



Halfyear Report Q2/2017

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INTRODUCTION BY THE MANAGEMENT BOARD

DEAR SHAREHOLDERS,

SFC Energy AG can look back on a successful first half of 2017. The first-quarter sales momentum continued in the second quarter, despite a temporary slump in the price of oil, with sales increasing by 25.6% over the same period in 2016. In the first six months of 2017, SFC Energy Group sales increased to € 26.31 million, up from € 20.80 million in 2016. Economies of scale and a tight rein on costs were the main factors resulting in a significantly improved EBITDA of € –0.55 million, compared to € –1.76 million in the first six months of 2016.

The SFC share also performed well in the first six months of 2017. The price of the share doubled from its 2016 closing price to € 4.05, as private and institutional investors rewarded our most recent accomplishments.

In this report we provide an overview of the performance of our Oil & Gas, Security & Industry, and Consumer business segments and present our guidance for 2017.

Oil & Gas

Despite a temporary decline in oil prices in the second quarter, analysts and the industry itself expect “relative price stability” at between USD 40 and USD 50. During the temporary period of falling prices, customers reacted with caution, deciding against spending in the short term. This makes the growth in this segment all the more impressive. Sales in Q2 2017 amounted to € 5.9 million, a 22% increase over Q2 2016, thus remaining at approximately the same level as in Q1 2017, in line with our expectations. Total sales for the first half of 2017 amounted to € 11.7 million, a 32% increase over the same period in 2016. The quality of the sales increase is also reflected by the fact that in addition to customer spending on replacements and maintenance, new projects were a major driver of growth in this segment. We reported on two of these, both major orders from two Canadian oil producers, in separate press releases. In general, there is a marked increase in the number of new oil and gas drillings. This trend is expected to have a positive effect, especially on our upstream product sales.

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Security & Industry

The Security & Industry segment, which remains SFC Energy's largest business unit, again posted robust growth in the reporting period. In the second quarter of 2017, sales of power electronics increased by 26% and fuel cell sales were up 13% compared to the same period in 2016. Both product groups also outperformed the previous year in terms of six-month sales: power electronics were up 23%, while fuel cell products increased by 54%. The dynamic demand for civil surveillance technologies and a steady demand from existing and new customers of our subsidiary PBF have been major drivers of growth here. Of special interest is the continued regional expansion of our business as demand increases around the world, e. g., in Singapore.

In the second quarter of 2017, the Defense business grew by more than 143% over the same period in 2016. For the first six months the increase was 7%, which also clearly reflects the project-based nature of this line of business. Especially worth noting is our most recent sales success around the world, which demonstrates that our strategy is working and will also help reduce our dependence on defense customers in Germany. Examples include our successful market entry into the United Kingdom with the first serial order for EMILY products as on-board power supplies for military vehicles, and a follow-up order from India for powering off-grid border protection equipment.

Consumer

With a 9% increase in sales, well above our expectations, the Consumer segment returned to growth in the second quarter of 2017. Even though sales for the first half were still 5% below the same period in 2016, our efforts to further expand our business internationally and grow our existing markets are starting to produce effects.

Financing

Management remains firmly committed to strengthening SFC Energy's equity position and increasing its liquidity reserves. Important steps in this connection were a Singapore investor's exercise of option bonds issued on October 18, 2016, resulting in gross proceeds of € 0.4 million, and financing in the amount of € 5 million obtained from Harbert European Growth Capital Fund (Harbert) in August 2017.

The Harbert financing, which was obtained after the end of the reporting period, was formalized by the Management Board of SFC Energy AG on August 3, 2017, with the consent of the Supervisory Board, pursuant to a comprehensive financing plan consisting of:

- the issuance of a secured fixed-income bond with a principal amount of € 4,997,500,
- entry into related security agreements, and
- the issuance of an option bond.

This transaction provided the Company with gross issue proceeds of € 5 million. The cash inflow is to be used to repay loans, strengthen the Company's liquidity base and promote the further international expansion of the business.

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Conclusion

SFC Energy’s performance in the first half of 2017 was in the upper range of our expectations. With a strong order backlog of € 16.25 million at June 30, 2017, which is approximately 46 % over the prior year’s figure, we remain optimistic about the entire 2017 fiscal year and confirm our guidance given in the 2016 Annual Report: We expect sales to grow to between € 50 million and € 55 million, in tandem with significantly improved profitability vis-à-vis 2016.

Our positive outlook for the entire year is supported by increased capital spending of our Defense & Security and Oil & Gas customers. To further strengthen our own position in both markets in the medium term, we have expanded our team to 250 full-time employees in the reporting period. Nevertheless, we would stress how difficult it is to predict the defense business in Germany, which is project-based, making it hard to predict how it will contribute to sales and earnings in future quarters. On the sales side, if all new defense orders from our home market were postponed until the 2018 fiscal year, our increasing success at the international level would not be able to make up for it.

There was a change in the Management Board of SFC Energy AG in Q2 2017. Steffen Schneider, who had been a member of the Management Board and CFO of SFC Energy AG since September 1, 2014, asked the Supervisory Board in March 2017 to terminate his employment agreement early so that he could pursue other opportunities. The Supervisory Board regretted Mr. Schneider’s decision, but agreed after careful consideration to terminate his contract early, as he requested. Mr. Schneider left the Management Board at the end of the 2017 Annual General Meeting held on May 17, 2017, on the best of terms. Mr. Schneider made his mark on the Management Board’s work, not only through his expertise and expertise, but also with his engaging personality. His accomplishments in maintaining the financial strength of the Company were extremely significant for the further growth of SFC Energy AG. We would like to thank Mr. Schneider, also on behalf of the Supervisory Board, for his successful hard work for the Company and wish him all the best in his future career and personal life.

His duties as CFO have been assumed by Gerhard Inninger, who had previously served as CFO of SFC Energy AG from 2011 to 2014. He reports to the CEO Dr. Peter Podesser, who has taken on responsibility for Finances at the Management Board Level.

We would also like to thank our customers, partners and suppliers and our investors and shareholders for their constructive support and continued trust. Special thanks go to our employees for their dedicated work.

Sincerely,

The Management Board of SFC Energy AG



Dr. Peter Podesser
Management Board Chairman
(CEO)



Hans Pol
Management Board
(CSO Power Electronics)



Marcus Binder
Management Board
(CSO Defense)

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THE SHARE

SFC ENERGY – THE SHARE IN THE FIRST HALF OF 2017

The international equities market posted positive year-on-year growth in 2017. Share prices were up worldwide in the first six months, with many indexes even posting new record highs. European equities in particular increased. The concerns that populists might win elections in Europe and that the growing protectionism of the Trump administration might have negative effects have thus far proved to be unfounded. Although the Federal Reserve raised prime interest rates in the United States in March, and although bond yields continued to rise and the new US President remains unpredictable, none of these factors caused lasting concern among investors. As a result, the equity markets were unusually stable in the first half of 2017. For example, at 6.7% p.a., volatility on the US stock market in the first quarter of 2017 was far below its longstanding average of 16.1% p.a. Meanwhile, the equities markets of emerging and developing countries performed significantly better than those of industrialized nations.

For the first time in a long time, European equities managed to outperform US blue chips, after Emmanuel Macron's victory in the French presidential elections brought the certainty that the markets needed. As a result, the German DAX surpassed its one-year-old record high, quickly heading for a high of 13,000 points. The DAX opened at 11,426.38 points on January 2nd, 2017 and closed the first half at 12,325.12 points on June 30th, 2017. This corresponds to a 7.9% increase. Prices stagnated in the second quarter, growing by only 0.1%. The German TecDAX was up 20.8% in the first six months of 2017. The German DAX was weaker at the end of the first half, even though it had reached an all-time high of 12,951 points during the period. During the final trading days of June, the DAX fell back to its level at the end of April. The concern that central banks around the world could streamline monetary policy faster and more strongly than previously assumed had an adverse effect on the German leading index.

The euro was trading higher at the end of the first half than it had since the Brexit vote a year ago. From comments made by ECB President Mario Draghi, market participants gathered that monetary policy would be less loose in the coming months. This expectation was confirmed by consumer prices in Germany and France, which were higher than expected. In Germany the rate of inflation in June was up 1.6% over the prior month. The ECB is currently purchasing government and corporate bonds with an investment grade rating in volumes of € 60 billion on the financial markets. The prime rate is 0.0% and the negative interest rate is -0.4%.

Trading of the SFC Energy AG share opened the 2017 year on January 2 at a price of € 1.97, also reaching the first half low of € 1.96 on January 2. In the positive capital market environment, share prices reflected the growth in SFC Energy's business, reaching a high of € 4.17 on June 7. The closing price on June 30 was € 4.05. At that price, the SFC Energy share was up 100.5% in the first half of 2017 when compared to the closing price of € 2.02 on December 31, 2016. The average daily trading volume of SFC Energy shares was 6,335 shares in the first half (previous year: 2,092 shares). Using the unchanged basis of 9.05 million shares, the market capitalization of SFC Energy AG increased to € 36.6 million at the end of the first half of 2017, as compared with the market cap of € 18.3 million based on the closing price for 2016 (all information based on prices in Xetra trading).

