Three Months Report Q1/2014

SFC ENERGY

SFC ENERGY AG CONSOLIDATED KEY FIGURES

in k €

	01/01 – 03/31/2014	01/01 – 03/31/2013
Sales	12,937	7,345
Gross margin total	3,935	2,879
Gross margin	30.4 %	39.2 %
EBITDA	– 511	293
EBITDA-margin	– 3.9 %	4.0 %
EBITDA underlying	– 235	114
EBITDA margin underlying	– 1.8 %	1.6 %
EBIT	– 1,203	– 183
EBIT margin	– 9.3 %	– 2.5 %
EBIT underlying	– 647	– 362
EBIT margin underlying	– 5.0 %	– 4.9 %
Consolidated net loss	– 1,324	– 212
Net loss per share, diluted	– 0,17	– 0,03

	03/31/2014	03/31/2013
Order backlog	16,277	7,908

in k €

	03/31/2014	12/31/2013
Equity	27,393	29,063
Equity ratio	61.7 %	61.0 %
Balance sheet total	44,412	47,650
Cash (freely available)	5,652	7,143

	03/31/2014	03/31/2013
Permanent employees	256	184

DIRECTORS' SHAREHOLDINGS

	03/31/2014
Management Board	
Dr Peter Podesser	106,800
Gerhard Inninger	0
Hans Pol	116,462
Supervisory Board	
Tim van Delden	0
David Morgan	4,000
Dr Jens T. Müller	5,000

CONTENT

INTRODUCTION BY THE MANAGEMENT BOARD

Hans Pol CSO / **Dr. Peter Podesser** CEO / **Gerhard Inninger** CFO

DEAR SHAREHOLDERS,

During the first quarter of 2014, we made considerable progress on the key pillars of our strategy which we believe will deliver solid returns for our investors over the next years.

Extending our reach into the oil and gas market is an important part of this strategy and this is the reason we acquired the Simark Group last year. We are happy to report that the integration process is ahead of our expectations and in fact in April, after an exceptionally short development period, we were able to bring our first joint product to the market, the new EFOY ProCabinet. This extreme temperature fuel cell solution is a robust, cost effective and easy-to-use product, which we expect to contribute significantly to revenues in the second half of 2014.

In the first quarter of 2014, SFC Energy delivered year-on-year revenue growth of 76 percent. This growth mainly in the oil & gas segment is a result of the integration of Simark. It is also encouraging that our order intake shows a positive development and that we were able to finish the quarter with an order backlog of EUR 16.3m, which was more than double the backlog we had at the end of the first quarter last year. This clearly shows that SFC Energy's power generation and product solutions are resonating with customers across the globe and encourages us that we are on the right track with our new strategic direction.

In terms of profitability, EBITDA came in at EUR –0.51m in Q1/14 which was lower than the EUR 0.29m which we recorded in the same quarter last year. This is in line with our budgetary expectations and includes a series of one-off costs in relation to the Simark acquisition. Excluding one-off expenses, underlying EBITDA in Q1/14 was EUR –0.24m.

We have always strived to ensure that our quarterly reports communicate our performance and prospects as clearly as possible. To further assist investors, especially in light of the Simark acquisition and our changing strategy, we have decided to change our segmental reporting. Our new basis of segmentation is designed to give us better opportunities for more effectively and efficiently steering the business while at the same time giving our investors greater transparency. To facilitate comparability with prior-year figures, we will continue, for a transitional period, to disclose segmental information based on the previous as well as the new basis.

The three new segments are Oil & Gas, Security & Industry and Consumer.

The segment **Oil & Gas** combines all the activities of SFC Energy and Simark Controls in the fast growing oil and gas market. Here we offer a highly specialized portfolio of off-grid and grid connected power generation products and systems, as well as innovative measuring, instrumentation and security technology solutions.

In the **Security & Industry** segment we have pooled our portfolio of power supply products and solutions of SFC Energy and PBF for industrial and governmental end users. Main markets are commercial and governmental surveillance, together with security applications, defense, and our power electronics business. This segment also contains industrial off-grid applications, where our integrated systems already enjoy widespread use in areas such as power generation, traffic management, telecommunications and environmental markets.

The **Consumer** segment will capture the same markets as it did previously. The EFOY COMFORT fuel cells which were specifically developed for leisure customers have been successfully established in the marketplace for many years. Recreational vehicles and yacht owners value the autonomy and convenience offered by SFC Energy's lightweight and silent power generators.

Examining the segments more closely, revenues in Oil & Gas grew strongly from EUR 0.12m in Q1/13 to EUR 6.61m in Q1/14, largely due to the Simark acquisition. In the Security & Industry segment revenues fell year-on-year from EUR 5.55m in Q1 last year to EUR 5.07m in the first quarter of 2014. This was a result of an order cancellation and some revenue slippage due to the slower start-up of two new projects in our electronics business. This is also expected to affect the second quarter of 2014. The positive news in the Security & Industry sector is that we are seeing a pick-up in customer enquiries and order activity. On the defense side, we were able to announce the delivery of the next generation portable fuel cell system to the US Air Force, and we also announced a major order from Singapore for an integrated hybrid power system combining EFOY Pro fuel cell generators and solar modules. This solution will be used to power security cameras. Given the ongoing order intake and the existing order backlog, we believe we will see a strong second half of the year for the Security & Industry segment. Revenues in the Consumer segment were down year-on-year from EUR 1.68m to EUR 1.25m, mainly because last year's Q1 was exceptionally strong. With this in mind, we continue to expect full year sales from this segment to be broadly in line with 2013.

On other fronts, in Q1 we completed the restructuring of our fuel cell business in North America with the aim of also improving customer service. With this in mind we opened a new EFOY service center in Calgary, Canada. In addition, we can now offer fuel cartridges for our customers out of two logistics hubs, in Fairfield / Ohio, USA, and Calgary / Alberta, Canada.

