs)— is now produced insourced and not depending on third party suppliers, enhancing supply chain resilience for core component of the fuel cells.

However, the supply bottlenecks will remain at an elevated level compared to the phase before the pandemic due to geopolitical tensions and conflicts affecting the stability of our supply chain. SFC has no suppliers based in the crisis regions Russia, Ukraine [and Israel-Gaza]. 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 possible. We continue to assess the negative impact on the asset, financial and earnings position as substantial in certain cases. Overall, this risk is assessed as high.

Production risks

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

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

SFC's main supplier for the production of the DMFC membrane electrode assembly (MEA), the heart of the DMFC fuel cell that enables the electrochemical reaction to separate the electrons, ceased production in the reporting year. In this context, SFC acquired certain assets for the production of the MEA from the supplier in order to set up its own MEA production facility in Swindon, UK. With the stabilization of SFC's UK entity and its enhanced production capacity, the risk of delayed delivery of MEAs has been significantly reduced. However, the production facility in UK is still susceptible to various risks such as natural disasters and weather events, logistics delays, production downtime due to machinery breakdown or technical issues.

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 continued to be classified as possible and could have a significant 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 components or raw materials can fluctuate significantly due to market conditions, political crises or legislation – combined with possible supply shortages –, volatile demand for individual raw materials or other reasons. Unanticipated increases in the price of components or raw materials could adversely affect SFC's performance.

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.

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

Precious metals are reported as raw materials and supplies in the Consolidated Statement of Financial Position until they are used in SFC's products. The precious metals would only be devalued if the product produced with them cannot be sold on the market to cover costs. The carrying amount of the platinum and ruthenium held in stock at the balance sheet date was EUR 1.999 thousand (previous year: EUR 434 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 highly competent and qualified employees in the industries and the regions in which we do business remains intense and is continuously increasing.

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.

By implementing a combination of strategic HR practices, including competitive compensation and employee engagement practices, SFC has effectively reduced potential human resources risks. These initiatives have not only strengthened organizational performance but enhanced its long-term sustainability. Although there is an intense competition for qualified specialists considering the measures in place, the occurrence of this risk is classified as possible, with a potentially moderate negative impact on the asset, financial and earnings position, and is therefore assessed as a moderate 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.

SFC's IT environment, like any other organization supported by digital technologies, is exposed to the growing threat of cybercrime and cyber-attacks on the Group's own or the Group's IT networks of the IT service providers. Any disruption due to cyber-attacks may adversely affect the core pillars of information security: availability, integrity and confidentiality of data from our own operations or third party data (e.g. customers, suppliers, etc.).

SFC counteracts these risks by SFC's cyber insurance policies and implementing standardized controls, process and technology developed based on globally recognized frameworks.

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

The threat resulting from IT risks in general is seen as possible overall and classified as a risk of significant 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, GHS, PFAS, 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 financial reporting, for example – can cause a wide range of damage and have serious consequences. These actions may lead to the termination of business relationships, exclusion from receiving orders, negative assessments on the capital market, and 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 activities are to be prevented through Group-wide structures, strict regulations and standardized processes.

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. 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. Further, qualitative criteria such as reputational damage, potential extent of judicial investigations were also taken into account for the assessment of the risk. 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 related risks

The European Commission is re-evaluating its Green Deal environmental policies, considering adjustments to regulations like the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD). This review aims to balance environmental goals with economic competitiveness. Most of the Governments around the world continue to increase their focus on sustainability topics, resulting in the risk of increased costs to comply with new laws and related reporting requirements. Given these uncertain and continuously evolving regulatory developments on ESG due diligence and formal reporting requirements risk of non-compliance may result in serious and significant, negative financial and non-financial effects for the Group.

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.

The relevant regulatory frameworks and standards that would apply for voluntary and mandatory ESG reporting purposes are being reviewed and implementation strategies are being developed to create more transparency on SFC's ESG performance through reporting and ratings.

SFC also recognizes that climate change poses both physical and transitional risks that could impact its operations, supply chains, and financial performance. The SFC Group is continuously working in strengthening its decarbonizing goals and strategy throughout the entire value chain and product portfolio. SFC is dedicated to limiting global warming to 1.5 degrees Celsius by implementing various sustainability initiatives throughout our customers' value chains and our own operations to mitigate climate change-related risks.

Furthermore, the Group mitigates other environment, health and safety related risks by conducting audits, seeking advice and training and measures for environmental, occupational and health protection. The Group not only adheres to high technical standards, but also to third party Code of Conducts and all legal requirements in environmental, occupational and health protection.

In spite of the ESG related risks, SFC Group is optimistic about all the major regulatory developments in climate change, decarbonization trend and non-financial reporting and is strongly committed to implement measures to ensure a sustainable and impactful growth for the people, planet and society not only through our product offerings but also through our own value chain driven impact. The risks are classified as possible risks, although moderate effects on the financial situation cannot be ruled out. Overall, this results in a moderate 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 commercial, 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 and opportunities that are currently unknown or are currently considered insignificant could also affect the Group's operations. At present, no risks have been identified which, either individually or in combination with other risks, could jeopardize the continued existence of the Group.

Overall assessment of the risk situation

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

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

According to the overall assessment of the risk situation of the Group and with 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 opportunities described are in addition to the future business prospects mentioned in the outlook. The assessment of opportunities is subject to ongoing changes in both macroeconomic trends and industry-specific market environment. The positive impact on the group's business is, however, expected to be significant in the short term.

Market opportunities

Clean Energy

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 global transition to a low-carbon economy, continued to drive positive sentiment for green product portfolios that meets the market trend towards net-zero emissions and had a significant influence on the further adoption of fuel cells during the reporting year. The negative geopolitical changes of the past years have tended to accelerate the general demand for alternative technologies for conventional energy production based on fossil fuel cells.

Key opportunities to improve and accelerate the Group's future development lie above all in measures to exploit sales growth potential. SFC aims at strengthening its decarbonization portfolio, including a further focus on the supply of systems solutions and products in higher performance classes, and increase the Group's value creation while continuously adapting its business models and products and solutions to changing customer and market behaviors.

SFC's strong market position during the reporting year can be attributed to SFC's balanced growth strategy in strengthening long term value proposition of existing customers in core customer and regional markets.

Steigende Verteidigungsausgaben

Triggered by changes in the global security situation, further increasing defense expenditures and a faster or more short-term procurement of defense technology, particularly in NATO countries, can be expected. Ongoing conflicts have led to a significant rise in the willingness to improve the equipment of national armed forces both qualitatively and quantitatively, especially regarding military capabilities for national and alliance defense. In the short and medium term, this will result in a growing number of new and additional defense procurement projects, offering significant business potential for the company. This is particularly relevant given that, to the best of the Management Board's knowledge, SFC DMFC systems remain the only NATO-qualified fuel cell systems available for portable, stationary, and land vehicle-based deployment scenarios and are already in use.

Supporting the energy transition and counteracting climate change

As the world's population grows and industrialization and digitalization increase, so does the global demand for energy. The already visible impacts of climate change together with the growing awareness of the looming climate crisis have increased the pressure to act for all political systems. The clean energy sector is expanding rapidly as governments, businesses, and consumers prioritize decarbonization and sustainability. Europe contributes to be at the forefront of renewable energy adoption, supported by ambitious climate targets and policies. The European Union's commitment to the Green Deal and the goal of becoming climate-neutral by 2050 is continuously driving significant investments in renewable energy and this has a huge impact on growing demand and continued advancements in clean energy solutions. Decarbonization challenge and deflation of fossil fuel prices are the key drivers for the EU's clean-energy transition strategy as part of the Fit for 55 initiative and Green Deal concept.

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. Various frameworks have been put in place that enables the scaling up of production and use of (green) 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). Advances in hydrogen production, storage, and infrastructure development globally are creating a stronger foundation for hydrogen fuel cell adoption. SFC continues to explore market opportunities to create the foundation for new business, e.g., focus on building up the Groups H_2-related business with electrolyzer systems and solutions for the production of green hydrogen on the basis of renewable energy and water.

The EU provides strong policy support and funding, while the U.S., Asia-Pacific, MENA, and Latin America offer high-growth markets with increasing investment and demand. SFC's growth strategy being closely aligned with the political and regulatory environment being in favor of a low carbon economy presents many opportunities for the long-term sustainable growth of the group's business and financial position.

Market access and activities in Asia and North America

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

India is one of the fastest-growing clean energy markets, driven by ambitious renewable energy targets, government policies, and increasing private sector investments. With a goal of achieving 500 GW of non-fossil fuel capacity by 2030, India presents significant opportunities for SFC's fuel cell business. India's National Hydrogen Mission promotes green hydrogen production and fuel cell adoption.

This further motivates SFC to pursue new opportunities in these growth regions.

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

Clean Power Management

Growth opportunities in the integration of renewable energies and the implementation of smart technologies in industrial applications

The ongoing trend toward lower emissions and more sustainable operations among plant engineers and manufacturing companies, as well as digitalization, is driving increasing demand for smarter devices, energy storage solutions, and flexible power distribution control. These developments require new topologies and an ever-higher degree of compactness and efficiency in conversion systems, offering strong short- to medium-term growth opportunities for the Group's power supply solutions and power management systems.

Opportunities from the growth of the semiconductor industry

It is currently forecasted that the global semiconductor market will generate approximately EUR 900 billion in revenue by 2029, with an average annual growth rate of 8.71% from 2025 to 2029.[50] To meet this growing demand, the Management Board expects that additional Wafer Fab Equipment (WFE) will be required in the coming years.

50 Statista, Hamburg (August 2024); Halbleiter - Weltweit

The Group's power supply solutions enable manufacturers of semiconductor industry equipment to enhance and strengthen the efficiency, reliability, and sustainability of their systems.

Given the Group's strong track record in providing solutions for the semiconductor industry, particularly in the field of RF plasma semiconductor WFE, the Management Board sees various short- to medium-term opportunities to positively influence revenue growth in this segment.

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. A strong indicator that motivates SFC's continued R&D efforts are the trends seen in energy prices that may significantly influence government decisions on promoting or incentivizing fuel cell solutions. 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 has a broad product portfolio and countless ideas on further developing its products and opening up new market opportunities. Therefore, internal growth is at the forefront of the strategy. Nevertheless, the company also pursues opportunities for external growth that could result from the acquisition of or partnerships with companies with complementary technology and / or strategically relevant know-how.

In this context, SFC has been monitoring the emerging trends and growing focus on overcoming challenges in developing technological advancements and improved infrastructure to generate clean and high energy efficiency hydrogen. This presents SFC with immense potential to pursue new opportunities and capabilities that would complement SFC's growth plans.

External determinants

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

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

The factors presented above that may positively influence SFC's current and future opportunities have not significantly changed since last year and the overall assessment of the individual opportunities have been considered into SFC's growth plans and measures

Forecast Report

Expectations for market growth

FThe Management Board expects generally favourable conditions in the markets relevant for SFC in 2025. Overall, demand for the Group's fuel cell solutions has been largely dynamic in recent years and has been affected by macroeconomic fluctuations to only a limited extent. In general, the Management Board expects the Group to continue growing solidly thanks to its regional and technological diversification as well as its broad positioning in the end markets that it addresses.

Its business performance is benefiting from a number of key megatrends, including decarbonisation, digitalisation and internal and external security. Decarbonisation is spurring demand for intelligent carbon-neutral energy technologies. At the same time, advances in digitalisation are paving the way for the greater use of remote and video surveillance solutions, for example to prevent vandalism and protect assets, to secure borders, public spaces and infrastructure or to document and monitor construction site and infrastructure projects. These developments are also fuelling demand for flexible, robust, reliable and low-emission energy solutions – an area in which SFC with its innovative fuel cell solutions is ideally positioned.

At the same time, the Management Board expects SFC's business performance to benefit from heightened defence spending in the Group's target regions, including replacement spending on the installed base of fuel cells, and from stable international demand for technical equipment.

In terms of the macroeconomic environment, global economic growth is expected to be roughly on a par with the previous year in 2025. Growth should be underpinned by continued solid conditions in the United States and above-average growth in many emerging markets.[51] On the other hand, the Management Board expects growth in the Eurozone to remain generally muted. Although inflation should continue subsiding in industrialised countries, it is unlikely to reach the central bank targets everywhere. The outlook is overshadowed by the unusually high (geo)political uncertainties.

The main determinants in the current year are the persistent high geopolitical risks and uncertainties over future economic policy in many regions. Of particular importance are the political decisions taken in the Uni-

51 IMF: Washington, USA (Januar 2025): World Economic Outlook Update

ted States, especially with regard to trade policy. Escalating geopolitical conflicts, increased protectionism and new trade barriers may leave significant traces on international trade and economic stability. SFC's North American business in particular would be potentially impacted in such a scenario in the short term. In addition, geopolitical tensions – particularly the possibility of an escalation in Ukraine or in the Middle East – pose a considerable risk, something which could lead to disruptions in energy supplies or even blockades of central shipping routes.

There is also a risk that inflation will decline more slowly than expected in many major economies, posing a potential risk for global growth. In addition, further interest rate cuts could be postponed if core inflation remains high and this could place a damper on the recovery in capital spending and consumer spending.
To summarise, the outlook for the economy and SFC's markets in 2025 is favourable, but subject to geopolitical risks. While the underlying trends in demand and the market drivers for SFC's growth are intact in the long term, the threat of a trade war in particular constitutes a risk in the short term.

In its forecast, the Management Board assumes that currency translation effects will not have any material impact on the Group's financial performance in 2025.

All estimates presented in this chapter regarding future developments and market trends are subject to uncertainty, particularly with regard to general geopolitical risks, especially the consequences of the war in Ukraine and developments in the Middle East, heightened inflation, the still comparatively high and volatile prices of fossil fuels, risks for the procurement markets and energy supplies as well as the associated effects.

Sales

In the light of the expectations described above for growth in the global economy and the markets relevant to SFC, the Company anticipates year-on-year growth in Group sales of between 11% and 25% to between EUR 160,600 and EUR 180,900 thousand (2024: EUR 144,754 thousand) in 2025, which will be driven much more strongly by the "Clean Energy" segment. Overall, demand should rise in all regional markets in 2025, with the strongest momentum likely to come from North America and Asia.

Adjusted EBITDA

Driven by the continued favourable demand, the Management Board expects a further increase in margins in 2025, although this depends on the timing of the planned investments in further growth, in particular the further expansion of the locations in the United States and Denmark and the implementation of the new ERP system at the Group level. This assumes that material costs can be offset in some areas by cost reductions elsewhere and that cost effects can be passed on to customers to a certain extent. Adjusted EBITDA in 2025 is therefore expected to come to between EUR 24,700 thousand and EUR 28,200 thousand (2024: EUR 22,008 thousand).

Adjusted EBIT

Based on the budgets for the Clean Energy and Clean Power Management segments, the Management Board assumes that the Group's adjusted EBIT will come to between EUR 17,500 thousand and EUR 20,600 thousand in 2025 (2024: EUR 15,556 thousand).

Capitalised research and development costs are expected to fall significantly short of the 2024 figure (2024: EUR 3,160 thousand). The Management Board expects functional costs to continue rising at a slower pace than sales despite the investment in growth.

As of the 2024 reporting date, the Group reported freely available cash and cash equivalents of EUR 60,494 thousand. Assuming that the sales and earnings forecast is achieved in 2025, the Group will have sufficient cash and cash equivalents to meet its financial obligations.

This outlook does not factor in any burdens from legal and regulatory issues.

The actual performance of the Group and its segments may deviate in either direction from the forecasts due to the opportunities and risks described (see Risk and Opportunity report).

Explanatory report by the Management Board on the takeover-related disclosures pursuant to Section 289a and Section 315a of the German Commercial Code

The management report and the Group management report of SFC Energy AG, Brunnthal, contain the takeover-related disclosures required under Section 289a and Section 315a of the German Commercial Code (HGB). This ensures that a party potentially interested in acquiring SFC Energy AG has access to information about the Company specified in the law that is relevant for a takeover.

For SFC Energy AG, the management report and the Group management report reflect the circumstances as they actually existed in 2024, unless a later reporting date is expressly stated in the reports. This report in accordance with Section 176 (1) of the German Stock Corporation Act explains the situation as it was on the reporting date of 31 December 2024.

Conditions as of the reporting date

The disclosures in the management report and the Group management report address all matters that must be disclosed as of the reporting date (unless otherwise indicated) in the order specified in the statutory provisions. This concerns information on (1) the composition of the subscribed capital, (2) restrictions relating to voting rights or the transfer of shares, (3) direct or indirect shareholdings in the capital that exceed 10% of the voting rights, (4) extraordinary rights that confer powers of control, (5) voting right controls in the case of employee shareholdings in the Company's capital, (6) the statutory provisions and the provisions of the Company's Articles of Association governing the appointment and dismissal of members of the Management Board and on 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 that are subject to a change of control following a takeover bid, and (9) compensation agreements with members of the Management Board or employees in the event of a takeover bid.

The share capital of SFC Energy AG amounts to a nominal EUR 17,381,691.00 as of the reporting date and is divided into 17,381,691 no-par value bearer shares with a pro rata amount of the share capital of EUR 1.00 per share. The share capital is fully paid up. Each share entitles the holder to one vote at the annual general meeting. The composition of the subscribed capital and the rights associated with the no-par value shares issued by the Company are also set out in the Company's Articles of Association.

Statutory restrictions on the voting rights may arise in particular from the provisions of the German Stock Corporation Act. For example, shareholders are subject to a voting ban under certain conditions in accordance with Section 136 (1) of the German Stock Corporation Act and the Company is not entitled to exercise any rights under treasury shares that it holds. As far as the Management Board is aware, there are no other restrictions relating to voting rights or the transfer of shares, including restrictions between shareholders.

As of the reporting date of 31 December 2024, the Management Board was not aware of any direct or indirect shareholdings in the Company's capital that exceeded 10% of the voting rights.

There are no shares with extraordinary rights conferring powers of control.

There are no controls on voting rights in cases where employees hold shares in the Company's capital.

The rules governing the appointment and dismissal of members of the Management Board of SFC Energy AG are set out in Sections 84 and 85 of the German Stock Corporation Act (AktG) and Article 7 (2) of its Articles of Association. Under these provisions, the Supervisory Board appoints the members of the Management Board, determines their number and decides on their dismissal for good cause. Such good cause may include but is not limited to gross breach of duty, the inability to manage the Company properly or the withdrawal of confidence by the shareholders, unless confidence has been withdrawn for obviously improper reasons.

Pursuant to Section 179 (2) sentences 1 and 2 of the German Stock Corporation Act in conjunction with Article 20 (2) sentence 1 of the Company's Articles of Association, amendments to the Articles of Association require the majority of votes determined by law and, if a capital majority is required, a simple majority of the share capital represented when the resolution is passed, unless the law or the Articles of Association stipulate otherwise. The cancellation or amendment of Article 20 (2) sentence 1 of the Articles of Association requires a majority of at least three quarters of the share capital represented when the resolution is passed; an amendment to this majority requirement also requires a majority of at least three quarters of the share capital represented when the resolution is passed (Article 20 (2) sentence 2 of the Articles of Association). Amendments to Article 15a of the Articles of Association require a qualified majority of at least 90% of the capital represented when the resolution is passed (Article 20 (2) sentence 3 of the Articles of Association). Any amendment to this majority requirement also requires a majority of at least 90% of the capital represented when the resolution is passed (Article 20 (2) sentence 4 of the Articles of Association). A resolution by the shareholders to dissolve the Company requires a majority of 80% of its total share capital with voting rights in accordance with Article 22 of the Articles of Association. Under Article 14 (2) of the Articles of Association, the Supervisory Board is authorised to make amendments to the Articles of Association that affect only the wording.

The powers of the Company's Management Board to issue or buy back shares are all based on corresponding resolutions by the shareholders.

Authorised capital

In accordance with Article 5 (6) of the Company's Articles of Association, the Management Board is authorised, with the approval of the Supervisory Board, to increase the Company's share capital on one or more occasions on or before 31 August 2025 by a total of up to EUR 1,736,369.00 by issuing new no-par value ordinary bearer shares on a cash or non-cash basis (Authorised Capital 2023).

Contingent capital

In accordance with Article 5 (7) of the Company's Articles of Association, SFC Energy AG has Contingent Capital 2024 of EUR 1,736,369.00. The purpose of the contingent capital is to award no-par value bearer shares to the holders or creditors of convertible bonds and/or bonds with warrants (or combinations of these instruments) that are issued by the Company or its direct or indirect affiliates on a cash basis on the basis of the authorisation granted at the annual general meeting on 16 May 2024 under agenda item 8 lit. a) with a term expiring on 15 May 2026 and to grant a conversion or option right to new no-par value bearer shares in the Company or to establish a conversion obligation or a tender right.

In addition, SFC Energy AG has Contingent Capital 2020 in accordance with Article 5 (8) of its Articles of Association. At the Company's annual general meeting on 19 May 2020, the shareholders passed a resolution to contingently increase the Company's share capital by up to EUR 1,300,000.00 by issuing up to 1,300,000 new no-par value ordinary bearer shares with a pro rata amount of the share capital of EUR 1.00 per share. In the year under review, the Management Board issued a total of 18,000 no-par value shares from Contingent Capital 2020, meaning that the Company's share capital is still contingently increased by EUR 1,282,000 under Contingent Capital 2020 through the issue of up to 1,282,000 new no-par value ordinary bearer shares in the Company with a pro rata amount of the share capital of EUR 1.00 per share. The sole purpose of Contingent Capital 2020 is to grant new no-par value shares to the holders of option rights issued by the Company under the authorisation granted by the shareholders at the annual general meeting on 19 May 2020 under agenda item 7 a).

Repurchase of own shares

Finally, the shareholders passed a resolution at the annual general meeting on 16 May 2024 authorising the Company to acquire treasury shares equivalent to up to 10% of its share capital on or before 15 May 2029. No use had been made of this authorisation as of the reporting date.

Material agreements

The Company has no material agreements that are subject to change-of-control condition that may be invoked in the event of a takeover bid, in addition to the compensation agreements of the Company listed below that have been entered into with the members of the Management Board or with employees in the event of a change of control.

Agreements with Management Board members and employees

Under his new service contract effective from 1 January 2024 for his additional term of office beginning on 1 January 2024, Dr. Peter Podesser may terminate the service contract within three months of a change of control taking legal effect subject to a notice period of twelve months in the event of the acquisition of control of the Company as defined in Section 29 (2) of the German Securities Acquisition and Takeover Act. No separate claim for termination benefits accrues in this case. In the event of a corresponding change of control, the Supervisory Board may increase the applicable maximum remuneration (currently EUR 4 million) by a maximum of 20% for the year of the change of control in accordance with the current Management Board remuneration system approved at the annual general meeting on 5 June 2023. In accordance with the Management Board remuneration system approved at the annual general meeting in 2023, Dr. Podesser was allocated 52,746 performance shares as long-term variable remuneration on 21 March 2024 for the 2024 financial year on the basis of a rolling four-year performance share plan (LTI 2024). In accordance with the Management Board remuneration system approved at the annual general meeting in 2023, the Supervisory Board may stipulate that the LTI cap for the new long-term variable remuneration based on the performance share plan in force since 1 January 2024, under which the LTI payout may not exceed 250% of the LTI target for the relevant PSP annual tranche specified in the service contract, shall be waived if there is any change of control and Dr. Peter Podesser exercises his extraordinary right of termination agreed for this case as a result of the change of control. The Supervisory Board has not yet made use of this option. To avoid any misunderstandings, however, it should be noted that – assuming the necessary decision is made by the Supervisory Board – the LTI cap may only be exceeded if a change of control actually occurs and Dr. Peter Podesser actually exercises his extraordinary right of termination. However, this does not affect the validity of the (possibly increased) total maximum remuneration under the Management Board remuneration system (see above). In this case, the LTI payout under the performance share plan will also only be made after the end of the four-year performance period and regular target achievement measurement, whereby the conversion of all ongoing performance share tranches into a cash amount after the end of the performance period will in this case be based on the reference price, which in this case – as determined by the Supervisory Board – is the offer price as defined in Section 31 of the German Securities Acquisition and Takeover Act or Section 7 of the bidding rules under that act or the value of the shares held by the bidder potentially offered as optional consideration, where these shares are not admitted to trading on an organised market within the meaning of Section 2 para. 7 of the German Securities Acquisition and Takeover Act but only outside the European Economic Area, or a combination of both values. The share investment / shareholding obligation imposed on Dr. Peter Podesser under his new service contract will lapse upon the completion of a change of control or – at the discretion of the Supervisory Board – upon submission of the takeover bid.

In the event of the acquisition by a third party of the majority of the Company's voting rights (change of control) on or before 30 September 2023, Mr Daniel Saxena's service contract, which was valid until the end of the day on 30 June 2024, gave Mr Saxena the right to resign for good cause and terminate his service contract (extraordinary right of termination). In the event of a change of control after 30 September 2023, Mr Saxena's service contract, which was valid until 30 June 2024, no longer provided for any extraordinary right of termination. As Mr Daniel Saxena's appointment has been renewed, a new service contract valid from 1 July 2024 was signed by him and the Company. With the exception of the maximum remuneration (currently EUR 2 million) and the number of performance shares allocated, the contractual provisions governing a change of control in accordance with Section 29 (2) of the German Securities Acquisition and Takeover Act are set out in Mr Daniel Saxena's new service contract and apply from 1 July 2024. As the relevant provisions are identical to those contained in Dr. Peter Podesser's service contract as described above, reference should be made to the explanations on the latter's service contract. In accordance with the Management Board remuneration system approved at the Annual General Meeting in 2023, Mr Daniel Saxena was allocated 23,759 performance shares for the 2024 financial year as long-term variable remuneration on 8 July 2024 on the basis of a rolling four-year performance share plan (LTI 2024). In Mr Saxena's case, the Supervisory Board has likewise not yet made use of the option to stipulate that the LTI cap for the 2024 PSP annual tranche shall be waived if there is a change of control and Mr Saxena exercises his extraordinary right of termination agreed for this case in the event of a change of control. To avoid any misunderstandings, however, it should be noted that – assuming the necessary decision is made by the Supervisory Board – the LTI cap may only be exceeded if a change of control actually occurs and Mr Saxena actually exercises his extraordinary right of termination. However, this does not affect the validity of the (possibly increased) total maximum remuneration under the Management Board remuneration system (see above).

The service contract of Management Board member Hans Pol, which is valid until 28 February 2025, provided for an extraordinary right of termination in the reporting period in the event of a change of control as defined in Section 29 (2) of the German Securities Acquisition and Takeover Act, which entitled Mr Hans Pol to terminate his employment contract within three months of the change of control taking effect subject to a notice period of twelve months. For Mr Hans Pol's new term of office, a new service contract was signed between him and the company in the reporting period with effect from 1 March 2025. With the exception of the maximum remuneration (currently EUR 2 million) and the number of performance shares allocated for a year, the contractual provisions for the event of a change of control in accordance with Section 29 (2) of the German Securities Acquisition and Takeover Act are set out in Mr Hans Pol's new service contract. As the relevant provisions are identical to those contained in Dr. Peter Podesser's service contract as described above, reference should be made to the explanations on the latter's service contract. Mr Hans Pol will participate in the performance share plan for members of the Management Board from 1 March 2025, meaning that an annual PSP tranche for 2025 will not be allocated until the commencement of the new contract.

In connection with the renewal of his service contract, Mr Hans Pol was awarded 180,000 SARs on 1 July 2018 with a term expiring on 30 June 2025 and an exercise price per share option of EUR 1 (SAR programme 2018-2021). These remuneration benefits are not affected by Mr Hans Pol's service contract, which will apply from 1 March 2025. Mr Daniel Saxena was granted 228,000 SARs under the SAR programme 2020-2024 with a term expiring on 30 June 2028 and an exercise price per share option of EUR 1 on 1 July 2020 following his appointment to the Management Board. These remuneration benefits are not affected by the new service contract, which will apply from 1 March 2024. The SARs may expire to a fixed extent on three (Mr Pol) or four (Mr Saxena) defined dates depending on the SFC Energy AG share price. After a staggered vesting period of four to six years (Mr Pol) or four to seven years (Mr Saxena), one third (Mr Pol) or one quarter (Mr Saxena) of the options that have not lapsed may be exercised at the defined reference price within the exercise period. Mr Pol's SAR programme 2018-2021 also stipulates that a certain performance target must be reached before the end of the respective vesting period before SARs can be exercised. At the end of the reporting period, Mr Pol still had 41,666 SARs and Mr Saxena 228,000 SARs. In the event of change of control as defined in Section 29 (2) of the German Securities Acquisition and Takeover Act and the exercise by the Management Board member of the extraordinary right of termination provided for in this case, the SARs that have not yet expired on the date the takeover bid is submitted 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 multiplied by (reference price - exercise price). For Mr Pol, the reference price corresponds to the higher of (i) the offer price within the meaning of

Section 31 (1) of the German Securities Acquisition and Takeover Act and (ii) the value of the shares of the bidder potentially offered as optional consideration, calculated in accordance with Section 7 of the Offer Regulation under the German Securities Acquisition and Takeover Act, which are not admitted to trading on an organised market within the meaning of Section 2 (7) of the German Securities Acquisition and Takeover Act, but only outside the European Economic Area. If control is acquired after termination of the employment relationship, the same payment principles apply, with the exception that the payment is made immediately after the change of control. For Mr Saxena, the reference price corresponds to the offer price within the meaning of Section 31 para. 1 of the German Securities Acquisition and Takeover Act or the value of the Bidder's shares potentially offered as optional consideration, which are not admitted to trading on an organised market within the meaning of Section 2 (7) of the German Securities Acquisition and Takeover Act, but only outside the European Economic Area, or a combination of both values, calculated in accordance with Section 7 of the bidding rules under the German Securities Acquisition and Takeover Act, or a combination of both values. In the event of a change of control and exercise by Mr Saxena of the extraordinary right of termination provided for in this case, no maximum amount (cap) applies with regard to the cash settlement.

The 420,000 SARs (SAR programme 2020-2024) granted to Dr. Peter Podesser on 15 May 2019 following the renewal of his service contract from 1 April 2020 until 31 March 2024 were transferred to the share option programme 2020-2024 with effect from the end of the day on 8 July 2020. In connection with this transfer to the 2020-2024 share option programme, Mr Podesser was allocated a total of 504,000 share option rights on 9 July 2020 with an exercise price per share option of EUR 1 and a term expiring on 8 July 2028. These remuneration benefits are not affected by Dr. Peter Podesser's service contract, which takes effect from 1 January 2024. The share options may expire to a fixed extent on four defined dates depending on the share price of SFC Energy AG. After a staggered vesting period of four to seven years from the allocation date, a quarter of the options that have not expired may be exercised at the defined reference price if certain performance targets are met. At the end of the reporting period, Mr Podesser still held 504,000 share option rights. In the event of a change of control within the meaning of Section 29 (2) of the German Securities Acquisition and Takeover Act and the exercise by Dr. Peter Podesser of his extraordinary right of termination provided for in this case, the share options that have not yet expired on the date of submission of the takeover bid are to be paid out as cash compensation at the time that termination of the service contract takes legal effect as follows: Number of option rights to be paid out x (reference price - exercise price). The reference price corresponds to the offer price within the meaning of Section 31 (1) of the German Securities Acquisition and Takeover Act. In the event of a change of control and exercise by Dr. Podesser of his extraordinary right of termination provided for in this case, no maximum amount (cap) applies with regard to the cash settlement.

Following the renewal of his service contract on 26 February 2021, Mr Pol was allocated a total of 500,000 share option rights under the 2021-2025 share option programme on 1 March 2021 with an exercise price per share option of EUR 24.41 with a term until 28 February 2029. These remuneration benefits are not affected by Mr Hans Pol's service contract, which will apply from 1 March 2025. The share options may expire to a fixed extent on four defined dates depending on the share price of SFC Energy AG. After a staggered vesting period of four to seven years from the allocation date, a quarter of the options that have not expired may be exercised at the defined reference price if certain performance targets are met. At the end of the reporting period, Mr Pol still had 125,000 option rights. In the event of an acquisition of control of SFC Energy AG within the meaning of Section 29 (2) of the German Securities Acquisition and Takeover Act and the exercise by Mr Hans Pol of his extraordinary right of termination provided for in this case, the share options that had not yet expired at the time of the submission of the takeover bid are to be paid out as cash compensation as follows at the time of the legal termination of the employment contract: Number of option rights to be paid out x (reference price - exercise price). The reference price – as determined by the Supervisory Board – corresponds to the offer price within the meaning of Section 31 para. 1 of the German Securities Acquisition and Takeover Act or the value of the bidder's shares potentially offered as optional consideration, which are not admitted to trading on an organised market within the meaning of Section 2 para. 7 of the German Securities Acquisition and Takeover Act, but only outside the European Economic Area, or a combination of both values, calculated in accordance with Section 7 of the bidding rules under the German Securities Acquisition and Takeover Act, or a combination of both values. In the event of a change of control and exercise by Mr Pol of his extraordinary right of termination provided for in this case, no maximum amount (cap) applies with regard to the cash settlement.

The agreements entered into with three managers of SFC Energy AG on the SAR programme 2020-2022, according to which each manager was allocated 15,750 SARs on 1 January 2020, were transferred to the share option programme 2020-2024 by resolution of the Management Board on 11 March 2024 on the basis of the resolution of the annual general meeting on 19 May 2020 with the approval of the Supervisory Board. The 2020-2024 share option programme now replaces the 2020-2022 SAR programme for these three managers. In connection with the transfer to the 2020-2024 share option programme, each manager was allocated a total of 21,000 share option rights with an exercise price per share option of EUR 1 and a term expiring on 31 December 2026 with effect from the allocation date of 1 January 2020. The share options may expire to a fixed extent on three defined dates depending on the share price of SFC Energy AG. After a staggered vesting period of four to six years from the allocation date, one third of the options that have not expired can be exercised at the defined reference price if certain performance targets are met. At the end of the reporting period, each manager was still entitled to a total of 12,000 share options. In the event of a change of control as defined in Section 29 (2) of the German Securities Acquisition and Takeover Act, the share options that had not yet expired on the date of the submission of the takeover offer are to be paid out as follows, irrespective of the expiry of the vesting period: Number of share options to be paid out x (reference price - exercise price). The specific reference price corresponds to the higher of (i) the offer price within the meaning of Section 31 (1) of the German Securities Acquisition and Takeover Act and (ii) the value of the shares of the bidder potentially offered as optional consideration, calculated in accordance with Section 7 of the bidding rules under the German Securities Acquisition and Takeover Act, which are not admitted to trading on an organised market within the meaning of Section 2 (7) of the German Securities Acquisition and Takeover Act, but only outside the European Economic Area.

There are also agreements under the Stock Option Programme 2021-2024 with two other managers of the SFC Energy Group. On 1 January 2021, one manager was allocated 22,800 share option rights with an exercise price per share option of EUR 15.50, with a term of seven years from allocation. On 5 May 2023, a further manager was allocated 22,800 share option rights with an exercise price per share option of EUR 21.12, with a term of seven years from allocation. The share options may expire to a fixed extent on three defined dates depending on the share price of SFC Energy AG. After a vesting period of four to six years from the allocation date, one third of the options that have not expired can be exercised at the defined reference price if certain performance targets are met. At the end of the reporting period, both managers were still entitled to 8,687 and 15,200 share options, respectively. In the event of a change of control as defined in Section 29 (2) of the German Securities Acquisition and Takeover Act, the share options that have not yet expired on the date of submission of the takeover bid are to be paid out as a cash settlement in accordance with defined ranges depending on the reference price; the amount is calculated based on the reference price less the exercise price, multiplied by the number of share options. The specific reference price corresponds to the offer price within the meaning of Section 31 (1) of the German Securities Acquisition and Takeover Act.

Corporate governance declaration

The corporate governance declaration in accordance with Section 289f and Section 315d of the German Commercial Code is published on the SFC Energy AG website (https://www.sfc.com/investoren/corporate-governance/erklaerung-zur-unternehmensfuehrung/).

Brunnthal. den 26 March 2025

SFC Energy AG
The Management Board

Dr. Peter Podesser (Chairman of the Management Board)	Daniel Saxena (Member of the Management Board)	Hans Pol (Member of the Management Board)

03

CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the International Financial Reporting Standards as adopted by the EU.
For the financial year January 1 to December 31, 2024

CONSOLIDATED FINANCIAL STATEMENTS FOR FINANCIAL YEAR 2024

Group income statement

FOR THE YEAR FROM 1 JANUARY UNTIL 31 DECEMBER 2024 EUR

	NOTE	2024 1 JAN. - 31 DEC.	2023 1 JAN. - 31 DEC.
Revenues	(1)	144,753,946	118,148,041
Cost of goods sold	(2)	-85,430,080	-71,354,043
Gross profit		**59,323,866**	**46,793,998**
Selling expenses	(3)	-16,673,565	-15,082,358
Research and development expenses	(4)	-7,269,079	-5,296,281
General administrative expenses	(5)	-20,859,934	-15,491,495
Other operating income	(6)	2,074,457	1,174,062
Other operating expenses	(7)	-1,679,456	-2,751,042
Change in impairment of financial assets	(30)	-1,178,798	-189,535
Earnings before interest and taxes (EBIT)		**13,737,491**	**9,157,349**
Interest and similar income	(8)	1,090,966	985,664
Interest and similar expenses	(8)	-879,997	-799,430
Earnings before tax		**13,948,460**	**9,343,583**
Income taxes	(9)	-4,593,739	11,718,646
Consolidated net result for the period		**9,354,721**	**21,062,229**
Attributable to the owners of SFC Energy AG		9,395,913	21,084,492
Attributable to non-controlling interests		-41,192	-22,263
Earnings per share	(33)		
Basic		0.54	1.21
Diluted		0.54	1.18

Consolidated Statement of Comprehensive Income

FOR THE YEAR FROM 1 JANUARY 1 UNTIL 31 DECEMBER 2024 EUR

	NOTE	2024 1 JAN. - 31 DEC.	2023 1 JAN. - 31 DEC.
Consolidated net result for the period		**9,354,721**	**21,062,229**
Other comprehensive income which will be recycled to profit or loss in the future:			
Differences from the translation of foreign subsidiaries		-148,028	-321,742
Changes in value recognised directly in equity (Total other comprehensive income)	(27)	**-148,028**	**-321,742**
Total comprehensive income for the year		**9,206,693**	**20,740,487**
Attributable to the owners of SFC Energy AG		9,241,512	20,773,165
Attributable to non-controlling interests		-34,819	-32,678

There are no deferred tax effects on the changes in value recognised directly in equity.