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The annual meeting of SFC Energy AG shareholders was held in Munich on May 17, 2017, with 63.83% of the shares in attendance. In his speech the CEO reported on the performance of the business in 2016 and then answered shareholders' questions. The shareholders of SFC Energy AG ratified the acts of the Management Board and the Supervisory Board and voted in favor of all of management's proposals on the agenda with a large majority. The results of the vote can be seen at www.sfc.com.

There was no material change in the shareholder structure at the end of the first half of 2017, as compared with the 2016 balance sheet date. Slightly more than 50% of SFC shares are held by institutional investors, who accompany and support the company in its growth. The expanded management of SFC Energy AG holds around 4% of the shares. The remaining shares are held in free float.

The shares of SFC Energy AG are listed in the Prime Standard segment of the Frankfurt Stock Exchange. In the second quarter of 2017, the research firms of First Berlin Equity Research GmbH and Warburg Research GmbH produced studies of the company. The complete studies are available for download on the SFC Energy AG website under Investor Relations/Share.

Ongoing, transparent communication with investors, analysts and representatives of the financial press is particularly important to SFC Energy. As in the past, the Management Board has continued to hold numerous discussions with these target groups in the current fiscal year, including many road shows and participation in the German Equity Forum in the fall of this year.

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BASIS OF THE GROUP

The Group's Business Model

Organizational structure of the Group and locations

The Group (SFC Group) comprises SFC Energy AG, Brunnthäl, Germany (SFC), PBF Group B.V., Almelo, Netherlands, and its subsidiaries in Romania (PBF); and Simark Controls Ltd., Calgary, Canada (Simark). SFC Energy Inc., Winter Park, USA was deconsolidated at the end of fiscal year 2016 and is currently being liquidated.

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, the SFC Group 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).

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, the SFC Group 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 complete solutions.

RESEARCH AND DEVELOPMENT

SFC's research and development activities focused on the following in the first half of 2017:

- The Company continued to make quality improvements to its series products.
- Validation, manufacturing and delivery of a buriable air-cooled energy solution on the basis of the water-cooled energy solution in connection with procurement by an international defense organization.
- Integration of the JENNY 1200 into existing energy networks and ongoing implementation of improvements on the basis of experiences from field deployment.
- Development of an intelligent communication cable for the JENNY 1200 so that it can be easily connected to HDQ batteries
- Evaluation and testing of individual components of higher-output energy supply solutions for stationary and vehicle-based applications, in order to better meet customer requirements.
- Ongoing improvement, further development and portfolio expansion of energy solutions for industrial use.
- Development and testing of the deployability of the EFOY Pro 12000 Duo for voltages up to 75 V.
- Further tests were conducted to increase performance and further reduce component costs in order to reduce degradation with increased power density and cut back on the amount of material used.
- Development and programming of a service tool for fuel cell systems.
- Measures were taken to reduce fuel cartridge noise for non-stationary use.

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.
- The first prototypes of the 3.5 kW laser power supply (LAPS3500), a part of the laser platform, were tested at a new customer's location. Increasing performance to 3.8 kW is optional. The product is still in the testing phase and should be certified and go into production in the course of 2017.
- The development of an energy supply for the aviation industry began in February 2016. After the prototypes were designed, built and tested, they were then improved. Customer tests were conducted in Q2 2017. The next prototype will go into production in Q3 2017; deliveries are planned for the end of Q3 2017.
- A development project with the goal of expanding the power output of existing products. Initial prototypes were delivered to customers in late Q3 2016 for testing in Q4. The project will be continued with a second prototype in 2017. The release of the project is planned for Q3 2017.
- The development of a 2.5 kW power supply for the laser market began in late Q3 2016. Initial prototypes were delivered in Q1 2017, and the second prototype is planned for late August 2017.
- An order to manufacture a prototype for a complete laser system (LASYS) was received in late Q3 2016. Laser diodes can be operated directly with this system. This system is based on LAPS3500. Initial operational prototypes were delivered in late Q4. Additional demands on the specification were implemented with the new design by the end of Q4 2016. The first systems are expected to be delivered in mid-August 2017.

ECONOMIC REPORT

Macroeconomic and sector-based background conditions

Momentum of global economy remains robust

In its economic forecast for 2017/2018, the ifo Institute¹ predicts that the underlying momentum in the global economy will continue in the second half of 2017. Global trade in goods increased significantly in the first half of 2016 after three quarters of stagnation, both in the United States, where a robust rise in employment, continuously falling short-term and long-term unemployment rates and solid real wage growth combined with rising real estate and share prices to put consumers in the mood to spend money. The upturn increased in strength and breadth in the eurozone as well, where private households benefited from the slowly but surely recovering labor market and the increase in real income. The expansive monetary policy of the European Central Bank also resulted in increased private investment activity and gave governments more leeway for discretionary spending. In Japan the economic expansion picked up steam as a result of the devaluation of the yen, which benefited net exports. Even in the emerging economies the overall economic situation was good. It is true that aggregate production in China was lower, but experts believe that this is just a temporary phenomenon. India and many economies in East Asia posted strong growth, as did Russia and Brazil. The experts at the Institute therefore expect the growth rate of the global economy to increase by a significant 3.0% in 2017 and by 2.9% in 2018. Overall economic performance is also expected to increase significantly in the eurozone as well.

¹ ifo Konjunkturprognose 2017/2018, "Deutsche Wirtschaft stark und stabil", June 20, 2017

German economy remains on strong upward trend

According to the Federal Ministry for Economic Affairs and Energy (BMWi²), the German economy continued its momentum in the first half of 2017. According to the Ministry, production in the manufacturing sector continued to rise in April, surpassing the good result for the first quarter. In a three-month comparison, production rose sharply by 2.3%. Incoming orders rose slightly by 0.8% in the same period. Employment continued to drive momentum. On the demand side, economic momentum was ultimately driven by investments, but also by private and government spending. The slight global economic recovery also promoted German export development and also boosted growth even as imports remained weak.

According to the Ifo Institute's estimations in the first quarter of 2017, following rather moderate growth in the second half of 2016, gross domestic product (GDP) is expected to be up by a clear 0.6% in real terms. For the full year 2017, the Institute expects a 1.8% increase in GDP, and 2.0% growth for the coming year. As in the past few years, economic growth should be driven by the continuing strong consumer demand by private households and the building industry.

Oil & Gas market

To evaluate the economic trends in 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.

Canada, which is Simark's home market, is the fifth largest gas and sixth largest crude oil producer in the world. Canadian energy production has almost doubled since 1980. At the end of 2015, Canada had a total of 171 billion barrels of reserves and thus the third largest crude oil supplies in the world after Venezuela and Saudi Arabia³. The Canadian oil and gas industry is the largest private sector investor in the country, with total investments of CAD 36 billion in 2016. In 2014 this figure amounted to as much as CAD 81 billion, while it stood as CAD 42 billion in 2015.

According to the Canadian Association of Petroleum Producers CAPP⁴, in its press report on the country's production output, the experts believe that overall Canadian oil production will grow to 5.1 million b/d in 2030, up from 3.9 million b/d in 2016, primarily driven by an increase in oil sands production of up to 3.7 million b/d in 2030 from 2.4 million b/d in 2016. Conventional oil production is expected to remain flat, producing 0.9 million b/d on average throughout the outlook.

After falling drastically beginning in 2014 due to the oil price collapse and global overproduction, from highs of more than USD 100 per barrel, oil prices recovered in the first half of 2017, reaching almost USD 50 per barrel in May 2017.

Capital spending in the Canadian oil & gas industry is expected to decline for the third consecutive year to CAD 15 billion in 2017, with considerable negative effects on planned investments and projects. Spending stood at CAD 34 billion in 2014. Although conventional oil production is expected to increase 70% compared to 2016 levels, it will still be 40% lower than in 2014.

The International Energy Agency IEA⁵ reported that global oil supply rose by 585,000 b/d in May 2017 to 96.7 million b/d as both OPEC and non-OPEC countries produced more. Output stood 1.3 million b/d above a year ago, the highest annual increase since February 2016. Gains were dominated by non-OPEC countries, particularly the US.

