# Halfyear Report
# Q2/2018

SFC ENERGY

# SFC ENERGY AG CONSOLIDATED KEY FIGURES

in k€

| | 1. HY 2018 | 1. HY 2017 | Change in % | Q2 2018 | Q2 2017 | Change in % |
|---|---|---|---|---|---|---|
| Sales | 30,860 | 26,306 | 17.3 % | 14,102 | 13.194 | 6.9 % |
| | | | | | | |
| Gross profit | 10,571 | 7,943 | 33.1 % | 4,664 | 4.299 | 8.5 % |
| Gross margin | 34.3 % | 30.2 % | – | 33.1 % | 32,6 % | – |
| | | | | | | |
| EBITDA | 1,057 | – 546 | n. a. | 84 | – 213 | n. a. |
| EBITDA margin | 3.4 % | – 2.1 % | – | 0.6 % | – 1,6 % | – |
| EBITDA underlying | 2,131 | – 369 | n. a. | 313 | – 56 | n. a. |
| EBITDA margin underlying | 6.9 % | – 1.4 % | – | 2.2 % | – 0,4 % | – |
| | | | | | | |
| EBIT | 497 | – 1,521 | n. a. | – 208 | – 705 | 70.5 % |
| EBIT margin | 1.6 % | – 5.8 % | – | – 1.5 % | – 5,3 % | – |
| EBIT underlying | 1,571 | – 988 | n. a. | 21 | – 374 | n. a. |
| EBIT margin underlying | 5.1 % | – 3.8 % | – | 0.2 % | – 2,8 % | – |
| | | | | | | |
| Consolidated net loss | – 149 | – 1,825 | 91.9 % | – 475 | – 834 | 43.1 % |
| Net loss per share, undiluted | – 0.02 | – 0.20 | 92.5 % | – 0.05 | – 0,09 | 50.7 % |
| Net loss per share, diluted | – 0.02 | – 0.20 | 92.5 % | – 0.05 | – 0,09 | 49.0 % |

in k€

| | 06/30/2018 | 06/30/2017 | Change in % |
|---|---|---|---|
| Order backlog | 15,815 | 16,249 | – 2.7 % |

in k€

| | 06/30/2018 | 12/31/2017 | Change in % |
|---|---|---|---|
| Equity | 18,135 | 13,895 | 30.5 % |
| Equity ratio | 46.5 % | 40.2 % | – |
| Balance sheet total | 38,979 | 34,534 | 12.9 % |
| Cash (freely available) | 7,303 | 4,408 | 65.7 % |

| | 06/30/2018 | 06/30/2017 | Change in % |
|---|---|---|---|
| Permanent employees | 265 | 250 | 6.0 % |

## DIRECTORS' SHAREHOLDINGS

| | 06/30/2018 |
|---|---|
| **Management Board** | |
| Dr. Peter Podesser | 106,800 |
| Hans Pol | 116,462 |
| Marcus Binder | 0 |
| **Supervisory Board** | |
| Tim van Delden | 0 |
| David Morgan | 4,000 |
| Hubertus Krossa | 6,250 |

# CONTENT

# LETTER TO SHAREHOLDERS

## DEAR SHAREHOLDERS,

Your SFC Energy is looking back on the best half of a financial year in its history. The sales momentum from 2017 is continuing and the measures we have taken in recent years are having the desired effect.

In the first half of 2018, the SFC Energy Group's sales increased by 17.3 % to € 30,860k as against € 26,306k in the first half of the previous year. Robust growth in core markets, important projects with well-known customers, sustainable cost control and a further improvement in the product mix characterize the result for the first half of 2018. We thus succeeded in generating significantly positive underlying EBITDA of € 2,131k in the first six months of the current year. In the first half of the previous year, there had been a negative figure of minus € 369k. Underlying EBIT improved to € 1,571k after minus € 988k in the first half of the previous year. Similarly, a significantly positive cash flow from ordinary operations of € 1,200k was achieved in the first half of 2018, whereas in the first half of 2017 it had come to minus € 1,135k. The good earnings figures were thus ultimately also reflected in the cash flow.

In line with these operational successes, the share price developed well in the first half of the year. Private and institutional investors rewarded SFC Energy AG's positive business performance with a share price increase of 38.3 % to € 8.56 as compared to the closing price of € 6.19 at the end of 2017.

The Defense segment in particular but also the Oil & Gas and Industry segments all contributed to the generally successful first half of 2018. With our products and technologies, we are serving megatrends of the 21st century – efficient and low-emission energy generation and conversion, clean mobility or the use of fuel cells as a sustainable and reliable energy source for new security and surveillance technologies. We would like to take this opportunity to give you a more detailed insight into the development of our individual business segments.

### Oil & Gas

During the reporting period, there was a significant rise in the oil price of more than 22 % to USD 74.12 per barrel. Demand for oil and the associated price increase, combined with appreciable growth in maintenance investments and new project business, were responsible for rising sales in the Oil & Gas segment. In the first six months of 2018, sales in this segment thus climbed to € 12,172k after € 11,687k in the first half of the previous year. On a Canadian dollar basis, sales were increased by more than 11 % year-on-year. It should be emphasized that we have succeeded in landing new projects with Canadian oil companies in all product areas. Off-grid power supply based on EFOY fuel cells is once again the product category with the strongest growth.

### Industry

The Industry segment displayed impressively strong growth momentum again in the reporting period. In the first half of the year, revenues increased by 9 % from € 7,626k in the previous year to € 8,310k. This increase was largely due to the positive development of our subsidiary PBF Group with growth in existing customers and very pleasing new business, especially with the new product platform. A first series order for a laser power supply system with an initial volume of € 1.2 million confirms the product platform strategy adopted. Following successful qualification of the prototypes, annual sales of € 2 million are expected from follow-up orders from 2020 onward.

## Defense & Security

The changed geopolitical situation will remain the basis and driving force for significant increases in Defense & Security spending at national and international level in 2018. Overall, the need for security is increasing not only on government but also on individual level. We have established fuel cells internationally as an efficient and very reliable energy source in these markets as the first company worldwide and enable the seamless use of new solutions for surveillance and communication technology with our products and technologies.

Our Defense segment benefited from this development in the first half of the year with a sales increase to € 5,647k after € 1,425k in the prior-year period. In the first quarter, we already delivered a major order from the German armed forces (Bundeswehr) with a total volume of € 3.6 million. The order is for the provision of the SFC energy network, consisting of the portable fuel cell JENNY, the SFC Power Manager 3G, a solar panel, and accessories. We have consistently expanded our international business in the first six months of the year as well. Follow-up orders from an Asian defense customer, which were delivered in the first half of 2018, accounted for a total of € 1.1 million in sales and prove the internationalization of the defense business. Our customer mainly ordered EMILY 3000 and the portable JENNY 600S fuel cells. Shortly before the half-year reporting date, we gained another major order from an international defense organization, which is to be completed in 2018. For the full year 2018, we also expect considerable growth in this segment on a national and international level.

## Clean Energy & Mobility

In the first six months of the financial year 2018, fuel cell business was around € 840k lower than in the same period of the previous year. This was attributable to a major order from Singapore in the previous year. In the second quarter, sales were already up slightly again at € 2,380k as against the prior-year period (€ 2,359k). The Clean Energy & Mobility segment's sales as of June 30, 2018, thus amounted to € 4,732k, down 15 % on the prior-year period (€ 5,568k). Our off-grid power supply systems based on the EFOY fuel cell meet the demand for clean and efficient energy supply in various sectors. Civil security technology, the rapidly growing use of off-grid image processing to secure people, buildings, major events and border security is just as much a growth driver as is the demand for off-grid power supply for the construction and operation of wind power plants. The output of installed systems is constantly increasing. For example, the output of offshore wind farms grew almost sixfold to just under 5.4 gigawatts in the period from 2013 to 2017. The energy mix is increasingly shifting towards renewable energy in other regions, too. In China, demand is also growing due to stricter emissions standards imposed by the government. For this reason, we entered into a partnership agreement with Beijing Green Century Technologies at an early stage. This company is an established market leader for value-added EMC, electricity, and other electronic component solutions for wind and solar power and for electromobility, the rail sector, and telecommunications. Under the agreement, our Chinese partner sells and performs maintenance for the EFOY Pro fuel cell. Our partner's wide-reaching distribution network and good connections within the sector will support our international expansion strategy in this area.

## Statement of financial position

To further reduce SFC Energy AG's financing costs and increase its liquidity, we carried out a capital increase in June. Due to strong demand from institutional investors, 500,000 new SFC shares were issued at a placement price of € 8.44 per share in a private placement. The share capital accordingly increased from € 9,749,612.00 to € 10,249,612.00. The cash inflow of € 4.22 million primarily serves to finance and secure the regional growth strategy in our civil markets as well as in the Defense segment, while also ensuring the flexibility of our Group. As of the half-year reporting date, the equity ratio increased to 46.5 % as compared to 40.2 % at the 2017 balance sheet date.

## Full steam ahead – the outlook

We are optimistic for the future. SFC Energy serves absolute megatrends with its products and technologies. Our motivation is to successfully solve challenges of a social dimensions. From people's need for security to tomorrow's mobility issues – clean and efficient energy sources – SFC Energy has forward-looking solutions.

In view of the growing demand across almost all areas, we are confident that we will be able to achieve our announced sales goal of between € 60 million and € 64 million along with a further significant improvement in underlying EBIT and EBITDA. Our half-year figures sustainably prove the growth track we are moving along. Based on an order backlog of € 15,815k as of June 30, 2018, and increased free cash of € 7,303k, we can react flexibly to changing market conditions and take advantage of opportunities that arise.

We would like to thank you, our shareholders, for the trust you have placed in us. Our thanks also go to our employees for their passionate commitment and excellent professional effort which made these results possible.

Sincerely,

The Management Board of SFC Energy AG

**Dr. Peter Podesser**
Chairman of the Board (CEO)

**Hans Pol**
Board Member (Industry)

**Marcus Binder**
Board Member (Defense & Security)

# THE SHARE

## DEVELOPMENT OF THE INDICES

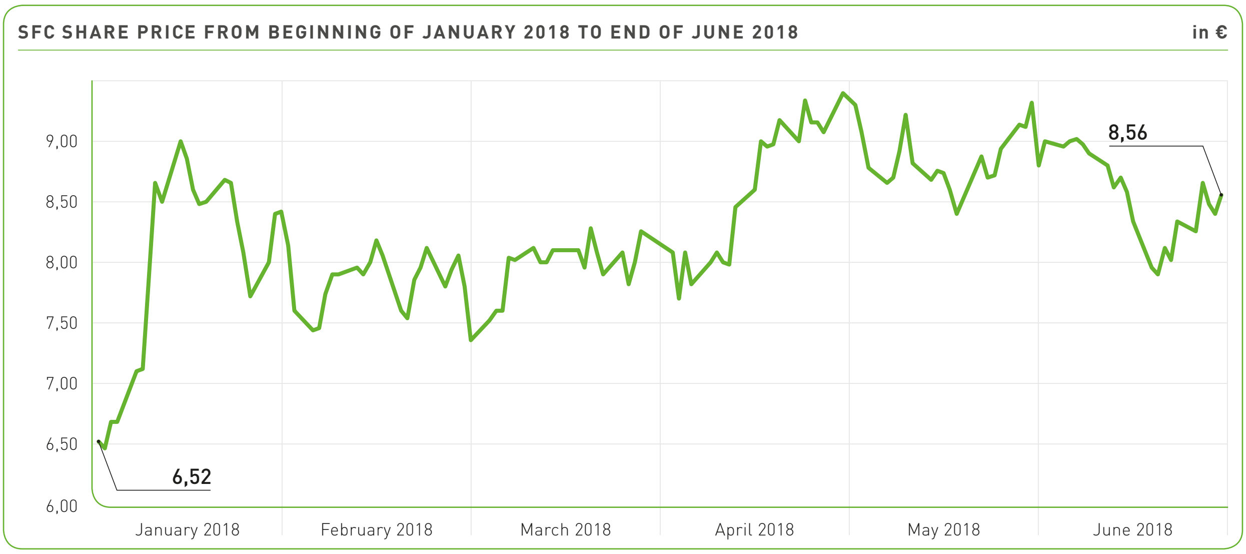
In the first half of 2018, political news resulted in volatile equity markets in Europe and a slightly negative performance overall[1]. However, US stock prices performed better. After a good start to 2018 and new highs that had been achieved, prices came under pressure, in particular in February, March and June. The main reason for the price downturn was ongoing concern about an escalation of the trade conflict with the US. In addition, the election of a eurosceptic government in Italy and the coalition government's struggle in Germany to restrict immigration had a negative impact. However, the fundamental outlook remained intact[2]. In Q2, the equity markets in industrial countries performed well despite the uncertainties surrounding Italy and the escalating trade conflict[3].

