Half-year Report
Q2/2020

SFC ENERGY

SFC ENERGY AG CONSOLIDATED KEY FIGURES

in k€

	1. HY 2020	1. HY 2019	Change in %	Q2 2020	Q2 2019	Change in %
Sales	27,710	31,076	– 10.8 %	11,591	14,619	– 20.7 %
Gross profit	8,777	10,404	– 15.6 %	3,532	4,688	– 24.7 %
Gross margin	31.7 %	33.5 %	–	30.5 %	32.1 %	–
EBITDA	– 2,113	– 371	– 469.4 %	– 2,488	– 1,149	– 116.5 %
EBITDA margin	– 7.6 %	– 1.2 %	–	– 21.5 %	– 7.9 %	–
EBITDA underlying	1,239	2,199	– 43.6 %	419	646	– 35.1 %
EBITDA margin underlying	4.5 %	7.1 %	–	3.6 %	4.4 %	–
EBIT	– 4,000	– 1,987	– 101.3 %	– 3,568	– 1,968	– 81.3 %
EBIT margin	– 14.4 %	– 6.4 %	–	– 30.8 %	– 13.5 %	–
EBIT underlying	– 647	584	– 210.9 %	– 660	– 172	– 283.0 %
EBIT margin underlying	– 2.3 %	1.9 %	–	– 5.7 %	– 1.2 %	–
Consolidated net loss	– 4,337	– 2,555	– 69.7 %	– 3,707	– 2,235	– 65.9 %
Net loss per share, undiluted	– 0.33	– 0.25	– 30.9 %	– 0.28	– 0.22	– 26.0 %
Net loss per share, diluted	– 0.33	– 0.25	– 30.9 %	– 0.28	– 0.22	– 26.0 %

in k€

	06/30/2020	06/30/2019	Change in %
Order backlog	12,451	11,376	9.4 %

in k€

	06/30/2020	12/31/2019	Change in %
Equity	36,335	40,260	– 9.7 %
Equity ratio	53.8 %	55.3 %	–
Balance sheet total	67,576	72,859	– 7.3 %
Cash (freely available)	14,850	20,906	– 29.0 %

	06/30/2020	06/30/2019	Change in %
Permanent employees	284	287	– 1.0 %

DIRECTORS' SHAREHOLDINGS

	06/30/2020
Management Board	
Dr. Peter Podesser	106,800
Hans Pol	126,462
Supervisory Board	
Tim van Delden	0
Hubertus Krossa	7,813
Gerhard Schempp	0

CONTENT

LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS, BUSINESS PARTNERS AND EMPLOYEES OF SFC,

The first half of 2020 was an eventful period for SFC Energy. We faced challenges, but have also seized the opportunities that arised. There were two overarching topics that had a major impact on business development in the reporting period. On the one hand, there were the challenges posed by the COVID-19 pandemic. Restrictions on travel and meetings made our sales activities more difficult in some areas, causing uncertainty, the postponement of purchase decisions and, in some cases, a reluctance to invest.

On the other hand, the importance of environmentally friendly energy sources continues to grow considerably in social and political terms. Civilian/private users are increasingly discovering the numerous advantages of fuel cells. In the first half of 2020, we therefore recorded a regionally broad, unprecedented dynamic in demand for direct methanol – as well as hydrogen fuel cells for civil applications.

To ensure long-term climate neutrality (greenhouse gas neutrality is targeted by 2050), it is a basic requirement that the targets of the Climate Action Program 2030 and also the Paris Agreement are achieved both nationally and internationally. The energy turnaround, that was initiated in Germany with a massive expansion of renewable energy, is an important foundation. Nevertheless, it will only be successful if it combines supply reliability, environmental protection and affordability. With the presentation of the National Hydrogen Strategy in June, the German Federal Government once again highlighted hydrogen as a "key component of the energy turnaround" at national level. The EU adopted its energy and hydrogen strategy (Green Deal) in July.

However, simply expanding renewable energy capacities is not enough for a sustainable success. Electrical energy not only needs to be storable and transportable, but also available again at the point of use and tailored to the needs of the user. In short, it must arrive where it is needed – at any time and at any place. It is here that the fuel cell plays a key role between energy generation and the user. As an environmentally friendly and efficient conversion technology, the fuel cell transforms hydrogen or methanol back into electrical energy for all end consumers and any application type, whether it's for industry, public authorities or at home. Whether for emergency power supply of critical infrastructures, telecommunications, new mobility concepts or further digitalization – the fuel cell is the key technology.

Specifically, we expect the broad-based funding program of the National Hydrogen Strategy to give a further boost to our R&D efforts, but also to the market ramp-up for hydrogen as an energy source and the associated technologies, such as the fuel cell. Incentives created to switch from conventional processes to more environmentally friendly technologies are also expected to have a positive effect. A further demand to use EFOY JUPITER hydrogen fuel cells for emergency power supply for the public authority radio network BOSNet strengthens this view. The order received in June is of great economic importance to SFC and sends a strong signal.

Despite the coronavirus pandemic, the German government is sticking to its plan to focus more on green technologies.

COVID-19 has impacted business development as much as expected, and the influences of this have been particularly communicated in the second quarter of 2020. Trade shows and personal customer appointments could not be attended at all, or only if the highest hygiene standards were in practice, and orders were postponed in some segments. Nevertheless, SFC never went into short-time work in Germany. On the contrary, our "Fit for the Future" allowed us to formulate and roll out a comprehensive program of measures. We are convinced that this program lays the foundation for us to be able to act even more powerfully and efficiently following the coronavirus pandemic. As an example, sales and marketing activities will be tailored more precisely online. At the same time, we have stepped up our commitment to research and development to accelerate the completion of the next EFOY fuel cell generation and the development of the new generation of hydrogen fuel cells and evaluate complementary technologies such as electrolysis. With our decision to stockpile essential components, we intend to prevent potential supply bottlenecks in the wake of the COVID-19 pandemic.

In terms of operations, SFC Energy generated sales of € 27,710k in the first half of 2020, down 10.8 % from the same period last year (H1 2019: € 31,076k). Underlying EBITDA adjusted for non-recurring effects and valuation effects of the SARs program for the Group amounted to € 1,239k in the period under review, compared with € 2,199k in the same period of the previous year. Underlying EBIT of minus € 647k was significantly below the previous year's figure of € 584k also due to lower sales.

As mentioned above, the development at business area level was heterogeneous. We would now like to explain this to you in more detail.

Oil & Gas

In the Oil & Gas segment, the negative development of the oil price in connection with the OPEC+ dispute and the simultaneous weakness in demand in the wake of the pandemic led to a general reluctance to invest. In the first half of the year, sales in the Oil & Gas segment declined by 13.1 % from € 11,907k in the previous year to € 10,346k. Sales of fuel cells increased despite the difficult environment. It should also be noted that sales of € 840k were properly allocated to the Clean Energy & Mobility segment. Taking into account the influence of COVID-19, the development shown is in the upper range of management's expectations. The cost structure was optimized in order to counter the decline in sales in an appropriate manner. We expect ongoing difficult market conditions for the third and fourth quarters.

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. The Industry segment recorded a decline of 27.4 % to € 6,532k (previous year: € 8,998k) in the first half-year as a result of the postponement of requests and new orders from major customers due to the effects of the COVID-19 pandemic. We expect the environment to remain difficult in the current third quarter. Nevertheless, there were several encouraging new orders in the first half of the year under review. These include the follow-up series order via PBF for high-performance power supply solutions of security and communication systems with a volume of € 3 million. This has given rise to optimism for a recovery in industrial power electronics at the end of the year.

Defense & Security

Unlike in the same period of the previous year, no significant major orders were recorded in the Defense & Security segment in the first six months of the current financial year. Sales in the first half of 2020 therefore fell to € 1,404k compared with € 4,633k in the prior-year period, which was mainly attributable to two major orders totaling € 2.7 million. The containment measures for the coronavirus pandemic played a major role in this in many countries. For example, some of our customer countries, such as Israel and India, imposed highly restrictive lockdown measures, delaying decisions and slowing down sales activities. Initial easing measures and specific project work in the second and third quarters provide the basis for the expected year-end business.

Clean Energy & Mobility

The Clean Energy & Mobility segment achieved very pleasing sales growth of 70.2 % from € 5,539k in the previous year to € 9,428k in the first half of 2020. This regionally broad-based development, whose momentum accelerated again in the course of the second quarter, was driven by growing demand for various civil fuel cell products. These different applications are based on EFOY Pro and EFOY COMFORT fuel cells and the EFOY Jupiter hydrogen fuel cell. The very positive market development in Japan, Singapore and Scandinavia for EFOY Pro products is worth mentioning here, as well as the start of deliveries for Jupiter hydrogen fuel cells as part of the roll-out of the BOSNet program in Germany. Sales in the industrial applications sub-segment rose to € 6,810k, up 95.0 % on the previous year's figure of € 3,492k. This segment also generated sales of fuel cells in North America in the amount of 840k. Continued dynamic demand both regionally and in all submarkets is the basis for stable growth in the second half of the year.

Statement of financial position

The equity ratio was 53.8 % as of June 30, 2020 (2019 balance sheet date: 55.3 %). Available cash and cash equivalents amounted to € 14,850k as of the end of the first half of the year, compared with € 20,906k at the end of the 2019 financial year. Despite the current very challenging and dynamic situation, our good capital base and solid overall accounting ratio enable us to remain stable through a turbulent phase and to achieve sustainable growth in the medium term, to press ahead with essential product developments and tap into new market segments.

Shares

The SFC share price increased by 53.3 % in the half-year under review. In spite of the generally challenging situation triggered by the coronavirus pandemic, SFC's extremely positive share performance was also underpinned specifically by the continued dynamic growth in the Clean Energy & Mobility segment with both methanol and hydrogen fuel cell technology. In addition, the German federal government published a sweeping funding program designed to boost hydrogen based technology, which likewise positively influenced SFC's share price[1].

Outlook 2020

Even before the publication of the 2019 annual report, we had withdrawn the guidance for the 2020 financial year published along with the preliminary figures for 2019 due to the uncertainty and lack of visibility resulting from the COVID-19 pandemic and the negative development of the oil price. The Management Board expects sales revenues and profitability to be significantly lower than in the previous year given the background of the current high level of uncertainty, subject to a global recession.