2 BMWi Bundesministerium für Wirtschaft und Energie, Pressemitteilung "Die wirtschaftliche Lage in Deutschland im Juni 2017", June 13, 2017

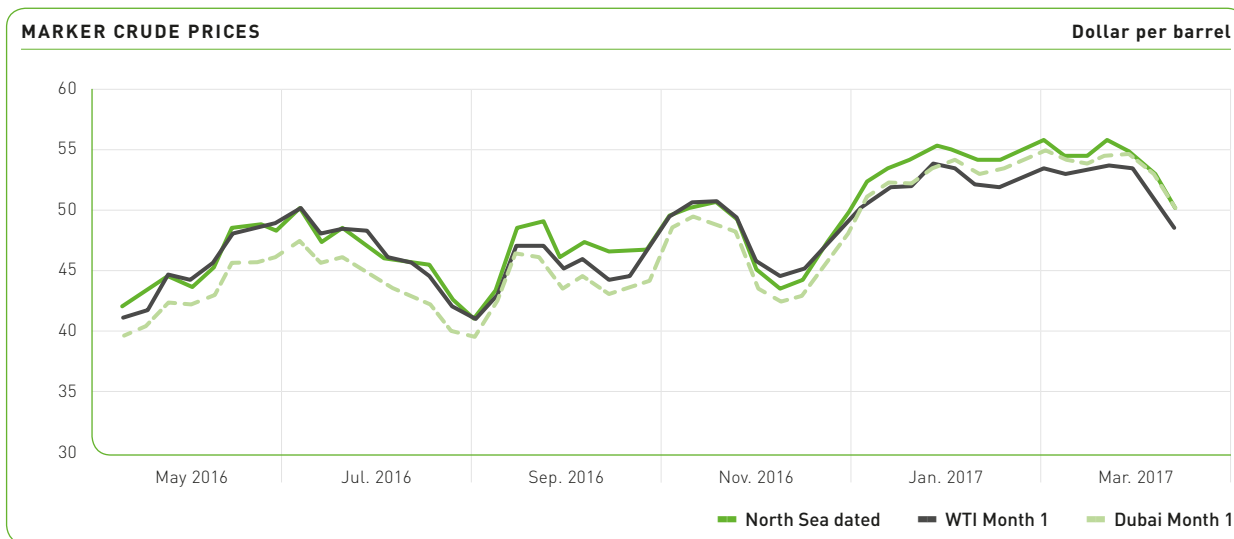
3 Canadian Association of Petroleum Producers CAPP, website, Basic Statistics & Canadian Economic Contribution

4 Canadian Association of Petroleum Producers CAPP, Press Release: "Growth in the oil sands projects drives need for more pipelines to 2030", June 13, 2017

5 International Energy Agency, "Oil Market Report June", June 14, 2017

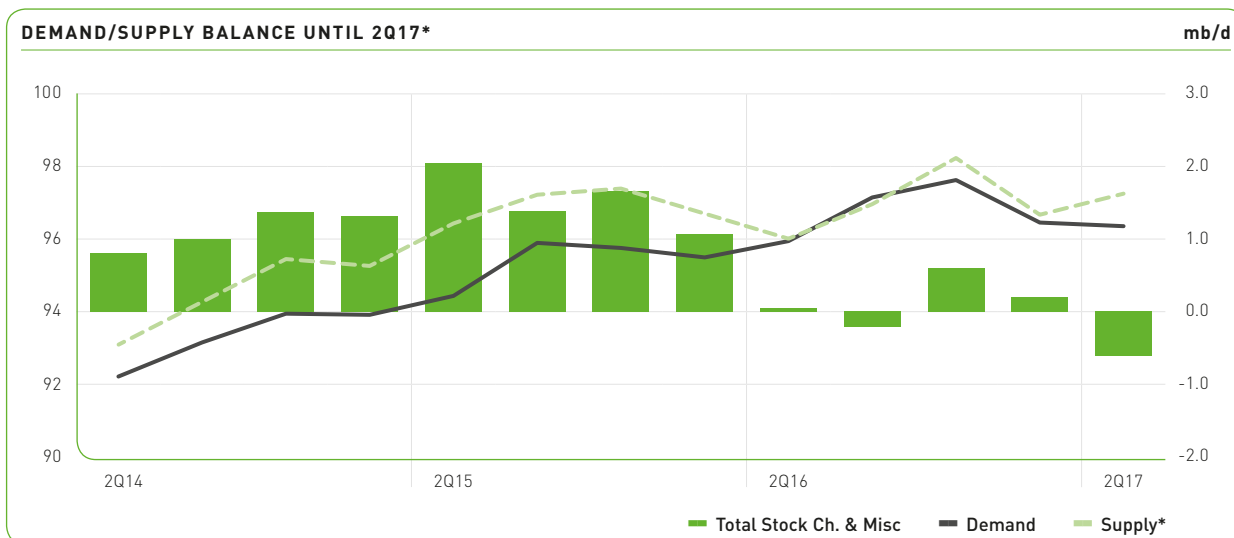
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Marker crude prices fell after May 23, 2017, reflecting lower expectations about the pace of global market rebalancing.



Source: IEA⁶ – Crude oil prices

In a continuing volatile market, with recent tensions in the Gulf adding to the mix, the experts at all industry associations are not making forecasts for the future growth of the international oil markets. As reasons for this they mention the uncertainties due to stubbornly high inventories due to rising global production and the resulting pressure on oil prices, which have fallen to levels not seen since the OPEC ministerial meeting in November 2016. In general, the IEA experts expect oil production to decrease slightly in the second half of 2017 and demand to continue to increase.



Source: IEA⁷ – Supply and Demand Forecast 2nd Half Year 2017

⁶ ibid.
⁷ ibid.

Security & Industry market

a) Fuel cells

According to the “Fuel Cell Industry Report 2016” by consulting firm E4tech⁸ the international fuel cell industry posted further growth in 2016. While large companies in Japan, Korea and China are increasingly engaged in developing and selling fuel cells, Europe and North America have remained relatively small players: most market participants are well established but often remain dependent on government support and cannot come up with the resolve to demonstrate sustainable, commercially successful growth.

Overall, fuel cells generated almost 500 MW around the world in 2016, almost two thirds more than in the previous year (300 MW). But the number of fuel cells sold remained constant: overall only 5,000 more systems were sold than in 2015. In that year, 60,000 systems were sold. Drivers include the conversion of vehicle fleets and logistics systems to hydrogen and fuel cell operation, the increased interest in unmanned aerial vehicles (UAVs) and a strong increase in environmental awareness. Accordingly, various established and new government and promotion programs in several countries supported the development and distribution of fuel cells in 2016. The experts see good growth opportunities for small fuel cell systems such as the ones distributed by SFC for portable and mobile personal applications, as well as in security and defense. Subject to the current economic and political uncertainties, the experts expect a significant increase in unit sales for 2017.

The Fuel Cells Working Group of the German Mechanical Engineering Association (VDMA)⁹ expects sales of € 100 million for 2016 from the production of fuel cells and a growth rate of 90% over the prior year. According to the experts, the German fuel cell industry employed 1,600 people in 2016. Based on an industry survey, the Working Group forecasts a growth rate of 90% for the current year. This growth will be primarily attributable to cost reductions and initial economies of scale. The BMWi’s announcement on the expansion of the KfW 433 program strengthens these forecasts, as does the increased use of fuel cells for power supply in critical infrastructure, such as police radio.

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 an updated outlook published in June 2017 the Association¹⁰ reported a volume of € 4.1 billion for the global electronics market in 2016. This represents a 3% increase over 2015. For 2017 and 2018, the Association forecasts growth of 4% each year. The momentum is even stronger in the “Electronic Systems” submarket, for which the Association predicts a 6% increase this year and a 4% increase in the coming year.

According to the Association¹¹ production in the electronics industry in Germany increased in the first four months of 2017 by 4% over the previous year, with revenues increasing by almost 6% to almost € 59.9 million in the same period. Despite positive economic expectations, the Association stands by its current forecast of an increase of 1.5% in real production growth and an increase in nominal income to € 182 billion (after € 178.5 billion in 2016). The reason for their reservation is a number of risks, including primarily economic policy in the United States, Brexit, the tensions with Turkey and the fragile situation in Italy.

In April 2017¹² the Association reported that revenues in Germany were up 1.2% in 2016, to € 20.9 billion (2015: € 20.7 billion) in the “Electronic Systems” submarket (inhouse manufacturers and electronic manufacturing services providers). The Association attributes the strong growth in this submarket to the heavy demand from the automotive and industrial electronics sectors.

⁸ E4tech, “The Fuel Cell Industry Review 2016”, November 2016

⁹ VDMA: Pressemitteilung “VDMA Brennstoffzellen-Konjunktur 2017 im Hoch”, April 26, 2017

