



Quarterly Release

January 1 to September 30, 2019

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INTERIM REPORT ON BUSINESS DEVELOPMENT 2019

Brunnthal, November 15, 2019

SFC Energy AG (ISIN: DE0007568578), a leading international supplier of stationary and mobile hybrid power generation plants based on fuel cells, is publishing its interim statement today, including explanations of its business development and significant events for the period from January 1 to September 30, 2019.

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

Segment reporting

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.

EARNINGS AND FINANCIAL POSITION

The SFC Energy Group generated sales revenue of €43,784k in the period from January to September 2019.

This corresponds to a decrease in sales of 1.1% compared with the previous year's figure of €44,269k. The lower figure is attributable largely to the decline in the Oil & Gas segment.

The sales and earnings by segment for the first nine months of the 2019 financial year compared with the previous year are as follows:

SALES BY SEGMENT (UNAUDITED)						in €	
Segments	Sales revenue		Gross profit		EBITDA		
	2019	2018	2019	2018	2019	2018	
	01/01 – 09/30	01/01 – 09/30	01/01 – 09/30	01/01 – 09/30	01/01 – 09/30	01/01 – 09/30	
Oil & Gas	16,571,146	18,625,357	4,662,234	5,283,436	664,294	1,298,901	
Industry	12,943,254	12,219,515	3,783,308	3,590,015	1,001,336	190,529	
Clean Energy & Mobility	8,022,138	6,938,794	3,452,126	2,666,903	-222,478	-839,901	
Defense & Security	6,247,338	6,485,071	2,613,060	3,123,698	-1,248,605	287,161	
Total	43,783,876	44,268,737	14,510,728	14,664,052	194,547	936,691	
Depreciation/Amortization					2,431,623	833,973	
Operating result (EBIT)					-2,237,076	102,718	

Performance by segment

Oil & Gas

Particularly in the third quarter of 2019, the overall performance in the Oil & Gas segment did not meet expectations. There was a tangible reluctance of customers to invest due to a lack of pipeline capacity, resulting in a decline of 27.7% year-on-year in the third quarter of 2019. The third quarter was thus the quarter with the lowest sales so far this year, also on account of the usual seasonality. A cost reduction program with headcount reduction was initiated immediately.

Constant growth was achieved in high-margin EFOY applications business among customers in the Oil & Gas segment. Sales in this area represented 12.6% of product sales (previous year: 10.6%).

In the first nine months of 2019, sales in the Oil & Gas segment declined by 11.0% overall, from €18,625k to €16,571k.

Industry

Sales in the Industry segment rose by 5.9%, from €12,220k to €12,943k, in the first three quarters of 2019. This increase was chiefly due to sales growth and stronger demand among new and existing customers throughout the entire nine-month period. Increased sales in the laser platform area compensated for declining sales among customers in the semiconductor area.

The focus continues to be on improving margins on the purchasing and sales side while at the same time scaling sales based on the High Power Standard Platform technology.

Clean Energy & Mobility

Sales amounted to €8,022k in the first nine months of 2019, up 15.6% on the same period of the previous year. Sales growth was achieved in the areas of wind and security in particular. Sales growth was 22.0% in the sub-segment for fuel cells in industrial applications and 3.9% in the consumer sub-segment.

Defense & Security

Overall, the segment closed the nine-month period with sales of €6,247k, down 3.7% on the previous year's figure of €6,485k. As previously reported, in 2018 a major order from the German armed forces with a total volume of €3.6 million was recognized in sales in the first nine months. Consequently, meeting the sales target in the first nine months of 2019 should be regarded as a positive achievement.

Sales of services totaled €782k in the first nine months of 2019.

In the Defense & Security segment, 32.4% of sales were generated inside Germany and 67.6% outside Germany.

EBITDA/EPS

The earnings figures did not improve year-on-year in the reporting period. The profitability of the SFC Energy Group after nine months of the year is lower than in the previous year, especially in the Defense & Security segment but also in the Oil & Gas segment. This is due to the fact of virtually static sales combined with higher costs as a result of planned further growth.

