

# Interim Report Q2/2013



## SFC ENERGY AG CONSOLIDATED KEY FIGURES

|                               | in k€      |            |             |         |         |             |
|-------------------------------|------------|------------|-------------|---------|---------|-------------|
|                               | 1. HY 2013 | 1. HY 2012 | Change in % | Q2 2013 | Q2 2012 | Change in % |
| Sales                         | 13,582     | 14,966     | -9,2%       | 6,237   | 7,412   | -15,9%      |
| Gross margin total            | 5,100      | 6,146      | -17,0%      | 2,221   | 3,083   | -28,0%      |
| Gross margin                  | 37,5%      | 41,1%      | -           | 35,6%   | 41,6%   | -           |
| EBITDA                        | -773       | 479        | n. a.       | -1,066  | 293     | n. a.       |
| EBITDA-margin                 | -5,7%      | 3,2%       | -           | -17,1%  | 4,0%    | -           |
| EBITDA underlying             | -693       | 509        | n. a.       | -807    | 323     | n. a.       |
| EBITDA margin underlying      | -5,1%      | 3,4%       | -           | -12,9%  | 4,4%    | -           |
| EBIT                          | -1,726     | 163        | n. a.       | -1,543  | -154    | >100%       |
| EBIT margin                   | -12,7%     | 1,1%       | -           | -24,7%  | -2,1%   | -           |
| EBIT underlying               | -1,646     | -342       | >100%       | -1,284  | -124    | >100%       |
| EBIT margin underlying        | -12,1%     | -2,3%      | -           | -20,6%  | -1,7%   | -           |
| Net result                    | -1,762     | 189        | n. a.       | -1,551  | -150    | >100%       |
| Net result per share, diluted | -0.23      | 0.03       | n. a.       | -0.20   | -0.02   | >100%       |

  

|                         | in k€      |            |             |
|-------------------------|------------|------------|-------------|
|                         | 06/30/2013 | 12/31/2012 | Change in % |
| Equity                  | 34,616     | 36,394     | -4,9%       |
| Equity ratio            | 78,8%      | 76,4%      | -           |
| Balance sheet total     | 43,954     | 47,617     | -7,7%       |
| Cash (freely available) | 17,712     | 22,626     | -21,7%      |

  

|                     | 06/30/2013 | 06/30/2012 | Change in % |
|---------------------|------------|------------|-------------|
| Permanent employees | 187        | 185        | 1,1%        |

### DIRECTORS' SHAREHOLDINGS

|                          | 06/30/2013 |
|--------------------------|------------|
| <b>Management Board</b>  |            |
| Dr Peter Podesser        | 106,800    |
| Gerhard Inninger         | 0          |
| <b>Supervisory Board</b> |            |
| Tim van Delden           | 0          |
| David Morgan             | 4,000      |
| Dr Jens T. Müller        | 50,000     |

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## INTRODUCTION BY THE MANAGEMENT BOARD

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**Dr Peter Podesser** CEO



**Gerhard Inninger** CFO

### DEAR CUSTOMERS, SHAREHOLDERS, EMPLOYEES AND FRIENDS OF SFC ENERGY AG,

Massive project delays in the Defense & Security and Industry sectors, both in Germany and in North America, significantly affected the first six months of 2013. Primarily because of these effects, consolidated sales were around 9 percent lower than in the same period last year, with related effects on EBITDA, which was negative at the end of the first half of 2013. However, from today's view budget decisions from defense organizations should be expected in the second half-year, and particularly by year end, which should make up for part of the delays.

The current business in the Industry market was comparable with the business in the same period last year. A large order like one in the first half of 2012 was not repeated in the reporting period, and could not be offset by purely organic growth. However, due to the large number of projects in the pipeline we still expect continued growth in the Industry market.

The Consumer market remained stable versus the previous year period, according to given forecasts. The EFOY COMFORT fuel cells held their ground in a difficult market situation – with partially significant declines in the caravaning and marine accessories business – contrary to the industry trend. For the second half of the year, we expect sales to remain at the previous year's level. Particularly noteworthy is the success of our quiet ecofriendly EFOY units in the marine markets in Scandinavia. Last but not least, we again expanded our international fuel cartridge network: EFOY fuel cartridges are now also available in boat shops in the Caribbean, on the islands of Guadeloupe, Martinique and Saint Barthelemy.

The signing of the contract to acquire the established Canadian oil and gas specialist Simark Controls Ltd is a very important strategic step for SFC Energy on the road to becoming a systems provider and towards forward integration and expansion in the North American oil & gas market. With this acquisition, SFC gains direct

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market access to one of the fastest growing industrial markets for SFC energy solutions. Our products have already proven themselves in this market. Our expertise in power generation and power electronics has encouraged a great need on the customer side: many applications in this industry are operated off-grid and often at extremely inaccessible locations, thus requiring reliable power over long periods of time. Our products meet this need in a very sustainable, ecofriendly manner.

The acquisition of Simark provides an excellent platform for further growth of the entire SFC Energy Group in existing markets through the expansion of our business in oil and gas applications in Canada and the United States. We experience there a very positive investment climate in an economically and politically stable environment.

For the current fiscal year, we expect total sales for the new SFC Group between 38 and 43 million Euros, assuming the consolidation of Simark starts with effect from September 1, 2013. The Group expects strong growth in the Industry market – partly from organic growth, but in particular from Simark's contribution to sales.

The prospects for the third quarter are at the same level as for the second quarter, as we not only expect continuing project delays in the defense sector, but also there will be the traditional seasonality in the Consumer and Industry markets.

Due to the difficult market climate in the consumer market, the Management Board expects total sales in this segment to remain at the previous year's level. No large projects like the ones in 2012 are planned in the Defense & Security market; in addition, projects by the German and U.S. armed forces may also be delayed into the fourth quarter, which could lead to lower sales in this segment than in 2012.

Taking all these factors together, the adjusted EBITDA of the SFC Group is expected to improve in line with sales growth in fiscal year 2013 although EBIT is expected to be adversely affected by several one-time factors, particularly in connection with the acquisition of Simark. The forecasts for EBITDA and EBIT in 2013 will be updated after the closing of the Simark acquisition and the purchase price allocation.

Consolidated sales of between 55 and 60 million Euros are expected for 2014, with a significant improvement in the earnings figures.

On behalf of SFC Energy AG, we thank you for your support and cordially invite you to stay with us as we continue our journey.

With best wishes,

The SFC Energy AG Management Board



**Dr Peter Podesser**  
CEO



**Gerhard Inninger**  
CFO

# INTERIM GROUP MANAGEMENT REPORT JANUARY 1 TO JUNE 30, 2013

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## 1. BUSINESS

The SFC Group (the “Group”) consists of SFC Energy AG, Brunenthal, Germany, SFC Energy Inc., Rockville, United States (“SFC”), P&E Interholding B.V., Almelo, Netherlands, and its subsidiaries (“PBF”), and SIMARK HOLDING LTD., Calgary, Canada (“Simark”).

The object of SFC Energy AG, as changed by the Annual General Meeting on May 6, 2013, is to develop, produce and distribute power generation systems and components for off-grid and on-grid equipment based on fuel cell technology, to make the investments required for these activities and to transact any other related business. The product portfolio also includes accessories and spare parts, particularly fuel cartridges, solutions for combining fuel cell products with other power sources, power storage units and power consumers and mechanical, electronic and electrical instruments to monitor and control production and logistics processes. SFC is the first company in the world with mass-produced commercial products in the area of methanol fuel cells for multiple target markets.