SFC Energy's share price also performed well in the first quarter. Having been under pressure at the start of the year the share price recovered to close the first quarter at a price of EUR 4.80, up 20 percent from the 2013 year end close. In addition, daily volumes picked up significantly and there is clearly much investor interest around not only SFC Energy but the greater fuel cell sector as well.

It is important to emphasize that SFC Energy is exceptionally well positioned in its core markets with strong solutions, a good service offering, and solid relationships into key customers. In addition, with the launch of the new EFOY ProCabinet for the Oil & Gas market we believe that we have a very large growth opportunity in front of us. Thanks to our continuing investment in product development, we believe that not only is SFC Energy well placed in Oil & Gas but also in other exciting growth markets such as security and wind.

We remain fully convinced by our strategy and our positioning for sustainable growth and profitability in our various target markets. Returning to this year, we see a strong second half of the year, noting in particular that Oil & Gas as well as Defense both tend to be back-end loaded. In terms of guidance, we continue to anticipate revenues for this year coming in between EUR 55m and EUR 60m and generating a positive underlying EBITDA (assuming an exchange rate of 1.40 between the Canadian dollar and the euro in estimating Simark's revenue and earnings).

With best wishes,

The SFC Energy AG Management Board

Dr Peter Podesser
Chief Executive Officer

Gerhard Inninger
Chief Financial Officer

Hans Pol
Chief Sales Officer

BUSINESS REVIEW

1. ORGANIZATIONAL STRUCTURE OF THE GROUP

The Group comprises SFC Energy AG, Brunnthal, Germany, and SFC Energy Inc., Rockville, Maryland, USA (SFC); PBF Group B.V., Almelo, Netherlands, and its subsidiaries (PBF); and Simark Holdings Ltd., Calgary, Canada, and its subsidiaries (Simark).

2. EARNINGS AND FINANCIAL POSITION

Earnings position

The SFC Group posted sales of € 12,937k in the first quarter of 2014, for an increase of 76.1 % from the € 7,345k in sales generated in the same period a year ago. This figure includes € 6,609k in sales from the Canadian firm Simark Controls Ltd., of Calgary, Canada (Simark), which was acquired last summer and initially consolidated as of September 1, 2013. Because of this acquisition, there is only limited comparability with last year's figures, which did not include Simark.

The Group's EBIT decreased from minus € 183k to minus € 1,203k. It bears noting that the figure for the first quarter of 2014 reflects € 556k in non-recurring effects relating to the Simark acquisition, while the figure for Q1 2013 reflected € 377k reversed to income from an earn-out liability, on the one hand, and acquisition-related expenses of € 198k on the other. Excluding these one-off effects, EBIT was minus € 647k (previous year: minus € 362k).

EBITDA was minus € 511k for the first quarter of 2014 (previous year: plus € 293k). Excluding the one-off effects mentioned, EBITDA was minus € 235k (previous year: plus € 114k).

The following earnings effects from the Simark acquisition are not captured in the underlying operating result:

- Personnel expenses relating to the contingent consideration that was agreed upon (€ 276k)
- Depreciation/amortization and expenses relating to the purchase price allocation (€ 280k)

The reconciliation to underlying EBIT and EBITDA and the distribution of the one-off effects among items on the income statement were as follows:

in k€	EBIT	EBITDA
Result according to the income statement	**–1,203**	**–511**
Production costs of work performed to generate sales		
Purchase price allocation, amortisation of order book	23	0
Cash component from the Simark acquisition, personnel costs	47	47
Sales costs		
Cash component from the Simark acquisition, personnel costs	179	179
Purchase price allocation, amortisation of customer relationships	257	0
Bonus for key employees, personnel costs	17	17
General administration costs		
Cash component from the Simark acquisition, personnel costs	47	47
Other operating income		
Earn-out liability from the Simark acquisition	– 15	– 15
Total one-off effects	**556**	**276**
Underlying result	**– 647**	**– 235**

Sales by segment

In 2012, the Group started to break down its segment reporting into the markets Industry, Defense & Security and Consumer. This change made it easier to put the individual markets and customers at the center of management decisions.

Starting in the 2014 financial year, the reporting will cover these segments:

- Oil & Gas
- Security & Industry
- Consumer

The Simark acquisition prompted this change. Because of it, around 50 % of the Group's business is now conducted in the oil and gas market. Thus, a separate presentation is required in order to effectively and efficiently manage this largest part of the Company's operations.

There will be a transition period during which the Group will also report according to the previous basis of segmentation, i.e., the Industry, Defense & Security and Consumer segments.

The following table shows a comparison of segment sales for the first three months of 2014 and 2013:

SALES BY SEGMENT (UNAUDITED)	in k €		in %
	1st Quarter		
Segment	2014	2013	Change
Oil & Gas	6,614	119	> 100.0
Security & Industry	5,069	5,548	– 8.6
Consumer	1,254	1,678	– 25.3
Total	**12,937**	**7,345**	**– 76.1**

Nearly all of the revenues generated in the Oil & Gas segment so far in 2014 have come from Simark. Most of Simark's transactions are in CAD. Sales in the first quarter of 2014 were CAD 10.0 million and came exclusively from the sale, service and integration of products for the North American oil and gas market.

SFC's sales in the Security & Industry market were down 5.1 %, from € 1,976k to € 1,875k. The number of fuel cells sold decreased from 328 to 247, chiefly because of fewer deliveries to Singapore in the first quarter of 2014. However, the average price of EFOY fuel cells rose to around € 4,500 in the first quarter of 2014, from around € 3,600 in the first quarter of 2013. This and the number of JENNY fuel cells that were delivered had a positive effect in the first quarter of 2014. Sales to defense customers were on a par with the previous year at € 657k (€ 666k). All of PBF's sales were generated in the Industry segment. In the first quarter of 2014, these sales were € 3,194k (previous year: € 3,572k). The decrease in sales at PBF is attributable to the discontinuation of a serial order and slower startup of two new projects.

In the Consumer market, sales receded by € 424k, or 25.3 %, with the number of fuel cells sold decreasing from 597 to 454. A low inventory level at a major distributor at the beginning of last year led to higher sales in the first quarter of 2013.