Consolidated Statement of Financial Position

ASSETS AS OF 31 DECEMBER 2024

EUR

	NOTE	31 DEC. 2024	31 DEC. 2023
Current assets		**135,476,142**	**121,258,735**
Inventories	(13)	30,593,449	25,043,347
Trade receivables	(14)	35,843,263	28,645,153
Contract assets	(15)	781,184	2,013,114
Income tax refund claims	(14)	36,538	0
Other assets and receivables	(16)	7,441,728	5,424,007
Cash and cash equivalents	(17)	60,494,360	59,847,494
Restricted cash and cash equivalents	(18)	285,620	285,620
Non-current assets		**58,653,299**	**55,140,522**
Intangible assets	(19)	20,710,765	19,819,787
Property, plant and equipment	(20)	22,579,288	16,943,596
Other assets and receivables	(16)	43,221	960,644
Deferred tax assets	(9)	15,320,025	17,416,495
Assets		**194,129,441**	**176,399,257**

Consolidated Statement of Financial Position

LIABILITIES AND EQUITY AS OF 31 DECEMBER 2024

EUR

	NOTE	31 DEC. 2024	31 DEC. 2023
Current liabilities		**39,123,807**	**33,578,134**
Income tax liabilities	(21)	1,696,112	1,331,652
Other provisions	(21)	4,109,758	2,108,107
Liabilities to banks	(22)	4,135,719	3,791,132
Liabilities from prepayments	(23)	21,300	178,982
Trade payables	(24)	15,554,573	12,890,047
Lease liabilities	(25)	2,579,283	2,200,030
Contract liabilities	(15)	2,234	1,470,035
Other liabilities	(26)	11,024,828	9,608,149
Non-current liabilities		**15,788,024**	**14,687,907**
Other provisions	(21)	3,143,927	2,188,891
Lease liabilities	(25)	11,427,512	10,363,153
Other liabilities	(26)	1,017,003	2,015,720
Deferred tax liabilities	(9)	199,582	120,143
Equity		**139,217,610**	**128,133,216**
Non-controlling interests		**-63,828**	**-29,009**
Attributable to the owners of SFC Energy AG		**139,281,438**	**128,162,225**
Subscribed capital	(27)	17,381,691	17,363,691
Share premium	(27)	175,026,938	173,167,237
Other changes in equity not recognised through profit and loss	(27)	-1,213,832	-1,059,431
Profit/loss carried forward	(27)	-61,309,272	-82,393,765
Consolidated net result for the period	(27)	9,395,913	21,084,493
Equity and liabilities		**194,129,441**	**176,399,257**

Consolidated Statement of Cash Flows

FOR THE YEAR FROM 1 JANUARY UNTIL 31 DECEMBER 2024 EUR

		NOTE	2024 1 JAN. - 31 DEC.	2023 1 JAN. - 31 DEC.
	Cash flow from operating activities			
	Earnings before tax		**13,948,460**	**9,343,583**
+/-	Interest result	(8), (34)	-210,969	-186,234
+	Depreciation and amortisation	(11), (19), (20)	6,452,300	5,461,673
+/-	Expenses/income under LTI programmes	(31)	1,441,880	47,401
+/-	Change in impairments	(13), (14)	953,332	1,082,188
+/-	Losses/gains on the disposal of non-current assets		15,507	-1,769
+/-	Income from business combinations		-671,878	0
+/-	Other non-cash income and expenses		-162,087	38,833
	Operating cash flow before changes in working capital		**21,766,545**	**15,785,675**
+/-	Increase / decrease in provisions	(21)	2,912,923	909,668
-/+	Increase / decrease in trade receivables	(14)	-8,421,789	-10,760,447
-/+	Increase / decrease in inventories	(13)	-1,947,183	-1,306,733
-/+	Increase / decrease in other receivables and assets	(15), (16)	136,893	-3,380,600
+/-	Increase / decrease in trade payables	(24)	2,751,149	3,976,755
+/-	Increase / decrease in other liabilities	(23), (26)	-718,182	-416,421
	Cash flow from operating activities before income taxes		**16,480,356**	**4,807,897**
+/-	Income tax refunds/payments	(9), (34)	-2,020,841	-1,231,947
	Cash flow from operating activities		**14,459,515**	**3,575,950**

Consolidated Statement of Cash Flows

FOR THE YEAR FROM 1 JANUARY 1 UNTIL 31 DECEMBER 2024 | EUR

		NOTE	2024 1 JAN. - 31 DEC.	2023 1 JAN. - 31 DEC.
	Cash flow from investing activities			
-	Investments in intangible assets from development projects	(19)	-3,159,584	-2,891,712
-	Investments in other intangible assets	(19)	-95,181	-1,312,692
-	Investments in property, plant and equipment	(22), (25)	-5,915,421	-2,243,012
+/-	Payments for the acquisition of business operations		-3,000,000	0
+	Interest and similar income received		1,088,635	832,331
-	Payments from the acquisition of restricted bank balances		0	99,307
+	Sale of non-current assets	(19), (20)	0	33,842
	Cash flow from investing activities		**-11,081,551**	**-5,481,936**
	Cash flow from financing activities			
+	Proceeds from the issue of equity instruments of the Company	(27)	18,000	0
–	Repayment of lease liabilities	(25)	-2,275,040	-1,893,296
–	Interest paid and similar expenses	(8), (34)	-838,614	-785,508
	Cash flow from financing activities		**-3,095,654**	**-2,678,804**
	Change in the cash flow components of cash and cash equivalents		**282,310**	**-4,584,790**
	Exchange rate-related and other changes in cash and cash equivalents		19,969	-106,828
	Cash and cash equivalents and current account overdrafts at the beginning of the reporting period	(18)	56,056,362	60,747,980
	Cash and cash equivalents and current account overdrafts at the end of the reporting period	(18), (34)	56,358,641	56,056,362
	Net change in cash and cash equivalents and current account liabilities		**282,310**	**-4,584,790**

Consolidated Statement of Changes in Equity

FOR THE YEAR FROM 1 JANUARY 1 UNTIL 31 DECEMBER 2024 — EUR

	NOTE	SUBSCRIBED CAPITAL	SHARE PREMIUM	OTHER CHANGES IN EQUITY NOT RECOGNISED THROUGH PROFIT AND LOSS	GROUP UNAPPROPRIATED SURPLUS / CUMULATIVE DEFICIT	TOTAL	NON-CONTROLLING INTERESTS	EQUITY
Amount on 1 Jan. 2023		**17,363,691**	**169,215,296**	**-748,104**	**-82,393,765**	**103,437,118**	**0**	**103,437,118**
Non-controlling interests from the formation of a subsidiary	(27)						**3,669**	**3,669**
Total comprehensive income for the period								
Consolidated net result					21,084,492	21,084,492	-22,263	21,062,229
Net result for the year from currency translation recognised directly in equity	(27)			-311,327		-311,327	-10,415	-321,742
Equity-settled share-based payments	(31)		**371,249**			**371,249**		**371,249**
Tax effect from capital measures			**3,580,692**			**3,580,692**		**3,580,692**
Amount on 31 Dec. 2023		**17,363,691**	**173,167,237**	**-1,059,431**	**-61,309,272**	**128,162,225**	**-29,009**	**128,133,216**
Total comprehensive income for the period								
Consolidated net result					9,395,913	9,395,913	-41,192	9,354,721
Net result for the year from currency translation recognised directly in equity	(27)			-154,401		-154,401	6,373	-148,028
Equity-settled share-based payments	(31)		**1,859,701**			**1,859,701**		**1,859,701**
Capital increase	(27)	**18,000**				**18,000**		**18,000**
Amount on 31 Dec. 2024		**17,381,691**	**175,026,938**	**-1,213,832**	**-51,913,359**	**139,281,438**	**-63,828**	**139,217,610**

Group Segment Report (part of the notes to the consolidated financial statements)

FOR THE YEAR FROM 1 JANUARY 1 UNTIL 31 DECEMBER 2024 EUR

	Clean Energy		Clean Power Management		Group	
	2024	2023	2024	2023	2024	2023
Revenues	100,605,618	79,031,554	44,148,328	39,116,487	144,753,946	118,148,041
Cost of goods sold	-53,739,475	-42,697,249	-31,690,605	-28,656,794	-85,430,080	-71,354,043
Gross profit	46,866,143	36,334,305	12,457,723	10,459,693	59,323,866	46,793,998
Selling expenses	-14,497,290	-12,820,057	-2,176,275	-2,262,301	-16,673,565	-15,082,358
Research and development expenses	-4,658,789	-3,352,996	-2,610,290	-1,943,285	-7,269,079	-5,296,281
General administrative expenses	-16,380,610	-11,282,263	-4,479,324	-4,209,232	-20,859,934	-15,491,495
Other operating income	1,988,399	1,107,705	86,058	66,357	2,074,457	1,174,062
Other operating expenses	-1,655,920	-2,661,652	-23,536	-89,390	-1,679,456	-2,751,042
Change in impairment of financial assets	-1,191,750	-230,203	12,952	40,668	-1,178,798	-189,535
Earnings before interest and taxes (EBIT)	10,470,183	7,094,839	3,267,308	2,062,510	13,737,491	9,157,349
EBIT adjustments	1,818,095	538,896	0	0	1,818,095	538,896
Adjusted EBIT	12,288,278	7,633,735	3,267,308	2,062,510	15,555,586	9,696,245
Amortisation and depreciation	-4,805,196	-4,128,653	-1,647,104	-1,333,020	-6,452,300	-5,461,673
EBITDA	15,275,379	11,223,492	4,914,412	3,395,530	20,189,791	14,619,022
EBITDA adjustments	1,818,095	538,896	0	0	1,818,095	538,896
Adjusted EBITDA	17,093,474	11,762,388	4,914,412	3,395,530	22,007,886	15,157,918
Financial result					210,969	186,234
Income from continuing operations					13,948,460	9,157,349
Income taxes					-4,593,739	11,718,646
Consolidated net result					9,354,721	21,062,229

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

04

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2024

General principles and scope of consolidation

Information on the Company

SFC Energy AG ("Company" or "SFC AG") is a stock corporation domiciled in Germany. The registered office of the Company is Eugen-Sänger-Ring 7, 85649 Brunnthal. The Company is entered in the commercial register of the Munich Local Court under HRB 144296. The main activities of the company and its subsidiaries ("SFC" or "Group") entail the development, production and marketing of products, systems and solutions for stationary and mobile off-grid energy supplies based on proton-exchange membrane (PEMFC) and direct methanol (DMFC) fuel cells for customers in the private, industrial and public sectors in various markets, the execution of the investments required for this purpose and all other related business. For the purpose of corporate management, the Group is organised according to technology platforms and has two reportable segments, "Clean Energy" and "Clean Power Management". The core business of the Clean Energy segment comprises the development, production including complete system assembly, marketing and supply of mobile and off-grid energy solutions based on fuel cells (PEMFC and DMFC).

The Clean Power Management segment focuses on the development, production and marketing of standardised and semi-standardised power management solutions such as voltage converters. The segment also includes business in frequency converters for the upstream oil and gas industry as well as other industries, some of which are integrated and some sold.

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

Summary of significant accounting policies

The 2024 consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) and the relevant interpretations of the IFRS Interpretations Committee (IFRIC or previously SIC), as endorsed by the European Union. The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards as endorsed by the European Union and the supplementary provisions of commercial law applicable under Section 315e (1) of the German Commercial Code (HGB).

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

The consolidated financial statements are prepared in euros (EUR). Unless otherwise stated, the figures in these notes to the consolidated financial statements are rounded to full euros (EUR). It should be noted that the use of rounded figures and percentages may result in differences due to commercial rounding.

The consolidated financial statements of SFC AG were prepared on the basis of historical acquisition or production costs. This does not include share-based payments, which were recognised at fair value on the reporting date. Historical acquisition and production costs are generally based on the fair value of the consideration paid in exchange for the asset. A corresponding explanation of the fair value measurements is provided in the accounting and valuation principles.

In addition, SFC AG has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

The consolidated income statement is prepared using the cost of sales method. The additional disclosures on the 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 are responsible for assessing the Group's ability to continue as a going concern. Furthermore, they are responsible for disclosing matters relating to the continuation of the company's activities, if relevant. In addition, the legal representatives of the Company are responsible for preparing the accounts on the basis of the going-concern premise, unless there is an intention to liquidate or cease operations of the Group or there is no realistic alternative to the going-concern premise. The consolidated financial statements 2024 of SFC AG were 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 and is convinced that the Group has sufficient funds to fulfil 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 submission to the Supervisory Board on 26 March 2025. The Supervisory Board is responsible for examining the consolidated financial statements and stating whether it approves them.

New accounting standards applied

The following standards and interpretations published by the IASB and endorsed by the EU Commission were applied for the first time in the year under review:

Amendments to IAS 1 – Classification of liabilities as current or non-current and amendments to IAS 1 – Non-current liabilities with covenants

In the fourth quarter of 2022, the International Accounting Board (IASB) announced that, forliabilities classified as non-currentthat are contingent on the fulfilment of conditions within 12 months of the reporting date, information must be disclosed in the notes that enables the users of financial statements to understand the risk that the liability could become repayable within 12 months of the reporting date. The information disclosed includes the carrying amount of the liability concerned, existing conditions (including their nature and the date on which the entity must fulfil them) and any facts and circumstances that indicate that the entity may have difficulty in meeting the conditions.

The EU Commission endorsed the amendments on 19 December 2023. This amendment and the previous amendments are to be applied to accounting periods beginning on or after 1 January 2024. There were no material effects on the Company's consolidated financial statements.

Amendments to IFRS 16 – "Lease liability in a sale and leaseback transaction"

The amendments require a seller/lessee to subsequently measure lease liabilities arising from a sale and leaseback transaction in such a way that it does not recognise any amount of gain or loss relating to the retained right-of-use asset. A seller/lessee is not prevented from recognising in the income statement gains or losses in connection with the partial or complete termination of a lease.

The EU Commission endorsed the amendments on 20 November 2023. These amendments are to be applied in accounting periods commencing on or after 1 January 2024. There were no material effects on the Company's consolidated financial statements.

Amendments to IAS 7 and IFRS 7 – "Supplier Finance Arrangements"

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

The EU Commission endorsed the amendments on 16 May 2024. These amendments are to be applied in accounting periods commencing on or after 1 January 2024. There were no material effects on the consolidated financial statements.

New accounting standards not yet implemented

The following new and revised standards, which SFC has not early applied early for 2024, had been published by the IASB as of the date on which these consolidated financial statements were prepared and have been partially endorsed by the EU Commission:

Amendments to IAS 21 – "Lack of exchangeability"

The amendment clarifies when a currency is exchangeable into another currency and when it is not. It also includes guidance on how an entity is to determine the closing rate to be applied when a currency is not exchangeable. Guidance is also provided on the disclosure of additional information if a currency is not exchangeable.

The EU Commission endorsed the amendments on 16 November 2024. These amendments are to be applied in accounting periods commencing on or after 1 January 2025. This is not expected to have any material effects on the Company's consolidated financial statements.

Amendments to IFRS 9 and IFRS 7 – "Classification and measurement of financial instruments"

The amendments affect the following areas:

- Classification of financial assets,
- Derecognition of a financial liability settled by electronic payment transactions,
- Disclosures on financial assets and financial liabilities with contractual terms that change the timing or amount of the contractual cash flows, and
- Disclosures on equity instruments measured at fair value through other comprehensive income.

Subject to endorsement by the European Commission, the amendments are to be applied in accounting periods beginning on or after 1 January 2026. This is not expected to have any material effects on the Company's consolidated financial statements.

Amendments to IFRS 9 and IFRS 7 – "Contracts for referencing nature-dependent electricity"

The amendments are intended to improve the presentation of power purchase agreements in financial statements. They contain clarifications on the application of the own use exemption to power purchase agreements. In addition, the guidance on hedge accounting which fulfil certain requirements has been modified. It also introduces additional disclosure requirements to enable investors to understand the impact of these contracts on an entity's financial performance and future cash flow.

Subject to endorsement by the European Commission, the amendments are to be applied in accounting periods beginning on or after 1 January 2026. This is not expected to have any material effects on the Company's consolidated financial statements.

Annual improvements to IFRS

ANNUAL IMPROVEMENTS TO IFRS – VOLUME 11

Standard	Type of amendment	Details of the amendments
IFRS 1 First-time adoption of IFRS	Hedge accounting by a first-time adopter	Amendments to the wording in IFRS 1 to reflect IFRS 9 and inclusion of a cross-reference to improve the comprehensibility of the requirements
IFRS 7 Financial Instruments: Disclosures	Gain or loss on derecognition	Adjustment of outdated cross-references to IFRS 13
	Disclosure of the deferred difference between the fair value and the transaction price	Adjustment of the wording in IFRS 7.IG14 to reflect IFRS 13
	Disclosures on credit risk	Clarification that the implementation guidance does not illustrate all requirements in IFRS 7
IFRS 9 Financial Instruments	Derecognition of a lease liability by the lessee	Insertion of a cross-reference to clarify that a gain or loss from the repayment of the lease liability must be recognised in profit or loss
	Transaction price	Deletion of the cross-reference to the definition of the transaction price in IFRS 15
IFRS 10 Consolidated Financial Statements	Determination of a de facto agent	Elimination of an inconsistency in IFRS 10.B74 for determining the de facto agent
IAS 7 Statement of Cash Flows	The cost method	Correction of an unadjusted reference from a previous amendment to the standard

Subject to endorsement by the European Commission, the amendments are to be applied in accounting periods beginning on or after 1 January 2026. This is not expected to have any material effects on the Company's consolidated financial statements.

IFRS 18 – "Presentation and Disclosures in Financial Statements"

IFRS 18 will replace IAS 1 in future, with many of the requirements in IAS 1 remaining unchanged and being supplemented by new requirements. In addition, some paragraphs from IAS 1 have been moved to IAS 8 and IFRS 7. The IASB has also made minor amendments to IAS 7 and IAS 33. IFRS 18 introduces the following new requirements in particular:

- Presentation of certain categories and defined subtotals in the income statement,
- Disclosure of key performance indicators defined by management (management performance measures or MPMs) in the notes; and
- Observance of new guidelines on the grouping of information in IFRS financial statements (aggregation and disaggregation).

Subject to endorsement by the European Commission, the amendments are to be applied in accounting periods beginning on or after 1 January 2027. Earlier adoption is permissible. The amendments to IAS 7 and IAS 33 as well as the revised IAS 8 and IFRS 7 come into force when an entity applies IFRS 18, meaning that all amendments must be applied for the first time simultaneously. IFRS 18 requires retrospective application with specific transitional provisions.

IFRS 18 will have an impact on the presentation and disclosures in the consolidated financial statements of SFC AG. The aforementioned effects and necessary adjustments are currently being analysed.

IFRS 19 – "Subsidiaries without public accountability - Disclosures"

IFRS 19 enables qualified subsidiaries to apply the full IFRS but with reduced disclosure requirements. A subsidiary may apply IFRS 19 if it is not publicly accountable and its ultimate or intermediate parent prepares publicly available consolidated financial statements that comply with the full IFRS.

Subject to endorsement by the European Commission, the amendments are to be applied in accounting periods beginning on or after 1 January 2027. This is not expected to have any material effects on the Company's consolidated financial statements.

Estimation uncertainties and discretionary decisions

The preparation of the consolidated financial statements in accordance with IFRS requires management to make certain assumptions that affect the application of accounting policies and the carrying amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the reporting date and the income and expenses recognised in the reporting period. The actual amounts arising in future periods may differ from these estimates. The estimates and underlying assumptions are reviewed by management on an ongoing basis. Changes are recognised in profit or loss when better knowledge becomes available. In addition, the carrying amounts of such assets and liabilities are stated as of the reporting date.

The application of the Group's accounting policies is also subject to various discretionary judgements by the management.

"Discretion" refers to the need to make assumptions regarding recognition or measurement when applying accounting policies. Estimation uncertainties arise in the selection of measurement methods to be applied, particularly with regard to the parameters to be used therein. Depending on the availability and reliability of input factors, the degree of estimation uncertainty can vary greatly.

In preparing these consolidated financial statements, the significant judgements made by the Company's management regarding the Group's accounting policies were exercised consistently with those applied to the consolidated financial statements as of 31 December 2023.

The assumptions and estimates essentially 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 an analysis of all possible future warranty cases weighted by their probability. The non-current portion of the provisions calculated 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 useful lives determined for non-current 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 year under review. In connection with business combinations, the useful lives of customer relationships were determined on the basis of statistical analyses including management estimates, and the useful life of the acquired technology was determined on the basis of empirical data relating to the average product life cycle in the industry (see explanations on "Intangible assets" in the "Accounting and measurement principles" section).

Capitalisation requirement for internally generated intangible assets

If all the requirements of IAS 38 are met cumulatively, the direct costs and overheads directly attributable to the development process are capitalised.

When the asset begins to be used commercially, it is depreciated on a straight-line basis over a period of generally five years. Impairment testing of development projects that have not yet been completed but have already been capitalised is carried out at the product level.

Research and development costs that cannot be capitalised are recognised in profit or loss.

Recognition of deferred tax assets, in particular on unused tax losses

Deferred tax assets are recognised on the Company's unused tax losses based on taxable earnings planning. See note (9) Income taxes.

Measurement of share-based payment

The Company's Supervisory Board has implemented a virtual stock option programme (stock appreciation rights programme - SAR), a stock option programme (SOP) and a performance share programme (PSP) (jointly "LTI programmes") with the aim of aligning the interests of shareholders with those of the Management Board. These LTI programmes provide for the allocation of virtual and non-virtual share options to the members of the Management Board and to managers. Note (31) contains information on the estimated measurement parameters used in the model to determine the resulting expenses.

Revenue realisation upon order development

SFC carries out contract developments under joint development agreements ("JDA"). SFC Energy Ltd. also has long-term customer orders that are recognised using the over-time revenue recognition method in accordance with IFRS 15. In the case of contracts for which the service is performed over time, revenue is recognised according to the stage of completion. The stage of completion is measured on the basis of the contract costs incurred up to the reporting date in relation to the total expected contract costs (cost-to-cost method). The contract costs incurred are the best measure for determining the stage of completion of the performance obligation. In this context, the main estimates include the total contract costs, the costs to be incurred up to completion and the total contract revenue and contract risks. The estimates are reviewed regularly and adjusted if necessary.

Leases – estimation of the incremental borrowing rate and inclusion of extension and cancellation options

As the Group cannot determine the interest rate on which the leases are based, SFC uses a lessee-specific incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the interest rate that the lessee would have to pay if it were to borrow the funds it would need in a comparable economic environment for an asset with a value comparable to the right-of-use asset for a comparable term with comparable security. The Group estimates the incremental borrowing rates using observable input factors, if these are available, and must make certain company-specific estimates.

In addition, a number of the Group's lease agreements, particularly for real estate, contain extension and cancellation 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 discretionary judgement. When determining the term of the lease, all facts and circumstances that provide an economic incentive to exercise extension or not to exercise cancellation options are taken into account. When determining the term, such options are only taken into account if they are sufficiently certain.

Impairment of non-financial assets

The Group assesses all non-financial assets at each reporting date to determine whether there are any indications of impairment. Goodwill is tested for impairment 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 involves estimates by the Company's management.

Recoverability of receivables

Allowances for receivables that are expected to be unrecoverable are estimated by management on the basis of the expected credit loss model and the current economic environment. See note (30) "Financial instruments".

Measurement of inventories

As part of the subsequent measurement of inventories on the basis of the net realisable value, discretionary decisions are made at the individual product level with regard to the usability of inventories in production and their marketability.

Reporting entity structure

The consolidated financial statements include SFC AG and all companies that the Company controls directly or indirectly. Control exists if the Company can exercise power of disposal over the investee, is exposed to fluctuating returns from its investment and can influence the amount of the returns due to its power of disposal. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that one or more of the above three criteria for control have changed.

If the Company does not hold a majority of the voting rights, it nevertheless controls the investee if it has the practical ability to unilaterally determine the relevant activities of the investee through its voting rights. In assessing whether its voting rights are sufficient for the power of determination, the Company takes into account all facts and circumstances, including

- the extent of the voting rights held by the Company in relation to the extent of the distribution of 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 agreements; and
- other facts and circumstances that indicate that the Company has or does not have the current ability to determine the relevant activities at the times at which decisions must be made, taking into account the voting behaviour at previous general or shareholders' meetings.

The consolidated financial statements therefore comprise SFC Energy AG as the parent company, SFC Energy Group B.V. acquired in 2011 and its subsidiary SFC Energy Power Srl, SFC Energy Ltd. (formerly Simark Controls Ltd.) acquired in 2013, SFC Energy India Private Ltd, SFC Energy UK Ltd, SFC Clean Energy Srl and SFC Energy LLC, which were incorporated in 2023 and SFC Energy Denmark ApS, which was incorporated in 2024. 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 consolidated companies, which are prepared in accordance with national law, were reconciled with IFRS and aligned with the Group's standardised accounting and valuation methods. With the exception of SFC Energy Pvt. Ltd. India, 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 consolidated subsidiaries as of 31 December 2024 are shown in the following table

FULLY CONSOLIDATED SUBSIDIARIES in %

Company	Seat	Share in capital			Currency
		Direct	Indirect	Total	
SFC Energy Ltd.	Calgary (Canada)	100.00	–	100.00	CAD
SFC Energy B.V.	Almelo (Netherlands)	100.00	–	100.00	EUR
SFC Energy Power Srl.	Cluj-Napoca (Romania)	–	100.00	100.00	RON
SFC Energy India Private Ltd.	Gurgaon (India)	92.00	-	92.00	INR
SFC Energy UK Ltd.	Swindon (UK)	100.00	-	100.00	GBP
SFC Clean Energy Srl.	Cluj-Napoca (Romania)	100.00	-	100.00	RON
SFC Energy LLC	Wilmington (United States)	100.00	-	100.00	USD
SFC Energy Denmark ApS	Aarhus (Denmark)	100.00	-	100.00	DKK

In the year under review, 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 gain access to and use the Group's assets or to settle the Group's liabilities.

Business combinations

Together with its newly incorporated Danish subsidiary SFC Denmark ApS, the Company has acquired selected assets in connection with the stationary hydrogen applications of Ballard Power Systems Europe A/S, Denmark ("Ballard"). Ballard is a provider of hydrogen-based fuel cells for stationary power solutions and a subsidiary of Ballard Power Systems Inc., a pioneer in proton exchange membrane fuel cells headquartered in Vancouver, Canada.

The strategic acquisition of assets from Ballard includes in particular various testing, production, service and other facilities, inventories as well as customer and supplier agreements and customer service contracts. The acquired assets represent a business within the meaning of IFRS 3.

The aim is to use the acquired assets to further expand the SFC Group's technology and market leadership in hydrogen-based fuel cells, particularly solutions below 50 kW. The two proven hydrogen-based fuel cells with an output of 1.7 kW and 5.0 kW complement the SFC Group's existing energy solutions. The standardised design of these fuel cells enables several modules to be clustered, thereby extending the power range and application possibilities.

The acquisition also includes long-term maintenance contracts (subject to customer approval) for the base already installed by Ballard at around 400 locations in Northern Europe (including Denmark, Norway, Sweden and Finland). The established customer relationships and maintenance contracts form the basis for accelerated market access in this region. Under the transaction, SFC Denmark ApS will also make a future offer to retain selected Ballard employees with key expertise.

In order to ensure business continuity for existing customers, SFC Denmark ApS has entered into a long-term supply agreement with Ballard. This contract ensures the continuous availability of critical components and support from Ballard, thus maintaining the high level of service and reliability.

The acquisition of the assets for stationary hydrogen fuel cell solutions in the power range below 50 kW will actively drive market consolidation. The installed base and the associated established customer relationships form a solid foundation for further expansion in Northern Europe, followed by other regions. This is being driven forward by the establishment of SFC Denmark ApS.

The assets recognised in connection with the acquisition are listed in the following table; no liabilities were acquired:

ASSETS ACQUIRED – FAIR VALUES

	EUR 29 Nov. 2024
Current assets	
Inventories	3,418,878
Non-current assets	
Intangible assets: order backlog	18,000
Intangible assets: expertise (IP)	88,000
Property, plant and equipment	147,000
Acquired identifiable net assets	**3,671,878**
Less negative goodwill	**-671,878**
Acquired net assets	**3,000,000**

The consideration comprises a cash payment of EUR 3,000,000 and was paid in full. Cash and cash equivalents were not acquired; the net cash outflow from the acquisition therefore totalled EUR 3,000,000 and is allocated to cash flow from investing activities.

The negative difference of EUR 671,878 resulting from the acquisition is the difference between the consideration paid and the fair value of the assets acquired. Due to restructuring measures at Ballard and low demand for hydrogen plants, the agreed price was below the market value of the identified assets. The income resulting from the negative goodwill from the business combination was recognised within the cost of sales.

The Group incurred costs of EUR 339,282 for legal advice and due diligence reviews in connection with the business combination. These costs are included within administrative expenses.

The acquired business contributed EUR 519,760 to consolidated revenues and EUR -41,962 to consolidated earnings for the period between the acquisition date and the reporting date.

Summary of significant accounting policies

Recognition of revenues

While the Clean Energy segment comprises all hydrogen and methanol fuel cell systems and the automation solutions often associated with them, the Clean Power Management segment pools power electronics and frequency converters.

SFC AG's revenues are generated from the sale of fuel cell systems. Revenues from fuel cell solutions and related accessories are combined in the "Clean Energy" segment. The segment's core target markets and the energy solutions it offers comprise the market for industrial applications, including civil security technology/video surveillance, the market for public security, including homeland security and defence, and the market for private applications, including caravanning and boating. The Power Manager is also used in the core target market for public security. The Power Manager product is an electronic, universally applicable converter that allows various end devices and batteries to be charged and operated with different power sources. Revenues are also generated from sales of fuel cartridges and other products for network solutions as well as from other services and consulting in the area of public safety. The subsidiaries SFC Energy India Private Ltd, SFC Energy UK Ltd, SFC Clean Energy Srl, SFC Energy LLC and SFC Energy Denmark ApS, which was incorporated in the year under review, are allocated to the Clean Energy segment.

SFC Energy B.V. (hereinafter referred to as "SFC B.V.") is allocated to the "Clean Power Management" segment. SFC B.V. develops, produces and markets customised high-tech power supply solutions, from power supply units to fully integrated power systems for manufacturers of industrial plant and equipment. SFC B.V. converts these solutions, partly via platform solutions, into marketable products with an integrated high-power platform. This ensures the reliable, high-quality processing of grid electricity exactly according to the specific requirements of the system. The Power Supplies adapt the electrical output to the energy required by the system on a modular basis. SFC B.V. addresses demanding customer requirements on the basis of its proprietary SFC B.V. Technology. This compact, scalable power supply technology, which is offered via the "Clean Power Management" segment, offers maximum flexibility in the development and production of standardised and semi-standardised high-performance and high-precision power supplies for demanding industrial applications, e.g. laser technology and other high-tech industrial sectors. Some SFC B.V. products are manufactured at its Romanian subsidiary in Cluj.

SFC Energy Ltd. (hereinafter referred to as "SFC Ltd.") sells and develops customer solutions as a product integrator for high-tech power supplies, instrumentation and automation products in the Canadian oil & gas industry and elsewhere. The product portfolio of SFC Ltd. includes instrumentation and measuring systems, power supply components and drives for various applications and generates revenues in the two segments "Clean Energy" and "Clean Power Management".

These revenues are generally recognised at the point in time (or over the period) when the performance obligation is fulfilled, i.e. control over the goods or services in question is transferred to the customer. This is the case if the customer has the opportunity to utilise the asset and receives substantially all of the remaining economic benefits from the asset.

Revenues are recognised when the amount of the expected consideration can be reliably determined, it is sufficiently probable that the economic benefits associated with the sale will flow to the Company and the Company's own costs can be estimated. SFC therefore recognises revenue from the sale of products when control has been transferred to the buyer. The majority of revenues is realised through the sale of products at a point in time when control over the goods has been transferred (change of control). A receivable is recognised at this point in time, as the claim to consideration is unconditional at this point in time and becomes due for settlement over time from that point in time. Customer discounts and rebates as well as returned goods are always recognised as a reduction in revenue. Provisions for customer accounts and discounts as well as returns are recognised on an accrual basis in accordance with the underlying revenues. The management uses the best possible estimates for this purpose. Estimated amounts of variable consideration, which can only be recognised under certain conditions, are not included in expected revenues.

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

Contracts with customers are also reviewed for separate performance obligations. This is particularly important for revenues that grant an additional guarantee beyond the statutory guarantee period. In this context, SFC accrues payments for multi-year maintenance contracts for the part that exceeds the legal minimum and recognises these revenues in instalments over the contractual warranty period. Extended warranties and multi-year maintenance contracts generally have terms of between 2 and 5 years. In the case of multiple performance obligations, the transaction price is allocated to all performance obligations on the basis of the relative individual selling prices, which are generally directly observable.

The determination of the transaction price depends on the consideration expected from the customer for the service to be provided. Where SFC contracts can be assumed to have only one performance obligation, the transaction price attributable to the respective performance obligation is recognised as revenues, less estimated customer discounts and rebates, as soon as the corresponding performance obligation is satisfied. Once payment has been received, the revenues are adjusted by an amount equalling actual payment. As the performance obligations are significantly shorter than one year, the obligations outstanding as of the reporting date are not included in the notes to the consolidated financial statements. SFC makes use of the option under IFRS 15.121 (a), according to which no financing component is recognised for short-term performance periods.

SFC develops fuel cells customised to the customer's needs under joint development agreements ("JDA"). These are contract developments carried out by the Company in conjunction with various public-sector clients.

If the costs of a construction contract can be determined with sufficient certainty, the contract revenues and contract costs associated with this construction contract are recognised in accordance with the stage of completion 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.

The long-term development contracts and long-term contract manufacturing services provided by SFC Ltd. are recognised using the over-time revenue recognition method. Accordingly, performance obligations are fulfilled continuously over time if the Company's performance creates or extends an asset over which the customer has power of disposal or an asset is created for which the Company has no alternative use and the customer receives a benefit from this at the same time as the services are rendered or another company would not essentially have to perform the work already performed again if the performance obligations were assumed or the Company has a claim to payment for the work already performed and assumes that it will also fulfil the contract. Revenues from continuous performance obligations determined in this way are recognised in accordance with the stage of completion on the basis of the transfer of control over goods or services as described above, provided that this can be reliably determined. The stage of completion to be recognised for each order is determined by comparing the costs incurred with the expected total costs (cost-to-cost method). Orders are recognised under contract assets or liabilities. As a rule, progress invoices are agreed with the customer for production orders. If the accumulated services (contract costs incurred and recognised profits) exceed the progress billings in individual cases, the construction contracts are recognised as contract assets. If a negative balance remains after deduction of the partial settlement, it is recognised as a contract liability.

If the outcome of a construction contract can be reliably estimated, the contract revenues and contract costs associated with this construction contract are recognised in accordance with the stage of completion 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.

Recognition of expenses

The cost of sales and operating expenses are recognised as an expense when the service is used or at the time they arise.

Measurement at fair value

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

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

In connection with the measurement of the fair value of a non-financial asset, allowance is made for the market participant's ability to generate economic benefits via the highest and best use of the asset or via the sale of the asset to another market participant who finds the highest and best use for the asset.

As fair value is not always observable as a market price, the Group uses valuation techniques that are appropriate in the applicable circumstances and for which sufficient data is available to measure fair value. The use of relevant observable inputs must be maximised while minimising the use of unobservable inputs.

All assets and liabilities whose fair value is measured and recognised in the financial statements are assigned to the following fair-value hierarchy in accordance with IFRS 13 based on inputs for the lowest level which is generally material for measuring fair value:

- Level 1: Prices quoted in active markets for identical assets or liabilities (non-adjusted).
- Level 2: Measurement process in which the inputs are directly or indirectly observable on the market.
- Level 3: Measurement process in which the input for the lowest level is not observable on the market.

Intangible assets

Intangible assets acquired separately, i.e. not as part of a business combination, with a determinable useful life are recognised at historical cost less straight-line amortisation. Intangible assets are generally amortised on a straight-line basis over their useful economic life. The applicable periods are as follows:

ERP software	5 – 8 years
Software	3 – 10 years
Acquired and internally generated patents	5 – 14 years
Licences acquired	2 – 5 years
Development costs	5 years

Customising costs for the ERP software acquired are allocated to intangible assets as transaction costs. Amortisation is recognised on a straight-line basis over the useful life of the ERP software.