Over the last few years, SFC has systematically expanded its business model to include a comprehensive range of off-grid energy solutions. Looking ahead, the Company will focus increasingly on providing whole-product solutions, with fuel cells continuing to constitute the core technology and core component.

PBF develops and manufactures reliable high-tech power supply systems. This technology-oriented company works closely with its customers to customize solutions such as switched mode network components, external transformer units, power cabinets and special coils. Its product designs range from relatively simple open frames to extremely complex, efficient power cabinets produced in small to medium-sized series volumes of just a few or tens of thousands of units per year.

PBF’s products are used in the fields of defense and security, analytical systems, research and science, industry and semiconductors. Most of its products are sold through distribution partners, but some are sold directly to customers.

## 2. ECONOMIC DEVELOPMENTS AND INDUSTRY CLIMATE: ECONOMY IMPROVES

According to information from the Ifo Institute,<sup>1</sup> the global economy has stabilized since last autumn at a relatively low level. After two years of continuing lower growth rates, global industry production and global trade have hardly lost any more momentum, particularly due to the relatively robust economic growth in the United States, Japan and important emerging economies, which offset the deepening recession in the euro zone. Based on the Ifo World Economic Survey, the Institute believes that the global expansion rate will accelerate moderately in the second half. However, the Institute believes that this growth is subject to considerable risks. For one thing, the announced structural adjustments in the euro zone must be implemented in order to prevent further unrest on the financial markets and a renewed escalation of the euro crisis and to slowly

<sup>1</sup> Ifo Economic Forecast 2013/2014, Ifo Institute, June, 26, 2013

regain the confidence of investors, consumers and producers. Growth is also threatened by an extremely loose monetary policy.

## Germany – Growth slows in 2012 – Gradual recovery forecast for 2013 and 2014

According to the Federal Ministry of Economics and Technology (BMWi)<sup>2</sup> the economic recovery that began during the course of the first quarter gained some momentum in the spring. Calculations by Germany's Federal Statistical Office (Destatis)<sup>3</sup> show that the gross domestic product (GDP), which was subdued because of the relatively long and cold winter, edged up no more than 0.1 % quarter-on-quarter in the first quarter, after adjustment for price, calendar-day and seasonal variations. Year-on-year the price-adjusted GDP fell by 1.4 % in the first quarter of 2013. However, this significant decrease was primarily attributable to the calendar: there were fewer working days in the first quarter of 2013 because of leap year and the timing of the Easter holidays. If these calendar differences are ignored, the economic output decreased by a mere 0.2 %. The final quarter of 2012 put a heavy damper on the German economy, with minus 0.7 %.

Preliminary calculations suggest that positive momentum in the past quarter came almost exclusively from private households, which increased their spending at the beginning of the year: consumption in the first quarter of 2013 increased significantly (by 0.8 %) from the prior year quarter. In capital expenditures, on the other hand, the negative trend from 2012 continued: again less was invested than in the prior quarter. Net exports hardly had any effect on economic growth in the first quarter of 2013: although considerably fewer goods were imported than in the last quarter of 2012, exports decreased as well.

According to the Federal Ministry of Economics and Technology pent-up demand started to boost demand in early spring, primarily in the construction sector. The industrial sectors, too, were able to increase their output somewhat faster: in April it rose by an additional 1.5 %. As in the previous months, the increase was attributable to vigorous expansion of production among manufacturers of capital assets. In spite of current fluctuations, the demand for German industrial goods in Germany and abroad again increased. As a result, the Federal Ministry of Economics and Technology expects higher growth rates for the second quarter.

The labor market remains in good shape, although this year's spring recovery has so far set in more slowly than usual. This was attributable to both cyclical and special factors. The number of jobs subject to mandatory social security contributions was substantially lower through March due to poor weather conditions. This was also reflected in figures for gainful employment in April, which remained virtually unchanged. Unemployment rose in May after seasonal adjustments, but the unadjusted figures settled below the three million mark again.

In June 2013, the Ifo Business Climate Index<sup>4</sup> for German industry and trade rose again. Although evaluations of the current economic situation are somewhat less positive, optimism is increasing with a view towards future economic growth.

## Consumer Market<sup>5</sup>

According to CIVD and the European Caravan Federation (ECF)<sup>6</sup> the sales figures for the first quarter of 2013 confirmed a serious decrease in sales of recreational vehicles throughout Europe. Growth in the market for pull-behind campers in Europe was lower in all countries when compared to the previous year. A total of 15,734 pull-behind campers were registered for the first time in the first three months of 2013, which reflects a decrease of 14.4 %. But sales of recreational vehicles were down in the most important markets in Europe as well, and therefore the overall balance for recreational vehicles was down 7 %. With 33,997 new registrations, the recreational vehicle market was down 10 % compared with the previous year (38,022 units).

<sup>2</sup> Data: Federal Ministry of Economics and Technology, press release "The Economic Situation in Germany in June 2013," June 11, 2013.

<sup>3</sup> German Federal Statistical Office Wiesbaden, press release 163/2013, May 15, 2013

<sup>4</sup> Ifo Business Climate Germany; Ifo Konjunkturtest June 2013

Only in Germany did the number of the new registrations increase overall, with 14,479 new RVs registered for the first time in the first five months of 2013, for an increase of 3.2% and the highest number of registrations ever. However, the Association cautions against being optimistic.

According to the German Marine Industry Association (BVWW), business in the recreational marine industry has not improved, following the poor year in 2012.<sup>7</sup> Particularly outside Germany, the entire industry is suffering from the gloomy economic outlook. This is particularly true of new and used boats, but also applies to the other segments, including the equipment and accessories markets that are relevant for SFC. In Germany the boating industry continues to be largely stable in this difficult environment, but even here the interest in purchasing new boats and yachts appears to be decreasing. The market was also adversely affected by the fact that waterways were almost always frozen in Germany in the first three months of 2013, which made the work of service operations with unheated facilities more difficult or even impossible and kept customers from taking watercraft for a trial run, to the extent that the waterways were ice free at all. Accordingly, the recreational marine industry is very cautious about the future.

## Defense & Security Market

International defense and security organizations continued to be affected by the reforms and spending cuts under way in many large defense organizations inside and outside Europe. As a result, fewer new projects in the fields of development and commercial use of autonomous power generators based on fuel cell technology were started.

## Industry Market

There is still no official data about the number of electric and electronic devices that are used off-grid for industrial applications, because the markets are extremely diverse. Overall, there was a continuation of the trend toward applications and devices that are used far from any power outlets. At the same time, there is a demand for integrated, user-friendly power sources that enable such equipment to run reliably under any weather conditions and be controlled remotely. Likewise, demand is growing for autonomous units to charge batteries used on board conventional vehicles with internal combustion engines.

To assess the economic development of the markets relevant to PBF (power electronics and switched mode network components), we draw on information provided about the sub-segment of the electronics industry referred to as "electronic components & systems" in the industry statistics of the German Electrical and Electronic Manufacturers' Association (ZVEI).

ZVEI<sup>8</sup> reports that total orders in the electronics industry increased for the first time in the period from January to April 2013, but while foreign orders grew by 1.4% (eurozone: -1.2%, countries outside the eurozone: +3.2%), domestic orders declined by 1.2%.

According to figures released by the Association, the cumulative industry income from January through April 2013 amounted to €53.2 billion, and was thus 3.8% lower than a year ago. Sales in Germany were down by 6.5% (to €27.2 billion), thus falling more than sales abroad, which were only down by 1% (to €26.0 billion). Income from customers in countries outside the EU increased by 4.9%, while sales in the euro zone fell by 9.9%. Following two slight decreases in March and April the business climate in the German electronics industry again improved noticeably in May 2013.