¹⁰ ZVEI-Welt-Elektromarkt – Ausblick bis 2018, June 29, 2017

¹¹ ZVEI, Konjunkturbericht Deutschland, July 6, 2017

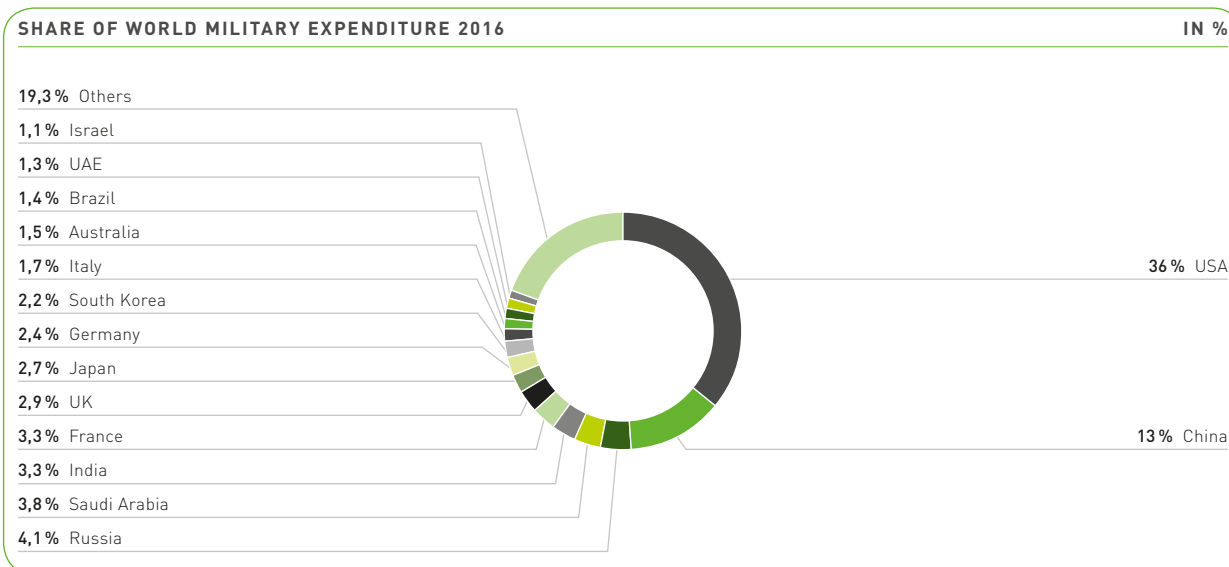
¹² ZVEI, Elektroindustrie in Zahlen, April 2017

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c) Defense and security

In February the International Institute for Strategic Studies IISS¹³ reported that total global military spending in 2016 fell by 0.4%, primarily due to reductions in the Middle East. The fall would have been even larger were it not offset by increases in Asia. According to the IISS, western military technological superiority is increasingly challenged, while China appears to be reaching near-parity with the West and is beginning to offer for export some of its modern military systems. Increasingly complex weapon and military systems are making additional modernization demands on the defense organizations. At the same time, the Institute has observed an increasing trend towards mergers, acquisitions and sales of companies. The grounds for this are believed to be a combination of market uncertainty, budget constraints and procurement considerations. Although defense spending generally remains significant, the experts believe that the defense market will remain challenging for industry.

The defense budget in Germany grew 2.9% in 2016 over the prior year. In its analysis of global military spending the Stockholm-based peace research institute Sipri¹⁴ reported that military expenditure grew in the United States in 2016, after years of decline: spending increased slightly by 1.7% to USD 611 billion. In 2016, only four of the 27 NATO countries, whose military spending is compared by the Institute in its report, reached the NATO goal of increasing defense spending to 2% of GDP: the United States, Estonia, France and Greece. Germany, Belgium, Canada, Denmark, the Netherlands and Spain in particular would have to increase their spending significantly to reach this goal agreed to by the NATO partners in 2014. Germany's percentage was most recently only 1.2%.



Source¹⁵: Sipri – The share of world military expenditure of the 15 states with the highest spending in 2016

The United States is by far at the top of the Sipri list, with almost three times the level of China's spending, which is ranked second (estimated USD 215 billion). Military spending also increased in Asia and Europe in 2016, according to Sipri, while it declined in Africa (with the exception of North Africa) despite numerous regional conflicts. Countries dependent on oil exports, such as Saudi Arabia, also spent less on defense in 2016 due to sinking oil prices and income. Russia increased its spending in 2016 unexpectedly, moving to third place on the Sipri list. China and India increased their spending as well. Overall Sipri estimates that global military spending increased by 0.4% to USD 1,686 billion.

13 IISS: "The Military Balance 2017", February 16, 2017
 14 Sipri Fact Sheet: "Trends in World Military Expenditure, 2016", April 24, 2017
 15 ibid.

Consumer

a) Caravaning

At its annual meeting in May 2017 the European Caravaning Federation (ECF)¹⁶ reported impressive sales of more than € 20 billion for 2016 as well as outstanding unit sales and increasing economic relevance. Following the ECF's March forecast of 183,000 newly registered leisure vehicles in 2017, the experts now believe that the figure for the year will be higher than that forecast. The Federation believes that the positive economic conditions will play a significant role in this growth. It believes that the political risks in Europe have significantly decreased after the elections in France and the Netherlands. In addition, economic growth is no longer limited to one country. In the current season from September 2016 to May 2017 unit sales of caravans increased around the world, with North America up 15.1%, France up 4.6%, Denmark up 5.0%, Norway up 16.8%, Sweden up 7.9%, Finland up 3.8%, Netherlands up 2.1%, and Spain up 17.8%.

The outstanding unit sales in Europe were given a strong boost by the German market, which once again put its best foot forward: despite setting new records for almost a year, the registration numbers in May again brought a pleasant surprise. According to the CIVD, the 6,795 leisure vehicles newly registered in Germany in that month set a record high, confirming the continuing growth of the sector, which was up by a sensational 31.3% in May. New registrations of caravans also increased by 31.6%, with 3,713 units registered. This made May 2017 the industry's best month in 20 years. With 4,493 new recreational vehicles (an 8.1% increase) and 2,819 caravans (a 9% increase) registered in June, the German leisure vehicle industry was up by a total of 13.2% in the first half of 2017, posting a record 41,993 new registrations.

b) Marine market

During the "boat 2017" trade fair, the German Marine Industry Association (BVWW)¹⁷ reported that its industry remained on a growth course in a stable international market, but without any momentum worth mentioning. While sales of motor boats and yachts increased domestically and around the world, sales in the sailing yacht segment were slightly down. Overall the Association expects total sales of maritime goods and services to reach around € 2 billion for 2016 (not including the megayacht segment), with the market segments equipment, accessories and boat service and maintenance as the most important drivers of sales. Boat owners invested around € 680 million in their boats and yachts in 2016. The industry also expects strong demand for equipment and accessories in 2017. Particularly when people buy used boats, they spend more on new equipment and accessories. The same is still true of older boat owners, who have decided to keep their boat and make it more comfortable and safer for life on board. However, the Association still believes that the days of fabulous growth rates in the water sport industry are over¹⁸. They base this opinion on the economy, demographics and the most recent political developments.

¹⁶ CIVD: CIVD Info 6/2017, June 7, 2017

¹⁷ Bundesverband Wassersportwirtschaft (BVWW), "Moderates Marktwachstum" December 1, 2016

¹⁸ Bundesverband Wassersportwirtschaft (BVWW), "Darf's ein bisschen mehr sein" May 18, 2017

EARNINGS AND FINANCIAL POSITION

Material events

Mr. Marcus Binder was appointed to the Management Board effective March 1, 2017. Mr. Binder is responsible for the sales department for SFC products and services in the German defense market.

The Chief Financial Officer, Mr. Steffen Schneider, resigned for personal reasons at the end of the 2017 Annual General Meeting on May 17, 2017.

Earnings position

The Group posted sales of € 26,306k in the first half of 2017. This represents an improvement of 26.5% over the prior year period (€ 20,799k).

All three companies increased their sales, to some extent considerably, over the prior year period.

SFC posted sales of € 6,992k in the first half of 2017. This was an increase of 21.5% over the prior year period (€ 5,754k). SFC's sales of € 3,301k in the second quarter of 2017 were significantly higher than the prior year's figure of € 2,499k.

Sales by PBF during the first six months of 2017 were € 7,650k, 23.3% higher than the previous year's figure of € 6,205k. PBF's second-quarter sales in 2017 were € 4,025k (prior-year period: € 3,204k).

In the period under review, Simark's sales totaled € 11,687k, an increase of 32.2%. In the prior-year period, this figure was € 8,840k. Simark's second-quarter sales in 2017 were € 5,869k (prior-year period: € 4,799k).

Earnings figures also improved significantly. EBIT and EBITDA were each more than € 1 million than in the previous year. The goal now is to continue to improve and to reach break-even at the EBITDA level.

EBIT improved year-on-year from minus € 2,887k to minus € 1,521k during the first half of 2017. It bears noting that the figure for the first six months of 2017 reflects € 534k in non-recurring effects relating to the Simark acquisition along with staff-related measures (prior-year period: € 422k).

Without these non-recurring effects, underlying EBIT for the first half of 2017 was minus € 987k, an improvement from minus € 2,465k in the same period in 2016.

EBIT improved during the second quarter of 2017 from minus € 1,889k during the previous year to minus € 706k.

There was negative EBITDA in the amount of minus € 546k during the first six months of 2017, following minus € 1,756k in the first half of 2016. Underlying EBITDA improved during the reporting period from minus € 1,854k to minus € 368k.

EBITDA for the second quarter of 2017 stood at minus € 213k, versus minus € 1,308k a year ago.