The gross margin of 33.1% in the 2019 reporting period remained the same as in the first nine months of 2018 (also 33.1%). The margin of the Clean Energy & Mobility segment in particular increased from 38.4% to 43.0%. In the Defense & Security segment, on the other hand, it decreased from 48.2% to 41.8%, with the lower-margin consultancy sales in this segment being a further contributing factor. The margins in the Industry and Oil & Gas segments remained on a par with the previous year.

In the first nine months of 2019, EBITDA declined to plus € 195k compared with plus € 937k in the same period of the previous year. EBITDA adjusted for non-recurring effects amounted to plus € 2,198k (previous year: plus € 2,015k).

In the first three quarters of the current financial year, EBIT decreased to minus € 2,237k after a figure of plus € 103k in the same period of the previous year. EBIT adjusted for non-recurring effects was minus € 233k in the reporting period (previous year: plus € 1,181k).

With regard to earnings figures, it should be noted that the first-time application of IFRS 16 had the following effects on the nine-month figures for 2019, which are already included in the presented figures (depreciation and interest expense instead of lease expense):

- Effects on EBITDA € 1,687k
- Effects on EBIT € 113k
- Effect on net income minus € 75k

There were non-recurring effects of € 2,004k overall in the form of expenses for the SAR program (previous year: € 1,078k).

Earnings after taxes came to minus € 2,975k in the first nine months of 2019, compared with minus € 792k in the same period of the previous year.

Earnings per share in accordance with IFRS were negative at minus € 0.27 (diluted and basic) in the first nine months of 2019 (previous year: minus € 0.08 diluted and basic).

BALANCE SHEET AND EMPLOYEES

Available cash and cash equivalents amounted to € 23,042k as of September 30, 2019 (December 31, 2018: € 7,520k). The increase is attributable to the capital increase implemented in July 2019.

As of the end of the third quarter of 2019, the equity ratio was thus up to 55.0% (December 31, 2018: 43.3%). The capital increase was an increasing factor, while the effect from the first-time application of IFRS 16 provisions was a decreasing factor. Subscribed capital went up by exactly € 2,700k, from € 10,250k to € 12,950k.

As of September 30, 2019, the SFC Group had 286 permanent employees (September 30, 2018: 266).

ORDER BACKLOG

The order backlog as of September 30, 2019, came to € 10,289k (previous year: € 17,285k).

GUIDANCE FOR 2019

The Management Board adjusted its Guidance for 2019 on November 13, 2019. The adjustment had to be made for two reasons: Firstly, persistent structural problems in the Canadian oil and gas industry led to a significant deviation in sales in the reporting period compared with the previous year. The reason for this is the overall restrained investment activity in Western Canada caused by a lack of pipeline capacity in combination with uncertainties regarding current approval procedures. On the other hand, according to the Management Board's current knowledge, an expected order in the defense segment in Germany, which was expected for the fourth quarter of 2019, will no longer be awarded to SFC Energy in the current financial year and therefore not be revenue-relevant.

Against this background, the Management Board currently expects sales revenues of between € 58 and 62 million, an EBITDA underlying in the range of € 0.5 to 2.5 million and an EBIT underlying of € -0.5 to 1.5 million for the full year 2019 (original forecast for 2019: consolidated revenues of € 67 to 74 million, EBITDA underlying between € 4.5 and 7 million and EBIT underlying of € 3.5 to 6 million). This forecast was prepared without taking into account the effects of the adoption of IFRS 16.

When calculating sales revenue and earnings of the Canadian subsidiary Simark, the Management Board assumes an exchange rate of 1.50 between the Canadian dollar and the euro.

The medium-term outlook remains completely unaffected. The Management Board reaffirms its medium-term planning, with sales of over € 100 million and an EBITDA margin underlying clearly above 10% in the next three to four years. Future fluctuations in demand, particularly in the Oil & Gas segment and the national defense business, are expected to be offset by considerable growth in the hydrogen fuel cell business.

SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

Up to the date of preparation of these financial statements, no events of particular significance occurred that are expected to have a material effect on the Group's financial position and performance.