On January 2, 2018, the German index of standard stocks started the trading year at 12,898 points. As of the end of the first half of the year, the DAX was weaker despite an all-time high that had since been achieved of 13,597 points. As of the end of the 6-month period on June 29, 2018, the blue chip German index closed at 12,306 points, down 4.7 %, while a nominal increase of at least 1.7 % was recorded in Q2. In the first six months of 2018, the German technology index TecDAX recorded a performance of around 6.4 % and an increase of 7.9 % in the period from April to June.

As the ECB's zero interest policy is expected to come to an end in fall 2019 at the earliest, an interest rate hike in Europe is not in sight for the time being. Thus, the global low-interest rate phase is not over yet, although some central banks will align their monetary policy in a more restrictive fashion. As of April, the euro depreciated against the US dollar, as the US Federal Reserve's more restrictive monetary policy compared to the European Central Bank and higher yields on the US capital market ensure that US currency remains attractive. The US dollar also benefits from economic and political uncertainties which make it a safe haven. However, from January 2018 the ECB reduced its monthly bond purchases from the previous € 60 billion to € 30 billion currently for the period until September 2018. The benchmark rate is unchanged at 0.0 % and the benchmark rate for the deposit facility is – 0.4 %[4].

1 Metzler (2017): Kapitalmarktausblick auf das 3. Quartal 2018
2 M. M. Warburg (2018): Capital market prospects July 2018
3 Metzler (2017): Kapitalmarktausblick auf das 3. Quartal 2018
4 Metzler (2017): Kapitalmarktausblick auf das 3. Quartal 2018

## SFC SHARES




SFC Energy AG shares significantly outperformed the developments in German standard and technology equities. In the first half of 2018, SFC Energy shares increased by 38.3 % compared to the closing price of € 6.19 as of December 29, 2017.

On January 2, 2018, the SFC share opened the 2018 trading year at € 6.24 and recorded its 6-month low of € 6.20 on the same day. The high for the reporting period was € 9.68 on January 11, 2018. Subsequently, SFC Energy AG shares established a continuing upward trend. On June 29, 2018, SFC Energy shares closed with a closing price of € 8.56 from trading in the first half of the year. In the first six months of 2018, the average daily trading volume significantly increased to 19,647 shares (previous year: 6,335 shares). With 10.25 million shares and a closing price of € 8.56, the market value of the company stands at € 87.7 million as of June 30, 2018 (all figures based on Xetra prices). As of the end of the 2017 reporting period, SFC Energy AG's market capitalization amounted to € 59.8 million based on 9.66 million shares and a closing price of € 6.19.

## CAPITAL INCREASE

In June 2018, SFC Energy AG successfully placed 500,000 new shares from the capital increase on June 15, 2018 as part of a private placement to institutional investors. The placement price was set at € 8.44 per new share. The share capital increased from € 9,749,612.00 to € 10,249,612.00 by issuing the 500,000 new no-par value bearer shares. The company received gross issuing proceeds of € 4.22 million from the capital increase, which is to be primarily used to finance and hedge the regional growth strategy in the civilian markets, but also in the Defense segment.

## SHAREHOLDER STRUCTURE

Due to exercising convertible bonds placed in the period from December 2015 to March 2016 and the capital increase resolved in June 2018, SFC Energy AG's shareholder structure changed in the first half of 2018. Due to exercising convertible bonds, SFC Energy AG's share capital increased from € 9,659,456.00 by € 90,156.00 to € 9,749,612.00. As part of the capital increase in June 2018, the share capital increased to € 10,249,612.00. Thus, the total number of shares issued during the reporting period increased from 9,659,456 to 10,249,612. As of June 30, 2018, around 54 % of the company's shares was held by institutional investors, which accompany and support the company's growth. Extended management including the Supervisory Board had around 2.3 % of the voting rights. As of June 30, 2018, 43.3 % of the voting shares was in free float.

## ANALYST RESEARCH

SFC Energy AG's shares are listed in the Prime Standard of the Frankfurt Stock Exchange. In the first half of 2018, the research institutes First Berlin Equity Research GmbH and Warburg Research GmbH published studies on the company. The analysts placed sales growth in the Defense & Security business and the successful capital increase at the center of their valuations. In the study published on June 19, 2018, Dr. Karsten von Blumenthal, analyst at First Berlin recommended accumulating SFC Energy shares with a price target of € 9.50. In his study published on May 8, 2018, analyst Malte Schaumann von Warburg confirmed the buy recommendation of the SFC share with a price target of € 10.00. Detailed information is available for interested investors at https://www.sfc.com under investor relations/available shares.

## INVESTOR RELATIONS ACTIVITIES

Continuous and transparent communication with investors, analysts and representatives of the financial press is a high priority for SFC Energy. In the current financial year, the Management Board also holds numerous one-to-one interviews with the target groups mentioned above. These include a large number of roadshows and taking part in the Munich Capital Markets Conference in April and the German Equity Forum in fall this year.

# INTERIM GROUP MANAGEMENT REPORT JANUARY 1 – JUNE 30, 2018

## BASIS OF THE GROUP

### The Group's Business Model

#### Organizational structure of the Group and locations

The Group (SFC Group) comprises SFC Energy AG, Brunnthal (SFC), PBF Group B.V., Almelo, Netherlands, and its subsidiaries in Romania (PBF) and Simark Controls Ltd., Calgary, Canada (Simark).

#### Segments, sales markets, products and services

In financial year 2018, the Management Board managed the Group based on the Defense & Security, Industry, Oil & Gas, and Clean Energy & Mobility segments. These segments represent the Group's most important sales markets. The previous year's figures from the Oil & Gas, Security & Industry and Consumer segments have been allocated in line with the new segmentation to ensure comparability.

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, as well as 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 "Defense & Security" segment, SFC Energy AG generates sales in the Defense & Security market. The "Defense & Security" market includes 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. In addition to these products, a further portion of sales and other service revenues are generated by joint development agreements (JDAs) with military customers from Europe, Asia and the United States.

The "Clean Energy & Mobility" segment is highly diversified. It firstly includes 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 security and surveillance, traffic management, and the wind power industry. Secondly, SFC sells compact fuel cell generators in the Consumer segment under the EFOY COMFORT brand to generate electricity for mobile homes, 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 tailor-made 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 up 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 "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 sales 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 focus exclusively on providing comprehensive product solutions. Fuel cells will remain the core technology and the core components of complete solutions.

## Research and development

The focus of the SFC Group's research and development activities was as follows in the first half of 2018:

- Development of product generation EFOY 3.0.
- Further development of EFOY GO!.
- The Company continued to make quality improvements to its series products.
- Ongoing improvement, further development and portfolio expansion of energy solutions for industrial use.
- Further research to increase the performance and reduce the cost of coming EFOY generations was carried out.

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

- The prototypes of the 3.8 kW laser power supply (LAPS3800), part of the laser platform, are in the final stages prior to approval. They will become available in the third quarter of 2018.
- 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; series deliveries began in Q1 2018.
- 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 was completed in the second half of 2017. This product is in the final development phase, with product approval planned for Q3 2018.
- Development work for a 21 kW laser power supply was begun in 2018 after the order was placed. This modular power supply integrates the High Power Platform technology in a flexible, scalable system solution.

# ECONOMIC REPORT

## Macroeconomic and sector-based background conditions

### Upswing in the global economy continues

According to the ifo Institute's assessment[1] in its summer 2018 economic forecast, the upswing in the global economy continues to be intact. In the 2017/18 winter half-year, the global economy expanded significantly, although not as dynamically as in the first half of the previous year. The world's real gross domestic product increased in the fourth and first quarters of 2017 by 0.8% and 0.9% respectively compared with the previous quarter. However, the first three months of 2018 were characterized by a temporary weakness of industrial production in the advanced economies. Bad weather, to a certain extent, and the uncertainty about further US trade restrictions in the future are likely to have contributed to the development. In addition, the Institute sees indications of it becoming increasingly difficult for companies in some advanced economies to increase their production due to an increasing lack of qualified staff and technical capacities. However, world trade continued to develop very positively overall in the 2017/18 winter half-year. However, it stagnated in the advanced economies with the announcement of US tariffs on steel and aluminum probably making a contribution here. The movement of goods remained unaffected by this in the emerging economies, increasing significantly. Investment activity in OECD countries also accelerated.

### Strong German economy loses momentum

According to the Federal Ministry for Economic Affairs and Energy[2], the German economy expanded somewhat less dynamically in the first quarter of 2018, with only a 0.3% increase compared to the previous quarter. The upturn that was hoped for did not materialize in the second quarter either, as US foreign policy and trade policy and the formation of a government in Italy exacerbated uncertainty and risks for further development. As a consequence the experts are witnessing an increasing reluctance to invest in the German economy. However, unlike the export-oriented industry, the domestic upswing remained stable. Industry capacity utilization remains high and is only just below historic highs. The growing lack of qualified workers has exacerbated, resulting in a significant slowdown in expanding employment coupled with a significantly above-average increase in per capita wages. The inflation rate has also risen significantly recently.

1 ifo economic forecast summer 2018, "Storm clouds gather over German economy," June 16, 2018
2 BMWi Federal Ministry for Economic Affairs and Energy, Economic Policy Highlights, issue 7/2018, July 5, 2018

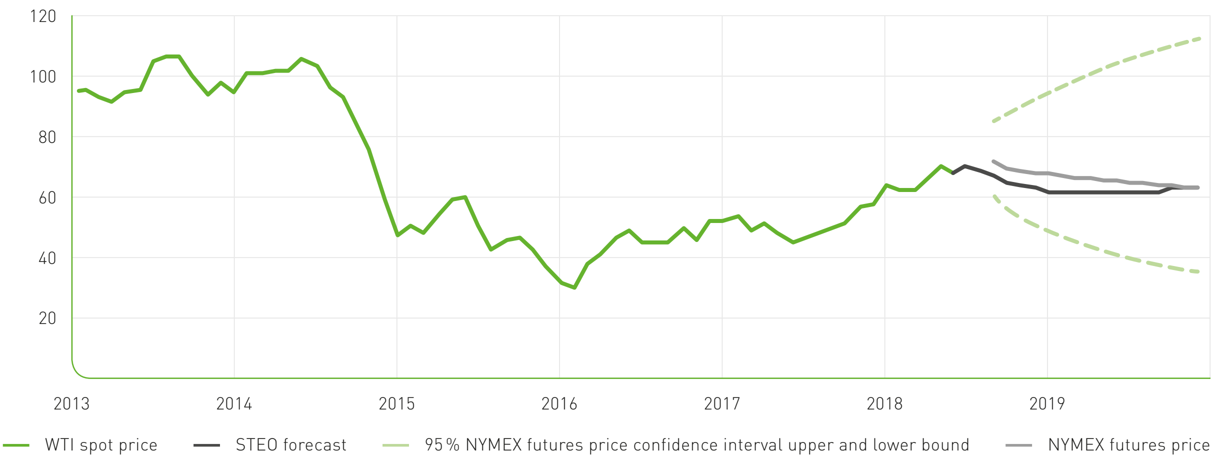
## Oil & Gas market

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, Simark's domestic market, is the sixth-largest global producer of gas and crude oil and the United States' largest supplier of oil and natural gas. According to the Canadian Association of Petroleum Producers (CAPP), the country has an[3] estimated 170 billion barrels of crude oil reserves, including 164 billion in the Canadian oil sands, thus has the world's third-largest crude oil reserves[4]. Production exceeds Canadian domestic consumption, with about 99 % of Canadian exports going to the US (2017: 3.4 million b/d). This makes the US both the largest customer and the largest competitor in the Canadian oil and gas industry. Canada has the strictest environmental legislation of all US suppliers. The country is the technology leader in the field of oil sands production with 900 own technologies, worth more than CAD 1.3 billion. The Canadian oil and gas industry is the largest private sector investor in the country, with total investments of CAD 44 billion in 2017. In 2014, this figure had been as high as CAD 81 billion.

In 2017, the Canadian oil and gas industry produced 4.2 million barrels of crude oil a day (b/d). According to the Canadian Association of Petroleum Producers, production is expected to increase to € 5.8 million b/d by 2035. In its crude oil forecast of June 2018, the Canadian Association of Petroleum Producers was harsh on the Canadian oil and gas industry – with the investment backlog in all sectors, especially in pipeline construction and in oil sands production, which has been ongoing for four years now, the industry has been responsible for the loss of its competitive advantage against the United States, with greater investments in technology and infrastructures needed to achieve the planned increase in production.

**WEST TEXAS INTERMEDIATE (WTI) CRUDE OIL PRICE AND NYMEX CONFIDENCE INTERVALS** **Dollar/Barrel**




Note: Confidence interval derived from options market information for the five trading days ending Jul 5, 2018. Intervals not calculated for months with sparse trading in near-the-money options contracts.