Reconciliation to underlying EBIT and EBITDA

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 (€ 357k)

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

	EBIT	EBITDA
		in k€
Result according to the income statement	-1,521	-546
Production costs of work performed to generate sales		
Severance payment, Simark	1	1
Sales costs		
Purchase Price Allocation from Simark	357	
Expenses management board for SAR plan	53	53
General administrations costs		
Expenses management board for SAR plan	23	23
Retention payment for key players, Simark	102	102
Underlying result	-987	-368

Sales by segment

The following table shows a year-on-year comparison of segment sales for the first six months and second quarter of fiscal year 2017:

Segment	SALES BY SEGMENT (UNAUDITED)					
	1st Halfyear			2nd Quarter		
	2017	2016	Change in %	2017	2016	Change in %
Oil & Gas	11,687	8,840	32.2%	5,869	4,799	22.3%
Security & Industry	12,642	9,871	28.1%	6,444	4,892	31.7%
Consumer	1,977	2,088	-5.3%	881	810	8.7%
Total	26,306	20,799	26.5%	13,194	10,501	25.6%

All of the Oil & Gas segment's revenues came from Simark once again in 2017. Almost all of Simark's transactions are in CAD. Sales came 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 427 to 694. SFC's sales rose accordingly, up 38.9% from € 3,611k to € 5,015k. Sales to defense customers increased by 6.9% to € 1,425k (prior-year period: € 1,334k).

All of PBF's sales were generated in the Security & Industry segment. In the first half of 2017 its sales were € 7,650k (previous year: € 6,205k).

In the Consumer market, sales fell from € 2,088k to € 1,977k. The number of fuel cells sold decreased from 724 to 613.

Sales by region

Sales by region evolved as follows:

SALES BY REGION (UNAUDITED)						in k€
Region	1st Halfyear			2. Quartal		
	2017	2016	Change in %	2017	2016	Change in %
North America	11,837	9,068	30.5%	5,937	4,933	20.4%
Europe and ROW	14,469	11,731	23.3%	7,257	5,568	30.3%
Total	26,306	20,799	26.5%	13,194	10,501	25.6%

Sales in North America chiefly comprise Simark's sales in the Oil & Gas segment. SFC was represented almost exclusively in Europe and the rest of the world. For PBF, which also conducts almost all of its business in the region Europe and rest of the world, the growth was 23.3%.

Gross profit

Gross profit in the first half of 2017 was € 7,943k, or 30.2%. In the prior year it stood at € 6,141k or 29.5% of sales.

The Group's second-quarter gross profit came to € 4,298k, or 32.6%, compared with € 2,919k, or 27.8% last year.

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

GROSS PROFIT (UNAUDITED)						in k€
Segment	1st Halfyear			2nd Quarter		
	2017	2016	Change in %	2017	2016	Change in %
Oil & Gas	2,718	1,837	47.9%	1,481	881	68.2%
Security & Industry	4,782	3,749	27.6%	2,510	1,848	35.8%
Consumer	443	555	-20.2%	307	190	61.9%
Total	7,943	6,141	29.3%	4,298	2,919	47.3%

The gross profit in the Oil & Gas segment was € 2,718k, or 23.3%, and was thus above the previous year's figure.

The Security & Industry segment's gross profit was € 4,782k, which was above the prior year's € 3,749k. The gross margin remained almost constant at 37.8%.

The Consumer segment's gross profit was € 443k, which was below the previous year's € 555k. The gross margin in the first half of 2017 was 22.4% (previous year: 26.6%).

Sales costs

The Group's sales costs rose by 4.6%, from € 4,753k to € 4,971k. The increase was attributable to the higher volume of sales.

There were one-off effects in the first half of 2017 in the amount of € 410k (prior-year period: € 484k).

As a percentage of sales, sales costs amounted to 18.9% this year, versus 22.9% this time a year ago.

Research and development costs

Research and development costs rose from € 1,903k to € 2,054k in the first half of 2017. As a percentage of sales, R&D costs fell to 7.8% (previous year: 9.1%) due to the increase in overall sales.

We capitalized € 178k in development work in the first half of 2017, versus € 316k 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. The total research and development costs in the first half of 2017 amounted to € 2,511k as a result of these two effects and the capitalized development costs, and were thus less than the previous year's figure of € 2,804k.

SFC's research and development costs increased from € 356k, or 6.2% of its sales, to € 782k, or 11.2% of its sales.

PBF's research and development costs were € 1,161k (previous year: € 1,448k), or 15.2% of its sales (previous year: 23.3%).

General administration costs

General administration costs were € 2,485k in the first six months of 2017 and thus remained almost on the same level as last year (previous year: € 2,431k).

They decreased as a percentage of sales for the Group to 9.4% (previous year: 11.7%).

Other operating income

The largest items in other operating income of € 197k (previous year: € 86k) were insurance proceeds of € 103k. In the previous year, other operating income mostly contained foreign exchange transaction gains of € 81k.

Other operating expenses

The € 150k in other operating expenses (previous year: € 26k) almost exclusively reflects foreign exchange transaction losses.

Operating result (EBIT)

Group EBIT improved in the first half of 2017 from minus € 2,887k to minus € 1,521k. The EBIT margin improved from minus 13.8% to minus 5.8%.

Adjusted for the non-recurring effects mentioned earlier, underlying EBIT in the first half of 2017 amounted to minus € 987k (previous year: minus € 2,465k), or minus 3.8% of sales. EBIT in the second quarter of 2017 totaled minus € 706k, following minus € 1,889k in the second quarter of 2016.

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

EBITDA improved from minus € 1,756k to minus € 546k. The EBITDA margin improved from minus 8.4% to minus 2.1%.

Adjusted for the one-off effects mentioned earlier, underlying EBITDA in the first six months was minus € 368k (previous year: minus € 1,854k), or minus 1.4% of sales.

EBITDA in the second quarter of 2017 improved to minus € 213k, following minus € 1,308k in the second quarter of 2016.

Interest and similar income

Due to low interest rates, Interest and similar income fell to an immaterial level.

Interest and similar expenses

Interest and similar expenses were € 452k (previous year: € 273k) and consisted mostly of interest on liabilities to banks, convertibles and loans.

Net result

The net loss for the half improved from minus € 3,006k a year earlier to minus € 1,825k.

The net result for the second quarter was a loss of € 834k, compared with a loss of € 1,989k in the prior-year period.

Earnings per share

Earnings per share under IFRS were negative at € 0.20 (diluted and undiluted) in the first half of 2017 (previous year: minus € 0.35 diluted and undiluted).

New orders and order backlog

New orders totaling € 25,726k were received in the first six months of 2017. In the same period a year ago, new orders of € 20,163k had been received.

The order backlog was € 16,249k at June 30, 2017 (previous year: € 11,123k).

Of this amount, € 11,149k is attributable to the Security & Industry segment (previous year: € 8,145k), € 4,950k to the Oil & Gas segment (previous year: € 2,942k) and € 150k to the Consumer segment (previous year: € 36k).

FINANCIAL POSITION

Capital expenditures

Development costs of € 178k for SFC and PBF products were capitalized during the first six months of 2017 (previous year: € 316k). Investments of € 187k were also made in equipment. Total capital expenditures during the reporting period came to € 365k (previous year: € 551k).

Liquidity

Net cash outflows decreased to € 736k in the first half of 2017, compared with € 1,858k a year ago.

Freely available cash and cash equivalents at the end of June 2017 totaled € 1,020k, lower than the € 1,419k available at the end of June 2016 due to the result in 2017.

Cash flow from ordinary operations

Because of the negative result in the first half of 2017 cash used in ordinary operations amounted to € 1,135k (previous year: net outflow of € 3,332k).

Cash flow from investment activity

Net cash used for investment activity totaled € 366k in the period under review (previous year: € 434k).

Cash flow from financial activity

Cash in the total amount of € 764k was provided by financial activity in the current fiscal year 2017. Financing was provided via lines of credit.

ASSETS AND LIABILITIES

The balance sheet and balance sheet ratios changed as follows during the first six months of 2017:

Total assets fell by 3.6% from € 33,793k at December 31, 2016 to € 32,591k at June 30, 2017.

The equity ratio decreased from 39.5% to 34.6%.

The amount of inventory, trade receivables and receivables from percentage-of-completion fell slightly from December 31, 2016.

The most significant intangible assets are the goodwill of Simark in the amount of € 7,048k (prior year: € 7,378k) and of PBF unchanged in the amount of € 1,179k (prior year: € 1,179k), other intangible assets relating to the acquisition of Simark in the amount of € 116k (prior year: € 487k) and PBF in the amount of € 511k (prior year: € 702k) and capitalized development costs in the amount of € 1,761k (prior year: € 1,737k). The decrease in goodwill and other intangible assets relating to the Simark and PBF acquisitions is attributable to exchange rate changes and the amortization of the customer relationships and technology. With respect to capitalized development costs, € 177k was capitalized and € 154k was amortized in the first six months of 2017.

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Non-current assets decreased from € 13,737k to € 12,760k. The share of non-current assets in total assets fell from 40.7% to 39.2% because non-current 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 from € 20,454k to € 21,306k. A major factor here was the liabilities to banks.

Altogether, liabilities made up 65.4% of total liabilities and shareholders' equity (December 31, 2016: 60.5%).

With the net loss for the period, shareholders' equity decreased to € 11,284k at June 30, 2017, against € 13,339k at December 31, 2016. Subscribed capital and the capital surplus were unchanged.