SFC ENERGY AG, BRUNNTHAL, CONSOLIDATED INCOME STATEMENT FROM JANUARY 1 TO SEPTEMBER 30, 2019

	in €			
	9M 2019 01/01 – 09/30	9M 2018 01/01 – 09/30	Q3 2019 07/01 – 09/30	Q3 2018 07/01 – 09/30
Sales	43,783,875	44,268,737	12,707,470	13,408,270
Production costs of work performed to generate sales	-29,273,148	-29,604,685	-8,600,554	-9,315,521
Gross profit	14,510,727	14,664,051	4,106,915	4,092,748
Sales costs	-9,814,741	-7,955,838	-2,547,423	-2,511,842
Research and development costs	-2,481,767	-2,595,193	-792,800	-900,481
General administration costs	-4,592,716	-3,859,731	-1,067,419	-1,133,411
Other operating income	167,791	414,998	51,427	81,509
Other operating expenses	-26,371	-155,932	-1,150	-7,917
Restructuring costs	0	-409,636	0	-14,921
Operating result	-2,237,077	102,718	-250,449	-394,316
Interest and similar income	0	5	0	0
Interest and similar expenses	-595,385	-568,019	-171,724	-165,090
Income from investments	0	0	0	0
Result from ordinary operations	-2,832,461	-465,296	-422,173	-559,406
Income taxes	-142,204	-326,744	2,965	-84,012
Consolidated net result	-2,974,665	-792,041	-419,208	-643,419
NET LOSS PER SHARE				
Undiluted	-0.27	-0.08	-0.02	-0.06
Diluted	-0.27	-0.08	-0.02	-0.06

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FROM JANUARY 1 TO SEPTEMBER 30, 2019

	in €			
	9M 2019 01/01 – 09/30	9M 2018 01/01 – 09/30	Q3 2019 07/01 – 09/30	Q3 2018 07/01 – 09/30
Consolidated net result	-2,974,665	-792,041	-419,208	-643,419
OCI items that may be recycled to profit or loss in the future:				
Result from currency translations	438,333	-848	178,200	126,503
Total other results	438,333	-848	178,200	126,503
Total comprehensive income	-2,536,332	-792,888	-241,007	-516,916

SFC ENERGY AG, BRUNNTHAL CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30, 2019

	in €	
	09/30/2019	12/31/2018
Current assets	47,012,747	28,288,672
Inventories	10,972,619	9,753,129
Trade accounts receivables	10,960,781	9,665,357
Receivables from contracts with customers	655,781	492,281
Income tax receivables	44,922	2
Other short-term assets and receivables	1,050,618	572,594
Cash and cash equivalents	23,042,406	7,519,689
Cash and cash equivalents with limitation on disposal	285,620	285,620
Non-current assets	24,366,913	13,776,317
Intangible assets	13,193,741	11,496,977
Property, plant and equipment	10,017,302	1,595,740
Financial asset	0	71
Deferred tax assets	1,155,870	683,529
Assets	71,379,660	42,064,989

SFC ENERGY AG, BRUNNTHAL CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30, 2019

	in €	
	09/30/2019	12/31/2018
Current liabilities	18,789,117	18,864,822
Provisions for taxes	51,861	32,257
Other provisions	999,570	939,310
Liabilities to banks	4,848,747	4,585,244
Liabilities from prepayments	11,844	27,144
Trade accounts payables	6,944,565	7,093,371
Liabilities under finance leases	2,247,249	43,653
Liabilities from contracts with customers	51,400	24,581
Liabilities from financing	677,638	2,568,811
Other short-term liabilities	2,956,244	3,550,452
Non-current liabilities	13,301,390	4,996,007
Other long-term provisions	1,190,252	1,063,737
Liabilities to banks	1,340,415	1,710,006
Liabilities under finance leases	6,115,323	53,736
Other long-term financial liabilities	4,572	4,383
Other liabilities	3,350,291	1,346,469
Deferred tax liabilities	1,300,537	817,676
Equity	39,289,153	18,204,161
Subscribed capital	12,949,612	10,249,612
Capital surplus	100,419,100	79,497,706
Foreign exchange translation reserve	-584,652	-1,022,986
Consolidated net loss	-73,494,908	-70,520,171
Liabilities and shareholders' equity	71,379,660	42,064,989

