

Half-year Report  
Q2/2019

## SFC ENERGY AG CONSOLIDATED KEY FIGURES

	1. HY 2019	1. HY 2018	Change in %	Q2 2019	Q2 2018	Change in %	in k€
Sales	31,076	30,860	0.7%	14,619	14,102	3.7%	
Gross profit	10,404	10,571	-1.6%	4,688	4,664	0.5%	
Gross margin	33.5%	34.3%	-	32.1%	33.1%	-	
EBITDA	-371	1,057	n. a.	-1,149	84	n. a.	
EBITDA margin	-1.2%	3.4%	-	-7.9%	0.6%	-	
EBITDA underlying	2,199	2,131	3.2%	646	313	106.4%	
EBITDA margin underlying	7.1%	6.9%	-	4.4%	2.2%	-	
EBIT	-1,987	497	n. a.	-1,968	-208	n. a.	
EBIT margin	-6.4%	1.6%	-	-13.5%	-1.5%	-	
EBIT underlying	584	1,571	-62.8%	-172	21	n. a.	
EBIT margin underlying	1.9%	5.1%	-	-1.2%	0.2%	-	
Consolidated net loss	-2,555	-149	n. a.	-2,235	-475	n. a.	
Net loss per share, undiluted	-0.25	-0.02	n. a.	-0.22	-0.05	n. a.	
Net loss per share, diluted	-0.25	-0.02	n. a.	-0.22	-0.05	n. a.	
							in k€
	06/30/2019	06/30/2018	Change in %				
Order backlog	11,376	15,815	-28.1%				
							in k€
	06/30/2019	12/31/2018	Change in %				
Equity	17,397	18,204	-4.4%				
Equity ratio	32.8%	43.3%	-				
Balance sheet total	53,095	42,065	26.2%				
Cash (freely available)	4,988	7,520	-33.7%				
							in k€
	06/30/2019	06/30/2018	Change in %				
Permanent employees	287	265	8.3%				

### DIRECTORS' SHAREHOLDINGS

	06/30/2019
<b>Management Board</b>	
Dr. Peter Podesser	106,800
Hans Pol	116,462
Marcus Binder	0
<b>Supervisory Board</b>	
Tim van Delden	0
David Morgan	4,000
Hubertus Krossa	6,250

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## LETTER TO SHAREHOLDERS

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### DEAR SHAREHOLDERS, BUSINESS PARTNERS AND EMPLOYEES OF SFC,

SFC Energy AG continued to focus on value-oriented growth and penetrating its existing exciting end markets in the first half of 2019. Sales and the operating results developed in line with our expectations. In particular, in the Clean Energy & Mobility and Industry segments we succeeded in exploiting and continuing the positive impetus from the previous quarters.

This is particularly pleasing, as we are in a period of great social and macroeconomic change entailing decarbonization in all areas of industry and the economy, the replacement of key energy sources such as coal and nuclear energy, and the decentralization of power supplies, together with digital change and steadily increasing demand for wireless data transfer volumes, as well as significantly increased security requirements due to far-reaching geopolitical changes. We view these challenges as an opportunity, as our fuel cell solutions are a key to meeting these requirements: They provide for a clean, reliable and environmentally sustainable energy supply that is independent of the power grid. Due to our focus on issues of high social relevance and our technological strength, we believe we are well positioned to accompany these megatrends, to shape them and to benefit substantially from them.

In the first half of 2019, the SFC Energy Group generated sales of €31,076k, thus slightly exceeding sales in the prior-year period (first half of 2018: €30,860k). Group EBITDA adjusted for non-recurring effects amounted to €2,199k over this six-month period compared with €2,131k in the first half of 2018. As expected, adjusted EBIT was below the prior-year figure of €1,571k at €584k, as earnings in the first six months of 2018 reflected the extraordinary positive effect resulting from the delivery of a major order to the German armed forces (Bundeswehr). At 33.5%, the EBITDA margin in this six-month period was only slightly below the figure for the same six months of the previous year (34.3%). This was due, in particular, to the customer mix in the Defense & Security segment as well as start-up costs for the new product platform in the Industry segment. The equity ratio was 32.8% as of the end of the first half of 2019 (end of the 2018 reporting period: 43.3%). Available cash and cash equivalents amounted to €4,988k as of June 30, 2019 reporting date compared with €7,520k at the end of the 2018 financial year.

This sound performance is also reflected in the share price. SFC Energy shares thus rose by 78.0% in the first half of 2019 to €14.70 as of June 28, 2019 compared to the closing price of €8.26 as of December 28, 2018. Let us take a look at our achievements in the individual segments in the first half of 2019:

#### Oil & Gas

As expected, we observed a subdued level of demand in the Oil & Gas segment in the second quarter of the year. In particular, in addition to the usual seasonality in the second quarter the exceptionally long and hard winter in some regions, even by Canadian standards, caused the “break-up season” to shift to late May. Furthermore, a lack of pipeline capacity in the province of Alberta and uncertainties regarding the future regulatory environment for the construction of new pipelines in the run-up to this year’s elections in Canada are leading to a general reluctance to invest. Sales in the Oil & Gas segment declined by 2.2% to €11,907k in the first half of the year (first half of 2018: €12,172k). We have established several sales partnerships in the US

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in the past few months in order to exploit the growth opportunities in the rapidly growing US Oil & Gas market and position ourselves for further profitable growth. These cooperations provide SFC with direct access to the upstream sector of the US Oil & Gas market. The partnerships agreed to date already enable us to cover a significant portion of traditional and new Oil & Gas production areas and to distribute our EFOY Pro fuel cells for the supply of hybrid electricity to customers in Texas, Kansas, Oklahoma and New Mexico. SFC's sales area thus extends from Canada to the southern United States.

## Defense & Security

Increased uncertainty and risk in the geopolitical environment continues to lead to a rise in global defense and internal security spending. In particular, some NATO member states have just recently reaffirmed their intention to raise spending to the target value of 2.0% of their respective GDPs. The focus with regard to the equipment of vehicles and soldiers in the field remains on achieving a sustainable weight reduction in reliable and low-emission power supplies. There is steadily increasing demand among units for innovative SFC solutions based on the portable fuel cell JENNY for field missions and the compact EMILY platform for stationary, mobile and vehicle-based applications, for instance in surveillance and communication technology. The increasing internationalization of our Defense business was clear to see in the first six months of the year. In the first half of the year, Germany's share of total revenue in the Defense & Security segment was 29.5% compared with a strong international share of 70.5%. International business thus improved year-on-year by 89.5%, further reducing our dependency on domestic business significantly. However, at €4,633k, the sales generated in the first half of the year were €1,014k lower than those in the first half of the previous year (€5,647k). As mentioned above, the major order from the Bundeswehr with a total sales volume of €3.6 million influenced the previous year's revenues significantly. From a seasonal perspective it should also be noted that, taking the year as a whole, the second quarter is usually the weakest quarter in the Defense & Security segment.

## Industry

The activities of the subsidiary PBF, which manufactures and supplies highly dynamic power generation solutions for laser technologies and other high-tech applications in the industrial sector, are bundled in the Industry segment. Not only the growth with existing customers is pleasing, but also the implementation of initial substantial projects with the new modular product platform developed by PBF that is becoming increasingly established in the market. At the end of April, the SFC subsidiary received a follow-up order amounting to almost €1 million for high-performance industrial power supplies for use in metal processing. The positive sales performance in the first quarter continued with sales of €4,719k in the second quarter and was borne out over the first half of the year. Revenues increased by 8.3% in the first six months, from €8,310k in the previous year to €8,998k. The Industry segment thus generated the highest second-quarter and first-half-year sales since PBF joined the Group. In terms of earnings, the start-up costs for the new product platform as well as low quantities continued to put pressure on the margin.

## Clean Energy & Mobility

Sales in the Clean Energy & Mobility segment grew by 17.0% to €5,539k in the first half of 2019 compared with €4,732k in the first half of the previous year. This positive performance was supported by a strong project pipeline from various regions as well as robust demand from different user industries. The growing demand for civil security technology and increased use of fuel cells during the construction and maintenance of wind turbines as well as greater demand in our consumer sector contributed to this growth in sales. These different applications are based on EFOY Pro and EFOY COMFORT fuel cells.

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## Capital increase

Long-term financial stability is the platform for implementing our growth strategy. This also includes the successful subscription right capital increase implemented after the end of the reporting period, which involved the issue of 2.7 million new shares and provided SFC Energy AG with gross issue proceeds totaling €27 million. The capital increase received an extremely positive reception from the capital market; this is also demonstrated by the fact that the capital increase was fully subscribed even before the subscription period began. The new shares offered to existing shareholders in connection with the subscription offer were almost fully subscribed with a subscription ratio of 95.4%. We are delighted that so many of our existing shareholders participated in the capital increase. Our strategic course received a very positive response from existing and new investors alike on the accompanying road show, enabling us to broaden our shareholder structure, internationalize further and increase the liquidity of SFC Energy shares. We intend to use the issue proceeds to accelerate organic growth in our vertical core markets and new market launches of hydrogen-based fuel cell solutions, as well as to realize selected strategic acquisitions and investments. We are pleased with the success of the transaction and would like to thank you, our existing and new shareholders, for entrusting additional capital to us.

## Outlook

We are feeling optimistic about the current year 2019. Firstly, we have been able to exploit the positive growth momentum from 2018 and continue the trend toward profitable growth. The capital increase led to positive feedback from market participants and provided us with a very good capital base in order to press ahead with further expansion. We intend to continue to diversify our business model profitably by expanding into powerful hydrogen fuel cell solutions in critical infrastructure and telecommunication system applications, in backup power and – in the long run – also in e-mobility. To this end, we are building on existing structures in connection with the development partnership we established with adKor GmbH at the end of 2018. We also continue to see further growth potential in our core markets.

In summary, we anticipate further significant organic growth for 2019 as a whole and confirm our forecast of consolidated sales of between €67 million and €74 million. We also expect a further substantial increase in profitability and adjusted EBITDA of between €4.5 million and €7 million as well as adjusted EBIT of between €3.5 million and €6 million in 2019.

We would like to thank you for the confidence you have placed in us and your continued loyalty.

Yours,



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

## THE SHARE

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### DEVELOPMENT OF THE INDICES

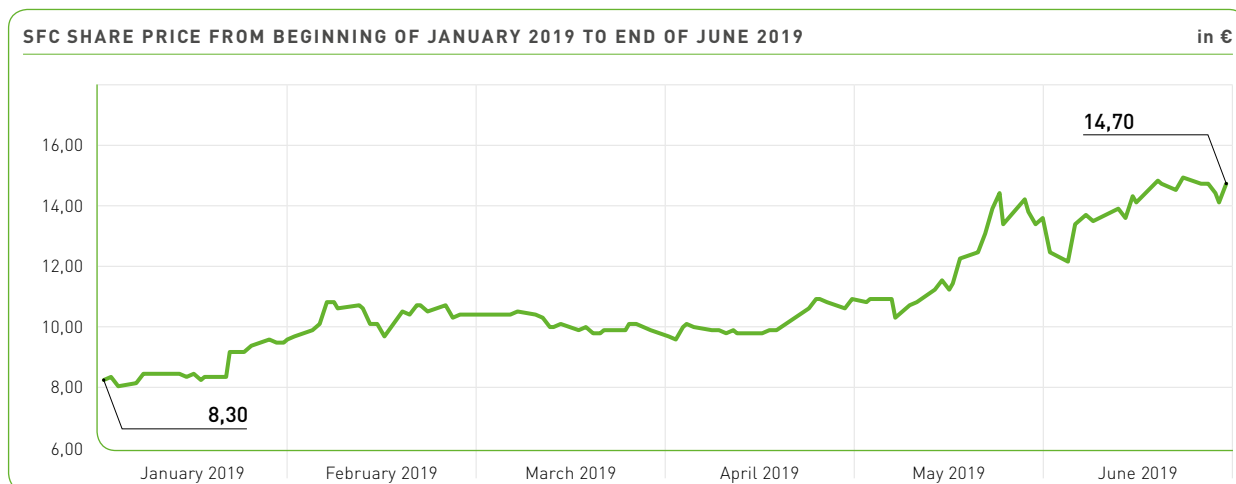
The economic outlook worsened in the reporting period, partly due to uncertainty among many companies with regard to the future of the international trading system. In industry in particular, sentiment was hit hard. Back in January, the International Monetary Fund (IMF) lowered its global growth forecast for 2019 to 3.6% after having initially anticipated 3.8%. In its semiannual World Economic Outlook published in April, the International Monetary Fund (IMF) lowered its economic forecasts for large parts of the world again in some cases and now anticipates global growth of 3.3% in 2019. Uncertainties as a result of the trade dispute between the US and China, upheavals in connection with the UK's planned exit from the EU, and weak economic data from the EU in general and Germany in particular did not hold back the positive development of the DAX and the TecDAX. In the trade dispute between the US and China, another U-turn can be observed, with US President Trump moving away from the hard line that he had taken up only at the beginning of May.

On January 2, 2019, the German index of standard stocks started the trading year at 10,478 points. The DAX reached its high for the first half of 2019 at 12,413 points on May 3, 2019. As of the end of the six-month period on June 28, 2019, the blue-chip German index closed just below its high for the first half of the year at 12,399 points, representing a 17.4% increase compared to the closing price for 2018. The DAX rose by 7.6% in the second quarter of 2019. In the first six months of 2019, the German technology index TecDAX recorded a performance of 17.4% and an increase of 9.1% in the period from April to June.