EMPLOYEES

The number of permanent employees was as follows as of June 30, 2017:

EMPLOYEES	6/30/2017	6/30/2016	Change
Management Board	3	3	0
Research and development	46	47	-1
Production, logistics, quality management	99	84	15
Sales & marketing	75	67	8
Administration	27	25	2
Permanent employees	250	226	24

The Group employed 5 (previous year: 7) trainees, graduates and student trainees as of June 30, 2017. Of the permanent employees, 74 (previous year: 74) worked for SFC, 110 (previous year: 93) for PBF and 66 for Simark (previous year: 59). The increase at PBF is attributable to the increase in production in Romania; at Simark it resulted from the increased volume of business.

REPORT ON RISKS AND OPPORTUNITIES

We believe that the Group's opportunities have not changed since the publication of our 2016 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 2016 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 related to the affiliates Simark and PBF relate to the Oil & Gas segment and the Security & Industry segments respectively.

Market risks

Macroeconomic developments

In its June economic report, the ifo Institute¹⁹ states that further growth of the global economy is subject to numerous uncertainties. It is true that many negative scenarios that were possible in the first half of the year did not occur: the populist parties in favor of leaving the EU did not win the elections in France and the Netherlands, and at least for now, the new US President Donald Trump appears not to be able or want to implement the plans he announced for revision of existing free trade agreements and significantly more protectionism. Nevertheless, there are still significant risks due to Brexit, the unclear political, tax and trade policy situation in the United States and the situation in Italy and Portugal. The Institute believes that these uncertainties will put a damper on people's willingness to invest and spend money in broad parts of the world. Industry experts also see great risks in the unpredictability of the oil market and oil price trends. The most recent crisis in the Gulf contributes to this uncertainty.

According to experts from the Federal Ministry for Economic Affairs and Energy (BMWi)²⁰ the increase in incoming orders, the further improvement in mood indicators and the positive employment growth in the manufacturing sector suggest that the German economy will continue to move upwards. In June the ifo Institute²¹ significantly revised its economic forecast for 2017 and 2018 and now expects new records in employment. For the current year, the Institute's experts now expect 1.8% instead of 1.5% growth, and for the coming year they even expect growth to reach 2.0% instead of their previous forecast of 1.7%. This upturn should be driven by the domestic economy and by the construction industry and consumer spending in particular. Moreover, the upswing in the economy in the euro zone and the rest of the world will boost exports.

Oil & Gas market

In their growth forecast²² CAPP experts are careful to point out that the forecast numbers can only be reached with a considerable expansion of the Canadian pipeline network. Instead of the current 4 million b/d, the pipelines will have to move 5.5 million b/d by 2030 to be able to serve additional and new markets in Canada and around the world and to remain competitive. This creates a new opportunity for SFC products, whose integrated

¹⁹ ifo Konjunkturprognose 2017/2018, "Deutsche Wirtschaft stark und stabil", June 20, 2017

²⁰ BMWi Bundesministerium für Wirtschaft und Energie, Pressemitteilung "Die wirtschaftliche Lage in Deutschland im Juni 2017", June 13, 2017

²¹ ifo Konjunkturprognose 2016–2018, December 16, 2016

²² Canadian Association of Petroleum Producers CAPP, Press Release: "Growth in the oil sands projects drives need for more pipelines to 2030", June 13, 2017

management and power supply systems can guarantee a secure, reliable and attractively-priced operation of off-grid equipment in remote locations. CAPP believes that the Canadian oil industry is still subject to a large number of risks that could significantly limit long-term growth, including uncertainty in connection with provincial and federal oil production regulations to curb climate change, a possible increase in protectionism in the United States and potential divergent regulatory policies between Canada and the United States.

In general the experts believe that the oil & gas market remains highly volatile. The current Gulf crisis, high production quantities and significant pressure on oil prices contribute to an overall picture that is difficult to evaluate. Crude oil and refinery product inventories from the crisis period still need to be reduced, which will take some time even though demand is expected to exceed supply in the upcoming period. As long as oil prices remain under pressure, industry experts expect that new large capital-intensive projects will continue to be postponed. However, the adjustments made by oil producers to their operating costs and investments as a result of the crisis, to adapt to a low price environment, could have positive consequences for the SFC Group. The SFC Group's products offer producers significant cost advantages in relation to production optimization and increased efficiency. SFC's environmentally friendly technologies and fuel cell solutions play an important role in this connection as well, because both statutory requirements and public pressure have significantly increased environmental awareness in the oil & gas industry.

Security & Industry market

a) Fuel cells

It is still assumed that the developing market for off-grid and mobile industrial systems will continue to grow due to its increasing strategic significance. However, it is still important not to ignore the dependence of many industries on the overall economy, government budgets and programs to stimulate the economy.

b) Power electronics and switched mode network components

Power electronic components and systems are needed anywhere power is used. The electronics industry usually 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 difficult-to-assess risks among large international customers.

c) Defense and security

Experts believe that defense spending will continue to increase due to the growing number of terrorist attacks and the crisis in the Middle East and recently also in the Gulf as well. They see great potential particularly in the fields of innovation, modernization and increased efficiency, where the investment backlog has created a great need in recent years. Particularly in the surveillance and security industries and in the defense field the demand for light, reliable and environmentally-friendly off-grid power supply solutions, such as those offered by SFC, is growing steadily. This could have positive effects for SFC both in development programs with defense partners and in commercial product and service orders. Nevertheless, there is a considerable risk of changing priorities and project delays or cancellations in public budgets.

Consumer

a) Caravaning

The German caravaning association CIVD and the European Caravan Federation ECF are still very optimistic about the future. The numbers are good and the trend towards caravaning remains strong. The increasing need for independence from full campgrounds has boosted this popularity. Low interest rates are also at play here, because for many retirement age people, their investment in their leisure vehicle has paid off considerably more

than many other investments. However, given the political and economic uncertainties, consumers' willingness to spend money is difficult to estimate. In addition, despite a strong uptake in orders and economic growth in Europe, there remains the lingering danger of overindebtedness from increased granting of credit. This also increases the risk of uncollectible receivables in the export business, which is key for the caravaning industry.

b) Marine market

Industry experts believe that the boat and water sport sectors will remain stable in Germany and abroad 2017 without any mentionable growth. There is still a risk that the maritime economy will not grow as dynamically in other important European markets as in Germany. The still ongoing sovereign debt crisis in the Mediterranean countries, and particularly in Italy and Portugal, puts limits on economic recovery. The politically unstable situation in the Middle East and the Gulf involves additional risks. The most significant basis for a stable maritime economy are the existing boat and water sports enthusiasts, who are generally extremely fond of their leisure activity and accordingly remain true to their hobby over very long periods of time. But demographics work against the demand for equipment, accessories and services. The Association is therefore promoting additional and ongoing efforts in the industry to attract new groups of customers to 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. In addition, a loan was taken out in October 2016. SFC still has cash reserves. However, in the first half of 2017 the cash reserves dropped again from the end of 2016 due to the net loss in 2016 and the resulting use of cash.

Outside financing was obtained for part of the purchase price for the Simark Group. The liabilities to the financial institution are at the level of Simark Controls Ltd. There are loan covenants that must be complied with to counter the risk of the loans being called early or the risk of an increase in the interest rate for the borrowed capital.

Also loan covenants on the funding obtained in August 2017 must be complied for avoidance of being called early.

Additional liquidity risks could result from the postponement or cancellation 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

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 € 50 million to € 55 million in 2017 and that profitability will improve significantly again in fiscal year 2017. 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

Pursuant to the authorization granted at the Shareholders’ Meeting on June 14, 2016, the Company issued an option bond in October 2016. This option bond was issued with the exclusion of SFC shareholders’ preemptive rights by means of a private placement with a private investor and lender from Singapore. In addition, the warrant-linked bonds offer an option right to 161,427 no-par-value bearer shares of SFC Energy AG at an option price of € 2.4779, each with a pro-rata amount of € 1.00 of per share of the company’s capital. This option was exercised in mid-July 2017 by the private investor. SFC Energy AG received gross issue proceeds in the amount of € 0.4 million. As a result of the exercise of the option bond, the share capital of SFC Energy AG increased from € 9,047,249 to € 9,208,676. The total number of issued shares of the Company increased accordingly to 9,208,676.

With the consent of the Supervisory Board, the Company took out a loan on August 3, 2017, in the amount of € 5.0 million and issued an option bond on the basis of the authorization granted at the Shareholders’ Meeting. This option bond was issued with the exclusion of SFC shareholders’ preemptive rights by means of a private placement to the lender based in Luxembourg.

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 17, 2017



Dr. Peter Podesser
Management Board Chairman
(CEO)



Hans Pol
Management Board
(CSO Power Electronics)



Marcus Binder
Management Board
(CSO Defense)

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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.