5 Data: CIVD Caravanning Industrie Verband e.V., press release June 6, 2013

6 Data: ECF European Caravan Federation, Statistics May 15, 2013

7 Data: Bundesverband Wassersportwirtschaft (BVWW), press release boot, January 2013

8 Data: ZVEI press release 48/2013, June 11, 2013



From January through April 2013, production was 3.8% less than in the previous year. In May electronics companies again revised their production plans upward, after having revised them downward in both March and April. 21% of electronics companies plan to increase their output in the next three months. 71% of the companies plan to maintain their current production levels, with only 8% planning to reduce them.

Market experts within the ZVEI's Electronic Components division<sup>9</sup> were projecting that the electronic components and systems sub-segment (in-house manufacturers and electronic manufacturing services providers) would increase by 0.4% to €24 billion. For all electronic components (printed circuit boards, film-type integrated circuits, electromechanical and passive components, semiconductors) the ZVEI in Germany expected a 0.3% increase, to €16.7 billion in 2013. Thus, according to the Association, after decreases in 2012 almost all segments are back on a moderate growth course.

According to their forecasts in November<sup>10</sup> 2012 the global market for electronic components will grow by around 4% to USD 480 billion, while a bit more than 1% growth is expected in Europe with sales of around USD 60 billion. Asia-Pacific is set to experience above-average growth again, with an increase of about 6%, followed by the U.S. (up 3%) and Japan (up 2%).

### 3. REPORT ON EARNINGS AND FINANCIAL POSITION

#### Earnings position

The SFC Group (the "Group") posted sales of €13,582k in the first half of 2013. This is a 9.2% decrease from the sales reported in the same period a year ago (€14,966k).

SFC posted sales of €6,464k, or a decrease of 19.7% from the prior-year period's €8,046k. SFC's second-quarter sales in 2013 were €2,691k (previous year: €3,843k).

With sales of €7,118k in the first half of 2013, PBF was higher than the previous year's figure of €6,920k. PBF's second-quarter sales were €3,546k (€3,569k).

At €13,582k, the Group's sales were below expectations.

The Group's EBIT fell from €163k for the first half of 2012 to minus €1,726k for the first half of 2013. It is important to note the other operating income reflects a €476k reversal of the earn-out liability. In addition, €559k in acquisition costs was reported as other operating expenses. Adjusted for these one-off effects, which totaled €80k, EBIT was minus €1,646k (previous year: minus €342k).

Second-quarter EBIT came to minus €1,543k, versus minus €154k a year ago.

EBITDA also decreased. EBITDA in the first half of 2013 was minus €773k. By contrast, it came to plus €479k in the first half of 2012. Adjusted EBITDA worsened from €509k to minus €693k.

Second-quarter EBITDA was minus €1,066k, versus a positive €293k a year ago.

<sup>9</sup> ZVEI press release 62/2013, June 18, 2013

<sup>10</sup> ZVEI press release 131/2012, November 13, 2012

## Sales by segment

The following table shows a comparison of segment sales for the first six months of 2013 and 2012:

| SALES BY SEGMENT (UNAUDITED) |               |               |              |              |              | in k€         |
|------------------------------|---------------|---------------|--------------|--------------|--------------|---------------|
| Segment                      | 1st half year |               |              | 2nd Quarter  |              |               |
|                              | 2013          | 2012          | Change in %  | 2013         | 2012         | Change in %   |
| Industry                     | 9,388         | 9,657         | -2.8%        | 4,387        | 5,349        | -18.0%        |
| Consumer                     | 2,864         | 2,968         | -3.5%        | 1,186        | 1,165        | 1.8%          |
| Defense & Security           | 1,330         | 2,341         | -43.2%       | 664          | 898          | -26.1%        |
| <b>Total</b>                 | <b>13,582</b> | <b>14,966</b> | <b>-9.2%</b> | <b>6,237</b> | <b>7,412</b> | <b>-15.9%</b> |

Group sales in the Industry market were down from €9,657k to €9,388k in the first half. PBF, which generated nearly all of its sales in the Industry segment, accounted for €6,901k of this amount. SFC fell from €2,804k to €2,487k. The number of EFOY units sold decreased from 584 to 514. Second-quarter sales in the Industry segment came to €4,387k, against €5,349k in the prior-year period. The primary reason for the decrease at SFC is that unlike in the previous year, there was not another large traffic management project.

Sales in the Consumer market were down €104k, or 3.5%, in the first half of 2013, with the number of fuel cells sold decreasing from 1,026 to 987. Second-quarter sales in the segment increased slightly, from €1,165k to €1,186k. The previous year figure thus held steady. Since the decreasing market trend gained momentum, this is a positive result.

Sales in the Defense segment decreased by €1,011k, or 43.2%, to €1,330k. The decrease is primarily attributable to the delay in contract awards due to the budget cuts (sequester) required by law in the United States and postponements in connection with reforms in Germany. JDA sales rose from €275k to €558k. Second-quarter sales in the Defense & Security segment came to €664k, compared to €898k a year ago.

## Sales by region

| SALES BY REGION (UNAUDITED)  |               |               |              |              |              | in k€         |
|------------------------------|---------------|---------------|--------------|--------------|--------------|---------------|
|                              | 1st half year |               |              | 2nd Quarter  |              |               |
|                              | 2013          | 2012          | Change in %  | 2013         | 2012         | Change in %   |
| Europe and rest of the world | 12,251        | 12,798        | -4.3%        | 5,568        | 6,647        | -16.2%        |
| North America                | 1,331         | 2,168         | -38.6%       | 669          | 765          | -12.5%        |
| <b>Total</b>                 | <b>13,582</b> | <b>14,966</b> | <b>-9.2%</b> | <b>6,237</b> | <b>7,412</b> | <b>-15.9%</b> |

SFC's sales in the region Europe and rest of the world fell from €5,991k to €5,225k, for a decrease of 12.8%. Sales in North America fell from €2,056k to €1,240k, for a decrease of 39.7%.

PBF conducts almost all of its business in the region Europe and rest of the world.

## Gross margin

Gross margin in the first half of 2013 was €5,100k or 37.5%. Last year's figures were €6,146k, or 41.1%. This is a substantial decrease.

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

| GROSS MARGIN (UNAUDITED) |               |              |               |              |              |               | in k€ |
|--------------------------|---------------|--------------|---------------|--------------|--------------|---------------|-------|
| Segment                  | 1st half year |              |               | 2nd Quarter  |              |               |       |
|                          | 2013          | 2012         | Change in %   | 2013         | 2012         | Change in %   |       |
| Industry                 | 3,495         | 3,741        | -6.6%         | 1,539        | 2,163        | -28.8%        |       |
| Consumer                 | 1,026         | 1,119        | -8.3%         | 404          | 402          | 0.5%          |       |
| Defense & Security       | 579           | 1,286        | -55.0%        | 278          | 518          | -46.3%        |       |
| <b>Total</b>             | <b>5,100</b>  | <b>6,146</b> | <b>-17.0%</b> | <b>2,221</b> | <b>3,083</b> | <b>-28.0%</b> |       |

Group company SFC posted a considerably lower gross margin at €2,674k or 41.4%, compared with €3,811k or 47.4% in the first half of 2012. This decrease was attributable to lower revenue in the Industry and Defense & Security markets and thus a change in product mix. The cost savings achieved in the same period last year through the introduction of a new product platform were not possible to the same extent.