1 https://www.bundesregierung.de/breg-de/themen/klimaschutz/wasserstoffstrategie-kabinett-1758824

The basic premise is the weakening of the COVID-19 effects in the Industry and Defense & Security segments after the third quarter. This, as well as the unbroken momentum in the civil fuel cell business, which may increase in the long term due to government support measures, provides the basis for a clear confirmation of the medium-term targets.

There is no doubt that COVID-19 has put us in an exceptional and unprecedented situation without any kind of historical comparison. However, innovative solutions are needed to continue to operate successfully in this challenging environment. We are therefore using the time available to us to prepare the company for the future with our program of measures. The core elements include higher parts inventory, faster product development, innovative and clearly tailored (online) sales and marketing work, evaluation of acquisition opportunities and complementary technologies such as electrolysis as well as necessary cost adjustments in some areas.

We are convinced that with 20 years of experience in the market, products that are already extremely well established, a very well filled product and project pipeline and a team of highly qualified and motivated experts, we will be able to gain an above-average benefit from the acceleration of the energy turnaround. With the National Hydrogen Strategy, the German Federal Government has reaffirmed its will to increase the use of environmentally friendly technologies and has clearly sharpened awareness for this. We are pleased about this clear commitment and will continue to put the SFC Energy stamp on the development towards a greener future with our products and services.

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 Management Board (CEO)

THE SHARE

DEVELOPMENT OF THE INDICES

After a friendly start to the 2020 trading year, the outbreak of the coronavirus pandemic caused global stock market performance worldwide to drop off over the first quarter. There was considerable uncertainty on the stock markets particularly between February 20 and March 18, 2020, which manifested itself in high pressure to sell. During this period, the Dow Jones Index lost nearly 40 % and the DAX fell by 5,000 points, hitting a multi-year low of 8,256 points on March 16, 2020 [1]. Bolstered by the continued accommodative central bank monetary policy and government economic stimulus programs, global stock markets regained the majority of their coronavirus crash losses over the course of the second quarter. The DAX gained around 50 %, and the US technology index NASDAQ even hit a record high.

In the first six months of 2020, the leading US index, the Dow Jones, recorded a loss of 9 % overall against its closing price as of December 30, 2019 [2]. The S&P 500 delivered a comparatively pleasing performance with a loss of around 4 % [3]. The EURO STOXX 50, on the other hand, dropped by 14 % in the first half of 2020 [4]. The blue-chip German index, the DAX, closed the first half of the year on June 30 with a loss of 7 % compared with its 2019 closing price [5]. The German technology index, the TecDAX, posted a decline of 2 % [6].

BASIC SHARE DATA

Stock exchange	Frankfurt, FWB
Bloomberg symbol	F3C
Total number of shares	13,154,312 *
Market capitalization	€ 195,999,249 *
ISIN	DE0007568578
WKN	756857
Market segment	Prime Standard
Designated sponsor	mwb fairtrade Wertpapierhandelsbank AG

* As of June 30, 2020

1 https://boerse.ard.de/aktien/holt-die-realitaet-die-boersen-wieder-ein100.html
2 https://www.boerse-frankfurt.de/index/dow-jones-industrial/kurshistorie/historische-kurse-und-umsaetze
3 https://www.boerse-frankfurt.de/index/s-p-500/kurshistorie/historische-kurse-und-umsaetze
4 https://www.boerse-frankfurt.de/index/euro-stoxx-50/kurshistorie/historische-kurse-und-umsaetze
5 https://www.boerse-frankfurt.de/index/dax/kurshistorie/historische-kurse-und-umsaetze
6 https://www.boerse-frankfurt.de/index/tecdax/kurshistorie/historische-kurse-und-umsaetze

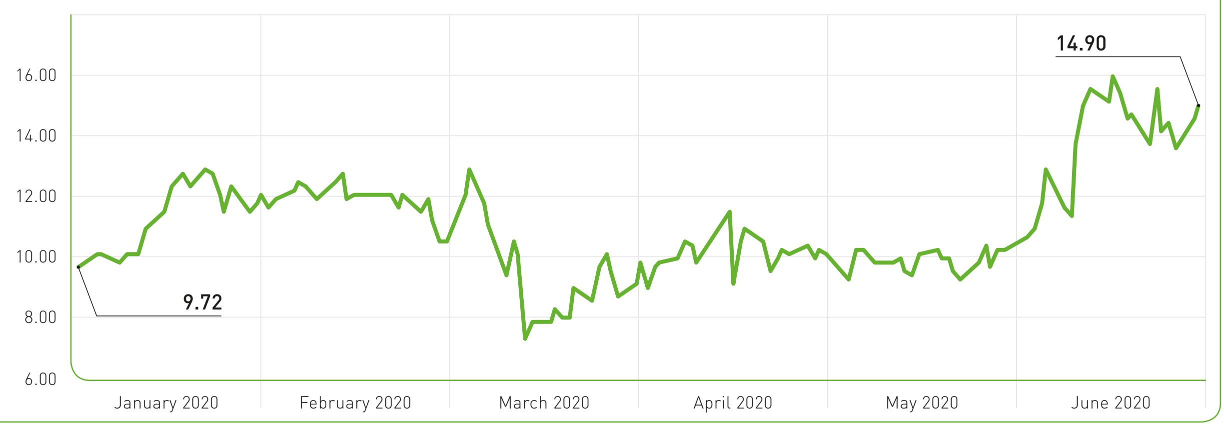
PERFORMANCE OF THE SFC SHARE

SHARE PRICE		in €
Opening price	01/02/2020	9.72
Highest price	06/11/2020	17.80
Lowest price	03/19/2020	7.00
Closing price	06/30/2020	14.90

SFC Energy AG's shares significantly outperformed German standard and technology equities in the first half of the year. The shares opened the 2020 trading year on January 2 at € 9.72. The lowest price during the six-month period was € 7.00 on March 19, 2020. Following a negative share performance in the first quarter, share prices began an upward trend and reached their high for the reporting period of € 17.80 on June 11, 2020. The closing price for SFC's shares for the first half of 2020 was € 14.90 on June 30, 2020. Over this six-month period, SFC Energy AG shares posted a positive performance, increasing by 53.3 % against the closing price of € 9.72 on December 30, 2019. In spite of the generally challenging situation triggered by the coronavirus pandemic, SFC's extremely positive share performance was underpinned specifically by the continued dynamic growth in the Clean Energy & Mobility segment with both methanol and hydrogen fuel cell technology. In addition, the German federal government published a sweeping funding program designed to boost hydrogen based technology, which likewise boosted SFC's share price[7].

The average daily trading volume in the first six months of 2020 came to 52,645 shares, which was significantly higher than the previous year's figure (21,166 shares). On June 30, 2020, SFC Energy AG's market value was € 196.0 million based on a total of 13.15 million outstanding shares and a closing price of € 14.90. At the 2019 balance sheet date, market capitalization amounted to € 125.9 million based on 12.95 million outstanding shares and a closing price of € 9.72 (all figures based on Xetra prices).

SFC SHARE PRICE FROM BEGINNING OF JANUARY 2020 TO END OF JUNE 2020 in €



7 https://www.bundesregierung.de/breg-de/themen/klimaschutz/wasserstoffstrategie-kabinett-1758824

EXERCISE OF THE PLACED BOND WITH WARRANTS

The bond with warrants that was placed in August 2017 was exercised by the Harbert European Growth Capital Fund on January 31, 2020. SFC Energy AG received gross issue proceeds of € 0.75 million as a result. The cash inflow was used to strengthen the Company's liquidity base. Exercising the bond with warrants increased SFC Energy AG's share capital from € 12,949,612.00 to € 13,154,312.00. This brought the total number of Company shares issued up to 13,154,312 accordingly.

INVESTOR RELATIONS ACTIVITIES

SFC Energy Investor Relations traditionally maintains close contact with all stakeholders. In the first half of 2020 as well, the benefits of diverse communication channels were used to maintain and expand discussions with analysts, media representatives and investors. The Management Board and Investor Relations discussed SFC Energy AG's business model and corporate strategy in private meetings, during telephone conversations and at conferences.

In the first half of 2020, SFC Energy attended numerous capital market and analysts' conferences. While the US road show at the start of March 2020 still went ahead with a physical presence, the measures adopted by the health authorities to contain the coronavirus pandemic meant that attended events were replaced by virtual conferences. The Management Board held numerous virtual road shows to inform investors about the Company's strategy and performance. The focus topic was SFC Energy AG's advantageous positioning with regard to the future technology hydrogen.

In the reporting period, designated sponsor mwb fairtrade Wertpapierhandelsbank AG ensured that binding bid/ask prices were issued for SFC shares, that they had sufficient liquidity and were traded on an adequate basis.

In the Investor Relations section of the SFC Energy website – sfc.com – the Company offers extensive information on the business situation, current news, and an overview of future events and activities.

ANALYST RESEARCH

SFC Energy AG's shares are listed in the Prime Standard of the Frankfurt Stock Exchange, and are regularly analyzed and evaluated by renowned research firms. In the latest initial study by METZLER Capital Markets, analyst Alexander Neuberger gives a buy recommendation with a target price of € 24.00. Interested investors can find detailed information in the Investor Relations/Share section at www.sfc.com

SHAREHOLDER STRUCTURE

The shareholder structure of SFC Energy AG has changed since December 31, 2019. Institutional investors hold 32.23 % of the shares. Extended management, including the Supervisory Board, holds 1.83 % of the voting rights. The percentage of SFC Energy AG shares in the free float amounts to 65.94 % as of the end of June 2020.

INTERIM GROUP MANAGEMENT REPORT JANUARY 1 – JUNE 30, 2020

BASIS OF THE GROUP

The Group's business model

Organizational structure of the Group and locations

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

Segments, sales markets, products and services

The Management Board manages 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 and security market. The defense and security market includes defense and security applications from military organizations and government agencies. The product portfolio for this market also includes the portable JENNY, the vehicle-based EMILY, the SFC Power Manager and network solutions. In addition to these products, a further portion of sales and other service revenues are generated by joint development agreements (JDAs) with military customers from Europe, Asia and the United States.