The following table shows a comparison of segment sales for the first three months of 2014 and 2013 according to the previous basis of segmentation:

SALES BY SEGMENT (UNAUDITED)	in k €		in %
	1st Quarter		
Segment	2014	2013	Change
Industry	11,026	5,001	> 100.0
Consumer	1,254	1,678	– 25.3
Defense & Security	657	666	– 1.4
Total	**12,937**	**7,345**	**– 76.1**

Sales by region

SALES BY REGION (UNAUDITED)	in k €		in %
	1st Quarter		
	2014	2013	Change
North America	7,276	662	> 100.0
Europe and ROW	5,661	6,683	– 15.3
Total	**12,937**	**7,345**	**76.1**

The increase in North America is attributable to the first-time inclusion of Simark's sales in the Oil & Gas segment, which totaled € 6,609k.

SFC posted a 18.6 % decrease in sales in the region Europe and rest of the world. For PBF, which conducts almost all of its business in the region Europe and rest of the world, the decline was 12.3 %.

Gross margin

Total gross margin in the first quarter of 2014 was € 3,935k (previous year: € 2,879k), or 30.4 % (previous year: 39.2 %). The decrease in the margin at Group level is largely attributable to the shift in the sales mix, with the Oil & Gas segment accounting for more than half of revenues. The margin in this segment was 24.5 % due to Simark's different business model.

The year-on-year change in the individual segments' gross margin was as follows:

GROSS MARGIN (UNAUDITED) in k €

	1st Quarter		
Segment	2014	2013	Change
Oil & Gas	1,622	65	1,557
Security & Industry	1,927	2,192	– 265
Consumer	386	622	– 236
Total	**3,935**	**2,879**	**1,056**

The gross margin in the Oil & Gas segment was € 1,622k, or 24.5 % as mentioned above, and therefore in line with expectations both in percentage and in absolute terms.

The Security & Industry segment's gross margin was 38.0 %, or € 1,927k, which was below the previous year's 39.5 %, or € 2,192k.

The gross margin in the Consumer segment was 30.8 % (previous year: 37.0 %).

The main reason for the drop in gross margin in the Security & Industry and Consumer segments was the decrease in sales, accompanied by no change in the overhead structure.

Sales costs

Sales costs rose 74.0 % at Group level, from € 1,411k to € 2,455k.

As touched on earlier, part of this was attributable to non-recurring effects totaling € 453k.

Altogether, sales costs were 19.0 % this year versus 19.2 % last year when expressed as a percentage of sales.

Research and development costs

Research and development costs increased to € 1,433k in the first quarter of 2014, following € 1,085k this time last year. The main reason for the increase was the cost of quality improvements to series products. In addition, the volume of R&D costs offset with grants had been € 243k higher last year.

SFC is reporting research and development costs of € 640k (previous year: € 469k). PBF's research and development costs were € 700k (previous year: € 617k).

Development work of € 67k (previous year: € 40k) was capitalized in the first quarter of 2014. Additionally, it is important to note that development costs incurred as part of JDAs this time a year ago were reported as production costs of work performed to generate sales and that any subsidies received for government-sponsored development projects were offset against the development costs. There were no such development costs for JDAs in the first quarter of 2014. Adjusted for these two effects and adding back in the capitalized development costs, true research and development expenditures in the first quarter of 2014 totaled € 1,561k, for a decrease of 4.6 % from the previous year's € 1,636k.

General administration costs

The Group's general administration costs increased by 50.4 %, from € 841k to € 1,265k in the first three months of 2014.

Of note is the € 47k in personnel costs reported as administration costs that represents a cash component from the Simark acquisition.

As a percentage of sales, administration costs were 9.8 % this year versus 11.4 % this time a year ago.

Other operating income

The figure for other operating income predominantly reflects € 15k reversed to income from the earn-out liability for Simark and foreign exchange transaction gains of € 6k. The previous year's figure mainly reflected € 377k reversed to income from the earn-out liability for PBF and foreign exchange transaction gains of € 97k.

Other operating expenses

The € 26k in other operating expenses predominantly reflects foreign exchange transaction losses of € 21k. Last year's figure (€ 202k) consisted mostly of acquisition costs (€ 198k).

Operating result (EBIT)

EBIT decreased from minus € 183k to minus € 1,203k in the first quarter of 2014.

Adjusted for the one-off effects mentioned earlier, underlying EBIT went from minus € 362k to minus € 647k.

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

EBITDA was minus € 511k, against plus € 293k in the same period a year ago. Accordingly, the EBITDA margin decreased from plus 4.0 % to minus 3.9 %. The underlying EBITDA came to minus € 235k, versus plus € 114k a year ago.

Interest and similar income

Interest and similar income decreased from € 29k to € 5k, largely because of the lower balance of cash and cash equivalents.

Interest and similar expenses

Interest and similar expenses were € 71k (previous year: € 43k) and consisted mostly of interest incurred from financing obtained for the Simark acquisition (€ 50k) and interest cost of € 21k on liabilities and provisions.

Net result

Last year at this time a loss of € 211k was reported. This year there was a loss of € 1,324k.

Earnings per share

Earnings per share under IFRS (diluted) were negative in the first quarter of 2014 at minus € 0.17 (Q1 2013: minus € 0.03).

New orders and order backlog

New orders totaling € 11,926k were received in the first quarter of 2014. New orders of € 5,689k had been received in the same period a year ago. However, Simark was not included at that time.

Altogether, the order backlog stood at € 16,277k as of March 31, 2014 (previous year: € 7,908k).

Of this amount, € 8,917k is attributable to the Security & Industry segment, € 7,312k to the Oil & Gas segment and € 48k to the Consumer segment.

Financial position

Capital expenditures

Development costs of € 67k were capitalized in the first three months of 2014 (previous year: € 40k). Investments in software and production improvements, in particular, were also made. Total capital expenditures came to € 166k (previous year: € 118k).