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SFC ENERGY AG, BRUNNTHAL, CONSOLIDATED INCOME STATEMENT FROM JANUARY 1 TO JUNE 30, 2017

	in €			
	1. HY 2017 1/1–6/30	1. HY 2016 1/1–6/30	Q2 2017 4/1–6/30	Q2 2016 4/1–6/30
Sales	26,305,852	20,798,836	13,193,833	10,500,738
Production costs of work performed to generate sales	-18,363,345	-14,658,298	-8,895,823	-7,581,912
Gross profit	7,942,507	6,140,538	4,298,010	2,918,826
Sales costs	-4,971,008	-4,753,325	-2,461,508	-2,466,245
Research and development costs	-2,054,781	-1,903,377	-1,146,704	-1,024,985
General administration costs	-2,485,438	-2,431,449	-1,299,653	-1,376,422
Other operating income	197,058	86,278	26,222	61,325
Other operating expenses	-149,806	-26,093	-122,063	-2,243
Operating loss	-1,521,467	-2,887,428	-705,697	-1,889,744
Interest and similar income	7	59	0	37
Interest and similar expenses	-451,772	-272,541	-228,644	-152,442
Income from investments	22,868	0	22,868	0
Loss from ordinary operations	-1,950,364	-3,159,910	-911,474	-2,042,149
Income taxes	125,431	153,476	77,472	53,080
Consolidated net loss	-1,824,934	-3,006,434	-834,002	-1,989,069
NET LOSS PER SHARE				
undiluted	-0.20	-0.35	-0.09	-0.23
diluted	-0.20	-0.35	-0.09	-0.23

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Consolidated Statement of Comprehensive Income

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FROM JANUARY 1 TO JUNE 30, 2017

	in €			
	1. HY 2017 1/1–6/30	1. HY 2016 1/1–6/30	Q2 2017 4/1–6/30	Q2 2016 4/1–6/30
Consolidated net loss	-1,824,934	-3,006,434	-834,002	-1,989,069
OCI items that may be recycled to profit or loss in the future				
Result from currency translations	-229,419	256,466	-187,395	117,976
Total other results	-229,419	256,466	-187,395	117,976
Total comprehensive income	-2,054,353	-2,749,968	-1,021,397	-1,871,093

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.

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Consolidated Balance Sheet

**SFC ENERGY AG, BRUNNTHAL
 CONSOLIDATED BALANCE SHEET
 AS OF JUNE 30, 2017**

	6/30/2017	12/31/2016
		in €
Current Assets	19,830,752	20,055,653
Inventories	8,135,328	7,717,500
Trade accounts receivable	8,497,674	8,638,153
Receivables from percentage-of-completion	572,380	614,819
Income tax receivables	138,792	155,996
Other short-term assets and receivables	1,181,217	888,184
Cash and cash equivalents	1,019,742	1,756,001
Cash and cash equivalents with limitation on disposal	285,620	285,000
Non-current assets	12,760,133	13,737,302
Intangible assets	10,933,683	11,854,560
Property, plant and equipment	1,163,654	1,204,876
Financial assets	71	71
Deferred tax assets	662,725	677,795
Assets	32,590,885	33,792,955

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Consolidated Balance Sheet

SFC ENERGY AG, BRUNNTHAL CONSOLIDATED BALANCE SHEET AS OF JUNE 30, 2017

	6/30/2017	12/31/2016
		in €
Current liabilities	12,656,982	13,335,382
Provisions for taxes	84,481	85,928
Other provisions	564,166	560,119
Liabilities to banks	3,744,962	4,316,886
Liabilities from prepayments	11,757	101,628
Trade accounts payable	5,690,645	5,789,615
Liabilities under finance leases	41,063	42,985
Liabilities from percentage-of-completion	198,836	262,871
Other short-term liabilities	2,321,074	2,175,348
Non-current liabilities	8,649,582	7,118,901
Other long-term provisions	1,424,534	1,458,776
Liabilities to banks	1,500,162	0
Liabilities under finance leases	19,917	20,849
Other long-term financial liabilities	4,974,920	4,861,199
Other liabilities	113,039	1,315
Deferred tax liabilities	617,010	776,762
Equity	11,284,320	13,338,673
Subscribed capital	9,047,249	9,047,249
Capital surplus	73,132,012	73,132,012
Other changes in equity not affecting profit or loss	- 719,322	- 489,903
Consolidated net loss	- 70,175,619	- 68,350,685
Liabilities and shareholders' equity	32,590,885	33,792,955

SFC ENERGY AG, BRUNNTHAL CONSOLIDATED CASH FLOW STATEMENT FROM JANUARY 1 TO JUNE 30, 2017

	in €	
	1/1 – 6/30/2017	1/1 – 6/30/2016
Cash flow from ordinary operations		
Result before taxes	-1,950,364	-3,159,910
+ Net interest income	451,765	272,482
+ Depreciation/amortization of intangible assets and property, plant and equipment	975,581	1,131,174
-/+ Income/Expenses from SAR Plan/Transaction bonus	75,649	-118,731
+/- Changes in allowances	-231,396	233,283
+/- Losses/Gains from disposal of property, plant and equipment	0	690
-/+ Other non-cash expenses/income	113,158	-132,906
Changes to operating result before working capital	-565,608	-1,773,918
+/- Changes to provisions	-30,188	9,923
+ Changes to trade accounts receivable	71,219	941
-/+ Changes to inventories	-361,729	-320,752
+/- Changes to other receivables and assets	-281,528	333,723
-/+ Changes to trade accounts payable	24,269	-1,381,906
-/+ Changes to other liabilities	50,301	-251,564
Cash flow from ordinary operations before taxes	-1,093,264	-3,383,553
+/- Income tax refunds/payments	-41,642	51,080
Cash flow from ordinary operations	-1,134,905	-3,332,473

SFC ENERGY AG, BRUNNTHAL CONSOLIDATED CASH FLOW STATEMENT FROM JANUARY 1 TO JUNE 30, 2017

	in €	
	1/1 – 6/30/2017	1/1 – 6/30/2016
Cash flow from investment activity		
- Investments in intangible assets from development projects	- 177,678	- 316,173
- Investments in other intangible assets	0	- 6,718
- Investments in property, plant and equipment	- 187,233	- 228,216
+ Interest and similar income	7	59
+ Payments for acquisition of bank deposits with limitation on disposal	- 620	116,566
+ Proceeds from disposal of property, plant and equipment	1	0
Cash flow from investment activity	- 365,523	- 434,482
Cash flow from financial activity		
- Repayment of financial debt	- 329,244	- 321,106
+ Proceeds from issuance of convertible bonds	0	1,399,188
- Expenses from issuance of convertible bonds	0	- 5,530
+/- Changes to current account liabilities	1,432,004	941,610
- Repayment of liabilities under finance leases	0	- 729
- Interest paid and other expenses	- 338,059	- 103,992
Cash flow from financial activity	764,701	1,909,441
Net change in cash and cash equivalents	- 735,726	- 1,857,514
Currency effects on cash and cash equivalents	- 533	- 936
Net change in cash and cash equivalents		
Cash and cash equivalents at beginning of period	1,756,001	3,277,066
Cash and cash equivalents at end of period	1,019,742	1,418,616
Net change in cash and cash equivalents	- 735,726	- 1,857,514

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Consolidated Statement of Changes in Equity

SFC ENERGY AG, BRUNNTHAL CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FROM JANUARY 1 TO JUNE 30, 2017

	Subscribed capital	Capital surplus	Other changes in equity not effecting profit or loss	Net accumulated loss	in € Total
As of 1/1/2016	8,611,204	72,017,015	-712,454	-63,357,954	16,557,811
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		84,890			84,890
As of 6/30/2016	8,611,204	72,101,905	-455,989	-66,364,387	13,892,733
Total comprehensive income for the period					
Consolidated net loss 7/1 – 12/31/2016				-1,986,298	-1,986,298
Result from currency translation recognized in equity			-33,915		-33,915
Capital increase					
Issuance of convertible bonds – equity component		0			0
Issuance of option bonds – equity component		923			923
Capital increase	436,045	1,063,950			1,499,995
Less costs from capital increase		-34,766			-34,766
As of 12/31/2016	9,047,249	73,132,012	-489,904	-68,350,685	13,338,672
Total comprehensive income for the period					
Consolidated net loss 1/1 – 6/30/2017				-1,824,934	-1,824,934
Result from currency translation recognized in equity			-229,418		-229,418
As of 6/30/2017	9,047,249	73,132,012	-719,322	-70,175,619	11,284,320

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 head-quarters 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, 2016 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, 2017 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.

No standards or interpretations beyond those applicable at December 31, 2016 were applied for the first time.

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 2017, there were receivables from percentage-of-completion in the amount of € 572,380 (December 31, 2016: € 614,819) and liabilities from percentage-of-completion in the amount of € 198,836 (December 31, 2016: € 262,871).

Other short-term assets and receivables

The Company had other short-term assets of € 1,181,217 as of the reporting date (December 31, 2016: € 888,184). The slight increase is primarily attributable to an increase in claims to subsidies to € 195,104 (December 31, 2016: € 157,904) and the increase in other short-term assets to € 393,661 (December 31, 2016: € 143,249) with a simultaneous decline in VAT receivables to € 109,907 (December 31, 2016: € 169,524).

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. Binder. The section entitled "Stock Appreciation Rights Plan" contains additional information about the plan.

Stock Appreciation Rights Plan

As part of the Management Board employment agreements, the Company entered into a contract for the creation of a stock appreciation rights plan (SAR Plan). 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. In fiscal year 2017 the Company granted additional SARs to Dr. Podesser and Mr. Binder as part of the new Management Board agreements.

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

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.