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

- The completion of the intangible asset is technically feasible so that it will be available for use or sale.
- There is an intention to complete the project and either own use or commercialisation is planned.
- It is possible to use or sell the intangible asset.
- Adequate technical, financial and other resources must be available to complete the development.
- The development costs must be covered with sufficient probability by future cash inflows, i.e. a corresponding future economic benefit is realised.
- It is possible to reliably determine the expenses attributable to the development of the intangible asset.

Capitalised development costs are amortised on a straight-line basis over the expected useful life of the assets. The useful life of the development costs to be amortised is 5 years at SFC AG and SFC B.V. If the requirements for capitalisation are not satisfied, the expenses are recognised in profit or loss in the year in which they are incurred. Research costs are recognised as current expenses in accordance with IAS 38.

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

Goodwill resulting from business combinations is recognised at historical cost less any necessary impairment losses (see “Impairment of non-financial assets”).

Property, plant and equipment

Property, plant and equipment are recognised at historical cost less systematic depreciation in accordance with their expected useful lives. In addition to direct costs, historical cost includes all directly attributable costs necessary for it to be capable of operating in the manner intended by management.

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

- Technical equipment and machinery 3 – 10 years
- Other equipment, operating and business equipment 1 – 14 years

Borrowing costs

If the construction phase of property, plant and equipment extends over a longer period of time, the borrowing costs incurred up to completion are capitalised as part of the cost of acquisition or construction in accordance with IAS 23. No borrowing costs were incurred in this connection in the year under review or the previous year. In this respect, all borrowing costs were recognised in profit or loss in the period in which they were incurred.

Impairment of non-financial assets

The recoverability of the capitalised carrying amount of intangible assets and property, plant and equipment is reviewed on the basis of the future cash flows expected from their use (discounted at an interest rate appropriate to the time and risk involved) and on the basis of the fair value less costs to sell (impairment test) if particular events or market developments indicate a possible correction of the estimated useful life or a possible decline in value. In addition, intangible assets not yet ready for use are tested annually for impairment. If the net carrying amount of assets is greater than the recoverable amount (higher of value in use and fair value less costs to sell), an impairment loss is recognised. When the expected future cash flows are determined, the current and expected future earnings as well as business segment-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.

In the event of any ensuing reversal of the impairment loss, the carrying amount of the asset (or the cash-generating unit) is increased to reflect the new estimate of the recoverable amount. The increase in the carrying amount is limited to the amount which would have arisen had no impairment been recorded for the asset or cash-generating unit in previous periods. The reversal of impairment losses is recognised in profit and loss.

For the purposes of impairment testing, goodwill acquired in a business combination is allocated at the acquisition date to the cash-generating units of the Group that are expected to benefit from the business combination.

Goodwill must be tested for impairment at least once a year. If there are indications that a unit is impaired, it may be necessary to carry out 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 recognised. 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 the other assets in proportion to their carrying amounts. Any impairment of goodwill is recognised directly in the income statement. In accordance with IAS 36, impairment losses on goodwill are not reversed.

Leases

A lease is a contract that transfers the right to use an asset (right-of-use asset) for an agreed period in return for payment.

Since 1 January 2019, SFC, as a lessee, has generally recognised right-of-use assets and liabilities for the payment obligations entered into. Exceptions to this are short-term leases (defined as leases with a term of 12 months or less) and leases of low-value assets (e.g. IT equipment as defined in IFRS 16.B6), for which the Group makes use of the recognition exemption in accordance with IFRS 16.5. The right-of-use asset is initially measured at the present value of the future lease payments plus initial direct costs and subsequently amortised over the term of the lease or adjusted for impairment. The lease liability is measured at the time of addition as the present value of the lease payments to be made during the term of the lease. For the purposes of subsequent measurement, the carrying amount is compounded at the interest rate applied and reduced by lease payments made. The SFC Group's lease payments are discounted using a lessee-specific incremental borrowing rate.

The following lease payments are taken into account when recognising lease liabilities:

- Fixed payments less lease incentives provided by the lessor,
- Variable payments that depend on an index or interest rate,
- Expected residual value payments under residual value guarantees,
- The exercise price of a call option if the exercise is considered sufficiently certain, and
- Penalties for terminating the lease if the lease term takes into account the fact that a termination option is exercised.

As the exercise of existing purchase options is not considered sufficiently certain, the exercise price of a purchase option is not recognised in the lease liability.

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

- There is a change in the lease term or there is a significant event or a significant change in the circumstances leading to a revised assessment with regard to 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.

- There is a change in the lease payments resulting from a change in an index or a rate used to determine those payments or a change in the amounts expected to be payable under a residual value guarantee. In these cases, the lease liability is remeasured by discounting the adjusted lease payments with an unchanged lease payment (unless the change in the lease payment is due to a change in a variable interest rate, In which case an updated interest rate must be applied).

- A leased is modified and such lease modification is not recognised as a separate lease. In this case, the lease liability is remeasured on the basis of the term of the modified lease by discounting the modified lease payments with a revised interest rate as of the effective date of the change.

In the year under review, such remeasurement was necessary due to the extension of a rental agreement for a building. The original lease did not include an option to extend.

Right-of-use assets are measured at historical cost, which is broken down as follows:

- Lease liability,
- Lease payments made on or before the leased asset becomes available less any lease incentives received,
- Initial direct costs

The Group applies IAS 36 to determine whether a right-of-use asset is impaired. For further details, please refer to the section entitled "Impairment of non-financial assets".

The capitalised right-of-use assets are therefore recognised at amortised cost and amortised on a straight-line basis over the period of the contractual relationship. The amortisation periods are based on the contracts currently in place for:

- Rights-of-use assets 3 - 10 years

Inventories

Raw materials and supplies are recognised at the time of acquisition at historical cost plus transaction costs less purchase price reductions. Finished and unfinished goods are capitalised at historical cost. In addition to the direct costs, these also include the production and material overheads.

Inventories are subsequently measured on the basis of the net realisable value on the reporting date. The weighted average method is used as the consumption sequence method.

Financial assets

In accordance with IFRS 9, the classification and measurement approach for financial assets reflects the business model in 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 amortised cost;
- Debt instruments measured at fair value through other comprehensive income (FVOCI), whereby the accumulated gains and losses are recycled to the income statement when the financial asset is derecognised (recycled to profit and loss);
- Debt instruments, derivatives and equity instruments measured at fair value through profit or loss (FVTPL);
- Equity instruments measured at fair value through other comprehensive income, with gains and losses recognised in other comprehensive income (FVOCI) (not recycled to profit and loss).

A purchase or sale of financial assets in line with standard market practice is recognised or derecognised either on the transaction or settlement date. The method selected must be applied consistently to all purchases and sales of financial assets that are classified in the same way in accordance with IFRS 9. In accordance with IFRS 9, financial assets are initially recognised at fair value, irrespective of the measurement category to which a financial instrument is assigned. This does not include trade receivables without a significant financing component. These are initially recognised at the transaction price. Transaction costs must also be included if financial instruments are subsequently measured at amortised cost or FVOCI.

The subsequent measurement of financial instruments depends on their classification. The classification of financial assets 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 amortised 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 amortised cost.

- Amortised cost: Assets that are held to collect contractual cash flows and these cash flows exclusively represent payments for principal and interest, are measured at amortised cost. Interest income from these financial assets is recognised in financial income using the effective interest method. Gains and losses from the derecognition of the asset are reported directly in profit and loss and – together with currency translation gains and losses – included in other operating expenses and income. Impairments are recognised in the income statement.

- Measured at fair value through other comprehensive income (FVOCI): Assets that are held to collect the contractual cash flows and for sale of the financial assets and for which the cash flows constitute solely payments of principal and interest are measured at fair value through other comprehensive income. Movements in the carrying amount are recognised in OCI with the exception of the recognition of impairment reversals or losses, interest income and foreign currency gains and losses, which are recognised in the income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is recycled from equity to the income statement. Interest income from these financial assets is recognised in financial income using the effective interest method.

- Measured at fair value through profit or loss (FVPL): Assets that do not meet the criteria for amortised 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 recognised in the income statement in the period in which it arises.

As in the previous period, no financial assets were designated as "at fair value through profit or loss" category in the Group as of the reporting date.

The financial assets measured at amortised cost using the effective interest method are, in particular, trade receivables, other financial assets and receivables as well as cash and cash equivalents.

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

Impairment of financial assets

To determine the expected credit loss for trade receivables in accordance with IFRS 9, SFC applies the simplified approach for determining risk provisioning ("expected credit loss model"), 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 loss, a specific valuation allowance is recognised for the corresponding receivables. Risk provisions for expected credit losses on receivables for which no loss allowances have been recognised are calculated based on the customer group-specific maturity profile of trade receivables. These are grouped into bands according to risk level and overdue status. The historical default rates used for this purpose are adjusted to allow for forward-looking information such as economic market conditions and general future risks. In individual cases, loss allowances are also recognised for trade receivables in the event of significant financial difficulties on the part of customers or a breach of contract, such as non-payment.

The expected credit loss approach generally utilises a three-level procedure for the allocation of loss allowances:

Level 1 includes all contracts with no material increase in credit risk since initial recognition and regularly includes new contracts and those with payments that are less than 31 days past due. The portion of the lifetime expected credit loss of the instrument that is attributable to a default within the next twelve months is recognised.

If a financial asset has had a significant increase in credit risk since initial recognition, but is not credit-impaired, it is assigned to Stage 2. The expected credit losses measured over the entire term of the financial asset on the basis of possible payment defaults are recognised.

If a financial asset is credit-impaired, it is assigned to Stage 3. The expected credit losses measured over the entire term of the financial asset are recognised. Objective evidence that a financial asset is impaired is if it is 91 days past due or other information is available about significant financial difficulties on the part 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 into account both external rating information and internal information on the credit quality of the financial asset.

A financial asset is transferred to Stage 2 if there has been a significant increase in credit risk since initial recognition. SFC assesses 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 a financial asset has become credit-impaired and is assigned to level 3, the effective interest income is determined on the basis of the net carrying amount (gross carrying amount less loss allowance).

Expected credit losses are calculated on the basis of the following factors:

- Neutral and probability-weighted amount;
- The time value of money;
- Appropriate and reliable information (provided that this is available without unreasonable cost and time) as of the reporting date about past events, current circumstances 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 takes into account all relevant information available. In addition to historical and current information on losses, appropriate and reliable forward-looking information is also included.

Trade receivables are recognised at amortised cost less appropriate loss allowances for identifiable credit risks, which corresponds to the market value. Other financial assets and receivables are also recognised at amortised cost.

Offsetting and derecognition

Financial assets and financial liabilities are only offset and reported as a net amount on the face of the statement of financial position if the Company currently has a legally enforceable right to offset the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Financial assets and liabilities are not offset in the year under review.

Receivables are derecognised when the rights to payment under the financial assets expire or they have been transferred to third parties together with substantially all risks and opportunities arising from ownership.

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

Government subsidies

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

If the development costs are capitalised in accordance with IAS 38 "Intangible Assets", the grants for assets are recognised as a reduction from the historical costs of the asset concerned.

If the requirements for capitalisation are not met, the grants are recognised directly in profit or loss as a reduction from research and development costs and general administrative expenses.

Subsidies for investments are deducted from historical costs.

Subsidies for wage costs are recognised in the cost of sales, selling expenses, research and development expenses and general administrative expenses.

Deferred and current taxes

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

Deferred tax assets and deferred tax liabilities are netted only if there is an enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes from the same tax authority, either for the same taxable entity or for different taxable entities that intend, in each future period in which to settle current tax liabilities and claims for reimbursement on a net basis or to settle the obligations simultaneously with the realization of the claims.

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

Deferred tax assets and liabilities are recognised under non-current assets and liabilities.

Deferred tax assets and liabilities are not discounted.

Deferred taxes are calculated on the basis of the tax rates applicable at the time of realisation on the basis of the current legal situation.

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

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

Short-term and other long-term employee benefits

For short-term employee benefits, the non-discounted amount of the benefits expected to be paid in exchange for the service rendered is recognised when the employee renders the service.

The expected costs of the short-term employee benefits in the form of compensated absences are recognised in the case of accumulating entitlements when the work that increases the employee's entitlement to future paid absences is performed. Non-accumulating entitlements, however, are recognised at the time when the absence occurs.

Liabilities from other long-term employee benefits are measured at the present value of the estimated future cash outflows that the Group expects for the services rendered by the employees up to the reporting date.

Provisions

In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", provisions are recognised when there is a present obligation to a third party as a result of a past event that is likely to result in a future outflow of resources that can be reliably estimated. This means that the probability of occurrence must be above 50%. Provisions are recognised for identifiable risks and contingent liabilities in the amount of their probable occurrence and are not offset against recourse claims. Non-current other provisions are discounted.

The settlement amount also includes any cost increases to be taken into account as of the reporting date.

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

Provisions for restructuring expense are only recognised if a detailed formal restructuring plan has been prepared and the Group has raised a valid expectation in those affected that it will carry out the restructuring.

If there is a threat of loss from a contract, the Company recognises the current obligation from the contract as a provision for onerous contracts. 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 impending losses were recognised in either the year under review of the previous year. The restoration obligation for leasehold improvements by SFC AG is recognised under other provisions.

Other provisions also include provisions for disposal and recycling obligations.

Financial liabilities

Financial liabilities are classified either as financial liabilities measured at amortised cost (FLAC) or as financial liabilities measured at fair value through profit or loss (FVTPL). Financial liabilities are generally categorised as FVTPL if they are classified as held for trading (e.g. derivatives), if they are contingent consideration from an acquirer in a business combination or if the liabilities are designated 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 amortised cost" category are initially recognised 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 amortised cost" are measured at amortised cost using the effective interest method.

The effective interest method is a means of calculating the amortised cost of a financial liability and of allocating the interest expense to the corresponding period. The effective interest rate is the rate that discounts 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, through the expected life of the financial instrument or a shorter period to the net carrying amount on initial recognition.

A financial liability is derecognised when the obligation underlying the liability is discharged, cancelled or expired. The difference between the carrying amount of the derecognised financial liability and the consideration received or to be received is recognised in the consolidated income statement.

Consolidation

Consolidation accounting for subsidiaries included in the consolidated financial statements 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 significant 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 also eliminated.

Results from intragroup deliveries of goods that are included in the carrying amount of inventories are eliminated. Deferred taxes are recognised on the differences arising from the elimination of intergroup profits.

Business combinations

Acquisitions are recognised using the purchase method in accordance with IFRS 3 if a business operation is acquired. A business is deemed to exist if the group of acquired activities and assets comprises an input factor and a substantive process that together contribute significantly to the generation of output. The acquired process is considered substantial,

- if it is critical for the ability to continue to generate output, and
- if the acquired input factors include an organised workforce that has the necessary skills, knowledge or experience to apply this process, or
- if it can contribute significantly to further production and is considered unique or rare, or if its replacement would involve significant cost or effort or would significantly delay further production.

If no business operations are acquired, consolidation is carried out in accordance with IFRS 10 as an acquisition of assets and liabilities.

The consideration transferred for the acquisition of a subsidiary includes

- the fair values of the assets transferred,
- the liabilities assumed by the former owners of the acquired business,
- the equity shares issued by the Group,
- the fair value of an asset or liability from an agreement on contingent consideration and
- the fair value of an existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities assumed in a business combination are generally recognised at fair value. Any goodwill arising from the transaction is tested annually for impairment. Any profit from the acquisition at a price below the market value is recognised immediately in the income statement. Transaction costs are recognised as an expense when they are incurred, unless they relate to the issue of debt or equity securities.

The consideration transferred does not include any amounts associated with the fulfilment of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Currency translation

Receivables and liabilities in foreign currencies are initially measured in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates" using the transaction rate and translated on the reporting date using the applicable closing rate. Gains or losses from this are recognised 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 Foreign Exchange Rates" using the modified closing rate method. As the subsidiaries of SFC generally conduct their business independently in financial, economic and organisational terms, the functional currency is identical to the local currency of the companies.

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

For the preparation of 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 the average rate. The difference resulting from currency translation is recognised directly in equity and reported separately in equity within other comprehensive income.

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

EXCHANGE RATE EUR

	Average exchange rate		Closing rate	
	2024	2023	**31 Dec. 2024**	31 Dec. 2023
US dollar (USD)	1.0479	1.0813	1.0389	1.1077
Canadian dollar (CAD)	1.4915	1.4597	1.4948	1.4683
Romanian leu (RON)	4.9744	4.9594	4.9753	4.9752
Indian rupee (INR)	89.0453	89.7663	88.9335	92.1759
British pound (GBP)	0.8280	0.8635	0.8292	0.8691
Danish krone (DKK)	7.4589	-	7.4578	-

Notes to the consolidated income statement

(1) Revenues

Revenues are shown in the following overview:

REVENUES EUR

	2024	2023
Revenues	**144,753,946**	**118,148,041**
of which from revenue recognition over time	1,917,968	2,183,890

The Clean Energy segment continued to benefit from the high demand for the Group's fuel cell solutions in the year under review with a very strong increase in sales of 27.3% to EUR 100,606 thousand (previous year: EUR 79,032 thousand). This performance was particularly underpinned by energy solutions for industrial applications, which address the core target markets of "civil security technology / video surveillance" and "data transmission and digitalisation", among others, and accounted for the largest share of segment sales. Demand from the core target markets for public security also increased significantly in the year under review, while sales of applications in the core target markets for private applications fell sharply and now contributed the smallest share of segment sales. The Management Board believes that one of the main reasons for this continues to be consumer restraint and heightened price sensitivity among private households, particularly in Germany.

Revenues in the Clean Power Management segment recorded strong growth of 12.9% to EUR 44,148 thousand in the year under review (previous year: EUR 39,116 thousand). With business in power management solutions expanding noticeably, frequency converter business in the upstream oil and gas industry experienced moderate growth over the year-ago period.

Revenues can be broken down as follows:

REVENUES BY SEGMENT

EUR

	Clean Energy		Clean Power Management		Total	
	2024	2023	**2024**	2023	**2024**	2023
Regions						
North America	36,005,931	36,185,959	18,191,107	18,269,451	54,197,038	54,455,410
Europe (excluding Germany)	30,386,636	21,305,138	21,037,579	17,407,824	51,424,215	38,712,962
Germany	12,226,165	8,650,864	1,898,655	1,256,184	14,124,820	9,907,048
Asia	21,051,242	12,606,223	3,020,987	363,805	24,072,229	12,970,028
Other regions	935,644	283,370	0	1,819,223	935,644	2,102,593
Total	**100,605,618**	**79,031,554**	**44,148,328**	**39,116,487**	**144,753,946**	**118,148,041**
Date of revenue recognition						
Point-in-time transfer of goods	100,345,889	76,847,664	42,490,089	39,116,487	142,835,978	115,964,151
Over-time revenue recognition/ provision of services	259,729	2,183,890	1,658,239	0	1,917,968	2,183,890
Total	**100,605,618**	**79,031,554**	**44,148,328**	**39,116,487**	**144,753,946**	**118,148,041**

Further information can be found in note (35) “Disclosures on Group segment reporting” and note (15) “Contract assets and liabilities”.

(2) Cost of goods sold

The cost of goods sold in the year under review breaks down as follows:

COST OF GOODS SOLD EUR

	2024	2023
Cost of materials	65,537,827	56,467,207
Personnel expenses	8,686,342	6,515,729
Cost of premises	883,317	907,483
Transport costs	1,953,705	1,591,891
Amortisation of capitalised development expenditure	1,842,650	1,897,233
Other depreciation/amortisation	1,771,043	1,474,182
Consulting	181,755	737,687
Other	4,573,441	1,762,631
Total	**85,430,080**	**71,354,043**

Other cost of goods sold include warranties amounting to EUR 2,775,972 (previous year: EUR 839,848) as well as the income from the business combination.

(3) Selling expenses

Selling expenses in the year under review were as follows:

SELLING EXPENSES EUR

	2024	2023
Personnel expenses	10,565,328	9,890,076
Amortisation and depreciation	539,528	365,951
Advertising and travel expenses	2,543,563	2,611,253
Consulting/commission	809,581	656,936
Cost of materials	16,299	174,283
Vehicle costs	427,292	325,687
Rental and lease costs	572,309	521,647
Other	1,199,665	536,525
Total	**16,673,565**	**15,082,358**

(4) Research and development expenses

Research and development expenses in the year under review were as follows:

RESEARCH AND DEVELOPMENT EXPENSES		EUR
	2024	2023
Personnel expenses	5,322,855	4,245,308
Consulting and patents	65,824	130,646
Cost of premises	601,912	118,334
Cost of materials	3,351,647	2,623,340
Other depreciation/amortisation	824,686	482,569
Impairment losses/amortisation of internally generated intangible assets	146,200	614,330
Capitalisation of internally generated intangible assets	-3,159,584	-2,891,712
Netting with grants received	-668,205	-442,750
Other	783,744	416,216
Total (expense as per consolidated income statement)	**7,269,079**	**5,296,281**

(5) General administrative expenses

General administrative expenses in the year under review were as follows:

GENERAL ADMINISTRATIVE EXPENSES		EUR
	2024	2023
Personnel expenses	8,156,153	6,555,277
Auditing and consulting costs	5,017,015	3,697,085
Insurance	461,535	375,819
Amortisation and depreciation	1,328,195	627,409
Recruitment costs	458,119	417,224
Vehicle costs	242,198	298,981
Travel expenses	1,380,015	515,043
Remuneration of the Supervisory Board	207,500	207,500
Hardware and software maintenance	1,275,838	533,273
Incidental rental costs	357,066	313,137
Other	1,976,300	1,950,747
Total	**20,859,934**	**15,491,495**

(6) Other operating income

Other operating income breaks down as follows in the year under review:

OTHER OPERATING INCOME — EUR

	2024	2023
Income from exchange-rate differences	1,732,487	1,073,809
Other	341,970	100,255
Total	**2,074,457**	**1,174,062**

(7) Other operating expenses

Other operating expenses break down as follows in the year under review:

OTHER OPERATING EXPENSES — EUR

	2024	2023
Currency translation expenses	1,178,461	1,626,042
Allocation to provisions	500,000	1,125,000
Other	995	0
Total	**1,679,456**	**2,751,042**

The allocation to provisions mainly includes an amount of EUR 500,000 (previous year: EUR 925,000) set aside for any costs incurred by a business partner in connection with delays in the production start-up of a subsidiary.

(8) Financial result

Interest and similar income for the year under review can be seen in the following overview:

INTEREST AND SIMILAR INCOME		EUR
	2024	2023
Interest income from cash and cash equivalents	1,090,966	985,664
Total	**1,090,966**	**985,664**

Interest and similar expenses for the year under review can be seen in the following overview:

INTEREST AND SIMILAR EXPENSES		EUR
	2024	2023
Interest expenses on loans	268,949	264,300
Interest-like expenses	30	268
Interest expenses on leases	569,634	520,940
Discount factor unwind on other provisions	41,384	13,922
Total	**879,997**	**799,430**

(9) Income taxes

The composition of income taxes for the year under review is shown in the following table:

INCOME TAXES		EUR
	2024	2023
Current income taxes on earnings in the year under review	2,385,521	2,967,077
Deferred tax income (-)/expense (+)	2,208,218	-14,685,723
Tax income (-)/expense (+) for the period (net) from	**4,593,739**	**-11,718,646**

The assessment rate for trade tax in the municipality of Brunnthal is 330% on the tax base of 3.5%. This results in a trade tax rate of 11.6% and a total corporate tax rate for 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, Canada, India, the UK, Denmark and the United States, income taxes are calculated using the applicable local tax rates. Tax rates of 16% to 23.4% (previous year: 16.9% to 27.82%) must be taken into account.

Deferred tax assets and liabilities for the year under review are as follows:

DEFERRED TAX ASSETS AND LIABILITIES EUR

	31 Dec. 2024	31 Dec. 2023
Deferred tax assets		
Unused tax losses	16,727,526	17,643,383
Provisions	507,120	1,142,722
Inventories	526,211	468,372
Non-current assets	30,307	34,476
Receivables	115,307	54,607
Lease liabilities	616,259	836,826
Other	87,190	138,684
Offsetting of deferred tax assets	-3,289,895	-2,902,575
Total deferred tax assets	**15,320,025**	**17,416,495**
Deferred tax liabilities		
Internally generated intangible assets	2,456,965	2,062,721
Non-current assets	789,478	912,528
Receivables	36,355	3,087
Other assets	206,679	44,382
Offsetting of deferred tax liabilities	-3,289,895	-2,902,575
Total deferred tax liabilities	**199,582**	**120,143**

As of the reporting date, there were unused tax losses subject to review in Germany, the Netherlands, India, the UK, Rumania, Denmark and the United States totalling EUR 71,552,511 (previous year: EUR 74,892,083) for corporation tax and EUR 56,008,733 (previous year: EUR 62,298,143) for trade tax. Deferred tax assets of EUR 15,800,258 (previous year: EUR 17,643,383) were recognised on these unused tax losses for SFC AG and EUR 140,871 (previous year: EUR 107,114) for SFC India. Deferred tax assets were also recognised on unused tax losses of EUR 62,178 for SFC Energy LLC and EUR 724,219 for SFC Energy UK Ltd.

As of 31 December 2024, no deferred tax assets are recognised for existing unused tax losses in the Group amounting to EUR 8,592,008 (previous year: EUR 8,506,128) from corporation tax and EUR 0 (previous year: EUR 0) from trade tax, i.e. a total of EUR 8,592,008 (previous year: EUR 8,506,128), all of which relate to SFC B.V. Future taxable income cannot be assumed with sufficient certainty for these unused tax losses.

Unused tax losses of EUR 58,946,617 (previous year: EUR 66,000,931) from corporation tax and EUR 56,008,733 (previous year: EUR 62,298,143) from trade tax, totalling EUR 114,955,350 (previous year: EUR 128,299,074), can be carried forward indefinitely in Germany. In the Netherlands, the amount of EUR 8,592,008 (previous year: EUR 8,506,127) can be carried forward indefinitely for income tax purposes. In the United States, the amount of EUR 296,085 (previous year: EUR 0) can be carried forward indefinitely for income tax purposes. In the UK, income tax amounting to EUR 2,896,874 (previous year: EUR 0) can be carried forward indefinitely. In India, the amount of EUR 435,902 (previous year: EUR 0) can be carried forward for 8 years and the amount of EUR 385,025 (previous year: EUR 385,025) for 7 years.

The previous year's figures for unused tax losses were adjusted in accordance with the separate determinations of the remaining unused tax losses.

The Group has concluded that the deferred tax assets are recoverable using the estimated future taxable profit. This is based on the Company's approved business plans and the expected future positive income tax situation on which the plans are based due to a further increase in market demand.

Temporary differences from outside basis differences totalled EUR 908,899 as of the reporting date (previous year: EUR 689,815). The reason for not recognising deferred tax liabilities on these temporary differences is that SFC can control the outside basis differences and these will not reverse in the short term.

The following table shows the tax reconciliation between the expected income tax expense/income in the respective year with the actual tax expense (+) or income (-) recognised in the consolidated income statement:

TAX RECONCILIATION STATEMENT EUR

	2024	2023
Tax rate	**27.38%**	**27.38%**
Profit / loss (-) before taxes	**13,948,460**	**9,343,583**
Expected tax expense / tax income (-)	**3,819,089**	**2,558,273**
Reconciliation with recognised tax expense		
Non-recognition of deferred tax assets on unused tax losses	151,595	357,870
Change in deferred tax assets on unused tax losses	0	-17,911,774
Differences in the tax rate	-32,890	41,529
Taxes from permanent differences – non-deductible expenses	162,649	16,323
Tax effect from costs of capital measure	0	3,580,692
Utilisation of unused tax losses for which no deferred taxes were recognised	0	-478,501
Taxes from permanent differences – share options	481,939	128,786
Other	11,357	-11,844
Income taxes according to the consolidated income statement	**4,593,739**	**-11,718,646**

In the year under review, taxes of EUR 0 (previous year: EUR 3,580,692) were recognised directly in equity from the recognition of deferred tax assets on unused tax losses. These relate entirely to deferred taxes in connection with transaction costs for capital measures recognised directly in equity in previous years.

(10) Cost of materials

The cost of materials breaks down as follows in the year under review:

COST OF MATERIALS EUR

	2024	2023
Raw materials, consumables and supplies and purchased goods	68,186,067	58,706,317
Services purchased	719,706	558,513
Total	**68,905,773**	**59,264,830**

(11) Amortisation and depreciation

Please refer to notes (19) Intangible assets, (20) Property, plant and equipment and (25) Leases for information on depreciation and amortisation of non-current assets.

In the consolidated income statement prepared using the cost of sales method, pro rata depreciation and amortisation of property, plant and equipment and intangible assets are included in the cost of sales, selling expenses, research and development expenses and general administrative expenses.

(12) Personnel expenses and employees

Personnel expenses break down as follows:

PERSONNEL EXPENSES EUR

	2024	2023
Wages and salaries	26,680,944	21,731,314
Statutory social security expenses	3,024,031	2,566,718
Variables/premiums	1,020,365	1,984,568
Other social security contributions, pension scheme	364,705	377,997
Expenses for severance payments	124,724	69,129
Expense or income under long-term incentive plan (SAR/SOP)	1,441,880	47,401
Other	74,029	429,263
Total	**32,730,678**	**27,206,390**

Statutory social security expenses include the Company's contribution to the statutory pension insurance scheme totalling EUR 940,017 (previous year: EUR 815,457). The statutory pension scheme is treated as a defined contribution plan in accordance with IAS 19.

In the year under review, the Group received government grants totalling EUR 867,069 (previous year: EUR 600,169). Of this amount, EUR 668,205 (previous year: EUR 442,750) was deducted from research and development costs. A further EUR 198,864 (previous year: EUR 122,786) was deducted from expenses in the respective functional cost areas in which they arose.

The average number of permanent employees was as follows:

EMPLOYEES

	2024	2023
Full-time employees	422	345
Part-time employees	40	42
Total	**462**	**387**

In addition, an annual average of 21 (previous year: 14) interns, undergraduates and working students were employed.

Notes to the consolidated statement of financial position

(13) Inventories

As in the previous year, inventories all have an expected turnover period of less than one year and break down as follows:

INVENTORIES EUR

	31 Dec. 2024	31 Dec. 2023
Finished goods	10,062,513	7,196,763
Work in progress	1,003,983	2,519,755
Raw materials, supplies and consumables	19,526,953	15,326,829
Total	**30,593,449**	**25,043,347**

On the basis of the net realisable value, the following impairments were recognised on inventories:

INVENTORIES – RAW MATERIAL, SUPPLIES AND CONSUMABLES		EUR
	31 Dec. 2024	31 Dec. 2023
Raw materials, supplies and consumables – before impairment	20,460,859	16,455,042
Impairments	-933,906	-1,128,213
Net carrying amount	**19,526,953**	**15,326,829**

INVENTORIES – WORK IN PROGRESS AND FINISHED GOODS		EUR
	31 Dec. 2024	31 Dec. 2023
Work in progress and finished goods – before impairment	12,640,999	11,234,188
Impairments	-1,574,503	-1,517,670
Net carrying amount	**11,066,496**	**9,716,518**

As of the reporting date, inventories with a carrying amount of EUR 5,788,823 (previous year: EUR 6,734,937) were pledged as collateral for liabilities.

Inventories of EUR 68,905,773 (previous year: EUR 59,264,830) were recognised as an expense in the reporting period.

(14) Trade receivables

Trade receivables and the loss allowances recognised for credit risks are as follows:

SPECIFIC LOSS ALLOWANCES		EUR
	31 Dec. 2024	31 Dec. 2023
Trade receivables	38,510,175	30,221,259
Specific loss allowances	-2,666,912	-1,576,106
Total	**35,843,263**	**28,645,153**

As in the previous year, all trade receivables are due for settlement in less than one year. For information on loss allowances, see "Credit risk" under note (30) "Financial instruments". The usual payment term for trade receivables is 30 days. For individual contracts with customers, the payment term may also extend to up to 90 days.

Further information on the risk profile and the impairment matrix for trade receivables can be found in "Credit risk" in note (30) "Financial instruments".

Trade receivables with a residual carrying amount of EUR 12,778,395 (previous year: EUR 11,790,599) are pledged as collateral for credit facilities granted to the subsidiaries SFC Ltd., SFC Energy Power Srl. and SFC B.V. The pledge is based on the term of the respective credit facilities during their utilisation.

(15) Contract assets and contract liabilities

If the costs incurred for contracts not yet completed in the year under review, including profit contributions, exceed the amounts already invoiced (partial invoices issued), the resulting balance is recognised as a contract asset. Conversely, construction contracts with a debit balance are recognised as contract liabilities.

ASSETS AND LIABILITIES EUR

	31 Dec. 2024	31 Dec. 2023
Gross amount due from customers for contract work (recognised as contract assets)	781,184	2,013,114
Gross amount due to customers for contract work (recognised as contract liabilities)	-2,234	-1,470,035

During the project term, 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, may lead to an increase or reduction in revenues and costs. The resulting effects for the current period and foreign currency effects are recognised in profit or loss.

As of 31 December 2024, the cumulative services (contract costs incurred less progress billings) reported as contract assets were significantly lower than in the previous year. At the same time, contract liabilities fell sharply as of 31 December 2024 over the previous year. With regard to the risk profile of contract assets, there were no significant changes in measurements or estimates in the year under review.

As in the previous year, contract assets and liabilities are due for settlement in less than one year.

The total amount of the transaction price allocated to the remaining performance obligations is EUR 1,443,974. The transaction price allocated to the remaining performance obligations is recognised in full in the year under review as well as in 2025.

Revenues of EUR 1,447,169 (previous year: EUR 595,327) were recognised in the year under review and included in net contract assets/contract liabilities at the beginning of the year.

In the year under review, contract assets totalling EUR 1,763,193 (previous year: EUR 1,252,181) were reclassified as receivables.

As of 31 December 2024 and also 31 December 2023, no capitalised costs arose in connection with the inception or fulfilment of contracts.

(16) Other assets and receivables

Other assets and receivables (current and non-current) break down as follows:

OTHER ASSETS AND RECEIVABLES EUR

	31 Dec. 2024	31 Dec. 2023
Prepaid expenses	501,286	260,873
VAT refund claims	3,672,426	1,325,943
Receivables from grants	299,297	183,884
Prepayments	2,374,346	4,327,331
Security deposits	342,236	62,879
Interest receivable on fixed-term deposits	121	153,333
Other	295,237	70,407
Total	**7,484,949**	**6,384,650**

Other assets and receivables include financial assets totalling EUR 355,008 as of the reporting date (previous year: EUR 337,217).

Prepayments include non-current other assets and receivables from security deposits totalling EUR 43,221 (previous year: EUR 960,644).

(17) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and current account balances as well as fixed-term and call money accounts at banks that are due within a maximum of three months.

For a presentation of cash and cash equivalents in the cash flow statement, please refer to section (34) "Notes to the consolidated cash flow statement".

(18) Restricted cash and cash equivalents

In connection with the lease for the Company's building at Eugen-Sänger-Ring 7, there is a blocked fixed deposit account in favour of the lessor in the amount of EUR 285,620 as of the reporting date (previous year: EUR 285,620).

(19) Intangible assets

The Group's intangible assets were as follows:

CHANGES IN CONSOLIDATED NON-CURRENT ASSETS – INTANGIBLE ASSETS
for the year from 1 January until 31 December 2024

EUR

	Software	Acquired patents and licences / IP	Internally generated patents	Development costs	Goodwill	Other intangible assets	Total
Historical cost as of 1 Jan. 2023	**1,860,913**	**435,840**	**571,488**	**17,390,787**	**13,363,763**	**6,876,791**	**40,499,582**
Additions	262,692	1,050,000	0	2,891,712	0	0	4,204,404
Disposals	0	0	-571,488	0	0	-6,806,618	-7,378,106
Reclassified	0	0	0	0	0	0	0
Currency-translation differences	-2,937	0	0	0	-120,045	-70,173	-193,155
Amount on 31 Dec. 2023	**2,120,668**	**1,485,840**	**0**	**20,282,499**	**13,243,718**	**0**	**37,132,725**
Additions from business combinations	0	88,000	0	0	0	17,999	105,999
Additions	95,181	0	0	3,159,584	0	0	3,254,765
Disposals	-37,811	-48,132	0	0	0	0	-85,943
Currency-translation differences	-3,680	0	0	0	-125,936	3	-129,614
Amount on 31 Dec. 2024	**2,174,358**	**1,525,708**	**0**	**23,442,083**	**13,117,782**	**18,001**	**40,277,932**
Depreciation and impairment losses as of 1 Jan. 2023	**-1,337,542**	**-380,181**	**-571,488**	**-7,796,163**	**-4,961,138**	**-6,876,791**	**-21,923,303**
Depreciation	-210,046	-117,249	0	-1,897,233	0	0	-2,224,528
Disposals	0	0	571,488	0	0	6,806,618	7,378,106
Impairment losses	0	0	0	-614,330	0	0	-614,330
Currency-translation differences	944	0	0	0	0	70,173	71,117
Amount on 31 Dec. 2023	**-1,546,644**	**-497,430**	**0**	**-10,307,726**	**-4,961,138**	**0**	**-17,312,938**
Depreciation	-324,458	-28,000	0	-1,842,651	0	0	-2,195,109
Disposals	37,804	48,130	0	0	0	0	85,934
Impairment losses	0	0	0	-146,200	0	0	-146,200
Currency-translation differences	1,146	0	0	0	0	0	1,146
Amount on 31 Dec. 2024	**-1,832,152**	**-477,300**	**0**	**-12,296,577**	**-4,961,138**	**0**	**-19,567,167**
Carrying amounts							
Amount on January 1, 2023	**523,371**	**55,659**	**0**	**9,594,624**	**8,402,625**	**0**	**18,576,279**
Amount on 31 December 2023	**574,024**	**988,410**	**0**	**9,974,773**	**8,282,580**	**0**	**19,819,787**
Amount on 31 December 2024	**342,206**	**1,048,408**	**0**	**11,145,506**	**8,156,644**	**18,001**	**20,710,765**

Within intangible assets, EUR 7,142,179 (previous year: EUR 155,067) is pledged as collateral for liabilities.