With the economic situation generally turning gloomier, there could be a change in US monetary policy. At the end of June, the Federal Reserve Bank (Fed) kept open the option of reducing interest rates due to weak economic data and an intensification of the trade dispute with China. The US benchmark rate has recently ranged between 2.25% and 2.5%. The European Central Bank (ECB) is still keeping to its loose monetary policy. As of June 2019, a possible interest rate hike is first planned by the ECB Governing Council for the second half of 2020. The US dollar slightly increased in value against the euro, which fell from USD 1.15 to USD 1.14 in the reporting period.

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## PERFORMANCE OF THE SFC SHARE



SFC shares significantly outperformed German standard and technology equities in the first half of the year. Over this six-month period, SFC Energy AG shares increased by 78.0% compared to the closing price of €8.26 as of December 28, 2018. On January 2, the SFC share opened the 2019 trading year at €8.30. The lowest price during the six-month period was €8.06 on January 4, 2019. The SFC share recorded its high for the reporting period of €15.20 on June 17 and 24, 2019. Supported by a flow of positive news, SFC Energy AG shares established a continuing upward trend in the first half of the year. On June 28, 2019, SFC Energy shares closed with a closing price of €14.70 from trading in the first half of the year. The average daily trading volume in the first six months of 2019 came to 21,166 shares (previous year: 20,979). As a result of SFC Energy’s operational successes and its enhanced perception on the capital market over the course of the year, the average daily trading volume rose significantly to 29,720 shares in the second quarter, more than 50% higher than the average daily trading volume in 2018.

With 10.25 million shares and a closing price of €14.70, the market value of the company stands at €150.7 million as of the end of the first half of 2019 (all figures based on Xetra prices). As of the end of the 2018 reporting period, SFC Energy AG’s market capitalization amounted to €84.7 million based on the same number of shares and a closing price of €8.26.



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## CAPITAL INCREASE

SFC Energy AG (ISIN: DE0007568578) successfully concluded the increase in its share capital – which had been resolved on June 26 and entered in the commercial register on July 1, 2019 – by € 2,700,000.00 to € 12,949,612.00, making partial use of the authorized capital, in exchange for cash contributions with subscription rights for the existing shareholders after the end of the subscription period on July 15, 2019. The 2,700,000 new shares issued with a notional value of € 1.00 of the share capital are entitled to dividends from January 1, 2019 onward and were included in the existing stock market listing under ISIN DE0007568578 on July 2, 2019. 1,428,392 new shares were issued to existing shareholders, who thus exercised their subscription rights. The subscription ratio among old shareholders therefore came to 52.9%. In a private placement before the subscription offer, the other 1,271,608 new shares were placed with institutional investors by way of an accelerated book-building process.

SFC Energy gained gross issue proceeds of € 27 million from the capital increase, which the company intends to use to speed up organic growth in its current vertical core markets, launch newly developed hydrogen fuel cell solutions, and finance potential strategic non-organic growth opportunities.

## SHAREHOLDER STRUCTURE

The shareholder structure of SFC Energy AG has not changed as of June 30, 2019. Approximately 53.5% of the company's shares were held by institutional investors, who accompany and support the growth of the company. The extended management, including the Supervisory Board held around 2.3% of the voting rights. At the end of the first half of 2019, the free float amounted to 44.2%.

## ANALYST RESEARCH

SFC Energy AG's shares are listed in the Prime Standard of the Frankfurt Stock Exchange. In the first half of 2019, the research institutes First Berlin Equity Research GmbH and Warburg Research GmbH published studies on the company. In the study published on May 24, 2019, Dr. Karsten von Blumenthal, an analyst at First Berlin, changed his recommendation for SFC Energy shares to Sell, as the price was already above his target of € 11.30. Malte Schaumann, an analyst at Warburg, focused on the capital increase in his valuations. In his study published on June 6, 2019, he recommended holding the SFC share with a price target of € 11.60. Detailed information on both analyses is available for interested investors at [www.sfc.com](http://www.sfc.com) under Investor Relations/Shares.

In addition, ABN AMRO Bank N.V., COMMERZBANK, and Bankhaus Metzler all rated the SFC Energy share in the context of the capital increase.

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## INVESTOR RELATIONS ACTIVITIES

The Management Board and the Investor Relations department stepped up their transparent, continuous dialog with all capital market participants in the first half of the year. The goal is to establish the conditions for a fair valuation of the SFC Energy share and bring increased attention to the company and its business model on the capital market.

To achieve this goal, the Management Board held several discussions with investors and financial analysts in the reporting period. In addition, the Management Board presented the company, its business model, and an overview of the strategy at the Munich Capital Markets Conference in early May 2019 and took questions from analysts, investors, the trade and business press.

In the context of the capital increase in particular, the SFC management not only provided extensive information on the economic environment and the current business situation, but also talked to national and international financial market participants about current developments in the sector, the potential of products and technologies, and growth opportunities for SFC Energy AG.

In the Investor Relations section of the SFC Energy website – [sfc.com](https://www.sfc.com) – the company offers extensive information on the business situation, current news, and an overview of future events and activities.

# INTERIM GROUP MANAGEMENT REPORT JANUARY 1 – JUNE 30, 2019

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## BASIS OF THE GROUP

### The Group's business model

#### Organizational structure of the Group and locations

The Group (SFC Group) comprises SFC Energy AG, Brunnthäl (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 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 is generated by joint development agreements (JDAs) with military customers from Europe, Asia and the United States as well as other service revenues from the defense industry (WTI).

The "Clean Energy & Mobility" segment is highly diversified. Firstly it 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). Hydrogen fuel cell technology products are allocated to the "Clean Energy & Mobility" segment.

PBF Group B.V. specializes in power supply solutions and special coils. The Company is active worldwide. PBF develops, manufactures and markets high reliable power standard and semi-standard platform solutions for high-tech industrial systems like laser and semi-conductor manufacturing equipment and analytical systems.

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. Methanol-based fuel cells and hydrogen fuel cell technology are 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 2019:

- Development of product generation EFOY 3.0.
- Development of a battery management system (BMS) for lithium batteries for optimized connection of the new product generation.
- Continuation of 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.

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

- Based on 3.8 kW power supply, a laser system was developed in 2018. Certifications were awarded in the first half of 2019, including the safety lock system.
- In the 2019 financial year, various power supply products for the aviation industry were certified. A test system was also developed and delivered.
- The development of a 2.5 kW power supply for the laser market was completed. Final tests for the release of the product are taking place. It is scheduled to be released by the end of 2019. In addition, a 3.5 kW system was ordered and is currently in the prototype test phase. It is likewise scheduled to be released by the end of 2019.
- The test phase for the first prototypes for a 21 kW laser platform was completed.

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### New standard IFRS 16

IFRS 16 regulates the recognition, measurement, reporting and disclosures in the notes for leases for IFRS preparers.

With few exceptions, the standard requires that the Group recognizes all lease assets (right-of-use assets) and liabilities in its statement of financial position. In the Group Profit and Loss Statement instead of lease costs, depreciation and interest expense are shown. It is effective for the first time for the 2019 reporting period.

## ECONOMIC REPORT

### Macroeconomic and sector-based background conditions

#### Global economy cooling

According to the ifo Institute's<sup>1</sup> assessment in its June 2019 economic forecast, the global economy has been cooling since 2018. This is reflected in particular in the weakness of industrial production in the advanced economies, which intensified further in early 2019. Development in the USA is especially notable. While production in the manufacturing industry enjoyed lively expansion in 2018, it fell in the first quarter of 2019 for the first time in one and a half years. The reasons included the government shutdown and the cold snap, as well as the downturn in demand for equipment in response to the imposition of trade tariffs and the resulting lower level of exports to China. Japan also saw a tangible slowdown in production in early 2019. The tariff disputes between the USA and China are likely to have played a role here, too, as China purchases intermediate products from Japan to a considerable extent. By contrast, production in Europe increased significantly at the start of the year, although it should be noted that it had fallen sharply in late 2018 as a result of the problems in new vehicle certification. All in all, the ifo Institute has downwardly revised its forecast for global GDP and is now anticipating growth of 2.7% in 2019 and 2.6% in 2020.

#### German economy loses momentum

According to the figures published by the German Federal Ministry for Economic Affairs and Energy (BMWi)<sup>2</sup> in July 2019, the development of the German economy has remained sluggish in 2019 to date. Following surprisingly strong performance in the first quarter, experts expect to see more muted development in the second quarter based on economic indicators and signals from the service sector. The phase of industrial weakness is continuing. Although industrial production has recovered slightly of late, albeit at a low level, the trend since the turn of 2017/18 has been a downward one. The weak order situation and the gloomy business climate suggest that this extremely muted industrial environment is set to continue.

The ifo Institute expects German GDP growth to decelerate further to just 0.6% in 2019. Assuming that the various downside risks fail to materialize, it is continuing to forecast calendar-adjusted growth of 1.3% for 2020.

<sup>1</sup> ifo Economic Forecast Summer 2019, "German Economy Lacks Momentum", June 16, 2019

<sup>2</sup> BMWi German Federal Ministry for Economic Affairs and Energy, Press Release "The Economic Situation in Germany in July 2019", July 17, 2019

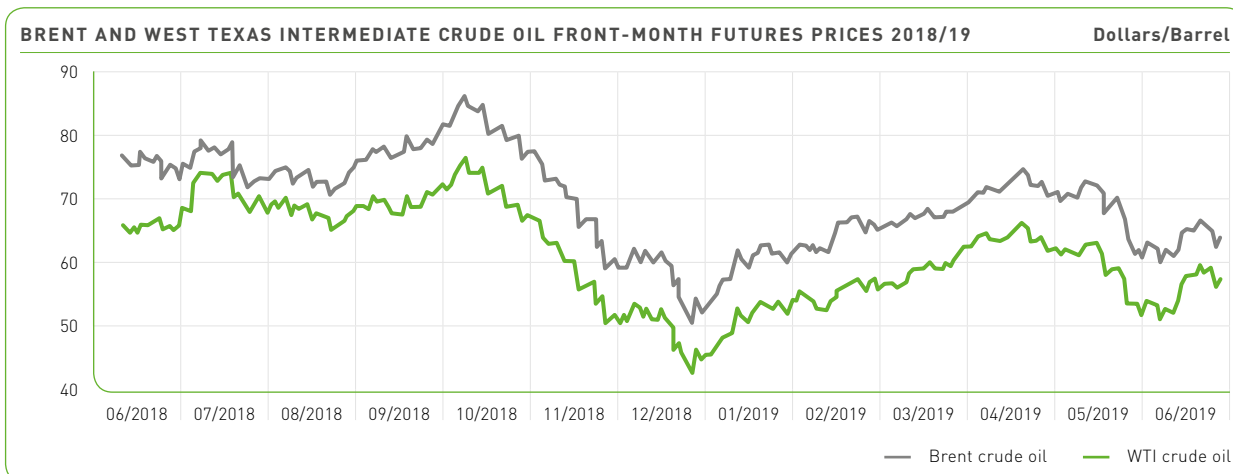
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### Oil & Gas segment

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 world’s fifth-largest producer of natural gas and sixth-largest producer of crude oil. According to the Canadian Association of Petroleum Producers (CAPP)<sup>3</sup>, Canada has crude oil reserves of 170 billion barrels, 164 billion of which are in oil sands. This makes Canada the country with the third-largest reserves worldwide, behind Venezuela and Saudi Arabia. CAPP quantifies the country’s gas reserves at 1,225 Tcf, a volume that could cover Canada’s current domestic consumption for 300 years.

### Oil price and storage



Source: EIA<sup>4</sup> – Brent and WTI front-month futures 2018/19

The spot price for Brent crude oil in June was USD 64/b, down significantly on the average of USD 71/b in April and May. The EIA attributes this development to the uncertain global demand situation in light of the weakening economic signals. Growth in oil inventories is also preventing an upturn in the price of oil. For the second half of 2019, the EIA is forecasting average Brent crude oil prices at the current level of USD 67/b, and this is also set to remain the case in 2020. The discount between the West Texas Intermediate (WTI) crude oil price and Brent was around USD 10/b in May and June, but the EIA expects this to decline to USD 4/b by the end of 2019 when new transport capacities for West Texas to the refineries on the Gulf coast go into operation and the current delivery bottlenecks come to an end. WTI is expected to average USD 62/b in the second half of 2019 and USD 63/b in 2020.