Liquidity

Net cash outflows decreased to € 1,482k in the first quarter of 2014, compared with € 3,218k a year ago. The reason for this was an increase in the cash flow from ordinary operations, which had been affected in the previous year by a normalization of working capital.

The balance of cash and cash equivalents at the end of March 2014 was € 5,652k (end of March 2013: € 19,411k).

Cash flow from ordinary operations

In contrast to the same period a year ago, there was a net cash inflow from ordinary operations of € 106k in the first quarter of 2014 (prior-year period: net outflow of € 3,441k).

Cash flow from investment activity

Investments in intangible assets and property, plant and equipment were € 166k in the reporting period (previous year: € 118k). Investments were limited to essential items.

In addition, € 908k was paid in connection with the earn-out from the Simark acquisition.

Cash flow from financial activity

The cash flow from financial activity shows the change in PBF's and Simark's liabilities to banks and the interest paid.

Assets and liabilities

There were no significant changes in the balance sheet or balance sheet ratios in the first quarter of 2014.

Total assets were 6.8 % lower as of March 31, 2014 at € 44,412k, compared with € 47,650k as of December 31, 2013.

With total assets down for the period, the equity ratio improved from 61.0 % to 61.7 %.

Inventories, trade accounts receivable and receivables from percentage-of-completion decreased by € 518k, or 3.0 %.

The most significant intangible assets are the goodwill of Simark in the amount of € 6,836k (€ 7,126k), the goodwill of the PBF in the amount of € 4,672k (€ 4,672k), other intangible assets relating to the acquisitions of Simark and PBF in the amount of € 3,189k (€ 3,616k) and € 1,750k (€ 1,845k) and capitalized development costs in the amount of € 1,224k (€ 1,265k). The decrease in other intangible assets relating to the Simark and PBF acquisitions reflects the amortization of the customer relationships, technology and order books acquired. Currency translation differences also affected these figures as well as the goodwill of Simark. With respect to capitalized development costs, € 67k was capitalized and € 108k was amortized in the first three months of 2014.

Non-current assets decreased from € 21,715k to € 20,694k. The share of non-current assets in total assets climbed from 45.6 % to 46.6 %. It should be noted that the buildings occupied by SFC are under long-term lease but are not shown under non-current assets pursuant to IFRS rules.

Liabilities decreased from € 18,587k to € 17,019k. Major factors here were the € 908k payment in connection with the earn-out from the Simark acquisition and the payment of € 470k towards liabilities to banks.

Altogether, liabilities made up 38.3 % of total liabilities and shareholders' equity (December 31, 2013: 39.0 %).

Due to the negative result after taxes and currency effects, shareholders' equity decreased to € 27,393k at March 31, 2014, against € 29,063k at December 31, 2013. Subscribed capital and the capital surplus were unchanged.

Research and development

The focal points of SFC's research and development activities were as follows in the first quarter of 2014:

- The Company continued to make quality improvements to its series products.
- In the defense market, it successfully delivered higher-output portable pre-series products to military customers.
- In order to better meet customer requirements, the Company evaluated and tested individual components of higher-output energy supply solutions for stationary and vehicle-based applications.
- It conducted tests on further reducing unit costs and increasing capacity in order to reduce degradation with increased power density and cut back on the amount of material used.

The areas of emphasis of PBF's research and development activities were as follows:

- Existing development projects were continued with success, and some were put into series production.
- PBF continued its research in the area of buck-boost PFC converters, which should lead to greater efficiency over a large input voltage range.
- Two new projects were started.

The following product enhancement was initiated by PBF and SFC together:

- Testing and optimization of a range of energy solutions that help customers use and reliably power a vast array of industrial applications under the harshest of conditions.

SFC and Simark teamed up to start the following project:

- Testing and release of the EFOY ProCabinet as the basis for energy solutions in extreme weather conditions.

Employees

The number of permanent employees was as follows as of March 31, 2014:

EMPLOYEES

	03/31/2014	03/31/2013	Change
Management Board	3	2	1
Research and development	57	57	0
Production, logistics, quality management	96	71	25
Sales & Marketing	73	35	38
Administration	27	19	8
Permanent employees	**256**	**184**	**72**

The SFC Group employed 4 (6) trainees, graduates and student trainees as of March 31, 2014.

Of the permanent employees, 81 worked for SFC, 100 for PBF and 75 for Simark.

3. REPORT ON RISKS AND OPPORTUNITIES

As part of a systematic and organizational approach to risk, the Management Board has implemented a comprehensive risk management system that defines, systematically uses and continues to develop suitable instruments for identifying, analyzing and measuring risks and determining the appropriate course of action.

We believe that the material risks and opportunities in the segments as we previously reported them, namely Consumer, Industry and Defense & Security, have not changed since publication of our 2013 annual report. This is also the case for our new basis of segmentation. It bears noting that the opportunities and risks of the industry market were already subdivided into those for the oil and gas market (now the Oil & Gas segment) and those for the defense & security and industry markets (now the Security & Industry segment) in the annual report for 2013.

We also believe that the Group's other material risks and opportunities have not changed since the publication of our 2013 annual report, with the following exception:

Patent risks

There had been a risk of having to pay damages for possible patent infringement in respect of a piece of equipment that is currently out of service. A settlement was reached in this matter in the first quarter of 2014. Therefore, a claim for these damages will not be made.

4. FORECAST REPORT

The Management Board is upholding its forecast for the full year 2014. An average CAD/EUR exchange rate of 1.40 was used in the sales and earnings planning for 2014. If the Canadian dollar remains weak (average CAD/EUR exchange rate above 1.50 in the first quarter of 2014), sales and earnings could be negatively affected on a euro basis.

5. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Gerhard Inninger, Chief Financial Officer for SFC, will resign from the Management Board for personal reasons at the end of the Annual General Meeting on May 16, 2014, by mutually amicable agreement with the Supervisory Board. Gerhard Inninger will remain fully available to advise the Group on finances and will continue to supervise operational activities in his current area of responsibility

There were no significant events after the balance sheet date.