The Clean Energy & Mobility segment is highly diversified. 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 through established commercial channels (wholesalers, retailers and OEMs) in the Consumer sub-segment under the EFOY COMFORT brand to generate electricity for mobile homes, sailboats and cabins. H_2 fuel cell technology products are allocated to the Clean Energy & Mobility segment.

The High Power platform from PBF Group B.V., SFC's company in the Netherlands and Romania, allows grid power to be prepared reliably and to high quality standards, exactly in keeping with the system's specific requirements. The power supplies adapt the electrical performance to the energy required by the system in question, doing so in modular form. PBF Group meets demanding customer requirements on the basis of the

PBF technology that it has developed in house. This compact, scalable power supply technology offers maximum flexibility in the development and manufacture of standardized and semi-standardized high-performance and high-precision power supplies for demanding industrial applications such as laser technology and other high-tech industrial sectors. Most of its products are sold through distribution partners, but some are sold directly to customers. PBF generates its sales exclusively in the Industry segment.

Simark specializes in distribution, service and product integration for high-tech power supply, instrumentation and automation products used in the oil and gas industry. It has a highly qualified, experienced, diverse distribution and service organization. Simark's product portfolio includes instrumentation and metering systems, power supply components and drives, and security and surveillance technology for different applications in the oil and gas industry, as well as the mining, forestry and municipal utilities markets. Simark distributes its products directly. Simark's sales are primarily attributable to the Oil & Gas segment. Sales of fuel cells to customers not classed as being in the oil and gas industry are allocated to the Clean Energy & Mobility 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. Both methanol-based fuel cells and H_2 fuel cell technology are the core technology and the core components of such complete solutions.

Research and development

The focus of SFC's research and development activities was as follows in the first half of 2020:

- Development of product generation EFOY 3.0
- Development of a smart fuel management system for prolonging the autonomy of the new product generation
- Development of a battery management system (BMS) for lithium batteries for optimized connection of the new product generation
- Analysis, design and ongoing development of hydrogen fuel cell systems based on the Jupiter system
- Continuation of quality improvements to 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:

- The development of a 2.5 kW power supply for the laser market was completed, in the final stage of the integration testing (end Q2) a system issue is detected which is delaying the serial production to end of 2020. The related development for a 3.5 kW power supply is completed, due to COVID-19 final integration test couldn't be done there for serial production is delayed to end of 2020

- The test phase for the first prototypes for a 21 kW laser platform was completed. It is scheduled to enter series production in fall 2020.
  - Due to challenging market conditions and COVID-19 the contract with our launching customer for the 21 kW laser platform is canceled.
  - The basis of this development is used for 21 kW platform with an extended voltage range. Prototype will be available early Q3 and will be tested by selected customers.
  - In parallel the final qualification will take place, making sure the serial production can start beginning Q4 2020

- The integration of the safety interlock to the high voltage power supply developed for Ultra High Vacuum used by our leading customer in analytical market is completed.

ECONOMIC REPORT

Macroeconomic and sector-based background conditions

Coronavirus pandemic turns the global economy upside down

In the first half of 2020, the impact of the coronavirus pandemic caused a global economic slump. The picture was still very different at the end of 2019, with signs of the manufacturing industry recovering and trade in services expanding on a stable basis. However, the global spread of COVID-19 since the first infections appeared in China in early December 2019 has dampened the positive outlook. By no later than March 2020, governments in almost all countries had taken measures to slow down the spread. The containment measures were similar in substance, but were introduced at different times and differed in their duration and intensity. A significant downturn in industrial production set in from January in China, from February in other Asian countries and from March in the advanced economies. In April 2020, global industrial production was down 22 % on the already considerably lower figure for March 2020. Global trade was also tangibly affected, declining by around 2.5 % in the first quarter of 2020. The lockdown and more cautious consumer behavior triggered a decline in private consumption. For 2020 as a whole, the World Bank is projecting the worst recession since World War II, which will see global economic output shrink by 5.2 % [1].

As a result of the COVID-19 pandemic, global economic activity contracted by almost 10 % overall in the first half of 2020. However, the low point seems to have been passed in the meantime, with the Chinese economy even having made up part of the production slump of January and February. Assuming that the development of the pandemic allows a sustained, broad-based easing of containment policies, and thanks to massive support from monetary and fiscal policy, general economic production is expected to rebound in the second half of 2020. Although the low point in global production is likely to have been reached already in April, the Kiel Institute for the World Economy (IfW) believes that the current year will see a decline averaging 3.8 %, by far the sharpest contraction in the past 70 years [2].

German economy in deepest recession of the post-war period

In its Economic Forecast Summer 2020, the ifo Institute estimates that, after a decline of 2.2 % in the first quarter of 2020, GDP has contracted by a further 11.9 % in the second quarter. The coronavirus pandemic and the lockdown have plunged the German economy into what is by far the deepest recession in its post-war history. As a result of the significant drop in the number of new infections, the government containment measures have now been eased and, for some economic sectors, lifted completely. The ifo Institute is certain that the economic downturn in Germany has been halted as a result and economic activity has begun to recover. Economic output is expected to be 6.7 % lower on average in 2020 than in 2019. The recovery will continue in 2021 and GDP is expected to grow by 6.4 % [3].

1 ifo Institute Economic Forecast Summer 2020, July 2020 Special Issue https://www.ifo.de/DocDL/sd-2020-07-2020-Sonderausgabe-Juli.pdf
2 https://www.ifw-kiel.de/de/publikationen/kieler-konjunkturberichte/2020/historischer-einbruch-der-welteconomy-0/
3 https://www.ifo.de/ifo-konjunkturprognose/20200701

Oil & Gas segment

To present the economic trends in the markets in which SFC Energy's subsidiary Simark Controls Ltd. operates (instrumentation and metering systems, power supply components and drives, and security and surveillance technology), we draw on international oil and gas market data.

The coronavirus crisis has brought about a substantial slump in demand on the crude oil market. As a consequence of global lockdown measures, mobility, which makes up 57 % of global oil demand, has declined at an unprecedented scale. Road transport has dropped to between 50 % and 75 % of the 2019 level, with aviation activity in some European countries declining by more than 90 %[4].

The Organization of the Petroleum Exporting Countries (OPEC) therefore cut their oil production by 9.7 million barrels (each around 159 liters) a day between April and July 2020 in an attempt to stabilize the oil market. Nevertheless, the price per barrel of UK Brent, Europe's most important crude oil, dropped dramatically. While the price was still over USD 55/b per 159-liter barrel in February, it dropped as low as USD 18.4/b in April and USD 29.4/b in May 2020, before creeping back up to USD 39.3/b in June[5]. Gas consumption also went down, declining by 2.6 % in Europe over the first quarter of 2020 compared with the prior-year period. However, that was also due to the mild weather in the first three months of this year[6].

Canada

In Canada, the second-largest country on Earth in terms of geographical area and the core market of SFC company Simark Controls, the oil industry is continuing to grow, but at a slower rate than before. Canada holds over 10 % of the world's oil reserves at around 170 billion barrels, giving it the world's third-largest oil stocks after Venezuela (304 billion barrels) and Saudi Arabia (298 billion barrels)[7]. In its Crude Oil Forecast, the Canadian Association of Petroleum Producers (CAPP) projects a rather constrained outlook for Canadian oil production from 2019 to 2035. Although production is expected to increase by 1.27 million barrels per day (b/d) by 2035, that growth rate is around 6 % less than CAPP's 2018 forecast.

An oil price below € 60 restricts new investment in pipeline equipment, which, on the one hand, reduces SFC's chance of regaining lost sales revenue from major customers in the foreseeable future. On the other hand, optimization of SFC's product mix within the Oil & Gas segment, which comprises an increasing share of fuel cell volumes, is improving sales and profitability. SFC is also focusing increasingly on expanding the Clean Energy & Mobility segment, spurred on in particular by the rising demand for cleaner energy in the wind power and surveillance sectors, but also the telecommunications sector (5G infrastructure).

4 IEA – Global Energy Review 2020; https://www.iea.org/reports/global-energy-review-2020/oil#abstract
5 https://www.finanzen.net/rohstoffe/oelpreis/historisch
6 Statista https://de.statista.com/statistik/daten/studie/1331/umfrage/preisentwicklung-der-rohoelsorte-uk-brent-monatsdurchschnittswerte)
7 https://de.statista.com/infografik/19366/weltweite-erdoelreserven-nach-laendern/

Clean Energy & Mobility segment

A key consideration for the Clean Energy & Mobility segment is the development of the fuel cell industry.

Fuel cells

The reduction of global CO_2 emissions is one of the main challenges of the 21st century. Limiting global warming to 1.5 °C and mitigating the impact of climate change are going to require drastic changes to the way in which energy is produced, distributed and stored. Given all this, the significantly revived interest in environmentally friendly fuel cell and hydrogen technologies is expected to continue. Compared with conventional technology, they have the capacity to reduce emissions dramatically. Hydrogen and fuel cells are therefore likely to consolidate their role as key technologies in the years ahead and enjoy a further substantial rise in significance as they make clean energy storable and transportable, and allow customers to be supplied in a decentralized way.

The dynamically growing market has significant economic potential. Forecasts by Roland Berger suggest that in 2030 European companies will generate sales revenue in the hydrogen and fuel cell segment of up to € 65 billion in Europe and a further € 65 billion worldwide. In the hydrogen segment alone, annual demand is expected to increase tenfold on 2015 levels to around 21,700 TWh by 2050, which equates to roughly 18 % of currently projected global end-use energy consumption[8]. This market growth is likely to be accompanied by advancing industrialization of production and hence a significant reduction in costs, which is expected to further increase the technology's competitiveness. According to estimates by the Hydrogen Council, as scale-up of hydrogen production, distribution, equipment and component manufacturing continues, cost is projected to decrease by up to 50 % by 2030 for a wide range of applications[9].

In the public perception, mobility and particularly the hydrogen car are right at the heart of the debate on increasing the range of electric vehicles. There is also a variety of promising application scenarios for the future. A significant driver for dynamic market development is the increase in decentralized measurement, security and surveillance systems, base stations and telecommunications systems, which are expected to process ever larger data volumes – often far away from any power grid – and hence require a reliable, environmentally friendly and decentralized power supply. Fuel cells are regarded as a suitable power and backup power source, particularly for industrial applications such as in railway and traffic monitoring, in data centers and substations, and in telecommunications technology. The introduction of 5G technology to the telecoms market, for instance, will mean that considerably more radio tower and repeater stations will need to be in operation in the future. SFC AG is extremely well positioned here with its Jupiter fuel cell systems.