Development costs

Grants totalling EUR 668,205 (previous year: EUR 442,750) were received in connection with development activities and are treated as a reduction in research and development costs.

Capitalised development costs mainly include the following projects:

- Further development of the DMFC
- Development of PEMFC systems
- Development and construction of emergency power systems based on PEMFC
- Development of a new PEMFC with integrated control and voltage conversion
- Development of PEMFC systems for power ranges above 50 kW
- Development and implementation of service-optimised functions of the cloud-based remote monitoring system
- Further development of an intelligent fuel management system
- Development of an intelligent sensor and I/O module
- Systematic improvements and further developments to increase the performance and reduce the costs of existing EFOY generations
- Development of a module and system solution based on the existing energy platform
- Technological development to increase the power of existing platforms from 4kW to 5kW and preparation for future changes to EMC standards;
- The integration of a new energy platform in laser systems

The impairment losses recognised in the year under review result from the full write-off of the costs for the further development of a current product generation. These projects were completely cancelled in the year under review due to their insufficient future commercial viability. The recoverable amount (value in use) for these projects is zero.

The impairment loss of EUR 146,200 is included in research and development costs and relates to the Clean Energy segment.

Impairment tests for goodwill

The goodwill included in the consolidated financial statements relates to the differences in the respective purchase prices arising from the business combinations of SFC Energy B.V. (SFC B.V.) and SFC Energy Ltd. (SFC Ltd.) over the net assets of the acquired business operations measured in accordance with IFRS 3.

Goodwill from the business combination with SFC Ltd. amounts to CAD 10,430,435 or EUR 6,977,813 (previous year: CAD 10,430,435 or EUR 7,223,793) and was allocated proportionately to the Clean Energy segment and to the Clean Power Management segment following the resegmentation as of 1 January 2021. Due to this allocation of goodwill, the impairment test is carried out for the portion of goodwill allocated to the Clean Energy segment at the level of the former entire segment and for the portion allocated to the Clean Power Management segment at the level of the latter entire segment.

Goodwill is allocated to the segments as follows:

SEGMENT		EUR
	31 Dec. 2024	31 Dec. 2023
Clean Energy	5,427,751	5,525,711
Clean Power Management	2,728,893	2,756,869
Total	**8,156,644**	**8,282,580**

In both cases, the recoverable amount is determined by calculating the higher of the fair value less costs to sell and the value in use using the discounted cash flow method. The determination of fair value falls under level 3 of the IFRS 13 hierarchy, taking into account the significant input factors.

The impairment test carried out in the current year under review was based on a five-year planning period derived from strategic planning (three-year detailed planning period plus two years of interpolation). Together with the market-specific growth rate of 1.0% (previous year: 1.0%), these five years form the basis for calculating the perpetual annuity. As part of the planning process, possible negative effects on business activities due to macroeconomic conditions and relevant market information, such as an increase in the price of purchased materials and expected long-term inflation, were taken into account, although these are subject to great uncertainty.

The expected average annual increase in sales of the cash-generating units during the five-year planning period was estimated in the light of past experience and relevant market information.

Clean Energy segment

The Clean Energy cash-generating unit consists of part of SFC Ltd, SFC Energy India Private Ltd, SFC Energy UK Ltd, SFC Clean Energy Srl, SFC Energy LLC and the operating part of SFC AG.

Key basic assumptions used in determining the fair value less costs to sell are sales growth, the operating EBIT margin and the cost of capital rate used.

Sales growth and EBIT margin

The assumptions are based on the budget prepared by management, which contains a projection of sales, operating costs, investments and depreciation and amortisation over a period of five years. The cash flows relevant for the valuation result from sales and earnings planning as well as additional assumptions regarding working capital.

The growth assumptions for revenues are based on the segment-specific market environment and the Company's current growth rates. Over the entire planning horizon (2025 – 2029), average sales growth (CAGR) amounts to around 26.9% p.a. (previous year planning horizon 2024 - 2028: around 24.8%).

The planned EBIT margin is based on historically observable gross margins on sales as well as detailed resource and material cost planning. The expected long-term operating EBIT margin is around 12.0% (previous year: 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) after taxes, which was determined by reference to a peer group in the same industry using publicly available data. The WACC indicates the average weighted return required by equity and debt capital providers on the basis of the ratio of the capital granted to fair value. To determine the WACC, it is necessary to analyse the cost of equity, the cost of debt and the capital structure at fair value. The weighted average cost of capital applied in the year under review was around 13.83% (or around 12.83% after growth discount in the terminal value) (previous year: around 15.36% or around 14.36% after growth discount in the terminal value).

There were no indications of goodwill impairment in the year under review.

The change of 500 basis points in the parameters used does not result in any impairment of goodwill.

The recoverable amount of the cash-generating unit exceeds its carrying amount by approximately EUR 97,850 thousand as of the reporting date (previous year: EUR 19,243 thousand).

The calculations were based on the assumption that the other parameters are unchanged (ceteris paribus).

Clean Power Management segment

The Clean Power Management cash-generating unit consists of a part of SFC Ltd. and SFC B.V.
Key basic assumptions used in determining the fair value less costs to sell are sales growth, the operating EBIT margin and the cost of capital rate used.

Sales growth and EBIT margin

The assumptions are based on the budget prepared by management, which contains a projection of sales, operating costs, investments and depreciation and amortisation over a period of five years. The cash flows relevant for the valuation result from sales and earnings planning as well as additional assumptions regarding working capital.

The growth assumptions for revenues are based on the segment-specific market environment and the Company's current growth rates. Over the entire planning horizon (2025 - 2029), average sales growth (CAGR) amounts to around 8.6% p.a. (previous year planning horizon 2024 - 2028: around 10.3%).

The planned EBIT margin is based on historically observable gross margins on sales as well as detailed resource and material cost planning. The expected long-term operating EBIT margin is around 8.0% (previous year: around 8.0%).

Cost of capital

The cost of capital used to discount the cash flows corresponds to the weighted average cost of capital (WACC) after taxes, which was determined by reference to a peer group in the same industry using publicly available data. The WACC indicates the average weighted return required by equity and debt capital providers on the basis of the ratio of the capital granted to fair value. To determine the WACC, it is necessary to analyse the cost of equity, the cost of debt and the capital structure at fair value. The weighted average cost of capital used in the year under review was around 9.04% (or around 8.04% after growth discount in the terminal value) (previous year: around 8.91% or around 7.91% after growth discount in the terminal value).

There were no indications of goodwill impairment in the year under review.

The change of 500 basis points in the respective parameters does not lead to any impairment of goodwill.

The recoverable amount of the cash-generating unit exceeds its carrying amount by approximately EUR 39,585 thousand as of the reporting date (previous year: EUR 22,408 thousand).

The calculations were based on the assumption that the other parameters are unchanged (ceteris paribus).

(20) Property, plant and equipment

The Group’s property, plant and equipment was as follows:

PROPERTY, PLANT AND EQUIPMENT EUR

	Buildings	Technical equipment and machinery	Other equipment, operating and business equipment	Prepayments made and assets under construction	Total
Historical cost as of 1 January 2023	**11,885,370**	**3,314,358**	**8,968,079**	**915,841**	**25,083,648**
Additions	3,535,233	787,924	1,297,838	314,567	5,935,562
Disposals	0	0	-351,610	0	-351,610
Remeasurements	355,764	0	0	0	355,764
Reclassified	0	418,015	245,407	-663,422	0
Currency-translation differences	-93,787	-3,903	-26,324	-881	-124,895
Amount on 31 December 2023	**15,682,580**	**4,516,394**	**10,133,390**	**566,105**	**30,898,469**
Additions from business combinations	0	147,000	0	0	147,000
Additions	3,736,988	1,275,277	1,912,987	2,635,515	9,560,767
Disposals	0	-550,826	-472,030	0	-1,022,856
Remeasurements	-11,767	0	0	0	-11,767
Reclassified	1,795,656	65,349	124,000	-1,985,005	0
Currency-translation differences	57,695	1,538	-23,674	6,561	42,121
Amount on 31 December 2024	**21,261,152**	**5,454,732**	**11,674,674**	**1,223,176**	**39,613,733**
Depreciation and impairment losses as of 1 January 2023	**-2,708,708**	**-2,243,625**	**-6,734,468**	**-804**	**-11,687,605**
Depreciation	-1,432,756	-271,614	-918,446	0	-2,622,816
Disposals	0	0	319,537	0	319,537
Depreciation of reclassifications	0	0	0	0	0
Currency-translation differences	21,460	1,045	14,136	-630	36,011
Amount on 31 December 2023	**-4,120,004**	**-2,514,194**	**-7,319,241**	**-1,434**	**-13,954,873**
Depreciation	-2,382,335	-553,369	-1,175,287	0	-4,110,991
Disposals	0	550,811	456,548	0	1,007,359
Currency-translation differences	20,235	2,086	567	1,172	24,060
Amount on 31 December 2024	**-6,482,104**	**-2,514,666**	**-8,037,413**	**-262**	**-17,034,445**
Carrying amounts					
Amount on 1 January 2023	**9,176,662**	**1,070,733**	**2,233,611**	**915,037**	**13,396,044**
Amount on 31 December 2023	**11,562,576**	**2,002,200**	**2,814,149**	**564,671**	**16,943,596**
Amount on 31 December 2024	**14,779,048**	**2,940,066**	**3,637,261**	**1,222,914**	**22,579,288**

The right-of-use assets are recognised under the same items of the statement of financial position in which the underlying assets would be presented if they were owned by SFC. As of the reporting date, right-of-use assets are recognised under buildings and other equipment as well as operating and office equipment.

The column "Prepayments made and assets under construction" includes advance payments totalling EUR 682,791 (previous year: EUR 493,744).

At SFC Ltd., non-current assets with a residual carrying amount of EUR 2,468,166 (previous year: EUR 881,799) were pledged as collateral for liabilities as of 31 December 2024. Non-current assets amounting to EUR 1,053,177 are pledged as collateral at SFC B.V. as of 31 December 2024 (previous year: EUR 820,026).

(21) Other provisions and income tax liabilities

Other provisions are shown in the following table:

OTHER PROVISIONS AND INCOME TAX LIABILITIES EUR

	Warranty provisions	Miscellaneous other provisions	Total other provisions	Income tax liabilities
Amount on 1 January 2024	**4,058,441**	**238,557**	**4,296,998**	**1,331,652**
Currency-translation differences	-2,420	4,800	2,380	1
Added	3,193,734	309,877	3,503,611	1,083,526
Interest cost (incl. change in interest rate)	37,443	3,940	41,383	0
Utilised	-317,489	-130,917	-448,406	-719,067
Reversed	-142,281	0	-142,281	0
Amount on 31 December 2024	**6,827,428**	**426,257**	**7,253,685**	**1,696,112**
Of which non-current	**2,767,067**	**376,860**	**3,143,927**	**0**

Warranty provisions

These are recognised at the present value of the net amount required to settle the obligation. Discounting is based on an interest rate of 3.0% (previous year: 3.0%). The warranty provisions have a term of 4 years.

Miscellaneous other provisions

Miscellaneous other provisions are mainly provisions for the storage of business documents and dismantling obligations. The expected cash outflows are likely to occur within the next nine years.

Provisions are regularly calculated on the basis of historical data. This results in uncertainties regarding the amount and timing of the cash outflow.

(22) Liabilities to banks

Liabilities to banks are shown in the following table:

LIABILITIES TO BANKS EUR

Short-term interest-bearing loans	31 Dec. 2024	31 Dec. 2023	Interest rate	Due
Utilisation of credit facility by SFC Energy B.V.	2,350,128	2,325,278	1M-EURIBOR +2.50%	Annual renewal
Utilisation of credit facility by SFC Energy Power Srl.	1,354,565	1,465,854	1M-EURIBOR + 2.0%	Annual renewal
Utilisation of credit facility by SFC B.V.	431,026	0	EURIBOR + 3.15%	Annual renewal

There were no non-current liabilities to banks as of 31 December 2024.

The following financial covenants apply to the credit facility of the Romanian sub-subsidiary of SFC Energy Power Srl:

- „Debt Ratio“,
- „Solvency Ratio“

All financial covenants were complied with in the year under review as well as the previous year. The financial covenants are also valid for 2025. For further information on the categorisation of loans, please refer to note (30) Financial instruments.

(23) Liabilities from prepayments

The liabilities from prepayments relate to advance payments received on orders and, as on the previous year's reporting date, are all due for settlement in less than one year. These are contract liabilities resulting from contracts subject to over-time revenue recognition.

(24) Trade payables

As in the previous year, all trade payables are due for settlement in less than one year.

(25) Leases

As a result of the application of IFRS 16, all leased buildings and other equipment, operating and office equipment are recognised as right-of-use assets with corresponding lease liabilities.

The remaining terms of the contracts are between 1 year and up to 10 years. The contracts contain extension clauses on a monthly basis as well as purchase options at the end of the leases.

The net carrying amounts of the right-of-use assets capitalised within leases as of the reporting date are shown in the following table:

LEASES EUR

	Buildings	Other equipment, operating and business equipment	Total
Historical cost			
Amount on 1 January 2023	**12,066,535**	**2,158,587**	**14,225,122**
Additions	3,534,280	228,738	3,763,018
Disposals	0	-201,654	-201,654
Remeasurements	355,764	0	355,764
Currency-translation differences	-99,280	-15,171	-114,451
Amount on 31 December 2023	**15,857,299**	**2,170,500**	**18,027,799**
Additions	3,365,301	289,086	3,654,387
Remeasurements	-11,767	0	-11,767
Currency-translation differences	56,562	-15,111	41,451
Amount on 31 December 2024	**19,267,395**	**2,444,475**	**21,711,870**
Depreciation and impairment losses as of 1 January 2023	**-2,891,073**	**-1,517,177**	**-4,408,250**
Depreciation	-1,432,749	-265,070	-1,697,819
Disposals	0	201,654	201,654
Currency-translation differences	28,183	11,111	39,294
Amount on 31 December 2023	**-4,295,639**	-1,569,482	**-5,865,121**
Depreciation	-2,206,900	-355,108	-2,562,008
Currency-translation differences	23,325	12,078	35,403
Amount on 31 December 2024	**-6,479,214**	-1,912,512	**-8,391,726**
Carrying amounts			
Amount on 31 December 2023	**11,561,660**	**601,018**	**12,162,678**
Amount on 31 December 2024	**12,788,181**	**531,963**	**13,320,144**

The additions to buildings are mainly attributable to new contracts entered into by SFC Clean Energy Srl totalling EUR 3,343,159 and by SFC Energy India Private Ltd. totalling EUR 21,839. The capitalised right-of-use assets for the leased buildings are amortised over a period of 3 to 10 years as of the reporting date. The depreciation cycles for right-of-use assets for other equipment, operating and office equipment range from less than one year to up to seven years.

In the consolidated income statement prepared in accordance with the cost of sales method, pro rata depreciation of the right-of-use assets is included in the cost of sales, selling expenses, research and development expenses and general administrative expenses.

The pro rata depreciation was recognised in the functional costs as follows:

DEPRECIATION EUR

	Buildings	Other equipment, operating and business equipment	Total
Total depreciation for 2024 included in			
Cost of goods sold	-1,136,003	-115,498	-1,251,501
Selling expenses	-370,013	-39,888	-409,901
General administrative expenses	-324,073	-100,749	-424,822
R&D costs	-376,811	-98,973	-475,784
Amount on 31 December 2024	**-2,206,900**	**-355,108**	**-2,562,008**

DEPRECIATION EUR

	Buildings	Other equipment, operating and business equipment	Total
Total depreciation in 2023 included in			
Cost of goods sold	-761,951	-153,610	-915,561
Selling expenses	-239,493	-23,197	-262,690
General administrative expenses	-189,778	-33,012	-222,790
R&D costs	-241,527	-55,252	-296,779
Amount on 31 December 2023	**-1,432,749**	**-265,071**	**-1,697,820**

The contractually agreed non-discounted lease payments break down into the various maturity bands as follows:

MATURITY BANDS EUR

	31 Dec. 2024	31 Dec. 2023
Lease liabilities/maturity analysis – contractually agreed and discounted cash flows		
Payments in 1 year or less	2,847,300	2,589,570
Payments in 1 to 5 years	11,017,961	9,961,658
Payments in over 5 years	2,763,593	1,698,173
Total undiscounted lease payments	**16,628,854**	**14,249,401**

The lease liabilities included in the consolidated statement of financial position are broken down into current and non-current liabilities as follows:

CURRENT AND NON-CURRENT LIABILITIES

EUR	31 Dec. 2024	31 Dec. 2023
Current	2,579,283	2,200,030
Non-current	11,427,512	10,363,153
Total lease liabilities in the consolidated statement of financial position	**14,006,795**	**12,563,183**

The payments in connection with lease liabilities recognised in the cash flow statement for the year under review and the previous year are shown in the following table:

CLASSIFICATION IN THE CASH FLOW STATEMENT

EUR	2024	2023
Classification in the cash flow statement		
Cash outflow for the repayment portion of lease liabilities in cash flow from financing activities	-2,275,040	-1,893,297
Cash outflows for the interest portion of lease liabilities	-569,634	-520,939
Payments for short-term leases, payments for leases where the asset underlying the lease is of a low value (low-value asset leases) and variable lease payments that are not included in the measurement of the lease liability and are recognised in the operating cash flow	32,293	-96,834
Cash outflows for prepayments for right-of-use assets in cash flow from investing activities	0	0
Total cash outflows for leases	**-2,812,381**	**-2,511,070**

The expenses recognised in the consolidated income statement are shown in the following table.

LEASE EXPENSES

EUR	2024	2023
Lease expenses in the income statement		
Interest expense for lease liabilities	-569,634	-520,939
Expenses in connection with short-term leases	-16,849	-96,834
Expenditure in connection with the lease of low-value assets, excluding short-term leases of low-value assets	49,142	0

(26) Other liabilities

Other current liabilities break down as follows:

OTHER CURRENT LIABILITIES EUR

	31 Dec. 2024	31 Dec. 2023
Performance-related remuneration/bonuses	2,848,761	2,265,033
Outstanding vacation	1,530,740	1,289,616
Payroll tax	340,007	199,892
Value added tax	194,082	294,508
Wages and salaries and social security	337,833	590,149
Supervisory Board remuneration	207,500	207,500
13. Salary	57,064	21,176
Contributions to mutual indemnity society	97,200	56,400
SAR stock appreciation rights	1,466,925	2,159,905
Equalisation levy for severely disabled persons	30,240	27,360
Overtime	366,464	258,215
Customer-related accruals and commissions	1,198,924	1,165,671
Liabilities from grants received	151,759	0
Preparation of financial statements and audit	1,076,018	766,001
Other	1,121,131	306,723
Total	**11,024,828**	**9,608,149**

Other current liabilities include financial liabilities totalling EUR 456,459 (previous year: EUR 263,900).

Non-current other liabilities break down as follows:

NON-CURRENT OTHER LIABILITIES EUR

	31 Dec. 2024	31 Dec. 2023
Liabilities under payroll tax	151,305	423,775
SAR stock appreciation rights	802,118	1,418,481
Value added tax	61,934	173,464
Other	1,646	0
Total	**1,017,003**	**2,015,720**

Non-current other liabilities as of 31 December 2024 include the liability under the SARs programme for the members of the Management Board and managers. For details of these agreements, see note (31) Share-based payment. Liabilities in connection with payroll tax and VAT attributable to the Dutch subsidiary are also included.

(27) Equity

The change in SFC's equity is shown in the consolidated statement of changes in equity.

Subscribed capital

The subscribed capital is made up of 17,381,691 issued, fully paid-up shares with no par value. In the year under review, the subscribed capital increased by EUR 18,000 from EUR 17,363,391 to EUR 17,381,691 due to theaward of new no-par value shares to the holders of option rights.

The 17,381,691 (previous year: 17,363,691) no-par value bearer shares, with a pro rata amount of EUR 1 per share, each carry one voting right and are fully entitled to dividends.

Share premium

The share premium totalled EUR 175,026,938 as of the reporting date (previous year: EUR 173,167,237). In the year under review, it increased by a net amount of EUR 1,859,701. The change resulting from equity-settled share-based payments to EUR 1,859,701.

Authorised capital

The Annual General Meeting on 5 June 2023 passed a resolution to cancel the authorised capital of 16 May 2019 (Authorised Capital 2019/I), to create new authorised capital (Authorised Capital 2023) and to amend Article 5 (Authorised Capital) of the Articles of Association.

By resolution of the Annual General Meeting on 5 June 2023, the Management Board was authorised, with the approval of the Supervisory Board, to increase the share capital on one or more occasions by a total of up to EUR 1,736,369 on or before 31 August 2025 on a cash and/or non-cash basis, whereby shareholders' subscription rights may be excluded under certain conditions (Authorised Capital 2023).

In the year under review, SFC AG still had authorised capital of EUR 1,736,369 (Authorised Capital 2023) in accordance with Article 5 (6) of the Articles of Association.

Contingent capital

The Annual General Meeting on 16 May 2024 passed a resolution to cancel Contingent Capital 2019/I, to create Contingent Capital and to amend Articles 5 (Contingent Capital) and 18 (Right to participate in the Annual General Meeting) of the Articles of Association.

The Company's share capital was contingently increased by EUR 1,736,369.00 by resolution of the Annual General Meeting on 16 May 2024 (Contingent Capital 2024/I). Contingent Capital 2019/I was cancelled.

Under the resolution of the Annual General Meeting of SFC AG on 19 May 2020/I, the Management Board was authorised to increase the Company's share capital by up to EUR 1,300,000.00 with the approval of the Supervisory Board (Contingent Capital 2020/I). The sole purpose of Contingent Capital 2020/I is to grant new no-par value shares to the holders of option rights issued by the Company under the authorisation granted by the shareholders at the Annual General Meeting on 19 May 2020 under agenda item 7 a). On the basis of Contingent Capital (2020/I) approved on 19 May 2020, 18,000 subscription shares were issued. By resolution dated 20 January 2025, the Supervisory Board amended Article 5 (Amount and Division of Share Capital, Contingent Capital) of the Articles of Association.

Contingent Capital 2020/I amounts to EUR 1,282,000.00 after the issue of subscription shares in 2024.

Authorisation to acquire treasury shares

By resolution of the Annual General Meeting on 16 May 2019, the Management Board is authorised to acquire treasury shares amounting to up to 10% of the Company's share capital on or before 15 May 2024. No use was made of this authorisation in the year under review.

By resolution of the Annual General Meeting on 16 May 2024, the Management Board is authorised to acquire treasury shares amounting to up to 10% of the Company's share capital on or before 15 May 2029. No use was made of this authorisation in the year under review.

Other changes in equity not recognised through profit and loss

Other changes in equity not recognised through profit and loss relate to changes from the currency translation of foreign subsidiaries recognised directly in equity.

Non-controlling interests

Non-controlling interests include minority interests in the equity and comprehensive income of a subsidiary.

Other information

(28) Contingent liabilities

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events that are beyond the control of SFC. Furthermore, current obligations constitute contingent liabilities if it is unlikely that they will be utilised and/or the amount of the obligation cannot be estimated with sufficient reliability.

(29) Other financial obligations

Order commitment

As of the reporting date, the Group had purchase obligations totalling EUR 21,930,598 (previous year: EUR 24,981,342). These mainly relate to blanket orders for raw materials, consumables and supplies.

Contingent liabilities

There are no contingent liabilities as of the reporting date.

(30) Financial instruments

The following table shows the financial assets and liabilities by measurement category and class:

CARRYING AMOUNTS ACCORDING TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (EUR)

	31 Dec. 2024	31 Dec. 2023
Financial assets		
Assets at amortised cost		
Trade receivables	35,843,263	28,645,153
Other assets and receivables – current	355,008	337,217
Cash and cash equivalents	60,494,360	59,847,494
Restricted cash and cash equivalents	285,620	285,620
Financial liabilities		
Liabilities at amortised cost		
Liabilities to banks	4,135,719	3,791,132
Trade payables	15,554,573	12,890,047
Lease liabilities	14,006,795	12,563,183
Other liabilities – current	456,459	263,900

The carrying amounts of the financial assets and financial liabilities recognised at amortised cost largely match their fair values, particularly due to their current nature. For this reason, they are not allocated to separate levels in accordance with IFRS 7.29(a). In accordance with IFRS 7.29(d), the fair value of lease liabilities is not disclosed.

Financial assets and liabilities measured at fair value are allocated to the following three hierarchy levels: Financial assets and liabilities are allocated to level 1 if there is a listed price for the same assets and liabilities on an active market. They are allocated to level 2 if the inputs on which the determination of fair value is based are observable either directly as prices or indirectly derived from prices. Financial assets and liabilities are recognised in level 3 if the fair value is determined using unobservable inputs. As in previous year, there were no level 3 financial liabilities or financial assets based on fair value measurement in the year under review.

The expenses and income from financial instruments by measurement category are as follows:

INCOME AND EXPENSES FROM FINANCIAL INSTRUMENTS EUR

	2024	2023
Financial assets		
Assets at amortised cost		
Trade receivables		
Income from the reversal of impairments	117,384	690,038
Expenses from impairments	-1,296,182	-874,609
Income from currency translation	1,702,522	1,016,549
Currency-translation expenses	-147,732	-1,196,572
Cash and cash equivalents		
Interest income	1,090,966	985,664
Net income/expense from assets measured at amortised cost	**1,466,958**	**621,071**
Financial liabilities		
Liabilities at amortised cost		
Liabilities to banks		
Interest expense	-268,949	-264,300
Trade payables		
Income from currency translation	29,965	57,101
Currency-translation expenses	-1,030,729	-428,880
Lease liabilities		
Interest expense	-569,634	-520,939
Net income/expense from liabilities measured at amortised cost	**-1,839,347**	**-1,157,018**

Capital management

SFC sees a strong financial profile for the Group as a basic prerequisite for further growth. Its strategic orientation and, in particular, the expansionary strategy that has been adopted require further investments that must be financed to ensure future business success – especially in product development, the development of additional market segments and new regions and the expansion of existing market segments. The purpose of funds received by the Company from the capital increases completed in July 2019, November 2020 and July 2022 and the exercise of the bond with warrants in January 2020 was to finance these investments. Surplus liquidity is invested in low-risk financial instruments (e.g. overnight and fixed-term deposits) at various banks until it is utilised as part of the growth strategy.

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 EUR

	31 Dec. 2024	31 Dec. 2023
Equity	**139,217,610**	**128,133,215**
Percentage of total capital	71.7%	72.6%
Non-current liabilities	15,788,024	14,687,907
Current liabilities	39,123,807	33,578,134
External capital	**54,911,831**	**48,266,041**
Percentage of total capital	28.3%	27.4%
Total capital	**194,129,441**	**176,399,257**

The capital structure changed slightly in the year under review. The equity ratio fell to 71.7% (previous year: 72.6%). The reason for this is the increase in non-current and current liabilities. In contrast, equity increased, in particular due to the profit for the period.

Adjusted operating earnings

For internal management purposes, the Company uses adjusted operating earnings, among other things. The table below shows the reconciliation of operating earnings (EBIT) reported in the consolidated income statement with adjusted operating earnings:

RECONCILIATION WITH ADJUSTED OPERATING EARNINGS EUR

	2024	2023
Operating earnings (earnings before interest and taxes)	**13,737,491**	**9,157,349**
Recognised under research and development costs:		
Expenses for LTI programme	70,288	-890
Recognised under selling expenses:		
Expenses for LTI programmes	614,550	-323,568
Recognised under general administrative expenses:		
Expenses for LTI programmes	757,041	371,859
Costs associated with acquisition endeavours	924,501	491,495
Recognised under other operating income		
Income from business combinations	-548,287	0
Adjusted operating earnings	**15,555,586**	**9,696,245**

Financial risks, such as market, credit or liquidity risks, may arise in connection with financial instruments and are explained below.

Risks and hedging policy

Due to SFC's international activities, changes in exchange rates, commodity prices and interest rates have an impact on the Group's net assets, financial position and results of operations. It is also exposed to credit and liquidity risks in connection with market price risks or associated with a deterioration in operating business or disruptions on the financial markets.

In general, risks are still associated with rising raw material and energy costs, which could have a negative impact on product margins. With a volatility of 5% in platinum prices, the effect on expenses is around EUR 99,960 p. a.

Credit risk

Credit risks mainly resulted from trade receivables. The risk lies in the risk of default by a contractual partner and is characterised by the customer structure with various major customers. In order to avert this risk, credit checks are carried out in the form of enquiries with credit agencies for selected customers and regular status reports with an early warning function are requested. New customers are generally only supplied subject to prepayment. In addition, all overdue receivables are discussed on a weekly basis as part of receivables management and measures initiated with the responsible sales employees. In the case of the subsidiaries SFC B.V. and SFC Ltd., credit risk is addressed in such a way that overdue receivables are first investigated by accounting staff and then discussed with the customer by the responsible sales employee due to the manageable customer base or bad debt losses.

The amounts recognised in the statement of financial position are net of the allowance for expected credit losses, which are estimated by management on the basis of the expected credit loss model and the current economic environment. Specific loss allowances are recognised as soon as there is any indication that receivables cannot be recovered. The indications are based on intensive contacts within the scope of receivables management. The expected credit losses are determined in the light of customers' past payment practices. On each reporting date, the expected credit loss over the remaining term is determined as a percentage depending on the duration of the overdue period.

The Group considers a financial asset to be in default if it is unlikely that the debtor will be able to meet its payment obligation to the Group in full without the Group having to resort to measures such as the realisation of collateral (if any). The maximum credit loss equals the net carrying amount of the receivables. As in the previous year, no collateral from defaulted receivables was acquired and recognised in the reporting period. Receivables from product sales are collateralised for SFC by means of retained ownership rights.

Indicators that a financial asset is credit-impaired include the following observable data:

- Significant financial difficulties on the part of the customer
- Breach of contract, such as default or an overdue period of more than 90 days
- Restructuring of a loan or credit by the Group that it would not otherwise consider
- Heightened probability that the borrower will enter bankruptcy or other financial reorganisation.
- Loss of an active market for a security due to financial difficulties.

The Group's impairment policy provides for an item-by-item approach.

Of the trade receivables totalling EUR 35,843,267 (previous year: EUR 28,645,153), the 5 largest customers account for EUR 4,785,128, EUR 3,263,622, EUR 2,817,713, EUR 2,072,965 and EUR 2,061,134, respectively, totalling EUR 15,000,562 (previous year: customers EUR 6,981,476, EUR 2,108,627, EUR 2,011,727, EUR 1,971,340 and EUR 1,094,970 respectively, totalling EUR 14,168,140). There are no other significant concentrations of risk.

The following table shows the loss allowances on trade receivables:

LOSS ALLOWANCES ON TRADE RECEIVABLES EUR

	2024	2023
Amount on 1 January	**1,576,106**	**1,504,707**
Added	1,296,182	874,609
Utilisation	-87,992	-113,171
Reversed	-117,384	-690,039
Amount on 31 December	**2,666,912**	**1,576,106**

The expected credit losses break down as follows:

BREAKDOWN OF EXPECTED CREDIT LOSSES ON RECEIVABLES TRADE RECEIVABLES EUR

	2024	2023
Amount on 1 January	**1,576,106**	**1,504,707**
Life-time expected credit losses over the entire term (collectively measured)	350,159	279,637
Credit-impaired financial assets (life-time expected credit losses)	2,316,753	1,296,469
Amount on 31 December	**2,666,912**	**1,576,106**

The expected loss rate per maturity band is broken down as follows:

LOSS RATE EUR

	31 Dec. 2024				
	Not past due	Overdue by less than 30 days	Overdue by 30 to 90 days	Overdue by more	Total
Expected loss rate (%)	0%	2%	2%	33%	
Trade receivables (gross)	25,827,146	4,489,099	791,324	7,402,610	**38,510,179**
Loss allowance for doubtful receivables	126,672	94,086	15,839	2,430,315	**2,666,912**

	31 Dec. 2023				
	Not past due	Overdue by less than 30 days	Overdue by 30 to 90 days	Overdue by more	**Total**
Expected loss rate (%)	0%	2%	3%	25%	
Trade receivables (gross)	15,708,959	3,993,424	5,453,903	5,064,973	**30,221,259**
Loss allowance for doubtful receivables	73,165	76,729	176,312	1,249,900	**1,576,106**

No loss allowances were recognised for other financial assets, which mainly include receivables from grants and contract assets. There were no overdue claims in this regard as of the reporting date.

There are also credit risks with regard to cash and cash equivalents. Cash and cash equivalents mainly comprise short-term time and overnight deposits and bank balances available on call. The investment of cash and cash equivalents exposes SFC to credit risks if financial institutions do not fulfil their obligations. To minimise this risk, the financial institutions with which investments are held are carefully vetted and the investments spread across several banks. In addition, only short-term fixed-term deposits that are covered by the deposit protection scheme of the financial institutions are used. The maximum risk exposure corresponds to the carrying amount of cash and cash equivalents on the reporting date.

Liquidity risk

Liquidity risk is the risk that SFC will not be able to fulfil its payment obligations to a sufficient extent. This risk was addressed by the capital increases in July 2019, November 2020 and July 2022, the exercise of the bond with warrants in January 2020 and all previous measures to increase capital.

Ultimately, responsibility for liquidity risk management lies with the Management Board, which has developed an appropriate model 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 experiences contractual cash outflows from financial liabilities, which are shown in the table below with their earliest possible dates. The cash inflows from financial instruments in current and non-current assets are shown in the same way. The remaining net liquidity outflow is covered by existing cash and cash equivalents.

FINANCIAL LIABILITIES EUR

	2024				2023			
	Total	≤1 year	>1 - 5 years	>5 years	Total	≤1 year	>1 - 5 years	>5 years
Non-derivative financial liabilities								
Liabilities to banks	-4,135,719	-4,135,719	0	0	-3,791,132	-3,791,132	0	0
Trade payables	-15,554,573	-15,554,573	0	0	-12,890,047	-12,890,047	0	0
Lease liabilities	-16,628,853	-2,847,300	-11,286,330	-2,495,224	-14,249,401	-2,589,570	-9,961,658	-1,698,173
Other financial liabilities	-456,459	-456,459	0	0	-263,900	-263,900	0	0
Liquidity outflow	**-36,775,604**	**-22,994,051**	**-11,286,330**	**-2,495,224**	**-31,194,480**	**-19,534,649**	**-9,961,658**	**-1,698,173**
Non-derivative financial assets								
Cash and cash equivalents	60,779,980	60,779,980	0	0	60,133,114	60,133,114	0	0
Trade receivables	35,843,263	35,843,263	0	0	28,645,153	28,645,153	0	0
Other financial assets	355,008	355,008	0	0	337,217	337,217	0	0
Liquidity inflow	**96,978,251**	**96,978,251**	**0**	**0**	**89,115,484**	**89,115,484**	**0**	**0**
Net liquidity from financial instruments	**60,202,647**	**73,984,200**	**-11,286,330**	**-2,495,224**	**57,921,004**	**69,580,835**	**-9,961,658**	**-1,698,173**

Cash and cash equivalents are shown including restricted cash.

Interest rate risk

The interest rate risk results mainly from the external finance raised for the subsidiaries SFC Ltd. and SFC NL, which is based on variable interest rates, and from the short-term investment of cash and cash equivalents. A 100-basis-point increase or decrease in interest rates would have improved or worsened the interest result by EUR 167 (previous year: 100 basis points, EUR 20,227). Otherwise, the Group is not exposed to any significant interest rate risks from variable-interest instruments.

Please also refer to the risk report in the Group management report for information on risk management objectives and measures. Risks are measured as part of the rolling year-end forecast.

Currency risk

Due to the business of SFC Ltd., SFC generates a significant portion of its Group sales in Canadian dollars, which is offset by expenses and expenditure in the same currency. SFC AG and SFC Ltd. in North America also generate sales in US dollars. Moreover, SFC Ltd. purchases some products in US dollars. No forward exchange transactions were executed in the year under review.

The currency translation of the assets and liabilities of the foreign subsidiaries in Canada, the United States, the UK, India and Denmark as of 31 December 2024 would have resulted in an effect of EUR -1,069,538 (previous year excluding Denmark: EUR -870,900) in the case of an exchange rate fluctuation of -5% and an effect of EUR 1,069,538 (previous year excluding Denmark: EUR 870,900) in the case of an exchange rate fluctuation of +5%. This would have been reflected in the Group's equity.

The translation of the Romanian subsidiary and the transactions in RON had no material impact.

The translation of the Group's foreign currency receivables and liabilities in US dollars as of 31 December 2024 would have led to a change in the foreign currency result of EUR 8,024 (previous year: EUR -72,282) if the exchange rate had fluctuated by -5% and to a change of EUR 8,024 (previous year: EUR 72,282) if the exchange rate had fluctuated by +5%.