Brunnthal, May 13, 2014

The Management Board

Dr Peter Podesser	**Gerhard Inninger**	**Hans Pol**
CEO	CFO	CSO

INTERIM REPORT IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS AT MARCH 31, 2014

The following Interim Report has been prepared in the German language. It has been translated for this Interim Report into English.
In the event of questions of interpretation, the German version shall be authoritative.

INTERIM REPORT IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS AT MARCH 31, 2014

SFC ENERGY AG, BRUNNTHAL
CONSOLIDATED INCOME STATEMENT
FROM JANUARY 1 TO MARCH 31, 2014

in €	01/01–03/31/2014	01/01–03/31/2013
Sales	12,936,555	7,345,420
Production costs of work performed to generate sales	–9,001,937	–4,466,328
Gross margin	**3,934,618**	**2,879,093**
Sales costs	–2,455,211	–1,411,048
Research and development costs	–1,432,804	–1,085,427
General administration costs	–1,265,234	–840,623
Other operating income	42,318	477,636
Other operating expenses	–26,737	–202,471
Operating loss	**–1,203,049**	**–182,840**
Interest and similar income	4,954	28,917
Interest and similar expenses	–71,207	–42,906
Loss from ordinary operations	**–1,269,303**	**–196,828**
Income taxes	–54,715	–14,190
Consolidated net loss	**–1,324,018**	**–211,018**
NET LOSS PER SHARE		
undiluted	–0,17	–0,03
diluted	–0,17	–0,03

SFC ENERGY AG, BRUNNTHAL
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FROM JANUARY 1 TO MARCH 31, 2014

in €	01/01–03/31/2014	01/01–03/31/2013
Consolidated net loss	**–1,324,018**	**–211,018**
OCI items that may be recycled to profit or loss in the future		
Result from currency translations	–345,708	–52,175
Total other results	**–345,708**	**–52,175**
Total comprehensive income	**–1,669,726**	**–263,193**

All amounts are attributable in full to equity holders of the parent company.

There are no deferred tax effects on the total results recognized directly in equity.

SFC ENERGY AG, BRUNNTHAL
CONSOLIDATED BALANCE SHEET
AS AT MARCH 31, 2014

in €

	03/31/2014	12/31/2013
Current Assets	**23,717,727**	**25,934,454**
Inventories	7,362,974	7,713,256
Trade accounts receivable	8,766,736	9,258,049
Receivables from percentage-of-completion	541,214	217,932
Income tax receivables	21,202	110,014
Other short-term assets and receivables	1,088,834	1,207,667
Cash and cash equivalents	5,651,768	7,142,536
Cash and cash equivalents with limitation on disposal	285,000	285,000
Non-current assets	**20,694,095**	**21,715,222**
Intangible assets	18,210,008	19,053,809
Property, plant and equipment	2,158,627	2,295,999
Deferred tax assets	325,460	365,414
Assets	**44,411,822**	**47,649,676**

SFC ENERGY AG, BRUNNTHAL CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2014

		in €
	03/31/2014	12/31/2013
Current liabilities	**11,531,993**	**12,669,182**
Provisions for taxes	59,686	88,466
Other provisions	692,255	713,710
Liabilities to banks	1,704,119	2,139,136
Liabilities from prepayments	1,889	13,894
Trade accounts payable	6,149,081	5,086,833
Liabilities under finance leases	49,657	51,771
Liabilities from percentage-of-completion	127,159	1,172,797
Other short-term liabilities	2,748,146	3,329,640
Income tax liabilities	0	72,937
Non-current liabilities	**5,486,598**	**5,917,537**
Other long-term provisions	1,794,482	1,799,661
Liabilities to banks	2,091,821	2,281,526
Liabilities under finance leases	29,503	30,759
Other long-term liabilities	8,063	70,648
Deferred tax liabilities	1,562,728	1,734,944
Equity	**27,393,231**	**29,062,957**
Subscribed capital	8,020,045	8,020,045
Capital surplus	69,569,925	69,569,925
Other changes in equity not affecting profit or loss	–1,010,011	–664,303
Consolidated net loss	–49,186,728	–47,862,710
Liabilities and shareholders' equity	**44,411,822**	**47,649,676**

SFC ENERGY AG, BRUNNTHAL
CONSOLIDATED CASH FLOW STATEMENT
FROM JANUARY 1 TO MARCH 31, 2014

in €

		01/01–03/31/2014	01/01–03/31/2013
	Cash flow from ordinary operations		
	Result before taxes	**–1,269,303**	**–196,828**
+	Net interest income	66,254	13,988
+	Depreciation/amortization and write up of intangible assets and property, plant and equipment	691,856	475,761
+	Expenses from Long Term Incentive Plan/SAR Plan	8,063	19,627
–/+	Changes in allowances	–116,855	9,738
+	Losses from disposal of property, plant and equipment	5,301	7
–	Other non-cash income	–148,963	–67,106
	Changes to operating result before working capital	**–763,647**	**255,187**
–	Changes to provisions	–46,519	–43,354
+/–	Changes to trade accounts receivable	345,155	–1,954,412
+	Changes to inventories	351,546	197,522
–	Changes to other receivables and assets	–234,383	–620,116
+/–	Changes to trade accounts payable	1,162,229	–155,416
–	Changes to other liabilities	–764,699	–1,106,173
	Cash flow from ordinary operations before taxes	**49,683**	**–3,426,761**
+/–	Income tax refunds/payments	56,416	–14,709
	Cash flow from ordinary operations	**106,099**	**–3,441,470**