Source: U. S. Energy Information Administration[5]

3 Canadian Association of Petroleum Producers, "June 2018 Crude Oil Forecasts, Markets and Transportation Report," June 16, 2018
4 Canadian Association of Petroleum Producers, "Canada's Oil and Natural Gas Industry Energy tomorrow," November 2017
5 U. S. Energy Information Administration, "Short Term Energy Outlook," July 10, 2018

According to the U.S. Energy Information Administration[6], prices for crude oil of the Brent variety averaged USD 74/barrel (b) and thus down almost USD 3/b on the previous month. As of the end of 2017, the price had been USD 60/b. For the second half of 2018, the U.S. Energy Information Administration expects average Brent prices of 73 USD/b and an average of 69 USD/b for 2019. The West Texas Intermediate (WTI) crude oil price is expected to average USD 6/b below Brent in the second half of 2018 and USD 7/b below Brent in 2019.

According to the International Energy Agency[7], global demand increased by over 2 million barrels per day (b/d) in the first quarter of 2018, assisted by the cold winter. In the second quarter of 2018, this momentum slowed to an increase of just 0.9 million b/d, also owing to the increasing oil price. Thus, the growth averaged 1.5 million b/d in the first half of 2018, a further slowdown in the demand increase to 1.3 million b/d is expected in the second half of the year. In 2019, demand is expected to grow by close to 1.2 million b/d in the first half of the year and by 1.6 million b/d in the second half.

According to the International Energy Agency[8], global supply was 98.7 million b/d, whereby the year-on-year increase in supplies from non-OPEC countries of 2.2 million b/d made a decisive contribution. Non-OPEC countries' delivery volumes are expected to increase further. OPEC supplies also increased. Higher delivery volumes from Saudi Arabia, Iraq and Algeria offset declines in Nigeria and Venezuela. In April, OECD inventories decreased further by 3.1 million barrels to 2,809 million barrels, its lowest point in three years.

## Security & Industry market

### a) Fuel cells

According to the strategic consulting firm E4tech[9] in its "Fuel Cell Industry Report 2017," the international fuel cell industry continues to grow. According to the experts' calculations, 30 % more fuel cells were sold in 2017 than in the previous year. This corresponds to an overall increase of almost 10,000 fuel cells. The increase is most pronounced in the automotive industry, in which electromobility is being invested in more heavily. Stationary fuel cells remained at the previous year's level, mainly due to economic problems at numerous manufacturers. According to the experts, this remains the greatest challenge for the industry.

Overall, the share of fuel cells in the energy mix worldwide rose by 30 % to 670 MW in 2017. The strongest impetus came from Asia, which is responsible for almost 80 % of this increase. For the first time in their report, the experts comment on the applications of fuel cells in defense applications. This market is expected to become more important in the future. The experts see growth opportunities for small fuel cell systems such as the ones distributed by SFC Energy for portable and mobile personal and security applications. For 2018, the strategy consulting firm sees good strategic and financial conditions for the further development of the market, provided that the funding conditions remain good.

In its Fuel Cell Industry Guide[10], the VDMA Working Group Fuel Cells with its commitment to further develop the National Innovation Program, its commitment to strengthen hydrogen technology and sector coupling to accelerate the energy transition in the heating sector and to modernize combined heat and power generation, sees good conditions for rapid growth. According to VDMA forecasts, the home market for fuel cells is expected to achieve € 2.6 billion by 2022. While the global fuel cell market has been characterized by stationary applications for many years, the organization currently sees a trend for fuel cells in transport applications.

6 ebenda
7 International Energy Agency, "Oil Market Report July," January 12, 2018
8 International Energy Agency, "Oil Market Report June 2018," June 13, 2018
9 E4tech, "The Fuel Cell Industry Review 2017," December 2017
10 VDMA, Fuel Cell Industry Guide Germany 2018: German manufacturers well positioned in the growing global market, April 25, 2018

### 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 its "Facts and Figures" on the German Electrical and Electronic Industry, the German Electrical and Electronic Manufacturers' Association (ZVEI)[11] reports total sales (preliminary) of the German industry of € 191.5 billion in 2017. That corresponds to a year-on-year increase of 7.3 % and constitutes 11 % of total German industrial production and around 3 % of German gross domestic product. With 874,000 employees, the industry is the second largest in Germany, 96,000 people work in research and development. The product portfolio consists of 78 % industrial goods (e. g. automation, energy and medical technology), 12 % intermediate goods (semiconductors) and 10 % consumer goods (household appliances, consumer electrics, lighting). The industry invested € 6.2 billion in 2017, € 17.2 billion went into research and development.

In its "Microelectronics Trend Analysis to 2022[12]," the ZVEI continues to see long-term potential for growth in the single-digit percentage range for microelectronics, with China as the largest regional market. The "electromechanical components" submarket in the "electronic components" submarket (in-house manufacturers and electronic manufacturing services providers) relevant for SFC Energy is expected to continue growing by between 1 % and 2 %. According to the Association, the industry, which is mainly dominated by small and medium-sized enterprises, is increasingly successful in an increasingly globalized market.

11 ZVEI, German Electrical & Electronic Industry – Facts & Figures, June 20, 2018
12 ZVEI, Microelectronic trend analysis until 2022, April 12, 2018

### c) Defense and security

As of the end of last year, following the resolution of the European Defense Fund (EDF) by the Member States of the European Union as of 2021 after the Permanent Structured Cooperation (PESCO) had started, the European Commission announced the provision of substantial defense resources for the first time in history in May 2018. This is a welcome addition to the national defense efforts of individual European states, although experts continue to call for significant progress in defining common strategic and military needs between states. From 2021 to 2027, the EDF is expected to provide a total of € 12 billion for defense and security tasks.

**MULTINATIONAL FINANCIAL FRAMEWORK (MFF), EU27: EUROPEAN DEFENCE FUND ALLOCATION (2018 PRICES AND EXCHANGE RATES)**

| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | Total 2021 – 27 |
|---|---|---|---|---|---|---|---|---|
| €bn | 1.5 | 1.5 | 1.5 | 1.6 | 1.9 | 2.2 | 2.8 | 13.0 |
| US$ | 1.9 | 1.9 | 1.9 | 2.1 | 2.5 | 2.8 | 3.6 | 16.8 |

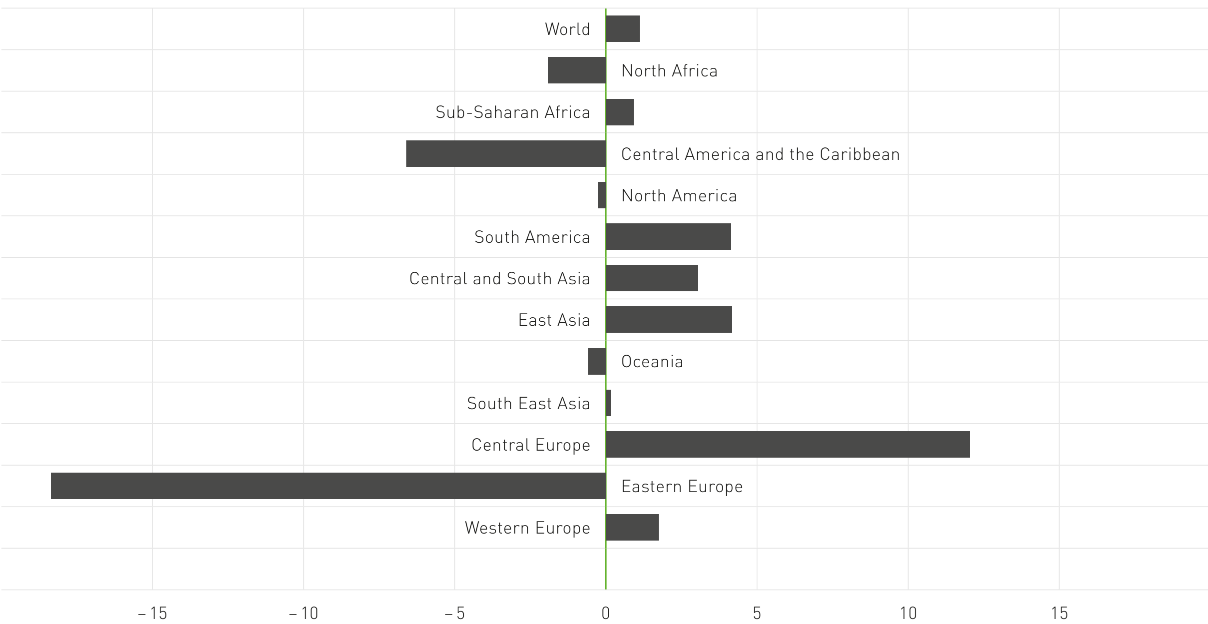
Source: IISS – Military Balance Blog [13]

In addition, € 6.5 billion will be allocated for military mobility. This is expected to respond to the growing challenge of more efficient land, sea and air transport of military forces and means for rapid on-site deployment and improved deterrence. Despite their ongoing dispute over the amount of defense spending, NATO member states agreed on a joint statement at the summit in Brussels in July 2018. The 29 NATO member states reaffirmed their "unqualified commitment" to the so-called two percent goals of 2014. Despite a significant increase in spending on defense, Germany's spend is currently at approximately 1.24 %. Thus, Germany is moving towards 2 %: In 2014, Germany was still only at 1.18 %. In 2024, 1.5 % is expected to be achieved in Germany.

In its 2018 Yearbook [14], the Sipri Peace Research Institute estimates global military spending of USD 1,739 billion in 2017, a slight increase of 1.1 % compared to 2016. According to the Institute, spending has thus achieved its highest level since the end of the Cold War and corresponds to 2.2 % of the world's gross domestic product (GDP) or USD 230 per global citizen. Military spending in the US has decreased for the seventh time in a row. It fell by 0.2 % to USD 610 billion, corresponding to 3.1 % of the country's GDP. Nevertheless, US military spending remains the highest in the world. Military spending in Asia increased for the 23rd consecutive year by 4.1 %. With spending of USD 228 billion and a 5.6 % increase from 2016, China now ranks second in the list of countries with the highest military spending, followed by Saudi Arabia with a increase of 9.3 % in military spending to USD 69.4 billion and Russia, where spending decreased by 20 % to USD 66.3 billion. India is in fifth place with an increase of 5.5 % to USD 63.9 billion. Western Europe increased its spending for the third year in a row – by 1.7 % compared to 2016.

13 IISS: "The Military Balance Blog," June 17, 2018
14 SIPRI Yearbook 2018 – Armaments, Disarmament and International Security, July 22, 2018

**PERCENTAGE CHANGES IN MILITARY EXPEDITURE, BY REGION, 2016–17** in %




Source: SIPRI[15]

In its study "The Military Balance 2018[16]," the International Institute for Strategic Studies gives an urgent warning to the IISS that Western countries are losing technology leadership. Countries such as China and Russia are developing increasingly fast, precise and technologically sophisticated defense systems. Important technologies are also becoming increasingly accessible to other countries at relatively low cost. Cyber tools such as artificial intelligence, modern sensor systems and machine learning techniques will be crucial in the future for making quick and good decisions at the military, economic and political interfaces. Parallel to this, functional responses against terrorist threats need to be created. This is not only limited to greater physical protection and better weapons, but also includes new approaches to cooperative cooperation. Overall, technology and mobility will play an increasingly important role in the defense industry in the coming years.

15 ebenda
16 IISS: "The Military Balance 2018," February 14, 2018

## Consumer

### a) Caravaning

According to the German Caravaning Industry Association[17], the caravaning industry will also remain on track for record performance in 2018. In June, the European umbrella association European Caravaning Federation reported double-digit growth in European sales figures for leisure vehicles and excellent sentiment among market participants. The European Caravaning Federation is forecasting a 6 % growth rate for the European leisure vehicle industry for 2018. Thus, registration of 200,000 vehicles in total is expected to be achievable at European level. According to the Federation, at 121,000 units, the main driver of growth within the industry, the caravaning segment, is expected to continue to grow by double digits. Caravans are expected to stabilize at the previous year's level. However, the Federation is expecting a negative impact due to the drastic decrease of 11 % in Great Britain – the market with the highest registration. Here it appears that poor consumer sentiment as a result of Brexit is fully impacting the economically-sensitive segment in the UK.

According to the German Caravaning Industry Association[18], Germany delivered record results in the first half of 2018 again. The motorhome segment in particular achieved new milestones: In the first six months of 2018, new registrations increased by 14.4 % to almost 31,000 units. At more than 2,800 units, the caravan segment remained at the previous year's level. Against this background and given the very positive purchase sentiment customers, the Federation is anticipating that approximately 23,500 caravans and 45,000 motorhomes will be newly registered this year in Germany, thus more than 68,500 leisure vehicles in total. In 2017, 63,264 leisure vehicles and caravans in total were newly registered.

