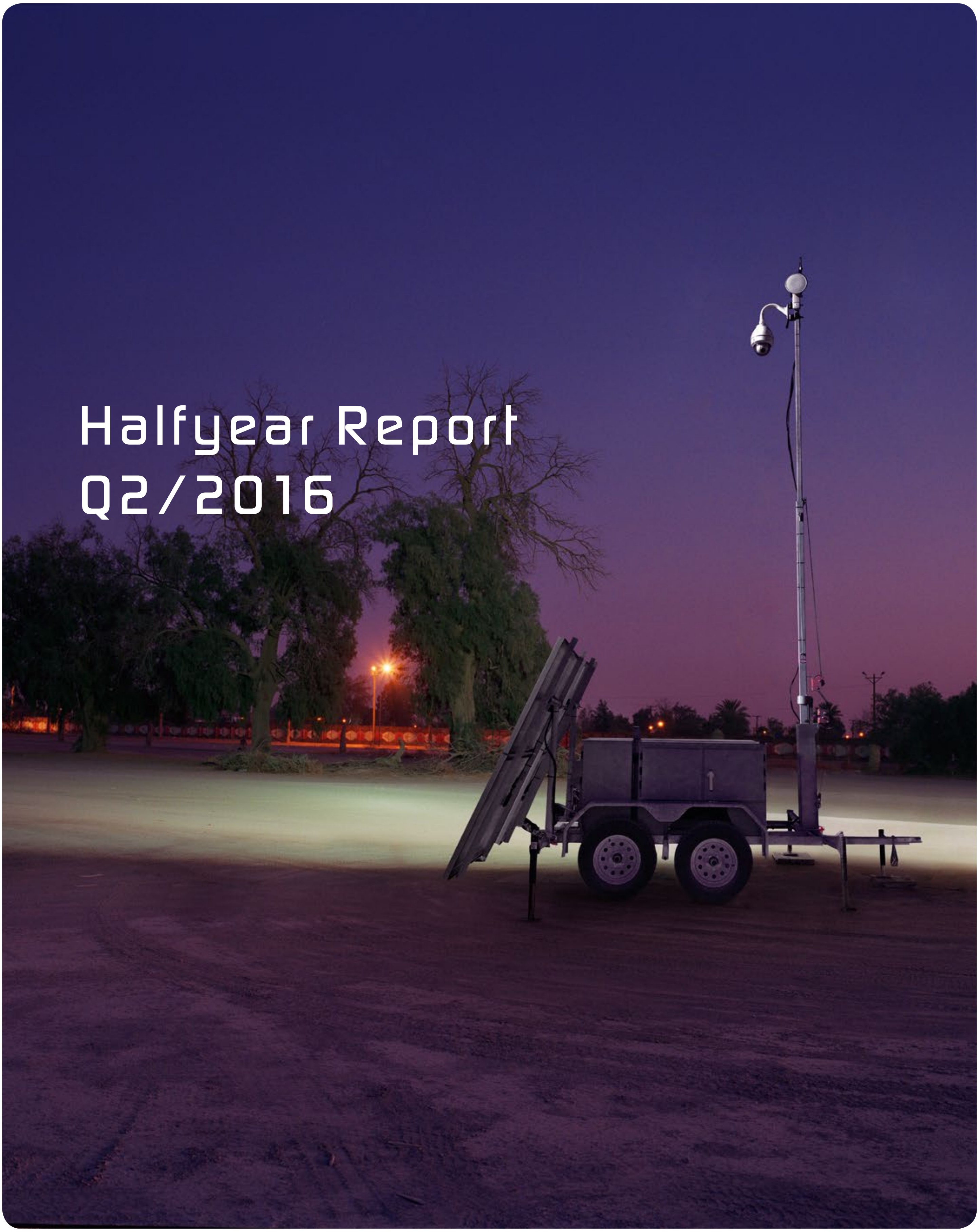
Halfyear Report Q2/2016



SFC ENERGY AG CONSOLIDATED KEY FIGURES

in k €

	1. HY 2016	1. HY 2015	Change in %	Q2 2016	Q2 2015	Change in %
Sales	20,799	24,792	– 16.1 %	10,501	12.181	– 13.8 %
Gross profit	6,141	6,563	– 6.4 %	2,919	2.923	– 0.1 %
Gross margin	29.5 %	26.5 %	–	27.8 %	24,0 %	–
EBITDA	– 1,756	– 2,706	35.1 %	– 1,308	– 1.809	27.7 %
EBITDA margin	– 8.4 %	– 10.9 %	–	– 12.5 %	– 14,9 %	–
EBITDA underlying	– 1,854	– 1,988	6.7 %	– 1,311	– 1.408	6.9 %
EBITDA margin underlying	– 8.9 %	– 8.0 %	–	– 12.5 %	– 11,6 %	–
EBIT	– 2,887	– 3,931	26.6 %	– 1,889	– 2.423	22.0 %
EBIT margin	– 13.9 %	– 15.9 %	–	– 18.0 %	– 19,9 %	–
EBIT underlying	– 2,465	– 2,653	7.1 %	– 1,627	– 1.739	6.4 %
EBIT margin underlying	– 11.9 %	– 10.7 %	–	– 15.5 %	– 14,3 %	–
Consolidated net loss	– 3,006	– 3,999	24.8 %	– 1,989	– 2.425	18.0 %
Net loss per share, undiluted	– 0.35	– 0.46	23.9 %	– 0.23	– 0,28	17.9 %
Net loss per share, diluted	– 0.32	– 0.46	30.4 %	– 0.21	– 0,28	25.0 %

in k €

	6/30/2016	6/30/2015	Change in %
Order backlog	11,123	9,963	11.6 %

in k €

	6/30/2016	12/31/2015	Change in %
Equity	13,893	16,558	– 16,1 %
Equity ratio	41.0%	46.1 %	–
Balance sheet total	33,881	35,889	– 5,6 %
Cash (freely available)	1,419	3,277	– 56,7 %

	6/30/2016	6/30/2015	Change in %
Permanent employees	226	239	– 5.4 %

DIRECTORS' SHAREHOLDINGS

	6/30/2016
Management Board	
Dr. Peter Podesser	106,800
Hans Pol	116,462
Steffen Schneider	1,000
Supervisory Board	
Tim van Delden	0
David Morgan	4,000
Hubertus Krossa	6,250

CONTENT

INTRODUCTION BY THE MANAGEMENT BOARD

Steffen Schneider Chief Financial Officer / **Dr. Peter Podesser** Chief Executive Officer / **Hans Pol** Chief Sales Officer

DEAR SHAREHOLDERS,

The external factors that have a material influence on the performance of SFC Energy's business changed in the first half of 2016. For example, oil prices experienced a noticeable recovery at the end of the first half, after reaching a 13-year low at under USD 28 in the first quarter of 2016, and recorded in recent months again consistently over USD 40 per barrel. This resulted in an initial phase of stabilization in the Oil & Gas industry. At the geopolitical level, the uncertainty resulting from terrorist attacks in the course of the year, particularly in the Western world, increased considerably. The current geopolitical uncertainty has led to policy changes and to an increased willingness to spend on security and defense.

This report gives you an overview of the current trends in SFC Energy Group's segments and its challenges, potentials and targets for the second half of the year 2016.

Oil & Gas

Oil prices recovered in the second quarter. However, the wildfires in the Province of Alberta in May 2016 caused significant loss of production for our customers. Fortunately, the situation had improved significantly by the end of the quarter.

Sales in the Oil & Gas segment increased in the second quarter by 19 % over the first quarter, from € 4,041k to € 4,799k. However, sales were down 39 % in the first six months of 2016 when compared with the first half of 2015, partially as a result of the relatively large order book at the beginning of 2015, falling from € 14,441k to € 8,840k.

SFC Energy's customers remain cautious and have cut back on spending. The summer period brings a customary seasonal weak demand. In addition, many companies will use this extended summer rest to reduce cost. However, the cost cutting efforts of our customers have resulted in a significantly lower break-even point for capital expenditures, so that they are again considering first large capital investment projects. Therefore, we expect additional orders in the Oil & Gas segment especially in the strongest fourth quarter. Even though cost-cutting measures were implemented in January and March 2016, keeping a tight rein on costs remains extremely important.

Security & Industry

The Security & Industry segment again grew in the second quarter of 2016. Sales were up 23 %, from € 8,028k in the first half of 2015 to € 9,871k in the first half of 2016. Contributors to this growth were the defense sector, the industrial fuel cell business and PBF.

With sales up by 15 % in the first half of 2016 as compared to the same period last year, PBF continued the momentum from its successful start to the year 2016. The growth is attributable to a stable mix of existing and new customers. The laser platform, in particular, performed well, resulting in new development orders. After quarter end, PBF booked a framework order for € 4.7 million with a large industrial customer.

Infrastructure monitoring is a significant driver of the industrial fuel cell business. SFC Energy won a first order for € 0.5 million for the off-grid power supply of monitoring systems in Singapore. Overall revenues in the industrial fuel cell business were up 11 % in the first half of 2016 when compared to the same period last year.

The defense sector continued its growth trend in the second quarter. After delivering portable Jenny 1200 fuel cells to an international defense force in the first quarter of 2016, in the second quarter SFC Energy convinced another NATO member of both portable and vehicle-based fuel cells as well as power managers. The increased demand for methanol suggests heavy use of fuel cell systems. Overall, sales in the defense sector in the first half of 2016 more than doubled from the same period last year.

Consumer

The Consumer segment was not able to continue its momentum from the first quarter in all regions, as sales of € 2,088k in the first half of 2016 were slightly below the sales in the same period last year of € 2,323k. The strong performance in Germany and Sweden was not able to make up for the continuing weak performance in France and Norway. However, due to positive signs for the second half year, we expect overall growth in the Consumer segment for 2016 when compared to 2015.

Financial figures

In the half year ended June 30, 2016, SFC Energy Group generated revenues of € 20,799k, in comparison with € 24,792k in the same period last year. The approximate 16.1 % decrease in sales is primarily attributable to the declines in the Oil & Gas segment, as described above.