SFC ENERGY AG, BRUNNTHAL
CONSOLIDATED CASH FLOW STATEMENT
FROM JANUARY 1 TO MARCH 31, 2014

in €

		01/01–03/31/2014	01/01–03/31/2013
	Cash flow from investment activity		
–	Investments in intangible assets from development projects	–66,531	–39,774
–	Investments in other intangible assets	–50,434	–10,654
–	Investments in property, plant and equipment	–49,501	–67,757
–	Cash outflows for the acquisition of subsidiaries, aquired in other reporting periods	–907,661	0
+	Interest and similar income	4,505	32,089
+	Proceeds from disposal of property, plant and equipment	1,767	0
	Cash flow from investment activity	**–1,067,855**	**–86,096**
	Cash flow from financial activity		
+	Raising of financial dept	0	320,756
–	Repayment of financial debt	–469,556	0
–	Interest paid and other expenses	–50,306	–11,344
	Cash flow from financial activity	**–519,862**	**309,412**
	Net change in cash and cash equivalents	**–1,418,618**	**–3,218,155**
	Currency effects on cash and cash equivalents	–9,150	4,115
	Net change in cash and cash equivalents		
	Cash and cash equivalents at beginning of period	7,142,536	22,625,515
	Cash and cash equivalents at end of period	5,651,768	19,411,475
	Net change in cash and cash equivalents	**–1,481,618**	**–3,218,155**

SFC ENERGY AG, BRUNNTHAL
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FROM JANUARY 1 TO MARCH 31, 2014

in €

	Subscribed capital	Capital surplus	Other changes in equity not effecting profit or loss	Net accumulated loss	Total
Balance 01/01/2013	**7,502,887**	**67,878,818**	**–37,087**	**–38,950,824**	**36,393,794**
Total comprehensive income for the period					
Consolidated net loss 01/01–03/31/2013				–211,018	–211,018
Result from currency translation recognized in equity			–52,175		–52,175
Balance 03/31/2013	**7,502,887**	**67,878,818**	**–89,262**	**–39,161,842**	**36,130,601**
Total comprehensive income for the period					
Consolidated net loss 04/01–12/31/2013				–8,700,868	–8,700,868
Result from currency translation recognized in equity			–575,041		–575,041
Capital increase					
Issuance of shares for the aquisition of Simark	517,158	1,691,107			2,208,265
Balance 12/31/2013	**8,020,045**	**69,569,925**	**–664,303**	**–47,862,710**	**29,062,957**
Total comprehensive income for the period					
Consolidated net loss 01/01–03/31/2014				–1,324,018	–1,324,018
Result from currency translation recognized in equity			–345,708		–345,708
Balance 03/31/2014	**8,020,045**	**69,569,925**	**–1,010,011**	**–49,186,728**	**27,393,231**

NOTES TO THE INTERIM REPORT OF SFC ENERGY AG

Information about the company

SFC Energy AG (the "Company" or "SFC") is a stock corporation domiciled in Germany. The Company's headquarters is located at Eugen-Sänger-Ring 7, 85649 Brunnthal. The Company is registered in the Commercial Register of the Local Court of Munich under number HRB 144296. The principal activities of the Company and its subsidiaries (the Group) are the development, production and distribution of power generation systems and their components for off-grid and on-grid applications based on fuel cell and other technologies, as well as investment in the equipment and facilities required for these activities and transaction of all other related business.

Accounting principles

This interim report was prepared in accordance with International Financial Reporting Standards (IFRS), as they are to be applied in the European Union. The principal accounting policies used by the Company to prepare its consolidated financial statements for the financial year ended December 31, 2013 were also used to prepare the interim financial statements.

The quarterly financial statements of SFC Energy AG for the financial period January 1 to March 31, 2014 have been prepared in accordance with IAS 34 "Interim Financial Reporting" as a set of condensed financial statements. These condensed financial statements do not contain all of the information required for a complete set of financial statements for a full financial year and should, therefore, be read in conjunction with the consolidated financial statements for the year ended December 31, 2013.

In addition to the standards and interpretations applied as at December 31, 2013, the following standards were applicable for the first time, but had no impact on the consolidated financial statements:

- IAS 27 "Separate Financial Statements" (2011)
- IAS 28 "Investments in Associates and Joint Ventures" (2011)
- IAS 32 "Financial Instruments: Presentation" (2011)
- IAS 36 "Impairment of Assets" (2013)
- IAS 39 "Financial Instruments: Recognition and Measurement" (2013)
- IFRS 10 "Consolidated Financial Statements" (2011)
- IFRS 11 "Joint Arrangements" (2011)
- IFRS 12 "Disclosure of Interests in Other Entities" (2011)
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities" (2012)
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 27 "Separate Financial Statements" (2012)

No further standards were released by the IASB in the time leading up to the publication of these interim financial statements.

The interim report is presented in euros (€). Figures stated in this report are rounded to whole euros (€) unless otherwise indicated. Please note that small differences can arise in rounded amounts and percentages due to commercial rounding of figures. The consolidated income statement was prepared using the cost-of-sales method. The auditors have neither audited nor reviewed the interim financial statements.

Receivables and liabilities from percentage-of-completion

If the production costs (including earnings contributions) incurred during the quarter under review for contracts that are not yet completed exceed the amounts already invoiced (installment payments), the difference is reported as receivables from percentage-of-completion. Conversely, the difference is reported as liabilities from percentage-of-completion if the prepayments exceed these costs. In the first three months of 2014, there were receivables from percentage-of-completion in the amount of € 541,214 (December 31, 2013: € 217,932) and liabilities from percentage-of-completion in the amount of € 127,159 (December 31, 2013: € 1,172,797).

Other short-term assets and receivables

The Company had other short-term assets and receivables of € 1,088,834 as of the reporting date (December 31, 2013: € 1,207,667). The decrease is mainly due to lower VAT receivables, which stood at € 250,180 (December 31, 2013: € 312,553).

Other liabilities

Other long-term liabilities include the obligation recognized from the Stock Appreciation Rights Plan (SAR Plan) for Management Board members Dr. Podesser and Mr. Pol. The section entitled “Stock appreciation rights plan” contains additional information about the plan.