### b) Marine market

A market study on the recreational boating market[19] prepared by IBI Plus on behalf of the German Marine Industry Association sees the industry on a stable growth trajectory in line with the general economic trend. In particular, the strong US and European recreational boating market which is home to the broadest customer base and the largest manufacturers, are expected to benefit from this. This development is accompanied by returning consumer confidence and a renewed spending propensity. The experts consider that the financial crisis has been overcome with its restructuring, with manufacturers well positioned again and their competitive position strengthened. However, the industry is subject to major changes. Firstly, the customer base consisting of wealthy older boat owners is declining, with many young people preferring to rent than buy. Shorter weekend or day trips are increasingly popular instead of longer stays on board. Modern connectivity and functionality with electronic support are indispensable in the industry. Service aspects are becoming increasingly important for manufacturers, customer loyalty following the purchase has created completely new risks and opportunities. Completely new service models have been created for people who use boats but do not want to buy one. In addition, the issue of environmental responsibility has gained enormous importance in the leisure boat industry: Many boats are already powered by hybrid engines, alternative drives are in demand. Materials have to be more environmentally-friendly, lighter and more functional. According to the experts, owing to these trends, the "Equipment and Accessories" sector is growing, which is relevant to SFC Energy's fuel cell products. In particular, innovative, functional and environmentally-friendly products are in demand here.

17 German Caravaning Industry Association, press release, "German Caravaning Industry Association discusses trends," June 8, 2018
18 German Caravaning Industry Association, press release, "Economy slows to normal level," July 5, 2018
19 IBI Plus, on commission by the German Marine Industry Association, press release, "Key developments in major recreational boat markets," March 2018

# EARNINGS AND FINANCIAL POSITION

## Material events

On January 24, 2018, an investor converted his convertible bond in the amount of € 550,000 into 90,156 bearer shares of no-par-value common stock, so that the subscribed capital amounted to € 9,749,612 after this conversion, divided into 9,749,612 bearer shares of no-par-value common stock.

SFC also placed a total of 500,000 new shares from the capital increase resolved on June 15, 2018, with institutional investors as part of a private placement. The placement price was set at € 8.44 per new share. The share capital was then increased from € 9,749,612.00 to € 10,249,612.00. The capital increase provided SFC with gross issue proceeds in the amount of € 4.22 million.

By way of an agreement dated June 15, 2018, the step-by-step repayment plan for the fixed-interest bearer bond with Harbert European Growth Capital Fund (Harbert) in the amount of € 5 million was extended by one year and now has a final maturity date of December 31, 2019. The bond was valued at € 3.8 million as of June 30, 2018.

## Earnings position

The SFC Group (the "Group") posted sales of € 30,860k in the first half of 2018, representing an improvement of 17.3 % from the prior-year period's € 26,306k.

All three Group companies generated a year-on-year increase on both a half-yearly and a quarterly basis.

In the first half of 2018, SFC generated sales of € 10,379k. This corresponds to an increase of 48.4 % compared to the prior-year figure of € 6,992k. Although this sales growth was mostly attributable to the strong first quarter of 2018 with the major order from the German armed forces (Bundeswehr), SFC also posted a year-on-year sales increase of 12.1 % from € 3,301k to € 3,699k in the second quarter of 2018.

With sales of € 8,310k in the first half of 2018, PBF was up 8.6 % on the prior-year figure of € 7,650k. In the second quarter of 2018, PBF generated sales of € 4,395k (prior-year period: € 4,025k). The second quarter of 2018 was the quarter with the highest sales since PBF became part of the SFC Group.

Simark generated sales of € 12,172k in the reporting period, corresponding to an increase of 4.1 %. In the prior-year period, it had generated € 11,687k. On a CAD basis, sales growth of 11.2 % was achieved here. In the second quarter of 2018, Simark generated sales of € 6,009k (prior-year period: € 5,869k).

As the next step, a further improvement was also achieved with regard to the earnings figures. Underlying EBIT and underlying EBITDA were both up by more than € 2 million year-on-year in the first half of 2018. This laid the foundations for a sustainable improvement in the earnings figures in the 2018 financial year.

EBIT improved from minus € 1,521k in the prior-year period to plus € 497k in the first half of 2018. In this context, it should be noted that in the first half of 2018 there were non-recurring effects of € 1,074k resulting from personnel measures at PBF (€ 395k) and expenses in connection with the SAR program (€ 679k). There were no longer any non-recurring effects from the acquisition of Simark. In the previous year, non-recurring effects amounted to € 534k.

Not including these non-recurring effects, underlying EBIT for the first half of 2018 amounted to plus € 1,571k and the prior-year figure was minus € 988k.

In the second quarter of 2018, EBIT improved from minus € 705k in the previous year to minus € 208k.

Positive EBITDA of € 1,057k was recorded in the first half of 2018, after minus € 546k in the first half of 2017. Underlying EBITDA improved from minus € 369k to plus € 2,131k in the reporting period.

In the second quarter of 2018, EBITDA of plus € 84k was recorded, whereas in the prior-year period EBITDA had been negative at € 213k.

## Reconciliation to underlying EBIT and EBITDA

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

| in k€ | EBIT | EBITDA |
|---|---|---|
| **Earnings according to income statement** | **497** | **1,057** |
| **Restructuring expenses** | | |
| Restructuring costs | 395 | 395 |
| **Sales costs** | | |
| Expenses for the Management Board SAR Plan | 379 | 379 |
| **General administrations costs** | | |
| Expenses for the Management Board SAR Plan | 300 | 300 |
| **Underlying operating result (EBIT)** | **1,571** | **2,131** |

## Sales by segment

The sales by segment for the first six months of the financial year 2018 and for the second quarter compared to the prior year period are as follows:

**SALES BY SEGMENT (UNAUDITED)** in k€

| | 1st Halfyear | | | 2nd Quarter | | |
|---|---|---|---|---|---|---|
| Segment | 2018 | 2017 | Change in % | 2018 | 2017 | Change in % |
| Oil & Gas | 12,172 | 11,687 | 4.1 % | 6,009 | 5,869 | 2.4 % |
| Industry | 8,310 | 7,626 | 9.0 % | 4,395 | 4,024 | 9.2 % |
| Defense & Security | 5,647 | 1,425 | 296.3 % | 1,319 | 942 | 40.0 % |
| Clean Energy & Mobility | 4,732 | 5,568 | – 15.0 % | 2,380 | 2,359 | 0.9 % |
| **Total** | **30,860** | **26,306** | 17.3 % | **14,102** | **13,194** | 6.9 % |

The “Oil & Gas” segment only includes the sales generated by Simark, which executes its transactions almost exclusively in CAD. Sales were generated with the distribution and integration of products for the oil and gas market in North America. On a CAD basis, sales were increased from € 16.9 million to € 18.8 million.

PBF generated sales exclusively in the "Industry" segment. In the first half of 2018, these sales amounted to € 8,310k (previous year: € 7,626k).

SFC generated its sales in the "Defense & Security" and "Clean Energy & Mobility" segments.

The following major orders were recorded in the "Defense & Security" segment in the first six months of 2018:

- Defense order from the German armed forces (Bundeswehr) for vehicle-based and stationary power supply in the amount of € 3.6 million
- Follow-up order for hardened fuel cells from an Asian defense customer

A sales increase from € 1,425k to € 5,647k was recorded in this context.

In the "Clean Energy & Mobility" segment in the Security & Industry market, the number of fuel cells sold declined from 683 to 489. Sales here amounted to € 2,802k, down 22.0 % on the prior-year figure of € 3,590k. It should be noted that in the previous year a major order for surveillance systems was delivered to Singapore.

A decline from € 1,977k to € 1,929k was recorded in the Consumer market. The number of fuel cells sold fell from 613 to 589.

## Sales by region

Sales by region evolved as follows:

| SALES BY REGION (UNAUDITED) | | | | | | in k€ |
|---|---|---|---|---|---|---|
| | 1st Halfyear | | | 2. Quartal | | |
| Region | 2018 | 2017 | Change in % | 2018 | 2017 | Change in % |
| North America | 12,357 | 11,837 | 4.4 % | 6,127 | 5,937 | 3.2 % |
| Europe and rest of world | 18,504 | 14,469 | 27.9 % | 7,975 | 7,257 | 9.9 % |
| **Total** | **30,860** | **26,306** | **17.3 %** | **14,102** | **13,194** | 6.9 % |

Sales in North America chiefly consist of Simark's sales in the Oil & Gas segment. SFC was represented almost exclusively in the "Europe and rest of world" region. PBF is also represented almost exclusively in this region. Sales in Europe and the rest of the world were increased by almost 28 %.

## Gross profit

Gross profit in the first half of 2018 totaled € 10,571k, or 34.3 % of sales. In the previous year, by contrast, a figure of € 7,943k or 30.2 % had been recorded.

Gross profit in the second quarter amounted to € 4,664k or 33.1 % of sales, whereas in the prior-year period € 4,299k or 32.6 % had been generated.

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

GROSS PROFIT (UNAUDITED) — in k€

| | 1st Halfyear | | | 2nd Quarter | | |
|---|---|---|---|---|---|---|
| Segment | 2018 | 2017 | Change in % | 2018 | 2017 | Change in % |
| Oil & Gas | 3,613 | 2,718 | 32.9 % | 1,809 | 1,481 | 22.1 % |
| Industry | 2,440 | 2,610 | – 6.5 % | 1,388 | 1,421 | – 2.3 % |
| Defense & Security | 2,645 | 645 | 310.1 % | 502 | 371 | 35.3 % |
| Clean Energy & Mobility | 1,874 | 1,969 | – 4.8 % | 964 | 1,024 | – 5.9 % |
| **Total** | **10,571** | **7,943** | **33.1 %** | **4,664** | **4,299** | **8.5 %** |

In the "Oil & Gas" segment, the gross margin was increased to 29.7 % of sales in the first half of 2018.

The "Industry" posted a decline to 29.4 % as a result of expiring development sales and the continued expansion in Romania.

The gross margin in the "Defense & Security" segment improved slightly to 46.8 % and an increase in the gross margin to 39.6 % was also achieved in the "Clean Energy & Mobility" segment.

Overall, the gross margin for the Group was increased to 34.3 % and was thus 4.1 percentage points higher than the prior-year figure of 30.2 %. The margin increase is thus a key element in improving the earnings figures.

## Sales costs

The Group's sales costs rose by 9.5 %, from € 4,971k to € 5,444k. This rise was primarily due to the increased sales volume.

In the first half of 2018, the figure included non-recurring effects of € 379k (previous year: € 410k).

Overall, the sales cost ratio came to 17.6 % of sales, whereas in the prior-year period it had been 18.9 %.

## Research and development costs

Research and development costs decreased from € 2,054k to € 1,695k in the first half of 2018. In relation to sales, the R&D cost ratio fell to 5.5 % (previous year: 7.8 %) due partly to the extensive increase in sales but also to required capitalization.

In the first half of 2018, development costs of € 633k (previous year: € 178k) were capitalized. It should be noted here that the development costs incurred in the context of JDAs are reported under production costs of work performed to generate sales and that grants from publicly subsidized development projects are offset against development costs. Taking account of these two effects and the capitalized development costs, research and development costs in the first half of 2018 totaled € 2,730k, which was higher than the prior-year figure of € 2,511k.

SFC recorded a decrease from € 782k (11.2 % of SFC's sales) to € 502k (4.8 % of SFC's sales) in this area.

Research and development costs at PBF amounted to € 1,092k (previous year: € 1,161k) or 13.1 % of PBF's sales (previous year: 15.2 %).

## General administration costs

General administration costs amounted to € 2,726k in the first six months of 2018, up 9.7 % on the prior-year figure of € 2,485k. Not including non-recurring effects, administration costs would only have been up 2.8 % year-on-year.

For the Group as a whole, the ratio decreased to 8.8 % of sales (previous year: 9.4 %).

## Other operating income

Other operating income of € 333k (previous year: € 197k) includes insurance compensation of € 223k as the largest item, as well as income from exchange rate differences of € 84k.

## Other operating expenses

Other operating expenses in the amount of € 148k (previous year: € 150k) consist entirely of expenses from exchange rate differences.

## Restructuring expenses

The restructuring expenses of € 395k (previous year: € 0k) consist entirely of costs relating to the job costs as a result of the relocation of production to Cluj, Romania.

## Operating result (EBIT)

The Group's EBIT improved from minus € 1,521k to plus € 497k in the first half of 2018. EBIT in relation to sales improved from minus 5.8 % to plus 1.6 %.

Adjusted for the non-recurring effects mentioned earlier, EBIT amounted to plus € 1,571k in the first half of 2018 (previous year: minus € 988k) or plus 5.1 % of sales.

EBIT in the second quarter of 2018 changed to minus € 208k after minus € 705k in the second quarter of 2017.

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

EBITDA improved year-on-year from minus € 546k to plus € 1,057k. EBITDA in relation to sales improved from minus 2.1 % to plus 3.4 %.

Adjusted for the non-recurring effects mentioned above, EBITDA amounted to plus € 2,131k in the first half of the year (previous year: minus € 369k) or 6.9 % of sales.

EBITDA in the second quarter of 2018 improved to plus € 84k after minus € 213k in the second quarter of 2017.

## Interest and similar income

Due to the interest rate level, interest and similar income arose only at an insignificant level/remained close to zero.

## Interest and similar expenses

Interest and similar expenses amounted to € 403k (previous year: € 452k) and chiefly consisted of interest expenses for liabilities to banks and for loans. Interest expenses were reduced thanks to the positive business performance and liquidity development.