The aim of foreign currency management is to minimise currency losses compared to budget assumptions. For this purpose, an open foreign currency position is calculated on the basis of the actual and planned foreign currency positions and adjusted in the rolling year-end forecast. If there are any larger open positions, the open balance is largely hedged using forward exchange transactions if the forecast and market expectations indicate significant deviations from the budgeted assumptions. As in the previous year, there were no open forward exchange transactions as of the reporting date. In this respect, there is a foreign currency risk for the unhedged portion of revenues.

Beyond the information provided on the individual risks, there is no significant concentration of risk in the Group.

(31) Share-based payment/stock appreciation rights programme

As of 31 December 2024, SFC had three share-based payment programmes: the stock appreciation rights programme (SAR), the stock option programme (SOP) and the performance share programme (PSP).

Stock appreciation rights programme

The SAR programmes still in place for the Management Board provide for variable remuneration in the form of virtual share options. The SARs issued under the programme are virtual remuneration instruments not backed by equity. If the performance targets are achieved and other conditions are met, they grant entitlement to cash settlement at the reference price on the exercise date less the exercise price. Since 2024, some SARs have been settled with shares.

In 2024, the virtual option rights issued were distributed across the following tranches:

OVERVIEW OF SAR 2024 EUR

	Tranche HP3	Tranche DS1
Allocation day	**01.07.2018**	**01.07.2020**
Number of SARs	**180,000**	**228,000**
Sub-tranches	3	4
Maximum duration of the SAR programme	7.0 years	8.0 years
Reference price	Average market price of the Company's shares (arithmetic mean of XETRA closing prices) on the last 30 trading days prior to the applicable date	
Expiry date of the last sub-tranche	01.07.2021	01.07.2024
Target price	EUR 16.50	EUR 22.00
Vesting period (from allocation date) in years	4.0 - 6.0	4.0- 7.0
Exercise price	The exercise price is EUR 1.00 per virtual stock option	
Cap	n/a	EUR 1.0 million
End of the exercise period of the last sub-tranche	**01.07.2025**	**01.07.2028**

The number of SARs vested may change up to the expiry date depending on the reference price on this date. If the reference price on the expiry date does not reach the price target specified in the term sheet, only a fixed number of SARs will vest. The remaining SARs expire on the applicable date without replacement or compensation.

After the expiry of the applicable vesting period, SARs can be exercised within a period of one year, provided that the performance targets are met and the blackout periods observed. The number of SARs that can be exercised within each sub-tranche depends on the average market price of the Company's shares on the last 30 trading days before the exercise date (reference price on the exercise date) reaching or exceeding the thresholds specified in the term sheet. If the reference price does not reach at least the target price, only a portion of the SARs can be exercised under the sub-tranches. As part of the performance targets for the HP3 tranche, the average price of the Company's shares in the 30 trading days prior to the expiry of the applicable vesting period must also exceed the average share price in the 30 trading days prior to the allocation date. The cash settlement under the applicable sub-tranche of tranche DS1 is capped at a maximum of EUR 1.0 million.

No further SARs were granted in 2024. Some claims under tranche HP3 were exercised in the reporting period. Based on the Management Board resolution of 11 March 2024, the option to convert the existing SAR programmes for senior executives CB1, BL1 and FT1 into a share option programme was utilised with the result that equity instruments are now awarded upon exercise. The existing liabilities under these SARs were reclassified as equity after remeasurement on the modification date. Please refer to the following section on share option programmes for details of the remeasurement parameters.

The grant of the remaining SARs was classified and measured as cash-settled share-based payment in accordance with IFRS 2.30. The fair value of the SARs is remeasured on each reporting date using a Monte Carlo model for the relevant sub-tranche and taking into account the conditions under which the SARs were granted.

The SARs changed as follows in the reporting period:

SARs IN 2024 EUR

	Tranche HP3	Tranche DS1	Tranche CB1 / BL1 / FT1
Number of SARs	**180,000**	**228,000**	**0**[1]
Remaining period (in years)	0.5	3.5	n/a
SARs outstanding at the beginning of the 2024 reporting period (1 January 2024)	83,333	228,000	40,500
In 2024			
SARs granted	0	0	0
SARs forfeited	0	0	0
SARs exercised	41,667	0	0
SARs expired	0	0	40,500[1]
SARs outstanding at the end of 2024 (31 December 2024)	**41,666**	**228,000**	**0**
SARs vested at the end of 2024 (31 December 2024)	**41,666**	**57,000**	**0**

1) The exercise option was updated resulting in conversion into share option programmes.

The SARs performed as follows in the previous year:

SARs IN 2023 EUR

	Tranche HP3	Tranche DS1	Tranche CB1 / BL1 / FT1
Number of SARs	**180,000**	**228,000**	**47,250**
Remaining period (in years)	1.5	4.5	3.0
SARs outstanding at the beginning of the 2023 reporting period (1 January 2023)	90,000	228,000	40,500
In 2023			
SARs granted	0	0	0
SARs forfeited	0	0	0
SARs exercised	6,667	0	0
SARs expired	0	0	0
SARs outstanding at the end of 2023 (31 December 2023)	**83,333**	**228,000**	**40,500**
SARs vested at the end of 2023 (31 December 2023)	**41,667**	**0**	**0**

The following parameters were applied in the measurement of the SARs as of 31 December 2024:

2024		EUR
	Tranche HP3	Tranche DS1
Measurement date	**31 Dec. 2024**	**31 Dec. 2024**
Remaining period (in years)	0.5	0.5 - 3.5
Volatility	34.2%	30.4% - 40.7%
Risk-free interest rate	2.36%	2.01% - 2.37%
Expected dividend yield	0.0%	0.0%
Exercise price	EUR 1.00	EUR 1.00
Price of SFC share on measurement date	EUR 17.20	EUR 17.20
Fair value (EUR)	**664,808**	**1,604,234**

The following parameters were applied in the measurement for the previous year (31 December 2023):

2023			EUR
	Tranche HP3	Tranche DS1	Tranche CB1 / BL1 / FT1
Measurement date	**31 Dec. 2023**	**31 Dec. 2023**	**31 Dec. 2023**
Remaining period (in years)	0.5 – 1.5	1.5 – 4.5	1.0 - 3.0
Volatility	40.3% - 41.7%	41.7% - 53.7%	39.2% - 48.1%
Risk-free interest rate	2.60% - 3.47%	1.88% - 2.61%	2.04% - 2.977%
Expected dividend yield	0.0%	0.0%	0.0%
Exercise price	EUR 1.00	EUR 1.00	EUR 1.00
Price of SFC share on measurement date	EUR 19.52	EUR 19.52	EUR 19.52
Fair value (EUR)	**1,505,543**	**1,639,727**	637,520[1]

1) The fair value shown corresponds to the sum of all tranches, with each tranche accounting for EUR 212,507.

Volatility was calculated as the historical volatility of the SFC share over the remaining term of the applicable sub-tranche. The expected dividend yield is based on market expectations of planned future dividend on SFC shares.

If control of the Company is acquired within the meaning of Section 29 (2) of the German Securities Acquisition and Takeover Act (WpÜG), SARs that have not yet expired may be settled in cash.

As of 31 December 2024, a liability of EUR 2,269,042 (of which EUR 802,117 is non-current) was recognised under other liabilities as part of the SAR programmes (31 December 2023: EUR 3,578,386; of which EUR 1,418,481 is non-current). The expense / income for the pro rata financial year 2024 amounts to EUR 21,815 (same period of 2023: EUR -323,848).

As part of the conversion of the SARs, the liability recognised in the statement of financial position was reclassified as equity. The negative remeasurement difference amounts to EUR 122,124 and was recognised as an expense.

The intrinsic value of the vested SARs on the reporting date breaks down as follows:

INTRINSIC VALUE OF THE VESTED SARS AS OF 31 DECEMBER 2024

	Exercise price	Share price on 31 Dec. 2024	Number of vested SARs	Intrinsic value
HP3	EUR 1.00	EUR 17.20	41,667	EUR 675,005
DS1[1]	EUR 1.00	EUR 17.20	228,000	EUR 3,693,600
Total				**EUR 4,368,605**

1) The cash settlement under the respective sub-tranche of tranche DS1 is capped at a maximum of EUR 1.0 million. The cap is duly taken into account in the calculation of the intrinsic value of the vested SARs.

Stock option programmes (equity-settled)

The SOP programmes provide for variable remuneration in the form of virtual stock options. The SOPs issued under the programme are virtual remuneration instruments that are backed by equity. They grant entitlement to one no-par value ordinary bearer share in SFC if the performance targets are achieved and other conditions are met.

In 2024, the share option rights issued are distributed across the following tranches:

OVERVIEW OF SOPs 2024 EUR

	Tranche PP3	Tranche HP4	Tranche MC1	Tranche SA2	Tranche CB1/ BL1/ FT1
OVERVIEW OF SOPS 2024	**09.07.2020**	**01.03.2021**	**01.01.2021**	**05.05.2023**	**11.03.2024**[1]
Number of SOPs	**504,000**	**500,000**	**22,800**	**22,800**	**21,000**
Sub-tranches	4	4	3	3	3
Maximum duration of the SOP programme	8.0 years	7.0 years	8.0 years	7.0 years	7.0 years
Reference price	Average market price of the Company's shares (arithmetic mean of XETRA closing prices) on the last 30 trading days prior to the applicable date				
Expiry date of the last sub-tranche	09.07.2024	01.03.2025	01.01.2024	05.05.2026	01.01.2023
Target price	EUR 19.00	EUR 51.54	EUR 32.72	EUR 44.59	EUR 19.00
Vesting period (from allocation date) in years	4.0 - 7.0	4.0 - 7.0	4.0 - 6.0	4.0 - 6.0	4.0-6.0
Exercise price	EUR 1.00	EUR 24.41	EUR 15.50	EUR 21.12	EUR 1.00
Cap	EUR 1.0 million	EUR 1.0 million	n/a	n/a	n/a
End of the exercise period of the last sub-tranche	**09.07.2028**	**01.03.2029**	**01.01.2028**	**05.05.2030**	**01.07.2027**

1 The allocation day corresponds to the modification dat

The number of SOPs vested may change up to the expiry date depending on the reference price on this date. If the reference price on the expiry date does not reach the price target specified in the term sheet, only a fixed number of SOPs will vest. The remaining SOPs expire on the respective reporting date without any replacement or compensation. The same contractual conditions as those for SARs apply with regard to the exercise. In the case of the HP4 and PP3 tranches, the relevant sub-tranche of the SOP can only be exercised if the total intrinsic value does not exceed EUR 1.0 million when the sub-tranche is exercised (cap).

In the reporting period, the existing SAR programmes CB1, BL1 and FT1 were converted into SOPs. As already described in the previous section, these were reclassified as equity after remeasurement as of the modification date on 11 March 2024 and the difference recognised in profit or loss.

The grant of the programmes mentioned in this section was classified and measured as cash-settled share-based payment in accordance with IFRS 2.10. The fair value of the programmes is measured a single time using a Monte Carlo model for the relevant sub-tranche and taking into account the conditions under which the SOPs were granted.

The SOPs changed as follows in the reporting period:

STOCK OPTIONS IN 2024 EUR

	Tranche PP3	Tranche HP4	Tranche MC1	Tranche SA2	Tranche CB1/ BL1/ FT1
Number of SOPs	**504,000**	**500,000**	**22,800**	**22,800**	**21,000**
Remaining period (in years)	3.7	4.2	3.0	5.3	2.0
SOPs outstanding at the beginning of 2024 (1 January 2024)	504,000	250,000	14,849	22,800	0
In 2024					
Stock options granted	0	0	0	0	21,000
Stock options forfeited	0	125,000	6,152	7,600	3,000
Stock options exercised	0	0	0	0	6,000
Stock options expired	0	0	0	0	
SOPs outstanding at the end of the reporting period (31 December 2024)	**504,000**	**125,000**	**8,697**	**15,200**	**12,000**
SOPs exercisable at the end of the reporting period (31 December 2024)[1]	**126,000**	**0**	**0**	**0**	**0**

1 The exercise shown does not take into account the required price targets.

The stock options changed as follows in 2023:

STOCK OPTIONS IN 2023 EUR

	Tranche PP3	Tranche HP4	Tranche MC1	Tranche SA2
Number of SOPs	**504,000**	**500,000**	**22,800**	**22,800**
Remaining period (in years)	4.5	5.2	4.0	6.3
SOPs outstanding at the beginning of 2023 (1 January 2023)	504,000	375,000	19,543	0
In 2023				
Stock options granted	0	0	0	22,800
Stock options forfeited	0	125,000	4,704	0
Stock options exercised	0	0	0	0
Stock options expired	0	0	0	0
SOPs outstanding at the end of the reporting period (31 December 2023)	**504,000**	**250,000**	**14,839**	**22,800**
SOPs exercisable at the end of the reporting period (31 December 2023)	**0**	**0**	**0**	**0**

As of December 2024, a share premium of EUR 2,802,594 was recognised in connection with the SOP programme (31 December 2023: EUR 1,757,626). Expenses/income for 2024 totalled EUR 286,386 (previous year: EUR 371,249), excluding the expenses for the modifications to CB1, BL1 and FT2.

The following parameters were applied for measurement purposes as of 31 December 2024:

2024					EUR
	Tranche PP3	Tranche HP4	Tranche MC1	Tranche SA2	Tranche CB1/ BL1/ FT1
Measurement date	**04.09.2020**	**01.03.2021**	**01.02.2021**	**05.05.2023**	**31.03.2024**
Remaining period (in years)	8 years	8 years	7 years	7 years	2.8 years
Volatility	45.18%	49.49%	50.34%	52.42%	35.89%-41.28%
Risk-free interest rate	**-0.54%**	**-0.47%**	**-0.69%**	**2.15%**	**2.6%-3.4%**
Expected dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%
Exercise price	EUR 1.00	EUR 24.41	EUR 15.50	EUR 21.12	EUR 1.00
Price of SFC share on measurement date	EUR 10.00	EUR 28.50	EUR 22.75	EUR 21.80	EUR 17.98
Fair value on the date of issue (EUR)	**676,954**	**704,186**	**247,383**	**223,553**	**759,665**[1]

1 The fair value shown corresponds to the total of all tranches, with each tranche accounting for EUR 253,222.

The period from the measurement date until the end of the applicable contract was used to calculate the duration. In the case of the converted CB1, BL1 and FT1 tranches, the period from the measurement date until the end of the exercise period of the applicable sub-tranche was used as the duration. Volatility was calculated as the historical volatility of the SFC share over the remaining term. The expected dividend yield is based on market expectations concerning the planned future dividend on SFC shares on the applicable measurement dates.

Performance share programmes (equity-settled)

The PSPs provide for variable remuneration in the form of virtual stock options. The PSPs issued under the programme are virtual remuneration instruments that are not backed by equity. At the end of the performance period, they grant entitlement to payment in cash or SFC shares, depending on the overall level of achievement of various long-term performance targets (LTI) and the fulfilment of other conditions at the Company's discretion.

1) Zuteilungstag entspricht dem Modifikationsdatum,

In 2024, the allocated PSPs are distributed across the following tranches:

OVERVIEW OF PSP 2024 EUR

	Tranche PP4	Tranche DS2	Tranche CB2/FT2/ BL2/ KE1/RG1/TM1	Tranche PV1/DH1
Allocation day	**21.03.2024**	**25.07.2024**	**28.06.2024**	**28.06.2024**
Target amount (total)	**999,000**	**450,000**	**377,431**	**123,205**
Initial price of the SFC share[1]	18.94	18.94	18.94	18.94
Initial number of PSPs	**52,746**	**23,759**	**19,933**	**6,505**
Performance period	01.01.2024 31.12.2027	01.01.2024 31.12.2027	01.01.2024 31.12.2027	01.01.2024 31.12.2027
Number and weighting of share price targets	1 (70%)	1 (70%)	1 (70%)	1 (70%)
Number and weighting of ESG targets	4 (7.5% each)	4 (7.5% each)	4 (7.5% each)	4 (7.5% each)
Percentage cap on the target amount	250%	250%	150%	150%
Cap (EUR)	2,497,500	1,125,000	562,298	184,806

1 Average market price of the Company's shares (arithmetic mean of XETRA closing prices) on the last 60 trading days prior to the applicable reporting date

The expected final number of PSPs may vary according to the overall degree of achievement of the relevant performance criteria and is calculated by multiplying the initial number of PSPs by the overall target achievement level at the end of the performance period. The targets are made up of one share price-based target (market-based condition) and four ESG targets (non-market-based condition). The share price-based target is determined on the basis of the relative performance of the SFC shareholders compared to the SDAX as a reference index. The four non-financial sustainability targets (LTI ESG targets) are weighted equally between two targets each relating to carbon reduction and the optimisation of the circular economy.

In this reporting period, one PSP programme was granted to the Management Board (PP4, DS2) and one to senior executives (CB2, BL2, FT2, KE1, RG1, TM1, PV1, DH1).

The grant of the programmes mentioned in this section was classified and measured as cash-settled share-based payment in accordance with IFRS 2.10. The fair value of the programmes is measured at the grant date using a Monte Carlo model for the respective sub-tranche and taking into account the conditions under which the PSPs were granted, and is updated if the expected achievement of the non-market targets changes.

The PSPs changed as follows in the reporting period:

PSPs 2024 EUR

	Tranche PP4	Tranche DS2	Tranche CB2/FT2/BL2/KE1/RG1/TM1	Tranchen PV1/DH1
Number of PSPs (total)	**52,746**	**23,759**	**19,993**	**6,505**
Remaining period (in years)	3.0	3.0	3.0	3.0
PSPs outstanding at the beginning of 2023	0	0	0	0
In 2024				
Allocated PSPs (initial number)	52,746	23,759	19,993	6,505
PSPs expired	0	0	0	0
PSPs settled	0	0	0	0
PSPs outstanding at the end of the reporting period (31 December 2024)	**52,746**	**23,759**	**19,993**	**6,505**
PSPs exercisable at the end of the reporting period (31 December 2024)	**0**	**0**	**0**	**0**
Expected number of PSPs (grant date)	38,345	19,668	14,283	5,015
Expected number of PSPs (31 December 2024)	42,576	21,574	14,807	5,168

As of 31 December 2024, a share premium of EUR 814,332 was recognised under the PSP programme. The expenses arising in 2024 also amount to EUR 814,332. The measurement is based on the fair value of the equity instruments granted on the grant date, taking into account the achievement of non-market conditions (ESG targets) updated as of the reporting date.

The following parameters were applied:

PSPs 2024 EUR

	Tranche PP4	Tranche DS2	Tranche CB2/FT2/ BL2/ KE1/RG1/TM1	Tranche PV1/DH1
Measurement date	**21.03.2024**	**25.07.2024**	**28.06.2024**	**07.08.2024**
Remaining period (in years)	0.8-3.8 years	0.5-3.5 years	0.5-3.5 years	0.4-3.4 years
Volatility of the SFC share	38.82%-60.44%	39.24%-53.13%	40.43%-55.63%	38.73%-51.36%
Volatility of the SDAX	15.33%-19.81%	14.13%-19.68%	14.22%-19.60%	15.76%-19.69%
Risk-free interest rate	2.44%-3.45%	2.35%-3.33%	2.44%-3.45%	2.19%-3.24%
Expected dividend yield	0.00%	0.00%	0.00%	0.00%
Initial price of the SFC share	EUR 18.94	EUR 18.94	EUR 18.94	EUR 18.94
Initial SDAX level	EUR 12,969,15	EUR 12,969,15	EUR 12,969,15	EUR 12,969,15
Cap on target achievement	250%	250%	150%	150%
Fair value on the date of issue (EUR)	**656,894**	**373,628**	**222,651[1]**	**80,726[1]**

As of 31 December 2024, remeasurement was performed on the basis of updated target achievement of the non-market conditions for the completed 2024 performance period. The increased target achievement compared to the allocation date led to a true-up, which has already been integrated in the expense for the year under review.

The initial share price was derived from the XETRA closing price at the start of the commencement period. Volatility was calculated as the historical volatility of the SFC share and the SDAX over the remaining term. The expected dividend yield is based on market expectations concerning the planned future dividend on SFC shares on the applicable measurement dates. If control of the Company is acquired within the meaning of Section 29 (2) of the German Securities Acquisition and Takeover Act (WpÜG), the PSPs that have not yet expired may be settled in cash.

(32) Related party transactions

Related parties within the meaning of IAS 24 “Related Party Disclosures” are companies and persons if one of the parties has the ability, directly or indirectly, to control or exercise significant influence over the other party or is involved in the joint control of the Company.

Balances and transactions between SFC Energy AG as the parent company and its subsidiaries, which are related parties, were eliminated in consolidation accounting and are therefore not presented in this note.

Related parties, as persons in key positions at SFC, are the members of the Management Board and Supervisory Board and their close family members. The composition of the Management Board and Supervisory Board was as follows in 2024:

Members of the Management Board

- Dr Peter Podesser, Simbach am Inn, Germany, CEO (Chairman of the Management Board)
- Daniel Saxena, Thalwil, Switzerland, CFO
- Hans Pol, Ede, Netherlands, COO

Members of the Supervisory Board

- Sunaina Sinha Haldea, London (United Kingdom), managing director (Chairwoman)
- Henning Gebhardt, Bad Homburg, managing director (Deputy Chairman)
- Gerhard Schempp, Kaltental, management consultant
- Dr Andreas Blaschke, Vienna, management consultant

Companies that are directly or indirectly controlled or significantly influenced by persons in key management positions or close family members of these persons are also classified as related parties in accordance with IAS 24 "Related Party Disclosures".

The total remuneration of persons in key positions is shown below:

REMUNERATION IN 2024 EUR

	Current benefits	Post-employment benefits	Other non-current benefits	Termination benefits	Share-based payment	Total
Dr Peter Podesser	849,712	0	0	0	438,619	1,288,331
Hans Pol	482,020	0	0	0	226,636	708,656
Daniel Saxena	431,749	0	0	0	398,141	829,890
Summe	**1,763,481**	**0**	**0**	**0**	**1,063,396**	**2,826,877**

REMUNERATION IN 2023 EUR

	Current benefits	Post-employment benefits	Other non-current benefits	Termination benefits	Share-based payment	Total
Dr Peter Podesser	653,790	0	0	0	-237,394	416,396
Hans Pol	456,060	0	0	0	-321,788	134,272
Daniel Saxena	393,800	0	0	0	158,939	552,739
Summe	**1,503,650**	**0**	**0**	**0**	**-400,243**	**1,103,407**

The negative share-based payment in the previous year resulted from the adjustment to the valuation model and share price losses.

The remuneration of the Supervisory Board totalled EUR 207,500 in the year under review (previous year: EUR 207,500) and comprises solely short-term benefits.

Liabilities to persons in key management positions totalling EUR 3,156,442 were reported as of the reporting date (previous year: EUR 3,714,760). The liabilities break down as follows:

- Supervisory Board EUR 207,500 (previous year: EUR 207,500)
- Management Board EUR 2,948,942 (previous year: EUR 3,507,260).

The liabilities to the Supervisory Board relate entirely to remuneration granted but not yet paid. A sum of EUR 2,269,042 (previous year: EUR 2,940,860) of the liabilities to the Management Board relates to SAR programmes that have not been exercised and EUR 679,900 (previous year: EUR 566,400) to short-term variable remuneration for Management Board members.

The liabilities for Management Board members comprise the SARs programmes described below.

Agreement with Management Board members

SFC AG currently has the following agreements with members of the Management Board:

Hans Pol was appointed to the Management Board with effect from 1 January 2014 until 28 February 2030. His service contract contains an agreement for the SARs programme 2018 - 2021 (HP3) and the SOP programme 2021 - 2025 (HP4).

Dr Peter Podesser was appointed to the Management Board with effect from 1 November 2006 until 31 December 2028. His service contract contains an agreement on the SOPs programme 2020 - 2024 (PP3) and the PSP programme 2024 - 2027 (PP4).

Daniel Saxena was appointed to the Management Board with effect from 1 July 2020 until 30 June 2029. His service contract contains an agreement on the SARs programme 2020 - 2024 (DS1) and the PSP programme 2024 - 2027 (DS2).

No further SARs or share options were granted to members of the Group's Management Board in 2024. Details on the individual agreements are presented in note (31) Share-based payment.

The shares of SFC Energy AG are held as free float. No company or person held a controlling majority in 2024.

Total remuneration in accordance with Section 314 of the German Commercial Code

The total remuneration granted to the Management Board of SFC Energy AG in 2024 in accordance with Section 314 (1) no. 6 of the German Commercial Code amounted to EUR 2,794,003 (previous year: EUR 1,417,250) and includes all fixed, performance-related and share-based remuneration components.

The total remuneration granted to the Supervisory Board of SFC Energy AG in 2024 in accordance with Section 314 (1) no. 6 of the German Commercial Code amounted to EUR 207,500 (previous year: EUR 207,500) and includes all fixed remuneration components.

(33) Earnings per share

Earnings per share are calculated by dividing consolidated net profit for the year attributable to the shareholders of the parent company by the average number of shares in circulation. As of 31 December 2024, 17,381,691 shares were outstanding (previous year: 17,363,691 shares). Diluted earnings per share are calculated on the basis of the earnings attributable to the ordinary shareholders and a weighted average of the ordinary shares outstanding after adjustments for all dilutive effects of potential ordinary shares. Diluted earnings per share for the reporting period totalled EUR 0.54 (previous year: EUR 1.18).

The weighted average number of ordinary shares is as follows:

AVERAGE OF ORDINARY SHARES EUR

	2024	2023
Number of shares outstanding at the beginning of the period	17,363,691	17,363,691
Effect of the shares issued in the financial year	18,000	0
Weighted average number of shares as of 31 December	**17,378,691**	**17,363,691**
Number of potentially dilutive ordinary shares	69,158	479,435
Weighted average of shares for the calculation	**17,447,849**	**17,843,126**

The potentially dilutive ordinary shares result from the existing share-based remuneration programmes.

Basic and diluted earnings per share are disclosed in the consolidated income statement.

(34) Notes to the consolidated cash flow statement

The consolidated cash flow statement shows the origin and utilisation 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 analysed in the cash flow statement correspond to the cash and cash equivalents (without restrictions) presented in the statement of financial position with the addition of current account liabilities. In the presentation of cash and cash equivalents in the cash flow statement, cash and cash equivalents comprise cash on hand, current account balances and readily available short-term deposits with original maturities of three months or less, which can be converted into cash at any time and are subject to an insignificant risk of changes in value, totalling EUR 60,208,740 (previous year: EUR 57,560,495) and overdraft facilities totalling EUR 4,135,719 (previous year: EUR 3,791,132). Bank overdrafts are recognised in "Liabilities to banks" under current liabilities in the statement of financial position.

Income tax payments and refunds mainly relate to capital gains tax and solidarity surcharge withheld from interest credits when overnight and fixed-term deposits mature, as well as income tax payments for the Canadian and Romanian subsidiaries. As SFC's existing liquidity surpluses are invested in short-term, low-risk financial instruments, the interest received is allocated to cash flow from investing activities. Interest payments are recognised in cash flow from financing activities. The following table reconciles the balances to the cash and cash equivalents in the cash flow statement:

RECONCILIATION WITH THE CASH FLOW STATEMENT EUR

	2024	2023
Cash and cash equivalents	60,494,360	59,847,494
Bank overdrafts	-4,135,719	-3,791,132
Balances according to the cash flow statement	**56,358,641**	**56,056,362**

The following table contains a reconciliation of the cash flow from financing activities.

RECONCILIATION OF CASH FLOW FROM FINANCING ACTIVITIES 2024 EUR

	31 Dec. 2023	Recognised in the cash flow statement	Not recognised in the cash flow statement				31 Dec. 2024
			Exchange rate change	Interest	Additions & disposals IFRS 16	Allocation to stock options programme	Total
Lease liabilities	12,563,183	-2,844,674	67,757	569,634	3,650,895	0	14,006,795
Total	**12,563,183**	**-2,844,674**	**67,757**	**569,634**	**3,650,895**	**0**	**14,006,795**

RECONCILIATION OF CASH FLOW FROM FINANCING ACTIVITIES 2023 EUR

	31 Dec. 2022	Recognised in the cash flow statement	Not recognised in the cash flow statement				31 Dec. 2023
			Exchange rate change	Interest	Additions & disposals IFRS 16	Allocation to stock options programme	Total
Lease liabilities	10,561,072	-2,414,236	-78,393	520,939	3,973,801	0	12,563,183
Total	**10,561,072**	**-2,414,236**	**-78,393**	**520,939**	**3,973,801**	**0**	**12,563,183**

Cash flow from financing activities also includes interest in connection with current account liabilities totalling EUR 268,949 (previous year: EUR 264,568).

(35) Disclosures on Group segment reporting

For the purposes of Group segment reporting in accordance with IFRS 8 "Operating Segments", the segments are defined in accordance with internal reports to the Management Board and the Supervisory Board used as the basis for corporate planning and resource mapping.

The accounting methods of the reportable segments correspond to the Group accounting methods.

The Management Board uses sales, gross profit, EBITDA adjusted (adjusted earnings before interest, taxes, depreciation and amortisation) and EBIT adjusted (earnings before interest and taxes adjusted for special items) as key performance indicators for measuring the operating performance of the two segments Clean Energy and Clean Power Management and for managing the Group. For the reconciliation with adjusted EBIT/EBITDA, please refer to the "Adjusted operating earnings" in note (30) Financial instruments.

The Clean Energy segment comprises the broad range of products, systems and solutions for stationary and mobile off-grid energy supplies based on proton-exchange membrane (PEMFC) and direct methanol (DMFC) fuel cells for customers from the private, industrial and public sector operating in different markets

The Clean Power Management segment pools all of the Group's business in standardised and semi-standardised power management solutions such as voltage converters and coils, which are used in devices for the high-tech industry. It also includes business in frequency converters for the upstream oil and gas industry.

The breakdown of sales and non-current segment assets by region is shown below:

BREAKDOWN OF SALES AND NON-CURRENT SEGMENT ASSETS BY REGION EUR

	Sales from transactions with external customers		Non-current assets	
	2024	2023	**31 Dec. 2024**	31 Dec. 2023
United States	14,865,834	17,255,843	90,299	111,935
Canada	39,331,204	37,199,567	9,516,596	9,669,203
Europe (excl. Germany and Netherlands)	27,802,336	22,866,879	8,299,555	1,216,029
Germany	14,124,821	9,907,048	17,433,472	17,782,607
Netherlands	23,621,882	15,846,083	6,322,191	6,659,470
Asia	24,072,229	12,970,028	1,671,161	2,284,783
Other regions	935,641	2,102,593	0	0
Total	**144,753,946**	118,148,041	**43,333,274**	37,724,027

The breakdown of sales by region was based on the registered offices of the respective customers.

In the year under review, no customer accounted for more than 10% of total sales.

Depreciation and amortisation of non-current assets arising within the cost of sales can be allocated to the individual segments as follows:

DEPRECIATION AND AMORTISATION IN THE COST OF SALES		EUR
	2024	2023
Clean Energy	2,807,162	2,350,211
Clean Power Management	806,531	1,021,204
Total	**3,613,693**	**3,371,415**

Internal reporting is limited to expense and income items. Accordingly, the segment report does not include any items of the statement of financial position.

(36) Auditor's fee

The fees are as follows:

FEES		EUR
	2024	2023
Auditing	553,092	330,744
Other assurance services	0	0
Total	**553,092**	**330,744**

Of the fees, an amount of EUR 152,072 is attributable to services for the 2023 audit, which were invoiced in the 2024 financial year.

(37) Declaration on the German Corporate Governance Code

On 25 March 2025, the Management Board and Supervisory Board issued a declaration of conformity with the German Corporate Governance Code pursuant to Section 161 of the German Corporate Governance Code and published it on the SFC Energy AG website (www.sfc.com/de/investoren/corporate-governance). The declaration of conformity is available on the Internet for the next five years and has thus been made permanently accessible to the public.

(38) Material events after the reporting date

There were no events of particular significance liable to have a significant impact on the Group's net assets, financial position and results of operations as of the date on which these annual financial statements were prepared.

Brunnthal, March 26, 2025

The Management Board

Dr. Peter Podesser
Chairman of the
Management Board (CEO)

Daniel Saxena
Management Board (CFO)

Hans Pol
Management Board (COO)

RESPONSIBILITY STATEMENT

Consolidated Financial Statements and Group Management Report for Financial Year 2024

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Brunnthal, March 26, 2025

The Management Board

Dr. Peter Podesser
Chairman of the
Management Board (CEO)

Daniel Saxena
Management Board (CFO)

Hans Pol
Management Board (COO)

INDEPENDENT AUDITOR'S REPORT

To SFC Energy AG, Brunnthal

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of SFC Energy AG, Brunnthal, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2024, and notes to the consolidated financial statements, including material accounting policy information. In addition, we have audited the group management report of SFC Energy AG for the financial year from 1 January to 31 December 2024. The components of the Group management report mentioned in the section "Other Information" of our audit opinion have not been substantively audited by us in accordance with German legal regulations.

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 Accounting Standards issued by the International Accounting Standards Board (IASB) (the IFRS Accounting Standards) as adopted by the EU and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] 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 2024, and of its financial performance for the financial year from 1 January to 31 December 2024, 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 mentioned in the section "Other Information" of the Group management report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the 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 § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (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 judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1 Recoverability of goodwill
2 Accounting for stock appreciation rights (SARs), stock option programs (SOPs) and performance share programs (PSPs)

Our presentation of these key audit matters has been structured in each case as follows:

1 Matter and issue
2 Audit approach and findings
3 Reference to further information

Hereinafter we present the key audit matters:

1 Recoverability of goodwill

1 Goodwill totaling TEUR 8,157 (4.2% of total assets) is reported under the balance sheet item "Intangible assets" in the company's consolidated financial statements. Goodwill is subject to an impairment test once a year and on an ad hoc basis by the legal representatives in order to determine a possible need for amortization. The impairment test is carried out at the level of the cash-generating units to which the respective goodwill is allocated. As part of the impairment test, the carrying amount of the respective cash-generating units, including goodwill, is compared with the corresponding recoverable amount. The recoverable amount is generally determined on the basis of the fair value less costs to sell. - The measurement is generally based on the present value of future cash flows of the respective cash-generating unit. The present values are determined using discounted cash flow models. The Group's approved medium-term planning forms the starting point, which is supplemented by strategic planning and extrapolated using assumptions about long-term growth rates. Expectations about future market developments and assumptions about the development of macroeconomic factors influencing the Group's business activities are also taken into account. Discounting is carried out using the weighted average cost of capital of the respective cash-generating unit. No need for impairment was identified as a result of the impairment test.

The result of this valuation is highly dependent on the estimates of the executive directors with regard to the future cash inflows of the respective cash-generating unit, the discount rate used, the growth rate and other assumptions and is therefore subject to considerable uncertainty. Against this background and due to the complexity of the valuation, this matter was of particular significance in the context of our audit.

2 As part of our audit, we assessed, among other things, the methodology used to perform the impairment test. After comparing the future cash inflows used in the calculation with the Group's approved medium-term planning, we assessed the appropriateness of the calculation, in particular by reconciling it with general and industry-specific market expectations. In addition, we assessed the appropriate consideration of the costs of Group functions. With the knowledge that even relatively small changes in the discount rate or growth rate used can have a material impact on the amount of the enterprise value determined in this way, we dealt intensively with the parameters used to determine the discount rate and growth rate used, and evaluated the calculation method. In order to take account of the existing forecast uncertainties, we performed our own sensitivity analyses. In doing so, we determined that the carrying amounts of the cash-generating units, including the allocated goodwill, are sufficiently covered by the discounted future cash flows, taking into account the available information.

The valuation parameters and assumptions applied by the legal representatives are generally in line with our expectations and are also within what we consider to be reasonable ranges.

3 The company's disclosures on the impairment test for goodwill are contained in section "(19) Intangible assets" in the subsection " Impairment tests for goodwill" in the notes to the consolidated financial statements.

2 Accounting for stock appreciation rights (SARs), stock option programs (SOPs) and performance share programs (PSPs)

1 In the company's consolidated financial statements, personnel expenses totaling TEUR 2,079 are reported for stock appreciation rights (SARs), stock option programs (SOPs) and performance share programs (PSPs). In addition, non-current liabilities of TEUR 802 and current liabilities of TEUR 1,467 are recognized for the SARs and for the PSPs and AOPs a capitalreserve of TEUR 3,617 is accouted for.

The SARs are settled in cash, the SOPs are settled in shares of the Company and the PSPs can be settled in cash or in shares of the Company, at the Company's discretion.

A liability must be recognized for cash-settled share-based payments (SARs) in accordance with the provisions of IFRS 2. The liability must be recognized as an expense over the vesting period. The liability is measured at each reporting date with reference to the fair value of the SARs, which determines the amount of the payment obligation. In the financial year, a specific tranche of SARs was converted into share options by mutual agreement and settled with shares in the company. The liability recognized for the SARs exercised was reclassified to equity.

The share options granted (SOPs) and the phantom share options (PSPs), on the other hand, are classified as equity-settled share-based payment transactions in accordance with IFRS 2. In this case, the capital reserve is recognized as an expense over the vesting period. The work received is measured by reference to the fair value of the equity instruments granted at the grant date.

The SARs and AOPs have a term of up to eight years. The PSPs have a term of four years. The prerequisite for exercise (SARs and SOPs) or payment (PSPs) is the fulfillment of various service conditions, performance conditions and non-exercise conditions.