On the earnings side, SFC Energy Group generated EBITDA of minus € 1,756k in the first six months of 2016, as compared with minus € 2,706k in the first half of 2015. EBITDA in the second quarter of 2016 amounted to minus € 1,308k, as compared with minus € 1,809k in the second quarter of 2015.

Adjusted to eliminate non-recurring effects, EBITDA amounted to minus € 1,854k in the first half of 2016 (Q2 2016: minus € 1,311k) and was thus better than the figure for the same period last year (first half of 2015: minus € 1,988k/ Q2 2015: minus € 1,408k)

Underlying EBIT in the first six months of 2016 amounted to minus € 2,465k, as compared with minus € 2,653k in the previous year (Q2 2016: minus € 1,627k/ Q2 2015: minus € 1,739k). EBIT amounted to minus € 2,887k in the reporting period, as compared with minus € 3,931k in the same period last year (Q2 2016: minus € 1,889k/ Q2 2015: minus € 2,423k).

Summary

The performance of SFC Energy in the first half year was in line with our expectations. The positive growth in the Security & Industry segment makes us confident for the second half of 2016. We continue to expect large projects in the defense sector. As announced in the quarterly report for Q1, sales are not expected until the second half, or even the fourth quarter of 2016.

The trend in oil prices will be of material significance for the performance of our Oil & Gas segment at year end. If prices stabilize again at USD 50 or even increase, business can be expected to pick up in the fourth quarter. We also expect growth in the Consumer segment as compared with 2015.

For the entire year we expect consolidated sales of € 48 to € 50 million. With regard to the operating result, we reiterate our expectation of a significantly improved profitability in the current financial year.

At this point we would like to thank our customers and our shareholders for their continuing support and confidence. A special word of thanks goes to our employees, for their continued hard work.

Sincerely,

The Management Board of SFC Energy AG

Dr. Peter Podesser
CEO

Steffen Schneider
CFO

Hans Pol
CSO

THE SHARE

SFC ENERGY – THE SHARE IN THE FIRST HALF OF 2016

The international capital markets were extremely volatile in the first six months of 2016. While share prices had fallen in the first quarter due to negative economic data and the ongoing collapse in crude oil prices, the British vote to leave the EU led to additional losses in the second quarter. The US capital markets and the stock exchanges in developing countries were an exception. Fearing a recession in the global economy, the German leading DAX index got off to a weak start at the beginning of the year 2016, with losses continuing until mid-February, when prices began to improve but did not develop any real momentum. In April the DAX again passed the 10,000 point threshold. The trend indicator of the German economy then hovered around this point in the second quarter. The unexpected results of the referendum in the UK caused the capital markets to plummet again in late June. The index of core German equities opened at 10,486 points on January 4 and ended the first half at 9,680 points on June 30, a decrease of 7.7 %. The DAX was down 1.6 % in the second quarter. The German technology stock index TecDAX was down 12.5 % in the first six months of 2016, falling slightly by 0.8 % in the second quarter. Once the reaction to Brexit became clear, the TecDAX recovered within a few days, unlike the DAX.

The euro further stabilized vis-à-vis the US dollar in the past few months, although the Brexit decision at the end of the second quarter caused the single European currency to weaken. Following the surprising vote by the British people, the Federal Reserve is not likely to raise interest rates as had been expected before. The US dollar may continue to appreciate as a result of the uncertainties about the future of the European Union. As early as March, the European Central Bank further eased its expansive monetary policy. The prime rate was reduced to 0.0 %, with the negative investment rate falling to minus 0.4 %. In addition, the ECB Council decided, beginning in April, to expand quantitative easing from € 60 to € 80 billion. Therefore, the ECB has bought in addition to government bonds also corporate bonds with investment grade ratings. Because the global inflation rate is still quite low, international monetary policy is not likely to move away from quantitative easing, and low interest rates are expected to continue.

The SFC Energy AG share started the 2016 year on January 4 at a price of € 4.42, which was also the high for the half year. Thereafter, the share was affected by the general sluggishness of the stock market, falling to a low of € 3.40 on March 8. The closing price on June 30 was € 3.62. Accordingly, the SFC Energy share was down by 18.1 % in the first half. The average daily trading volume of the share was 2,092 shares in the first half (prior year: 5,341 shares). SFC Energy AG's market capitalization stood at € 31.2 million at the end of the first six months of 2016, on the basis of 8.61 million shares outstanding (all information on a Xetra price basis).

The annual shareholders' meeting of SFC Energy AG was held in Munich on June 14, 2016, with 58.7% of the shares present or represented. In his speech the Management Board informed the shareholders about the performance of the business in 2015 and answered their questions. The shareholders ratified the acts of the Management Board and the Supervisory Board and passed all the resolutions on the agenda proposed by management with an overwhelming majority. The results of the annual shareholders' meeting can be consulted at www.sfc.com.

There was no material change in the shareholder structure at the end of the first half of 2016 as compared with the same period in 2015. A little over 50% of the Company's shares are held by large institutional investors, who support and assist the Company with its growth. The expanded management team holds over 8% of the shares. The remaining shares are held in free float.

SFC Energy AG shares are traded on the Prime Standard segment of the Frankfurt Stock Exchange. In the second quarter of 2016 First Berlin Equity Research GmbH and Warburg Research GmbH published research on the Company. In their studies, the analysts recommend purchasing or holding the shares at price targets of € 4.70 to € 5.10. The complete studies can be downloaded from the SFC Energy website under Investor Relations / Share.

Ongoing and transparent communication with investors, analysts and representatives of the financial press is of high importance to SFC Energy. The Management Board has held numerous one-on-one discussions with these groups in the current financial year. They have also held a number of road shows and will participate in the German Equity Capital Forum this fall.

INTERIM GROUP MANAGEMENT REPORT JANUARY 1 – JUNE 30, 2016

BASIS OF THE GROUP

The Group's Business Model

Organizational structure of the Group and locations

The Group consists of SFC Energy AG, Brunnthal, SFC Energy Inc., Gaithersburg, MD, USA (SFC), PBF Group B.V., Almelo, Netherlands and its subsidiary (PBF) and Simark Controls Ltd., Calgary, Canada, (Simark).

Segments, sales markets, products and services

The management and reporting of the Group is structured according to the following segments:

- Oil & Gas
- Security & Industry
- Consumer

The corporate purpose of SFC Energy AG is the development, production and distribution of power generation systems and their components for off-grid and on-grid applications based on fuel cells and other technologies, as well as investment in the equipment and facilities required for these activities and transaction of all other related business. The Company's 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 electrical devices; 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 direct methanol fuel cells (DMFC) for multiple target markets.

In the Security & Industry segment, SFC generates sales in the Industry and Defense & Security markets. The Industry market is highly diversified. In principle it could include any area of industry where professional users run electrical equipment away from the grid and use SFC's EFOY Pro fuel cell. This includes applications in the security and surveillance industry, traffic management and the wind energy industry. The Defense & Security market includes defense and security applications for defense organizations and governments. The product portfolio for this market includes the portable JENNY, the vehicle-based EMILY, the SFC Power Manager and network solutions. In addition to these products, a further portion of sales is generated by joint development agreements (JDAs) with military customers from Europe, Asia and the United States. In the Consumer segment, SFC sells compact fuel cell generators under the EFOY COMFORT brand to generate electricity for RVs, sailboats and cabins through established commercial channels (wholesalers, retailers and OEMs). In addition, SFC offers the portable outlet EFOY GO!, a battery with an integrated power converter, via these channels as well as in its own online shop.

PBF develops and manufactures reliable high-tech power supply systems. This technology-oriented company works closely with its customers to develop customized solutions such as switched mode network components, external transformer units, system 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 to tens of thousands of units per year. PBF's products are used in the fields of analytical systems, research and science, industry, defense and security and semiconductors. Most of its products are sold through distribution partners, but some are sold directly to customers. PBF generates its sales exclusively in the Security & Industry segment.

Simark specializes in distribution, service and product integration for high-tech power supply, instrumentation and automation products used in the oil and gas industry. It has a highly qualified, experienced, diverse distribution and service organization. Simark's product portfolio includes instrumentation and metering systems, power supply components and drives and security and surveillance technology for different applications in the oil and gas industry, as well as the mining, forestry and municipal utilities markets. Simark distributes its products directly. Simark's revenues are exclusively attributable to the Oil & Gas segment.

Objectives and strategies

Over the last few years, SFC has systematically expanded its business model to include a comprehensive range of off-grid energy solutions. In the future it will increasingly focus on providing comprehensive product solutions. Fuel cells will remain the core technology and the core components of overall solutions.

The acquisitions of PBF in 2011 and Simark in 2013 were further major steps in the Group's strategic aim of becoming a system supplier.

RESEARCH AND DEVELOPMENT

SFC's research and development activities focused on the following in the first half of 2016:

- The Company continued to make quality improvements to its series products.

- New energy solutions for the defense sector were developed and qualified.
  1. Preparation and delivery of a buriable air-cooled energy solution in connection with a development project based on EFOY Pro 2400.
  2. Development and qualification of a buriable water-cooled energy solution in connection with a development project with an international defense force.

- Resumption of development of JENNY 1200 and making it ready for mass production on the basis of an order from an international defense force.

- 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.

- Evaluation and qualification of the EFOY Pro 12000 Duo in a field-test program, followed by mass production.

- Tests were conducted 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.

- Design and development of considerably larger fuel cartridge to increase the availability of methanol when used in the EFOY Pro range.
- Design and development of a wireless communication interface for EFOY COMFORT as an addition to the existing EFOY app.
- Research and design of energy solutions for backup and off-grid use with peak performance of up to 5 kW.