Group company PBF achieved a gross margin of 34.1%, which was higher than the 33.7% achieved in the same period last year.

The gross margin for the second quarter was €2,221k or 35.6%, versus €3,083k, or 41.6% in the same period a year ago.

## Sales costs

Sales costs rose slightly by 3.7%, from €2,694k to €2,795k.

For Group company SFC, the costs increased only slightly, from €2,161k (26.9% of SFC's sales) to €2,180k (33.7% of SFC's sales).

PBF's sales costs were €615k, or 8.6%, of its sales.

Second-quarter sales cost increased from €1,358k to €1,384k a year ago, for an increase of 1.9%.

## Research and development costs

Research and development costs rose from €2,026k to €2,332k in the first half of 2013. Expressed as a percentage of sales, costs stood at 17.2% (previous year period: 13.5%).

SFC's research and development costs rose from €915k, or 11.4% of its sales, to €1,092k, or 16.9% of its sales.

PBF's research and development costs were €1,240k (previous year €1,111k), or 17.4% of its sales.

Development costs in the amount of € 112k (€ 161k) and internally generated patents in the amount of € 0k (€ 3k) were capitalized in the first half of 2013. It is important to note that development costs incurred as part of JDAs are reported as production costs of work performed to generate sales, and that any subsidies received for government-sponsored development projects are offset against development costs. Adjusted for these two effects and adding back in the capitalized development costs and patents, true research and development expenditures in the first half of 2013 totaled € 3,148k, for an increase of 10.3% on the previous year's € 2,853k.

### General administration costs

General administration costs decreased to € 1,679k in the first six months of 2013 (€ 1,858k). Thus, when expressed as a percentage of sales, the same ratio as in the previous year (12.4%) was achieved this year for the entire Group.

### Other operating income

The other operating income includes the income from the reversal of the earn-out liability as the largest item at € 479k. This line item also captures gains on foreign exchange at € 124k and insurance reimbursements at € 21k.

### Other operating expenses

The other operating expenses largely reflect € 92k in foreign exchange losses as well as € 559k in acquisition expense.

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

EBITDA fell from a positive € 479k in the same period a year ago to minus € 773k. The EBITDA margin fell from plus 3.2% to minus 5.7%. Adjusted for the one-off effects mentioned earlier, EBITDA in the first half was minus € 693k, or minus 5.1% of sales.

EBITDA in the second quarter of 2013 fell to minus € 1,066k, following plus € 293k in the second quarter of 2012.

### Operating result (EBIT)

EBIT decreased significantly from plus € 163k to minus € 1,726k in the first half of 2013. The EBIT margin fell from plus 1.1% to minus 12.7%. Adjusted for the one-off effects mentioned earlier, EBIT in the first half was minus € 1,646k, or minus 12.1% of sales. EBIT in the second quarter of 2013 fell to minus € 1,543k, following minus € 154k in the second quarter of 2012.

### Interest and similar income

Interest and similar income decreased from € 143k to € 45k primarily because of the lower balance of cash and cash equivalents and lower interest rates.

### Interest and similar expenses

The interest and similar expenses item consists mostly of €55k in interest cost on liabilities and provisions.

### Net result

Last year at this time a profit of €189k was reported. This year there was a loss of €1,762k.

The net result for the second quarter was a loss of €1,551k, versus a loss of €150k a year ago.

### Earnings per share

Earnings per share under IFRS (diluted) were negative in the first half of 2013 at €0.23 (H1 2012: plus €0.03). Second-quarter earnings per share fell from minus €0.02 to minus €0.20 compared to the same period a year ago.

### Financial position

Net cash outflows increased to €4,914k in the first half of 2013, compared with 2,483k a year ago.

Cash and cash equivalents amounted to €17,712k at the end of June 2013 (end of June 2012: €19,964k).

### Cash flow from ordinary operations

Net cash used in ordinary operations increased to €4,693k in the first half of 2013 (H1 2012: €2,184k).

The negative result was the main reason for this – the operating cash flow before change in working capital came to negative €820k and was thus €1,269k lower than the prior-year period figure of €449k.

Trade accounts receivable rose by €1,569k and were at a normal level as of June 30, 2013. By contrast, the volume of trade accounts receivable at December 31, 2012 was low, especially because of the payment received from the German Bundeswehr. The working capital rose further because of a €1,712k decrease from December 31, 2012 in other short-term liabilities, including because of the payment of the value-added tax liability for November and December 2012.

Ultimately, the higher cash outflows were attributable not only to the negative earnings trend, but also to the normalization of working capital.

### Cash flow from investment activity

Net cash used for investment activity totaled €375k in the period under review, versus €252k the previous year. Investments were limited to essential items.

### Cash flow from financial activity

The predominant portion of the net cash used for financial activity is attributable to the increase in PBF's liabilities to banks.

## Assets and liabilities

The Group's balance sheet remains healthy, with an equity ratio of 78.8% (December 31, 2012: 76.4%). This marks a slight increase in the ratio, which is attributable to the reduction in total assets.

Total assets fell by 7.7% as of June 30, 2013 to €43,954k, compared with €47,617k as of December 31, 2012.

The increase in trade accounts receivable from €3,696k at December 31, 2012 to €5,255k at June 30, 2013 was attributable to the reasons mentioned above.

Inventories were nearly unchanged from year end 2012.

Intangible assets decreased by €427k primarily due to amortization.

The share of non-current assets in total assets was nearly unchanged as of June 30, 2013 at 30.4%, versus 29.4% at December 31, 2012.

Altogether, liabilities made up 21.2% of total liabilities and shareholders' equity (December 31, 2012: 23.6%).

With the negative result after taxes, shareholders' equity decreased to €34,616k at June 30, 2013, against €36,394k at December 31, 2012.

## Research and development

The focal points of SFC's research and development activities in the first half of 2013 were as follows:

- Development of a range of energy solutions that help customers use and reliably power a vast array of industrial applications under the harshest of conditions.
- Tests on further reducing unit costs and increasing capacity through technological innovations and an improved operating strategy, particularly for our fuel cell stacks, which represent the technical core of fuel cell systems, in order to increase power density and reduce degradation while cutting back on the amount of material used.
- Significantly improve the reliability, product life and robustness of devices developed for the industry market, including under harsh environmental conditions, in order to make products even more attractive and build on SFC's technological edge.
- Advanced prototype equipment with significantly improved output power has undergone initial field tests and was presented to customers in the industry market.
- The capacity of portable products for the defense market has been successfully increased and evaluated and the first prototypes have been delivered to various military customers.
- Development of higher-performing energy supply solutions for vehicle-based and stationary applications in order to better meet customer requirements in the defense segment.

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

- The development department worked on six new projects in the area of network component solutions (AC to DC) in the 150W to 3000W output range.
- PBF also continued its research in the area of buck-boost PFC converters that should lead to greater efficiency over a large input voltage range.
- A new project for military applications was launched in the 400W power range.

The following joint projects were continued by PBF and SFC:

- A new, efficient, lower-cost Power Manager for broader military application was successfully developed and prototypes were delivered.

### Capital expenditures

A total of € 112k in development work directed at enhancing SFC’s and PBF’s products was capitalized in the first six months of 2013 (€ 161k). Investments in software and hardware were also made, and a 3D measuring machine and a test tower were purchased.