The liability for the SARs is measured on a quarterly basis by determining the fair value using a Monte Carlo simulation. SOPs and PSPs, on the other hand, are measured at fair value at the grant date using a Monte Carlo simulation, taking into account the market and non-vesting conditions under which they were granted.

The legal representatives make assumptions to determine the expenses for the SARs, SOPs and PSPs. These include the expected dividends, the share price, the achievement of non-market conditions (ESG targets) as well as the risk-free interest rates and historical volatilities as at the valuation date. These are determined with the aid of historical or current market data. The company consulted an external expert for the valuation.

The result of this valuation is highly dependent on the estimates and assumptions made by the legal representatives and is therefore subject to significant uncertainties. Against this background and due to the complexity of the valuation, this matter was of particular significance in the context of our audit.

2 As part of our audit, we first gained an understanding of the Company's processes in the area of share-based payments (SARs, SOPs and PSPs) and assessed their appropriateness. Based on this, we assessed the determination of the fair value of the promised benefits and the accrual basis of accounting. With the knowledge that there is an increased risk of misstatements in the accounting in the case of estimated values and that the assumptions made by the legal representatives for the valuation have a direct impact on the consolidated net profit of the company, we compared the appropriateness of the valuations with the underlying contractual data, among other things, and assessed the calculation for the valuation of share-based payment programs and the accounting treatment in the consolidated financial statements of the company with the involvement of specialists. Finally, we verified the completeness and appropriateness of the disclosures made by the executive directors on the SARs, SOPs and PSPs in the notes to the consolidated financial statements.

We were able to satisfy ourselves that the estimates and assumptions made by the executive directors for the valuation of the share-based payment programs (SARs, SOPs and PSPs) are sufficiently documented and substantiated.

3 The company's disclosures on SARs, SOPs and PSPs are contained in section "(31) Share-based payment / Stock Appreciation Rights Program" in subsection " Stock Appreciation Rights Program / Stock Option Plan" of the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the information marked as unaudited in the group management report, which are components of the group management report being not subject to a substantive audit.

The other information comprises

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB
- the remuneration report pursuant to § 162 AktG, for which the supervisory board is also responsible
- all other parts of the annual report – without further cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report, and our auditor's report.

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 mentioned above and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report disclosures audited in terms of content or with our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRS Accounting Standards as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 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 § 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 skepticism 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the 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 the internal control and these arrangements and measures (systems), respectively.

- 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 IFRS Accounting Standards as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and review of the audit work performed for purposes 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 also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB

Assurance Opinion

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as
We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as
to whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the electronic file SFC Energy_31.12.24.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January to 31 December 2024 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

Basis for the Assurance Opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QMS 1 (09.2022)).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

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 Assurance Work on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance 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 electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the consolidated financial statements on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering 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 date of the consolidated financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 16 May 2024. We were engaged by the supervisory board on 30 December 2024. We have been the group auditor of the SFC Energy AG, Brunnthal, without interruption since the financial year 2023.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

REFERENCE TO AN 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 the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be filed in the company register – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the "Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB" and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Alexander Fiedler.

CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289F HGB AND/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 management aimed at sustainable value creation and refers to a company's entire management and supervision system, including its organization, principles of business policy and guidelines for internal and external steering and monitoring mechanisms. Corporate governance promotes trust among domestic and international investors, business partners, the 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 (Declaration 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 with only a few exceptions, which are explained in the following declaration of compliance pursuant to section 161 AktG.

On March 25, 2025, 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 21, 2024 (the date as of which the last declaration of conformity was made) or, as the case may be, April 19, 2024 (the date the last declaration of compliance was updated), the Company has complied, and will comply, with the recommendations of the German Corporate Governance Code as amended on April 28, 2022 (published in the Federal Gazette on June 27, 2022, "GCGC"), with the following exceptions:

- Pursuant to recommendation B.3 GCGC, the first-time appointment of Management Board members shall be for a period of not more than three years. As a precautionary measure, we would like to inform you that the Management Board remuneration system approved by the General Meeting on June 5, 2023 stipulates that when a Management Board member is first appointed, their term of office and contract is generally three years; however, the Supervisory Board may determine a different term. The Supervisory Board is therefore able to set the specific term of the initial appointment differently in any 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.

- Depending on the specific circumstances of the enterprise and the number of Supervisory Board members, the Supervisory Board pursuant to recommendation D.2 sentence 1 GCGC shall form committees of members with relevant specialist expertise. The Supervisory Board has not formed an audit committee. The Supervisory Board does not consider it necessary to form further committees, including in particular a committee dealing with Management Board remuneration, in order to perform efficient advisory and monitoring activities. As a precautionary measure, a deviation from recommendations C.10, sentence 1 and D.2, sentence 1 GCGC is therefore declared.

- Pursuant to recommendation D.4 GCGC, the Supervisory Board shall form a Nomination Committee, composed exclusively of shareholder representatives, which nominates suitable candidates to the Supervisory Board for its proposals to the General Meeting. The Company's Supervisory Board has not formed a Nomination Committee. Consistent with the legal literature on this subject, the Supervisory Board takes the view that forming a Nomination Committee is irrelevant where a supervisory board is the size of the SFC Energy AG Supervisory Board, which consists of just four members. It is sometimes concluded that, under these conditions, no restriction on the declaration of compliance pursuant to section 161 AktG is required. A deviation from recommendation D.4 of the GCGC is only declared as a precautionary measure in this respect.

- Pursuant to recommendation G.1 GCGC, the remuneration system shall define, in particular, how the target total remuneration is determined for each Management Board member, and the amount that the total remuneration must not exceed (maximum remuneration). The remuneration system adopted on June 5, 2023 complies with this recommendation. As a matter of precaution, we hereby wish to note that existing agreements with Management Board members concluded in the period since the GCGC as amended on December 16, 2019, came into force and before the remuneration system was resolved do not provide for total maximum remuneration. However, compliance with the maximum compensation in accordance with the compensation system is largely ensured (with the exception of certain special situations) by means of caps on the amounts of short-term and long-term variable compensation components agreed with the members of the Management Board since the GCGC as amended on December 16, 2019, came into force. The stock appreciation rights programs from the time before the GCGC as amended on December 16, 2019, came into force did not yet provide for any payout limit. As a precautionary measure, we would like to advise that since March 2025, all current agreements with members of the Management Board have stipulated a maximum total remuneration.

- Pursuant to recommendation G.12 GCGC, if a Management Board member's contract is terminated, the disbursement of any remaining variable remuneration components attributable to the period up until contract termination shall be based on the originally agreed targets and comparison parameters, and on the due dates or holding periods stipulated in the contract. In accordance with the Management Board remuneration system approved by the General Meeting on June 5, 2023, the Supervisory Board can deviate from this with regard to the long-term variable remuneration (LTI 2021) originally applicable from 2021 and provide for immediate payment of any portions of the LTI 2021, including those not yet due, in the event of termination of the contract owing to a change of control. In the view of the Supervisory Board, this is standard practice, and early, full settlement of long-term remuneration entitlements is appropriate in the situation. In other cases, the due dates and holding periods for all other variable remuneration components remain unaffected by the premature termination of a Management Board employment agreement in accordance with recommendation G.12 GCGC. The only deviation from recommendation G.12 GCGC is therefore with regard to compliance with the due dates.

Brunnthal, March 25, 2025
SFC Energy AG

The Management Board The Supervisory Board

The current declaration of compliance together with the declarations of compliance for past years are available to the general public at any time on the SFC Energy AG website at (https://www.sfc.com/investors/corporate-governance/).

Remuneration Report / Remuneration System

The remuneration report for the reporting year 2024 and the auditor's audit opinion pursuant to section 162(3) AktG, the current remuneration system for the Management Board members pursuant to section 87a(1) and (2) sentence 1 AktG approved by the General Meeting on June 5, 2023, and the resolution adopted by the General Meeting on June 5, 2023 pursuant to section 113(3) AktG on the remuneration of the Supervisory Board members are made available to the general public on SFC Energy AG's website (https://www.sfc.com/investors/corporate-governance/).

Disclosure of Corporate Governance Practices

As a general rule, SFC Energy AG's goal is for its corporate governance to be molded by a strong sense of responsibility and transparency, while also increasing value for shareholders. The relevant principles here are determined by what the law requires. Other corporate governance practices are laid down in our codes of conduct. SFC Energy AG's codes of conduct define our responsibilities and our practiced integrity and are based on five corporate values that serve as guidelines for correct behavior: customer focus and passion, sustainability and responsibility, fairness and integrity, quality and innovation, and diversity. Our codes of conduct can be accessed on the SFC Energy AG website (https://www.sfc.com/company/compliance/).

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 – "AktG") 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, SFC Energy AG regularly meets with analysts and institutional investors. In addition, the Company holds at least one analysts' conference each year, most recently on November 25, 2024 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 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 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.

The 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 and no. 6 HGB", page 207 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 Chair of the Supervisory Board will be in regular contact with the Management Board – in particular, the Chair 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 Chair 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, ranges of experience, and expertise, including notable international experience.

The Management Board of SFC Energy AG in the 2024 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 resumés of the Management Board members are available on the Company's website at https://www.sfc.com/company/management-supervisory-board/.

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.

The 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 guides the Management Board through advice and discussions, performs the duties incumbent on it by law and under the Company's Articles of Association, and continuously supervises the conduct of the Company's business on the basis of Management Board reports and joint meetings (see the Supervisory Board report on pages 16 et seqq.). Other major responsibilities of the Supervisory Board are the examination and adoption of the annual financial statements and the approval of the consolidated financial statements. The responsibilities and internal organization of the Supervisory Board and its committees result from the law, the Articles of Association, and the rules of procedure of the Supervisory Board, which are available to download on SFC Energy AG's website at https://www.sfc.com/investors/corporate-governance/. The GCGC also contains recommendations for the Supervisory Board's work.

The Chairwoman of the Supervisory Board coordinates the work of the Supervisory Board, chairs the Supervisory Board meetings and represents the interests of the Board externally. She 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 2024 reporting year until the Annual General Meeting on May 16, 2024, 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 May 16, 2024; Mr. Krossa has left the Supervisory Board. Since the Annual General Meeting on May 16, 2024, the Supervisory Board has consisted of (i) Ms. Sunaina Sinha Haldea (Chairwoman), (ii) Mr. Henning Gebhardt (Deputy Chairman), (iii) Mr. Gerhard Schempp (re-elected on May 16, 2024) and (iv) Dr. Andreas Blaschke (first elected on May 16, 2024). Ms. Sunaina Sinha Haldea has been a member of the Company's Supervisory Board since August 12, 2021, Mr. Henning Gebhardt since May 19, 2021, Mr. Gerhard Schempp since June 1, 2020, and Dr. Andreas Blaschke since May 16, 2024.

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 composition of the Supervisory Board in the reporting year can be found in the Report of the Supervisory Board from page 16 et seq. onwards. 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 [(35) 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/company/management-supervisory-board/.

Of the current Supervisory Board members, Mr. Henning Gebhardt and Dr. Andreas Blaschke in particular have expertise in the areas of accounting and auditing, including for both members sustainability reporting and the auditing thereof. Mr. Henning Gebhardt has expertise in the area of auditing and Dr. Andreas Blaschke in the area of accounting. Mr. Henning Gebhardt has the necessary knowledge and experience due to his many years as a fund manager at DWS Investment and as a board member of Deutsches Aktieninstitut as well as a result of further training. Dr. Andreas Blaschke has expertise in the field of accounting due to his studies in economics and previous professional activities, particularly at an auditing firm and as a member of the management board and CEO MM Packaging of Mayr-Meinhof Karton AG, Vienna/Austria. From the latter position, he also has profound knowledge and experience in setting up global production, sales and corporate structures for industrial enterprises.

By resolution dated April 19, 2024, the Supervisory Board adopted a profile of requirements for the entire Board. The profile of requirements contains key statutory requirements and recommendations set out in the German Corporate Governance Code (GCGC) in relation to the composition of the Supervisory Board, the Supervisory Board's objectives regarding its composition, and the profile of skills and expertise for the entire Board for the purposes of the GCGC, and (iv) the diversity strategy for the Supervisory Board including the information pursuant to section 289f(2) no.6 of the German Commercial Code (HGB). The composition of the Supervisory Board as at December 31, 2024 meets the aforementioned objectives, in the Supervisory Board's view.

Requirements Placed on Individual Members of the Supervisory Board

The Supervisory Board strives to achieve a composition that ensures that the Management Board receives qualified supervision and advice at all times. The Supervisory Board takes the view that in order for it to work efficiently – and thus for the Company to continue on a path of sustainable growth and development – it not only needs to devise and satisfy professional and personal requirements, but must also incorporate diversity into its strategy here. Different and diverse personalities, experience and expertise all prevent "herd mentality", allow holistic views and thus enrich the work of the Supervisory Board. This also ensures that Management is supervised effectively.

Each Supervisory Board member shall be in a position, due to their personal and professional skills and expertise, to perform the duties and responsibilities of a Supervisory Board member in an international stock-listed company and to safeguard SFC Energy AG's public reputation. Bearing this in mind, each Supervisory Board member should meet the following requirements:

- sufficient subject-matter expertise, i.e. the ability to perform the duties and responsibilities normally incumbent on the Supervisory Board;
- commitment (to the performance of their role), integrity and personality;
- general understanding of SFC Energy AG's business, including the market environment and customer needs;
- business and enterprise experience, ideally in the form of experience in Company management, as a management executive, or in supervisory bodies.

Each member of the Supervisory Board shall ensure that they have the necessary availability to perform the duties and responsibilities involved in holding this office. It should be noted in this context that Supervisory Board meetings are generally held at least twice in each half of every calendar year and that additional ad-hoc meetings may be held, as required, to deal with ad-hoc issues arising, with appropriate preparation being required for every meeting. Where Supervisory Board members are members of one of its committees, they may also have to spend additional time on preparing and attending committee meetings.

A member of the SFC Energy AG Supervisory Board who is also a member of the management board of a listed company is not permitted to hold more than a total of [two] supervisory board mandates in non-Group listed companies or in supervisory bodies of companies with similar requirements. A Supervisory Board member who is not a member of a management board of a listed company is not permitted to accept more than a total of five Supervisory Board mandates at non-Group listed companies or similar roles, with the appointment as chairperson of a supervisory board being counted twice.

No person who will have reached the age of 75 at the time of the election will be considered for nomination to the Supervisory Board. As a rule, Supervisory Board members should not serve on the Supervisory Board for more than twelve years; nominations for election should take this limit into account.

Requirements Placed on the Entire Supervisory Board

With regard to the composition of the entire Board, the Supervisory Board seeks to achieve a composition that ensures that its members, in terms of their personal and professional background, experience and expertise, complement each other so that the Board as a whole may make use of the widest possible range of varied experience and specialist knowledge.

The composition of the Supervisory Board of SFC Energy AG must at all times be such that its members collectively possess the knowledge, skills and professional experience required to properly perform their duties and responsibilities. At least one member of the Supervisory Board must have expertise in the field of accounting and at least one other member of the Supervisory Board must have expertise in the field of auditing. The expertise in the field of accounting shall consist of specialist knowledge and experience in the use and application of accounting principles and internal controlling and risk management systems and expertise in the field of auditing shall consist of specialist knowledge and experience in auditing. Accounting and auditing shall also include sustainability reporting and auditing. The Chairperson of the Audit Committee shall have appropriate expertise and independence in at least one of these two areas. All of the members must be familiar with hydrogen and methanol fuel cells for stationary and mobile hybrid power supply solutions, the industrial sector in which the Company does business.

As a whole, the SFC Energy AG Supervisory Board shall cover all fields of expertise that may be required to perform its duties and responsibilities effectively. This includes – in line with the Company's business model – subject-matter expertise, know-how and experience:

- in the management of international listed companies;
- in the fields of hydrogen and fuel cell technology;
- in the fields of (power) electronics and software;
- in corporate strategy;
- in the fields of corporate governance and compliance;
- in the field of M&A;
- in corporate financing;
- in accounting;
- in risk management; and
- in the field of sustainability/ESG (environment, social, and governance).

As an environmentally responsible company, SFC Energy AG prioritizes sustainability/ESG and the environmental protection, as key principles. This includes compliance with all rules, regulations and requirements of public authorities, but also compliance with self-imposed internal standards, as well as the prevention of pollution and the continuous improvement of its environmental protection measures. The high quality standards and environmental policy are also applied in the development, procurement and production of SFC products, as well as in the Company's work ethos and processes. For this reason, the Supervisory Board must be capable of using its expertise to monitor the sustainability issues that are important to SFC Energy AG in this context and of taking ecological and social sustainability into account when setting the Company's strategic direction and corporate planning.

With regard to the independence of the members of the SFC Energy AG Supervisory Board, the Supervisory Board considers it appropriate that (i) no more than two former members of the Company's Management Board sit on the Supervisory Board and (ii) Supervisory Board members are not permitted to hold any executive or advisory roles at the Company's key competitors. Three members shall be independent for the purposes of recommendation C.6 GCGC. No former members of the Management Board of SFC Energy AG are members of the Supervisory Board. In the opinion of the Supervisory Board, the independence criteria are met by all members of the Supervisory Board, namely Ms. Sunaina Sinha Haldea, Mr. Henning Gebhardt, Mr. Gerhardt Schempp, and Dr. Andreas Blaschke.

At present, the current terms of office of Supervisory Board members vary between one year and four years and, following complete implementation of the staggered board structure, will ordinarily be four years in the future.

The status of implementation of the skills profile is disclosed in the following qualification matrix.

QUALIFICATION MATRIX

		Sunaina Sinha Haldea	Henning Gebhardt	Gerhardt Schempp	Dr. Andreas Blaschke
Length of Membership	Member since	August 12, 2021	May 19, 2021	June 1, 2020	May 16, 2024
Personal Suitability	Independence[1]	•	•	•	•
	No overboarding[1]	•	•	•	•
Diversity	Date of birth	November 1, 1980	September 9, 1967	August 12, 1951	August 12, 1951
	Gender	female	male	male	male
	Nationality	British	German	German	Austrian
General Requirements	Expertise	•	•	•	•
	Dedication	•	•	•	•
	Integrity	•	•	•	•
	Personality	•	•	•	•
	Business acumen	•	•	•	•
	Entrepreneurial and/or operational experience	•	•	•	•
Industry Expertise	Hydrogen and fuel cell technology			•	
	(Power) electronics and software			•	
Technical Expertise	Management experience	•	•	•	•
	Corporate strategy	•	•	•	•
	Mergers & acquisitions	•		•	•
	Corporate financing	•	•	•	•
	Risk management	•	•	•	•
	Sustainability / environment, social and governance		•		•
	Accounting[2]		•	•[4]	•
	Auditing[2]		•[3]	•	•

1) As defined by the German Corporate Governance Code (GCGC).
2) Within the meaning of section 100(5) in conjunction with section 107(4) AktG and Recommendation D.3 GCGC.
3) Also Chairman of the Audit Committee. Mr. Gebhardt 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.
4) Also a member of the Audit Committee. Dr. Andreas Blaschke gained this knowledge and experience particularly due to his studies in economics and previous professional activities, particularly at an auditing firm and as a member of the management board and CEO MM Packaging of Mayr-Meinhof Karton AG, Vienna/Austria.

• Criterion is met, based on a self-assessment by the Supervisory Board.

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, which are available on the SFC Energy AG website at https://www.sfc.com/investors/corporate-governance/. The Committee chairman regularly reports to the Supervisory Board on the Committee's work.

The Audit Committee comprises three Supervisory Board members. The members of the Audit Committee are Mr. Henning Gebhardt (Chairman), Mr. Gerhard Schempp (Deputy Chairman) and Dr. Andreas Blaschke. 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. Andreas Blaschke has particular expertise in the field of accounting, in each case including sustainability reporting and the auditing thereof. Mr. Gebhardt 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. Dr. Andreas Blaschke has particular expertise in the field of accounting due to his studies in economics and previous professional activities, particularly at an auditing firm and as a member of the management board and CEO MM Packaging of Mayr-Meinhof Karton AG, Vienna/Austria.

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 needs not to be formed because there are no employee representatives on the Company's Supervisory Board.

Training and Professional Development; Self-Assessment

Pursuant to recommendation D.11 GCGC, the Company shall support Supervisory Board members sufficiently upon their appointment and during training and professional development measures. Guided factory tours are also provided. As Mr. Gerhard Schempp, who was re-elected to the Supervisory Board in the reporting year, has already been a member of the Supervisory Board since 2020, the Supervisory Board member therefore only required appropriate support for training. Dr. Andreas Blaschke, in turn, was elected to the Company's Supervisory Board for the first time in the reporting year. Dr. Andreas Blaschke was supported at the start of his term by receiving explanations about, among other things, SFC Energy AG's business model and strategy as well as the work and responsibilities of the Supervisory Board.

Pursuant to recommendation D.12 GCGC, the Supervisory Board shall assess, at regular intervals, how effective the Supervisory Board and its committees fulfil their tasks. The Supervisory Board of SFC Energy AG regularly assesses how effective it fulfils its tasks and decides on measures for improvement. A self-assessment was carried out in in September 2023 with the involvement of external experts using detailed questionnaires, including on the issues of organization and meeting preparation, information supply, openness and discussion culture. After an evaluation, the main results were presented to the Supervisory Board at the meeting on October 25, 2023.

The Supervisory Board members are covered by directors' and officers' liability insurance (D&O insurance) which does not provide for a deductible.

Risk Management and Compliance

Good corporate governance involves 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 60 et seqq.

SFC Energy AG believes that compliance with the provisions of law and internal policies relevant for the Company's activities (hereinafter also referred to as "compliance") is an essential part of corporate governance. Therefore, the governance tasks in all group entities include the duty to ensure compliance with applicable regulations in each area of tasks or responsibilities. Work processes and procedures must be designed in accordance with such rules. In order to ensure this, SFC Energy AG conducts internal business and finance reviews at regular intervals. In addition, the Company gives employees the opportunity to report, in a protected manner, suspected breaches of the law ("whistleblowing"). Since its establishment, the Audit Committee has monitored the effectiveness of the compliance management system in the reporting period on the basis of relevant regular reports by the Management Board.

Transparency

SFC Energy AG aims to ensure maximum transparency and to provide all target groups with the same information at the same time. All target groups can keep abreast of the latest developments at the Company via the internet. Information on the Company's economic situation is also provided by the financial reports (annual report, semi-annual financial report and quarterly statements). SFC Energy AG publishes ad-hoc announcements as well as press releases and other corporate news on its website. The current declaration of compliance with the German Corporate Governance Code and the declarations of compliance for previous years are also available at the Company's website.

Pursuant to Art. 19 of the Market Abuse Regulation (Regulation (EU) No 596/2014, MAR), the members of the Management Board and of the Supervisory Board of SFC Energy AG, as well as persons closely associated with them, are required to report purchases and sales of shares in the Company and of any financial instruments linked thereto if the value of the transactions within one calendar year reaches or exceeds the amount of EUR 20,000.

All directors' dealings pursuant to Art. 19 MAR are published via EQS News (EQS Group AG) and can be viewed on the Company's website (using the relevant filter) at https://www.sfc.com/investors/news-announcements/.

The total percentage of shares in SFC Energy AG held by Management Board members as at December 31, 2024, was 1.68%, of which 0.87% were held by the CEO Dr. Peter Podesser, and 0.79% by Management Board member Hans Pol and 0.02% by Management Board member Daniel Saxena. As at this date, among the members of the Supervisory Board, Sunaina Sinha Haldea held 0.13%, Henning Gebhardt 0.06%, Gerhard Schempp 0.00%, and Dr. Andreas Blaschke 0.01% of the shares issued by the Company.

Accounting and Auditing

The consolidated financial statements and interim reports of SFC Energy AG are prepared in accordance with the International Financial Reporting Standards (IFRS) pursuant to the guidelines of the International Accounting Standards Board. The annual financial statements of SFC Energy AG are prepared in accordance with the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). The annual financial statements and the consolidated financial statements are prepared by the Management Board and audited by the auditors and the Supervisory Board.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Munich, was elected by the Annual General Meeting to audit the Company's financial statements for the 2024 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 and no. 6 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 and Diversity Strategy 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, 2024, the Supervisory Board consisted of four members, including one woman (share of women of 25%), meaning that the set target of 25% was achieved.

In addition, diversity on the Supervisory Board may also be reflected by the individual professional careers and the fields of work and expertise, as well as the different experience of its members (e.g. education and qualifications, along with sector experience), while also having a fair and reasonable representation of different genders on the Supervisory Board. In the interests of diversity, the Supervisory Board thus strives to be composed in such a way that its members complement each other, in terms of their background, experience, and subject-matter expertise. The Supervisory Board also strives to have some members with international experience.

The Supervisory Board takes account of the requirements set out in the diversity strategy when selecting and nominating candidates for the Supervisory Board. The current composition of the Supervisory Board meets the requirements of the diversity strategy, in the Supervisory Board's view.

Target Quota of Women and Diversity Strategy 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, 2024, 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.

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.

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 over other employees qua direction and guidance rights. 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 still only had one management level below the Management Board as at December 31, 2024, which at that time comprised 10 persons, of whom 4 were female and 6 male. By the close of December 31, 2024, the proportion of women in the first executive level below the Management Board was 40%, meaning that the target of 40% that had been set was then also 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 (Aktiengesetz – AktG), this Remuneration Report prepared by the Supervisory Board and Management Board presents and explains the remuneration paid to current and former members of the Management Board and the members of the Supervisory Board of SFC Energy AG in the 2024 financial year.

The Remuneration Report is to be formally audited by the auditor of SFC Energy AG, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, in accordance with section 162 (3) AktG. The report issued by the auditor on the basis of this audit will be attached to the Remuneration Report as part of the public disclosure on the Company's website in accordance with section 162 (4) AktG.

Management Board Remuneration System Pursuant to Section 87a (1) AktG

The Supervisory Board of SFC Energy AG ensures that the remuneration of the members of the Management Board is clearly linked to the overarching corporate strategy. Accordingly, it ensures that strategy and corporate success are linked to the remuneration of the Management Board.

Derived from this basic approach, the remuneration of the Management Board of SFC Energy AG consists to a large extent of performance-related components. The amount of Management Board remuneration is closely linked to the company's business performance through key financial performance indicators.

For the first time in the 2021 financial year, the Supervisory Board adopted a remuneration system for the Management Board in accordance with the requirements of section 87a (1) AktG and submitted this to the Annual General Meeting on May 19, 2021 for approval (hereinafter referred to as the "*Management Board Remuneration System 2021*"). The Management Board Remuneration System 2021 was approved by the General Meeting with an approval rate of 80%. The Management Board Remuneration System 2021 for the Management Board and Supervisory Board approved by the Annual General Meeting in 2021 can be found at: www.sfc.com/en/investors-sfc-energy-ag/corporate-governance/.

In the 2023 financial year, the Supervisory Board decided to adjust the Existing Remuneration System due to changes in the Company's economic parameters and accordingly adopted an amended remuneration system for the Management Board in accordance with the provisions of section 87a (1) AktG. This was submitted to the Annual General Meeting on June 5, 2023 for approval (hereinafter referred to as the "*Management Board Remuneration System 2023*"). The Management Board Remuneration System 2023 was approved by the General Meeting with an approval rate of 85.66%.

The Management Board Remuneration System 2023 deviates from the Management Board Remuneration System 2021 most notably in that:

- For remuneration periods beginning with the new/re-appointment of a member to the Management Board from January 1, 2024 onwards, maximum remuneration pursuant to section 87a (1) sentence 2 no. 1 AktG of EUR 4 million for the CEO and EUR 2 million for each of the ordinary Management Board members for each financial year is set. In the case of special benefits that do not serve as direct consideration for the services of the Management Board member but may be granted by the Supervisory Board in individual cases in special situations (e.g. relocation expenses, compensation payments for bonus losses at the previous employer), the Supervisory Board may increase the applicable maximum remuneration for the respective financial year by a maximum of 20%. In addition, in the event of a change of control, the Supervisory Board may increase the applicable maximum remuneration for the year of the change of control by a maximum of 20%.

- For remuneration periods beginning with the new/re-appointment of a member to the Management Board from January 1, 2024 onwards, the new ranges (in each case approximate values) are set for the remuneration components – in relation to the target total remuneration which is based on 100% target achievement: Basic remuneration: approx. 18-25%, fringe benefits: approx. 0.5-3%, pension contributions/pension substitute: approx. 0.5-5%, short-term variable remuneration (Bonus): approx. 10-20%, long-term share-based variable remuneration (LTI): approx. 60-70%.

- For remuneration periods beginning with the new/re-appointment of a member to the Management Board from January 1, 2024, onwards, only a pension substitute instead of contributions to a company pension scheme will be granted. Only in one individual case, for reasons of protection of existing rights, a defined contribution benefit granted via a reinsured provident fund will be continued in the event of re-appointment from January 1, 2024, onwards.

- For remuneration periods beginning with the new/re-appointment of a member to the Management Board from January 1, 2024 onwards, the long-term variable remuneration (LTI) is based on a rolling performance share plan (PSP) and more precisely defined performance criteria, with settlement in cash (or, at the company's discretion, in shares) (LTI 2024). The malus / clawback rules already provided for under the Management Board Remuneration System 2021 will also apply to the LTI 2024.

- For remuneration periods prior to those beginning with the appointment or re-appointment of a member to the Management Board from January 1, 2024, onwards, the long-term variable remuneration is granted on the basis of stock options (in accordance with the Management Board Remuneration System 2021) with a four-year performance period (LTI Model 2021) Changed caps apply on the basis of the Remuneration System 2023: A cap of EUR 2.75 million applies for the CEO, EUR 1.5 million for the CFO and EUR 1 million for the COO. The total amount of the caps (originally a uniform EUR 1.75 million per Management Board member) is therefore not being changed (given the current composition of the Management Board). The relevant cap does not apply in the event of a change of control and exercise of the Special Termination Right. Long-term variable compensation commitments still in effect from the period prior to the submission of this amended Management Board Remuneration System 2023 to the Annual General Meeting may be adjusted to the aforementioned amended cap rules in accordance with the Management Board Remuneration System 2023, provided the relevant waiting period under the program has not yet expired in each case.

- In the event of a new appointment or reappointment to the Management Board that takes place on or after January 1, 2024, the members of the Management Board are obligated to make a personal investment in SFC shares (Share Investment Obligation). The amount to be invested (Investment Amount) corresponds to an amount equal to 150% of the annual Fixed Remuneration (gross basic salary) (for the CEO) or 100% of the annual Fixed Remuneration (gross basic salary) (for the CFO and COO). The shareholding is to be built up over a period of four years from the initial appointment or, in the case of a reappointment (and the first time the Share Investment Obligation takes effect), over a period of two years (Build-Up Phase) until the Investment Amount – taking into account existing shareholdings – is reached. The shares acquired are to be held for the duration of the Management Board member's term of office and for a further year after termination of the Management Board member's term of office (Share Retention Obligation). The obligations of the Management Board members to invest in and to retain shares of the Company will further align the interests of the Management Board with those of the shareholders and also incentivize the long-term successful development of the Company. The Share Investment Obligation / Share Retention Obligation ends in connection with the completion of a change of control or – at the discretion of the Supervisory Board – as early as upon submission of the takeover offer. The Supervisory Board may also decide to deviate from the Share Investment Obligation / Share Retention Obligation in individual cases at its reasonable discretion, taking into account the individual circumstances.

The details of the Management Board Remuneration System 2023 for the Management Board and Supervisory Board approved by the Annual General Meeting in 2023 can be found at: www.sfc.com/en/investors-sfc-energy-ag/corporate-governance/.

Remuneration Accrued in the 2024 Reporting Year on the Basis of Various Remuneration Systems

The remuneration granted in the 2024 reporting year was partly based on the Management Board employment agreements grandfathered under section 26j (1) sentence 3 of the Introductory Act to the German Stock Corporation Act (EGAktG) from the period prior to the presentation of the 2021 or 2023 Management Board Remuneration System as the case may be (hereinafter referred to as the "Existing Remuneration System"), but which already correspond in part to the 2021 or 2023 Management Board Remuneration System as the case may be.

In the reporting period from January 1 to March 31, 2024, Dr. Podesser was still subject to an expiring Stock Option Program from a previous employment agreement based on the Existing Remuneration System, as stock options were granted upfront on the occasion of his appointment on April 1, 2020 as a long-term variable remuneration element for the then entire appointment period until March 31, 2024. In addition, the Management Board Remuneration System 2023 was applied to Dr. Podesser's remuneration in the reporting year, as Dr. Podesser was reappointed in the 2023 financial year with effect from January 1, 2024 and a new employment agreement was concluded with effect from January 1, 2024 on the basis of the Management Board Remuneration System 2023.

The Existing Remuneration System applied to the remuneration of Management Board member Mr. Saxena for the first half of the reporting year, i.e. for the remuneration period from January 1 to June 30 2024. With effect from July 1, 2024, Mr. Saxena was reappointed as a member of the Management Board and a new employment agreement based on the Management Board Remuneration System 2023 was concluded with effect from July 1, 2024, meaning that remuneration for the period from July 1, 2024 was based on the Management Board Remuneration System 2023.

Mr. Pol's remuneration in the reporting year was based on the Management Board Remuneration System 2021 (in the reporting year there were also some remaining payments made from an earlier long-term incentive program for earlier remuneration periods, see below on the SARs programs from the time before the introduction of the Management Board Remuneration System 2021).

Target Total Remuneration for the 2024 Financial Year

In accordance with the relevant Management Board employment agreements in each case, the Supervisory Board determined the target total remuneration for each Management Board member for the 2024 financial year. To promote the transparency of this report, the following table show the individual target total remuneration per Management Board member and the relative shares of the individual remuneration elements in the target total remuneration *for* the 2024 financial year. These figures are therefore not the remuneration amounts granted and owed *in* the 2024 financial year, however (see below under "Management Board remuneration granted and owed"), but rather a presentation of the target total remuneration of a Management Board member for the 2024 reporting year, which is made up of the sum of all fixed and variable remuneration components for the reporting year.

TARGET TOTAL REMUNERATION FOR THE MANAGEMENT BOARD EUR

MANAGEMENT BOARD MEMBERS IN OFFICE AS AT 12/31/2024		Peter Podesser		Daniel Saxena		Hans Pol [1]	
		2024	in % TTR	2024	in % TTR	2024	in % TTR
Fixed Remuneration	Basic remuneration	444,000	23.5%	270,000	24.2%	249,996	42.4%
	+ Fringe benefits [2]	18,312	1.0%	26,760	2.4%	17,340	2.9%
	Contribution to provident fund / pension amount [2]	10,000	0.5%	18,000	1.6%	14,413	2.4%
	Total	**472,312**	**25.0%**	**314,760**	**28.2%**	**281,749**	**47.8%**
Variable Remuneration	+ **Short-term variable remuneration**						
	Target bonus for the financial year [3]	377,400	20.0%	152,500	13.6%	150,000	25.4%
	+ **Long-term variable remuneration**						
	Stock Appreciation Rights (SARs) [4]	0	0.0%	200,529	17.9%	0	0.0%
	Stock options ("SOPs") [5]	42,310	2.2%	0	0.0%	157,839	26.8%
	Performance Shares („PSs") [6]	999,000	52.8%	450,000	40.3%	0	0.0%
	Total	**1,418,710**	**75.0%**	**803,029**	**71.8%**	**307,839**	**52.2%**
Total remuneration	**= Target Total Remuneration ("TTR")**	**1,891,022**	**100.0%**	**1,117,789**	**100.0%**	**589,588**	**100.0%**

1) Remuneration details for Mr. Pol including fixed remuneration and pension amount from SFC Energy B.V. in the amount of EUR 99,996 and EUR 14,413.
2) Fringe benefits for Mr. Saxena including reimbursement of costs for a maximum of 24 rail journeys (1st class, return) and a maximum of 24 air journeys (economy, return) between Zurich and the registered office of SFC AG as well as 180 overnight stays at the company's registered office per calendar year. The average cost of rail travel is assumed to be EUR 180/ trip (round trip), the average cost of air travel is assumed to be EUR 450 / trip (round trip) and the average cost of hotels is assumed to be EUR 80 / night. The total was recognized pro rata (i.e. at 6/12) as at the reporting date of December 31, 2024
3) The value corresponds to the variable Bonus for the 2024 reporting year for 100% target achievement.
4) The SARS allocated under Daniel Saxena Program 5 (2020-2024) also serve pro rata as long-term variable remuneration for the 2024 reporting year, namely for the period until June 30, 2024. For the purposes of presenting the target remuneration in this table, the value of the SARs allocated under this program is recognized pro rata for the corresponding tranche (i.e. at 6/12) in accordance with the fair value as at the reporting date of December 31, 2024.
5) The stock options granted under the Dr. Podesser Stock Option Program (2020-2024) also serve pro rata as long-term variable remuneration for the 2024 reporting year, namely for the period until March 31, 2024, as the stock options were granted "upfront" on the occasion of his appointment in 2020 for the period until March 31, 2024. For the purposes of presenting the target remuneration in this table, the value of the stock options granted under this program is recognized pro rata (i.e. at 3/12) in accordance with the fair value of the last sub-tranche as at the reporting date of December 31, 2024. The stock options granted under the Hans Pol Stock Option Program (2021-2025) in 2021 also serve pro rata as long-term variable remuneration for the 2024 reporting year. For the purpose of presenting the target remuneration in this table, the value of the stock options granted under this program are recognized in accordance with their fair value as at the reporting date December 31, 2024, for the corresponding tranche for the year 2024. As a result, the relative shares of the remuneration components shown here differ from the relative shares provided for in the Management Board Remuneration Systems 2021 and 2023, which relate to the time at which the remuneration commitment was made and, by their nature, could not anticipate the performance in detail.
6) For the purposes of presenting the target remuneration in this table, the PSs allocated to Dr. Podesser and Mr. Saxena under PSP Program with the measurement period (2024-2027) are recognized at the contractually agreed target value of the PSs virtually allocated for 2024.