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 mass production.
- A 3.5 kW laser power product platform was successfully tested and will be delivered to select customers as a prototype.
- The second prototypes for the 8 kW power supply input stage, an important product for the laser market, were delivered in the second quarter of 2016.
- A product to produce varying inverters was launched at the end of 2015. The first mass-produced products from this project were delivered in both the first and second quarters of 2016.
- The first prototypes for the aviation industry are currently being tested. In early Q3 2016 additional prototypes are to be tested under aviation-specific standards in cooperation with the customer.
- A new development order has been received to extend the quantity of outputs in an existing product. In Q3 the first prototypes will be delivered for testing.

ECONOMIC REPORT

Macroeconomic and sector-based background conditions

Momentum of global economy remains moderate with little growth

In June, even before the Brexit referendum, the World Bank[1] significantly downgraded its global growth forecast for 2016. Instead of the 2.9 % growth projected in January the Bank now believes that the global economy will grow by a mere 2.4 %. It attributes this to sluggish growth in advanced economies, with commodity prices remaining persistently low. Commodity-exporting emerging market economies have particularly struggled to adapt to lower prices for oil, and this accounts for half of the downward revision. The Bank expects 1.9 % growth in the US economy for the current financial year, down from 2.4 % in 2015. Growth of 1.6 % is expected for the Eurozone.

1 World Bank Group, "Global Economic Prospects", June 7, 2016.

German Economy: Upturn enters second half

In its most recent economic forecast 2016/2017, the Ifo Institute[2] expects the robust upturn seen in the German economy since 2014 to continue. The Institute expects real gross domestic product to grow by 1.8 % this year and by 1.6 % in 2017. According to the experts there, this would further reduce the output gap, which will almost close next year.

Since the overall pace of the economy is moderate, however, the Institute sees no signs of overheating in the domestic goods and factor markets. Buoyant domestic demand is a key driver of growth. Private consumption expenditure is likely to rise again against a background of more favorable developments in employment and higher transfer income. Prolonged, favorable financing conditions are also providing positive stimuli for investment in equipment and construction. In addition, the continuing migration of refugees is also boosting demand for residential construction. No noteworthy impetus is expected to come from international trade over the forecasting period, in which exports and imports will grow at a similar pace. Within the context of positive overall economic developments, the positive basic trend in the German labor market will continue, although the dynamic may not remain quite as strong as in recent months.

The Federal Ministry for Economic Affairs and Energy (BMWi[3]) also believes that the German economy is still on a solid growth trajectory despite the difficult external economic environment. While industrial output made a decent start to the second quarter, the overall spring recovery in the goods-producing sector was weaker than usual. However, the underlying cyclical trend continues to point upwards. Employment in the service sectors in particular continued to rise considerably. The first quarter saw the seventh successive quarterly rise in private consumer spending. Domestic investment also expanded appreciably in the first quarter. According to the Ministry, the expectations of German businesses improved for the third month in succession in May 2016.

Oil & Gas market

For assessing the economic development of the markets in which Simark operates (instrumentation and metering systems, power supply components and drives, and security and surveillance technology), we draw on data on the international oil and gas markets. The world oil market is highly complex, according to the U.S. Energy Information Administration (EIA), an independent organization that prepares statistics and analyses on the international energy industry. It is dominated by government controlled and private economic entities, with government controlled national oil companies controlling 85 % of proven oil deposits and 58 % of production in 2010.

Canada, which is Simark's home market, is the fifth largest gas and crude oil producer in the world. The crude oil produced in Canada accounts for 40 % of domestic energy demand and accounts for 17 % of the country's exports. Canada has the world's third largest crude oil deposits after Venezuela and Saudi Arabia[4].

In an investment forecast update published in April 2016[5] the Canadian Association of Petroleum Producers (CAPP) listed the impacts of declining commodity prices on capital spending in the Canadian Oil & Gas industry: While total investment volume in the industry had stood at CAD 81 billion in 2014, it fell to CAD 42 billion in 2015. A further decrease to CAD 31 billion is expected for 2016, down 62 % from 2014. Drilling is expected to be down 33 % from 2015, to 3,500 wells in 2016.

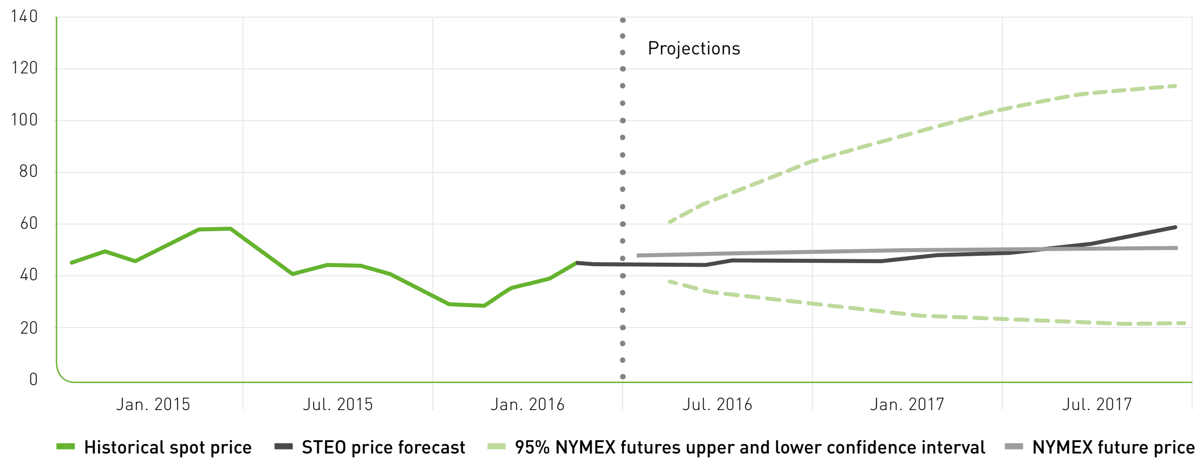
2 ifo Konjunkturprognose 2016/2017: Aufschwung in Deutschland geht in die zweite Halbzeit, June 16, 2016.
3 BMWi Bundesministerium für Wirtschaft und Energie, Press Release "Die wirtschaftliche Lage in Deutschland im Juni 2016", June 10, 2016.
4 Canadian Association of Petroleum Producers CAPP, website, Basic Statistics.
5 Canadian Association of Petroleum Producers CAPP, Capital Investment & Drilling Forecast Update, April 2016.

In its June 2016 forecast[6] the National Energy Board (NEB) expects production volume to remain the same in Canada, at around 4.1 million barrels per day, although the figures in May and June of 3.0 million and 3.5 million barrels, respectively, were significantly lower than that because of the Fort McMurray wildfires[7]. The NEB expects lost oil production output of between 1.0 million and 1.5 million b/d in this period.

According to the U.S. Energy Information Administration (EIA) in its most recent Energy Outlook[8] crude oil prices in the United States rose in May, the fourth consecutive monthly increase since reaching a 12-year low in January.

The EIA states that increasing global oil supply disruptions, rising oil demand and falling US crude oil production contributed to the price increase. The benchmark Brent and WTI price curves (West Texas Intermediate – see Graph 1) show the price trends. The price for North Sea Brent of USD 47 per barrel in May 2016 was USD 5 higher than the previous month and USD 16 over the low of USD 31 in January. For 2016 the EIA has raised its assumptions and now expects an average Brent price of USD 43 per barrel and USD 52 for 2017. The WTI prices are forecast to be slightly lower than Brent in 2016, but are expected to be the same as Brent in 2017. However, given that recent forecasts have often proved to be wrong, the authorities warn of high uncertainty in these forecasts.

WEST TEXAS INTERMEDIATE (WTI) CRUDE OIL PRICE — **Dollar per barrel**



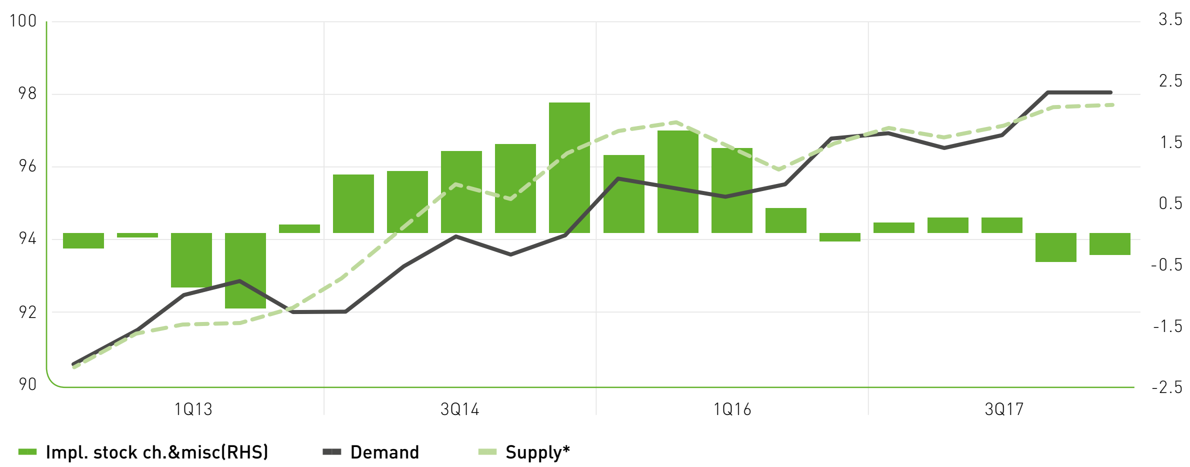
Source: EIA[9]

According to the EIA[10] global unplanned supply outages were estimated at 3.7 million barrels per day in May, a month-over-month increase of almost 850,000 b/d. Wildfires in Canada and attacks on pipelines in Nigeria were the primary cause of new supply disruptions. Social unrest in Venezuela constitutes an additional risk in this regard. At a time of seasonally increasing demand and higher petroleum product consumption in the United States and India, supply problems may lead to oil market balance and tighter conditions earlier than expected. The EIA expects global oil inventories to build in the third and fourth quarter of 2016, but these builds should be more than 1 million b/d less than those that occurred in the third and fourth quarter of 2015.