In June of this year, the German federal government adopted its National Hydrogen Strategy to leverage the potential of hydrogen technologies and to successfully establish the energy turnaround based on a combination of factors such as supply reliability, affordability and environmental sustainability. The objective of the strategy is to drive forward the market launch of this technology – particularly green hydrogen – by 2023, enable a national supply of CO_2-free hydrogen and boost the competitiveness of German companies in this market. Over the next few years, the German federal government will invest € 9 billion and put in place 38 individual policies to further these ends.

This generates positive impetus that will help SFC Energy to achieve its business objective of further developing the entire value chain for the production, storage and transportation of cleaner energy using hydrogen and fuel cell technology. As a fuel cell pioneer, SFC Energy has a track record of expertise and is already represented in numerous markets with over 45,000 fuel cells sold and more than a hundred million operating hours. Areas

8 file:///C:/Users/ACER/Downloads/roland_berger_wasserstoff_und_brennstoffzellenindudstrie.pdf
9 https://hydrogencouncil.com/wp-content/uploads/2020/06/Hydrogen-Cost-Competitiveness_ONE-PAGER.pdf

such as 5G infrastructure expansion and the development of cutting-edge, environmentally friendly mobility concepts are expected to gain momentum as a result of the economic stimulus package.

Caravaning

In the first half of 2020, new leisure vehicle registrations reached a record level of just under 55,000 vehicles, which is around 4 % more than in the first half of 2019. June, which saw an increase of nearly 50 %, accounted for a large percentage of this. The advantages of leisure vehicles are even more evident now during the coronavirus pandemic, in that they allow people to travel autonomously and only with people in their own household; and having their own sleeping, living, cooking and sanitary facilities enables travelers to be largely independent. This makes caravaning one of the safest types of vacation. According to the German Caravaning Industry Association (CIVD), over the reporting period new leisure vehicle registrations rose by 3.7 % compared with the first half of last year. A total of 39,627 new motorhomes were registered from January to June. This is 12.0 % more than in the same period of the previous year and a new all-time record. In the first half of 2020, new caravan registrations (14,812 vehicles) were down 13.5 % overall on the half-year result for 2019. But June saw new caravan registrations rise by 20.0 % compared with June 2019 to 3,572 vehicles. In May 2020, the caravan market was still down 15.8 %. The sales tax reduction envisaged in the second half of the year could provide extra incentive to purchase leisure vehicles [10].

Industry segment

Power electronics and switched mode network components

The "electronic components & systems" submarket is one of the markets recognized by the German Electrical and Electronic Manufacturers' Association (ZVEI) in its evaluation of the performance of the markets in which SFC Energy subsidiary PBF does business (power electronics and switched mode network components). Some of the core products of the Industry segment are voltage converters that are designed for several industrial customers in the laser and semiconductor business, but also in the healthcare sector.

In its global market outlook for the electrical industry in 2019, the ZVEI was already anticipating weaker industry growth of 3 % in 2020 (2019: 4 %). This January, the ZVEI announced that 2020 would at best yield a stable production trend year-on-year in the German electrical industry [11]. The coronavirus pandemic and the economic restrictions imposed during the lockdown caused the sector's aggregate turnover in Germany to fall by 9.4 % year-on-year in the first five months of the year to € 70.8 billion. Domestic (down 9.1 % at € 33.4 billion) and foreign sales revenue (down 9.5 % at € 37.4 billion) fell by roughly the same rate. However, the sentiment indicators for June offer hope that the industry has already bottomed out, with companies in the German electrical industry having recently revised their production plans upward. General business expectations in the industry have also improved of late [12].

The ZVEI's PCB and Electronic System industry association reported an increase of 16.1 % in the printed circuit board manufacturer segment in the Germany, Austria and Switzerland (DACH) region in the first quarter of 2020, bucking the general industry trend. However, this growth can also be explained by the significant decline in sales at the end of last year. The books show a decline of 7.5 % compared with the first quarter of 2019 [13]. The positive growth performance in the first quarter of 2020 can therefore be attributed to an exceptional situation. Having said that, in the microelectronics industry segment the global market was largely stable in the first quarter of 2020. There continues to be strong demand for microelectronics for medical technology and home working applications.

10 https://www.civd.de
11 ZVEI: Electrical industry anticipates stable performance at best for 2020, January 8, 2020
12 ZVEI: German electrical industry: Business climate recovering, July 13, 2020
13 ZVEI: Printed circuit board industry: First quarter of 2020 overshadowed by the impact of the coronavirus pandemic, June 25, 2020

The medium- to long-term prospects for electronic components and systems are positive given they make a substantial contribution to technical progress in the context of Industry 4.0 and continuing digitalization trends in various sectors. For instance, the ZVEI is forecasting global sales of USD 532 billion for 2024 on the semiconductor market and average annual growth for the sector of 5.2 % between now and then, with America and Asia (excluding China) exhibiting strong growth rates of 7.1 % and 6.3 %. In 2024, Asia's share (including China) of demand on the microelectronics market will be around USD 341 billion (62 %), with China alone accounting for USD 183 billion (33 %) [14].

Through its subsidiary PBF Group, SFC Energy provides highly efficient and attractively priced solutions for the complex power supply requirements of semiconductor manufacturing equipment. PBF Group develops, manufactures and markets extremely reliable, standard and semi-standard power platform solutions to cater to the highly dynamic requirements of semiconductor manufacturing equipment, analytical applications and other high-tech industrial systems. PBF's product solutions are also used in laser manufacturing equipment. According to the results of a recent member company survey, the Mechanical Engineering Industry Association (VDMA) – which also represents the laser and laser systems consortium – is expecting to see 60 % of its members achieve turnover increases again in 2021. However, just over half of the companies surveyed are expecting turnover losses of 10 % to 30 % in 2020 [15].

Defense & Security segment

The defense & security market is considered in the assessment of the performance of the Defense & Security segment.

According to the Stockholm International Peace Research Institute (SIPRI), global military expenditure saw its largest increase in a decade in 2019 [16]. Global military spending represented USD 1.917 trillion or 2.2 % of global GDP in 2019. The increase of 3.6 % from 2018 is also the largest growth rate since 2010. The US is by far the biggest military spender in the world with USD 732 billion. This accounts for 38 % of all global military spending. China is the second-biggest spender in 2019 by a considerable margin over India, with an increase of 5.1 % compared with 2018 and USD 261 billion.

India increased its military spending by 6.8 % to USD 71.1 billion in 2019. The SIPRI puts Russia in fourth place with an increase of 4.5 % and USD 65.1 billion. In seventh-place Germany, military expenditure increased by 10 % in 2019 (USD 49.3 billion), giving it the highest annual increase in the world. Military spending per capita was USD 249 in 2019 [17]. Military spending in Europe (USD 356 billion) increased by 5.0 % in 2019, compared with 2018. The reason for the higher military expenditure given by the SIPRI's researchers was the resurgence in military rivalry between major world powers. This includes not just the US and Russia, but China and India as well. Together, the US (38 %) and China (14 %) account for over half of global military expenditure. Between 2015 and 2019, Germany's share of global military exports was 5.8 %. The SIPRI puts Germany fourth in the biggest exporter rankings, behind the US, Russia and France.

The SIPRI's three biggest recipient countries of German exports between 2015 and 2019 were the Republic of Korea (18 %), Greece (10 %) and Algeria (8.1 %) [18]. According to figures from the Federal Ministry of Economic Affairs and Energy, the German federal government issued individual licenses worth approximately € 8.02 billion for the export of German military equipment in 2019, compared with just € 4.82 billion in 2018 [19]. However, the number of individual licenses for the export of military equipment declined to € 2.78 billion in the first half of 2020. In the same period of the first half of 2019, the figure was still € 5.33 billion.

14 ZVEI: Microelectronics – trend analysis up to 2024. Presentation of long-term trends 2014 – 2019 – 2024, June 2020: https://www.zvei.org/fileadmin/user_upload/Presse_und_Medien/Publikationen/2020/Juni/Mikroelektronik-Trendanalyse_bis_2024/2020-06_Mikroelektronik_-_Trendanalyse_bis_2024.pdf
15 VDMA: Many mechanical engineering companies expect turnover growth again in 2021, July 9, 2020
16 https://www.sipri.org/media/press-release/2020/global-military-expenditure-sees-largest-annual-increase-decade-says-sipri-reaching-1917-billion
17 www.sipri.org/sites/default/files/2020-04/fs_2020_04_milex_0.pdf
18 www.waffenexporte.org/wp-content/uploads/2020/06/ruestungsexportbericht-2019.pdf
19 https://de.statista.com/statistik/daten/studie/873534/umfrage/wert-der-einzelgenehmigungen-fuer-den-export-von-deutschen-ruestungsguetern/

The German defense budget stands at roughly € 45.2 billion in 2020, approximately € 2 billion higher than in the previous year [20].

The Heidelberg Conflict Barometer indicates that the overall number of global wars and conflicts decreased from 16 to 15 in 2019. In 2017, political scientists observed as many as 20 wars. But Brazil and Mexico with their drug cartels, the Middle East and a few African nations are still classed as potential flashpoints. The Middle East and North Africa were the regions with the most wars last year. According to the Heidelberg Institute for International Conflict Research (HIIK), a total number of eight wars were waged in Afghanistan, Egypt, Syria, Libya, Yemen and Turkey [21].

The Global Peace Index (GPI) 2020 produced by the Institute for Economics and Peace (IEP) in Sydney considers the world to be less peaceful than in previous years, despite the reduced number of wars [22]. The GPI presents a picture of the situation in over 160 countries of the world using criteria such as war, terrorism, police violence and weapons exports. This makes it a measure of global peacefulness.