### New orders and order backlog

New orders in the first half of 2012 amounted to € 18,938k, but in the first half of 2013 they amounted to € 9,654k. One of the key contracts in the previous year’s figure was the volume production order placed by the German Bundeswehr for portable fuel cells with an energy network, at almost € 5 million net.

The order backlog was € 5,635k at June 30, 2013, with € 5,489k of that amount attributable to PBF and € 146k to SFC.

### Employees

The number of permanent employees at June 30, 2013 was as follows:

| EMPLOYEES                                 |            |            |          |
|---|------------|------------|----------|
|   | 06/30/2013 | 06/30/2012 | Change   |
| Management Board                          | 2          | 2          | 0        |
| Research and development                  | 58         | 62         | -4       |
| Production, logistics, quality management | 72         | 70         | 2        |
| Sales & marketing                         | 35         | 31         | 4        |
| Administration                            | 20         | 20         | 0        |
| <b>Permanent employees</b>                | <b>187</b> | <b>185</b> | <b>2</b> |

The Group employed a total of 4 (11) trainees, graduates and student trainees as of June 30, 2013. Of the permanent employees, 86 worked for SFC and 101 for PBF.

## 4. REPORT ON RISKS AND REWARDS

### Risk report

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 for the Group have not changed since the publication of our 2012 annual report, with the following exceptions:

### Market risks

#### Macroeconomic developments

Based on numerous early indicators, the ifo Institute expects a moderate recovery of the global economy in the second half of the year, but does not expect strong growth. Restructuring in the eurozone countries hit hard by the crisis and the necessary reduction in indebtedness will put a damper on expansion in the most highly developed economies. Everything considered, the Institute expects the world GDP to increase by 2.9% this year and by 3.7% next year.

#### Consumer

The German caravanning industry association CIVD and European Caravan Federation ECF maintain the warning they issued at the beginning of the year regarding declining demand and corresponding production cuts as well as ongoing efforts on the part of consumers throughout Europe to scale back spending. These organizations are only cautiously optimistic about the next six months, because stronger sales growth can hardly be expected in a difficult economic environment in parts of Europe. This continues to present a significant risk to sales of EFOY fuel cells in the consumer market.

The traditional market of RV buyers, generally wealthy retirees, is also expected to shrink. Younger customers prefer other, cheaper vehicle and travel options. On top of that, when economic times are difficult, consumers cut back on their leisure spending before anything else, which further contributes to the extreme cyclicity of this market.

The marine market is also cyclical in this way, which affects the sale of accessories, the segment of this market which is important to SFC. Even though quality accessories improve comfort, convenience and safety, in addition to adding value, this is where spending is cut in difficult economic situations.

#### Defense & Security

As discussed previously in this report, current budget cuts and structural changes are having an impact on planning and capital spending decisions at the major defense organizations in Europe and North America. For SFC, this affects the development programs with defense partners and commercial orders.



## Industry

**SFC:** It is anticipated that the developing market of off-grid and mobile industrial systems will continue to grow in view of its increasing strategic importance. However, the degree to which many segments of the industrial market depend on the overall economy, government budgets and economic stimulus plans plays an important role here, as well.

**PBF:** Power electronic components and systems are needed anywhere power is used. As a rule, the electronics industry develops in sync with the overall economy. The provision, storage and distribution of power play a very important role in the emerging energy markets and markets of the future, such that there is constant and widespread demand for these parts. In this respect, we continue to rate the market risks in this segment as relatively low at this time.

## Product risks

We strive to counter potential product risks like warranty claims by offering high-quality products and services. But ultimately we are unable to guarantee that our products will be free of issues or defects that may negatively impact business, cost us money or generate bad publicity. This includes problems caused by suppliers who fail to meet our quality specifications. Hence, it is impossible to rule out that our customers or business partners might seek damages, reductions or cancellations, especially since we also play a direct role in bringing our products to the market and distributing them. Additionally, there is a risk with large-scale projects that we will be unable to deliver at the corresponding level of quality within the allotted amount of time, which could have effects on follow-up orders.

## Exchange rate risks

Because of the acquisition of Simark, SFC will also have exchange rate risks in the future from that acquisition and from its future volume of business in CAD (Canadian dollars).

## Other risks

Due to the uncertain budget situation and related restrictions on the release of funding, SFC may have to assume a larger share of the costs of development projects, which would have a negative impact on its earnings.

## 5. FORECAST REPORT

For the current fiscal year, the new SFC Group expects total sales between €38 and €43 million – assuming the consolidation of Simark starts with effect from September 1, 2013. The Group expects strong growth in the Industry market – partly from organic growth, but in particular from Simark's contribution to sales.

The prospects for the third quarter are at the same level as for the second quarter, as we not only expect continuing project delays in the defense sector, but also there will be the traditional seasonality in the Consumer and Industry markets.

Due to the difficult market climate in the consumer market, the Management Board expects total sales in this segment to remain at the previous year's level. No large projects like the ones in 2012 are planned in the Defense & Security market; in addition, projects by the German and U.S. armed forces may also be delayed into the fourth quarter, which could lead to lower sales in this segment than in 2012.

Taking all these factors together, the adjusted EBITDA of the SFC Group is expected to improve in line with sales growth in fiscal year 2013, although EBIT is expected to be adversely affected by several one-time factors, particularly in connection with the acquisition of Simark. The forecasts for EBITDA and EBIT in 2013 will be updated after the closing of the Simark acquisition and the purchase price allocation.

Consolidated sales of between € 55 and € 60 million are expected for 2014, with a significant improvement in the earnings figures.

## 6. REPORT ON MATERIAL TRANSACTIONS WITH RELATED PARTIES

Please refer to the section entitled "Related party transactions" in the Notes.

## 7. MATERIAL EVENTS AFTER THE BALANCE SHEET DATE

Pursuant to an agreement dated July 4, 2013, SFC directly and indirectly acquired all shares of Simark Controls Ltd., Alberta, Canada ("Simark") via its Canadian subsidiary. The consummation of the purchase agreement is subject to several conditions precedent.

The total purchase price is CAD 25 million and consists of a down payment of CAD 16.25 million, three purchase price installments totaling CAD 5.00 million and approximately 518,000 shares of SFC Energy AG.

Simark is a Value Added Reseller (VAR) with product integration and manufacturing expertise for power supply, instrumentation and automation products in the oil and gas industry. In particular, it covers the area of Sales and Service of instruments, automation and power products for monitoring and management of production and logistics processes.

Brunnthal, July 30, 2013

The Management Board



**Dr Peter Podesser**  
CEO



**Gerhard Inninger**  
CFO

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## **INTERIM REPORT IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS AT JUNE 30, 2013**

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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 JUNE 30, 2013