6 National Energy Board, 2016 Estimated Production of Canadian Crude Oil & Equivalent (b/d), June 3, 2016.
7 National Energy Board, Market Snapshot: Impacts of Fort McMurray wildfires, Mai 2016.
8 EIA, Short-term Energy Outlook, June 7, 2016.
9 EIA, Short-term Energy Outlook, June 7, 2016.
10 EIA, Market Prices and Uncertainty Report, June 7, 2016.

In addition to the existing stock of crude, which increased less than expected in the first six months of 2016, and the unexpected production falls in Canada, Nigeria, Libya and Venezuela as described above, the International Energy Agency[11] (IEA) also sees the worldwide growing demand, which has exceeded expectations, as an indicator that oil prices will rise again. For the first half of 2016 the IEA expects a balanced market, while it expects demand to rise in 2017 at the same rate as in 2016 (see diagram). The IEA expects oil prices to further stabilize in the rest of 2016, but it warns that the numerous market uncertainties, such as the unpredictable situation in Nigeria and Libya and the enormous inventory overhang, could cause oil prices to head in the opposite direction.

DEMAND/SUPPLY BALANCE UNTIL 4Q17* mb/d



Source: IEA[12]

Security & Industry market

a) Fuel cells

In its current Fuel Cell Industry Guide, which the Working Group Fuel Cells of the German Mechanical Engineering Association VDMA[13] published in connection with the Hannover Trade Fair, the fuel cell manufacturers and suppliers that are members of the VDMA are ready for the ramp-up of the markets, and the countdown to mass production in Germany is running. According to the VDMA, the market for fuel cells and fuel cell components is growing steadily. Worldwide it has long since surpassed the billion euro mark. The VDMA economic forecast predicts revenues in the range of € 1.8 billion for the year 2020. Revenues in the area of stationary power and heat supply reached just under € 150 million in Germany alone in 2015. The companies expect growth to skyrocket. By continuing the National Innovation Program for Hydrogen and Fuel Cells and the program for fuel cell heating systems, the German government has proven its willingness to introduce the technology. This creates a domestic market to serve as a showcase for German energy technology, sparks further innovation potential, and secures technology "made in Germany" with considerable export potential.

11 International Energy Agency, Oil Market Report, June 14, 2016.
12 ibid. 11.
13 VDMA: press release "Branchenführer Brennstoffzellenindustrie Deutschland 2016: Brennstoffzellenindustrie bereit zum Markthochlauf", April 28, 2016.

According to Federal Transport Minister Alexander Dobrindt[14] the German Federal Government and industry want to step up promotion of alternative fuel-cell-powered cars. To promote research the Federal Ministry of Transport will make an additional € 161 million available by 2018. He says that fuel cells with hydrogen are even more effective and should be expanded as a second pillar of electric cars alongside battery-powered ones. Germany wants to increase its exchange of expertise with China in this regard. Fuel-cell-powered vehicles could run for long distances and be loaded in a matter of minutes, the technology has become more compact and less expensive, and looks very promising even for buses in city traffic. There is no question but that they are ready to be marketed. By 2023 Linde would also like to establish a network of 400 hydrogen filling stations. Most recently there were only 19 hydrogen filling stations in all of Germany.

b) Power electronics and switched mode network components

The submarket “electronic components & systems,” which is one of the markets recognized by the German Electrical and Electronic Manufacturers’ Association (ZVEI) is used to evaluate the performance of the markets in which PBF does business (power electronics and switched mode network components).

In June 2016, the ZVEI Association[15] reported that the production of the entire German electric and electronic industry experienced growth of just under 0.8 %, adjusted for price effects, as compared with the same period last year (January to April). Domestic orders fell by 1.4 % in the first four months of 2016, while orders from outside Germany fell by 0.3 %. From the Eurozone there were 0.7 % more orders than in the same period last year, while there were 0.9 % fewer orders from countries outside the Eurozone. Revenues of € 57.0 billion in the first four months of 2016 were 1.8 % higher than the level last year. The business climate in the German electric and electronics industry fell slightly in May, but the Association reports that it is still on an upward trend overall.

In May 2016[16], the ZVEI reported that revenues in Germany were up 10.7 % in 2015, to € 21.1 billion (2014: € 19.1 billion) in the “Electronic Systems” submarket (inhouse manufacturers and electronic manufacturing services providers). In November 2015[17] the Association had expected 2015 revenues of approximately € 19 billion and forecast revenues of € 20 million for 2016. The Association attributes the strong growth in this submarket to the heavy demand from the automotive and industrial electronics sectors.

c) Defense & Security

According to their analysis[18] of the aviation and defense market published in June 2016, the experts at PricewaterhouseCoopers (PwC) had expected 2015 to be a year of declining revenues and profits in the defense industry, both in the United States and in Europe. They based this prediction on the ongoing budget cuts by defense organizations since 2009. However, in 2015 they saw the first signs of a changed approach in defense spending as a result of the increasing danger of terrorism, the conflicts in the Middle East and an increasing fear in the neighboring countries of Russia and Ukraine. Accordingly, the European defense budgets increased in 2015 by 1.7 % for the first time in a while, primarily driven by countries in Central and Eastern Europe. In Western Europe defense spending again fell in 2015 by 1.3 %, but the three largest military powers – the United Kingdom, Germany and France – have already announced their intention to increase defense spending again.

Experts believe that 2016 will be another difficult year for the defense industry, due to the continuing budget deficits in the United States and Europe. Defense revenues are expected to remain at the 2015 level in 2016.

14 Source: dpa: Bund und Industrie wollen Brennstoffzellen-Autos voranbringen, April 12, 2016.
15 Data: ZVEI press release 41/2016, June 8, 2016.
16 Data: ZVEI Frühjahrsbelebung in der Elektronindustrie, June 8, 2016.
17 Data: ZVEI Entwicklung der Märkte für elektronische Bauelemente weiterhin positiv, November 11, 2015.
18 PwC: Aerospace & Defense year in review and 2016 forecast, June 2016.

According to the experts, the industry will focus on affordability when it comes to procurement: this factor is at the top of the procurement requirements of the US Department of Defense. While fewer new platform technologies are to be expected in the near future, equipment must still be replaced. Therefore, analysts expect a trend away from new platforms to platform improvements and expansions. They see growth potential in electronics and in the fields of Command, Control, Communication, Computers, Intelligence, Surveillance and Reconnaissance (C4ISR), including unmanned and autonomous vehicles of all types, as well as potential in the field of cyber security. In these fields the experts expect a trend towards increasingly fierce international competition.

Consumer market

a) Caravaning

According to the European Caravaning Federation (ECF)[19] sales figures continued to rise in the European market for RVs and caravans in the first four months of 2016, after a very successful year in 2015. The industry posted a hefty 10.7 % increase in revenues, growing to 65,437 newly registered RVs and caravans. The ECF believes that this shows a lasting recovery of the European leisure vehicle market. Even the markets that were weaker in previous years showed growth: Spain (+25.1 %), Sweden (+19,0 %) and Denmark (+14.5 %). Particularly successful was the RV market, which is so attractive for SFC Energy: overall 37,810 new RVs were registered in Europe in the first four months of 2016, which represents an increase of 15.4 %. Newly registered caravans also increased, rising by 4.9 % to 27,627 vehicles sold. The leader here was the Netherlands, with a 9.4 % increase in revenues.

In its June report[20] the German association Caravaning Industrie Verband e.V. (CIVD) said that it sees every indication that 2016 will be a record year for the caravaning industry. Germany, which is the leading country in Europe in RV purchases, saw sales climb 25.6 % in the first four months of 2016, and was thus again the growth engine in Europe. Because of the current booming market, the Association expects sales of over 31,000 new RVs and over 19,000 new caravans. In the period from January to May 2016, 19,700 new RVs (an increase of 23.4 % over the prior year) and 10,662 new caravans (an increase of 8.2 % over the previous year) were registered in Germany[21].

b) Marine market

According to the Federal Water Sport Industry Association (BVWW)22 the water sport industry in Germany got off to a strong start in the 2016 season. Following a successful financial year in 2015 with higher revenues in all market segments, the market continued its strong growth. Almost 90 % of companies expect revenues to increase again in the next two to three years. In the motor boat segment the market is divided into two parts: people either want to buy flexible, trailerable and/or sports boats at a price point of up to € 80,000, or they are looking for comfortable or even luxurious yachts in the very high price range. Innovation and comfort stimulate demand. According to the Association, all indicators suggest that the demand for boats and yachts will continue. A lively market for used boats and an aging core of boating enthusiasts have resulted for strong demand for equipment and accessories, and every purchase of a second-hand boat results in spending on those items. The same is true of older boat owners, who have decided to keep their boat and make it comfortable and safe for their later years.

19 Data: ECF European Caravaning Federation, Press release "European leisure vehicle industry starts off the year with a bang", May 20, 2016.
20 CIVD Caravaning Industrie Verband e.V.; CIVD Info 06/2016, June 3, 2016.
21 CIVD Caravaning Industrie Verband e.V.: Neuzulassungen Freizeitfahrzeuge in Deutschland, June 8, 2016.
22 Bundesverband Wassersportwirtschaft (BVWW), "Volle Kraft voraus!" May 2, 2016.

EARNINGS AND FINANCIAL POSITION

Material events

There were no material events to report during the period under review.

Earnings position

The SFC Group (the "Group") posted sales of € 20,799k in the first half of 2016, a decline of 16.1 % from the prior-year period's € 24,792k.

SFC generated sales of € 5,754k in the first half of 2016, for an increase of 15.8 % from the € 4,971k in sales generated in the same period a year ago. SFC's sales of € 2,499k in the second quarter of 2016 were up from the prior year's figure of € 2,257k.

With sales of € 6,205k in the first half of 2016, PBF was 15.4 % higher than the previous year's figure of € 5,379k. PBF's second-quarter sales in 2016 were € 3,204k (prior-year period: € 2,676k).

In the period under review, Simark's sales totaled € 8,840k, a decrease of 38.8 %. In the prior-year period, this figure was € 14,441k. Simark's second-quarter sales in 2016 were € 4,799k (prior-year period: € 7,247k).