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The status of the SARs in 2017 is shown in the following table:

	Tranche PP1	Tranche HP1	Tranche StS1	Tranche HP2	Tranche PP2	Tranche MB1
Number of stock appreciation rights (SAR)	360,000	90,000	180,000	180,000	360,000	180,000
Maximum term (years)	7	7	7	7	7	7
SARs outstanding at the beginning of the 2017 reporting period (1/1/2017)	120,000	7,500	60,000	120,000	0	0
SARs granted during the 2017 reporting period	0	0	0	0	360,000	180,000
SARs forfeited during the 2017 reporting period	120,000	0	60,000	0	0	0
SARs exercised during the 2017 reporting period	0	0	0	0	0	0
SARs expired during the 2017 reporting period	0	0	0	0	0	0
SARs outstanding at the end of the 2017 reporting period (6/30/2017)	0	7,500	0	120,000	360,000	180,000
SARs exercisable at the end of the 2017 reporting period (6/30/2017)	0	0	0	0	0	0

The following inputs were used in the measurement as of June 30, 2017

	6/30/2017	6/30/2017	6/30/2017	6/30/2017	6/30/2017	6/30/2017
Measurement date	6/30/2017	6/30/2017	6/30/2017	6/30/2017	6/30/2017	6/30/2017
Remaining term (in years)	3.75	3.50	4.25	5.00	6.75	6.67
Volatility	44.59 %	45.04 %	43.73 %	41.42 %	40.81 %	40.92 %
Risk-free interest rate	-0.36 %	-0.40 %	-0.31 %	-0.19 %	0.05 %	0.05 %
Expected dividend yield	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
Exercise price	€ 1.00	€ 1.00	€ 1.00	€ 1.00	€ 1.00	€ 1.00
SFC share price as of the measurement date	€ 4.05	€ 4.05	€ 4.05	€ 4.05	€ 4.05	€ 4.05

For the term, the length of time from the measurement date to the end of the respective agreement was used. The share price given was the closing price in XETRA trading for June 30, 2017. 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, 2017, a liability of € 113,039 was recognized under other liabilities in connection with the SAR Plan (€ 113,039 thereof under other long-term liabilities) (December 31, 2016: €37,390, with € 1,315 thereof under other long-term liabilities). The amount expensed for the period from January 1 to June 30, 2017 was € 75,649 (prior-year period: minus € 118,731).

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Sales costs

Sales costs were as follows in the first half of 2017:

	in €	
	1/1 – 6/30/2017	1/1 – 6/30/2016
Personnel costs	3,167,797	2,772,800
Depreciation and amortization	459,825	622,117
Advertising and travel costs	437,789	514,466
Consultancy/commissions	310,471	201,930
Cost of materials	32,347	61,586
Other	562,779	580,426
Total	4,971,008	4,753,325

Research and development costs

Research and development costs were as follows in the first half of 2017:

	in €	
	1/1 – 6/30/2017	1/1 – 6/30/2016
Personnel costs	1,196,561	1,552,839
Consultancy and patents	400,548	415,407
Cost of premises	194,981	192,989
Other depreciation and amortization	172,011	184,942
Cost of materials	159,508	114,592
Impairment losses/depreciation and amortization of self-developed intangible assets	587	1,187
Other	134,508	171,785
Set-off against grants	-26,244	-414,191
Capitalization of self-developed intangible assets	-177,678	-316,173
Total	2,054,781	1,903,377

General administration costs

General administration costs were as follows in the first half of 2017:

	in €	
	1/1 – 6/30/2017	1/1 – 6/30/2016
Personnel costs	1,297,636	1,082,359
Audit and consultancy costs	249,080	465,778
Investor relations/annual meeting	169,051	209,166
Insurance	96,361	118,949
Depreciation and amortization	65,861	80,417
Car-operating costs	61,550	66,803
Travel costs	90,108	56,993
Supervisory Board compensation	56,250	56,250
Costs of hardware and software maintenance	33,143	35,661
Other	374,246	359,863
Set-off against grants	-7,849	- 100,790
Total	2,485,438	2,431,449

Other operating income and expenses

The figure for other operating income in the first three months of 2017 predominantly reflects the € 46,756 (previous year: € 80,545) in foreign exchange transaction gains and income from insurance proceeds in the amount of € 102,602 (previous year: € 1,306).

Other operating expenses in the first six months of 2017 predominantly reflect foreign exchange transaction losses of € 149,805 (previous year: € 24,094).

Income taxes

As was the case in the consolidated financial statements as of and for the year ended December 31, 2016, 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 profit, 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 2017:

Segments	in €					
	Sales		Gross profit		EBITDA	
	2017 1/1–6/30	2016 1/1–6/30	2017 1/1–6/30	2016 1/1–6/30	2017 1/1–6/30	2016 1/1–6/30
Oil & Gas	11,687,027	8,839,537	2,717,647	1,837,035	-80,083	-647,038
Security & Industry	12,641,638	9,871,041	4,781,909	3,748,649	64,089	-583,177
Consumer	1,977,187	2,088,258	442,951	554,853	-529,892	-526,041
Total	26,305,852	20,798,836	7,942,507	6,140,538	-545,887	-1,756,255
Depreciation/amortization					-975,581	-1,131,174
Operating loss (EBIT)					-1,521,467	-2,887,428

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

The “Security & Industry” market is highly diversified and could include any area of industry, except oil and gas, where professional users run electrical equipment away from the grid and use SFC’s EFOY Pro fuel cell. 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” market, SFC’s EFOY COMFORT fuel cells are used to supply power to RVs, vacation cottages and sailboats.

Related party transactions

Other than the people indicated in the section of “Changes to the Management Board,” there have been no changes in the group of related parties since preparation of the consolidated financial statements for the year ended December 31, 2016. There were no significant related party transactions in the first half of 2017, just as there were none in the first half of 2016.

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Employees

SFC employed the following personnel as of the reporting date:

	6/30/2017	6/30/2016
Full-time employees (incl. Management Board)	222	197
Part-time employees	28	29
Total	250	226

There were also a total of 5 (previous year: 7) trainees, graduates and student trainees at the end of June 2017.

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, 9,047,249 at the balance sheet date of June 30, 2017 (previous year: 8,611,204) did not change during the first half of 2017. 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. Due to the convertible bond issue, there are dilutive effects that must be taken into account in determining the number of outstanding shares, as well as dilutive effects on SFC's earnings. At June 30, 2017, the diluted and basic earnings per share were identical because there was protection from dilution, because conversion into common shares would reduce the loss per share for the current year.

Changes to the Management Board

There were two changes to the Management Board of SFC Energy AG in the first half of 2017.

Steffen Schneider left the Board at the end of the annual general meeting on May 17, 2017. The Management Board Chairman, Dr. Peter Podesser, has taken over responsibility for the area of finances on the Board.

Since March 2017, Marcus Binder as CSO has been responsible for the German defense and security business at SFC Energy AG.

Material events after the balance sheet date

On October 18, 2016, the Management Board of SFC Energy AG issued an option bond pursuant to the authorization granted at the annual meeting of the shareholders of SFC Energy AG on June 14, 2016. This option bond was issued with the exclusion of SFC shareholders' preemptive rights by means of a private placement with a private investor and lender from Singapore. In addition, the warrant-linked bonds offer an option right to 161,427 no-par-value bearer shares of SFC Energy AG at an option price of € 2.4779, each with a pro-rata amount of € 1.00 of per share of the company's capital. This option was exercised in July 2017 by the private investor. SFC Energy AG received gross issue proceeds in the amount of € 0.4 million. The cash inflow is to be used to strengthen the Company's liquidity base. As a result of the exercise of the option bond, the share capital of SFC Energy AG increased from € 9,047,249 to € 9,208,676. The total number of issued shares of the Company increased accordingly to 9,208,676.

With the consent of the Supervisory Board, the Company took out a loan on August 3, 2017, in the amount of € 5.0 million and issued an option bond on the basis of the authorization granted at the Shareholders' Meeting. This option bond was issued with the exclusion of SFC shareholders' preemptive rights by means of a private placement to the lender based in Luxembourg.

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

Brunnthal, August 17, 2017

The Management Board



Dr. Peter Podesser
 Management Board Chairman
 (CEO)



Hans Pol
 Management Board
 (CSO Power Electronics)



Marcus Binder
 Management Board
 (CSO Defense)

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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 17, 2017



Dr. Peter Podesser
Management Board Chairman
(CEO)



Hans Pol
Management Board
(CSO Power Electronics)



Marcus Binder
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FINANCIAL CALENDAR 2017

November 9, 2017 Q3 Interim Disclosure 2017
 November 27, 2017 German Equity Forum, Frankfurt

SHARE INFORMATION

Bloomberg Symbol	F3C
Reuters Symbol	CXPNX
WKN	756857
ISIN	DE0007568578
Number of shares	9,208,676 (end of July 2017)
Stock Category	No-par value shares
Stock segment	Prime Standard, Renewable Energies
Stock exchange	Frankfurt, FWB
Designated Sponsors	Hauck & Aufhäuser Privatbankiers KGaA

INVESTOR RELATIONS

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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.