### SFC ENERGY AG, BRUNNTHAL CONSOLIDATED INCOME STATEMENT FROM JANUARY 1, 2013 TO JUNE 30, 2013

|  | in €                        |                             |                          |                          |
|--|-----------------------------|-----------------------------|--------------------------|--------------------------|
|  | 1. HY 2013<br>01/01 – 06/30 | 1. HY 2012<br>01/01 – 06/30 | Q2 2013<br>04/01 – 06/30 | Q2 2012<br>04/01 – 06/30 |
| Sales  | 13,582,207                  | 14,965,719                  | 6,236,787                | 7,411,766                |
| Production costs of work performed to generate sales | -8,482,354                  | -8,819,707                  | -4,016,027               | -4,328,955               |
| <b>Gross margin</b>                                  | <b>5,099,853</b>            | <b>6,146,012</b>            | <b>2,220,760</b>         | <b>3,082,811</b>         |
| Sales costs  | -2,794,680                  | -2,693,889                  | -1,383,633               | -1,357,879               |
| Research and development costs                       | -2,331,810                  | -2,025,658                  | -1,246,383               | -1,080,198               |
| General administration costs                         | -1,679,496                  | -1,858,161                  | -838,873                 | -933,955                 |
| Other operating income                               | 631,897                     | 845,798                     | 154,261                  | 301,904                  |
| Other operating expenses                             | -651,635                    | -250,766                    | -449,163                 | -166,905                 |
| <b>Operating result</b>                              | <b>-1,725,871</b>           | <b>163,336</b>              | <b>-1,543,031</b>        | <b>-154,222</b>          |
| Interest and similar income                          | 45,468                      | 143,110                     | 16,550                   | 60,526                   |
| Interest and similar expenses                        | -70,881                     | -85,761                     | -27,976                  | -49,024                  |
| <b>Result from ordinary operations</b>               | <b>-1,751,284</b>           | <b>220,685</b>              | <b>-1,554,457</b>        | <b>-142,720</b>          |
| Income taxes   | -10,560                     | -31,448                     | 3,630                    | -7,145                   |
| <b>Consolidated net result</b>                       | <b>-1,761,844</b>           | <b>189,237</b>              | <b>-1,550,827</b>        | <b>-149,865</b>          |
| <b>NET RESULT PER SHARE</b>                          |                             |                             |                          |                          |
| undiluted  | -0.23                       | 0.03                        | -0.21                    | -0.02                    |
| diluted  | -0.23                       | 0.03                        | -0.21                    | -0.02                    |

### SFC ENERGY AG, BRUNNTHAL CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FROM JANUARY 1, 2013 TO JUNE 30, 2013

|  | in €                        |                             |                          |                          |
|--|-----------------------------|-----------------------------|--------------------------|--------------------------|
|  | 1. HY 2013<br>01/01 – 06/30 | 1. HY 2012<br>01/01 – 06/30 | Q2 2013<br>04/01 – 06/30 | Q2 2012<br>04/01 – 06/30 |
| <b>Consolidated net result</b>                                 | <b>-1,761,844</b>           | <b>189,237</b>              | <b>-1,550,827</b>        | <b>-149,865</b>          |
| OCI items that may be recycled to profit or loss in the future |                             |                             |                          |                          |
| Result from currency translations                              | -16,124                     | -34,407                     | 36,051                   | -65,807                  |
| <b>Total results recognized directly in equity</b>             | <b>-16,124</b>              | <b>-34,407</b>              | <b>36,051</b>            | <b>-65,807</b>           |
| <b>Total comprehensive income</b>                              | <b>-1,777,968</b>           | <b>154,830</b>              | <b>-1,514,776</b>        | <b>-215,672</b>          |

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 JUNE 30, 2013**

|   | 06/30/2013        | 12/31/2012        |
|---|-------------------|-------------------|
|   |                   | in €              |
| <b>Current Assets</b>                                 | <b>30,573,578</b> | <b>33,597,825</b> |
| Inventories   | 5,919,447         | 5,814,778         |
| Trade accounts receivable                             | 5,255,114         | 3,696,497         |
| Income tax receivables                                | 68,846            | 57,805            |
| Other short-term assets and receivables               | 1,333,019         | 1,118,230         |
| Cash and cash equivalents                             | 17,712,152        | 22,625,515        |
| Cash and cash equivalents with limitation on disposal | 285,000           | 285,000           |
| <b>Non-current assets</b>                             | <b>13,380,118</b> | <b>14,019,617</b> |
| Intangible assets                                     | 10,572,759        | 11,000,118        |
| Property, plant and equipment                         | 2,293,231         | 2,400,291         |
| Deferred tax assets                                   | 514,128           | 619,208           |
| <b>Assets</b>   | <b>43,953,696</b> | <b>47,617,442</b> |

## SFC ENERGY AG, BRUNNTHAL CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2013

|  | in €              |                   |
|--|-------------------|-------------------|
|  | 06/30/2013        | 12/31/2012        |
| <b>Current liabilities</b>                           | <b>6,711,823</b>  | <b>7,661,752</b>  |
| Provisions for taxes                                 | 22,095            | 52,383            |
| Other provisions                                     | 935,405           | 946,934           |
| Liabilities to banks                                 | 542,206           | 371,656           |
| Liabilities from prepayments                         | 3,136             | 14,088            |
| Trade accounts payable                               | 2,867,417         | 3,033,123         |
| Liabilities from percentage-of-completion            | 28,770            | 68,009            |
| Other short-term liabilities                         | 2,312,794         | 3,175,559         |
| <b>Non-current liabilities</b>                       | <b>2,626,048</b>  | <b>3,561,896</b>  |
| Other long-term provisions                           | 1,319,022         | 1,386,527         |
| Other long-term liabilities                          | 297,080           | 1,041,206         |
| Deferred tax liabilities                             | 1,009,946         | 1,134,163         |
| <b>Equity</b>  | <b>34,615,825</b> | <b>36,393,794</b> |
| Subscribed capital                                   | 7,502,887         | 7,502,887         |
| Capital surplus                                      | 67,878,818        | 67,878,818        |
| Other changes in equity not affecting profit or loss | -53,211           | -37,087           |
| Accumulated loss brought forward from previous year  | -38,950,825       | -38,525,235       |
| Consolidated net result                              | -1,761,844        | -425,589          |
| <b>Liabilities and shareholders' equity</b>          | <b>43,953,696</b> | <b>47,617,442</b> |

## SFC ENERGY AG, BRUNNTHAL CONSOLIDATED CASH FLOW STATEMENT FROM JANUARY 1, 2013 TO JUNE 30, 2013

|   | in €                  |                       |
|---|-----------------------|-----------------------|
|   | 2013<br>01/01 - 06/30 | 2012<br>01/01 - 06/30 |
| <b>Cash flow from ordinary operations</b>   |                       |                       |
| <b>Result before taxes</b>  | <b>-1,751,284</b>     | <b>220,685</b>        |
| +/- Net interest income   | 25,413                | -57,349               |
| + Depreciation/amortization and write up of intangible assets and property, plant and equipment | 953,225               | 315,616               |
| + Expenses from Long Term Incentive Plan  | 37,515                | 132,438               |
| - Changes in allowances   | -60,039               | -94,074               |
| + Losses from disposal of property, plant and equipment   | 7                     | 452                   |
| - Other non-cash income/expenses  | -25,271               | -69,006               |
| <b>Changes to operating result before working capital</b>                                       | <b>-820,434</b>       | <b>448,762</b>        |
| - Changes to short and long-term provisions   | -117,368              | -40,832               |
| - Changes to trade accounts receivable  | -1,568,925            | -1,650,426            |
| - Changes to inventories  | -26,264               | -474,026              |
| -/+ Changes to other receivables and assets   | -210,946              | 357,253               |
| - Changes to trade accounts payable   | -166,657              | -150,296              |
| - Changes to other liabilities  | -1,711,737            | -597,954              |
| <b>Cash flow from ordinary operations before taxes</b>  | <b>-4,622,331</b>     | <b>-2,107,519</b>     |
| - Income tax payments   | -71,027               | -76,773               |
| <b>Cash flow from ordinary operations</b>   | <b>-4,693,358</b>     | <b>-2,184,292</b>     |