## Earnings after taxes

Earnings after taxes for the first half of the year improved from minus € 1,825k in the prior-year period to minus € 149k.

In the second quarter, earnings after taxes amounted to minus € 475k, as compared to minus € 834k in the prior-year period.

## Earnings per share

Earnings per share in accordance with IFRS were negative at € 0.02 (undiluted and diluted) in the first half of 2018 (previous year: minus € 0.20 undiluted and diluted).

## New orders and order backlog

In the first half of 2018, new orders of € 28,046k were recorded. In the prior-year period, they had amounted to € 25,726k.

The order backlog as of June 30, 2018, came to € 15,815k (previous year: € 16,249k).

Of this amount, € 2,848k was attributable to the “Oil & Gas” segment, € 9,729k to the “Industry” segment, € 2,997k to the “Defense & Security” segment, and € 241k to the “Clean Energy & Mobility” segment.

## Financial position

### Capital expenditures

In the first six months of 2018, € 633k (previous year: € 178k) was capitalized for the further development of PBF's and SFC's products. Investments were also made in operating equipment and technical equipment in particular in the amount of € 377k. Total capital expenditures in the reporting period came to € 1,016k (previous year: € 365k).

### Cash and cash equivalents

In the first half of 2018, a net cash inflow of € 2,895k was recorded. In the same period of the previous year, there had been a net cash outflow of € 736k.

Available cash and cash equivalents amounted to € 7,303k as of the end of June 2018 and were thus higher than the figure of € 1,020k as of the end of June 2017 as a result of the earnings and capital measures in 2018.

### Cash flow from ordinary operations

As a result of the earnings in the first half of 2018, a net cash inflow from operating activities of € 1,200k was recorded (previous year: net cash outflow of € 1,135k).

### Cash flow from investment activity

Net cash used for investment activity totaled € 1,009k in the period under review (prior year: € 366k).

### Cash flow from financial activity

Financial activity resulted in a total cash inflow to the Group of € 2,704k in the 2018 financial year. It is worth mentioning the payment received from the capital increase in the amount of € 4,220k and the repayment of loans in the amount of € 1,509k.

## Net asset position

The net asset position and balance sheet ratios improved as follows in the first half of 2018.

As of June 30, 2018, total assets had increased by 12.9 % from € 34,534k as of December 31, 2017, to € 38,979k. The equity ratio increased from 40.2 % to 46.5 %.

The total amount of inventories and trade receivables less trade payables remained unchanged as against December 31, 2017. Despite an increased business volume, working capital was therefore kept virtually constant as of June 30, 2018.

The most significant intangible assets are the goodwill of Simark in the amount of € 6,762k (prior year: € 7,048k) and PBF in an unchanged amount of € 1,179k (prior year: € 1,179k), other intangible assets relating to the acquisition of Simark in the amount of € 0k (prior year: € 116k) and PBF in the amount of € 249k (prior year: € 511k) and capitalized development costs in the amount of € 2,625k (prior year: € 1,761k). The decrease in other intangible assets relating to the Simark and PBF acquisitions reflects changes due to exchange rates and the amortization of the customer relationships and technology. With respect to the capitalized development costs, € 633k was capitalized and € 199k was amortized in the first six months of 2018.

Non-current assets increased from € 12,684k to € 13,115k. However, the share of total assets attributable to non-current assets fell from 36.7 % to 33.6 % due to the increase in total assets. It should be noted here that the company buildings are rented on a long-term basis and in accordance with IFRS they do not appear under non-current assets. The change to this in accordance with IFRS 16 will take effect from January 1, 2019.

Liabilities increased from € 20,639k to € 20,844k. A key item within liabilities was trade payables, which totaled € 6,230k.

Altogether, liabilities made up 53.5 % of total equity and liabilities (December 31, 2017: 59.8 %).

As a result of capital measures, equity increased to € 18,135k as of June 30, 2018, compared to € 13,895k as of December 31, 2017. Subscribed capital now amounts to € 10,250k.

## Employees

The number of permanent employees was as follows as of June 30, 2018:

**EMPLOYEES**

| | 06/30/2018 | 06/30/2017 | Change |
|---|---|---|---|
| Management Board | 3 | 3 | 0 |
| Research and development | 51 | 46 | 5 |
| Production, logistics and quality management | 109 | 99 | 10 |
| Sales and marketing | 73 | 75 | – 2 |
| Administration | 29 | 27 | 2 |
| **Permanent employees** | **265** | **250** | **15** |

The Group employed 7 trainees, graduates, and student trainees as of June 30, 2018 (previous year: 5). Of the permanent employees, 77 (previous year: 74) were attributable to SFC, 119 (previous year: 110) to PBF, and 69 (previous year: 66) to Simark. The increase at PBF is attributable to the expansion of production in Romania.

# REPORT ON RISKS AND OPPORTUNITIES

In our opinion, the opportunities for the Group have not changed in comparison to the 2017 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.

In our opinion, the other material risks for the Group have not changed in comparison to the 2017 annual report with the exception of the risks described below:

## 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 Industry segment respectively.

### Outlook and risks

#### Macroeconomic developments

In its summer forecast in 2018, the ifo Institute[20] sees the global economy continuing to grow dynamically in the summer half year of 2018, even somewhat more strongly than in the first quarter of 2018. Despite a worsening of the ifo world economic climate in the second quarter of 2018, the experts continue to see the situation as approximately unchanged as a whole year-on-year and thus significantly above their assessment of the situation in the final quarter of 2017. However, the advanced economies are expected to experience an economic downturn. In the further course of the year, the experts forecast that the momentum of global general economic production will continue overall, but will weaken compared to the previous year. The reasons for this are increasing utilization of production capacities in the advanced economies and more restrictive monetary policy in China. The US tax reform is likely to stimulate investment in the US and US household consumption to a lesser extent. However, on the other hand, this tax policy and the emerging tightening of protectionist measures by the US government may result in a weakening of investment activity, in particular in Europe, as multinational companies could rethink their global production chains and relocate parts of their production to the US. Finally, it is expected that the increase in crude oil prices in oil-exporting countries will boost momentum. Overall, at 3.3 % and 3.1 % respectively, the increase in the world's gross domestic product is expected to be somewhat weaker this year and next year than in 2017.

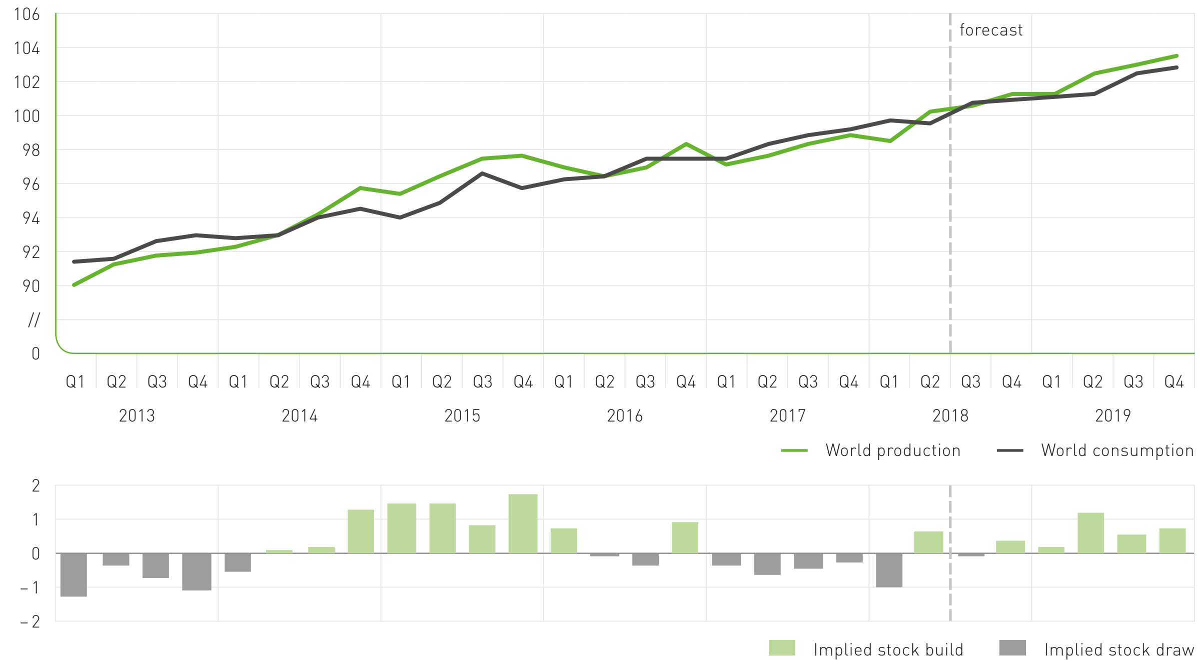
For 2018, the ifo Institute anticipates a lower increase in German gross domestic product of only 1.4 % (calendar-adjusted 2.5 %) and thus a noticeable slowdown in economic momentum compared to the previous two years. Owing to the strong final quarter of 2017 and thus the associated high statistical overhang of 1.0 %, gross domestic product is likely to increase by 1.8 % on a price-adjusted basis. For 2019, the experts expect an 1.8 % increase to the same extent as this year, but with a return to the increasing underlying economic momentum. However, the experts see risks and opportunities for the German economy in the Federal government's new economic policy, where the specific drafting of the planned measures can only be predicted with great uncertainty.

20 ifo economic forecast summer 2018, "Storm clouds gather over German economy," June 16, 2018

## Oil & Gas market ("Oil & Gas" segment)

In its July 2018[21] energy forecast, the U.S. Energy Information Administration expects that, global demand will increase by 1.4 million b/d in 2018 and by 1.2 million b/d in the first half of 2019. Non-OPEC delivery volumes are expected to continue to increase in 2019, primarily in the US, although restrictions on infrastructure and logistics can also seen here. As mentioned above, this has a strong impact particularly in Canada where massive investments in pipeline expansion and oil sands production are required for production growth[22]. In their Vienna Agreement the OPEC countries resolved an increase in delivery volumes. The U.S. Energy Information Administration sees initial signs that delivery volumes can subsequently reach new record highs. This could stabilize the uncertainty on the market somewhat, but given current oil prices the U.S. Energy Information Administration is not expecting oil prices to decrease and fears the negative impact of continued high oil prices on investment decisions by economies and consumers, which in turn could result in a decline in demand.

**WORLD LIQUID FUELS PRODUCTION AND CONSUMPTION BALANCE** million b/d




Source: U.S. Energy Information Administration – Short-Term Energy Outlook[23]

In particular, the high investment and innovation requirements of the Canadian and North American oil and gas industry offer SFC Energy great opportunities. The fully-integrated customer-specific automation and energy solutions developed and sold by the Canadian subsidiary Simark Controls allow secure, reliable and attractively-priced operation of off-grid equipment in any season of the year, even in remote locations. Owing to the decisive advantages for the user, SFC Energy is expecting increasing sales figures.

Additional opportunities may present themselves for the SFC Group as a result of industry's continued efforts towards increasing efficiency. In that connection, SFC products can make a considerable contribution to attractive operating cost reductions. In addition, the increasingly strict environmental legislation in the advanced economies such as Canada and the US will promote the development and deployment of new environmentally-

21 EIA, Short-Term Energy Outlook (STEO), Juli 10, 2018
22 Canadian Association of Petroleum Producers, "June 2018 Crude Oil Forecasts, Markets and Transportation Report," June 16, 2018
23 Energy Information Administration, Short-Term Energy Outlook (STEO), Juli 10, 2018

friendly system solutions. The SFC Group's low-emission, efficient power power-generating devices can make decisive contributions in this regard.

A risk can be seen in the long project start-up times, as new technologies generally have to be tested before series application in extensive tests.

## Security & Industry market

### a) Fuel cells ("Clean Energy & Mobility" segment)

Fuel cells are of greater market interest again. After the focus has been on stationary applications for many years, mobile applications are becoming increasingly important. Market experts are expecting growth not only in the vehicle sector, but also in the market for off-grid and mobile industrial systems, which are becoming significantly more important in an increasingly networked and monitored world and must be reliably powered with electricity everywhere. However, there is still a risk that many market participants are heavily dependent on the overall economic situation and government economic stimulus programs. Accordingly, the experts also assume that the market will continue to sort itself out, and that primarily those companies that can demonstrate economic success will grow.

### b) Power electronics and switched mode network components ("Industry" segment)

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 electricity plays a particularly important role in the emerging energy and future markets. Increasing automation requirements and increasingly precise high-performance industrial plants are placing increasing demands on switched mode network components and power distribution boards. Therefore, these components are needed everywhere constantly. Risks are to be seen in the long lead times and the ordering behavior of major international customers which remains difficult to assess.