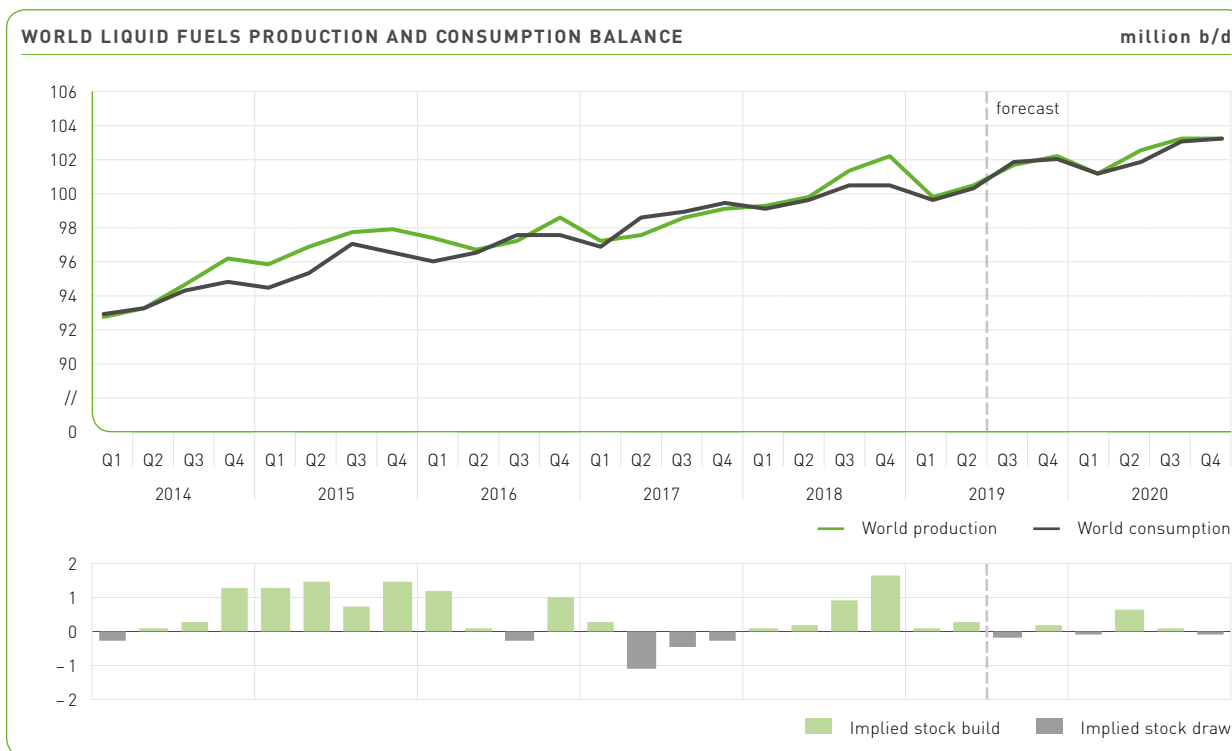
The EIA experts estimate that inventories increased by an average of 0.7 million b/d in 2018 and a further 0.2 million b/d in the first half of 2019. They expect the strong growth in production in the USA and other non-OPEC countries and the slowdown in demand to result in a balanced market in the second half of 2019 and further growth in inventories of around 0.1 million b/d. The extensive inventories are then expected to push down the oil price in 2020. However, this effect will be offset by the IMO 2020 regulation coming into force.

<sup>3</sup> Canadian Association of Petroleum Producers (CAPP) website as of July 15, 2019  
<sup>4</sup> EIA – “Short Term Energy Outlook”, July 9, 2019

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Production and demand

Global production of liquid fuels<sup>5</sup> amounted to 100.6 million b/d in 2018. Consumption averaged 100.0 million b/d, corresponding to a rise of 1.6 million b/d year-on-year. Production in the non-OPEC countries is expected to increase by 2.3 million b/d to 65.7 million b/d in 2019 and by a further 2.1 million b/d to 67.8 million b/d in 2020. According to the experts, the OPEC countries will produce an average of 35.5 million b/d in 2019, down 1.8 million b/d on 2018. Production is expected to decline by a further 0.8 million b/d to 34.8 million b/d in 2020<sup>6</sup>. This development is the result of the overfulfillment of the OPEC+ deal by Saudi Arabia in the first half of 2019 and the sharp downturn in crude oil production in Iran and Venezuela. In 2019, the EIA downwardly revised its forecast for the development of global oil demand for the sixth time in succession. Demand is now expected to increase by just 1.1 million b/d due to lower than expected consumption and the economic slowdown in many of the world's largest oil consuming nations. Experts expect global demand to rise by 1.4 million b/d in 2020.



Source: EIA<sup>7</sup> supply/demand forecast

Canada

The Canadian oil industry is continuing to grow, but experts from the Canadian Association of Petroleum Producers (CAPP) see the lack of pipeline capacity, low market diversity and inefficient regulation as having a considerable negative impact on its industry when it comes to taking advantage of global price and market opportunities. Accordingly, its latest report<sup>8</sup> downwardly revises its growth forecast: Canadian oil production is now expected to increase from 4.59 million b/d in 2018 to just 5.86 million b/d in 2035. This represents annual growth of 1.44%, just over half the level forecast by the association as recently as 2014. Oil sand production amounted to 2.9 million b/d in 2018 and is expected to rise to 4.25 million b/d by 2035. However, the experts are anticipating a further decline in investment in oil sand production in 2019 for the fifth year in succession, to CAD 37 billion compared with CAD 81 billion in 2014. The government's mandatory production cuts have been in

5 EIA, "Short Term Energy Outlook", July 9, 2019  
 6 EIA, "Short Term Energy Outlook", Table 3a – International Petroleum and Other Liquids Production, Consumption, and Inventories, July 9, 2019  
 7 ibid  
 8 CAPP, "2019 Crude Oil Forecast, Markets and Transportation" and News Release: "Constrained growth outlook means a missed opportunity for Canada's oil sector", June 13, 2019



force in Alberta since January 2019 and are expected to continue to apply until the end of the year. The initial limit on crude oil production to 3.56 million b/d is intended to reduce inventories. The association also sees Canadian tax law, which differs considerably from its US counterpart, as a negative factor for the Canadian oil industry when it comes to attracting investment capital. Canada remains the biggest exporter of crude oil to the USA: An average of 3.7 million b/d was exported to the USA in 2018, accounting for almost the entirety of the country's exports.

The EIA<sup>9</sup> expects Canada to see a slight downturn in production in 2019 as a result of the official production cuts in Alberta, followed by an increase of 0.2 million b/d from 2020 onwards.

### Clean Energy & Mobility segment

#### a) Fuel cells

Fuel cells are currently enjoying a renaissance. According to the market research company Research & Markets<sup>10</sup>, the global market for fuel cells is set to grow by almost 20 % to USD 16.7 billion between now and 2026. The revived interest in fuel cells is being driven by growing demand for alternative energy generation, new municipal heating concepts, reliable backup and off-grid power supply and environmentally friendly portable energy. Under growing pressure from politicians and the public, the desire to move away from traditional carbon-based energy sources and to reduce CO<sub>2</sub> and other harmful emissions is having a considerable positive impact on the development of new environmentally friendly technologies like fuel cells. At the same time, the more systems are used off-grid, the more decentralized energy generation and storage need to become. The progress of digitalization and the continuous growth in data transfer volumes are also playing a key role in this respect: More and more measurement, security and monitoring systems, base stations and telecommunications systems are delivering ever larger data volumes – often far away from any power grid – and hence require reliable, weather-independent, environmentally friendly local power. Fuel cells are ideal for applications like this. Fuel cells are currently also enjoying growing interest when it comes to e-mobility applications. With the potential of hydrogen fuel cells to increase the range of electric vehicles becoming increasingly interesting, several international carmakers have resumed work on developing fuel cell-based vehicle drives. This is giving rise to attractive market opportunities for SFC Energy in the Clean Energy & Mobility, Defense & Security and Oil & Gas segments.

#### b) Caravaning

According to the German Caravaning Industry Association (CIVD), 52,495 leisure vehicles were newly registered in Germany in the first half of 2019. This represented a new record for the industry and was almost as high as the figure for the entirety of 1991. With 17,125 new registrations, the German caravan market enjoyed growth of 10.3% in the period from January to June 2019. The motorhome market also saw double-digit growth of 14.1% compared with the previous year, with a total of 35,370 newly registered vehicles.

This means Germany is one of the European leaders once again. The current frontrunner is Spain, where registrations of leisure vehicles increased by 30.3% in the period from September 2018 to May 2019, followed by Finland (11.1%), Austria (10.8%), Denmark (8.1%), the Netherlands (3.7%) and France (3.1%). In the same period, new registrations declined by 31.2% in Sweden, 21.2% in the USA and 4.8% in Norway.

<sup>9</sup> EIA, "Short Term Energy Outlook", July 9, 2019

<sup>10</sup> Research & Markets, "Fuel Cell – Global Market Outlook (2017–2026)", October 2018

### c) Marine market

In its study on the international recreational boating market, the market analysis company Arizton<sup>11</sup> forecasts annual global growth of 4% and sales in excess of USD 50 billion in 2023. The exponential growth in the travel and tourism industry in the European region is expected to have a positive impact on the development of the global market. There is a trend toward high-tech systems and digitalization on board. According to the market researchers, the development and utilization of hybrid and electric boat engines is having a considerable influence on the recreational boating market as a whole. These technological trends are largely being driven by rising consumer awareness of the need to protect the oceans and the environment, as well as the strict environmental standards in a growing number of countries. The USA and Europe are the world's biggest leisure markets, with growing consumer confidence and the launch of new products and technologies increasingly attracting younger boat users in particular.

#### Industry segment

##### Power electronics and switched mode network components

The "electronic components & systems" submarket, 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 most recent outlook, the ZVEI<sup>12</sup> reported a preliminary volume of €4,423 billion for the global electronics market in 2018, corresponding to growth of 5%. The association is anticipating growth of 4% in 2019 and 3% in 2020. At 7%, growth in the electronic components submarket was again stronger than in the market as a whole in 2017. A further increase of 4% is expected for 2019, followed by slightly weaker growth of 3% in 2020.

According to the association<sup>13</sup>, real production in the German electronics industry adjusted for price effects declined by 1.1% year-on-year in the period from January to May 2019. In the same period, aggregated income in the industry increased by 1.6% year-on-year to €78.6 billion. Sales with domestic customers rose by 1.5% to €36.9 billion, while sales with foreign customers grew by 1.9% to €41.7 billion. New orders fell by 2.2% year-on-year in the period from January to May 2019 due to a downturn in orders from foreign customers in particular (-4.1%). The business climate in the German electrical industry has deteriorated further in the course of 2019 to date, with June seeing the lowest level since fall 2014.

In order to better reflect the relevance of power supplies in high-tech applications, ZVEI established a dedicated department for switching power supplies in May 2019. This clearly underlines the growing importance of these electronic components when it comes to providing a stable and secure power supply for modern high-tech systems. In turn, this clearly illustrates the opportunities available to products from the SFC subsidiary PBF Group.

11 Arizton Advisory & Intelligence, "Hybrid and Electric Boat Engines to Boost Revenues in the Recreational Boating Market", October 2018

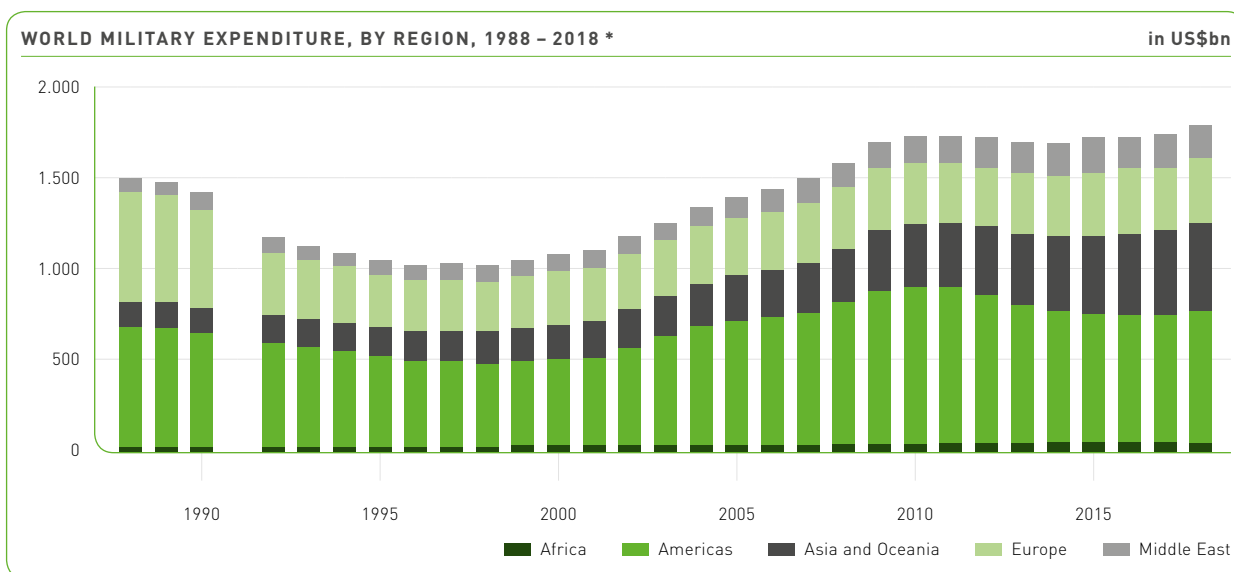
12 ZVEI Global Electronics Market Outlook to 2020, July 10, 2019

13 ZVEI, ZVEI Economic Barometer, January 8, 2019

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### Defense & Security segment

According to the Stockholm International Peace Research Institute SIPRI<sup>14</sup>, global military spending grew by 2.6% to USD 1.8 trillion in 2018. For the second year in succession, this represented a new high for the period since 1998, the first year in which this data was collected. More than 76% was spent on defense in the past year than at the low level following the end of the Cold War. All in all, defense expenditure accounted for 2.1% of global GDP or USD 239 per person in 2018.