EBIT improved year-on-year from minus € 3,931k to minus € 2,887k during the first half of 2016. It bears noting that the figure for the first six months of 2016 reflects € 422k in non-recurring effects relating to the Simark acquisition along with staff-related measures (prior-year period: € 1,278k).

Without these non-recurring effects, underlying EBIT for the first half of 2016 was minus € 2,465k, up from minus € 2,653k in the same period in 2015.

EBIT improved during the second quarter of 2016 from minus € 2,423k during the previous year to minus € 1,889k.

There was negative EBITDA in the amount of € 1,756k during the first six months of 2016, following minus € 2,706k in the first half of 2015. Underlying EBITDA improved during the reporting period from minus € 1,988k to minus € 1,854k.

EBITDA for the second quarter of 2016 stood at minus € 1,308k, versus minus € 1,809k a year ago.

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

- Depreciation/amortization and expenses relating to the purchase price allocation (€ 520k)
- Personnel expenses relating to the retention of key employees (€ 25k) and resulting from structuring measures (€ 19k)

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

in k €	EBIT	EBITDA
Result according to the income statement	**–2,887**	**–1,756**
Production costs of work performed to generate sales		
Cash component from the Simark acquisition	11	11
Sales costs		
Purchase price allocation, amortisation of customer relationships Simark	520	0
Expenses for personel, bonus Simark	25	25
Expenses from contract terminations Simark	8	8
Expenses for the management board SAR Plan	–69	–69
General administrations costs		
Expenses for the management board SAR Plan	–73	–73
Total non-recurring effects	**422**	**–98**
Underlying result	**–2,465**	**–1,854**

Sales by segment

The following table shows a year-on-year comparison of segment sales for the first six months and second quarter of financial year 2016:

SALES BY SEGMENT (UNAUDITED)						in k €
	1st Halfyear			2nd Quarter		
Segment	2016	2015	Change in %	2016	2015	Change in %
Oil & Gas	8,840	14,441	–38.8%	4,799	7,248	–33.8%
Security & Industry	9,871	8,028	23.0%	4,892	3,791	29.0%
Consumer	2,088	2,323	–10.1%	810	1,142	–29.1%
Total	**20,799**	**24,792**	–16.1%	**10,501**	**12,181**	–13.8%

All of the Oil & Gas segment's revenues came from Simark in 2016. Most of Simark's transactions are in CAD. Sales came exclusively from the sale and integration of products for the North American Oil & Gas market.

In the Security & Industry market, the number of fuel cells sold increased from 388 to 427. SFC's sales rose accordingly, up 36.3 % from € 2,649k to € 3,611k. Sales to defense customers increased by 123.5 % to € 1,334k (€ 597k).

All of PBF's sales were generated in the Security & Industry segment. In the first half of 2016 its sales were € 6,205k (previous year: € 5,379k). In the Consumer market, sales receded from € 2,323k to € 2,088k. The number of fuel cells sold decreased from 814 to 724. Higher sales in Germany were unable to completely offset lower sales in other markets.

Sales by region

Sales by region evolved as follows:

SALES BY REGION (UNAUDITED)						in k€
	1st Halfyear			2. Quartal		
Region	2016	2015	Change in %	2016	2015	Change in %
North America	9,068	14,674	−38.2%	4,933	7,367	−33.0%
Europe and ROW	11,731	10,118	15.9%	5,568	4,814	15.7%
Total	**20,799**	**24,792**	**−16.1%**	**10,501**	**12,181**	**−13.8%**

Sales in North America chiefly comprise Simark's sales in the Oil & Gas segment. SFC posted a 15.5% increase 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 growth was 15.4%.

Gross profit

Gross profit in the first half of 2016 was € 6,141k, or 29.5%. In the prior year it stood at € 6,563k or 26.5% of sales.

The Group's second-quarter gross profit came to € 2,919k, or 27.8%, compared with € 2,923k, or 24.0% last year.

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

GROSS PROFIT (UNAUDITED)						in k€
	1st Halfyear			2nd Quarter		
Segment	2016	2015	Change in %	2016	2015	Change in %
Oil & Gas	1,837	3,293	−44.2%	881	1,504	−41.4%
Security & Industry	3,749	2,713	38.2%	1,848	1,159	59.4%
Consumer	555	557	−0.4%	190	260	−26.9%
Total	**6,141**	**6,563**	**−6.4%**	**2,919**	**2,923**	**−0.1%**

The gross profit in the Oil & Gas segment was € 1,837k, or 20.8%, and was thus under the previous year's figure.

The Security & Industry segment's gross profit was € 3,749k, which was above the prior year's € 2,713k. Gross margin increased from 33.8% to 38.0%.

The Consumer segment's gross profit was € 555k, which was slightly lower than the prior year's € 557k. The gross margin in the first half of 2016 was 26.6% (previous year: 24.0%).

Sales costs

The Group's sales costs fell by 19.7 %, from € 5,917k to € 4,753k. This was primarily attributable to cost cutting in the work force and the decrease of non-recurring effects.

In the first half year of 2016 these non-recurring effects totaled € 484k (previous year: € 1,069k).

As a percentage of sales, sales costs amounted to 22.9 % this year, versus 23.9 % this time a year ago.

Research and development costs

Research and development costs were down from € 1,976k to € 1,903k in the first half of 2016. As a percentage of sales, R&D costs increased to 9.1 % (previous year: 8.0 %) due to the decrease in sales in the Oil & Gas segment.

We capitalized € 316k in development work in the first half of 2016, versus € 341k the year before. 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, true research and development expenditure in the first half of 2016 totaled € 2,804k, which is nearly equal to the previous year's € 2,828k.

SFC's research and development costs decreased, from € 521k, or 10.5 % of its sales, to € 356k, or 6.2 % of its sales.

PBF's research and development costs were € 1,448k (previous year: € 1,367k), or 23.3 % of its sales (previous year: 25.4 %).

General administration costs

General administration costs fell to € 2,431k in the first six months of 2016 (previous year: € 2,668k).

Despite the absolute decrease, they increased as a percentage of sales for the Group to 11.7 % (previous year: 10.8 %).

Other operating income

The largest items in other operating income of € 86k (previous year: € 99k) were foreign exchange transaction gains of € 81k. In the previous year, other operating income mostly contained foreign exchange transaction gains of € 79k.

Other operating expenses

The € 26k in other operating expenses (previous year: € 32k) almost exclusively reflects foreign exchange transaction losses (previous year: € 32k).

Operating result (EBIT)

EBIT improved in the first half of 2016 from minus € 3,931k to minus € 2,887k. The EBIT margin improved from minus 15.9 % to minus 13.8 %.

Adjusted for the non-recurring effects mentioned earlier, underlying EBIT in the first half of 2016 amounted to minus € 2,465k (previous year: minus € 2,653k), or minus 11.9 % of sales.

EBIT in the second quarter of 2016 totaled minus € 1,889k, following minus € 2,423k in the second quarter of 2015.

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

EBITDA improved from minus € 2,706k to minus € 1,756k. The EBITDA margin improved from minus 10.9 % to minus 8.4 %.

Adjusted for the non-recurring effects mentioned earlier, underlying EBITDA in the first six months was minus € 1,854k (previous year: minus € 1,988k), or minus 8.9 % of sales.

EBITDA in the second quarter of 2016 improved to minus € 1,308k, following minus € 1,809k in the second quarter of 2015.

Interest and similar income

Interest and similar income fell from € 3k to slightly over € 0, primarily due to decreased liquidity and lower interest rates.

Interest and similar expenses

Interest and similar expenses were € 273k (previous year: € 162k) and consisted mostly of interest on liabilities to banks.

Net result

The net result for the half-year improved from minus € 3,999k a year earlier to minus € 3,006k.

The net result for the second quarter was a loss of € 1,989k, compared with a loss of € 2,425k in the prior-year period.

Earnings per share

Earnings per share under IFRS were negative at € 0.32 (diluted) or € 0.35 (undiluted) in the first half of 2016 (previous year: minus € 0.46 diluted and undiluted). Second-quarter earnings per share improved from minus € 0.28 (diluted and undiluted) last year to minus € 0.21 (diluted) or minus € 0.23 (undiluted) this year.

New orders and order backlog

New orders totaling € 20,163k were received in the first six months of 2016. In the same period a year ago, new orders of € 24,128k had been received.

The order backlog at June 30, 2016, was at € 11,123k (prior year: € 9,963k). As of March 31, 2016, the order backlog was € 10,165k.

Of this amount, € 8,145k is attributable to the Security & Industry segment (previous year: € 7,112k), € 2,942k to the Oil & Gas segment (previous year: € 2,825k) and € 36k to the Consumer segment (previous year: € 26k).

FINANCIAL POSITION

Capital expenditures

Development costs of € 316k for SFC and PBF products were capitalized during the first six months of 2016 (previous year: € 341k). Investments of € 205k were also made in equipment. Total capital expenditures during the reporting period came to € 551k (previous year: € 499k).

Liquidity

Net cash outflows decreased to € 1,858k in the first half of 2016, compared with € 2,351k a year ago.

Freely available cash and cash equivalents at the end of June 2016 totaled € 1,419k, lower than the € 3,776k available at the end of June 2015 due to the result in 2016.

Cash flow from ordinary operations

Because of adverse changes in working capital in the first half of 2016 more cash was used in ordinary operations, in the amount of € 3,332k (previous year: net outflow of € 2,853k).

Cash flow from investment activity

Net cash used for investment activity totaled € 434k in the period under review (previous year: € 485k).

Cash flow from financial activity

Cash in the total amount of € 1,909k was provided by financial activity in the current financial year 2016. The cash received from the convertible bond issue more than made up for the change in liabilities to banks.

ASSETS AND LIABILITIES

The balance sheet and balance sheet ratios changed as follows during the first six months of 2016:

Total assets fell by 5.6 % from € 35,889k at December 31, 2015 to € 33,881k at June 30, 2016.