Long-term incentive plan for Management Board members and top executives

No further tranches were granted from the LTIP in the first quarter of 2014. The phantom shares awarded during the term of the LTIP were classified and measured as cash-settled share-based payment transactions. The fair value of the liability to recognize because of the LTIP was determined for all of the sub-tranches using a Monte Carlo model. At March 31, 2014, a liability of € 77,161 was recognized under other liabilities (€ 0 thereof under other long-term liabilities) (December 31, 2013: € 77,161, with € 0 thereof under other long-term liabilities). The amount expensed for the period from January 1 to March 31 was € 0 (prior-year period: € 19,627). The following parameters were used in the measurement:

Measurement date	03/31/2014
Remaining term (in years)	0.75 – 2.75
Expected volatility	34.61 % – 39.88 %
Risk-free interest rate	0.15 % – 0.41 %
Share price as of the measurement date	€ 4.81

Stock appreciation rights plan

As part of the new Management Board employment agreements, the Company entered into a contract for the creation of a stock appreciation rights plan (SAR Plan) with Management Board members Dr. Podesser (tranche PP1) and Mr. Pol (tranche HP1). The goal of the plan is to foster a business policy that is strongly aligned with shareholder interests in order to promote the long-term appreciation of the shareholders' stakes in the Company.

The plan envisages the payment of variable compensation in the form of stock appreciation rights (SARs). One SAR entitles its holder to a cash payment equal to the share price upon exercise less the exercise price. Once vested, SARs can be exercised within one year's time, except on blackout dates, provided certain performance targets are reached. The number of SARs available to exercise largely depends on the average price of SFC's stock for the 30 trading days prior to the end of the vesting period (reference price). The following table shows the number of SARs that are due to expire as of the respective expiration dates for the two beneficiaries:

Reference price in €	Tranche PP1 SARs due to expire as of April 1, 2015	Tranche PP1 SARs due to expire as of April 1, 2016	Tranche PP1 SARs due to expire as of April 1, 2017	Tranche HP1 SARs due to expire as of January 1, 2015
< 5.00	120,000	120,000	120,000	90,000
5.00 – 5.99	110,000	110,000	110,000	82,500
6.00 – 6.99	100,000	100,000	100,000	75,000
7.00 – 7.99	90,000	90,000	90,000	67,500
8.00 – 8.99	80,000	80,000	80,000	60,000
9.00 – 9.99	70,000	70,000	70,000	52,500
10.00 – 10.99	60,000	60,000	60,000	45,000
11.00 – 11.99	50,000	50,000	50,000	37,500
12.00 – 13.99	40,000	40,000	40,000	30,000
14.00 – 15.99	30,000	30,000	30,000	22,500
≥ 16.00	0	0	0	0

One of the performance targets involves the requirement that the average share price for the 30 trading days prior to the end of the vesting period exceed the average share price for the 30 trading days prior to the award of the SARs. In addition, the stock price must have outperformed the Frankfurt Stock Exchange's ÖkoDAX as of the end of the vesting period.

The SARs awards have been classified and measured as cash-settled share-based payment transactions pursuant to IFRS 2.30. Their fair market value will be remeasured on each balance sheet date using a Monte Carlo model, taking into account the terms on which the SARs were awarded.

The status of the SARs in 2014 is shown in the following table:

	Tranche PP1	Tranche HP1
Number of stock appreciation rights	360,000	90,000
Maximum term (years)	7.00	7.00
Outstanding SARs at the beginning of the reporting period (1/1/2014)	0	0
SARs awarded during the reporting period	360,000	90,000
SARs forfeited during the reporting period	0	0
SARs exercised during the reporting period	0	0
SARs expired during the reporting period	0	0
Outstanding SARs at the end of the reporting period (3/31/2014)	360,000	90,000
SARs available to exercise at the end of the reporting period (3/31/2014)	0	0
The following parameters were used in the measurement at March 31, 2014:		
Measurement date	03/31/2014	03/31/2014
Remaining term (in years)	7,00	6,75
Volatility	52,25 %	49,37 %
Risk-free interest rate	1,03 %	0,98 %
Expected dividend yield	0,00 %	0,00 %
Exercise price	1,00 €	1,00 €
SFC's share price as of the measurement date	4,81 €	4,81 €

For the term, the length of time from the measurement date to the end of the respective agreement was used. The share price given was the closing price in XETRA trading for March 31, 2014, as reported by Bloomberg. The volatility shown is based on the historical volatility of the SFC share over time frames matching the respective remaining terms. Volatility expectations are based on the assumption that historic volatility is indicative of future trends. Therefore, the actual volatility that occurs may differ from the assumptions. The expected dividend yield is based on market estimates for SFC's dividend per share in 2014 and 2015.

At March 31, 2014, a liability of € 8,063 was recognized under other liabilities in conjunction with the SAR Plan (€ 8,063 thereof under other long-term liabilities) (December 31, 2013: € 0, with € 0 thereof under other long-term liabilities). The amount expensed for the period from January 1 to March 31 was € 8,063 (prior-year period: € 0).

Sales costs

Sales costs were as follows in the first three months of 2014:

in €	01/01 – 03/31/2014	01/01 – 03/31/2013
Personnel costs	1,561,280	719,831
Depreciation and amortization	326,560	58,587
Advertising and travel costs	207,964	233,279
Consultancy/commissions	80,077	226,091
Cost of materials	14,327	15,716
Other	266,003	157,544
Total	**2,455,211**	**1,411,048**

Research and development costs

Research and development costs were as follows in the first three months of 2014:

in €	01/01 – 03/31/2014	01/01 – 03/31/2013
Personnel costs	929,816	760,682
Consultancy and patents	159,302	131,164
Cost of premises	122,483	93,069
Depreciation and amortization of self produced intangible assets	112,449	185,712
Other depreciation and amortization	94,857	84,988
Cost of materials	74,196	119,513
Other	67,985	54,901
Set-off against grants	–61,753	–304,828
Capitalization of self-produced assets	–66,531	–39,774
Total	**1,432,804**	**1,085,427**