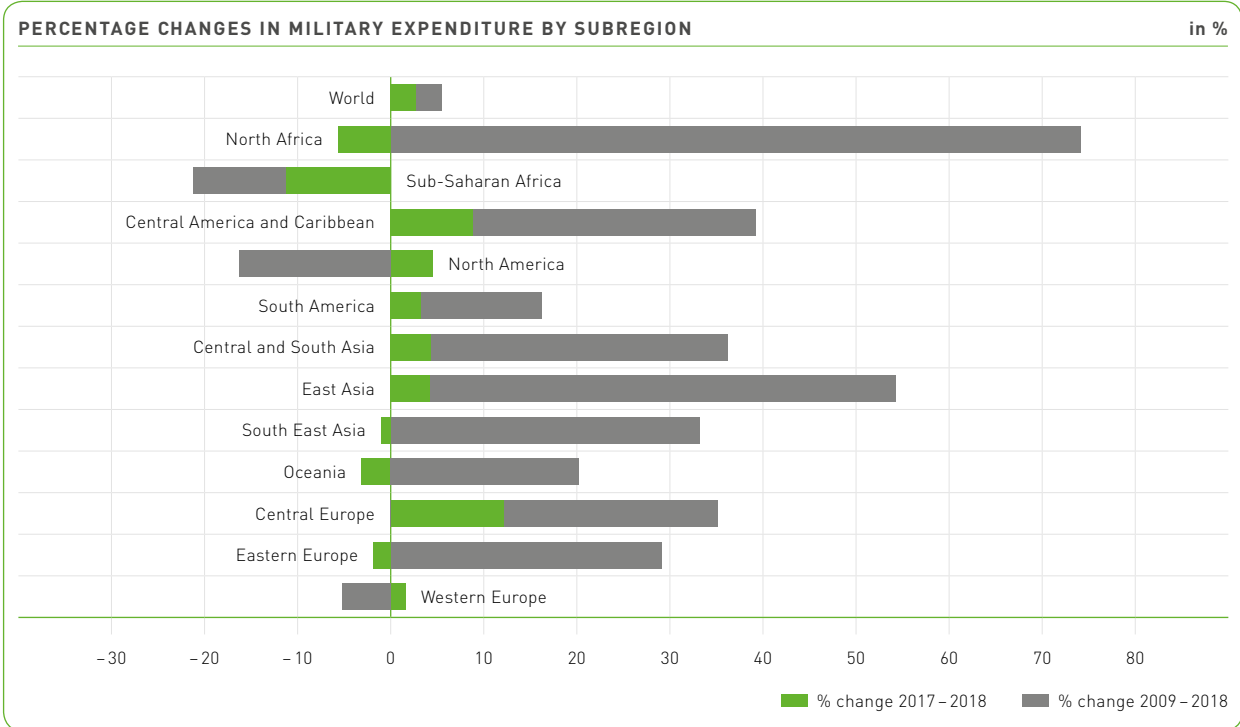
\* No total can be calculated for 1991 as no data for the Soviet Union is available for that year.

Source: SIPRI<sup>15</sup> - Global military expenditure by region 1988-2018

The increase is primarily attributable to the USA and China, the countries with the largest military budgets. The US defense budget increased in 2018 for the first time since 2010. At USD 649 billion, it was 2.6 times higher than the next country in line, namely China. Defense spending in China increased for the 24th year in succession, rising by 5.0% to USD 250 billion. All in all, the five countries with the highest defense budgets – the USA, China, Saudi Arabia, India and France – accounted for 60% of total global expenditure.

14 SIPRI, Yearbook 2019, April 29, 2019

15 SIPRI, Military Expenditure Database, April 29, 2019



Source: SIPRI<sup>16</sup> – Change in military expenditure by region 1988–2018

Military spending in Europe rose by 1.4% in 2018. This was largely due to higher budgets in Western Europe, with almost all countries in the region increasing their expenditure.

According to SIPRI, five nations account for three-quarters of the world’s arms exports. In the period from 2014 to 2018, the USA (36%), Russia (21%), France (6.8%), Germany (6.4%) and China (5.2%) made up 75% of all arms deliveries (based on the total number of weapons delivered rather than their economic value). The main importers were Saudi Arabia, India, Egypt, Australia and Algeria.

All in all, SIPRI considers the trends in the international defense situation to be broadly negative. Although there were some positive signs in 2018 – like the intensification of diplomatic relations between the USA and North Korea, the discussions between North and South Korea, efforts to curb the violence in Yemen, the peace accords between Eritrea and Ethiopia, and the increased commitment on the part of the United Nations Security Council when it comes to addressing climate change – these were outweighed by negative developments such as the US withdrawal from the Iran nuclear deal and the INF Treaty and continued geopolitical tension in numerous countries. The USA and Russia are also expanding their nuclear stockpiles once again. Additional factors included the use of chemical weapons in Syria and nerve gas in attacks in the United Kingdom.

16 SIPRI, Yearbook 2019, April 29, 2019

## EARNINGS AND FINANCIAL POSITION

### Material events

The Management Board of SFC Energy AG (SFC) resolved on June 26, 2019, with the approval of the Supervisory Board, to increase SFC's share capital by €2,700,000.00 from €10,249,612.00 to €12,949,612.00, making partial use of the authorized capital, in exchange for cash contributions with subscription rights for the existing shareholders. At the same time, the subscription price was set at €10.00 per new share.

SFC generated gross issue proceeds totaling €27 million from the capital increase at the end of June 2019 and in July 2019.

### Financial performance

The SFC Group (the "Group") posted sales of €31,076k in the first half of 2019, representing an improvement of 0.7% from the prior-year period's €30,860k.

In the first half of 2019, SFC generated in the individual Group companies sales of €10,171k. This corresponds to a decline of 2.0% compared to the prior-year figure of €10,379k. The decline is attributable to a major order from the German armed forces (Bundeswehr) in the first half of 2018, which has not yet been repeated in 2019. In general, business in the "Defense" segment can be classified as a year-end business. The decline was compensated for almost completely by the sales achieved in the "Clean Energy" segment.

With sales of €8,998k in the first half of 2019, PBF was up 8.3% on the prior-year figure of €8,310k. In the second quarter of 2019, PBF generated sales of €4,719k (prior-year period: €4,395k). The second quarter of 2019 was the quarter with the highest sales since PBF became part of the SFC Group.

Simark posted sales of €11,907k in the reporting period, corresponding to a decrease of 2.2%. The previous year's figure was €12,172k; on a CAD basis, sales declined by 4.6%. In the second quarter of 2019, Simark generated sales of €5,681k (prior-year period: €6,009k).

The profitability of the SFC Energy Group in the first half of 2019 is in line with corporate planning and can be described as adequate or in need of improvement on the basis of the sales generated.

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

- Effects on EBITDA €1,127k
- Effects on EBIT €75k
- Effect on net income €-50k

EBIT decreased from plus €497k in the prior-year period to minus €1,987k in the first half of 2019. In this context, it should be noted that in the first half of 2019 there were non-recurring effects of €2,570k in connection with the SAR program. In the previous year, non-recurring effects totaled €1,074k.

Not including these non-recurring effects, underlying EBIT for the first half of 2019 amounted to plus € 584 and the prior-year figure was plus € 1.571k.

In the second quarter of 2019, EBIT deteriorated from minus € 208k in the previous year to minus € 1,968k.

Negative EBITDA of € 371k was recorded in the first half of 2019, after € 1,057k in the first half of 2018. Underlying EBITDA improved from plus € 2,131k to plus € 2,199k in the reporting period.

In the second quarter of 2019, EBITDA of minus € 1,149k was recorded, whereas in the prior-year period EBITDA had been positive at € 84k.

### 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
<b>Earnings according to income statement</b>	<b>- 1,987</b>	<b>- 371</b>
<b>Sales costs</b>		
Expenses for the Management Board SAR plan, personnel expenses	1,601	1,601
<b>Administration costs</b>		
Expenses for the Management Board SAR plan, personnel expenses	970	970
<b>Underlying operating result (EBIT)</b>	<b>584</b>	<b>2,199</b>

### Sales by segment

The sales by segment for the first six months of the financial year 2019 and for the second quarter compared to the previous year are as follows:

SALES BY SEGMENT (UNAUDITED)							in k€
Segment	1st Halfyear			2nd Quarter			
	2019	2018	Change in %	2019	2018	Change in %	
Oil & Gas	11,907	12,172	- 2.2%	5,681	6,009	- 5.5%	
Industry	8,998	8,310	8.3%	4,719	4,395	7.4%	
Defense & Security	4,633	5,647	- 18.0%	1,675	1,319	27.0%	
Clean Energy & Mobility	5,539	4,732	17.0%	2,544	2,380	6.9%	
<b>Total</b>	<b>31,076</b>	<b>30,860</b>	<b>0.7%</b>	<b>14,620</b>	<b>14,102</b>	<b>3.7%</b>	

The "Oil & Gas" segment only includes the sales generated by Simark. Simark 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 decreased from € 18.8 million to € 17.9 million. In the first half of the year, sales in the Oil & Gas segment declined by 2.2% from € 12,172k to € 11,907k.

No increase in momentum was discernible in the second quarter after a modest first quarter. Investment activity remained modest due to weather-related factors in Canada after an unusually long winter break. This was

due in particular to a lack of pipeline capacity in the province of Alberta and uncertainties regarding the current approval procedures for new pipelines.

The activities of the subsidiary PBF, which manufactures and supplies highly dynamic power generation solutions for laser technologies and other high-tech applications in the industrial sector, are bundled in the "Industry" segment. PBF generated sales exclusively in the "Industry" segment. In the first half of 2019, these sales amounted to €8,998k (previous year: €8,310k). The growth therefore amounted to 8.3%.

Besides growth with existing customers, initial projects with the new modular product platform developed by PBF were also implemented in the reporting period.

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 2019:

- Follow-up order for hardened fuel cells from an Asian defense customer
- Major order for portable JENNY 1200 fuel cells from international defense organization

Nevertheless, sales in the first half of 2019 amounted to €4,633k compared with €5,647k in the prior-year period, which was chiefly influenced by the above-mentioned major order from the Bundeswehr of €3.6 million.

Sales in the "Clean Energy & Mobility" segment grew by 17.0% to €5,539k in the first half of 2019 compared with €4,732k in the prior-year period.

In the Security & Industry Market sub-segment, the number of fuel cells sold increased from 489 to 605. Sales here amounted to €3,492k, down 24.6% on the prior-year figure of €2,802k. An increase from €1,929k to €2,046k was recorded in the Consumer Market sub-segment. The number of fuel cells sold increased from 589 to 632.

### Sales by region

Sales by region developed as follows:

SALES BY REGION (UNAUDITED)						in k€
Region	1st Halfyear			2nd Quarter		
	2019	2018	Change in %	2019	2018	Change in %
North America	12,364	12,357	0.1%	6,062	6,127	-1.1%
Europe and rest of world	18,713	18,504	1.1%	8,558	7,975	7.3%
<b>Total</b>	<b>31,076</b>	<b>30,860</b>	<b>0.7%</b>	<b>14,620</b>	<b>14,102</b>	<b>3.7%</b>

Sales in North America chiefly consist of Simark's sales in the Oil & Gas segment. Sales in the first half of 2019 equaled the sales in the prior-year period.

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 1.1%.

### Gross profit

Gross profit in the first half of 2019 totaled € 10,404k, or 33.5% of sales. In the previous year, by contrast, a figure of € 10,571k or 34.3% had been recorded.

Gross profit in the second quarter amounted to € 4,687k or 32.1% of sales, whereas in the prior-year period € 4,664k or 33.1% had been generated.

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

GROSS PROFIT (UNAUDITED)						in k€
Segment	1st Halfyear			2nd Quarter		
	2019	2018	Change in %	2019	2018	Change in %
Oil & Gas	3,327	3,613	-7.9%	1,500	1,809	-17.1%
Industry	2,637	2,440	8.1%	1,345	1,388	-3.1%
Defense & Security	2,034	2,645	-23.1%	755	502	50.3%
Clean Energy & Mobility	2,405	1,874	28.3%	1,088	964	12.9%
<b>Total</b>	<b>10,404</b>	<b>10,571</b>	<b>-1.6%</b>	<b>4,687</b>	<b>4,664</b>	<b>0.5%</b>

In the "Oil & Gas" segment, a gross margin of 27.9% of sales was achieved in the first half of 2019. In the prior-year period, the margin was 29.7%.

The "Industry" segment was on a par with the previous year at 29.3%.

The gross margin in the "Defense & Security" segment amounted to 43.9%, down significantly on the previous year's figure of 46.8%; in contrast, an increase in the gross margin from 39.6% to 43.4% was achieved in the "Clean Energy & Mobility" segment.

Overall, the Group achieved a gross margin of 33.5%, which was below the prior-year figure of 34.3%. The decline is attributable to the lower proportion of domestic defense sales than in the previous year.

### Sales costs

The Group's sales costs rose from € 5,444k to € 7,267k. In addition to the non-recurring effects, the increase was chiefly attributable to the fact that appropriate resources were built up for a higher sales volume.

In the first half of 2019, the figure included non-recurring effects for sales costs of € 1,601k (previous year: € 379k), so the real increase amounted to 11.9%. Overall, the sales cost ratio without non-recurring effects came to 18.2% of sales, whereas in the prior-year period it had been 16.4%.