The equity ratio decreased from 46.1 % to 41.0 %.

The amount of inventory, trade receivables and receivables from percentage-of-completion fell slightly from December 31, 2015.

The most significant intangible assets are the goodwill of Simark in the amount of € 7,238k (€ 6,894k), the goodwill of PBF in the amount of € 1,179k (€ 1,179k), other intangible assets relating to the acquisitions of Simark in the amount of € 895k (€ 1,362k) and PBF in the amount of € 892k (€ 1,083k) and capitalized development costs in the amount of € 1,935k (€ 1,757k). The decrease in other intangible assets relating to the Simark and PBF acquisitions reflects the amortization of the customer relationships and technology. With respect to capitalized development costs, € 316k was capitalized and € 138k was amortized in the first six months of 2016.

Non-current assets decreased from € 14,736k to € 14,613k. The share of non-current assets in total assets climbed from 41.1 % to 43.1 % because total assets were down more in percentage terms. 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 rose slightly from € 19,331k to € 19,989k. This item mainly comprised the increase in the convertible bond.

Altogether, liabilities made up 59.0 % of total liabilities and shareholders' equity (December 31, 2015: 53.9 %).

With the net loss for the period, shareholders' equity decreased to € 13,893k at June 30, 2016, against € 16,558k at December 31, 2015. Subscribed capital and the capital surplus were unchanged.

EMPLOYEES

The number of permanent employees was as follows as of June 30, 2016:

EMPLOYEES

	6/30/2016	6/30/2015	Change
Management Board	3	3	0
Research and development	47	49	–2
Production, logistics, quality management	84	94	–10
Sales & marketing	67	69	–2
Administration	25	24	1
Permanent employees	**226**	**239**	**–13**

The Group employed 7 (prior year: 3) trainees, graduates and student trainees as of June 30, 2016. Of the permanent employees, 74 (previous year: 72) worked for SFC, 93 (previous year: 99) for PBF and 59 for Simark (previous year: 68).

REPORT ON RISKS AND OPPORTUNITIES

We believe that the Group's opportunities have not changed since the publication of our 2015 annual 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 other material risks for the Group have not changed since the publication of our 2015 annual report, with the following exceptions:

RISK REPORT

The material risks listed below result from the Group's business activity. The risks apply to all segments if individual segments are not mentioned. The risks for the affiliates Simark and PBF relate to the Oil & Gas segment and the Security & Industry segments respectively. It is not yet possible to evaluate any risks that might result from the Brexit decision. However, it can be expected that the general uncertainty will have a negative influence on the business climate.

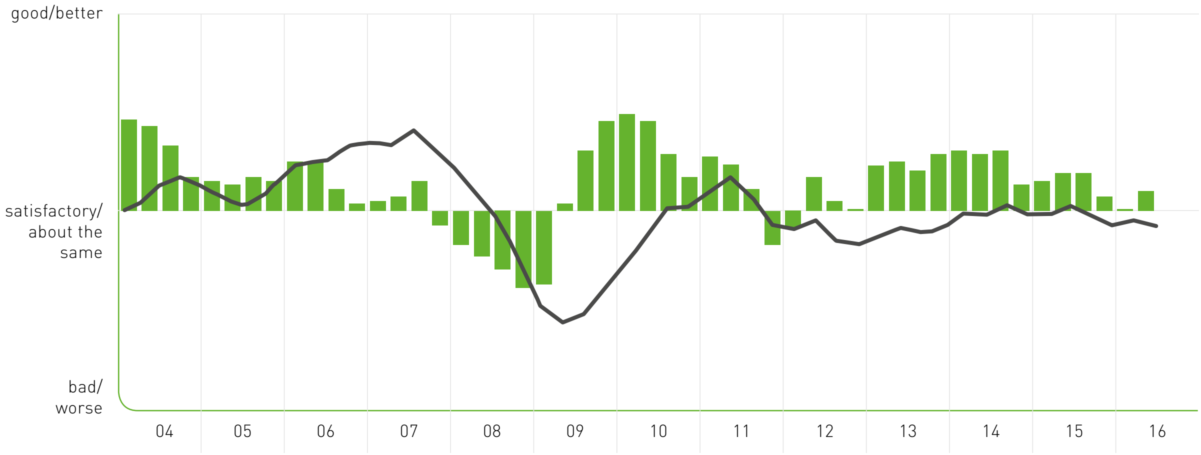
Market risks

Macroeconomic developments

Following a slowdown in worldwide economic growth in the first half of the year, primarily due to the oil price development and the weak economies in developing countries such as China, the experts at the Ifo Institute[23] are observing an increasing concern that the economy will collapse in China and numerous developing countries that export raw materials. They state that the repeated turbulences on the capital markets have continued to dampen the mood of investors, manufacturers and consumers worldwide. Moreover, the low oil prices have not revived the economies in developed nations as had been expected. Although the experts see signs of a worsening recession in Russia and Brazil and the central banks in the United States and England will conduct monetary tightening more cautiously than originally planned, the increases in global economic production will probably end up being only half as high as in the years before the global financial crisis. However, this assumption was based on the UK's remaining in the European Union. The effects of a Brexit cannot currently be estimated. For 2017 the experts expect that the global expansion rate will again slow down, due to the slower economy in China.

23 ifo Konjunkturprognose 2016-2017: Aufschwung in Deutschland geht in die zweite Halbzeit, June 16, 2016.

WORLD ECONOMY



Source: CESifo World Economic Survey[24]

All in all, Ifo experts expect global economic production to increase by 2.3 % in 2016 and by 2.6 % in 2017, although they have reduced their forecasts by 0.3 and 0.1 percentage points, respectively.

The Institute continues to see significant risks from the current trends in the Chinese economy.

Oil & Gas market

Experts continue to maintain that the economic outlook for the Oil & Gas market is difficult to predict. In fact, none of the organizations made firm predictions. In the meantime, it turns out that the enormous excess supply, which had caused oil prices to fall by more than USD 60 per barrel since summer 2014, is gradually being reduced, because the low price puts pressure on output. Now that oil companies have massively cut back on spending in the past few months, a situation has arisen in which oil prices and thus incomes are gradually increasing, with costs falling at the same time. Morgan Stanley believes that this trend will continue in the next 12 to 18 months. Because new oil production will be brought onstream in 2016, particularly in Canada, which will further increase production volume in this region, it is hard to predict spending by oil producers. There is also the additional risk that the industry will delay its use of innovative technologies for a certain amount of time.

Security & Industry market

Fuel cells: The developing market for off-grid and mobile industry systems is expected to continue to grow because of its increasing strategic importance. However, the dependence of many industries on the overall economic situation, government budgets and state economic programs plays an important role here.

Power electronics and switched mode network components: 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, so there is constant and widespread demand for these parts. However, there are still risks related to difficult assessment of customer orders by large international customers, who over the past two years preferred to reduce inventories rather than order new goods.

24 CESifo World Economic Survey (WES) II/2016, Volume 15, No. May 2, 2016.
25 Morgan Stanley: "Outlook for Oil: Lower Prices for Longer", February 5, 2016.

Defense & Security: On the whole experts assume that defense spending will again increase worldwide due to the most recent terrorist attacks and the crisis in the Middle East, particularly in the areas of innovation, modernization and increased efficiency. This could have a positive effective for SFC, both with respect to the development programs with defense partners and with respect to commercial orders. However, spending could be deferred as a result of new priorities in government budgets. Projects might be completely put on hold or not even ordered in the first place.

Consumer market

Caravaning: The German caravaning association CIVD and the European Caravan Federation ECF are very optimistic about the future. Low fuel prices will encourage consumers to travel more, since they will have more money left in their wallets once they purchase fuel. However, given the political and economic uncertainties, consumers are still reluctant to spend money, according to economic experts, and their willingness to do so is particularly difficult to estimate in this market, which constitutes a risk for sales of EFOY fuel cells. It is still to be expected that the traditional segment of RV buyers, generally wealthy retirees, will decline. Younger customers tend to prefer other, cheaper vehicle and travel options.

Marine: All indicators suggest that the boat and water sport industry will continue to grow in the coming year, both in Germany and around the world. However, we can also assume that the maritime economy will experience less dynamic growth in significant European markets than in Germany. The sovereign debt crisis in the Mediterranean region, which has not yet been overcome, will make it difficult for the economy to recover. The politically unstable situation in the Middle East involves additional risks. The most significant basis for a stable maritime economy are the existing boating and water sport enthusiasts, who are generally extremely attached to their leisure activities and thus remain true to their hobby over long periods of time. Thanks to this group of buyers, who are gradually growing older, the demand for equipment, accessories and services will remain steady in the coming years. However, the end of this comfortable situation is already in sight, and the industry will therefore have to make additional ongoing efforts to attract new buyers for the maritime market.

Liquidity risk

Liquidity risk describes the possibility that SFC may not be able to meet its payment obligations. This risk was counteracted by the capital increases in May 2007 and November 2014 and by the convertible bond issue in December 2015 and the increase thereof in January and March 2016. SFC still has cash reserves. However, in the first half of 2016 the cash reserves dropped again from the end of 2015 due to the net loss in 2016 and the resulting use of cash.

Our cash and cash equivalents have decreased considerably due to the acquisition of Simark and the operating result in recent years. Consequently, the acquisition has increased the liquidity risk, particularly because outside financing was obtained for part of the purchase price for the Simark Group, and we must comply with the corresponding loan agreements to counter the risk of the loans being called early or the risk of an increase in the interest rate for the borrowed capital.

Additional liquidity risks could result from the postponement of large projects. An example would be the postponement of large projects in the defense industry mentioned above, due to the expected revenue volume. If the expected liquidity is not obtained through future sales of inventory on hand, this could result in risks that threaten the Company’s survival.