## SFC ENERGY AG, BRUNNTHAL CONSOLIDATED CASH FLOW STATEMENT FROM JANUARY 1, 2013 TO JUNE 30, 2013

|  | in €                  |                       |
|--|-----------------------|-----------------------|
|  | 2013<br>01/01 – 06/30 | 2012<br>01/01 – 06/30 |
| <b>Cash flow from investment activity</b>                    |                       |                       |
| - Investments in intangible assets from development projects | -112,118              | -161,403              |
| - Investments in other intangible assets                     | -83,275               | -66,908               |
| - Investments in property, plant and equipment               | -221,490              | -163,378              |
| + Interest and similar income                                | 41,863                | 140,056               |
| <b>Cash flow from investment activity</b>                    | <b>-375,020</b>       | <b>-251,633</b>       |
| <b>Cash flow from financial activity</b>                     |                       |                       |
| + Proceeds from borrowings                                   | 170,550               | 0                     |
| - Repayment of financial debt                                | 0                     | -29,011               |
| - Interest paid and other expenses                           | -16,364               | -17,995               |
| <b>Cash flow from financial activity</b>                     | <b>154,186</b>        | <b>-47,006</b>        |
| <b>Net change in cash and cash equivalents</b>               | <b>-4,914,192</b>     | <b>-2,482,931</b>     |
| Currency effects on cash and cash equivalents                | 829                   | 4,177                 |
| Net change in cash and cash equivalents                      |                       |                       |
| Cash and cash equivalents at beginning of period             | 22,625,515            | 22,443,141            |
| Cash and cash equivalents at end of period                   | 17,712,152            | 19,964,387            |
| <b>Net change in cash and cash equivalents</b>               | <b>-4,914,192</b>     | <b>-2,482,931</b>     |



## SFC ENERGY AG, BRUNNTHAL CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FROM JANUARY 1, 2013 TO JUNE 30, 2013

|   | Subscribed<br>capital | Capital<br>surplus | Other<br>changes in<br>equity not<br>effecting<br>profit or loss | Net<br>accumulated<br>loss | in €<br>Total     |
|---|-----------------------|--------------------|--|----------------------------|-------------------|
| <b>Balance 01/01/2012</b>                             | <b>7,502,887</b>      | <b>67,878,818</b>  | <b>-68,191</b>   | <b>-38,525,235</b>         | <b>36,788,279</b> |
| <b>Total comprehensive income for the period</b>      |                       |                    |  |                            |                   |
| Consolidated net loss 01/01-06/30/2012                |                       |                    |  | 189,237                    | 189,237           |
| Result from currency translation recognized in equity |                       |                    | -34,407  |                            | -34,407           |
| <b>Balance 06/30/2012</b>                             | <b>7,502,887</b>      | <b>67,878,818</b>  | <b>-102,598</b>  | <b>-38,335,998</b>         | <b>36,943,109</b> |
| <b>Total comprehensive income for the period</b>      |                       |                    |  |                            |                   |
| Consolidated net loss 07/01-12/31/2012                |                       |                    |  | -614,826                   | -614,826          |
| Result from currency translation recognized in equity |                       |                    | 65,511   |                            | 65,511            |
| <b>Balance 12/31/2012</b>                             | <b>7,502,887</b>      | <b>67,878,818</b>  | <b>-37,087</b>   | <b>-38,950,824</b>         | <b>36,393,794</b> |
| <b>Total comprehensive income for the period</b>      |                       |                    |  |                            |                   |
| Consolidated net loss 01/01-06/30/2013                |                       |                    |  | -1,761,844                 | -1,761,844        |
| Result from currency translation recognized in equity |                       |                    | -16,124  |                            | -16,124           |
| <b>Balance 06/30/2013</b>                             | <b>7,502,887</b>      | <b>67,878,818</b>  | <b>-53,211</b>   | <b>-40,712,669</b>         | <b>34,615,825</b> |

## 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 Brunthl. 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 equipment based on fuel cell and other technologies, as well as investments 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, 2012 were also used to prepare the interim financial statements.

The quarterly financial statements of SFC Energy AG for the financial period January 1 to June 30, 2013 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, 2012.

In addition to the standards and interpretations applied as at December 31, 2012, the following standards were applicable for the first time, but had no impact on the consolidated financial statements:

- IFRS 13 „Fair Value Measurement“ (2011)
- Amendments to IAS 19 „Employee Benefits“ (2011)
- IFRIC 20 „Stripping Costs in the Production Phase of a Surface Mine“ (2011)
- Amendments to IFRS 7 „Financial Instruments: Disclosures“ (2011)
- Amendments to IFRS 1 „Government Loans“ (2012)
- „Annual Improvements of International Financial Reporting Standards 2011“ (2012)

In addition, the amendments to IAS 1 “Presentation of Financial Statements” that the IASB issued in June 2011 were applied. They had a minor impact on the presentation of the financial statements. No further standards were released by the IASB in the time leading up to the publication of these interim financial statements for the second quarter of 2013.

The interim report is presented in euros (€). Figures stated in this report are in euros (€) unless otherwise indicated). The consolidated income statement was prepared using the cost-of-sales method. The auditors have neither audited nor reviewed the interim financial statements.

## Changes to Consolidated Companies

Pursuant to a certificate dated May 23, 2013, SIMARK HOLDING LTD. domiciled in Calgary, Alberta, Canada, was established as a wholly-owned subsidiary of SFC. The Company was included in the consolidated financial statements of SFC for the first time as of June 30, 2013. The Company has no assets or liabilities as of that date. There was no income or expense in the reporting period.

## 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 the production costs. There were liabilities from percentage-of-completion in the amount of €28,770 in the first six months of 2013 (December 31, 2012: €68,009).

## Other short-term assets and receivables

The Company had other short-term assets and receivables of €1,333,019 as of the reporting date (December 31, 2012: €1,118,230). The increase is largely due to higher receivables from subsidies, which amounted to €648,273 (December 31, 2012: €379,389).

## Other liabilities

Other long-term liabilities include the accrued liability from the Long Term Incentive Plan for members of the Management Board and selected executives. The section entitled "Long-term incentive plan for Management Board members and top executives" contains additional information about the plan.

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

In the second quarter of 2013 an additional tranche (Tranche 2.5) under the LTIP was granted to select executives, with a total preliminary allotment volume in the amount of €120,000. The phantom shares awarded during the term of the LTIP are classified and measured as cash-settled share-based payment transactions. The fair value of the liability to recognize because of the LTIP is determined for all of the sub-tranches using a Monte Carlo model. A liability in the amount of €433,807 (of which €297,080 long-term) was recognized under other liabilities at June 30, 2013 (December 31, 2012: €396,292, of which €396,292 long-term). The amount expensed for the period from January 1 to June 30 was €37,515 (prior-year period: €132,438). The following parameters were used in the measurement:

| Measurement date                       | 06/30/2013        |
|--|-------------------|
| Remaining term (in years)              | 0.5 – 3.5         |
| Anticipated volatility                 | 25.11 % – 35.80 % |
| Risk-free interest rate                | 0.04 % – 0.52 %   |
| Share price as of the measurement date | €4.85             |

## Sales costs

Sales costs were as follows in the first half of 2013:

|                               | in €               |                    |
|-------------------------------|--------------------|--------------------|
|                               | 01/01 – 06/30/2013 | 01/01 – 06/30/2012 |
| Personnel costs               | 1,428,916          | 1,409,430          |
| Advertising and travel costs  | 443,981            | 448,362            |
| Consultancy/commissions       | 417,511            | 280,668            |
| Depreciation and amortization | 116,414            | 113,755            |
| Cost of materials             | 49,907             | 37,439             |
| Other                         | 337,951            | 404,235            |
| <b>Total</b>                  | <b>2,794,680</b>   | <b>2,693,889</b>   |