### Research and development costs

Research and development costs decreased from € 1,695k to € 1,689k in the first half of 2019. In relation to sales, the R&D cost ratio therefore fell slightly to 5.4% (previous year: 5.5%) due to the required capitalization.

In the first half of 2019, development costs of € 1,052k (previous year: € 633k) 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 2019 totaled €3,272k, which was higher than the prior-year figure of €2,730k.

SFC recorded a decrease from €502k to €487k in this area, both 4.8% of SFC's sales.

Research and development costs at PBF were nearly constant at €1,090k (previous year: €1,092k) or 12.1% of PBF's sales (previous year: 13.1%).

### General administration costs

General administration costs amounted to €3,525k in the first six months of 2019, up on the prior-year figure of €2,726k. Not including non-recurring effects, administration costs would only have been up 5.3% year-on-year to €2,556k.

For the Group as a whole, the ratio increased negligible to 8.2% of sales (previous year: 7.9%).

### Other operating income

Other operating income of €116k (previous year: €333k) includes income from exchange rate differences of €96k as the largest item.

### Other operating expenses

Other operating expenses in the amount of €25k (previous year: €148k) consist entirely of expenses from exchange rate differences.

### Restructuring cost

There was no restructuring cost in the reporting period (previous year: €395k).

### Operating result (EBIT)

The Group's EBIT decreased from plus €497k to minus €1,987k in the first half of 2019. EBIT in relation to sales therefore deteriorated from plus 1.6% to minus 6.4%.

Adjusted for the non-recurring effects mentioned earlier, EBIT amounted to plus €584k in the first half of 2019 (previous year: €1,571k) or plus 1.9% of sales.

EBIT in the second quarter of 2019 changed to minus €1,968k after minus €208k in the second quarter of 2018.

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

EBITDA declined year-on-year from €1,057k to minus €371k. EBITDA in relation to sales therefore decreased from plus 3.4% to minus 1.2%.

Adjusted for the non-recurring effects mentioned above, EBITDA amounted to plus €2,199k in the first half of the year (previous year: plus €2,131k) or 7.1 % of sales.

EBITDA in the second quarter of 2019 fell to minus €1,149k after plus €84k in the second quarter of 2018.

### Interest and similar income

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

### Interest and similar expenses

Interest and similar expenses amounted to €424k (previous year: €403k) and chiefly consisted of interest expenses for liabilities to banks and for loans as well as interest expenses resulting from the application of IFRS 16. Interest expenses with banks and creditors continued to be reduced.

### Earnings after taxes

Earnings after taxes for the first half of the year deteriorated from minus €149k in the prior-year period to minus €2,555k. The change is mainly due to special effects.

In the second quarter, earnings after taxes amounted to minus €2,236k, as compared to minus €475k in the prior-year period.

### Earnings per share

Earnings per share in accordance with IFRS were negative at €0.25 (undiluted and diluted) in the first half of 2019 (previous year: minus €0.02 undiluted and diluted).

### New orders and order backlog

In the first half of 2019, new orders of €28,265k were recorded. In the prior-year period, they had amounted to €28,046k.

The order backlog as of June 30, 2019, came to €11,376k (December 31, 2018: €14,187k).

Of this amount, €2,193k was attributable to the "Oil & Gas" segment, €8,042k to the "Industry" segment, €1,000k to the "Defense & Security" segment, and €141k to the "Clean Energy & Mobility" segment.

## Financial position

### Cash capital increase

On June 26, 2019, SFC AG resolved a capital increase. Making partial use of the authorized capital, 2,700,000 new bearer shares with a notional value of €1.00 of the share capital were issued in exchange for cash contributions with subscription rights for the existing shareholders. The placement price was set at €10.00 per new share. This capital increase provided the Company with gross issue proceeds in the amount of €27 million. The Company's share capital was increased by €2,700,000.00 from €10,249,612.00 to €12,949,612.00. This was entered into the commercial register on July 1, 2019.

The inflow was recorded at €2,700k on June 30, 2019, and €24,300k in the first half of July 2019.

The transaction costs for this equity transaction are expected to amount to around €3.3 million and are recognized as a deduction from equity or the capital surplus provided. They are additional costs directly attributable to the equity transaction.

### Capital expenditures

In the first six months of 2019, €1,052k (previous year: €633k) were 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 €491k. Total capital expenditures in the reporting period came to €1,575k (previous year: €1,016k).

### Cash and cash equivalents

In the first half of 2019, a net cash inflow of €2,531k was recorded. In the same period of the previous year, there had been a net cash inflow of €2,895k.

Available cash and cash equivalents amounted to €4,988k as of the end of June 2019 and were thus lower than the figure of €7,303k as of the end of June 2018 as a result of the earnings in 2019. It should be noted here that the cash inflow from the above-mentioned cash capital increase totaled only €2,700k up to June 30, 2019. The inflow of an additional €24,300k took place by mid-July 2019.

### Cash flow from ordinary operations

As a result of the change in other liabilities in the first half of 2019, a net cash inflow from operating activities of €271k was recorded (previous year: net cash inflow of €1,200k). The operating cash flow before changes in working capital was kept over the previous year's level at €2,534k.

### Cash flow from investment activity

Net cash used for investment activity totaled €1,575k in the period under review (previous year: €1,009k).

### Cash flow from financial activity

Financial activity resulted in a total cash outflow from the Group of €1,227k in the 2019 financial year. The total mainly comprises the proceeds from the capital increase of €2,700k as well as the outflow for costs of the

capital increase already incurred of € 1,211k, furthermore the repayment of liabilities under finance lease with an amount of € 983k (resulting from IFRS 16) and the repayment of loans of € 1,371k.

## Assets

The net asset position and balance sheet ratios changed as follows in the first half of 2019.

As of June 30, 2019, total assets had increased by 26.2% from € 42,065k as of December 31, 2018, to € 53,095k. The equity ratio decreased from 43.3% to 32.8%. The expected reduction is due to the first-time application of IFRS 16, which had an effect of around € 8.7 million in liabilities and the associated extension of the statement of financial position.

The total amount of inventories and trade receivables less trade payables remained increased by 4.4% as against December 31, 2018. The increase was particularly attributable to increased inventory volume in order to guarantee delivery capacity.

The most significant intangible assets are the goodwill of Simark in the amount of € 7,000k (December 31, 2018: € 6,688k) and PBF in an unchanged amount of € 1,179k (December 31, 2018: € 1,179k). Other intangible assets in connection with the acquisition of Simark are no longer reported, as was the case on December 31, 2018; for PBF, these intangible assets still amount to € 73k (December 31, 2018: € 161k). In addition, capitalized development costs amount to € 4,065 (previous year: € 3,190k accounted). 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, € 1,051k was capitalized and € 176k was amortized in the first six months of 2019.

Non-current assets increased from € 13,776k to € 23,963k due to the application of IFRS 16 and the recognition of right-of-use assets from leases.

The share of total assets attributable to non-current assets therefore increased from 32.8% to 45.1% due to the capitalization of right-of-use assets.

Liabilities increased from € 23.861k to € 35.698k. A key item within liabilities was trade payables, which totaled € 9.481k.

Altogether, liabilities made up 67.2% of total equity and liabilities (December 31, 2018: 56.7%).

As a result of capital measures and the earnings for the first half of 2019, equity changed to € 17,397k as of June 30, 2019, compared to € 18,204k as of December 31, 2018. Subscribed capital amounted to € 10,250k as of June 30, 2019.

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## Employees

The number of permanent employees was as follows as of June 30, 2019:

<b>EMPLOYEES</b>			
	<b>06/30/2019</b>	<b>12/31/2018</b>	<b>Change</b>
Management Board	3	3	0
Research and development	61	56	5
Production, logistics and quality management	108	109	-1
Sales and marketing	83	79	4
Administration	32	32	0
<b>Permanent employees</b>	<b>287</b>	<b>279</b>	<b>8</b>

The Group employed 11 trainees, graduates, and student trainees as of June 30, 2019 (previous year: 11). Of the permanent employees, 96 (previous year: 87) were attributable to SFC, 117 (previous year: 114) to PBF, and 74 (previous year: 78) to Simark.

## RISK AND OPPORTUNITIES REPORT

In our opinion, the opportunities for the Group have not changed in comparison to the 2018 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 2018 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.

#### Financial and liquidity risks

SFC's strategic orientation requires continued capital expenditures, which must be financed to ensure future business success, particularly in the areas of product development and tapping additional market segments and new regions. The funds received by the Group from the public offering in June 2019 and the subsequent cash capital increase in July 2019 partly were raised for these capital expenditures.

Risks that threaten Company's survival due to the net cash flow at an amount of rd. € 24 million are not apparent.

#### Market risks

##### Macroeconomic developments

In its economic forecast for 2019, the ifo Institute<sup>17</sup> considers there to be more risks than opportunities. Following the breakdown in trade talks in early May, the probability of an escalation in the trade conflict between the USA and China has increased. Although Mexico has prevented tariffs from being imposed on all imports to the USA for the time being, the institute also sees this conflict as a risk factor. Similarly, the resolution by the US government to postpone its decision on the imposition of auto tariffs on the EU by a further 180 days does not constitute an all-clear signal, as the conflict is likely to rear its head again in the fall. Tariffs of this nature would hit the German automotive industry in particular. The positive impetus from the US tax reform will also come to an end this year. Meanwhile, China's economic policy remains unclear: Although the economy was impacted to a considerable extent by more restrictive measures like the attempt to curb the expansion of the shadow banking system in winter 2018/2019, China quickly loosened the reins again, with corresponding consequences in terms of the risk to the country's financial stability. As previously, the lack of clarity concerning the United Kingdom's withdrawal from the EU and the state of the public finances in Italy remain additional risk factors.

German industry is in a phase of recession, and the institute does not expect the second quarter of 2019 to bring any improvement. A gradual turnaround is not expected to emerge until the third quarter. The BMWi<sup>18</sup> sees the international trade conflicts, the unclear Brexit process and geopolitical tensions as presenting considerable downside risks for the German economy.

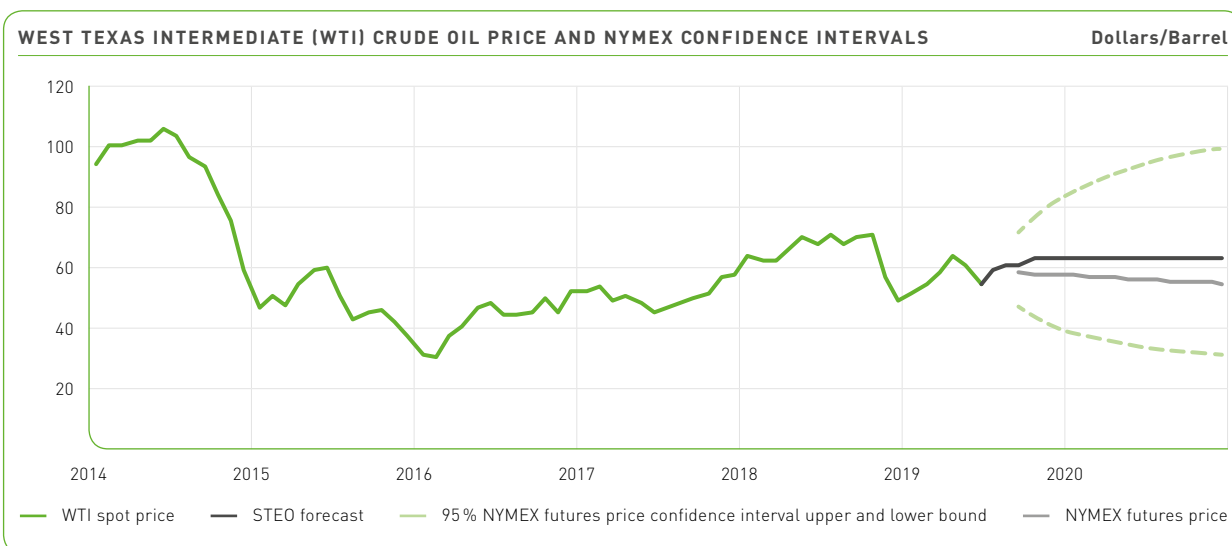
<sup>17</sup> ifo Economic Forecast Summer 2019, "German Economy Lacks Momentum", June 16, 2019

<sup>18</sup> BMWi German Federal Ministry for Economic Affairs and Energy, Press Release "The Economic Situation in Germany in July 2019", July 17, 2019

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### Oil & Gas segment

In its July 2019 energy forecast<sup>19</sup>, the EIA states that, due to global economic trends and geopolitical events, average daily and monthly crude oil prices may differ significantly from its forecast. This forecast assumes that the OPEC+ deal aimed at ensuring a balanced market remains in force until the end of 2020. Experts expect the production cuts to lead to inventories decreasing in the third quarter of 2019 before increasing again in the fourth quarter. The EIA is anticipating a balanced market in 2020. However, this forecast depends to a large extent on whether the producing countries stick to their production targets. The experts also consider there to be a risk of delivery failures, particularly in Venezuela in Libya, with large volumes suddenly disappearing from the oil market as a result. Further disruptions to shipping in the Strait of Hormuz could also drive the oil price upwards. Although the EIA believes the IMO regulations coming into effect in 2020 will have a limited impact on the price of crude oil, it remains to be seen how the global refinery and shipping industry will respond to them. It also remains difficult to predict what effect the dynamically evolving US light tight oil sector will have on crude oil prices.