The ultimate responsibility for liquidity risk management rests with the Management Board, which has formulated an appropriate strategy for managing the short-, medium- and long-term funding and liquidity requirements. SFC manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Interest rate risk

Interest rate risk results primarily from the investment of cash. As part of the capital increase in 2007, shares were also placed in the United States. In that context, SFC had to assume the contractual obligation to comply with certain tax laws in the United States. Consequently, no investments may exceed a three-month term at present. In that respect, the net interest income or expense of SFC is materially influenced by short-term interest rates. In addition, the Group is exposed to interest rate risk arising from short- and long-term floating-rate liabilities. The Group is not subject to any other material interest rate risk from variable-interest instruments. If the covenants are breached there is the risk that a higher interest rate will have to be paid or that the loan will be accelerated.

FORECAST REPORT

The Management Board therefore expects that consolidated sales will range from € 48 million to € 50 million in 2016 and that underlying EBITDA and underlying EBIT will improve significantly. An average CAD/EUR exchange rate of 1.50 was used in the sales and earnings planning for 2016.

RELATED-PARTY TRANSACTIONS

Please see the “Related-party transactions” section in the Notes to the Interim Report.

SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

After the balance sheet date PBF booked a framework agreement with a large industrial company, worth € 4.7 million.

As of the current date, there are no further events of material significance that could have a material effect on the Group’s assets and liabilities, financial position or results of operations.

Brunnthal, August 3, 2016

Dr. Peter Podesser CEO	Steffen Schneider CFO	Hans Pol CSO

INTERIM REPORT IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS OF JUNE 30, 2016

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 OF JUNE 30, 2016

SFC ENERGY AG, BRUNNTHAL, CONSOLIDATED INCOME STATEMENT FROM JANUARY 1 TO JUNE 30, 2016

in €

	1. HY 2016 1/1 – 6/30	1. HY 2015 1/1 – 6/30	Q2 2016 4/1 – 6/30	Q2 2015 4/1 – 6/30
Sales	20,798,836	24,791,535	10,500,738	12,180,988
Production costs of work performed to generate sales	– 14,658,298	– 18,228,729	– 7,581,912	– 9,257,855
Gross profit	**6,140,538**	**6,562,806**	**2,918,826**	**2,923,133**
Sales costs	– 4,753,325	– 5,916,579	– 2,466,245	– 2,991,005
Research and development costs	– 1,903,377	– 1,975,992	– 1,024,985	– 1,007,571
General administration costs	– 2,431,449	– 2,668,484	– 1,376,422	– 1,337,887
Other operating income	86,278	98,948	61,325	19,375
Other operating expenses	– 26,093	– 31,648	– 2,243	– 29,491
Operating loss	**– 2,887,428**	**– 3,930,949**	**– 1,889,744**	**– 2,423,447**
Interest and similar income	59	3,139	37	972
Interest and similar expenses	– 272,541	– 162,337	– 152,442	– 84,184
Loss from ordinary operations	**– 3,159,910**	**– 4,090,147**	**– 2,042,149**	**– 2,506,659**
Income taxes	153,476	90,850	53,080	81,716
Consolidated net loss	**– 3,006,434**	**– 3,999,298**	**– 1,989,069**	**– 2,424,943**
NET LOSS PER SHARE				
undiluted	– 0.35	– 0.46	– 0.23	– 0.28
diluted	– 0.32	– 0.46	– 0.21	– 0.28

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FROM JANUARY 1 TO JUNE 30, 2016

in €

	1. HY 2016 1/1 – 6/30	1. HY 2015 1/1 – 6/30	Q2 2016 4/1 – 6/30	Q2 2015 4/1 – 6/30
Consolidated net loss	**– 3,006,434**	**– 3,999,298**	**– 1,989,069**	**– 2,424,943**
OCI items that may be recycled to profit or loss in the future				
Result from currency translations	256,466	174,277	117,976	– 97,620
Total other results	**256,466**	**174,277**	**117,976**	**– 97,620**
Total comprehensive income	**– 2,749,968**	**– 3,825,021**	**– 1,871,093**	**– 2,522,563**

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 OF JUNE 30, 2016

		in €
	6/30/2016	12/31/2015
Current Assets	**19,268,177**	**21,153,724**
Inventories	8,981,391	8,781,766
Trade accounts receivable	6,918,544	6,759,498
Receivables from Percentage-of-Completion	370,959	729,989
Income tax receivables	453,736	428,127
Other short-term assets and receivables	806,497	742,278
Cash and cash equivalents	1,418,616	3,277,066
Cash and cash equivalents with limitation on disposal	318,434	435,000
Non-current assets	**14,613,322**	**14,735,533**
Intangible assets	12,563,568	12,767,993
Property, plant and equipment	1,417,108	1,389,621
Other long-term assets and receivables	3,853	3,303
Deferred tax assets	628,793	574,616
Assets	**33,881,499**	**35,889,257**

SFC ENERGY AG, BRUNNTHAL CONSOLIDATED BALANCE SHEET AS OF JUNE 30, 2016

in €	6/30/2016	12/31/2015
Current liabilities	**12,125,776**	**13,040,475**
Provisions for taxes	85,932	57,463
Other provisions	152,249	609,563
Liabilities to banks	3,042,486	2,014,131
Liabilities from prepayments	5,671	21,319
Trade accounts payable	6,036,022	7,262,550
Liabilities under finance leases	44,496	42,380
Liabilities from Percentage-of-Completion	38,235	0
Other short-term liabilities	2,720,685	2,827,058
Income tax liabilities	0	206,011
Non-current liabilities	**7,862,990**	**6,290,972**
Other long-term provisions	2,082,562	1,586,987
Liabilities to banks	2,001,730	2,202,797
Liabilities under finance leases	47,667	45,400
Other long-term financial liabilities	2,769,304	1,316,756
Other liabilities	23,113	61,948
Deferred tax liabilities	938,614	1,077,084
Equity	**13,892,733**	**16,557,810**
Subscribed capital	8,611,204	8,611,204
Capital surplus	72,101,906	72,017,015
Other changes in equity not affecting profit or loss	–455,989	–712,455
Consolidated net loss	–66,364,388	–63,357,954
Liabilities and shareholders' equity	**33,881,499**	**35,889,257**

SFC ENERGY AG, BRUNNTHAL
CONSOLIDATED CASH FLOW STATEMENT
FROM JANUARY 1 TO JUNE 30, 2016

in €

		1/1 – 6/30/2016	1/1 – 6/30/2015
	Cash flow from ordinary operations		
	Result before taxes	**– 3,159,910**	**– 4,090,147**
+	Net interest income	272,482	159,198
+	Depreciation/amortization of intangible assets and property, plant and equipment	1,131,174	1,225,081
–/+	Income/Expenses from SAR Plan/Transaction bonus	– 118,731	27,634
+	Changes in allowances	233,283	131,079
+/–	Losses/Gains from disposal of property, plant and equipment	690	– 11,492
–/+	Other non-cash expenses/income	– 132,906	129,671
	Changes to operating result before working capital	**– 1,773,918**	**– 2,428,976**
+/–	Changes to provisions	9,923	– 215,589
+	Changes to trade accounts receivable	941	2,303,442
–/+	Changes to inventories	– 320,752	94,440
+	Changes to other receivables and assets	333,723	440,868
–	Changes to trade accounts payable	– 1,381,906	– 1,628,710
–	Changes to other liabilities	– 251,564	– 960,333
	Cash flow from ordinary operations before taxes	**– 3,383,553**	**– 2,394,859**
–/+	Income tax payments/refunds	51,080	– 457,648
	Cash flow from ordinary operations	**– 3,332,473**	**– 2,852,506**

SFC ENERGY AG, BRUNNTHAL
CONSOLIDATED CASH FLOW STATEMENT
FROM JANUARY 1 TO JUNE 30, 2016

in €

		1/1 – 6/30/2016	1/1 – 6/30/2015
	Cash flow from investment activity		
–	Investments in intangible assets from development projects	– 316,173	– 341,268
–	Investments in other intangible assets	– 6,718	– 47,417
–	Investments in property, plant and equipment	– 228,216	– 111,248
+	Interest and similar income	59	3,569
+	Payments for acquisition of bank deposits with limitation on disposal	116,566	0
+	Proceeds from disposal of property, plant and equipment	0	11,500
	Cash flow from investment activity	**– 434,482**	**– 484,864**
	Cash flow from financial activity		
–	Repayment of financial debt	– 321,106	– 346,093
+	Proceeds from issuance of convertible bonds	1,399,188	0
–	Expenses from issuance of convertible bonds	– 5,530	0
+/–	Changes to current account liabilities	941,610	1,459,584
–	Repayment of liabilities under finance leases	– 729	0
–	Interest paid and other expenses	– 103,992	– 126,654
	Cash flow from financial activity	**1,909,441**	**986,837**
	Net change in cash and cash equivalents	**– 1,857,514**	**– 2,350,533**
	Currency effects on cash and cash equivalents	– 936	3,772
	Net change in cash and cash equivalents		
	Cash and cash equivalents at beginning of period	3,277,066	6,122,418
	Cash and cash equivalents at end of period	1,418,616	3,775,657
	Net change in cash and cash equivalents	**– 1,857,514**	**– 2,350,533**

SFC ENERGY AG, BRUNNTHAL
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FROM JANUARY 1 TO JUNE 30, 2016

in €

	Subscribed capital	Capital surplus	Other changes in equity not effecting profit or loss	Net accumulated loss	Total
As of 1/1/2015	**8,611,204**	**71,954,950**	**– 288,248**	**– 52,688,973**	**27,588,933**
Total comprehensive income for the period					
Consolidated net loss 1/1 – 6/30/2015				– 3,999,298	– 3,999,298
Result from currency translation recognized in equity			174,277		174,277
As of 6/30/2015	**8,611,204**	**71,954,950**	**– 113,971**	**– 56,688,271**	**23,763,912**
Total comprehensive income for the period					
Consolidated net loss 7/1 – 12/31/2015				– 6,669,683	– 6,669,683
Result from currency translation recognized in equity			– 598,484		– 598,484
Capital increase					
Issuance of convertible bonds -equity component		67,206			67,206
Less cost from capital increase		– 5,141			– 5,141
As of 12/31/2015	**8,611,204**	**72,017,015**	**– 712,455**	**– 63,357,954**	**16,557,810**
Total comprehensive income for the period					
Consolidated net loss 1/1 – 6/30/2016				– 3,006,434	– 3,006,434
Result from currency translation recognized in equity			256,466		256,466
Capital increase					
Issuance of convertible bonds -equity component		84,891			84,891
As of 6/30/2016	**8,611,204**	**72,101,906**	**– 455,989**	**– 66,364,388**	**13,892,733**

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.