Europe remains the most peaceful region in the world, comprising 13 of the 20 most peaceful countries. Having said that, Germany is ranked in just 16th place, with China in 104th, the US in 121st and Russia in 154th. Iceland followed by New Zealand, Portugal and Austria are at the top of the rankings. Countries with the lowest peace index include Iraq, Syria and Afghanistan. The peace researchers are expecting the coronavirus pandemic to further exacerbate the situation with expected cuts to development aid and UN peace missions. This could mean further destabilization in countries such as Liberia, Afghanistan and South Sudan, and economic turmoil could expose countries such as Brazil, Pakistan and Argentina to a greater risk of political instability, unrest and violence.

20 www.bmvg.de/de/themen/verteidigungshaushalt/verteidigungshaushalt-2020
21 Heidelberg Institute for International Conflict Research, Conflict Barometer 2019, www hiik.de
22 IEP Institute for Economics and Peace, Sydney, Global Peace Index 2020, http://visionofhumanity.org/app/uploads/2020/06/GPI_2020_web.pdf

BUSINESS DEVELOPMENT AND POSITION

Significant events

The Annual General Meeting of SFC Energy AG on May 19, 2020, passed a resolution for new contingent capital to introduce a stock option program.

A cash capital increase with a net cash inflow of € 750k was also reported in the first quarter of 2020.

Financial performance

The SFC Group (the "Group") posted sales of € 27,710k in the first half of 2020, a 10.8 % drop from the prior-year period's € 31,076k.

After six months of the year, the three Group companies noted the following changes compared with last year's figures:

SFC generated sales of € 9,991k in the first half of 2020. This corresponds to a slight decrease of 1.8 % compared with the prior-year figure of € 10,171k. Sales of fuel cells in the Clean Energy segment increased from € 5,539k to € 9,428k year-on-year in the first half of 2020. Sales in the Defense segment came to € 1,404k compared with € 4,633k in the previous year. The business in this segment continues to be classified as a year-end business.

PBF's sales of € 6,532k in the first half of 2020 were 27.4 % lower than the prior-year figure of € 8,998k. In the second quarter of 2020, PBF generated sales of just € 2,500k (prior-year period: € 4,719k). The second quarter of 2020 was the weakest quarter for sales since PBF became part of the SFC Group.

Simark posted sales of € 11,187k in the reporting period, corresponding to a decrease of 6.0 %. The previous year's figure was € 11,907k; on a CAD basis, sales declined by 6.3 %. In the second quarter of 2020, Simark generated sales of € 4,699k (prior-year period: € 5,681k).

The sales and profitability of the SFC Energy Group in the first half of 2020 are in line with the global market and can be described as adequate but with room for improvement.

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

- Effects on EBITDA € 1,139k (previous year: € 1,127k)
- Effects on EBIT € 77k (previous year: € 75k)
- Effect on net income € – 30k (previous year: € – 50k)

EBIT declined from minus € 1,987k in the prior-year period to minus € 4,000k in the first half of 2020. In this context, it should be noted that in the first half of 2020 there were non-recurring effects of € 3,353k in connection with the SAR program and with acquisition-related costs. In the previous year, non-recurring effects totaled € 2,570k.

Not including these non-recurring effects, underlying EBIT for the first half of 2020 was minus € 647k and the prior-year figure was plus € 584k.

In the second quarter of 2020, EBIT deteriorated from minus € 1,968k in the previous year to minus € 3,568k.

Negative EBITDA of € 2,113k was recorded in the first half of 2020, after minus € 371k in the first half of 2019. Underlying EBITDA decreased from plus € 2,199k to plus € 1,239k in the reporting period.

In the second quarter of 2020, EBITDA of minus € 2,488k was recorded, whereas in the prior-year period EBITDA had been minus € 1,149k.

Reconciliation to underlying EBIT and EBITDA

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

in k€	EBIT	EBITDA
Earnings according to income statement or segment reporting	**– 4,000**	**– 2,113**
Sales costs		
Expenses for the Management Board SAR plan, personnel expenses	1,981	1,981
Administration costs		
Expenses for the Management Board SAR plan, personnel expenses	1,091	1,091
Expenses for acquisition-related costs	281	281
Underlying earnings	**– 647**	**1,239**

Sales by segment

The sales by segment for the first six months of the 2020 financial year and for the second quarter compared with the previous year are as follows:

SALES BY SEGMENT (UNAUDITED) in k€

	1st Halfyear			2nd Quarter		
Segment	2020	2019	Change in %	2020	2019	Change in %
Oil & Gas	10,346	11,907	– 13.1 %	4,209	5,681	– 25.9 %
Industry	6,532	8,998	– 27.4 %	2,500	4,719	– 47.0 %
Defense & Security	1,404	4,633	– 69.7 %	580	1,675	– 65.3 %
Clean Energy & Mobility	9,428	5,539	70.2 %	4,302	2,544	69.1 %
Total	**27,710**	**31,076**	**– 10.8 %**	**11,591**	**14,620**	**– 20.7 %**

The Oil & Gas segment only includes the sales generated by Simark. Simark executes its transactions entirely in CAD. Sales were generated from the distribution and integration of products for the oil and gas market in North America. In the first half of the year, sales in the Oil & Gas segment declined by 13.1 % from € 11,907k to € 10,346k. In this context, it should be noted that sales of € 840k were properly allocated to the Clean Energy & Mobility segment.

Following a thoroughly satisfactory first quarter, business in the second quarter was dampened by reluctance to invest in the oil and gas industry, triggered by the incipient impact of the COVID-19 pandemic and by negative development in the price of oil in connection with the OPEC+ dispute.

The activities of the subsidiary PBF, which manufactures and supplies highly dynamic power generation solutions for 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 2020, these sales amounted to € 6,532k (previous year: € 8,998k). This equated to a decline of 27.4 %. Customer reticence in the aftermath of the COVID-19 pandemic was the reason for the decline in this segment as well.

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

Unlike in the previous year, no significant major orders were recorded in the Defense & Security segment in the first six months of 2020.

Sales in the first half of 2020 therefore amounted to € 1,404k compared with € 4,633k in the prior-year period, which was mainly attributable to two major orders totaling € 2.7 million.

Sales in the Clean Energy & Mobility segment grew by 70.2 % to € 9,428k in the first half of 2020 compared with € 5,539k in the prior-year period.

In the Security & Industry sub-segment, the number of fuel cells SFC sold increased from 605 to 1,226. Sales here amounted to € 6,810k, up 95.0 % on the prior-year figure of € 3,492k. Sales of fuel cells generated by Simark totaling € 840k were also allocated to this segment for the first time.

The Consumer sub-segment reported a change from € 2,046k to € 1,777k. The number of fuel cells sold decreased from 632 to 568.

Sales by region

Sales by region developed as follows:

SALES BY REGION (UNAUDITED)						in k€
	1st Halfyear			2nd Quarter		
Region	2020	2019	Change in %	2020	2019	Change in %
North America	11,197	12,364	– 9.4 %	4,700	6,062	– 22.5 %
Europe and rest of world	16,513	18,713	– 11.8 %	6,892	8,558	– 19.5 %
Total	**27,710**	**31,076**	**– 10.8 %**	**11,592**	**14,620**	**– 20.7 %**

Sales in North America chiefly consist of Simark's sales in the Oil & Gas segment. Sales in the first half of 2020 were 9.4 % lower than 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 fell by 11.8 % in the first six months of the year.

Gross profit

Gross profit in the first half of 2020 totaled € 8,777k, or 31.7 %. In the previous year, by contrast, a figure of € 10,404k or 33.5 % had been recorded.

Gross profit in the second quarter amounted to € 3,532k or 30.5 %, whereas in the prior-year period € 4,688k or 32.1 % had been generated.

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

GROSS PROFIT (UNAUDITED)						in k€
	1st Halfyear			2nd Quarter		
Segment	2020	2019	Change in %	2020	2019	Change in %
Oil & Gas	2,597	3,327	– 21.9 %	1,108	1,500	– 26.2 %
Industry	1,897	2,637	– 28.1 %	663	1,345	– 50.7 %
Defense & Security	344	2,034	– 83.1 %	84	755	– 88.8 %
Clean Energy & Mobility	3,939	2,405	63.8 %	1,676	1,088	54.1 %
Total	**8,777**	**10,404**	**– 15.6 %**	**3,532**	**4,688**	**– 24.7 %**

In the Oil & Gas segment, a gross margin of 25.1 % of sales was achieved in the first half of 2020. In the prior-year period, the margin was 27.9 %.

The Industry segment was almost on a par with the previous year at 29.0 % (previous year: 29.3 %).

At 24.5 %, the gross margin in the Defense & Security segment was significantly below last year's figure of 43.9 %, although a slight dip in the gross margin, from 43.4 % to 41.8 %, was seen in the Clean Energy & Mobility segment as well.

Overall, the Group achieved a gross margin of 31.7 %, which was below the prior-year figure of 33.5 %. The decline in the Oil & Gas and Defense & Security segments was largely offset by the growth in sales in the Clean Energy & Mobility segment, which achieved a margin of over 40 %.

Sales costs

The Group's sales costs went down from € 7,267k to € 7,055k. The decrease was mainly due to lower personnel costs as a result of government aid relating to the COVID-19 pandemic and to savings on travel and marketing costs.

In the first half of 2020, the figure included non-recurring effects of € 1,981k (previous year: € 1,601k), meaning that the real decrease amounted to 10.5 %. Overall, the sales cost ratio came to 18.3 % of sales, whereas in the prior-year period it had been 18.2 %.

Research and development costs

Research and development costs decreased from € 1,689k to € 1,572k in the first half of 2020. In relation to sales, the R&D cost ratio therefore increased slightly to 5.7 % (previous year: 5.4 %) due to the required capitalization.

In the first half of 2020, development costs of € 1,929k (previous year: € 1,052k) 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 2020 totaled € 3,872k, which was higher than the prior-year figure of € 3,272k.

SFC reported a decrease here from € 487k (4.8 % of SFC sales) to € 286k (2.9 % of SFC sales) due to the high level of capitalization.

Research and development costs at PBF came to € 1,193k (previous year: € 1,090k) or 18.3 % of PBF's sales (previous year: 12.1 %).

General administration costs

General administration costs amounted to € 4,054k in the first six months of 2020, up on the prior-year figure of € 3,525k. Not including non-recurring effects, administration costs were 5.0 % higher year-on-year at € 2,682k.