Remuneration Structure of Total Target Remuneration

The basic structure of the target total remuneration in accordance with the Management Board Remuneration System 2023 (under the Management Board employment agreements for Dr. Podesser from January 1, 2024 and Mr. Saxena from July 1, 2024) consists of around 18% - 25% basic remuneration, around 0.5% - 3% fringe benefits, around 0.5% - 5% contributions to pension/pension substitute, around 10% - 20% short-term variable remuneration (bonus) and around 60% - 70% long-term variable remuneration (LTI). [1] The long-term variable remuneration therefore exceeds the short-term variable remuneration (in the target remuneration) and underlines SFC Energy AG's focus on long-term and sustainable development.

In the reporting period, Mr. Pol was still subject to the 2021 remuneration system, which provides for the following basic structure of the target total remuneration: 15% - 25% fixed remuneration, 1% - 3% fringe benefits, 0.1% - 3% contributions to retirement benefits, around 10% - 20% short-term variable remuneration (bonus) and around 51% - 73% long-term variable remuneration (stock options).

Determination of Management Board remuneration by the Supervisory Board

The Supervisory Board determines the remuneration of the Management Board in accordance with AktG requirements. It pays particular attention to its appropriateness. To ensure the appropriateness of the remuneration, remuneration levels are subjected to a market comparison with comparable entities (horizontal comparison). The peer group last used by the Supervisory Board in 2023 on the occasion of the new agreement concluded with Dr. Podesser regarding remuneration with effect from January 1, 2024 and the new agreements concluded with Mr. Saxena and Mr. Pol regarding remuneration with effect from July 1, 2024 and March 1, 2025 respectively consisted of relevant peer companies in terms of size and/or sector or industry from the SDAX / TecDAX and companies from the hydrogen sector[2] . 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.

1 There may be minor changes in the above-mentioned relative proportions by a few percentage points due to fluctuating valuation or utilization of the fringe benefits. Slight deviations in the reporting year result from the pro rata temporis long-term variable remuneration for the reporting year based on the old agreements.

2 For this purpose, the following were recently selected as peer companies from SDAX / TecDax: Aixtron SE, Eckert & Ziegler SE, LPKF Laser & Electronics SE, Suss Microtec SE, PVA TePla AG, Carl Zeiss AG, Jenoptik AG, Pfeiffer Vacuum Technology AG, SMA Solar Technology AG, Siltronic AG, Kontron AG, Varta AG, Drägerwerk AG & Co. KGaA, OHB System AG, Evotec SE; and from the hydrogen sector: Ballard Power Systems Inc., Plug Power Inc., ITM Power plc., Nel ASA

Components of Management Board Remuneration in the 2024 Reporting Year

In the 2024 reporting year, the remuneration of the members of the Management Board consisted of the elements listed in the table below and described hereinafter:

OVERVIEW OF REMUNERATION ELEMENTS FOR THE 2024 FINANCIAL YEAR [1]
ASSESSMENT BASIS AND PARAMETERS

Fixed Remuneration	Basic Remuneration	■ Fixed, contractually agreed remuneration paid in twelve monthly installments	
	Fringe Benefits	■ Private use of a company car or a company car allowance (BVS/VS21/VS23), and ■ Allowances for private health and long-term care insurance (no more than the maximum employer share of contributions to statutory health and long-term care insurance) (BVS/VS21/VS23) ■ In individual cases, premium subsidies for private pension and/or accident and life insurance (BVS/VS21)	
	Pension Scheme / Contribution to Provident Fund / Pension Substitute	■ Option to convert basic remuneration of up to EUR 25,000 into contributions to external pension providers in a company pension scheme, of which no use was made in the reporting year (BVS/VS21) ■ In individual cases, contributions to a defined contribution provident fund (VS23) ■ Pension substitute (VS23)	
Variable Remuneration	Short-Term Variable Remuneration (STI) (BVS/VS21/VS23)	Type	■ Target STI
		Cap	■ 125% of the target STI
		Performance criteria	**Financial Performance Factors** ■ Group sales revenue (budgeted) (25% weighting) ■ Group gross margin (budgeted) (25% weighting) ■ EBITDA adjusted (budgeted) (25% weighting) **Non-Financial Performance Factors** (25% weighting) ■ Qualitative targets for the financial year are set annually by the Supervisory Board
		Payment	■ 10 days after target achievement is determined by the Supervisory Board ■ Payment in cash
	Long-Term Variable Remuneration	Plan types	■ Stock appreciation rights 2018 / 2020 ("SARs") (BVS) ■ Physical stock options 2020 / 2021 ("SOPs") (BVS/VS21) ■ Performance shares 2024 ("PSs") (VS23)
		Cap (per tranche)	■ SARs[2]: D. Saxena: EUR 1.5 million (Exception: change of control) ■ SOPs[3]: Dr. P. Podesser EUR 2.75 million; H. Pol EUR 1.0 million (exception: change of control) ■ PSs[4] 250% of the value when granted
		Performance criteria	■ SARs & SOPs: Share price ■ PSs: Relative total shareholder return (70%); ESG targets (30%), payment measured against share price

1) The remuneration elements listed here do not apply equally to all members of the Management Board due to their origin in three different remuneration systems. The remuneration elements stated apply partly on the basis of the Existing Remuneration System, partly on the basis of Management Board Remuneration System 2021 and partly on the basis of Management Board Remuneration System 2023 and accordingly in 2024 only to those Management Board members to whom the relevant remuneration system applied in 2024: Existing Remuneration System (*Bestandsvergütungssystem*) abbreviated to BVS, Management Board remuneration system (*Vorstandsvergütungssystem*) abbreviated to VS21 and Management Board remuneration system 2023 abbreviated to VS23.
2) SAR program 2018-2021, which is still running for Mr. Pol, does not represent remuneration for the 2024 reporting year and is therefore not listed here.
3) In the reporting period, Stock Option Program 2020-2024 represents pro rata remuneration for Dr. Podesser for the period from January 1 to March 31, 2024.
4) PSP 2024-2027 represents pro rata remuneration for Dr. Podesser in the reporting period for the period from April 1, 2024 to December 31, 2024 and pro rata remuneration for Mr. Saxena from July 1, 2024 to December 31, 2024.

OVERVIEW OF REMUNERATION ELEMENTS FOR THE 2024 FINANCIAL YEAR
ASSESSMENT BASIS AND PARAMETERS

		Payment	■ SARs: In cash with the next possible payroll after exercise, which can occur within one year of the end of the waiting period. ■ SOPs: Delivery of SFC shares at the next possible date after exercise, which can occur within one year after the end of the waiting period. ■ PSs: With the payroll of the month following the company's Annual General Meeting after the end of the four-year performance period; in cash and/or in SFC shares at the discretion of the company.
Additional Remuneration Provisions	Maximum Total Remuneration	■ For remuneration periods prior to those beginning with the new/re-appointment of a member to the Management Board occurring from January 1, 2024 onwards (H. Pol): EUR 1.5 million gross p.a. (VS21) ■ For remuneration periods beginning with the new/re-appointment of a member to the Management Board from January 1, 2024 onwards (Dr. P. Podesser, D. Saxena)[5]: EUR 4.0 million gross p.a. for the Chairman of the Management Board and EUR 2.0 million gross p.a. for the other members of the Management Board. (VS23)	
	Malus/Clawback (VS21/VS23)	■ Partial or full reduction or clawback of short-term variable remuneration and long-term variable remuneration (only under the PSP) ■ Possible in the event of certain breaches of duty (severe and intentional) (for the year of the breach of duty) ■ Clawback period within five years of breach of duty	
	Share Investment / Share Retention Obligation (VS23)	■ For remuneration periods beginning with the new/re-appointment of a member to the Management Board from January 1, 2024 onwards (Dr. P. Podesser, D. Saxena): Share Investment Obligation of 150% of annual fixed remuneration (gross) for the Chairman of the Management Board and 100% of annual fixed remuneration (gross) for the other members of the Management Board. Build-up phase of four years from initial appointment or two years in the event of reappointment; obligation to hold shares for the duration of the member's Management Board term and for a further year after the end of their Management Board term.	
	Change of Control	■ Extraordinary right of termination for the Management Board member in the event of a change of control[6] ■ SARs / SOPs: If the extraordinary right of termination is exercised, the SARs / SOPs that had not yet expired at the time the takeover offer was submitted must be paid out as cash compensation at the time of the legal termination of the employment agreement, with program-specific features applying to the Reference Price. No maximum amount applies with regard to the cash settlement. ■ PSs: If the extraordinary right of termination is exercised before the end of the performance period that has already begun, the PS payout amount will only be paid out after the end of the four-year performance period and regular target-achievement measurement.	

5) For Dr. Podesser, 3/48 of the total share options granted under Stock Option Program 2020-2024 are included in his maximum remuneration.
6) For Mr. Saxena, only under the new Management Board member's employment agreement from July 1, 2024 onwards.

Basic Remuneration and Fringe Benefits

The members of the Management Board received a contractually agreed fixed annual salary, which was paid in twelve equal monthly instalments. The level of basic remuneration was determined based on the responsibility and experience of the relevant member of the Management Board.

The members of the Management Board also received certain market-standard fringe benefits. For example, the Company provided a company car to each member of the Management Board for private use or paid a vehicle allowance if the Management Board member did not use a company car. In addition, fringe benefits sometimes included premium subsidies for private pension, accident and life insurance policies for the members of the Management Board (only for Mr. Saxena until the end of June 30, 2024 and Mr. Pol) as well as subsidies for health insurance. Mr. Saxena was also reimbursed for the costs of a maximum of two train journeys (1st class) and a maximum of two flights (economy class) per calendar month between Zurich and the company's registered office and the costs of a maximum of 15 overnight stays per calendar month at the company's registered office under the Management Board employment agreement valid from July 1, 2024.

Retirement Benefits

In the 2024 reporting year, the Management Board members Mr. Pol and Mr. Saxena (under his Management Board employment agreement valid until June 30, 2024) were able to convert their current basic remuneration under the Existing Remuneration System and the Management Board Remuneration System 2021 of up to EUR 25,000 into a company pension by paying contributions to external pension providers. No Management Board members made use of this option in the 2024 reporting year.

In the 2024 reporting year, Mr. Saxena received a pro rata pension substitute of EUR 12,000 for the remuneration period starting July 1, 2024.

There is a contribution-based payment commitment for Dr. Podesser via a provident fund. The contribution made by SFC to the provident fund amounted to EUR 10,000 in the reporting year (previous year: EUR 10,000). In the event of a pension claim, the provident fund will pay the agreed pension benefits to Dr. Podesser. The Company allocates the necessary funds to the provident fund. The amount of the pension benefits depends on the actuarial implementation of the pension amount resulting from the individual agreement reached with Dr. Podesser. The pension benefits are reinsured by a life insurance policy. Dr. Podesser will receive a lifelong monthly retirement pension from the provident fund if he leaves the Company's service after reaching the age of 65. If Dr. Podesser draws the full amount of his retirement pension from the statutory pension insurance scheme, or if he leaves the Company's service after reaching the age of 60 in order to retire, he may claim the pension benefit from that time onwards. In this case, Dr. Podesser will receive the pension benefits that can be financed from the portion of the provident fund assets set aside for him at that time. Upon occurrence of a pension claim, a one-time lump-sum payment may be requested instead of the retirement pension in agreement with the provident fund. In the event of Dr. Podesser's death, a survivor's pension has been agreed.

Pension contributions were paid into the employee insurance scheme for Mr. Pol.

Short-Term Variable Remuneration

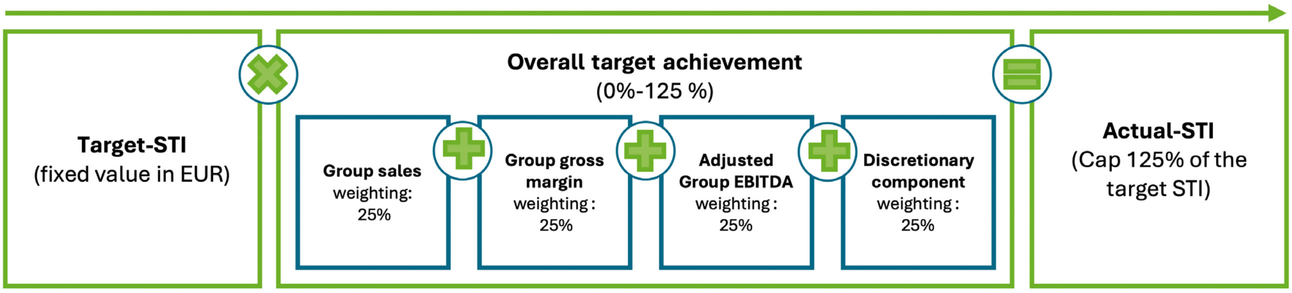
In the event that certain performance targets are achieved, the members of the Management Board have the opportunity to receive a variable remuneration that rewards their contribution to implementing the business strategy during the financial year (hereinafter "Bonus" or "STI"). The Bonus for the relevant financial year is only set and becomes due for payment by the Supervisory Board in the following financial year, based on target achievement. The Bonus/STI for the 2024 reporting year will therefore not be reported as remuneration granted (i.e. actually paid in the 2025 financial year) until the 2025 financial year.

STI for the 2024 Reporting Year

The STI is designed in the form of a target bonus system. The target STI is defined for each member of the Management Board in their employment agreement. Based on achievement of the financial performance criteria described in detail below, and the financial or non-financial targets set before the start of the financial year as part of the discretionary component, which are additively linked to each other, an individual Actual STI is calculated at the end of the financial year. This can be between 0% and 125% of the target STI.

This means that a complete loss of the STI is also possible and the amount paid out is limited to 125% of the original target STI. If the employment agreement does not cover the full financial year, the STI is generally paid pro rata temporis for the period for which the employment relationship existed in the relevant financial year.

TARGET STI / ACTUAL STI 2024



The STI amount actually achieved ("Actual STI") for the reporting year will not accrue until 2025 and will therefore only be reported in the next remuneration report as remuneration granted within the meaning of section 162 (1) sentence 1 AktG (see table "Management Board Remuneration Granted and Owed").

STI Performance Criteria for 2024

The level of the STI for 2024 depends on the achievement of certain financial and non-financial corporate and performance targets. STI target achievement for the 2024 reporting year is determined on the basis of the following four equally weighted performance criteria. These are three financial performance criteria, which were specifically defined by the Supervisory Board before the start of the financial year, and a discretionary performance component. As part of this discretionary performance component, non-financial performance criteria (including ESG targets) can be defined in addition to or instead of financial performance criteria. The relevant performance criteria for the discretionary performance component for the 2024 financial year were also specified for each Management Board member before the start of the financial year.

The following equally weighted performance criteria were defined for all members of the Management Board for the 2024 financial year:

- Achievement of amount budgeted for Group sales [3] weighted at 25%
- Achievement of amount budgeted for Group gross margin weighted at 25%
- Achievement of amount budgeted for adjusted Group EBITDA weighted at 25%
- Discretionary performance component weighted at 25%:
  - Implementation of regional and capacity expansion in India, the US and Romania.
  - Development of MEA know-how, technology and an MEA production facility.
  - Development of electrolysis know-how, technology and product range, including an R&D site.

3 Based on the budgeted exchange rate of the Canadian dollar and the US dollar to the euro

- Upgrade of the IT and ERP systems (cyber security) and introduction of a new ERP platform (SAP).
- Promotion of Group-wide initiatives to retain key employees and attract new employees.
- Initiatives to safeguard and improve product and service quality.

These performance criteria for the STI 2024 are also summarized in a table on p. 215 below.

Performance Criteria of the STI for 2023 which was granted in 2024

The following performance criteria with the following weighting were applied for the STI to all members of the Management Board for the 2023 financial year:

- Achievement of amount budgeted for Group sales [4] weighted at 25%
- Achievement of amount budgeted for Group gross margin weighted at 25%
- Achievement of amount budgeted for adjusted Group EBITDA weighted at 25%
- Discretionary performance component weighted at 25%:
  - Implementation of long-term business development plans (regional expansion to India and the US and expansion of the hydrogen product range).
  - Further implementation of non-financial reporting (ESG / CSR).
  - Promotion of Group-wide initiatives to retain key employees and attract new employees.
  - Maintenance of a stable and long-term oriented shareholder base to support the company's continued growth.

The following tables for STI target achievement per Management Board member show the performance criteria, the level of target achievement and the payout amount of the STI granted (i.e. accrued) in 2025 and 2024 for the relevant previous financial year per Management Board member.

STI 2024 TARGET ACHIEVEMENT EUR M

		TARGET	ACTUAL [1]	TARGET ACHIEVEMENT [2]
Financial Performance Criteria	Group sales	146.1	145.5	99.64%
	Group gross margin (adjusted)	58.1	59.2	101.88%
	Adjusted Group EBITDA	19.0	22.2	117.01%
Discretionary Performance Component	Regional and capacity expansion Development of MEA technology / production Development of electrolysis technology / products Upgrade of IT and ERP systems Employee retention / recruitment Quality assurance / improvement	-	-	120%

1) The budgeted exchange rates of the Canadian dollar and the US dollar to the euro are used to determine the actual values.
2) The target achievement level can be 0% and is capped at 125%.

4 Based on the budgeted exchange rate of the Canadian dollar and the US dollar to the euro

STI 2024 STI TARGET ACHIEVEMENT PER MANAGEMENT BOARD MEMBER
as at 12/31/2024

in EUR 000s

				TARGET ACHIEVEMENT					
	TARGET AMOUNT	MINIMUM AMOUNT	MAXIMUM AMOUNT	SALES.	GROSS MARGIN	ADJUSTED EBITDA	DISCR. COM-PONENT.	TOTAL	PAYMENT
Dr. Peter Podesser	377.4	0	471.8						413.8
Daniel Saxena	152.5	0	190.6	99.6%	101.9%	117.0%	120.0%	109.6%	167.2
Hans Pol	150.0	0	187.5						164.5

STI 2023 TARGET ACHIEVEMENT

in EUR M

		TARGET	ACTUAL [1]	TARGET ACHIEVEMENT [2]
Financial Performance Criteria	Group sales	105.6	120.0	114%
	Group gross margin (adjusted)	39.2	47.4	121%
	Adjusted Group EBITDA	10.4	15.7	152%
Discretionary Performance Com-ponent	■ Implementation of long-term business development plans (regional expansion / hydrogen products) ■ Implementation of non-financial reporting ■ Employee retention / recruitment ■ Stable, long-term-oriented shareholder base	-	-	118%

1) The budgeted exchange rates of the Canadian dollar and the US dollar to the euro are used to determine the actual values.
2) The target achievement level can be 0% and is capped at 125%.

STI 2023 STI TARGET ACHIEVEMENT PER MANAGEMENT BOARD MEMBER
as at 12/31/2023

in EUR 000s

				TARGET ACHIEVEMENT					
	TARGET AMOUNT	MINIMUM AMOUNT	MAXIMUM AMOUNT	SALES.	GROSS MARGIN	ADJUSTED EBITDA[1]	DISCR. COM-PONENT.	TOTAL	PAYMENT
Dr. Peter Podesser	220.0	0	275.0						262.3
Daniel Saxena	110.0	0	137.5	114%	121%	125%	118%	119%	131.1
Hans Pol	150.0	0	187.5						178.8

1) The level of target achievement can be 0% and is capped at 125% (remuneration-based cap).

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. In the past, various virtual or physical stock-based programs were introduced as long-term variable share-based remuneration, on the basis of which virtual stock options in the form of stock appreciation rights ("SARs") or stock options in the form of genuine stock options ("SOPs") or, under the Management Board Remuneration System 2023, performance shares ("PSs") were granted or promised to the members of the Management Board.

There were no SARs, SOPs or PSs still outstanding (exercisable in the future or exercised in the reporting year) for former Management Board members in the 2024 reporting year.

By granting SARs, SOPs or PSs 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 stock.

Fundamentals of the Virtual SARs Stock Option Program (SAR Program)

The Company's Supervisory Board implemented a SAR Program for the first time at the beginning of the 2014 financial year, with the aim of aligning the interests of the shareholders with the Management Board. Further SAR programs were subsequently set up, of which the SAR program 2018-2021 (Hans Pol; program 4) and SAR program 2020-2024 (Daniel Saxena; program 5) still existed in the reporting year. Dr. Podesser was granted stock appreciation rights (SARs) in 2020 (Program 6) as part of the extension of his Management Board employment agreement for the next appointment period. This SARs allocation under Program 6 was transferred to a (physical) Stock Option Program (Stock Option Program 2020-2024) on July 9, 2020, and thus replaced.

Only the SARs Programs relevant to the reporting period are described below. These are:
- Hans Pol Program 4, on the basis of which Mr. Pol was granted stock appreciation rights (SARs) in 2018 as part of the extension of his Management Board employment agreement.
- Daniel Saxena Program 5, on the basis of which Mr. Saxena was granted stock appreciation rights (SARs) with his appointment as of July 1, 2020.

The basic principles of the aforementioned SARs Programs are the same, with some differences in the Programs: Accordingly, a one-time allocation of a certain number of SARs was made for the relevant appointment period of the Management Board member, the stock of which can be reduced depending on the expiry of SARs on certain expiry dates. The portfolio of granted SARs is composed of equal-sized sub-tranches for the years of Management Board service for which the grant was made. Starting from the grant date of the relevant SARs tranche, a waiting period begins that varies in terms of length for the individual sub-tranches, with a waiting period of four years starting from the grant date always applying to the first sub-tranche and an extended waiting period applying to the relevant further sub-tranches. After expiration of the defined waiting period for the relevant sub-tranche, the SARs of the sub-tranche may be exercised in an exercise period of one year after expiration of the relevant waiting period of the sub-tranche (subject to certain blackout periods) as long as they have not previously expired on the relevant defined expiry dates. The expiration of SARs on the specified expiration dates is based on the average stock exchange price of the Company's shares during the last 30 trading days prior to the relevant expiration date (expiration date price). A certain fixed number of SARs expire depending on the average stock price achieved; no SARs expire if the fixed average stock price target is reached or exceeded before the relevant expiration date. After expiration of the waiting period and subject to forfeiture on the expiration dates, a certain number of SARs may be exercised within the exercise period. The number of exercisable SARs depends on the average stock exchange price of the Company's share on the last 30 trading days before the day of exercise (the "Reference Price"). For this purpose, certain Reference Price ranges are defined in the individual SARs Programs, which specify a certain maximum number of exercisable SARs. Exercising SARs gives rise to an entitlement to cash compensation, calculated as follows: (Reference Price - exercise price) x number of exercisable SARs.

The Hans Pol Program 4 additionally stipulates as a prerequisite for the exercisability of SARs that another specific performance target must be achieved prior to the expiration of the respective waiting period: the average stock market price of the Company's share on the last 30 trading days before expiration of the waiting period exceeds the average stock exchange price of the Company's shares on the last 30 trading days prior to the grant date (this is EUR 8.65; performance target). If the Reference Price does not reach at least EUR 16.50 at the time the respective SAR sub-tranche of the Hans Pol 4 program is exercised, only a portion of the SARs may be exercised in accordance with the reference price. 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 2023 reporting year are shown in the following table (taking section 162 (1) sentence 2 no. 3 AktG into account):

SARS ALLOCATION

Management Board Members in Office as at 12/31/2024	Daniel Saxena	Hans Pol
	Program 5	Program 4
Allotment date:	07/01/2020	07/01/2018
Number of Stock Appreciation Rights (SARs)	228,000	180,000
Maximum term (years)	8	7
Number of sub-tranches [1]	4	3
Performance period:	07/01/2020 06/30/2024	07/01/2018 06/30/2021
Expiry of waiting period [2]		
Tranche 1	07/01/2024	07/01/2022
Tranche 2	07/01/2025	07/01/2023
Tranche 3	07/01/2026	07/01/2024
Tranche 4	07/01/2027	-
Performance targets [3]	–	EUR 8.65
Exercise price:	EUR 1.00	EUR 1.00
SARs outstanding as at 01/01/2024	228,000	83,333
SARs expired in the reporting period	–	–
SARs exercised in the reporting period	–	41,667
SARs outstanding as at 12/31/2024	228,000	41,667

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 respective waiting period: the average stock market price of the Company's share on the last 30 trading days before expiration of the waiting period exceeds the average stock exchange price of the Company's shares on the last 30 trading days prior to the grant date (this is EUR 8.65; performance target).

The remuneration granted or owed in reporting year 2024 (Table "Management Board Remuneration Granted and Owed") only includes the amounts from SARs that were owed or led to a pay out in 2024 due to them being exercised (i.e. granted).

The performance criteria that led to a payout or amounts owed from an exercise from SAR tranches in the 2024 reporting year are shown in the table below:

SARs PROGRAM

			Expiration Date					Exercise				
					SARs							
	Tranche	No. of SARs	Date	Price[1]	Expira-tion	Remain-der	End Waiting period	Exer-cisab-le[3]	Date	Price[2]	SARs	Cash settle-ment
H. 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	Dec 22 Jun 23	22.82 22.70	35,000 6,667	763,583 144,644
	Tranche 2 (HP 4.2)	60,000	07/01/20	12.64	30,000	30,000	07/01/23	41,667	Jun 24	22.38	41,667	890,840
	Tranche 3 (HP 4.3)	60,000	07/01/21	26.21	0	60,000	07/01/24	41,667	-	-	-	-

1) Average market price of SFC shares on the last 30 trading days prior to the relevant expiration date for the relevant sub-tranche.
2) Average stock market price of SFC shares on the last 30 trading days prior to the exercise date relevant for the relevant sub-tranche.
3) One third of the SARs held at the balance sheet date may be exercised after expiry of the relevant waiting period.

Fundamentals of the Stock Option Program (SOP Program)

The Supervisory Board of the Company has granted stock options to individual Management Board members under two different Stock Option Programs in the past: to Dr. Podesser under the SOP 2020-2024 and to Mr. Pol under the SOP 2021-2025.

Under these programs, Dr. Podesser and Mr. Pol received a number of option rights determined by the Supervisory Board for the term of their Management Board employment agreement, with granting occurring in the first year of the relevant contract term.

Option rights may not be exercised by the relevant member of the Management Board during periods determined by the General Meeting or during closed periods within the meaning of the regulations on trading prohibitions (closed periods) pursuant to the Market Abuse Regulation and the delegated acts issued in this regard.

The option rights each have a maximum term of eight years from the day on which the relevant option right arises or is granted. The waiting period for exercise is staggered according to the tranches issued, meaning the members of the Management Board can each exercise one quarter of the option rights of the relevant tranche (sub-tranche). The waiting period for exercising the Sub-Tranches is four, five or six years, starting with the issue date of the tranche in each case.

The subscription rights can be exercised within one year after expiry of the waiting period for the relevant sub-tranche (drawing period). In accordance with the option terms and conditions to be determined, each option right confers the entitlement to subscribe to one no-par value bearer share (no-par value share) of the company. Under the Stock Option Program for Mr. Pol (2021-2025), the exercise price corresponds to the average market price of the company's shares on the last 30 trading days prior to the issue date (i.e. EUR 24.41) in accordance with the 2021 Executive Board remuneration system, while the Exercise Price under the program for Dr. Podesser (2020-2024) is EUR 1.

Members of the Management Board may only exercise the subscription rights granted to them in the drawing period to the full extent of the relevant sub-tranche if the average stock market price of the shares of the Company on the last 30 trading days before the cut-off date relevant to the sub-tranche (cut-off date price) reaches a certain price target in euros. If the cut-off date price does not reach at least the target price, only a portion of the options may be exercised from the sub-tranche in accordance with the cut-off date price, for which the General Meeting has determined a certain number of exercisable subscription rights depending on ranges of the cut-off date price. Apart from that, subscription rights shall expire without compensation or substitution on the relevant effective date.

The exercise of stock options is further conditional, in respect of each sub-tranche, on the average stock market price of the Company's shares on the last 30 trading days prior to the day on which the member of the Management Board submits a subscription declaration in respect of granted stock options reaching or exceeding specified thresholds. If the Reference Price does not reach at least the price target, only a portion of the options may be exercised from the sub-tranche in accordance with the Reference Price, for which the General Meeting has determined a certain number of exercisable subscription rights depending on bandwidths of the Reference Price. For each additional exercise of option rights of the sub-tranche within the drawing period, the option rights already exercised during the drawing period will be credited against the number of option rights that would be exercisable on the additional exercise date in accordance with the current exercise requirement.

The share option programs ensure that option rights can only be exercised for the respective drawing period if the sum of the number of option rights exercised 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 date of exercise of the option rights less the exercise price does not exceed an amount of EUR 1 million (in the case of Mr. Pol) or EUR 2.75 million (for Dr. Podesser as CEO) (caps in accordance with the Executive Board remuneration system 2023). In the event of a change of control and exercise of the Special Termination Right, the cap does not apply.

The stock options promised and/or granted to Dr. Podesser and Hans Pol are listed in the following table within the meaning of section 162 (1) sentence 2 no. 3 AktG (insofar as they have not already lapsed or been exercised). Stock options granted in a financial year that grant a direct right to purchase shares are recorded as remuneration granted in the relevant financial year of granting in the table "Management Board remuneration granted and owed".

No new stock options were granted to the members of the Management Board in the 2024 reporting period, meaning in 2024 the stock options are not recorded in the table "Management Board Remuneration Granted and Owed".

STOCK OPTIONS

	Dr. Peter Podesser		Hans Pol	
	Program 2020		Program 2021	
Grant date		07/09/2020		03/01/20211
Number of stock options		504,000		500,000
Maximum term:		8 years		8 years
Number of sub-tranches		4		4
Performance period	07/09/2020	07/08/2024	01,03,2021	02/28/2025
Expiry date / end of waiting period for the sub-tranches [1]	07/09/2021 07/09/2022 07/09/2023 07/09/2024	07/09/2024 07/09/2025 07/09/2026 07/09/2027	01,03,2022 01,03,2023 01,03,2024 01,03,2025	03/01/2025 03/01/2026 03/01/2027 03/01/2028
Exercise price:		EUR 1.00		EUR 24.41
SOPs outstanding as at 01/01/2024		504,000		250,000
SOPs expired in the reporting period		–		125,000
SOPs exercised in the reporting period		–		–
SOPs outstanding as at 12/31/2024		504,000		125,000

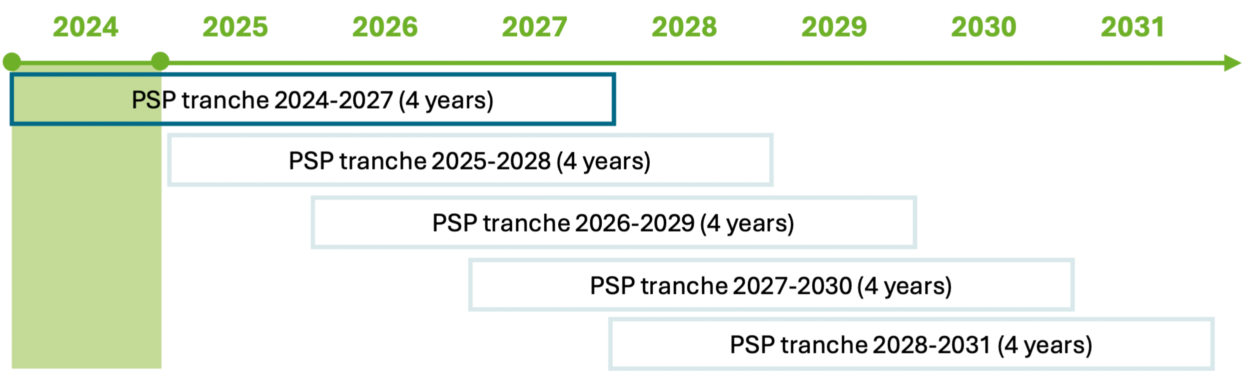
1) Four sub-tranches; the subscription rights can be exercised within one year from expiry of the waiting period for the relevant sub-tranche.

Principles of the Virtual PS Program (PSP)

In financial year 2024, the Supervisory Board of the Company allocated virtual performance shares (PSs) to Management Board members Dr. Peter Podesser and Daniel Saxena as part of their reappointment as Management Board members under the Management Board Remuneration System 2023 and the new Management Board employment agreements concluded on this basis.

The share-based model ensures that the Management Board members' PSs are subject to and dependent on the share price performance over the four-year performance period.

PERFORMANCE PERIODS

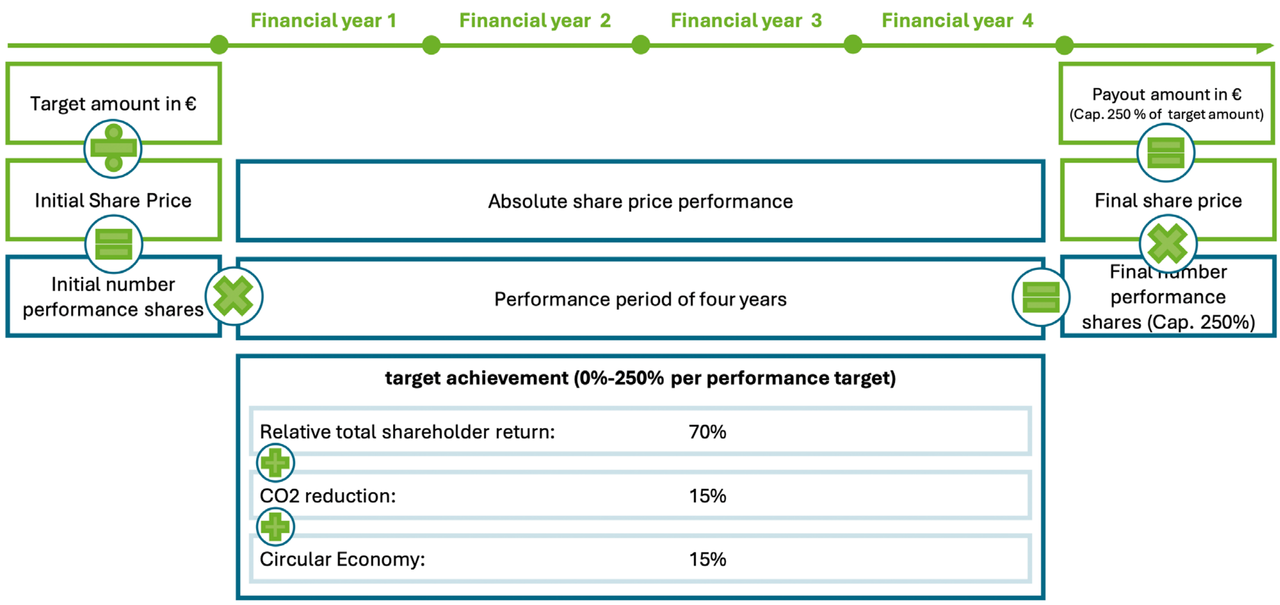


In the 2024 financial year, Dr. Podesser and Mr. Saxena were each allocated a PSP tranche for 2024 for the duration of the remuneration period from the beginning of the relevant new Management Board member's employment agreement, whereby for Dr. Podesser, the PSP tranche for 2024 was reduced pro rata for the first three months of 2024, as this period was remunerated as LTI by the stock options granted as an upfront payment in 2020. The initial number of performance shares in a tranche is equal to the target amount divided by the average closing price of SFC shares of the last 60 stock exchange trading days prior to the start of each performance period ("Initial Share Price"), commercially rounded to the nearest whole share. The final amount of performance shares in a tranche is determined after the four-year performance period has expired, hence after the end of the 2027 financial year in the case of the PSP tranche for 2024. This amount is dependent on the achievement of the financial and non-financial performance criteria described below. The final amount of performance shares in a tranche is determined after the four-year performance period by multiplying the initial number of performance shares in the tranche by the overall target achievement level and rounding the result to the nearest whole share in accordance with standard commercial practice.

The actual payout amount for the PSP tranche for 2024, which will be determined after the end of the 2027 financial year, is calculated by multiplying the final amount of performance shares by the average closing price of SFC shares on the last 60 stock exchange trading days before the end of each performance period from 2024 until 2027. The payout amount is generally disbursed by salary payout in the month following the Annual General Meeting of SFC Energy AG in the year following the end of the performance period, either in shares and/or cash at the Company's discretion (i.e. for the PS tranche in 2028).

The payout amount for each tranche of performance shares cannot, in principle, exceed 250% of the target amount of each PSP tranche as specified in the respective employment agreement (cap). The Supervisory Board can provide that this limitation does not apply if there is a change of control and the Management Board member exercises the special right of termination agreed for this case on the occasion of the change of control. The Supervisory Board has already made use of this option in 2024 with regard to the PSP tranches granted to Dr. Podesser and Mr. Saxena for 2024 as part of the allocation of the performance shares for 2024. However, the cap may only be exceeded if a change of control actually occurs and Dr. Peter Podesser or Mr. Saxena actually exercise their special right of termination as a result thereof. However, the validity of the total maximum remuneration (which may be increased by up to 20% in the event of a change of control) under the Management Board Remuneration System 2023 remains unaffected.

PRINCIPLES OF THE PERFORMANCE SHARE PROGRAM



Share Price-Related Target: Relative Total Shareholder Return

The share price-related target is what is known as the relative total shareholder return over the four-year performance period compared to a specific benchmark index.