### c) Defense and security ("Defense" segment)

Given the increasing defense budget, experts see an increased interest of the government to protect themselves against a wide variety of types of threats. At the same time, the defense industry is facing decisive changes internationally: Traditional, modern and unconventional equipment, technologies, strategies and working methods must be increasingly integrated and linked. In particular, the focus is on strengthening and guaranteeing military agility and mobility in a variety of defense scenarios, and modernizing the technologies in use, in order to correct investment backlog of many years and to increase and guarantee the efficiency and protection of soldiers and equipment in mobile and stationary use. New, innovative technologies are required here, especially new ways of gathering and processing information with artificial intelligence and machine learning. Governments and defense organizations have to take greater risks and invest more in developing these technologies. In this context, SFC Energy's products have great potential because all of these new technologies need to be automated and require reliable and uninterrupted power, as more and more data collection and applications are carried out off-grid.

### Consumer ("Clean Energy & Mobility" segment)

a) Caravaning

The German Caravaning Industry Association and the European Caravaning Federation are still optimistic about the future. After an extremely successful record year in 2017, German manufacturers of motorhomes and caravans expect the boom in Germany and Europe to continue[24]. The Association sees risks in the declining sales figures in the UK as a result of Brexit. The growing number of modern and lightweight high-performance batteries for caravaning applications poses a risk to SFC Energy's fuel cell business. With the appropriate equipment, motorhomes can be self-sufficiently supplied with these batteries for a few days. This could mean that motorhome owners would rather opt for an increase in battery capacity than a fuel cell.

b) Marine market

Experts continue to see the industry on a stable upswing. Environmental friendliness, flexibility and innovation are becoming increasingly important to boat owners and those who rent boats. According to market experts' estimates, there is a shift in the ownership structure. While the number of older, wealthy boat owners continues to decrease, new groups of customers are emerging who prefer to rent or hire boats. Alternative energy for powering boats and for supplying on-board equipment is becoming more important. However, for SFC Energy's marine fuel cell products it is important to note that standard fuel cells cannot provide the complete off-grid power supply, especially on larger yachts, so that a fuel cell purchase is mainly considered for smaller boats and racing yachts.

## 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, November 2014, August 2016 and July 2017. To further secure liquidity, a convertible bond was issued in December 2015. In January and March 2016, additional tranches were placed. In addition, in October 2016, the company took out a loan and issued a warrant-linked bond. A bearer bond was issued in August 2017 and a capital increase was implemented in June 2018. Because of this financing, liquidity reserves increased significantly.

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.

## Procurement and production-related risks

The individual Group companies purchase the components and equipment needed for production from various manufacturers and do not produce these themselves. With regard to the supply industry for the individual components, the Group is facing considerably longer delivery times, which is making business much more difficult and may impact sales.

24 German Caravaning Industry Association, press release, "European Caravan Federation discusses trends," June 8, 2018

## FORECAST REPORT

The Management Board expects that consolidated sales will range from € 60 million to € 64 million in 2018 and that underlying EBITDA and underlying EBIT will improve significantly. It should be noted here that an average CAD/EUR exchange rate of 1.50 was used for the sales and earnings planning for 2018.

## RELATED-PARTY TRANSACTIONS

Please see the section entitled “Related-party transactions” in the notes to the interim report.

## SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

As of the current date, there are no 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 21, 2018

**Dr. Peter Podesser**
Chairman of the Board (CEO)

**Hans Pol**
Board Member (Industry)

**Marcus Binder**
Board Member (Defense & Security)

# INTERIM REPORT IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS OF JUNE 30, 2018



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

# INTERIM REPORT IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS OF JUNE 30, 2018

## SFC ENERGY AG, BRUNNTHAL, CONSOLIDATED INCOME STATEMENT FROM JANUARY 1 TO JUNE 30, 2018

in €

| | 1. HY 2018 01/01 – 06/30 | 1. HY 2017 01/01 – 06/30 | Q2 2018 04/01 – 06/30 | Q2 2017 04/01 – 06/30 |
|---|---|---|---|---|
| Sales | 30,860,467 | 26,305,852 | 14,102,413 | 13,193,833 |
| Production costs of work performed to generate sales | – 20,289,164 | – 18,363,345 | – 9,438,604 | – 8,895,823 |
| **Gross profit** | **10,571,303** | **7,942,507** | **4,663,809** | **4,298,010** |
| Sales costs | – 5,443,996 | – 4,971,008 | – 2,761,366 | – 2,461,508 |
| Research and development costs | – 1,694,712 | – 2,054,781 | – 872,851 | – 1,146,704 |
| General administration costs | – 2,726,320 | – 2,485,438 | – 1,353,727 | – 1,299,653 |
| Other operating income | 333,489 | 197,058 | 124,964 | 26,222 |
| Other operating expenses | – 148,015 | – 149,806 | – 8,646 | – 122,063 |
| Restructoring costs | – 394,715 | 0 | 0 | 0 |
| **Operating loss** | **497,034** | **– 1,521,467** | **– 207,817** | **– 705,697** |
| Interest and similar income | 5 | 7 | 3 | 0 |
| Interest and similar expenses | – 402,929 | – 451,772 | – 183,001 | – 228,644 |
| Income from investments | 0 | 22,868 | 0 | 22,868 |
| **Loss from ordinary operations** | **94,110** | **– 1,950,364** | **– 390,815** | **– 911,474** |
| Income taxes | – 242,732 | 125,431 | – 84,158 | 77,472 |
| **Consolidated net loss** | **– 148,622** | **– 1,824,934** | **– 474,973** | **– 834,002** |
| | | | | |
| **NET LOSS PER SHARE** | | | | |
| undiluted | – 0.02 | – 0.20 | – 0.05 | – 0.09 |
| diluted | – 0.02 | – 0.20 | – 0.05 | – 0.09 |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
## FROM JANUARY 1 TO JUNE 30, 2018

in €

| | 1. HY 2018 01/01 – 06/30 | 1. HY 2017 01/01 – 06/30 | Q2 2018 04/01 – 06/30 | Q2 2017 04/01 – 06/30 |
|---|---|---|---|---|
| **Consolidated net loss** | **– 148,622** | **– 1,824,934** | **– 474,973** | **– 834,002** |
| OCI items that may be recycled to profit or loss in the future | | | | |
| Result from currency translations | – 127,350 | – 229,419 | 151,811 | – 187,395 |
| **Total other results** | **– 127,350** | **– 229,419** | **151,811** | **– 187,395** |
| **Total comprehensive income** | **– 275,972** | **– 2,054,353** | **– 323,162** | **– 1,021,397** |

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

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

# SFC ENERGY AG, BRUNNTHAL CONSOLIDATED BALANCE SHEET AS OF JUNE 30, 2018

| | | in € |
|---|---|---|
| | 06/30/2018 | 12/31/2017 |
| **Current Assets** | **25,863,083** | **21,849,419** |
| Inventories | 7,759,775 | 7,939,322 |
| Trade accounts receivable | 9,085,591 | 7,798,627 |
| Receivables from contracts with customers | 505,106 | 913,114 |
| Income tax receivables | 2 | 0 |
| Other short-term assets and receivables | 923,844 | 504,338 |
| Cash and cash equivalents | 7,303,146 | 4,408,398 |
| Cash and cash equivalents with limitation on disposal | 285,620 | 285,620 |
| **Non-current assets** | **13,115,458** | **12,684,463** |
| Intangible assets | 11,080,868 | 10,950,437 |
| Property, plant and equipment | 1,318,373 | 1,197,253 |
| Financial assets | 71 | 71 |
| Deferred tax assets | 716,146 | 536,702 |
| **Assets** | **38,978,541** | **34,533,882** |

# SFC ENERGY AG, BRUNNTHAL CONSOLIDATED BALANCE SHEET AS OF JUNE 30, 2018

| | | in € |
|---|---|---|
| | 06/30/2018 | 12/31/2017 |
| **Current liabilities** | **16,562,557** | **18,563,477** |
| Provisions for taxes | 2,313 | 51,509 |
| Other provisions | 778,113 | 748,659 |
| Liabilities to banks | 4,087,796 | 4,010,253 |
| Liabilities from prepayments | 12,640 | 15,184 |
| Trade accounts payable | 6,229,805 | 5,520,020 |
| Liabilities under finance leases | 16,761 | 40,442 |
| Liabilities from contracts with customers | 274,942 | 191,353 |
| Liabilities from financing | 2,405,824 | 5,399,603 |
| Other short-term liabilities | 2,754,363 | 2,586,454 |
| **Non-current liabilities** | **4,281,212** | **2,075,623** |
| Other long-term provisions | 914,576 | 874,283 |
| Liabilities under finance leases | 28,234 | 19,616 |
| Other long-term financial liabilities | 1,336,575 | 4,157 |
| Other liabilities | 1,207,966 | 528,906 |
| Deferred tax liabilities | 793,861 | 648,661 |
| **Equity** | **18,134,772** | **13,894,782** |
| Subscribed capital | 10,249,612 | 9,659,456 |
| Capital surplus | 79,497,706 | 75,475,155 |
| Other changes in equity not affecting profit or loss | –944,271 | –816,921 |
| Consolidated net loss | –70,668,275 | –70,422,908 |
| **Liabilities and shareholders' equity** | **38,978,541** | **34,533,882** |

# SFC ENERGY AG, BRUNNTHAL
# CONSOLIDATED CASH FLOW STATEMENT
## FROM JANUARY 1 TO JUNE 30, 2018

| | | | in € |
|---|---|---|---|
| | | 01/01–06/30/2018 | 01/01–06/30/2017 |
| | **Cash flow from ordinary operations** | | |
| | **Result before taxes** | **94,110** | **–1,950,364** |
| + | Net interest income | 402,924 | 451,765 |
| + | Depreciation/amortization of intangible assets and property, plant and equipment | 560,287 | 975,581 |
| –/+ | Income/Expenses from SAR Plan/Transaction bonus | 679,060 | 75,649 |
| –/+ | Changes in allowances | –80,152 | –231,396 |
| –/+ | Other non-cash expenses/income | –189,692 | 113,158 |
| | **Changes to operating result before working capital** | **1,466,536** | **–565,608** |
| +/– | Changes to provisions | 60,615 | –30,188 |
| + | Changes to trade accounts receivable | –1,513,003 | 71,219 |
| –/+ | Changes to inventories | 259,874 | –361,729 |
| +/– | Changes to other receivables and assets | –41,071 | –281,528 |
| –/+ | Changes to trade accounts payable | 781,712 | 24,269 |
| –/+ | Changes to other liabilities | 262,365 | 50,301 |
| | **Cash flow from ordinary operations before taxes** | **1,277,028** | **–1,093,264** |
| +/– | Income tax refunds/-payments | –77,420 | –41,642 |
| | **Cash flow from ordinary operations** | **1,199,608** | **–1,134,905** |

# SFC ENERGY AG, BRUNNTHAL CONSOLIDATED CASH FLOW STATEMENT FROM JANUARY 1 TO JUNE 30, 2018

| | | | in € |
|---|---|---|---|
| | | 01/01 – 06/30/2018 | 01/01 – 06/30/2017 |
| | **Cash flow from investment activity** | | |
| – | Investments in intangible assets from development projects | – 632,832 | – 177,678 |
| – | Investments in other intangible assets | – 7,104 | 0 |
| – | Investments in property, plant and equipment | – 376,531 | – 187,233 |
| + | Interest and similar income | 5 | 7 |
| + | Payments for acquisition of bank deposits with limitation on disposal | 0 | – 620 |
| + | Proceeds from disposal of property, plant and equipment | 7,166 | 1 |
| | **Cash flow from investment activity** | **– 1,009,296** | **– 365,522** |
| | | | |
| | **Cash flow from financial activity** | | |
| + | Proceeds from capital increase | 4,220,000 | 0 |
| – | Expenses from capital increase | – 130,960 | 0 |
| – | Repayment of financial debt | – 1,509,199 | – 329,244 |
| +/– | Changes to current account liabilities | 468,821 | 1,432,004 |
| – | Repayment of liabilities under finance leases | – 13,482 | 0 |
| – | Interest paid and other expenses | – 330,745 | – 338,059 |
| | **Cash flow from financial activity** | **2,704,435** | **764,701** |
| | | | |
| | **Net change in cash and cash equivalents** | **2,894,747** | **– 736** |
| | Currency effects on cash and cash equivalents | 0 | – 533 |
| | Net change in cash and cash equivalents | | |
| | Cash and cash equivalents at beginning of period | 4,408,398 | 1,756,001 |
| | Cash and cash equivalents at end of period | 7,303,146 | 1,019,742 |
| | | | |
| | **Net change in cash and cash equivalents** | **2,894,748** | **– 735,726** |