Note: Confidence interval derived from options market information for the five trading days ending Jul 3, 2019. Intervals not calculated for months with sparse trading in near-the-money options contracts.

Source: EIA WTI price trend forecast<sup>20</sup>

The EIA is not anticipating any new upstream projects in Canada in the forecast period, although existing projects are set to continue to grow. However, the experts expect crude oil transportation by rail and the uncertainty surrounding the realization of new pipeline capacities to limit growth in Canadian oil production in 2020. The necessary pipeline expansion and the continued strong focus among Canadian oil producers on increasing the efficiency of conventional production facilities are presenting opportunities for the SFC Group’s products: SFC’s integrated management and power supply systems ensure the reliable, secure and attractively-priced operation of off-grid systems and pipelines at any time of the year, even in remote locations. In addition, the strict environmental legislation in Canada in the oil and gas industry, as well as other areas including mining, transport and the waterways, is contributing to increased demand for efficient low-emission products such as SFC’s power generators. With the conclusion of two new oil and gas partnerships in the southern and mid-west of the USA, the SFC Group is also opening up attractive new growth markets in North America as part of the continued expansion of its strategic position in this region.

<sup>19</sup> EIA, Short-Term Energy Outlook (STEO), July 9, 2019  
<sup>20</sup> ibid

## Clean Energy & Mobility segment

**a) Fuel cells:** Fuel cells are enjoying a renaissance. In many industries, they are now the option of choice when it comes to developing the local power supply for strategic off-grid applications in areas such as security and surveillance, telecommunications, transport and environmental technology. The environmentally friendly, weather-independent, mobile power generator provides key operational and logistical benefits compared with other alternative power suppliers and batteries. The automotive industry in particular sees fuel cells as offering new potential for e-mobility. Fuel cells are also supported by the political and public environment. Having entered into hydrogen fuel cell technology in partnership with adKor, SFC Energy is now excellently positioned to sustainably leverage the new opportunities emerging in various industries with its two fuel cell technologies. As previously, there is a risk in the fact that many projects, particularly public-sector projects, are dependent on the overall economic situation and government programs.

**b) Caravaning:** The industry association CIVD expects customer demand in Germany to remain extremely positive as 2019 continues, although the WLTP conversion could lead to delays in individual deliveries. New, more lightweight high-performance batteries for caravaning applications continue to pose a risk to SFC Energy's fuel cell business. They can be used to supply motorhomes with the appropriate equipment with power for a few days independently of the conventional grid. Motorhome owners could therefore decide in favor of increasing their battery capacity rather than a fuel cell.

**c) Marine:** The industry association BVWW<sup>21</sup> and the market analysis company Arizton both expect the recreational boating market to continue to enjoy positive development. A key role is being played by new hybrid and electric drive concepts, digitalization and modern systems for greater comfort, security and functionality on board. The state of the art in the automotive industry is increasingly also finding its way into boats. This also means increased demand for power. SFC Energy's power generators represent an attractive, quiet and environmentally friendly solution. According to the experts, risks to the market include the current economic weakness in the advanced economies, the trade dispute with the USA, Brexit, and the financial risks within the euro zone. The aging of the most solvent target group represents an additional risk factor. Furthermore, SFC Energy's fuel cell products cannot provide the complete off-grid power supply, especially on larger boats, so that a fuel cell purchase can only be considered for smaller boats and racing yachts.

## Industry segment

**Power electronics and switched mode network components:** Power electronic components and systems are needed anywhere power is used. The electronics industry usually develops in sync with the overall economy. The ZVEI<sup>22</sup> currently sees risks in the unclear direction of the electrical industry and the considerable uncertainty concerning the next steps in terms of global trade and the world economy. By contrast, automation, digitalization, communication and information technology and components remain major drivers of innovation in the electrical industry. For SFC Energy, new opportunities are arising in particular thanks to the PBF technology developed by its subsidiary PBF, which allows attractively-priced, extremely efficient and highly dynamic power generation solutions for demanding applications such as laser and plasma technologies as well as other high-tech industrial fields to be realized quickly. This PBF technology gives the SFC Group a key competitive advantage in the market. Following a successful introductory phase, several international manufacturers are expected to place substantial follow-up orders over the coming years. Risks are to be seen in the long project lead times and the ordering behavior of major international customers, which remains difficult to assess.

<sup>21</sup> German Marine Industry Association (BVWW), Press Release, "Watersports Industry Grows for Sixth Year in Succession", January 10, 2019

<sup>22</sup> ZVEI, Press Release, "Currently No Clear Direction for the Electrical Industry", July 9, 2019



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## Defense & Security segment

The SIPRI Yearbook expresses concerns about compliance with the laws and rules of international systems. China, Russia and the USA are currently actively challenging the world order, from the political geography in key regions through to the balance of power in the international financial sector. According to the experts, this is reflected in the ongoing tension between the West and Russia, the trade dispute between the USA and China, the power struggle between Iran and Saudi Arabia, and the armed conflicts in Iran, Syria and Yemen. In the same way as climate change, this tension has consequences in terms of international stability as well as national security in many countries. New, state-of-the-art defense systems and new military strategies integrating digital tools and technologies are becoming increasingly important as a result. A key role is played by modern communication, surveillance and weapon control systems and new technologies for gathering and processing information using artificial intelligence and machine learning. 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 data is increasingly collected and equipment is increasingly used off-grid.

## FORECAST REPORT

The Management Board of SFC Energy AG is confirming its forecast of consolidated sales of between € 67 million and € 74 million and a further significant increase in profitability, with adjusted EBITDA of between € 4.5 million and € 7 million and adjusted EBIT of between € 3.5 million and € 6 million in the 2019 financial year.

This forecast was prepared without taking into account the effects of the adoption of IFRS 16.

It should also be noted that an average CAD/EUR exchange rate of 1.50 was used for the sales and earnings planning for 2019.

## 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

Regarding the events after the balance sheet date, please see the discussion in the Notes of the Consolidated Financial Statements for Halfyear 2019.

Brunnthal, August 20, 2019



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



**Hans Pol**  
Board Member (Industry)



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

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## **INTERIM REPORT IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS OF JUNE 30, 2019**

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

## INTERIM REPORT IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS OF JUNE 30, 2019

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

	in €			
	1. HY 2019 01/01 – 06/30	1. HY 2018 01/01 – 06/30	Q2 2019 04/01 – 06/30	Q2 2018 04/01 – 06/30
Sales	31,076,405	30,860,467	14,619,856	14,102,413
Production costs of work performed to generate sales	-20,672,593	-20,289,164	-9,932,531	-9,438,604
<b>Gross profit</b>	<b>10,403,812</b>	<b>10,571,303</b>	<b>4,687,325</b>	<b>4,663,809</b>
Sales costs	-7,267,318	-5,443,996	-3,892,862	-2,761,366
Research and development costs	-1,688,967	-1,694,712	-768,506	-872,851
General administration costs	-3,525,297	-2,726,320	-2,020,547	-1,353,727
Other operating income	116,364	333,489	41,145	124,964
Other operating expenses	-25,221	-148,015	-13,794	-8,646
Restructuring costs		-394,715	0	0
<b>Operating result</b>	<b>-1,986,627</b>	<b>497,034</b>	<b>-1,967,241</b>	<b>-207,817</b>
Interest and similar income	0	5	0	3
Interest and similar expenses	-423,661	-402,929	-197,742	-183,001
<b>Result from ordinary operations</b>	<b>-2,410,288</b>	<b>94,110</b>	<b>-2,164,983</b>	<b>-390,815</b>
Income taxes	-145,169	-242,732	-70,914	-84,158
<b>Consolidated net loss</b>	<b>-2,555,457</b>	<b>-148,622</b>	<b>-2,235,897</b>	<b>-474,973</b>
<b>NET LOSS PER SHARE</b>				
undiluted	-0.25	-0.02	-0.22	-0.05
diluted	-0.25	-0.02	-0.22	-0.05

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

	in €			
	1. HY 2019 01/01 – 06/30	1. HY 2018 01/01 – 06/30	Q2 2019 04/01 – 06/30	Q2 2018 04/01 – 06/30
<b>Consolidated net result</b>	<b>-2,555,457</b>	<b>-148,622</b>	<b>-2,235,897</b>	<b>-474,973</b>
OCI items that may be recycled to profit or loss in the future:				
Result from currency translations	260,133	-127,350	76,916	151,811
<b>Total other results</b>	<b>260,133</b>	<b>-127,350</b>	<b>76,916</b>	<b>151,811</b>
<b>Total comprehensive income</b>	<b>-2,295,324</b>	<b>-275,972</b>	<b>-2,158,980</b>	<b>-323,162</b>

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

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

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

	in €	
	06/30/2019	12/31/2018
<b>Current Assets</b>	<b>29,132,223</b>	<b>28,288,672</b>
Inventories	9,799,462	9,753,129
Trade accounts receivable	12,728,201	9,665,357
Receivables from contracts with customers	326,622	492,281
Income tax receivables	2	2
Other short-term assets and receivables	1,003,940	572,594
Cash and cash equivalents	4,988,376	7,519,689
Cash and cash equivalents with limitation on disposal	285,620	285,620
<b>Non-current assets</b>	<b>23,963,129</b>	<b>13,776,317</b>
Intangible assets	12,588,426	11,496,977
Property, plant and equipment	10,403,856	1,595,740
Financial assets	71	71
Deferred tax assets	970,776	683,529
<b>Assets</b>	<b>53,095,352</b>	<b>42,064,989</b>

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

	in €	
	06/30/2019	12/31/2018
<b>Current liabilities</b>	<b>21,534,396</b>	<b>18,864,822</b>
Provisions for taxes	48,328	32,257
Other provisions	974,164	939,310
Liabilities to banks	4,700,504	4,585,244
Liabilities from prepayments	17,065	27,144
Trade accounts payable	9,481,480	7,093,371
Liabilities under finance leases	2,236,109	43,653
Liabilities from contracts with customers	30,495	24,581
Liabilities from financing	1,555,933	2,568,811
Other short-term liabilities	2,490,319	3,550,452
<b>Non-current liabilities</b>	<b>14,163,884</b>	<b>4,996,007</b>
Other long-term provisions	1,157,987	1,063,737
Liabilities to banks	1,464,351	1,710,006
Liabilities under finance leases	6,510,072	53,736
Other long-term financial liabilities	4,507	4,383
Other liabilities	3,916,682	1,346,469
Deferred tax liabilities	1,110,286	817,676
<b>Equity</b>	<b>17,397,071</b>	<b>18,204,161</b>
Subscribed capital	10,249,612	10,249,612
Proceeds from Initial capital payments made for completion of agreed capital increase	1,488,234	
Capital surplus	79,497,706	79,497,706
Foreign exchange translation reserve	-762,852	-1,022,986
Consolidated net loss	-73,075,630	-70,520,171
<b>Liabilities and shareholders' equity</b>	<b>53,095,352</b>	<b>42,064,989</b>

## SFC ENERGY AG, BRUNNTHAL CONSOLIDATED CASH FLOW STATEMENT FROM JANUARY 1 TO JUNE 30, 2019

	in €	
	01/01 – 06/30/2019	01/01 – 06/30/2018
<b>Cash flow from ordinary operations</b>		
<b>Result before taxes</b>	<b>-2,410,288</b>	<b>94,110</b>
+ Net interest income	423,661	402,924
+ Depreciation/amortization of intangible assets and property, plant and equipment	1,615,502	560,287
-/+ Income/Expenses from SAR Plan	2,570,212	679,060
-/+ Changes in allowances	-126,914	-80,152
-/+ Other non-cash expenses/income	461,425	-189,692
<b>Changes to operating result before working capital</b>	<b>2,533,598</b>	<b>1,466,536</b>
+/- Changes to provisions	119,724	60,615
+ Changes to trade accounts receivable	-2,834,589	-1,513,003
-/+ Changes to inventories	180,871	259,874
+/- Changes to other receivables and assets	-241,026	-41,071
-/+ Changes to trade accounts payable	2,259,526	781,712
-/+ Changes to other liabilities	-1,170,330	262,365
<b>Cash flow from ordinary operations before taxes</b>	<b>874,774</b>	<b>1,277,028</b>
+/- Income tax refunds/-payments	-576,390	-77,420
<b>Cash flow from ordinary operations</b>	<b>271,384</b>	<b>1,199,608</b>



## SFC ENERGY AG, BRUNNTHAL CONSOLIDATED CASH FLOW STATEMENT FROM JANUARY 1 TO JUNE 30, 2019

	in €	
	01/01 – 06/30/2019	01/01 – 06/30/2018
<b>Cash flow from investment activity</b>		
- Investments in intangible assets from development projects	-1,051,607	-632,832
- Investments in other intangible assets	-32,404	-7,104
- Investments in property, plant and equipment	-491,217	-376,531
+ Interest and similar income	0	5
+ Proceeds from disposal of property, plant and equipment	0	7,166
<b>Cash flow from investment activity</b>	<b>-1,575,229</b>	<b>-1,009,296</b>
<b>Cash flow from financial activity</b>		
+ Proceeds from capital increase	0	4,220,000
- Expenses from capital increase	0	-130,960
+ Proceeds from Initial capital payments made for completion of agreed capital increase	2,700,000	0
- Expenses from proceeds for Initial capital payments made for completion of agreed capital increase	-1,211,766	0
- Repayment of financial debt	-1,370,880	-1,509,199
+/- Changes to current account liabilities	16,141	468,821
- Repayment of liabilities under finance leases	-983,025	-13,482
- Interest paid and other expenses	-377,938	-330,745
<b>Cash flow from financial activity</b>	<b>-1,227,468</b>	<b>2,704,435</b>
<b>Net change in cash and cash equivalents</b>	<b>-2,531,314</b>	<b>2,894,747</b>
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	4,988,376	7,303,146
<b>Net change in cash and cash equivalents</b>	<b>-2,531,313</b>	<b>2,894,748</b>