## Research and development costs

Research and development costs were as follows in the first three months of 2013:

|   | in €               |                    |
|---|--------------------|--------------------|
|   | 01/01 – 06/30/2013 | 01/01 – 06/30/2012 |
| Personnel costs                                       | 1,474,620          | 1,580,179          |
| Depreciation and amortization of self produced assets | 371,425            | 257,331            |
| Consultancy and patents                               | 305,149            | 264,321            |
| Cost of materials                                     | 255,608            | 175,748            |
| Cost of premises                                      | 186,820            | 210,516            |
| Other depreciation and amortization                   | 173,208            | 169,172            |
| Other   | 118,105            | 66,723             |
| Capitalization of self-produced assets                | -112,118           | -164,336           |
| Set-off against grants                                | -441,007           | -533,996           |
| <b>Total</b>  | <b>2,331,810</b>   | <b>2,025,658</b>   |

## General administration costs

General administration costs were as follows in the first half of 2013:

|  | in €               |                    |
|--|--------------------|--------------------|
|  | 01/01 – 06/30/2013 | 01/01 – 06/30/2012 |
| Personnel costs                        | 864,505            | 887,875            |
| Audit and consultancy costs            | 217,196            | 311,810            |
| Investor relations/annual meeting      | 118,483            | 126,926            |
| Insurance                              | 83,157             | 73,378             |
| Depreciation and amortization          | 70,869             | 82,546             |
| Car-operating costs                    | 56,613             | 38,968             |
| Supervisory Board compensation         | 56,250             | 56,250             |
| Travel costs                           | 49,501             | 52,909             |
| Costs of hardware and software support | 26,335             | 25,631             |
| Other                                  | 260,052            | 324,708            |
| Set-off against grants                 | -123,465           | -122,840           |
| <b>Total</b>                           | <b>1,679,496</b>   | <b>1,858,161</b>   |

## Other operating income and expenses

The figure for other operating income in the first half of 2013 predominantly reflects the € 479,077 in income from the reversal of liabilities for contingent consideration (previous year: € 0) and foreign exchange transaction gains in the amount of € 124,260 (previous year: € 177,330). The previous year also contained reversal of impairment charges on capitalized development costs in the amount of € 535,563 as well as income from the reversal of provisions for contract terminations in the amount of € 122,721.

The other operating expenses in the first half year of 2013 largely relate to expenses of € 558,631 for targeted acquisitions (previous year: € 62,717) and foreign exchange transaction losses in the amount of € 91,880 (previous year: € 97,597).

## Income taxes

As was the case in the consolidated financial statements as of and for the year ended December 31, 2012, deferred tax assets are recognized on tax loss carryforwards of SFC and its U.S. subsidiary only in such an amount as can be offset against deferred tax liabilities, after subtraction of the other deferred tax assets, since we cannot yet show with reasonable certainty that we will be able to draw a future economic benefit from these carryforwards.

## Segment report

Internally, the Management Board uses sales, gross margin and EBITDA when steering the Group and aligning its business with the core markets Industry, Consumer and Defense & Security.

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 half of 2013:

| Segments                       | in €                |                     |                     |                     |                     |                     |
|--------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|                                | Sales               |                     | Gross margin        |                     | EBITDA              |                     |
|                                | 2013<br>01/01–06/30 | 2012<br>01/01–06/30 | 2013<br>01/01–06/30 | 2012<br>01/01–06/30 | 2013<br>01/01–06/30 | 2012<br>01/01–06/30 |
| Industry                       | 9,388,156           | 9,656,521           | 3,495,008           | 3,740,612           | -163,026            | 482,761             |
| Consumer                       | 2,864,389           | 2,967,712           | 1,025,516           | 1,119,131           | 159,653             | 130,803             |
| Defense & Security             | 1,329,662           | 2,341,486           | 579,329             | 1,286,269           | -769,272            | -134,612            |
| <b>Total</b>                   | <b>13,582,207</b>   | <b>14,965,719</b>   | <b>5,099,853</b>    | <b>6,146,012</b>    | <b>-772,645</b>     | <b>478,952</b>      |
| Depreciation/amortization      |                     |                     |                     |                     | -953,226            | -315,616            |
| <b>Operating result (EBIT)</b> |                     |                     |                     |                     | <b>-1,725,871</b>   | <b>163,336</b>      |

The “Industry” market is highly diversified and could include any area of industry 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 in the oil and gas sector. Additionally, PBF sells nearly all of its high-performance electronic components for integration into precision equipment as well as 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.

The “Defense & Security” segment covers defense and security applications for defense organizations and governments. SFC’s product portfolio for this market includes the JENNY 600S, the vehicle-based EMILY 2200, the EMILY Cube 2500 and the SFC Power Manager.

## 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, 2012. There were no significant related party transactions in the first half of 2013, just as there had been none in the first half of 2012.

## Employees

SFC employed the following personnel as of the reporting date:

|  | 06/30/2013 | 06/30/2012 |
|--|------------|------------|
| Full-time employees (incl. Management Board) | 159        | 157        |
| Part-time employees                          | 28         | 28         |
| <b>Total</b>                                 | <b>187</b> | <b>185</b> |

A total of four trainees, graduates and student trainees were also employed as of the end of June 2013 (previous year: 11).

## 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, 7,502,887 at the balance sheet date of June 30, 2013 (previous year: 7,152,887 shares), did not change during the period, as had also been the case in the previous year. 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

Pursuant to an agreement dated July 4, 2013, SFC directly and indirectly acquired all shares of Simark Controls Ltd., Alberta, Canada ("Simark") via its Canadian subsidiary. The consummation of the purchase agreement is subject to several conditions precedent and is planned for the third quarter of 2013.

The total purchase price is CAD 25 million and consists of a down payment of CAD 16.25 million, three purchase price installments totaling CAD 5.00 million (although the payment of partial cash components will depend on whether certain events occur or do not occur) and approximately 518,000 shares of SFC Energy AG.

Simark is a Value Added Reseller (VAR) with product integration and manufacturing expertise for power supply, instrumentation and automation products in the oil and gas industry. In particular, it covers the area of Sales and Service of instruments, automation and power products for monitoring and management of production and logistics processes. The goal of this acquisition is to promote the forward integration and expansion of the North American Oil & Gas market and to strengthen the Industry segment, as well as to reduce dependency on the cyclical Consumer market and the unpredictable Defense market.

Brunnthal, July 30, 2013

The Management Board



**Dr Peter Podesser**  
CEO



**Gerhard Inninger**  
CFO

## SFC ENERGY AG, BRUNNTHAL RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim 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 for the remaining months of the financial year.

Brunnthal, 30 July 2013



**Dr Peter Podesser**  
CEO



**Gerhard Inninger**  
CFO



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## FINANCIAL CALENDAR 2013

November 06, 2013 Publication nine months report  
 November 11, 2013 DVFA-Analysts' Conference, Frankfurt

## SHARE INFORMATION

|                    |                                    |
|--------------------|------------------------------------|
| Bloomberg Symbol   | F3C                                |
| Reuters Symbol     | CXPNX                              |
| WKN                | 756857                             |
| ISIN               | DE0007568578                       |
| Number of shares   | 7,502,887                          |
| Stock Category     | No-par value shares                |
| Stock segment      | Prime Standard, Renewable Energies |
| Stock exchange     | Frankfurt, FWB                     |
| Designated Sponsor | Close Brothers Seydler             |

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### 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.