# SFC ENERGY AG, BRUNNTHAL CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FROM JANUARY 1 TO JUNE 30, 2018

in €

| | Subscribed capital | Capital surplus | Other changes in equity not effecting profit or loss | Net accumulated loss | Total |
|---|---|---|---|---|---|
| **As of 01/01/2017** | **9,047,249** | **73,132,012** | **– 489,903** | **– 68,350,685** | **13,338,673** |
| **Total comprehensive income for the period** | | | | | |
| Consolidated result 01/01 – 06/30/2017 | | | | – 1,824,934 | – 1,824,934 |
| Result from currency translation recognized in equity | | | – 229,419 | | – 229,419 |
| **As of 06/30/2017** | **9,047,249** | **73,132,012** | **– 719,322** | **– 70,175,619** | **11,284,320** |
| **Total comprehensive income for the period** | | | | | |
| Consolidated result 07/01 – 12/31/2017 | | | | – 247,289 | – 247,289 |
| Result from currency translation recognized in equity | | | – 97,599 | | – 97,599 |
| **Capital increase** | | | | | |
| Issuance of convertible bonds – equity component | 450,780 | 2,114,727 | | | 2,565,507 |
| Issuance of option bonds – equity component | | 928 | | | 928 |
| Capital increase | 161,427 | 238,573 | | | 400,000 |
| Less costs from capital increase | | – 11,085 | | | – 11,085 |
| **As of 12/31/2017** | **9,659,456** | **75,475,155** | **– 816,922** | **– 70,422,908** | **13,894,782** |
| **Total comprehensive income for the period** | | | | | |
| Consolidated result 01/01 – 06/30/2018 | | | | – 148,619 | – 148,619 |
| Result from currency translation recognized in equity | | | – 127,350 | | – 127,350 |
| Effect from IFRS 9 | | | | – 96,747 | – 96,747 |
| **Capital increase** | | | | | |
| Issuance of convertible bonds – equity component | 90,156 | 433,511 | | | 523,667 |
| Issuance of option bonds – equity component | | | | | |
| Capital increase | 500,000 | 3,720,000 | | | 4,220,000 |
| Less costs from capital increase | | – 130,960 | | | – 130,960 |
| **As of 06/30/2018** | **10,249,612** | **79,497,706** | **– 944,272** | **– 70,668,274** | **18,134,772** |

# NOTES TO THE INTERIM REPORT OF SFC ENERGY AG

## Information about the Company

SFC Energy AG (the "Company" or "SFC") is a stock corporation domiciled in Germany. The Company's headquarters are 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 of the stock exchange in Frankfurt am Main (German Securities Identification Number (WKN): 756857, ISIN: DE0007568578).

## Accounting principles

This interim report was prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The Company's main accounting policies used as the basis for the consolidated financial statements for the year ended December 31, 2017, were also applied for the interim financial statements.

The interim report of SFC Energy AG for the period from January 1 to June 30, 2018, was prepared in the form of condensed financial statements in accordance with IAS 34 "Interim Financial Reporting." The condensed financial statements do not contain all of the information required in the financial statements for a full year and should be read in conjunction with the consolidated financial statements as of December 31, 2017.

In addition to the standards and interpretations taken into account on December 31, 2017, the new standards IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" were applied for the first time in the current reporting period.

**IFRS 9 "Financial instruments":** IFRS 9 "Financial Instruments" contains rules for the recognition, measurement, derecognition, and accounting for financial assets, financial liabilities, and some contracts for the purchase or sale of non-financial items. The accounting for financial instruments under former IAS 39 "Financial Instruments: Recognition and Measurement" has now been completely replaced by accounting under IFRS 9. The central requirements of the final IFRS 9 can be summarized as follows:

- The requirements of IFRS 9 on scope and recognition and derecognition are largely unchanged from the prior standard IAS 39 "Financial Instruments: Recognition and Measurement."
- However, IFRS 9 provides for a new classification model for financial assets.
- The subsequent measurement of financial assets will now be based on three categories with different measurement standards and different recognition of changes in value. The categorization is based on both the contractual cash flows of the instrument and the business model in which the instrument is held. These are therefore mandatory categories. However, companies also have individual options.
- The existing rules in IFRS 9 were essentially carried forward for financial liabilities. The only significant new requirement relates to entities that have chosen to measure debt at fair value under the fair value option. They are required to recognize changes in fair value due to their own credit in other comprehensive income.

The Group's existing warrant-linked bonds and loans have been allocated to the Amortized Cost category.

As of January 1, 2018, the Group adjusted the impairment model to be applied to financial assets to the requirements of IFRS 9. This standard replaces the incurred losses model pursuant to IAS 39 with a future-oriented model, the expected credit losses model. This requires significant discretionary decisions as regards the extent to which expected credit losses are affected by changes in economic factors. This assessment is made on the basis of weighted probabilities.

In accordance with the transitional provisions of IFRS 9, SFC Energy AG decided not to retroactively adjust prior periods. Instead, the value allowance for doubtful trade receivables as of January 1, 2018, was remeasured using the impairment model in accordance with IFRS 9.

The first-time application of IFRS 9 had a total effect (including the effect from deferred taxes) of € 96,747 on the consolidated net loss as of January 1, 2018.

**EXPLANATION OF CHANGE OF ACCOUNTING FOR FINANCIAL INSTRUMENTS** in €

| | Previous measurement categories and carrying amount according to IAS 39 (12/31/2017) | | | | |
|---|---|---|---|---|---|
| | Loans and receivables | Amortized cost | Fair Value through profit or loss | Amortized cost | Revaluation due to IFRS 9 (01/01/2018) |
| Cash and cash equivalents | 4,408,398 | | | | |
| Cash and cash equivalents with limitation on disposal | 285,620 | | | | |
| Trade accounts receivable | 7,798,627 | | | | – 133,224 |
| Other short-term assets and receivables | 11,828 | | | | |
| Other long-term assets and receivables | | | 0 | | |
| Financial assets | | 71 | | | |
| **Total assets** | **12,504,473** | **71** | **0** | **0** | **– 133,224** |
| Liabilities to banks | | | | 4,010,253 | |
| Trade accounts payable | | | | 5,520,020 | |
| Liabilities under finance leases | | | | 60,058 | |
| Other long-term financial liabilities | | | | 4,157 | |
| Other short-term liabilities | | | | 152,101 | |
| Liabilities from financing | | | | 5,399,603 | |
| **Total liabilities** | **0** | **0** | **0** | **15,146,192** | **0** |

| | New measurement categories and carrying amount according to IFRS 9 (01/01/2018) | | | |
|---|---|---|---|---|
| | Fair Value through profit or loss | Fair Value through other comprehensive income (OCI) | Amortized cost | Impacts on retained earnings as of 01/01/2018 |
| Cash and cash equivalents | | | 4,408,398 | |
| Cash and cash equivalents with limitation on disposal | | | 285,620 | |
| Trade accounts receivable | | | 7,665,403 | – 133,224 |
| Other short-term assets and receivables | | | 11,828 | |
| Other long-term assets and receivables | 0 | | 0 | |
| Financial assets | | 71 | 0 | |
| **Total assets** | **0** | **0** | **12,371,249** | **– 133,224** |
| Liabilities to banks | | | 4,010,253 | |
| Trade accounts payable | | | 5,520,020 | |
| Liabilities under finance leases | | | 60,058 | |
| Other long-term financial liabilities | | | 4,157 | |
| Other short-term liabilities | | | 152,101 | |
| Liabilities from financing | | | 5,399,603 | |
| **Total liabilities** | **0** | **0** | **15,146,192** | **0** |

The following table compares the closing balance of impairment as of December 31, 2017, with the opening balance of impairment as of January 1, 2018.

| | | in € |
|---|---|---|
| | Wertminderungen zum 12/31/2017 | Wertminderungen zum 01/01/2018 |
| Cash and cash equivalents | | |
| Trade accounts receivable | – 445,117 | – 578,341 |
| Other short-term assets and receivables | | |
| Other long-term assets and receivables | | |
| Financial assets | | |

**IFRS 15 "Revenue from Contracts with Customers":** IFRS 15 provides a comprehensive framework for determining whether, in what amount, and at what time revenue is to be recognized. Reporters are also required to provide more informative and relevant disclosures than in the past. The new standard replaces IAS 18 "Revenue," IAS 11 "Construction Contracts," and the associated interpretations.

Unlike the previous provisions, the new standard provides for a principle-based, five-step model that is applicable to all contracts with customers. Pursuant to this five-step model, step 1 is to identify the contract with the customer. Step 2 is to identify the performance obligations in the contract. Step 3 is to determine the transaction price, and there are explicit provisions regarding the treatment of variable consideration, financing components payments to the customer and exchanges. After the transaction price is determined, step 4 is to allocate the transaction price to the performance obligations in the contract. This is based on the standalone selling prices of the individual performance obligations. Step 5 is to recognize revenue when (or as) the entity satisfies a performance obligation.

The Group has completed its implementation plan for accounting for income from contracts with customers. The main relevant contracts were examined to determine whether the conditions of IFRS 15 were met and what effects would result from the application of IFRS 15. Based on this analysis as of December 31, 2017, and June 30, 2018, for the vast majority of the deals the first-time application of IFRS 15 did not result in any significant changes to the previous accounting method and thus had no effects on the consolidated net loss as of January 1, 2018.

The Group did not apply any other new or amended standards and interpretations early that were not yet required to be applied in spite of the publication.

The interim report is presented in euros (€). Unless otherwise indicated, amounts given in this interim report are rounded to the nearest whole euro (€). Please note that small differences can arise in rounded amounts and percentages due to commercial rounding of figures. The consolidated income statement was prepared using the cost-of-sales method. The interim report has been neither audited nor reviewed by the auditor.

## Assets and liabilities from contracts with customers

If the costs (including earnings contributions) incurred for contracts that were not yet completed in the quarterly financial statements exceed the amounts already invoiced (installment payments received), the difference is reported as an asset from contracts with customers. Conversely, the difference is reported as a liability from contracts with customers if the prepayments exceed these costs. In the first six months of 2018, production contracts with a positive balance due from the customer were reported in the amount of in € 505,106 (December 31, 2017: € 913,114), while production contracts with a negative balance due from the customer were reported in the amount of € 274,942 (December 31, 2017: € 191,353).

## Other current assets and receivables

As of the reporting date, the Company has other current assets and receivables of € 923,844 (December 31, 2017: € 504,338). This increase was mainly attributable to a rise in sales tax receivables to € 307,641 (December 31, 2017: € 77,638) and a rise in miscellaneous other current assets and receivables to € 321,169 (December 31, 2017: € 199,775).

## Other liabilities

Other non-current liabilities comprise the obligation recognized from the Stock Appreciation Rights Plan (SAR Plan) for the Management Board members Dr. Podesser, Mr. Pol, and Mr. Binder. For details of this agreement, please see the following information on the "Stock Appreciation Rights 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. Additional SARs were granted to Mr. Pol in financial year 2018 in connection with the new Management Board employment 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 compensation transactions pursuant to IFRS 2.30. Their fair market value will be remeasured on each balance sheet date using a Monte Carlo model, taking into account the terms on which the SARs were awarded.

The status of the SARs in 2018 is shown in the following table:

| | Tranche HP1 | Tranche HP2 | Tranche HP3 | Tranche PP2 | Tranche MB1 |
|---|---|---|---|---|---|
| Number of stock appreciation rights (SAR) | 90,000 | 180,000 | 180,000 | 360,000 | 180,000 |
| Maximum term (years) | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 |
| | | | | | |
| Outstanding number of phantom shares at the beginning of the 2018 reporting period (01/01/2018) | 7,500 | 60,000 | 0 | 360,000 | 180,000 |
| **During the 2018 reporting period** | | | | | |
| SAR granted | 0 | 0 | 180,000 | 0 | 0 |
| SAR forfeited | 0 | 0 | 0 | 60,000 | 30,000 |
| SAR exercised | 0 | 0 | 0 | 0 | 0 |
| SAR expired | 0 | 0 | 0 | 0 | 0 |
| **SAR outstanding at the end of the reporting period (06/30/2018)** | **7,500** | **60,000** | **180,000** | **300,000** | **150,000** |
| **Exercisable SAR at the end of the reporting period (06/30/2018)** | **7,500** | **0** | **0** | **0** | **0** |

The following parameters were considered in connection with the measurement as of June 30, 2018:

| | Tranche HP1 | Tranche HP2 | Tranche HP3 | Tranche PP2 | Tranche MB1 |
|---|---|---|---|---|---|
| Measurement date | 06/30/2018 | 06/30/2018 | 06/30/2018 | 06/30/2018 | 06/30/2018 |
| Remaining term (years) | 2.50 | 4.00 | 7.00 | 5.75 | 5.67 |
| Expected volatility | 49.19 % | 45.56 % | 41.10 % | 32.60 % | 42.18 % |
| Risk-free interest rate | –0.46 % | –0.20 % | 0.16 % | –0.01 % | –0.02 % |
| Dividend yield | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % |
| Strike price | € 1.00 | € 1.00 | € 1.00 | € 1.00 | € 1.00 |
| Share price on the measurement date | € 8.56 | € 8.56 | € 8.56 | € 8.56 | € 8.56 |

For the term, the length of time from the measurement date to the end of the respective agreement was used. The share price was determined via Bloomberg using the closing price in XETRA trading at June 30, 2018. 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. The expected dividend yield is based on market estimates for the amount of the expected dividend on the SFC share in 2018 and 2019.