General administration costs

General administration costs were as follows in the first three months of 2014:

in €	01/01–03/31/2014	01/01–03/31/2013
Personnel costs	654,766	432,266
Audit and consultancy costs	149,501	126,230
Investor relations/annual meeting	108,538	52,402
Insurance	48,724	42,919
Depreciation and amortization	39,092	33,980
Travel costs	35,788	29,523
Car-operating costs	33,789	29,542
Supervisory Board compensation	28,125	28,125
Costs of hardware and software support	17,496	13,413
Recruitment costs	12,452	49
Other	151,785	127,283
Set-off against grants	–14,824	–75,109
Total	**1,265,234**	**840,623**

Other operating income and expenses

The figure for other operating income in the first three months of 2014 predominantly reflects the € 14,750 (previous year: € 0) in income from reversal of the earn-out liability (contingent consideration) from the Simark acquisition as well as foreign exchange transaction gains of € 5,878 (previous year: € 96,963). The other operating income in the previous year mostly reflected the reversal of the earn-out liability of € 376,768 from the PBF acquisition.

The figure for other operating expenses in the first three months of 2014 predominantly reflects foreign exchange transaction losses of € 21,317 (previous year: € 4,437) and book losses of € 5,301 from the disposal of assets (previous year: € 7). Last year's figure mostly reflected expenses of € 198,027 in connection with targeted acquisitions.

Income taxes

As was the case in the consolidated financial statements as of and for the year ended December 31, 2013, deferred tax assets are recognized on tax loss carryforwards of SFC and its subsidiaries only in such an amount as can be offset against deferred tax liabilities, after subtraction of the other deferred tax assets, since it cannot yet be shown with reasonable certainty that a future economic benefit will be drawn from these carryforwards.

Segment report

Internally, the Management Board uses sales, gross margin and EBITDA when steering the Group and implementing the realignment of its business with the core markets "Oil & Gas", "Security & Industry" and "Consumer." The segment reporting for the first quarter of 2014 and prior-year figures were adjusted to fit the new internal reporting structure.

Sales, gross margin, EBITDA and the reconciliation of EBITDA to the operating result (EBIT) as reported in the consolidated income statement were as follows in the first quarter of 2014:

in €

Segments	Sales		Gross margin		EBITDA	
	01/01 – 03/31/2014	01/01 – 03/31/2013	01/01 – 03/31/2014	01/01 – 03/31/2013	01/01 – 03/31/2014	01/01 – 03/31/2013
Oil & Gas	6,614,098	119,299	1,621,847	65,236	– 74,160	– 363,450
Security & Industry	5,068,386	5,548,269	1,927,281	2,192,342	– 380,879	464,885
Consumer	1,254,071	1,677,852	385,490	621,514	– 56,154	191,486
Total	**12,936,555**	**7,345,420**	**3,934,618**	**2,879,093**	**– 511,193**	**292,921**
Depreciation/amortization					– 691,856	– 475,761
Operating loss (EBIT)					**–1,203,049**	**– 182,840**

The “Oil & Gas” market covers distribution and service as well as product integration for power supply, instrumentation and automation products for the oil and gas market.

The “Security & Industry” market is highly diversified and could include any area of industry, except oil and gas, where professional users run electrical equipment away from the grid and use SFC’s EFOY Pro fuel cell. Right now, the Company’s technology enables applications in security and surveillance, traffic management, wind power and environmental technology, as well as defense and security applications for military organizations and government authorities. The product portfolio for this market also includes the JENNY 600S, the vehicle-based EMILY 3000, the EMILY Cube 2500, the SFC Power Manager and network solutions. Additionally, PBF sells its high-performance electronic components for integration into precision defense equipment as well as into testing and metering systems in this segment.

In the “Consumer” market, SFC’s EFOY COMFORT fuel cells are used to supply power to RVs, vacation cottages and sailboats.

Related party transactions

There have been no changes in the group of related parties since preparation of the consolidated financial statements for the year ended December 31, 2013. There were no significant related party transactions in the first three months of 2014, just as there had been none in the first three months of 2013.

Employees

SFC employed the following personnel as of the reporting date:

	03/31/2014	03/31/2013
Full-time employees (incl. Management Board)	220	157
Part-time employees	36	27
Total	**256**	**184**

A total of four trainees, graduates and student trainees were also employed as of the end of March 2014 (previous year: 6).

Earnings per share

Earnings per share are calculated by dividing the net income for the year that is attributable to shareholders of the parent by the average number of shares in circulation. The number of outstanding shares, 8,020,045 at the balance sheet of March 31, 2014 (previous year: 7,502,887), did not change during the quarter. As during the prior-year period, there were no dilutive effects to be taken into account in determining the number of outstanding shares or any dilutive effects on SFC's earnings.

Material events after the balance sheet date

Gerhard Inninger, Chief Financial Officer for SFC, will resign from the Management Board for personal reasons at the end of the Annual General Meeting on May 16, 2014, by mutually amicable agreement with the Supervisory Board. Gerhard Inninger will remain fully available to advise the Group on finances and will continue to supervise operational activities in his current area of responsibility. There were no other significant events after the balance sheet date.

Brunnthal, May 13, 2014

The Management Board

Dr Peter Podesser	**Gerhard Inninger**	**Hans Pol**
CEO	CFO	CSO

FINANCIAL CALENDAR 2014

May 16, 2014	Annual General Meeting 2014
August 5, 2014	Q2 Report
November 13, 2014	Q3 Report
November, 2014	DVFA Analysts' Conference

SHARE INFORMATION

Bloomberg Symbol	F3C
Reuters Symbol	CXPNX
WKN	756857
ISIN	DE0007568578
Number of shares	8,020,045
Stock Category	No-par value shares
Stock segment	Prime Standard, Renewable Energies
Stock exchange	Frankfurt, FWB
Designated Sponsor	Close Brothers Seydler

INVESTOR RELATIONS

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

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

IMPRINT

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

Responsible: SFC Energy AG
Editing: SFC Energy AG
Concept and Design: Anzinger | Wüschner | Rasp
Cover: picturegarden / Getty Images

Statements about the future
This interim 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.