For the Group as a whole, the ratio increased to 9.7 % of sales (previous year: 8.2 %).

Other operating income

Other operating income of € 68k (previous year: € 116k) includes income from exchange rate differences of € 62k as the largest item.

Other operating expenses

Other operating expenses in the amount of € 163k (previous year: € 25k) consist entirely of expenses from exchange rate differences.

Operating result (EBIT)

The Group's EBIT deteriorated from minus € 1,987k to minus € 4,000k in the first half of 2020. EBIT in relation to sales therefore decreased from minus 6.4 % to minus 14.4 %.

Adjusted for the non-recurring effects mentioned earlier, EBIT amounted to minus € 647k in the first half of 2020 (previous year: € 584k) or minus 2.3 % of sales.

EBIT in the second quarter of 2020 changed to minus € 3,568k after minus € 1,968k in the second quarter of 2019.

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

EBITDA declined from minus € 371k to minus € 2,113k year-on-year. EBITDA in relation to sales therefore decreased from minus 1.2 % to minus 7.6 %.

Adjusted for the non-recurring effects mentioned above, EBITDA amounted to plus € 1,239k in the first half of the year (previous year: plus € 2,199k) or 4.5 % of sales.

EBITDA in the second quarter of 2020 fell to minus € 2,488k after minus € 1,149k in the second quarter of 2019.

Interest and similar income

Due to the current interest rate level, no interest and similar income was incurred and the figure stayed at zero.

Interest and similar expenses

Interest and similar expenses amounted to € 254k (previous year: € 424k) and primarily 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 were reduced.

Earnings after taxes

Earnings after taxes for the first half of the year changed from minus € 2,555k in the prior-year period to a figure of minus € 4,337k.

In the second quarter, earnings after taxes amounted to minus € 3,707k, compared with minus € 2,236k in the prior-year period.

Earnings per share

Earnings per share in accordance with IFRS were negative at € 0.33 (diluted and basic) in the first half of 2020 (previous year: minus € 0.25 diluted and basic).

New orders and order backlog

In the first half of 2020, new orders of € 24,672k were recorded. In the prior-year period, they had amounted to € 28,265k.

The order backlog as of June 30, 2020, came to € 12,451k (December 31, 2019: € 15,489k).

Of this amount, € 2,821k was attributable to the Oil & Gas segment, € 6,433k to the Industry segment, € 394k to the Defense & Security segment, and € 2,803k to the Clean Energy & Mobility segment.

Financial position

Cash capital increase

On August 4, 2017, the SFC Management Board had issued a bond with warrants based on the authorization granted by the Annual General Meeting of SFC Energy AG on June 14, 2016. This bond with warrants comprises a warrant right to 204,700 SFC Energy shares with a notional value of € 1.00 per share of the Company's share capital at an option price of € 3.6639 each.

In January 2020, this option was exercised by the Harbert European Growth Capital Fund. SFC Energy AG received gross issue proceeds of € 0.75 million as a result. Exercising the bond with warrants increased SFC Energy AG's share capital from € 12,949,612.00 to € 13,154,312.00. This was entered into the commercial register on April 21, 2020.

Capital expenditure

In the first six months of 2020, an amount of € 1,929k (previous year: € 1,052k) was capitalized for the further development of PBF and SFC products. Investments were also made in operating equipment and technical equipment in particular in the amount of € 515k. Total capital expenditure in the reporting period came to € 2,444k (previous year: € 1,575k).

Cash and cash equivalents

In the first half of 2020, a net cash outflow of € 6,056k was recorded. In the same period of the previous year, there had been a net cash outflow of € 2,531k.

Available cash and cash equivalents amounted to € 14,850k as of the end of June 2020 and were thus higher than the figure of € 4,988k as of the end of June 2019. This was as a result of the capital increase that was implemented in the second half of 2019.

Cash flow from operating activities

As a result of the change in other liabilities in the first half of 2020, a net cash outflow from operating activities of € 867k was recorded (previous year: net cash inflow of € 271k). This put operating cash flow before changes in working capital below the previous year's level at € 1,099k.

Cash flow from investing activities

Net cash used for investing activities totaled € 2,444k in the reporting period (previous year: € 1,575k), and was used mainly for investment in development projects.

Cash flow from financing activities

Financing activities resulted in a total cash outflow from the Group of € 2,745k in the 2020 financial year. The total mainly comprises proceeds of € 750k from the capital increase, on the one hand, and outflows of € 2,222k for the repayment of loans and € 1,020k for the repayment of liabilities under finance leases, on the other.

Net assets

The net asset position and balance sheet ratios changed as follows in the first half of 2020.

As of June 30, 2020, total assets had decreased by 7.3 % from € 72,859k as of December 31, 2019, to € 67,576k. The equity ratio decreased from 55.3 % to 53.8 %.

The total amount of inventories and trade receivables less trade payables was 9.3 % higher than the figure for December 31, 2019. The increase was particularly attributable to increased inventory volumes in order to guarantee delivery capacity.

The most significant intangible assets are the goodwill of Simark in the amount of € 6,802k (December 31, 2019: € 7,134k) and the goodwill of PBF in an unchanged amount of € 1,179k (December 31, 2019: € 1,179k). Other intangible assets in connection with the acquisitions of Simark and PBF were no longer recognized as of December 31, 2019. In addition, capitalized development costs of € 6,760k (previous year: € 4,065k) were recognized. The decrease in other intangible assets relating to the Simark and PBF acquisitions mainly reflects exchange rate changes with respect to Simark. Of the capitalized development costs, € 1,929k was capitalized and € 461k was amortized in the first six months of 2020.

Non-current assets increased from € 25,040k to € 25,786k due to the capitalization of development costs.

The increase in non-current assets and the decrease in total assets compared with the end of 2019 drove the share of total assets attributable to non-current assets up from 34.4 % to 38.2 %.

Liabilities decreased from € 32,599k to € 31,241k. Liabilities to banks was a key item, which totaled € 1,745k.

Altogether, liabilities made up 46.2 % of total equity and liabilities (December 31, 2019: 44.7 %).

As a result of capital measures and the earnings for the first half of 2020, equity went from € 40,260k as of December 31, 2019, to € 36,335k as of June 30, 2020. Subscribed capital amounted to € 13,154k as of June 30, 2020.

Employees

The number of permanent employees was as follows as of June 30, 2020:

EMPLOYEES

SFC Group	06/30/2020	12/31/2019	Change
Management Board	2	3	– 1
Research and development	61	61	0
Production, logistics and quality management	103	105	– 2
Sales and marketing	87	85	+ 2
Administration	31	28	+ 3
Permanent employees	**284**	**282**	**+ 2**

The Group employed 11 trainees, graduates and student trainees in total as of June 30, 2020 (previous year: 11). Of the permanent employees, 106 (previous year: 96) were attributable to SFC, 113 (previous year: 117) to PBF and 65 (previous year: 74) to Simark.

RISK AND OPPORTUNITIES REPORT

In our opinion, the opportunities for the Group have not changed in comparison with the 2019 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 for determining the appropriate course of action.

Risks are assessed on the basis of their probability of occurrence on a scale with grades of "Unlikely," "Possible" and "Likely" as well as the potential significance of each risk. The potential significance is evaluated in relation to the SFC Group's underlying EBITDA.

Evaluation of probability of occurrence/potential significance

Unlikely	0 % – 20 % probability of occurrence
Possible	21 % – 70 % probability of occurrence
Likely	71 % – 100 % probability of occurrence

Low	€ 0 – € 500k significance
Moderate	€ 500 – € 1,000k significance
High	> € 1,000k significance

In our opinion, the other material risks for the Group have not changed in comparison with the 2019 annual report, with the exception of the risks described below. We refer to the information provided in the 2019 annual report.

Macroeconomic developments

The International Monetary Fund (IMF) is expecting the path to economic recovery to be hindered by the fundamental uncertainty around the evolution of the coronavirus pandemic. However, the global economic downturn could be less severe than forecast. In China, for example, economic normalization in regions that have reopened since the lockdown is proceeding faster than expected. At the same time, the IMF also recognizes that breakthroughs in the development of therapeutics and compliance with social distancing measures might allow healthcare systems to cope better without requiring extended lockdowns. Successes with vaccine developments, which are proceeding at a rapid pace, would suppress uncertainty and improve growth outcomes in 2021. The pandemic-related risks remain significant. New waves of infections could require the reimposition of containment measures, the impact of which would further scar the affected national economies. Weaker external demand as a result could slow global growth further. Additional risks to the global economy are posed in particular by escalating tensions between the United States and China[23].

RISK REPORTING WITH REGARD TO FINANCIAL INSTRUMENTS	Probability of occurrence	Significance
Credit risk	Possible	High (previously Medium)
Interest rate risk	Possible	High (previously Medium)

23 https://www.imf.org/~/media/Files/Publications/WEO/2020/Update/June/English/WEOENG202006.ashx?la=en

Credit risk

Credit risk derives primarily from trade accounts receivable. The risk consists of the possibility of default by a contractual partner. The customer structure at SFC AG is characterized by a variety of major customers. To prevent credit risk, creditworthiness is checked by reviewing the credit reports for selected customers, and regular status reports with an early warning function are obtained. Deliveries to new customers are generally subject to advance payment. In addition, all overdue receivables are discussed on a weekly basis as part of receivables management and measures are initiated with the respective sales employees. For PBF and Simark, the risk of default is prevented in such a way that, due to the manageable and almost unchanging number of customers, overdue receivables are first investigated by accounting staff and then discussed in a conversation between the customer and the relevant sales employee.

The amounts shown on the balance sheet are net of the write-downs for receivables expected to be uncollectible, as estimated by management on the basis of past experience and the current economic environment. Individual value adjustments are applied as soon as an indication exists that receivables are uncollectible. The indications are based on close contact with the respective customers as part of receivables management.

The maximum default amount corresponds to the net carrying amount of the receivables. In the reporting period, as in the previous year, no collateral from defaulted receivables was acquired and recognized. Receivables from the sale of products are secured for SFC AG through a reservation of ownership.

The outstanding receivables that are neither past due nor impaired are of high credit quality thanks to the structure of the current customer base. No indication existed as of the reporting date that any defaults were to be expected on these receivables.