As of June 30, 2018, a liability in the amount of € 1,207,966 (thereof € 940,113 long term) in connection with the SAR Plan was recognized under other liabilities (December 31, 2017: € 528,906; thereof € 450,725 long term). The period expense for the period from January 1 to June 30 was € 679,060 (prior year period: € 75,649).

## Sales costs

Sales costs in the first half of 2018 were as follows:

| in € | 01/01 – 06/30/2018 | 01/01 – 06/30/2017 |
|---|---|---|
| Personnel costs | 3,640,313 | 3,167,797 |
| Depreciation and amortization | 102,016 | 459,825 |
| Advertising and travel costs | 586,376 | 437,789 |
| Consultancy/commissions | 200,258 | 310,471 |
| Cost of materials | 116,846 | 32,347 |
| Other | 798,186 | 562,779 |
| **Total** | **5,443,996** | **4,971,008** |

## Research and development costs

Research and development costs in the first half of 2018 were as follows:

| in € | 01/01 – 06/30/2018 | 01/01 – 06/30/2017 |
|---|---|---|
| Personnel costs | 1,458,010 | 1,196,561 |
| Consultancy and patents | 394,274 | 400,548 |
| Cost of premises | 128,024 | 194,981 |
| Other depreciation and amortization | 46,532 | 172,011 |
| Cost of materials | 177,092 | 159,508 |
| Impairment losses/depreciation and amortization of self-developed intangible assets | 0 | 587 |
| Other | 130,465 | 134,508 |
| Set-off against grants | – 6,853 | – 26,244 |
| Capitalization of self-developed intangible assets | – 632,832 | – 177,678 |
| **Total** | **1,694,712** | **2,054,781** |

## General administration costs

General administration costs in the first half of 2018 were as follows:

| | | in € |
|---|---|---|
| | 01/01 – 06/30/2018 | 01/01 – 06/30/2017 |
| Personnel costs | 1,461,739 | 1,297,636 |
| Audit and consultancy costs | 339,865 | 249,080 |
| Investor relations/annual meeting | 176,778 | 169,051 |
| Insurance | 95,486 | 96,361 |
| Depreciation and amortization | 77,398 | 65,861 |
| Car-operating costs | 41,305 | 61,550 |
| Travel costs | 71,809 | 90,108 |
| Supervisory Board compensation | 56,250 | 56,250 |
| Costs of hardware and software maintenance | 25,128 | 33,143 |
| Other | 383,381 | 374,246 |
| Set-off against grants | – 2,819 | – 7,849 |
| **Total** | **2,726,320** | **2,485,438** |

## Other operating income and expenses

Other operating income in the first six months of 2018 chiefly includes income from exchange rate differences in the amount of € 82,350 (previous year: € 46,756) and insurance compensation in the amount of € 223,020 (previous year: € 102,602).

Other operating expenses in the first six months of 2018 chiefly include expenses from exchange rate differences in the amount of € 148,015 (previous year: € 149,805).

## Income taxes

In line with the consolidated financial statements as of December 31, 2017, deferred tax assets on tax loss carry-forwards of SFC and its subsidiaries are recognized at most in the amount to which they can be offset against deferred tax liabilities after deducting other deferred tax assets, as it cannot yet be proven with sufficient reliability that these loss carryforwards will have a future economic benefit.

## Segment report

Starting from the 2018 financial year, the segmentation was adjusted in line with the management of the Group, which is based on the most important sales markets for the Group.

These are the Clean Energy & Mobility, Defense & Security, Oil & Gas, and Industry markets.

Internally, the Management Board uses sales, gross margin, and EBITDA when steering the Group and implementing the alignment of its business with the core markets "Oil & Gas," "Industry," "Clean Energy & Mobility," and "Defense & Security."

Sales, gross margin, EBITDA, and the reconciliation of EBITDA to EBIT shown in the consolidated income statement developed as follows in the first half of 2018:

in €

| Segments | Sales | | Gross profit | | EBITDA | |
|---|---|---|---|---|---|---|
| | 2018 01/01 – 06/30 | 2017 01/01 – 06/30 | 2018 01/01 – 06/30 | 2017 01/01 – 06/30 | 2018 01/01 – 06/30 | 2017 01/01 – 06/30 |
| Oil & Gas | 12,171,803 | 11,687,027 | 3,612,505 | 2,717,647 | 920,095 | – 80,084 |
| Industry | 8,309,599 | 7,626,368 | 2,440,166 | 2,610,333 | 8,278 | 657,064 |
| Clean Energy & Mobility | 4,731,600 | 5,567,674 | 1,873,963 | 1,969,257 | – 457,219 | – 188,956 |
| Defense & Security | 5,647,466 | 1,424,783 | 2,644,670 | 645,270 | 586,169 | – 933,909 |
| **Total** | **30,860,467** | **26,305,852** | **10,571,303** | **7,942,507** | **1,057,322** | **– 545,885** |
| Depreciation/amortization | | | | | – 560,288 | – 975,581 |
| **Operating result (EBIT)** | | | | | **497,034** | **– 1,521,467** |

In the "Defense & Security" segment, SFC Energy AG generates sales in the Defense & Security market. The Defense & Security market includes defense and security applications for military organizations and government authorities.

The "Clean Energy & Mobility" segment is highly diversified. It firstly includes any area of industry where professional users run electrical equipment away from the grid and use SFC's EFOY Pro fuel cell. Secondly, SFC sells compact fuel cell generators in the Consumer segment to generate electricity for mobile homes, sailboats and cabins through established commercial channels.

In the "Industry" segment, PBF develops and manufactures reliable high-tech power supply systems.

In the "Oil & Gas" segment, Simark operates as a specialized distribution, service and product integration company for high-tech power supply, instrumentation and automation products used in the oil and gas industry.

## Dissagregation of revenue

| | | | | | in € |
|---|---|---|---|---|---|
| | Segment | | | | |
| | Clean Energy & Mobility | Industry | Defense & Security | Oil & Gas | Total |
| **Region** | | | | | |
| North America | 74,469 | 59,418 | 51,256 | 12,171,803 | 12,356,946 |
| Europe (without Germany) | 2,931,003 | 6,727,705 | 249,735 | | 9,908,443 |
| Germany | 974,900 | 1,270,380 | 3,924,538 | | 6,169,818 |
| Asia | 701,337 | 243,879 | 1,137,745 | | 2,082,961 |
| Rest of the world | 49,891 | 8,217 | 284,191 | | 342,299 |
| **Total** | **4,731,600** | **8,309,599** | **5,647,465** | **12,171,803** | **30,860,467** |
| **Product** | | | | | |
| Fuel cells | 4,731,600 | | 5,647,465 | 1,203,338 | 11,582,403 |
| Instrumentation and Automation products in Oil & Gas Industry | | | | 10,968,465 | 10,968,465 |
| Power Supplies | | 8,309,599 | | | 8,309,599 |
| **Total** | **4,731,600** | **8,309,599** | **5,647,465** | **12,171,803** | **30,860,467** |
| **Revenue recognition** | | | | | |
| revenue recognition "point-in-time" | 4,731,600 | 8,309,599 | 5,336,310 | 9,322,147 | 27,699,656 |
| revenue recognition "over-time" | 0 | 0 | 311,155 | 2,849,656 | 3,160,811 |
| **Total** | **4,731,600** | **8,309,599** | **5,647,465** | **12,171,803** | **30,860,467** |

## Other disclosures on financial instruments

Due to the first-time application of IFRS 9, no prior-year figures are available.

| BOOK VALUE IN CONSOLIDATED BALANCE SHEET | in € |
|---|---|
| | 06/30/2018 |
| **Financial assets** | |
| | |
| **Amortized cost** | |
| Trade accounts receivable | 9,085,591 |
| Other short-term assets and receivables | 923,844 |
| Cash and cash equivalents | 7,303,146 |
| Cash and cash equivalents with limitation on disposal | 285,620 |
| **Fair Value through other comprehensive income (OCI)** | |
| Financial Asset SFC Energy Inc. | 71 |
| | |
| **Financial liabilities** | |
| | |
| **Amortized cost** | |
| Liabilities to banks | 4,087,796 |
| Trade accounts payable | 6,229,805 |
| Liabilities under finance leases | 44,996 |
| Other long-term financial liabilities | 4,266 |
| Other short-term liabilities | 2,754,363 |
| Liabilities from financing | 3,738,133 |

The book values of the financial assets and financial liabilities carried at amortized cost are largely the same as their fair values, as they are mostly current. The fair value of the warrant-linked bond issued in August 2017 and carried at amortized cost amounted to € 1,775 on the reporting date and the fair value of the loan amounted to € 3,735,514.

Financial assets and liabilities measured at fair value are assigned to one of the following three hierarchy levels: Financial assets and financial liabilities are assigned to Level 1 if there are quoted prices in active markets for identical assets and liabilities. They are assigned to Level 2 if the inputs on which the fair value measurement is based are observable either directly as prices or indirectly from prices. Financial assets and liabilities are assigned to Level 3 if the fair value measurement is not based on observable inputs. There were no financial assets and liabilities assigned to Level 3 based on fair value measurement in the current period.

The assignment to fair value levels was as follows:

| FAIR VALUE LEVELS | | | in € |
|---|---|---|---|
| | | 06/30/2018 | |
| | Level 1 | Level 2 | Total |
| **Financial assets** | | | |
| | | | |
| **Amortized cost** | | | |
| Trade accounts receivable | 0 | 9,085,591 | 9,085,591 |
| Other short-term assets and receivables | 0 | 923,844 | 923,844 |
| Cash and cash equivalents | 0 | 7,303,146 | 7,303,146 |
| Cash and cash equivalents with limitation on disposal | 0 | 285,620 | 285,620 |
| **Fair Value through other comprehensive income (OCI)** | | | |
| Financial Asset SFC Energy Inc. | 0 | 71 | 71 |
| | | | |
| **Financial liabilities** | | | |
| | | | |
| **Amortized cost** | | | |
| Liabilities to banks | 0 | 4,087,796 | 4,087,796 |
| Trade accounts payable | 0 | 6,229,805 | 6,229,805 |
| Liabilities under finance leases | 0 | 44,996 | 44,996 |
| Other long-term financial liabilities | 0 | 4,266 | 4,266 |
| Liabilities from financing | 0 | 3,738,133 | 3,738,133 |
| Other short-term liabilities | 0 | 2,754,363 | 2,754,363 |

The holding in SFC Inc. was assigned to the category "assets measured as at fair value through profit or loss" under IFRS 9. For reasons of materiality, no fair value measurement was performed in the interim financial statements as of June 30, 2018; instead, the holding was measured at amortized cost.

## Related party transactions

The group of related parties has not changed in comparison to the consolidated financial statements as of December 31, 2017. In the first half of 2018, as in the first half of 2017, there were no significant transactions with related parties.

## Employees

SFC had the following employees as of the reporting date:

| | 06/30/2018 | 06/30/2017 |
|---|---|---|
| Full-time employees (incl. Management Board) | 234 | 222 |
| Part-time employees | 31 | 28 |
| **Total** | **265** | **250** |

There was also 7 person (previous year: 5 people) employed as a trainee, graduate or student trainee as of the end of June 2018.

## 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 shares outstanding as of June 30, 2018 (10,249,612 shares; June 30, 2017: 9,047,249 shares) increased by 590,156 during the first half of 2018, firstly due to the conversion of the last tranche of the convertible bond in January 2018 and secondly due to the capital increase implemented in June 2018. 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. As a result of issuing the loan with a conversion option, there are dilutive effects that have to be taken into account when calculating the number of shares outstanding, as well as dilutive effects on SFC's earnings. However, the diluted and basic earnings per share were identical as of June 30, 2018, because there was protection from dilution, because conversion into common shares would reduce the loss per share for the current year.

## Changes in the Management Board

There were no changes in the Management Board of SFC Energy AG in the first half of 2018.

## Subsequent events after the balance sheet date

There were no material events after the balance sheet date on June 30, 2018.

Brunnthal, August 21, 2018

The Management Board

| | | |
|---|---|---|
| **Dr. Peter Podesser**<br>Chairman of the Board (CEO) | **Hans Pol**<br>Board Member (Industry) | **Marcus Binder**<br>Board Member (Defense & Security) |

# 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 21, 2018

**Dr. Peter Podesser**
Chairman of the Board (CEO)

**Hans Pol**
Board Member (Industry)

**Marcus Binder**
Board Member (Defense & Security)

# FINANCIAL CALENDAR 2018

| | |
|---|---|
| August 21, 2018 | Q2 Report 2018 |
| November 13, 2018 | Q3 Interim Disclosure 2018 |
| November 26 – 28, 2018 | German Equity Forum |

# SHARE INFORMATION

| | |
|---|---|
| Bloomberg Symbol | F3C |
| Reuters Symbol | CXPNX |
| WKN | 756857 |
| ISIN | DE0007568578 |
| Number of shares | 10,249,612 |
| 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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Coverpage: Fuel Cell Systems