The relative total shareholder return is used to provide special incentives for positive long-term performance. For this purpose, the relative total shareholder return of the SFC share within the performance period is compared to the arithmetic mean of the development of suitable reference indices during this period. The SDAX is used as the reference index, unless the Supervisory Board specifies a different common reference index before the start of the relevant performance period. The Supervisory Board has determined the SDAX as the reference index for the 2024-2027 performance period.

Non-Financial Targets: CO_2 Reduction and Circular Economy

In addition to the financial performance criteria, non-financial sustainability targets (ESG targets) account for 30% of the calculation used to determine the payment from the PSP. At the beginning of the performance period in 2024, the individual targets included in the ESG targets were set by the Supervisory Board. Particular attention was paid to the ESG relevance, transparency and measurability of the targets. These non-financial targets include performance criteria regarding (i) CO_2 reduction (at the Company and/or in the value chain, upstream and/or downstream) and (ii) circular economy, e.g. measured by the recycling rate. The individual targets and target values for PS tranche 2024 are shown in the following table:

ESG TARGETS: CO_2 REDUCTION

	2024	2025	2026	2027
Increase in the share of low-CO_2 vehicles (weighted at 7.5%)	35%	50%	70%	80%
Increase in the share of energy supply from renewable sources at all locations (weighted at 7.5%)	25%	45%	60%	80%

TARGETS: CIRCULAR ECONOMY

	2024	2025	2026	2027
Recycling: Increase in the share of recyclable packaging material in product packaging (weighted at 7.5%)	40%	50%	60%	80%
Reduction and reuse: Increase in platinum recovery from customers' MEAs (weighted at 7.5%)	95%	96%	97%	98%

For all targets in a performance period, the target achievement level achieved will be determined after the end of the respective performance period.

If the value achieved with regard to a performance criterion corresponds to or falls below the minimum value, the target achievement level for this performance criterion corresponds to 0%. If the value achieved with regard to a performance criterion exceeds the minimum value, but does not achieve the target value, the target achievement level for the performance criterion in question shall be determined by linear interpolation between the minimum value and the target value. If the value achieved with regard to a performance criterion exceeds the target value (100%), but does not achieve the maximum value (250%), the target achievement level for the performance criterion in question shall be determined by linear interpolation between the target value and the maximum value. If the value achieved with regard to a performance criterion reaches or exceeds the maximum value, the target achievement level shall be 250%.

If, in the event of performance criteria or targets that cannot be measured, no measured values can be set as target values or minimum/maximum values, respectively, the Supervisory Board will determine the target achievement level within a target achievement corridor of 0% to 250% at its reasonable discretion after the end of the relevant performance period and ensure that the assessment is comprehensible.

The overall target achievement level for the relevant performance period shall be the sum of the weighted target achievement levels of both performance criteria. The share price-related target is weighted at 70% and the LTI-ESG targets are each weighted at 15% ((target achievement level of the share price-related target x 0.7) + (target achievement level of the first LTI-ESG target x 0.15) + (target achievement level of the second LTI-ESG target x 0.15) = overall target achievement level).

The target amount, the Initial Share Price, the amount of performance shares granted as well as the maximum possible amount of performance shares in the event of maximum target achievement are summarized in the following table.

PERFORMANCE SHARE PROGRAM - ALLOCATION YEAR 2024 EUR

	Dr. Peter Podesser Programm 2024	Daniel Saxena Programm 2024
Target amount [1]	999,000	450,000
Minimum value	0	0
Maximum value (cap)	2,497,500	1,125,000
Allocation rate	18.94	18.94
Number of allotted performance shares	52,746	23,759
Number of minimum possible PSs (0 % target achievement)	0	0
Maximum number of possible PSs (250% target achievement)	131,864	59,398

1) Deviating from the pro-rata target amount in the 2024 financial year, the annual target amount for Dr. Podesser and Mr. Saxena is EUR 1,332,000 and EUR 900,000, respectively.

Share Investment / Share Retention Obligation

To further align the interests of the Management Board and shareholders and to strengthen the sustainable development of SFC Energy AG, the Management Board Remuneration System 2023 provides for a share investment and Share Retention Obligation for Management Board members for remuneration periods beginning with a new Management Board appointment or reappointment from January 1, 2024. Accordingly, each Management Board member is obliged to make a personal investment in SFC shares (*Share Investment Obligation*). The amount to be invested (*Investment Amount*) corresponds to an amount equal to 150% of the annual Fixed Remuneration (gross basic salary) (for the CEO) or 100% of the annual Fixed Remuneration (gross basic salary) (for the CFO and COO). The number of shares to be held is generally calculated by dividing the amount of the annual gross fixed remuneration (basic salary) by the arithmetic mean (commercially rounded to two decimal places) of the closing prices of the SFC share over the last 60 stock exchange trading days prior to the date of appointment as a member of the Management Board (commercially rounded to full shares). The shareholding is to be built up over a period of four years from the initial appointment or, in the case of a reappointment (and the first time the Share Investment Obligation takes effect), over a period of two years (*Build-Up Phase*) until the Investment Amount – taking into account existing shareholdings – is reached. The shares acquired are to be held for the duration of the Management Board member's term of office and for a further year after termination of the Management Board member's term of office (*Share Retention Obligation*).

In the case of an initial appointment, the Build-Up Phase ends prematurely if the Management Board member's employment agreement is terminated before the end of four years. In this case, the Investment Amount is reduced *pro rata temporis*. The duration of the Share Retention Obligation does not change.

The Management Board members shall be entitled to any dividends distributed for the shares during the holding period.

The Share Investment and Share Retention Obligation ends in connection with the completion of a change of control or – at the discretion of the Supervisory Board – as early as upon submission of the takeover offer. The Supervisory Board may also decide to deviate from the Share Investment and Share Retention Obligation in individual cases at its reasonable discretion, taking into account the individual circumstances. No change of control occurred during the reporting period

During the reporting period, the Share Investment and Share Retention Obligation applied to Mr. Saxena and Dr. Podesser (since July 1, 2024). The following table shows the required amount for all active Management Board members as of December 31, 2024, to whom the Share Investment and Share Retention Obligation applies, the current degree of fulfillment (status quo) and the end of the respective Build-Up Phase.

SHARE INVESTMENT AND SHARE RETENTION OBLIGATION

<table>
<tr><th rowspan="2"></th><th colspan="3">Shares to be acquired</th><th>Current number</th><th>End of the Build-Up Phase</th><th>End of the holding period</th></tr>
<tr><th>in % of the basic remuneration</th><th>in thousands of €</th><th>Share[1]</th><th>Share[2]</th><th>Date</th><th>Date</th></tr>
<tr><td>Dr. Peter Podesser</td><td>150%</td><td>666</td><td>35,164</td><td>151,160</td><td>12/31/2025</td><td rowspan="2">one year after the end of the appointment</td></tr>
<tr><td>Daniel Saxena</td><td>100%</td><td>300</td><td>14,232</td><td>3,437</td><td>06/30/2026</td></tr>
<tr><td>Hans Pol[3]</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
</table>

1 Based on the average share price over the last 60 stock exchange trading days prior to the date of the respective appointment as a member of the Management Board (Dr. Podesser: EUR 18.94 Mr. Saxena: EUR 21.08), subject to any future adjustments to the fixed remuneration.
2 As at December 31, 2024.
3 The Share Investment and Share Retention Obligation did not yet apply to Mr. Pol in the reporting year.

Promoting the Long-Term Development of the Company Through Remuneration

The remuneration of the Management Board members is intended to further support SFC Energy AG's business strategy and its implementation. In addition, by defining performance criteria that are linked to the long-term and sustainable success of the Company and supplementing them with demanding annual and multi-year targets, a contribution is also being made to the Company's long-term and sustainable development. Outstanding performance should be rewarded by appropriate remuneration. Performance that falls short of achieving the targets set should result in a noticeable reduction in remuneration. The remuneration system sets incentives that are in line with, and promote, the Company strategy.

The short-term variable remuneration (Bonus) of the Management Board members for the two financial years 2023 and 2024 is aligned with the economic performance targets of sales, gross margin and adjusted EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) and provides for an element, to be assessed on a discretionary basis, 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 targets during a certain financial year. The targets reflect the Company strategy and are aimed at increasing the value of the Company. The remuneration system gives the Supervisory Board the opportunity to take individual responsibility on the one hand and the performance of the Management Board members as a whole on the other into account.

In order to align the remuneration of Management Board members with the long-term development of SFC Energy AG, long-term variable share-based remuneration accounts for a significant share of their total remuneration. Long-term variable remuneration for the reporting year is granted on the basis of stock options (Dr. Podesser and Mr. Pol) or SARs allocations (Mr. Saxena) or (pro rata) performance shares (Dr. Podesser and Mr. Saxena) with a four-year performance period. The economic performance target relates to the performance of SFC Energy AG's share price during the performance and exercise period or the performance period of the PSP. The company value and the value for shareholders is increased in the long term by setting ambitious targets that are linked to share price performance.

Compliance with the Maximum Remuneration Pursuant to Section 162 (1) Sentence 2 No. 7 AktG

Pursuant to section 87a (1) sentence 2 no. 1 AktG, the Supervisory Board has set maximum remuneration (including fringe benefits) for the members of the Management Board in the Management Board Remuneration System 2021 and 2023 (insofar as their contracts are not grandfathered under section 26j (1) sentence 3 EGAktG).

The maximum remuneration for a financial year was set as follows for the first time under the Management Board Remuneration System 2021 and will continue to apply under the Management Board Remuneration System 2023 for remuneration periods prior to those beginning with the new/re-appointment of a member to the Management Board from 1 January 2024 onwards. Accordingly, the maximum remuneration for the reporting period until a new appointment or re-appointment to the Management Board which takes place from January 1, 2024, continues to be set as follows (insofar as no grandfathering applies):

- Maximum remuneration pursuant to section 87a (1) sentence 2 no. 1 AktG for the Chairman of the Management Board: EUR 2.5 million
- Maximum remuneration pursuant to section 87a (1) sentence 2 no. 1 AktG for ordinary members of the Management Board: EUR 1.5 million

The following maximum remuneration applies for the reporting period regarding remuneration periods beginning with a new Management Board appointment or reappointment as of January 1, 2024:

- Maximum remuneration pursuant to section 87a (1) sentence 2 no. 1 AktG for the Chairman of the Management Board: EUR 4 million
- Maximum remuneration pursuant to section 87a (1) sentence 2 no. 1 AktG for ordinary members of the Management Board: EUR 2 million

Accordingly, maximum remuneration of EUR 1.5 million applies for Mr. Pol in the reporting year, EUR 4 million for Dr. Podesser and maximum remuneration of EUR 1 million for Mr. Saxena pro rata for remuneration from July 1 to December 31, 2024.

The maximum remuneration of the Management Board remuneration system, as approved by the Annual General Meeting in 2021 and 2023, refers to the total of all payments / remuneration payments resulting from the remuneration arrangements *for* a financial year.

Given that the remuneration from Mr. Pol's stock option rights, which will also be paid on a pro-rata basis for the 2024 financial year (under the Stock Option Program 2021–2025) and whose value cannot be determined until they have been exercised, or until the first possible opportunity to realize them, it is not yet possible to report conclusive report on the remuneration granted for the 2024 financial year.

However, compliance with the maximum remuneration for Mr. Pol in the 2024 financial year is expected to be ensured by the individual caps on the variable remuneration components that apply in principle for the 2024 reporting year (maximum target achievement of 125% and 125% payout cap for the performance-related Bonus, i.e. a maximum of EUR 187,500 and the basic exercise cap per sub-tranche under the Stock Option Program 2021-2025 of EUR 1 million).

As regards Dr. Podesser, a maximum remuneration limit of EUR 4 million within the meaning of Section 87a (1) sentence 2 no. 1 AktG applied for the first time in the reporting period (due to the previous protection of vested rights). It is not yet possible to conclusively report on compliance regarding the maximum compensation for Mr. Podesser in the 2024 financial year, as the pro-rata remuneration amounts from the Stock Option Program 2020-2024 and the PSP 2024-2027 of Mr. Podesser have not yet been determined; the value of the stock options for the 2024 reporting year cannot be determined until they have been exercised, or until the first possible opportunity to realize them and the value of the performance shares for the reporting year 2024 can only be determined after the end of the financial year 2027.

Compliance with the maximum remuneration is expected to be ensured by the individual caps on the variable remuneration components that apply in principle for the 2024 reporting year (maximum target achievement of 125% and 125% payout cap for the performance-related Bonus, i.e. max. EUR 471,750, the fundamental exercise cap per sub-tranche under the Stock Option Program 2020-2024 of EUR 2.75 million) (for the avoidance of doubt: for purposes of the maximum compensation in 2024, 3/48 of the stock options granted in 2020 will be taken into account, whereby the value at the earliest possible exercise date will be used) and a maximum target achievement of 250% and 250% payout cap for the payments under the PSP 2024-2017).

As regards Mr. Saxena, a maximum remuneration limit of EUR 2 million in accordance with section 87a (1) sentence 2 no. 1 AktG also applied for the first time in the reporting period (due to the previous protection of vested rights) or, due to the pro-rata temporis application of the Management Board Remuneration System 2023, EUR 1 million in 2024 for the period from July 1 to December 31, 2024. It is not yet possible to conclusively report on compliance regarding the maximum remuneration for Mr. Saxena in the 2024 financial year, as the remuneration under the PSP 2024-2027 can only be determined after the PS performance period has ended; the value of the performance shares for the reporting year 2024 can therefore only be determined after the end of the financial year 2027.

Compliance with the maximum remuneration is expected to be ensured by the individual caps on the variable remuneration components that apply in principle for the 2024 reporting year (maximum target achievement of 125% and 125% payout cap for the performance-related Bonus, i.e. max. EUR 190,625 the and maximum target achievement of 250% and the 250% payout cap for payments under the PSP 2024-2027).

Commitments in the Event of Premature Termination of a Management Board Member's Service

Regulations for All Management Board Members

In the event of premature termination of a Management Board member's service without good cause, any payments to be agreed with the Management Board members, including fringe benefits, are not to exceed the value of one year's remuneration (severance payment cap) and may not exceed the value of the remuneration for the remaining term of the Management Board member's employment agreement. For the calculation of the severance payment cap, the total remuneration of the past financial year and, if applicable, the expected total remuneration for the current financial year are to be taken into account.

If the employment agreement ends due to termination for good cause by the Company, the members of the Management Board are not entitled to continued payment of the short-term variable remuneration (Bonus/STI) for the year of termination for good cause.

In the event that Management Board members should die during the term of their employment agreement, their widow(er) and children, provided they have not attained the age of 25 years and are still in vocational training, shall have a claim, as joint and several creditors, to continued payment of the basic monthly remuneration for the month of death and the six following months.

If Management Board members become permanently incapacitated for work during the term of their employment agreement, the respective employment agreement shall end at the end of the quarter in which the permanent incapacity has been established, at the earliest after expiry of the remuneration continuation period (duration of the current and the following six months, at the longest until termination of the employment agreement), at the latest upon expiry of the term of office of the Management Board member.

Regulations for Dr. Peter Podesser and Mr. Daniel Saxena

There is no entitlement to a PSP payout amount from PSP annual tranches whose performance period has not yet expired at the time of the legal termination of the Management Board member's employment relationship or the Management Board mandate if (i) the Management Board member resigns his mandate prematurely or the Management Board member's employment relationship ends prematurely at the Management Board member's own request, without good cause caused by SFC Energy AG through a breach of duty or a change of control, (ii) SFC Energy AG effectively terminates the Management Board member's employment relationship with good cause, (iii) the Management Board member's employment relationship ends due to circumstances that would have entitled SFC Energy AG to termination for good cause, or (iv) the Management Board member is removed from office for good cause (except due to permanent disability or invalidity).

According to the new Management Board members' employment agreements effective at the end of the reporting year, in the event of an acquisition of control of the Company within the meaning of section 29 (2) of the German Securities Acquisition and Takeover Act (WpÜG), Dr. Podesser and Mr. Saxena are entitled to terminate their Management Board member's employment agreements within three months of the legal occurrence of the change of control by observing a notice period of twelve months. There is no separate entitlement to severance pay in this case.

In the event of an acquisition of control over the Company within the meaning of section 29 (2) WpÜG and the exercise by Dr. Podesser of the extraordinary right to termination provided for in this case, the option rights from the Stock Option Program 2020-2024 which had not yet expired at the time of the submission of the takeover offer shall be paid out as cash settlement at the time of the legal termination of the employment agreement as follows (number of option rights to be paid out 504,000 (Reference Price – exercise price)), in which case the Reference Price corresponds to the offer price within the meaning of section 31 (1) WpÜG. No maximum amount applies with regard to the cash settlement.

In the event of an acquisition of control over the Company within the meaning of section 29 (2) WpÜG by September 30, 2023 (which did not occur in this period) 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 would be paid out as cash settlement at the time of the legal termination of the employment agreement as follows (number of SARs to be paid out x (Reference Price – exercise price)), in which case the Reference Price would have corresponded to the offer price within the meaning of section 31 (1) WpÜG or to the value calculated in accordance with section 7 WpÜG Offer Ordinance of the bidder's shares which may have been offered as optional consideration and which are not admitted to trading on an organized market within the meaning of section 2 (7) WpÜG but only outside the EEA, or a combination of both values. No maximum amount applies with regard to the cash settlement.

The following applies to Dr. Podesser and Mr. Saxena with regard to the PSP: if a Management Board member resigns before the end of the performance period that has already begun by exercising the special right of termination agreed for this case in the event of a change of control, the PSP payout amount will only be paid out after the end of the four-year performance period and measurement of regular target achievement (in other words, the overall target achievement level for the respective PSP annual tranche will be determined in the same way after the performance period has ended as it would have been had the performance period ended as scheduled, in accordance with the provisions of the PSP). The conversion of all current PSP annual tranches into the PSP payout amount after the end of the performance period is based on the reference price (instead of the final share price of the SFC stock); in this case, as established by the Supervisory Board, the Reference Price corresponds to the offer price within the meaning of section 31 (1) WpÜG or the amount calculated pursuant to section 7 WpÜG Offer Ordinance of the bidder's shares possibly offered as optional consideration and which are not admitted to trading on an organized market within the meaning of section 2 (7) WpÜG but only outside the European Economic Area, or a combination of these two values.

No change of control occurred during the reporting year.

For the existing defined contribution benefit commitment in favor of Dr. Podesser, the pension entitlement is maintained in the amount of the benefit that can be financed from the part of the fund assets of the provident fund set up for him if Dr. Podesser leaves the Company's service before a pension claim occurs. If Dr. Podesser becomes unable to work before a pension claim occurs and the inability to work lasts until his death or until a pension claim occurs, the pension entitlements are retained in full. In the event that he is no longer unable to work, this date shall be deemed the departure date.

Regulations for Hans Pol

The option rights from the Stock Option Program 2021-2025 expire in the event of termination for good cause by the Company (not included: withdrawal of confidence by the Annual General Meeting or loss of the Supervisory Board's confidence) and termination for good cause by Mr. Pol prior to the expiry date (March 1, 2025), for which the Company is not responsible, without compensation. In the event of a departure from the Company for any other reason, the option rights expire on a pro rata basis calculated over the entire contractual term of 48 months (e.g.: departure after 24 months results in the expiry of 50% of the option rights held at the time of departure).

In the event of an acquisition of control over the Company within the meaning of section 29 (2) WpÜG, Mr. Pol is entitled to terminate the employment agreement within three months of the legal occurrence of the change of control by observing a notice period of twelve months.

In the event of an acquisition of control over the Company within the meaning of section 29 (2) WpÜG and the exercise by Mr. Pol of his extraordinary right to termination provided for in this case, the option rights under the Stock Option Program 2021-2025 which had not yet expired at the time of the submission of the takeover offer shall be paid out as cash settlement at the time of the legal termination of the employment agreement (number of option rights to be paid out x (Reference Price – exercise price)), in which case the Reference Price – as determined by the Supervisory Board – shall correspond to the offer price within the meaning of section 31 (1) WpÜG or to the value calculated in accordance with section 7 WpÜG Offer Ordinance of the bidder's shares which may have been offered as optional consideration and which are not admitted to trading on an organized market within the meaning of section 2 (7) WpÜG but only outside the EEA, or a combination of both values. No maximum amount applies with regard to the cash settlement.

In the event of an acquisition of control over the Company within the meaning of section 29 (2) WpÜG and the exercise by Mr. Pol of his special right of termination provided for in such case, the SARs under the Hans Pol Program 4 that have not yet expired at the time of the submission of the takeover offer shall be paid out as follows at the time of the legal termination of the employment agreement: (number of SARs to be paid out x (Reference Price - exercise price)). In such case, the Reference Price corresponds to the higher value of either (i) the offer price within the meaning of section 31 (1) WpÜG or (ii) the amount calculated pursuant to section 7 WpÜG Offer Ordinance of the bidder's shares which may have been offered as optional consideration and which are not admitted to trading on an organized market within the meaning of section 2 (7) WpÜG but only outside the EEA. In the event of an acquisition of control after termination of the employment relationship, the same rules and principles for payment shall apply, with the exception that payment is to be made immediately upon the change of control.

Commitments in the Event of Regular Termination of a Management Board Member's Service

As described above, Dr. Podesser has a defined contribution plan via a provident fund. In the event of a pension claim, the provident fund will pay the agreed pension benefits to Dr. Podesser. The Company allocates the required funds of EUR 10,000 p.a. to the provident fund (see also below in the table "Management Board Remuneration Granted and Owed").

No further benefit commitments have been made in the event of the regular termination of a Management Board member (within the meaning of section 162 (2) nos. 2 and 3 AktG).

Commitments and Grants to Management Board Members who Left in the Reporting Year

No Management Board members terminated their service in the reporting year.

Payments from Third Parties

In the reporting period, no benefits were promised or granted to any member of the Management Board by a third party outside the Group with regard to the activity as a member of the Management Board. Remuneration from third parties within the Group is included in this report and is shown separately in the reported target total remuneration or the total remuneration granted and owed.

Malus and Clawback Provisions for Short-Term Variable Remuneration (Bonus/STI) and Long-Term Variable Remuneration Under the PSP

On the basis of the Existing Remuneration System and the 2021 and 2023 Management Board Remuneration System, the Supervisory Board under the Management Board employment agreements valid in the 2024 reporting year has the option of withholding or reclaiming the short-term variable remuneration (Bonus/STI) – as well as future payments based on the PSP – at its reasonable discretion if a member of the Management Board seriously and intentionally violates the duties of care under section 93 AktG, an obligation under the Management Board member's employment agreement, or another essential principle of the Company's conduct, e.g. from 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 to the Company into consideration. Before making its decision, the Supervisory Board of the Company shall give the member of the Management Board the opportunity to comment within a reasonable period of time. The timing of the repayment shall be determined by the Supervisory Board of the SFC Energy AG after consultation with the member of the Management Board, with an appropriate term and, if necessary, partial payments, taking into account existing cases of hardship. 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.

No repayment of variable remuneration components was demanded from Management Board members in the reporting year 2024 as the aforementioned conditions were not met.

Deviations from the Remuneration System

No reportable deviations from the applicable Management Board Remuneration System occurred during the reporting year.

Individualized Management Board Remuneration in the 2024 Reporting Year

The remuneration granted/owed in the 2024 reporting year includes the annual fixed remuneration granted in the reporting year, the value of the fringe benefits granted in the reporting year, the short-term variable remuneration granted in the reporting year (Bonus for 2023) as well as the long-term variable remuneration in the form of payout amounts granted in 2024 from the SAR Programs. This sum thus includes all remuneration payments granted (i.e. paid out) and owed in 2024 (including the annual payment to the provident fund for Dr. Podesser and, to the extent that payments have not already been reported as remuneration owed in 2023). The remuneration components or other benefits actually received in the reporting period are considered to have been granted; remuneration components that are legally due but not yet paid are considered to be owed. The remuneration granted and owed is shown in the following table. Any remuneration for activities for group companies of SFC Energy AG is included in the remuneration of the respective Management Board member:

MANAGEMENT BOARD REMUNERATION GRANTED AND OWED FOR FINANCIAL YEARS 2023 AND 2024 [1]

EUR

Management Board member in office as at 31/12/2024 — **Dr. Peter Podesser** Chairman of the Management Board since 11/01/2006

		2023	in % TR	2024	in % TR
Fixed remuneration	Basic remuneration	370,000	58.5%	444,000	60.4%
	+ Fringe benefits	14,490	2.2%	18,312	2.5%
	+ Pension contribution [2]	10,000	1.6%	-	-
	Total [3]	**394,490**	**62.3%**	**472,312**	**64.3%**
Variable remuneration	+ **Short-term variable**				
	Bonus [4]	238,733	37.7%	262,276	35.7%
	+ Long-Term Variable Remuneration				
	SARs („SARS") [5]	0	0.0%	0	0.0%
	Stock options ("SOP") [6]	0	0.0%	0	0.0%
	Total [7]	**238,733**	**37.7%**	**262,276**	**35.7%**
Total remuneration	**= Target total remuneration ("TR")**	**632,923**	**100.0%**	**734,588**	**100.0%**

MANAGEMENT BOARD REMUNERATION GRANTED AND OWED FOR FINANCIAL YEARS 2023 AND 2024 [1]

EUR

Management Board member in office as at 31/12/2024 — **Daniel Saxena** Management Board member since 07/01/2020

		2023	in % GV	2024	in % GV
Fixed remuneration	Basic remuneration	240,000	55.4%	270,000	60.6%
	+ Fringe benefits	12,000	2.8%	26,760	6.0%
	+ Pension contribution [2]	12,000	2.8%	18,000	4.0%
	Total [3]	**264,000**	**60.9%**	**314,760**	**70.6%**
Variable remuneration	+ **Short-term variable**				
	Bonus [4]	119,366	27.5%	131,138	29.4%
	Special bonus [8]	50,000	11.5%	0	0.0%
	+ Long-Term Variable Remuneration				
	SARs („SARS") [5]	0	0.0%	0	0.0%
	Stock options ("SOP") [6]	0	0.0%	0	0.0%
	Total [7]	**169,366**	**39.1%**	**131,138**	**29.4%**
Total remuneration	**= Target total remuneration ("TR")**	**433,366**	**100.0%**	**445,898**	**100.0%**

MANAGEMENT BOARD REMUNERATION GRANTED AND OWED FOR FINANCIAL YEARS 2023 AND 2024 [1] EUR

Management Board member in office as at 31/12/2024		**Hans Pol** Management Board Member since 01/01/2014			
		2023	in % GV	**2024**	in % GV
Fixed remuneration	Basic remuneration [8]	249,996	42.6%	249,996	18.5%
	of which from SFC Energy B.V.	*99,996*		*99,996*	
	+ Fringe benefits [8]	17,340	3.0%	17,340	1.3%
	+ Contribution to provident fund [2]	11,724	2.0%	14,413	1.1%
Variable remuneration	*of which from SFC Energy B.V.*	*11,724*		*14,413*	
	Total [3]	**279,060**	**47.6%**	**281,749**	**20.8%**
	+ Short-term variable				
	Bonus [4]	162,772	27.8%	178,824	13.2%
	+ Long-Term Variable Remuneration				
	SARs („SARS“) [5]	144,644	24.7%	890,840	65.9%
	Stock options (“SOP“) [6]	0	0.0%	0	0.0%
	Total [7]	**307,416**	**52.4%**	**1,069,664**	**79.2%**
Total remuneration	**= Target total remuneration (“TR”)**	**586,476**	**100.0%**	**1,351,413**	**100.0%**

1) The premiums paid by the Company in the reporting year for D&O insurance for Management Board members are not taken into account as granted remuneration, given that these are not non-cash benefits within the meaning of income tax law.
2) Administrative expenses and the PSV contribution are not included here, as they constitute obligations of the Company.
3) This figure represents the total fixed remuneration granted and owed.
4) This figure represents the short-term variable remuneration received in the financial year for the respective previous financial year.
5) This figure corresponds to the amount received from SARs exercised in the financial year.
6) This figure corresponds to the fair market value for option rights granted in the financial year to subscribe to ordinary shares in the Company (“Stock Option Program“ or “SOP“). This corresponds to the value of the total option rights granted.
7) This figure represents the total variable remuneration granted and owed.
8) Including group remuneration for activities in subsidiaries.

Individualized Remuneration of the Supervisory Board

The remuneration system for members of the Supervisory Board of SFC Energy AG is regulated in § 16 of the Articles of Association. It was originally approved by the Supervisory Board in 2015 and was presented in a linguistically and partially amended form for approval at the Annual General Meeting 2021 for the first time.

However, the amount of remuneration, which has remained unchanged since 2015, was no longer equal to the increased demands in terms of content and time associated with the duties of a member of the Supervisory Board of SFC Energy AG, so that the remuneration was adjusted in 2023 in line with market conditions.

The amended remuneration system for members of the Supervisory Board was approved by the Annual General Meeting 2023 in accordance with section 113 (3) AktG with 99.84%.

Since January 1, 2023, and thus also for the reporting year, the following applies under the remuneration system for members of the Supervisory Board:

The members of the Supervisory Board receive pure annual fixed remuneration of EUR 35,000 each under the amended remuneration system, whereby the Chairman of the Supervisory Board receives EUR 70,000 and his deputy receives EUR 45,000. In the event of changes in the composition of the Supervisory Board during a year, the remuneration is granted pro rata temporis. In addition, annual fixed remuneration amounting to EUR 10,000 is paid to the Chairperson of the audit committee, EUR 7,500 is paid to their Deputy, and EUR 5,000 to each member of the Committee. The members of other committees (which were not set up in the reporting year, however) who have been active at least once a year receive additional annual fixed remuneration of EUR 5,000. Chairing any other committee shall result in the annual fixed remuneration being increased by EUR 10,000, and acting as deputy chair shall result in an increase of EUR 5,000. Committee work shall only be taken into account for a maximum of one committee, and if this maximum number is exceeded, the highest paid chairmanship shall be determinative of the additional remuneration payable.

The maximum annual basic remuneration for the Chairman of the Supervisory Board is limited to EUR 80,000 if he is also the Chairman of a committee.

Moreover, the members of the Supervisory Board are entitled to reimbursement of the out-of-pocket expenses they incur in exercising their duties as Supervisory Board members, including any value-added tax attributable to those expenses, and inclusion in the directors' and officers' liability insurance policy without a deductible the Company has taken out for its governing bodies, with a sum insured of at least EUR 15,000,000.00.

The remuneration of the Supervisory Board in the 2024 financial year is distributed among the individual Supervisory Board members as follows:

REMUNERATION GRANTED AND OWED TO MEMBERS OF THE SUPERVISORY BOARD [1] EUR
for the 2023 and 2024 financial years

		Basic Remuneration		Committee remuneration		Total remuneration
Supervisory Board members		in EUR	% of TR	in EUR	% of TR	in EUR
Sunaina Sinha Haldea (since 08/2021, Chairwoman since 05/2024)	2024	56,899	100.0%	0	0.0%	56,899
	2023	35,000	100.0%	0	0.0%	35,000
Henning Gebhardt (since 05/2021, Deputy Chairman)	2024	45,000	81.8%	10,000	18.2%	55,000
	2023	45,000	81.8%	10,000	18.2%	55,000
Gerhard Schempp (since 06/2020)	2024	35,000	82.4%	7,500	17.6%	42,500
	2023	35,000	82.4%	7,500	17.6%	42,500
Dr. Andreas Blaschke (since 05/2024)	2024	21,899	87.5%	3,128	12.5%	25,027
	2023	0	0	0	0	0
Hubertus Krossa (until 05/2024)	2024	26,202	93.3%	1,872	6.7%	28,074
	2023	70,000	93.3%	5,000	6.7%	75,000
Total	2024	185,000	89.2%	22,500	10.8%	207,500
	2023	185,000	89.2%	22,500	10.8%	207,500

1) The premiums paid by the Company in the reporting year for D&O insurance for the members of the Supervisory Board are not included as remuneration granted, as these are not non-cash benefits within the meaning of income tax law.

The remuneration system established for the Supervisory Board does not provide for variable remuneration components or any malus and clawback provisions. No variable remuneration components were therefore reclaimed from members of the Supervisory Board in the 2024 reporting year.

Comparative Presentation Within the Meaning of Section 162 (1) Sentence 2 no. 2 AktG (Vertical Comparison)

The following table shows the development over time within the meaning of section 162 (1) sentence 2 no. 2 AktG (over the five most recent financial years) of the remuneration of the Board members (i.e. of the remuneration granted and owed in the respective financial year within the meaning of section 162 (1) sentence 1 AktG) compared to the average remuneration of the total workforce of SFC Energy AG in Germany on a full-time equivalent basis. In addition, the development of the earnings of SFC Energy AG and the Group as a whole is presented. The development of earnings is shown on the basis of the Group's key figures for revenues and adjusted EBITDA. Given that both are key performance indicators, they are also part of the financial targets for the Management Board's short-term variable remuneration (Bonus/STI) and thereby have a significant influence on the amount of remuneration paid to the members of the Management Board. In addition, the development of the annual net profit of SFC Energy AG is presented in accordance with section 275 (3) no. 16 of the German Commercial Code (*Handelsgesetzbuch* – HGB).

The presentation of average employee remuneration is based on the total workforce of SFC Energy AG in Germany. The average remuneration of employees includes personnel expenses for wages and salaries, as well as fringe benefits, employer contributions to social security in the financial year and the short-term variable remuneration components attributable to the respective financial year (i.e. paid out in the financial year). Furthermore, for remuneration in connection with share plans, the values of the exercised stock options accrued in the financial year are taken into account.

COMPARISON OF THE FIVE-YEAR REVIEW (PURSUANT TO SECTION 162 (1) SENTENCE 2 NO. 2 AKTG)

EUR 000s

Financial year	2020	2021		2022		2023		2024	
			Change		Change		Change		Change
I. DEVELOPMENT OF EARNINGS									
AG net earnings for the year (HGB)	-8,418	-6,636	21%	-3,399	49%	5,386	n/m	9,123	69%
Group sales revenue	53,223	64,320	21%	85,229	33%	118,148	38.6%	144,754	23%
Group adj. EBITDA	2,936	6,233	112%	8,150	31%	15,158	86.0%	22,008	45%
Group profit for the period	-5,184	-5,829	-12%	2,020	n/m	21,062	942.6%	9,355	-56%
Group equity	54,838	50,019	-9%	103,437	107%	128,133	23.9%	139,218	9%
II. AVERAGE EMPLOYEE REMUNERATION									
SFC AG employees	64	64	2%	68	4%	67	-2%	68	2%
III. Management Board remuneration									
Dr. Peter Podesser	524	2,237	327%	3,894	74%	633	-84%	735	16%
Daniel Saxena	132	319	142%	382	20%	433	13%	446	3%
Hans Pol	277	1,092	294%	1,190	9%	586	-51%	1,351	131%
FORMER MEMBERS OF THE MANAGEMENT BOARD									
Markus Binder (from 03/01/2017 to 02/28/2020)	33	-	n/a	–	n/a	–	n/a	–	-
IV. SUPERVISORY BOARD REMUNERATION									
Sunaina Sinha Haldea since 08/2021; Chair since 04/2024)	-	10	n/m	25	159%	35	40%	57	63%
Henning Gebhardt (since 05/2021, deputy Chair)	-	23	n/m	38	62%	55	47%	55	0%
Gerhard Schempp (since 06/2020)	15	27	86%	30	11%	43	42%	43	0%
Dr. Andreas Blaschke (since 05/2024)	-	-	-	-	-	-	-	25	n/m
FORMER SUPERVISORY BOARD MEMBERS									
Hubertus Krossa (until 05/2024, Chair since 05/2021)	38	45	19%	50	10%	75	50%	28	-63%
Tim van Delden (until 05/2021, Chair-man)	50	21	-58%	-	-	-	-	-	-
David Morgan (until 05/2020)	16	-	-	–	-	–	-	–	-

Approval by the Annual General Meeting

The remuneration report for the 2023 reporting year was submitted to the 2024 Annual General Meeting for approval in accordance with section 120a (4) AktG.

The Annual General Meeting approved the remuneration report on May 16, 2024 with a majority of 59.80%. The Management Board and Supervisory Board have dealt intensively with the feedback provided by investors and incorporated this into the revision of the remuneration report in order to ensure an even higher level of transparency and traceability of remuneration decisions. SFC Energy AG aims to provide clear, understandable and comprehensible reporting that lays the foundation for broad acceptance of board remuneration by all stakeholders.

FINANCIAL CALENDAR 2025

04/01/2025	METZLER SMALL CAP DAYS, FRANKFURT
05/20/2025	QUARTERLY RELEASE Q1 2025
05/22/2025	ANNUAL GENERAL MEETING
08/26/2025	HALY-YEARLY FINANCIAL REPORT 2025
08/27/2025	HAMBURG INVESTOR DAYS (HIT), HAMBURG
09/24/2025	BERENBERG & GOLDMANN SACHS GERMAN CORPORATE CONFERENCE
11/18/2025	QUARTERLY RELEASE Q3 2025
11/24/2025	DEUTSCHES EIGENKAPITALFORUM, FRANKFURT

SHARE INFORMATION

Bloomberg symbol	F3C:GR
Reuters symbol	F3CG.DE
GSIN	756857
ISIN	DE0007568578
Number of shares outstanding (31 December 2024)	17,381,691
Share type	No-par value shares
Stock market segment	Prime standard
Sector	Renewable energies
Index membership	SDAX
Home exchange	Frankfurt, FWB
Designated sponsor	mwb fairtrade Wertpapierhandelsbank AG

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