Based on the amount of outstanding receivables, the significance level was raised from Medium to High. This is a change from the previous year.

Interest rate risk

The interest rate risk also includes the non-fulfillment of financial covenants.

If the covenants are breached or not fulfilled, there is the risk that a higher interest rate will have to be paid or that the loan will be accelerated.

Based on the assessment regarding the fulfillment of covenants relating to the Canadian subsidiary, the significance level was raised from Medium to High. This is a change from the previous year.

FORECAST REPORT

We refer to the information provided in the 2019 annual report and the Q1 2020 quarterly release.

Even before the publication of the 2019 annual report, the Management Board had withdrawn the guidance for the 2020 financial year published along with the preliminary figures for 2019 due to the uncertainty and lack of visibility resulting from the COVID-19 pandemic and the negative development of the oil price. A stable and sufficiently reliable guidance for the current financial year in the form of the previous guidance ranges is still not possible in the current environment. On the whole, the Management Board expects sales revenues and profitability to be significantly lower than in the previous year given this background and the current high level of uncertainty, subject to a recession. The basic premise is the weakening of the COVID-19 effects after the third quarter of 2020.

SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

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

SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

Up to the date of preparation of this report, there are no events of particular significance that could have or are expected to have a material effect on the Group's net assets, financial position and financial performance.

Brunnthal, August 20, 2020

The Management Board

Dr. Peter Podesser Chairman of the Board (CEO)	**Hans Pol** Board Member (COO)	**Daniel Saxena** Board Member (CFO)

INTERIM REPORT IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS OF JUNE 30, 2020

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, 2020

SFC ENERGY AG, BRUNNTHAL, CONSOLIDATED INCOME STATEMENT FROM JANUARY 1 TO JUNE 30, 2020

in €

	1. HY 2020 01/01 – 06/30	1. HY 2019 01/01 – 06/30	Q2 2020 04/01 – 06/30	Q2 2019 04/01 – 06/30
Sales	27,709,901	31,076,405	11,591,361	14,619,856
Production costs of work performed to generate sales	– 18,933,248	– 20,672,593	– 8,059,990	– 9,932,531
Gross profit	**8,776,653**	**10,403,812**	**3,531,371**	**4,687,325**
Sales costs	– 7,054,930	– 7,267,318	– 3,942,756	– 3,892,862
Research and development costs	– 1,572,236	– 1,688,967	– 741,378	– 768,506
General administration costs	– 4,054,303	– 3,525,297	– 2,466,702	– 2,020,547
Other operating income	68,054	116,364	57,695	41,145
Other operating expenses	– 162,776	– 25,221	– 5,498	– 13,794
Operating result	**– 3,999,538**	**– 1,986,627**	**– 3,567,268**	**– 1,967,241**
Interest and similar expenses	– 253,623	– 423,661	– 122,393	– 197,742
Result from ordinary operations	**– 4,253,161**	**– 2,410,288**	**– 3,689,660**	**– 2,164,983**
Income taxes	– 84,082	– 145,169	– 17,393	– 70,914
Consolidated net loss	**– 4,337,243**	**– 2,555,457**	**– 3,707,053**	**– 2,235,897**
NET LOSS PER SHARE				
undiluted	– 0.33	– 0.25	– 0.28	– 0.22
diluted	– 0.33	– 0.25	– 0.28	– 0.22

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FROM JANUARY 1 TO JUNE 30, 2020

in €

	1. HY 2020 01/01 – 06/30	1. HY 2019 01/01 – 06/30	Q2 2020 04/01 – 06/30	Q2 2019 04/01 – 06/30
Consolidated net result	**– 4,337,243**	**– 2,555,457**	**– 3,707,053**	**– 2,235,897**
OCI items that may be recycled to profit or loss in the future:				
Result from currency translations	– 332,209	260,133	94,829	76,916
Total other results	**– 332,209**	**260,133**	**94,829**	**76,916**
Total comprehensive income	**– 4,669,452**	**– 2,295,324**	**– 3,612,225**	**– 2,158,980**

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, 2020

in €

	06/30/2020	12/31/2019
Current Assets	**41,788,804**	**47,818,345**
Inventories	12,788,326	12,031,984
Trade accounts receivable	12,441,257	13,693,778
Receivables from contracts with customers	327,272	79,096
Income tax receivables	0	2
Other short-term assets and receivables	1,096,117	821,485
Cash and cash equivalents	14,850,212	20,906,380
Cash and cash equivalents with limitation on disposal	285,620	285,620
Non-current assets	**25,786,818**	**25,040,497**
Intangible assets	15,189,050	13,921,284
Property, plant and equipment	8,902,520	9,869,180
Financial assets	0	0
Deferred tax assets	1,695,248	1,250,033
Assets	**67,575,622**	**72,858,842**

SFC ENERGY AG, BRUNNTHAL CONSOLIDATED BALANCE SHEET
AS OF JUNE 30, 2020

in €	06/30/2020	12/31/2019
Current liabilities	**16,645,529**	**20,514,044**
Provisions for taxes	22,417	34,252
Other provisions	1,186,369	1,228,689
Liabilities to banks	3,607,258	5,351,805
Liabilities from prepayments	14,588	62,184
Trade accounts payable	6,173,249	8,090,427
Liabilities under finance leases	1,795,869	2,278,193
Liabilities from contracts with customers	377,913	279,503
Other short-term liabilities	3,467,866	3,188,993
Non-current liabilities	**14,595,274**	**12,084,529**
Other long-term provisions	1,408,625	1,334,420
Liabilities to banks	529,671	1,160,830
Liabilities under finance leases	5,306,964	5,755,073
Other long-term financial liabilities	4,779	4,639
Other liabilities	5,863,338	2,792,231
Deferred tax liabilities	1,481,896	1,037,336
Equity	**36,334,818**	**40,260,269**
Subscribed capital	13,154,312	12,949,612
Capital surplus	100,956,210	100,416,909
Foreign exchange translation reserve	– 991,104	– 658,895
Consolidated net loss	– 76,784,600	– 72,447,357
Liabilities and shareholders' equity	**67,575,622**	**72,858,842**

SFC ENERGY AG, BRUNNTHAL
CONSOLIDATED CASH FLOW STATEMENT
FROM JANUARY 1 TO JUNE 30, 2020

			in €
		01/01–06/30/2020	01/01–06/30/2019
	Cash flow from ordinary operations		
	Result before taxes	**–4,253,161**	**–2,410,288**
+	Net interest income	253,623	423,661
+	Depreciation/amortization of intangible assets and property, plant and equipment	1,886,434	1,615,502
–/+	Income/Expenses from SAR Plan	3,071,107	2,570,212
–/+	Changes in allowances	94,780	–126,914
+/–	Losses/Gains from disposal of property, plant and equipment	–181	0
–/+	Other non-cash expenses/income	46,428	461,425
	Changes to operating result before working capital	**1,099,031**	**2,533,598**
+/–	Changes to provisions	24,926	119,724
+	Changes to trade accounts receivable	1,134,656	–2,834,589
–/+	Changes to inventories	–1,070,541	180,871
+/–	Changes to other receivables and assets	–540,520	–241,026
–/+	Changes to trade accounts payable	–1,771,178	2,259,526
–/+	Changes to other liabilities	356,364	–1,170,330
	Cash flow from ordinary operations before taxes	**–767,262**	**847,774**
+/–	Income tax refunds/-payments	–99,693	–576,390
	Cash flow from ordinary operations	**–866,954**	**271,384**

SFC ENERGY AG, BRUNNTHAL CONSOLIDATED CASH FLOW STATEMENT

FROM JANUARY 1 TO JUNE 30, 2020

in €

		01/01–06/30/2020	01/01–06/30/2019
	Cash flow from investment activity		
–	Investments in intangible assets from development projects	–1,929,488	–1,051,607
–	Investments in other intangible assets	–195,718	–32,404
–	Investments in property, plant and equipment	–324,068	–491,217
+	Interest and similar income	0	0
+	Proceeds from disposal of property, plant and equipment	4,965	0
	Cash flow from investment activity	**–2,444,308**	**–1,575,229**
	Cash flow from financial activity		
+	Proceeds from capital increase	750,000	0
–	Expenses from capital increase	–6,000	0
+	Proceeds from Initial capital payments made for completion of agreed capital increase	0	2,700,000
–	Expenses from proceeds for Initial capital payments made for completion of agreed capital increase	0	–1,211,766
–	Repayment of financial debt	–588,728	–1,370,880
+/–	Changes to current account liabilities	–1,633,433	16,141
–	Repayment of liabilities under finance leases	–1,020,222	–983,025
–	Interest paid and other expenses	–246,523	–377,938
	Cash flow from financial activity	**–2,744,906**	**–1,227,468**
	Net change in cash and cash equivalents	**–6,056,168**	**–2,531,314**
	Net change in cash and cash equivalents		
	Cash and cash equivalents at beginning of period	20,906,380	7,519,689
	Cash and cash equivalents at end of period	14,850,212	4,988,376
	Net change in cash and cash equivalents	**–6,056,168**	**–2,531,313**

SFC ENERGY AG, BRUNNTHAL
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FROM JANUARY 1 TO JUNE 30, 2020

in €

	Subscribed capital	Capital surplus	Foreign exchange translation reserve	Net accumulated loss	Total
As of 12/31/2019	**12,949,612**	**100,416,909**	**– 658,895**	**– 72,447,357**	**40,260,269**
Total comprehensive income for the period					
Consolidated net loss 01/01 – 06/30/2020				– 4,337,243	– 4,337,243
Result from currency translation recognized in equity			– 332,209		– 332,209
Capital increase					
Capital increase	204,700	545,300			750,000
Less costs from capital increase		– 6,000			– 6,000
As of 06/30/2020	**13,154,312**	**100,956,209**	**– 991,104**	**– 76,874,600**	**36,334,818**

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, 2019, were also applied for the interim financial statements.

The interim report of SFC Energy AG for the period from January 1 to June 30, 2020, 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, 2019.

In the second quarter of 2020, the International Accounting Standards Board (IASB) published an amendment to IFRS 16. The amendment relates to "COVID-19-Related Rent Concessions." It is intended to provide lessees with a practical expedient to account for COVID-19-related rent concessions. This amendment has not yet been adopted in the European Union.