## SFC ENERGY AG, BRUNNTHAL CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FROM JANUARY 1 TO JUNE 30, 2019

	Subscribed capital	Proceeds from Initial capital payments made for completion of agreed capital increase	Capital surplus	Foreign exchange translation reserve	Net accumulated loss	in € Total
<b>As of 12/31/2017</b>	<b>9,659,456</b>	<b>0</b>	<b>75,475,155</b>	<b>-816,921</b>	<b>-70,422,908</b>	<b>13,894,782</b>
<b>Total comprehensive income for the period</b>						
Consolidated net loss 01/01 – 12/31/2018					-517	-517
Result from currency translation recognized in equity				-206,064		-206,064
Effect of first-time adoption of IFRS 9					-96,747	-96,747
<b>Capital increase</b>						
Issuance of convertible bonds – equity component	90,156		433,511			523,667
Capital increase	500,000		3,720,000			4,220,000
Costs from capital increase			-130,960			-130,960
<b>As of 12/31/2018</b>	<b>10,249,612</b>	<b>0</b>	<b>79,497,706</b>	<b>-1,022,985</b>	<b>-70,520,172</b>	<b>18,204,161</b>
<b>Total comprehensive income for the period</b>						
Consolidated net loss 01/01 – 06/30/2019					-2,555,457	-2,555,457
Result from currency translation recognized in equity				260,133		260,133
<b>Capital increase</b>						
Capital increase		2,700,000				2,700,000
Costs from capital increase		-1,211,766				-1,211,766
<b>As of 06/30/2019</b>	<b>10,249,612</b>	<b>1,488,234</b>	<b>79,497,706</b>	<b>-762,852</b>	<b>-73,075,630</b>	<b>17,397,071</b>

## NOTES TO THE INTERIM REPORT OF SFC ENERGY AG

### Information about the Company

SFC Energy AG (the “Company” or “SFC”) is a stock corporation domiciled in Germany. The Company’s headquarters are located at Eugen-Sänger-Ring 7, 85649 Brunnthal. The Company is registered in the Commercial Register of the Munich District Court under commercial register sheet number 144296. The principal activities of the Company and its subsidiaries (the Group) include 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 such activities, and the 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, 2018, were also applied for the interim financial statements.

The interim report of SFC Energy AG for the period from January 1 to June 30, 2019 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 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, 2018.

In addition to the standards and interpretations taken into account on December 31, 2018, the new standard IFRS 16 “Leases” was applied for the first time in the current reporting period.

**IFRS 16 “Leases”:** IFRS 16 Leases supersedes the existing guidelines on leases according to IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions in the Legal Form of a Lease.

The standard is effective for the first time for financial years beginning from January 1, 2019. The Group changed its accounting policy in accordance with the transitional provisions and applied IFRS 16 for the first time as of January 1, 2019 using the modified retrospective method. The comparative figures for 2018 were thus not restated. The option is exercised to assess the contracts in the portfolio at the transitional point not according to the new leasing definition according to IFRS 16 but according to the leasing definition in IAS 17. As of January 1, 2019, the present value of the values in use corresponded to the present value of the lease liabilities. In addition, in classes the Group utilizes the convenience option to recognize leases whose duration ends within 12 months after the time of the initial application as short-term leases in expenses. Furthermore the rights of use in low-value assets were not recognized.

The key effects as of the January 1, 2019 reporting date were as follows:

At the lessee the rights and obligations from all leases are to be recognized in the balance sheet as rights of use and lease liabilities. Here the right of use is initially to be calculated as the present value of the future lease

payments plus initial direct costs and subsequently to be written down on a straight-line basis over the duration of the lease. Lease liabilities are initially recognized as the present value of the leasing payments which are paid during the duration of the lease. Subsequently the carrying amount is accrued at the level of the interest rate used and the leasing payments made. The weighted average incremental borrowing rate of the lessee applied to lease liabilities as of January 1, 2019 is 3.00 %.

In connection with the obligations under leases, as of January 1, 2019 there was an increase in lease liabilities of € 9,453,065 and property, plant and equipment at the same level. As a result of this extension of the balance sheet, as of January 1, 2019 the equity ratio declined 7.94 percentage points in comparison to December 31, 2018.

ADJUSTMENT OF BALANCE SHEET BY ACCOUNTING POLICY			in €
	12/31/2018	Adjustment IFRS 16	01/01/2019
<b>Assets</b>			
<b>Non-current assets</b>	<b>13,776,317</b>	<b>9,453,065</b>	<b>23,229,382</b>
Intangible assets	11,496,977		11,496,977
Property, plant and equipment	1,595,740	9,453,065	11,048,805
Financial assets	71		71
Deferred tax assets	683,529		683,529
<b>Current assets</b>	<b>28,288,673</b>	<b>0</b>	<b>28,288,673</b>
Inventories	9,753,129		9,753,129
Trade accounts receivables	9,665,357		9,665,357
Receivables from contracts with customers	492,281		492,281
Income tax receivables	2		2
Other current assets and receivables	572,594		572,594
Cash and cash equivalents	7,519,689		7,519,689
Cash and cash equivalents with limitation on disposal	285,620		285,620
<b>Total Assets</b>	<b>42,064,989</b>	<b>9,453,065</b>	<b>51,518,054</b>

ADJUSTMENT OF BALANCE SHEET BY ACCOUNTING POLICY			in €
	12/31/2018	Adjustment IFRS 16	01/01/2019
<b>Equity and liabilities</b>			
<b>Equity</b>	<b>18,204,161</b>	<b>0</b>	<b>18,204,161</b>
Subscribed capital	10,249,612		10,249,612
Capital surplus	79,497,706		79,497,706
Foreign exchange translation reserve	-1,022,986		-1,022,986
Consolidated net loss	-70,520,171		-70,520,171
<b>Non-current liabilities</b>	<b>4,996,007</b>	<b>7,279,087</b>	<b>12,275,094</b>
Other provisions	1,063,737		1,063,737
Liabilities to banks	1,710,006		1,710,006
Liabilities under finance leases	53,736	7,279,087	7,332,823
Other non-current liabilities	4,383		4,383
Other liabilities	1,346,469		1,346,469
Deferred tax liabilities	817,676		817,676
<b>Current liabilities</b>	<b>18,864,822</b>	<b>2,173,978</b>	<b>21,038,800</b>
Provisions for taxes	32,257		32,257
Other provisions	939,310		939,310
Liabilities to banks	4,585,244		4,585,244
Liabilities from prepayments	27,144		27,144
Trade accounts payable	7,093,371		7,093,371
Liabilities under finance leases	43,653	2,173,978	2,217,631
Liabilities from contracts with customers	24,581		24,581
Other current liabilities from financing	2,568,811		2,568,811
Other liabilities	3,550,452		3,550,452
<b>Liabilities</b>	<b>23,860,830</b>	<b>9,453,065</b>	<b>33,313,895</b>
<b>Total equity and liabilities</b>	<b>42,064,989</b>	<b>9,453,065</b>	<b>51,518,054</b>

Obligations under operating leases of € 10,229,029 were reported as of December 31, 2018. The difference between the present value of the liabilities from operating leases as of December 31, 2018 in line with IAS 17 and the present value of the lease liabilities recognized on January 1, 2019 is based on the fact that these are discounted in line with the recognition and measurement regulations of IFRS in the measurement of the additional lease liabilities.

RECONCILIATION	in €
	2019
Obligations under operating leases reported as of 12/31/2018	10,229,029
Minimum lease payments (nominal value) of finance lease liabilities as of 12/31/2018	97,389
<b>Gross lease liabilities as of 01/01/2019</b>	<b>10,326,418</b>
Discount	-873,353
<b>Additional leasing liabilities as a result of the initial application of IFRS 16 as of 01/01/2019</b>	<b>9,453,065</b>

In addition, the type of expenses related to these leases will change, as IFRS 16 replaces the straight-line expenses for operating leases with an amortization expense for right-of-use assets and interest expense for liabilities under the lease. This change will result in a significant improvement of EBITDA from ordinary operations.

The payments made to pay the lease liabilities and the payments relating to the interest portion of the lease liabilities are allocated to cash flow from financing activities. Only payments not included in the calculation of the lease liability and payments from short-term leases and leases from low-value assets where the convenience option was utilized are to be allocated to cash flow from operating activities. This change in allocation against the previous recognition of leasing expenses from operate leases will result in an improvement of cash flow from operating activities and a reduction of cash flow from financing activities.

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 euro (€). Unless otherwise indicated, amounts given in this interim report are rounded to the nearest whole euro (€). Minor differences can arise in rounded amounts and percentages due to commercial rounding of figures. The consolidated income statement was prepared applying 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, construction contracts with a negative net balance are reported as liabilities from contracts with customers. In the first six months of 2019, production contracts with a positive balance due from the customer were reported in the amount of €326,622 (December 31, 2018: €492,281), while production contracts with a negative balance due from the customer were reported in the amount of €30,495 (December 31, 2018: €24,581).

## Other current assets and receivables

As of the reporting date, the Company has other current assets and receivables of €1,003,940 (December 31, 2018: €572,594). This increase was mainly attributable to a rise in sales tax receivables to €384,978 (December 31, 2018: €133,331), an increase in deferred income to €297,445 (December 31, 2018: €181,883) and miscellaneous other current assets and receivables moving up to €250,700 (December 31, 2018: €165,917).

## 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' interests in the Company. Additional SARs were granted to Dr. Podesser in financial year 2019 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 during blackout periods, provided certain performance targets are reached. The number of SARs available to exercise largely depends on the average price of SFC's share 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 should exceed the average share price for the 30 trading days prior to the award of the SARs. In addition, the stock price must have outperformed the Frankfurt Stock Exchange's ÖkoDAX as of the end of the vesting period.

The SARs awards have been classified and measured as cash-settled share-based payment transactions pursuant to IFRS 2.30. Their fair market value will be remeasured on each balance sheet date applying a Monte Carlo model, taking into consideration the terms on which the SARs were awarded.

The status of the SARs in 2019 is presented in the following table:

	Tranche HP2	Tranche HP3	Tranche PP2	Tranche PP3	Tranche MB1
Number of stock appreciation rights (SAR)	180,000	180,000	360,000	420,000	180,000
Maximum term (years)	7.00	7.00	7.00	7.00	7.00
Outstanding number of SARs at the beginning of the 2019 reporting period (01/01/2019)	20,000	180,000	300,000	0	150,000
<b>During the 2019 reporting period</b>					
SAR granted	0	0	0	420,000	0
SAR waived	0	0	40,000	0	20,000
SAR exercised	0	0	0	0	0
SAR expired	0	0	0	0	0
<b>Outstanding number of SARs at the end of the 2019 reporting period (06/30/2019)</b>	<b>20,000</b>	<b>180,000</b>	<b>260,000</b>	<b>420,000</b>	<b>130,000</b>
<b>Exercisable number of SARs at the end of the 2019 reporting period (06/30/2019)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

The following parameters were taken into consideration in connection with the measurement as of June 30, 2019:

	Tranche HP2	Tranche HP3	Tranche PP2	Tranche PP3	Tranche MB1
<b>Measurement date</b>	<b>06/30/2019</b>	<b>06/30/2019</b>	<b>06/30/2019</b>	<b>06/30/2019</b>	<b>06/30/2019</b>
Remaining term (years)	3.00	6.00	4.75	7.00	4.67
Expected volatility	49.65%	44.24%	44.41%	41.88%	44.63%
Risk-free interest rate	-0.75%	-0.59%	-0.67%	-0.47%	-0.68%
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	€ 13.77	€ 13.77	€ 13.77	€ 13.77	€ 13.77

For the term, the length of time from the measurement date to the end of the respective agreement was applied. The share price was determined via Bloomberg using the closing price in XETRA trading at June 30, 2019. The volatility presented is based on the historical volatility of the SFC share over periods matching the respective remaining terms. The expected volatility taken into consideration is based on the assumption that future trends can be inferred from historical volatility, so that the actual volatility may diverge from the assumptions made. The expected dividend yield is based on market estimates for the amount of the expected dividend for the SFC share in 2019 and 2020.

As of June 30, 2019, a liability in the amount of €3,916,681 (thereof €3,916,681 long term) in connection with the SAR Plan was recognized under other liabilities (December 31, 2018: € 1,346,469. The period expense for the period from January 1 to June 30 was € 2,570,211 (prior year period: € 673,192).