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

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, 2015 were also used to prepare the interim financial statements.

The interim report of SFC Energy AG for the financial period from January 1 to June 30, 2016 was 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, 2016.

In addition to the standards and interpretations applied at December 31, 2015, the following standards were applicable for the first time, but had no impact on the consolidated financial statements:

- Amendments to IAS 1 "Presentation of Financial Statements" (2014)
- Amendments to IAS 16 "Property, plant and equipment" and IAS 38 "Intangible assets" (2014)
- Amendments to IAS 19 "Employee Benefits" (2013)
- Amendments to IFRS 10 "Consolidated Financial Statements," IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in associates" (2014)
- Annual Improvements to IFRSs 2010-2012 Cycle
- Annual Improvements to IFRSs 2012-2014 Cycle

The Group has not early adopted any other new or amended standards and interpretations that have been published, but are not yet effective.

This interim report is presented in euros (€). Figures stated in this interim 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 format. 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. During the first six months of 2016, there were receivables from percentage-of-completion in the amount of € 370,959 (December 31, 2015: € 729,989) and liabilities from percentage-of-completion in the amount of € 38,235 (December 31, 2015: € 0).

Other short-term assets and receivables

The Company had other short-term assets of € 806,497 as of the reporting date (December 31, 2015: € 742,278). The slight increase is primarily attributable to an increase in claims to subsidies to € 122,000 (December 31, 2015: € 0) and to the increase in prepaid expenses to € 499,578 (December 31, 2015: € 304,103), with a simultaneous decline in VAT receivables to € 85,983 (December 31, 2015: € 218,474).

Other liabilities

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

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), Mr. Pol (tranche HP1 and HP2) and Mr. Schneider (tranche StS1). 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. No further SARs have been granted in financial year 2016.

The plan provides for 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).

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 2016 is shown in the following table:

	Tranche PP1	Tranche HP1	Tranche StS1	Tranche HP2
Number of stock appreciation rights (SAR)	360,000	90,000	180,000	180,000
Maximum term (years)	7.00	7.00	7.00	7.00
SARs outstanding at the beginning of the 2016 reporting period (1/1/2016)	240,000	7,500	120,000	180,000
SARs granted in the 2016 reporting period	0	0	0	0
SARs forfeited in the 2016 reporting period	120,000	0	0	0
SARs exercised in the 2016 reporting period	0	0	0	0
SARs expired in the 2016 reporting period	0	0	0	0
SARs outstanding at the end of the 2016 reporting period (6/30/2016)	120,000	7,500	120,000	180,000
SARs exercisable at the end of the 2016 reporting period (6/30/2016)	0	0	0	0
The following inputs were used in the measurement as of June 30, 2016				
Measurement date	6/30/2016	6/30/2016	6/30/2016	6/30/2016
Remaining term (in years)	4.75	4.50	5.25	6.00
Volatility	36.09%	36.45%	35.55%	36.47%
Risk-free interest rate	–0.58%	–0.59%	–0.55%	–0.48%
Expected dividend yield	0.00%	0.00%	0.00%	0.00%
Exercise price	€ 1.00	€ 1.00	€ 1.00	€ 1.00
SFC share price as of the measurement date	€ 3.62	€ 3.62	€ 3.62	€ 3.62

As 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 30.06.2016 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 2016 and 2017.

At June 30, 2016, a liability of € 111,385 was recognized under other liabilities in connection with the SAR Plan (€ 88,272 thereof under other long-term liabilities) (December 31, 2015: € 230,116, with € 61,948 thereof under other long-term liabilities). The amount expensed for the period from January 1 to June 30, 2016, was minus € 118,731 (prior-year period: € 27,634).

Transaction bonus

A transaction bonus was granted to selected members of the Management Board in financial year 2015. This transaction bonus consists of a cash payment in the event of a successful takeover bid for SFC shares, depending on the amount of such bid.

The transaction bonuses 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 bonus was awarded.

Since no takeover bid was made within the term of the contract providing for a transaction bonus, the bonus expired as of June 30, 2016.

At June 30, 2016, a liability of € 0 was recognized in connection with the transaction bonus under other liabilities (€ 0 thereof under other short-term liabilities) (December 31, 2015: € 24,013, with € 24,013 thereof under other short-term liabilities). The amount expensed for the period from January 1 to June 30 was minus € 24,013 (prior-year period: € 0).

Sales costs

Sales costs were as follows in the first half of 2016:

		in €
	1/1 – 6/30/2016	1/1 – 6/30/2015
Personnel costs	2,772,800	3,733,711
Depreciation and amortization	622,117	666,267
Advertising and travel costs	514,466	555,027
Consultancy/commissions	201,930	152,414
Cost of materials	61,586	78,406
Other	580,426	730,752
Total	**4,753,325**	**5,916,579**

Research and development costs

Research and development costs were as follows in the first half of 2016:

		in €
	1/1–6/30/2016	1/1–6/30/2015
Personnel costs	1,552,839	1,447,733
Consultancy and patents	415,407	235,145
Cost of premises	192,989	183,893
Other depreciation and amortization	184,942	186,287
Cost of materials	114,592	340,650
Impairment losses/Depreciation and amortization of self-developed intangible assets	1,187	4,161
Other	171,785	164,623
Set-off against grants	–414,191	–245,232
Capitalization of self- developed intangible assets	–316,173	–341,268
Total	**1,903,377**	**1,975,992**

General administration costs

General administration costs were as follows in the first half of 2016:

		in €
	1/1–6/30/2016	1/1–6/30/2015
Personnel costs	1,082,359	1,216,499
Audit and consultancy costs	465,778	467,843
Investor relations/annual meeting	209,166	229,782
Insurance	118,949	116,013
Depreciation and amortization	80,417	90,084
Car-operating costs	66,803	61,819
Travel costs	56,993	96,559
Supervisory Board compensation	56,250	56,250
Costs of hardware and software maintenance	35,661	34,677
Other	359,863	352,095
Set-off against grants	–100,790	–53,139
Total	**2,431,449**	**2,668,484**

Other operating income and expenses

The figure for other operating income in the first six months of 2016 predominantly reflects foreign exchange transaction gains of € 80,545 (previous year: € 79,133). Last year's figure reflected book gains on the disposal of fixed assets in the amount of € 11,492.

Other operating expenses in the first six months of 2016 predominantly reflect foreign exchange transaction losses of € 26,094 (previous year: € 31,646).

Income taxes

As was the case in the consolidated financial statements at December 31, 2015, 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 profit and EBITDA when steering the Group and implementing the realignment of its business with the core markets Oil & Gas, Security & Industry and Consumer.

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 2016:

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

in €

Segments	Sales		Gross profit		EBITDA	
	2016 1/1–6/30	2015 1/1–6/30	2016 1/1–6/30	2015 1/1–6/30	2016 1/1–6/30	2015 1/1–6/30
Oil & Gas	8,839,537	14,441,003	1,837,036	3,292,641	–647,038	–467,823
Security & Industry	9,871,041	8,028,211	3,748,649	2,712,941	–583,178	–1,742,767
Consumer	2,088,258	2,322,322	554,853	557,224	–526,041	–495,279
Total	**20,798,836**	**24,791,535**	**6,140,538**	**6,562,806**	**–1,756,257**	**–2,705,869**
Depreciation/amortization					–1,131,171	–1,225,081
Operating loss (EBIT)					**–2,887,428**	**–3,930,949**

The "Security & Industry" segment 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. This includes 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 portable JENNY, the vehicle-based EMILY, 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" segment, SFC's EFOY GO! and 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, 2015. There were no significant related party transactions in the first half of 2016, just as there were none in the first half of 2015.

Employees

SFC employed the following personnel as of the reporting date:

	6/30/2016	6/30/2015
Full-time employees (incl. Management Board)	197	206
Part-time employees	29	33
Total	**226**	**239**

There were also a total of 7 (previous year: 3) trainees, graduates and student trainees at the end of June 2016.

Earnings per share

Earnings per share are calculated by dividing the consolidated 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, 8,611,204 at the balance sheet date of June 30, 2016 (previous year: 8,611,204) did not change during the first half of 2016. The calculation of diluted earnings per share is based on the profit attributable to the holders of shares of common stock and a weighted average of the shares of common stock in circulation after eliminating all dilutive effects of potential shares of common stock. In financial year 2016, there were dilutive effects due to the convertible bond issue that must be taken into account in determining the number of outstanding shares, as well as dilutive effects on SFC's earnings.

Subsequent events after the balance sheet date

After the balance sheet date, PBF received a € 4.7 million framework order from a large industrial company.

The Company is not aware of any other material events after the balance sheet date affecting the course of business.

Brunnthal, August 3, 2016

The Management Board

Dr. Peter Podesser
CEO

Steffen Schneider
CFO

Hans Pol
CSO

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, August 3, 2016

Dr. Peter Podesser	**Steffen Schneider**	**Hans Pol**
CEO	CFO	CSO

FINANCIAL CALENDAR 2016

November 8, 2016 Q3 Report
November 21, 2016 DVFA Analysts' Conference

SHARE INFORMATION

Bloomberg Symbol	F3C
Reuters Symbol	CXPNX
WKN	756857
ISIN	DE0007568578
Number of shares	8,611,204
Stock Category	No-par value shares
Stock segment	Prime Standard, Renewable Energies
Stock exchange	Frankfurt, FWB
Designated Sponsors	Hauck & Aufhäuser Privatbankiers KGaA

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 / CrossAlliance communication GmbH
Concept and Design: Anzinger und Rasp
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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.