SFC ENERGY AG, BRUNNTHAL CONSOLIDATED STATEMENT OF CASH FLOWS FROM JANUARY 1 TO SEPTEMBER 30, 2019

	in €	
	01/01 – 09/30/2019	01/01 – 09/30/2018
Cash flow from ordinary operations		
Result before taxes	-2,832,461	-465,296
+ Net interest income	595,385	568,014
+ Depreciation/Amortization of intangible assets and property, plant and equipment	2,431,623	833,973
+/- Income/expenses from SAR Plan	2,003,821	668,558
+/- Changes in allowances	53,935	-41,956
-/+ Losses/gains from disposal of property, plant and equipment	0	0
+/- Other non-cash expenses/income	348,168	-23,096
Changes to operating result before working capital	2,600,471	1,540,197
-/+ Changes to provisions	172,671	104,079
+/- Changes to trade accounts receivables	-1,010,316	-2,360,579
+/- Changes to inventories	-1,059,277	-1,522,019
- Changes to other receivables and assets	-606,481	118,962
+ Changes to trade accounts payables	-327,419	56,754
+ Changes to other liabilities	-635,584	394,007
Cash flow from ordinary operations before taxes	-865,934	-1,668,600
-/+ Income tax refunds/-payments	-612,340	-79,812
Cash flow from ordinary operations	-1,478,274	-1,748,412

SFC ENERGY AG, BRUNNTHAL CONSOLIDATED STATEMENT OF CASH FLOWS FROM JANUARY 1 TO SEPTEMBER 30, 2019

	in €	
	01/01 – 09/30/2019	01/01 – 09/30/2018
Cash flow from investment activity		
- Investments in intangible assets from development projects	-1,548,507	-925,013
- Investments in other intangible assets	-88,988	-14,979
- Investments in property, plant and equipment	-701,548	-543,093
+ Interest and similar income	0	5
+/- Payments for acquisition of bank deposits with limitation on disposal	0	0
+ Proceeds from disposal of property, plant and equipment	57,185	7,166
Cash flow from investment activity	-2,281,858	-1,475,914
Cash flow from financial activity		
+ Proceeds from issuance of equity instruments	27,000,000	4,220,000
- Expenses from issuance of equity instruments	-3,378,606	-130,960
- Additions to financial debt	0	805,652
- Repayment of financial debt	-2,408,879	-2,154,803
+ Changes to current account liabilities	91,242	1,741,358
- Repayment of liabilities under finance leases	-1,470,551	0
- Interest paid and other expenses	-550,359	-474,538
Cash flow from financial activity	19,282,847	4,006,709
Net change in cash and cash equivalents	15,522,716	782,383
Currency effects on cash and cash equivalents	0	0
Net change in cash and cash equivalents		
Cash and cash equivalents at beginning of period	7,519,689	4,408,398
Cash and cash equivalents at end of period	23,042,406	5,190,781
Net change in cash and cash equivalents	15,522,716	782,383

FINANCIAL CALENDAR 2019/2020

November 25–27, 2019	German Equity Forum, Frankfurt
February 11, 2020	Preliminary Figures 2020/Conference Call
March 26, 2020	Annual Report 2019
May 18, 2020	Interim Disclosure Q1 2020/Conference Call
May 19, 2020	Annual General Meeting
August 20, 2020	Q2 Report 2020/Conference Call
November 18, 2020	Interim Disclosure Q3 2020/Conference Call

SHARE INFORMATION

Bloomberg symbol	F3C
Reuters symbol	CXPNX
WKN	756857
ISIN	DE0007568578
Number of shares	12,949,612
Stock category	No-par-value shares
Stock segment	Prime Standard, Renewable Energies
Stock exchange	Frankfurt, Frankfurt Stock Exchange
Designated sponsors	mwb fairtrade Wertpapierhandelsbank AG

INVESTOR-RELATIONS

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Statements about the future

This interim report contains forward-looking statements and information-statements about events that are in the future, not in the past. These forward-looking statements are identifiable through phrases such as "expect", "intend", "plan", "believe", "aim", "estimate", or similar expressions. Such forward-looking statements are based on our current expectations and assumptions. They therefore carry a number of risks and uncertainties. A multitude of factors many of which are beyond the control of SFC affect the business activities, success, business strategy and results of SFC. These factors may cause the actual results, performance and success of the Group to differ materially from those in forward-looking statements or implied information about results, success or performance. SFC assumes no obligation to update any forward-looking statements.