## Sales costs

Sales costs in the first half of 2019 were as follows:

	in €	
	01/01 – 06/30/2019	01/01 – 06/30/2018
Personnel costs	5,258,795	3,640,313
Depreciation/amortization	404,341	102,016
Advertising and travel costs	811,135	586,376
Consultancy/commissions	291,270	200,258
Cost of materials	86,527	116,846
Other	415,251	798,186
<b>Total</b>	<b>7,267,318</b>	<b>5,443,996</b>

## Research and development costs

Research and development costs in the first half of 2019 were as follows:

	in €	
	01/01 – 06/30/2019	01/01 – 06/30/2018
Personnel costs	1,619,198	1,458,010
Consultancy and patents	520,256	394,274
Cost of premises	19,658	128,024
Other depreciation, amortization and impairments	218,583	46,532
Cost of materials	233,393	177,092
Other	134,616	130,465
Set-off against grants	– 5,130	– 6,853
Capitalization of self-developed intangible assets	– 1,051,607	– 632,832
<b>Total</b>	<b>1,688,967</b>	<b>1,694,712</b>

## General administration costs

General administration costs in the first half of 2019 were as follows:

	in €	
	01/01 – 06/30/2019	01/01 – 06/30/2018
Personnel costs	2,242,343	1,461,739
Audit and consultancy costs	333,078	339,865
Investor relations/annual meeting	142,967	176,778
Insurance	126,249	95,486
Depreciation/amortization	194,935	77,398
Car-operating costs	32,281	41,305
Travel costs	69,625	71,809
Supervisory Board compensation	56,250	56,250
Costs of hardware and software maintenance	23,079	25,128
Other	306,259	383,381
Set-off against grants	- 1,770	- 2,819
<b>Total</b>	<b>3,525,297</b>	<b>2,726,320</b>

## Other operating income and expenses

Other operating income in the first six months of 2019 chiefly include income from exchange rate differences in the amount of € 96,012 (previous year: € 82,350). Insurance compensation amounted to € 1,349 (previous year: € 223,020).

Other operating expenses in the first six months of 2019 include solely expenses from exchange rate differences totaling € 25,221 (previous year: € 148,015).

## Income taxes

In line with the consolidated financial statements as of December 31, 2018, 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

The SFC segments are 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 2019:

Segments	Sales		Gross profit		EBITDA		in €
	2019	2018	2019	2018	2019	2018	
	01/01 – 06/30	01/01 – 06/30	01/01 – 06/30	01/01 – 06/30	01/01 – 06/30	01/01 – 06/30	
Oil & Gas	11,906,967	12,171,803	3,326,975	3,612,505	490,590	920,095	
Industry	8,998,142	8,309,599	2,637,222	2,440,166	736,785	8,278	
Clean Energy & Mobility	5,538,569	4,731,600	2,405,189	1,873,963	-351,731	-457,219	
Defense & Security	4,632,727	5,647,466	2,034,426	2,644,670	-1,246,771	586,169	
<b>Total</b>	<b>31,076,406</b>	<b>30,860,467</b>	<b>10,403,812</b>	<b>10,571,303</b>	<b>-371,127</b>	<b>1,057,322</b>	
Depreciation/amortization					-1,615,501	-560,288	
<b>Operating result (EBIT)</b>					<b>-1,986,627</b>	<b>497,034</b>	

In the “Defense & Security” segment, SFC Energy AG generates sales in the Defense & Security market. The Defense & Security market includes defense and security applications from military organizations and government agencies.

The “Clean Energy & Mobility” segment is highly diversified. Firstly it includes any area of industry where professional users run electrical equipment away from the grid and use SFC’s EFOY Pro fuel cell. It also covers the areas of industry for hydrogen technology. 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 produces high-quality and reliable 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 sales

Sales for the period between January 1, 2019 and June 30, 2019 break down as follows:

	Segment				in €
	Clean Energy & Mobility	Industry	Defense & Security	Oil & Gas	Total
<b>Region</b>					
North America	0	355,104	101,666	11,906,967	12,363,736
Europe (without Germany)	3,233,436	6,796,328	391,089		10,420,853
Germany	1,277,236	1,630,519	1,366,897		4,274,653
Asia	913,591	115,313	1,454,493		2,483,397
Rest of the world	114,306	100,878	1,318,583		1,533,767
<b>Total</b>	<b>5,538,569</b>	<b>8,998,142</b>	<b>4,632,727</b>	<b>11,906,967</b>	<b>31,076,405</b>
<b>Product</b>					
Fuel cells	5,538,569		4,632,727	1,284,757	11,456,053
Instrumentation and automation products in Oil & Gas Industry				10,622,210	10,622,210
Power supplies		8,998,142			8,998,142
<b>Total</b>	<b>5,538,569</b>	<b>8,998,142</b>	<b>4,632,727</b>	<b>11,906,967</b>	<b>31,076,405</b>
<b>Revenue recognition</b>					
Transfer of goods recognized at a certain point in time	5,538,569	8,998,142	4,145,790	8,967,224	27,649,726
Revenue recognized over a period of time/provision of services			486,937	2,939,743	3,426,680
<b>Total</b>	<b>5,538,569</b>	<b>8,998,142</b>	<b>4,632,727</b>	<b>11,906,967</b>	<b>31,076,405</b>

Sales for the comparative period between January 1, 2018 and June 30, 2018 break down as follows:

	Segment				in €
	Clean Energy & Mobility	Industry	Defense & Security	Oil & Gas	Total
<b>Region</b>					
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
<b>Total</b>	<b>4,731,600</b>	<b>8,309,599</b>	<b>5,647,465</b>	<b>12,171,803</b>	<b>30,860,467</b>
<b>Product</b>					
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
<b>Total</b>	<b>4,731,600</b>	<b>8,309,599</b>	<b>5,647,465</b>	<b>12,171,803</b>	<b>30,860,467</b>
<b>Revenue recognition</b>					
Transfer of goods recognized at a certain point in time	4,731,600	8,309,599	5,336,310	9,322,147	27,699,656
Revenue recognized over a period of time/provision of services			311,155	2,849,656	3,160,811
<b>Total</b>	<b>4,731,600</b>	<b>8,309,599</b>	<b>5,647,465</b>	<b>12,171,803</b>	<b>30,860,467</b>

## Other disclosures on financial instruments

The carrying amounts 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 bond with warrants issued in August 2017 and recognized at amortized cost amounts to € 2,044 (December 31, 2018: € 1,900) as of the balance sheet date and the fair value of the loan amounts to € 1,324,763 (December 31, 2018: € 2,566,912).

CARRYING AMOUNTS SHOWN ON THE BALANCE SHEET		in €	
	06/30/2019	12/31/2018	
<b>Financial assets</b>			
<b>Measured at amortized costs</b>			
Trade accounts receivable	12,728,201	9,665,357	
Other assets and receivables – current	3,204	3,966	
Cash and cash equivalents	4,988,376	7,519,689	
Cash and cash equivalents with limitation on disposal	285,620	285,620	
<b>Recognized at fair value directly in equity</b>			
Interests in SFC Energy Inc.	71	71	
<b>Financial liabilities</b>			
<b>At amortized cost</b>			
Liabilities to banks	6,164,855	6,295,250	
Trade accounts payable	9,481,481	7,093,371	
Liabilities under finance leases	8,746,181	97,389	
Other non-current liabilities	4,507	4,383	
Other current liabilities from financing	1,555,933	2,568,811	
Other non-current financial liabilities	90,597	152,100	

Financial assets and liabilities measured at fair value are allocated to the following three hierarchy levels: Level 1 is applied to financial assets and liabilities if a market price exists for the same assets and liabilities in an active market. 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 reported at Level 3 if the fair value is determined from unobservable parameters. There were no financial assets and liabilities assigned to Level 3 based on fair value measurement in the current period.

As of June 30, 2019, the assignment to the fair value levels was as follows:

FAIR VALUE LEVELS	06/30/2019		in €
	Level 1	Level 2	Total
<b>Financial assets</b>			
<b>Measured at amortized costs</b>			
Trade accounts receivable	0	12,728,201	12,728,201
Other assets and receivables – current	0	3,204	3,204
Cash and cash equivalents	0	4,988,376	4,988,376
Cash and cash equivalents with limitation on disposal	0	285,620	285,620
<b>Recognized at fair value directly in equity</b>			
Interests in SFC Energy Inc.	0	71	71
<b>Financial liabilities</b>			
<b>At amortized cost</b>			
Liabilities to banks	0	6,164,855	6,164,855
Trade accounts payable	0	9,481,481	9,481,481
Liabilities under finance leases	0	8,746,181	8,746,181
Other non-current liabilities	0	4,507	4,507
Other current liabilities from financing	0	1,555,933	1,555,933
Other non-current financial liabilities	0	90,597	90,597

As of December 31, 2018, the assignment to the fair value levels was as follows:

FAIR VALUE LEVELS	12/31/2018		Total
	Level 1	Level 2	
<b>Financial assets</b>			
<b>Measured at amortized costs</b>			
Trade accounts receivable	0	9,665,357	9,665,357
Other assets and receivables – current	0	3,966	3,966
Cash and cash equivalents	0	7,519,689	7,519,689
Cash and cash equivalents with limitation on disposal	0	285,620	285,620
<b>Recognized at fair value directly in equity</b>			
Interests in SFC Energy Inc.	0	71	71
<b>Financial liabilities</b>			
<b>At amortized cost</b>			
Liabilities to banks	0	6,295,250	6,295,250
Trade accounts payable	0	7,093,371	7,093,371
Liabilities under finance leases	0	97,389	97,389
Other non-current liabilities	0	4,383	4,383
Other current liabilities from financing	0	2,568,811	2,568,811
Other non-current financial liabilities	0	152,100	152,100

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, 2019; instead, the holding was measured at amortized cost.



## Contributions made for implementing the resolved capital increase

To accelerate the growth strategy and increase strategic flexibility, on June 26, 2019 the Management Board of SFC Energy AG resolved, with the approval of the Supervisory Board, to increase the share capital by € 2,700,000 from € 10,249,612 to € 12,949,612, making partial use of the authorized capital, in exchange for cash contributions with subscription rights for the existing shareholders by issuing 2,700,000 new bearer shares each with a proportional amount of the SFC share capital of € 1.00 and full profit-sharing rights from January 1, 2019 ("new shares").

SFC anticipates gross proceeds of € 27,000,000 from the capital increase.

As of June 30, 2019, the € 2,700,000 had already been paid in on a separate SFC Energy AG account. This was subscribed capital. However, the entry into the Commercial Register was made only as of July 1, 2019. This is why the payment of € 2,700,000 and the transaction costs relating to the capital increase of € 1,211,766 are reported under a separate equity item proceeds from initial capital payments made for completion of agreed capital increase. With the completion of the capital increase in the third quarter of 2019, the items are to be posted to Subscribed capital and Capital surplus.

## Related party transactions

The group of related parties has not changed in comparison to the consolidated financial statements as of December 31, 2018. In the first half of 2019, as in the first half of 2018, there were no significant transactions with related parties.

## Employees

SFC had the following employees as of the reporting date:

	06/30/2019	06/30/2018
Full-time employees (incl. Management Board)	257	234
Part-time employees	30	31
<b>Total</b>	<b>287</b>	<b>265</b>

There was also 11 person (previous year: 1 people) employed as a trainee, graduate or student trainee as of the end of June 2019.

## 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 numbers of outstanding shares on June 30, 2019 remained unchanged at 10,249,612 shares (previous year: 9,779,258 shares). The capital increase to 12,949,612 shares approved on June 26 was not yet legally effective nor entered in the Commercial Register on the June 30, 2019 reporting date. 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

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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, 2019, because there was protection from dilution, because conversion into common shares would reduce the loss per share for the current year.

**Material events after the reporting period**

With the exception of the capital increase mentioned, which was entered into the Commercial Register as of July 1, 2019 with legal effect and the cash inflows mentioned, there were no material events after the June 30, 2019 reporting date.

Brunnthal, August 20, 2019

The Management Board



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



**Hans Pol**  
Board Member (Industry)



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

## SFC ENERGY AG, BRUNNTHAL RESPONSIBILITY STATEMENT

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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 20, 2019



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



**Hans Pol**  
Board Member (Industry)



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

## FINANCIAL CALENDAR 2019

August 20, 2019	Q2 Report 2019/Conference Call (9 o'clock)
August 28, 2019	Sector Conference 2019, Commerzbank AG, Frankfurt
September 18, 2019	Small Cap Conference, ABN AMRO, Amsterdam
November 15, 2019	Interim Disclosure Q3 2019
November 26–28, 2019	German Equity Forum, Frankfurt

## SHARE INFORMATION

Bloomberg symbol	F3C
Reuters symbol	CXPNX
WKN	756857
ISIN	DE0007568578
Number of shares as of July 1, 2019	12,949,612
Stock category	No-par value shares
Stock segment	Prime Standard, Renewable Energies
Stock exchange	Frankfurt, FWB
Designated sponsors	mwb fairtrade Wertpapierhandelsbank AG

## INVESTOR-RELATIONS

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## IMPRINT

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### Statements about the future

This interim report contains statements and information about the future. Such passages contain such word as "expect", "intend", "plan", "believe", "aim", "estimate", etc. Such statements about the future are based on current expectations and certain assumptions. They therefore also contain a number of risks and uncertainties. A multitude of factors, many of which are beyond the control of SFC, affect our business, our success, and our results. These factors can lead the Group's actual results, success, and performance to deviate from the results, success, and performance in the statements made explicitly or implicitly about the future. SFC assumes no obligation to update any forward looking statements.