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

The interim report is presented in euros (€). Unless otherwise indicated, amounts given in this interim report are rounded to the nearest whole euro (€). 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.

Rights of use

The item property, plant and equipment includes rights of use totaling € 6,832,488 (December 31, 2019: € 7,799,672), consisting of buildings in the amount of € 6,452,292 (December 31, 2019: € 7,379,962) and other equipment, fixtures and fittings in the amount of € 380,196 (December 31, 2019: € 419,711).

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 2020, production contracts with a positive balance due from the customer were reported in the amount of € 327,272 (December 31, 2019: € 79,096), while production contracts with a negative balance due from the customer were reported in the amount of € 377,913 (December 31, 2019: € 279,503).

Other current assets and receivables

As of the reporting date, the Company has other current assets and receivables of € 1,096,117 (December 31, 2019: € 821,485). This increase was mainly attributable to an increase in deferred income to € 384,050 (December 31, 2019: € 279,143) and to an increase in miscellaneous other current assets and receivables to € 334,959 (December 31, 2019: € 143,647).

Other liabilities

Other non-current liabilities comprise the obligation recognized from the Stock Appreciation Rights Plan (SAR Plan) for the two Management Board members Dr. Podesser and Mr. Pol, and for the former Management Board member 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 and the Management Board members 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. No new SARs were granted to members of the Management Board in the 2020 financial year.

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 shares 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 share 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 reporting date applying a Monte Carlo model, taking into consideration the terms on which the SARs were awarded.

The status of the SARs in 2020 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 2020 reporting period (01/01/2020)	20,000	150,000	260,000	420,000	102,500
During the 2020 reporting period					
SAR granted	0	0	0	0	0
SAR waived	0	0	40,000	0	47,500
SAR exercised	0	0	0	0	0
SAR expired	0	0	0	0	0
Outstanding number of SARs at the end of the 2020 reporting period (06/30/2020)	**20,000**	**150,000**	**220,000**	**420,000**	**55,000**
Exercisable number of SARs at the end of the 2020 reporting period (06/30/2020)	**0**	**0**	**0**	**0**	**0**

The following parameters were taken into consideration in connection with the measurement as of June 30, 2020:

	Tranche HP2	Tranche HP3	Tranche PP2	Tranche PP3	Tranche MB1
Measurement date	06/30/2020	06/30/2020	06/30/2020	06/30/2020	06/30/2020
Remaining term (years)	2.00	5.00	3.75	6.75	3.67
Expected volatility	58.43 %	52.20 %	51.74 %	48.51 %	51.99 %
Risk-free interest rate	– 0.72 %	– 0.72 %	– 0.72 %	– 0.64 %	– 0.70 %
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	€ 14.90	€ 14.90	€ 14.90	€ 14.90	€ 14.90

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 applying the closing price in XETRA trading on June 30, 2020. The volatility presented is based on the historical volatility of SFC shares 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 SFC shares in 2020 and 2021.

As of June 30, 2020, a liability in the amount of € 5,863,338 (of which € 5,863,338 non-current) in connection with the SAR Plan was recognized under other liabilities (December 31, 2019: € 2,792,231, of which € 2,792,231 non-current). The period expense for the period from January 1 to June 30 was € 3,071,107 (prior-year period: € 2,570,211).

Production costs of work performed to generate sales

Production costs in the first half of 2020 were as follows:

in €	01/01 – 06/30/2020	01/01 – 06/30/2019
Cost of materials	14,810,995	16,199,305
Personnel costs	2,112,034	2,162,851
Cost of premises	140,727	181,535
Transport costs	393,173	418,907
Depreciation on capitalized development costs	142,880	150,927
Warranty	140,183	232,945
Other depreciation and amortization	709,105	663,965
Consultancy	34,169	149,784
Other	449,982	512,375
Total	**18,933,248**	**20,672,593**

Sales costs

Sales costs in the first half of 2020 were as follows:

in €	01/01 – 06/30/2020	01/01 – 06/30/2019
Personnel costs	5,526,418	5,258,795
Depreciation and amortization	327,740	404,341
Advertising and travel costs	422,022	811,135
Consultancy/commissions	325,760	291,270
Other	452,990	501,777
Total	**7,054,930**	**7,267,318**

Research and development costs

Research and development costs in the first half of 2020 were as follows:

in €	01/01 – 06/30/2020	01/01 – 06/30/2019
Personnel costs	1,539,555	1,619,198
Consultancy and patents	465,261	520,256
Cost of premises	57,815	19,658
Other depreciation and amortization	511,761	218,583
Cost of materials	850,836	233,393
Other	79,473	134,616
Set-off against grants	– 2,977	– 5,130
Capitalization of self developed intangible assets	– 1,929,488	– 1,051,607
Total	**1,572,236**	**1,688,967**

General administration costs

General administration costs in the first half of 2020 were as follows:

		in €
	01/01 – 06/30/2020	01/01 – 06/30/2019
Personnel costs	2,324,048	2,242,343
Audit and consultancy costs	707,425	333,078
Investor relations/annual meeting	168,223	142,967
Insurance	125,886	126,249
Depreciation and amortization	194,948	194,935
Car-operating costs	37,851	32,281
Travel costs	38,657	69,625
Supervisory Board compensation	56,250	56,250
Costs of hardware and software maintenance	24,912	23,079
Other	376,826	306,259
Set-off against grants	– 723	– 1,770
Total	**4,054,303**	**3,525,297**

Other operating income and expenses

Other operating income in the first six months of 2020 mainly includes income from exchange rate differences in the amount of € 62,373 (previous year: € 96,012).

Other operating expenses in the first six months of 2020 solely include expenses from exchange rate differences totaling € 162,776 (previous year: € 25,221).

Income taxes

In line with the consolidated financial statements as of December 31, 2019, deferred tax assets on tax loss carryforwards 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.

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 2020:

in €

Segments	Sales		Gross profit		EBITDA	
	2020 01/01 – 06/30	2019 01/01 – 06/30	2020 01/01 – 06/30	2019 01/01 – 06/30	2020 01/01 – 06/30	2019 01/01 – 06/30
Oil & Gas	10,346,235	11,906,967	2,596,940	3,326,975	– 617,309	490,590
Industry	6,532,435	8,998,142	1,896,695	2,637,222	337,778	736,785
Clean Energy & Mobility	9,427,577	5,538,569	3,938,607	2,405,189	1,037,092	– 351,731
Defense & Security	1,403,654	4,632,727	344,411	2,034,426	– 2,870,665	– 1,246,771
Total	**27,709,901**	**31,076,406**	**8,776,653**	**10,403,812**	**– 2,113,104**	**– 371,127**
Depreciation/amortization					– 1,886,434	– 1,615,501
Operating result (EBIT)					**– 3,999,538**	**– 1,986,627**

In the Defense & Security segment, SFC Energy AG generates sales in the defense and security market. The defense and 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 areas of application for hydrogen technology. Secondly, SFC sells compact fuel cell generators through established commercial channels in the consumer market to generate electricity for mobile homes, sailboats and cabins.

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.

Disaggregation of sales

Sales for the period between January 1, 2020, and June 30, 2020, break down as follows:

in €

	Segment				
	Clean Energy & Mobility	Industry	Defense & Security	Oil & Gas	Total
Region					
North America	840,652	10,305	0	10,346,235	11,197,192
Europe (without Germany)	3,164,379	5,736,026	310,479	0	9,210,884
Germany	1,938,417	417,955	697,255	0	3,053,627
Asia	3,345,157	183,733	374,436	0	3,903,326
Rest of the world	138,972	184,416	21,484	0	344,872
Total	**9,427,577**	**6,532,435**	**1,403,654**	**10,346,235**	**27,709,901**
Product					
Fuel cells	9,427,577	0	1,403,654	852,065	11,683,296
Instrumentation and automation products in Oil & Gas Industry	0	0	0	9,494,170	9,494,170
Power supplies	0	6,532,435	0	0	6,532,435
Total	**9,427,577**	**6,532,435**	**1,403,654**	**10,346,235**	**27,709,901**
Revenue recognition					
Transfer of goods recognized at a certain point in time	9,427,577	6,532,435	1,173,375	8,159,799	25,293,186
Revenue recognized over a period of time/provision of services	0	0	230,279	2,186,436	2,416,715
Total	**9,427,577**	**6,532,435**	**1,403,654**	**10,346,235**	**27,709,901**

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

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

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.

CARRYING AMOUNTS SHOWN ON THE BALANCE SHEET		in €
	06/30/2020	12/31/2019
Financial assets		
Measured at amortized costs		
Trade accounts receivable	12,441,257	13,693,778
Other assets and receivables – current	6,833	3,133
Cash and cash equivalents	14,850,212	20,906,380
Cash and cash equivalents with limitation on disposal	285,620	285,620
Financial liabilities		
At amortized cost		
Liabilities to banks	4,136,929	6,512,634
Trade accounts payable	6,173,249	8,090,427
Liabilities under finance leases	7,102,833	8,033,266
Other non-current liabilities	4,779	4,639
Other non-current financial liabilities	95,335	155,700

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, 2020, the assignment to the fair value levels was as follows:

FAIR VALUE LEVELS			in €
	06/30/2020		
	Level 1	Level 2	Total
Financial assets			
Measured at amortized costs			
Trade accounts receivable	0	12,441,257	12,441,257
Other assets and receivables – current	0	6,833	6,833
Cash and cash equivalents	0	14,850,212	14,850,212
Cash and cash equivalents with limitation on disposal	0	285,620	285,620
Financial liabilities			
At amortized cost			
Liabilities to banks	0	4,136,929	4,136,929
Trade accounts payable	0	6,173,249	6,173,249
Liabilities under finance leases	0	7,102,833	7,102,833
Other non-current liabilities	0	4,779	4,779
Other non-current financial liabilities	0	95,335	95,335

As of December 31, 2019, the assignment to the fair value levels was as follows:

FAIR VALUE LEVELS			in €
	12/31/2019		
	Level 1	Level 2	Total
Financial assets			
Measured at amortized costs			
Trade accounts receivable	0	13,693,778	13,693,778
Other assets and receivables – current	0	3,133	3,133
Cash and cash equivalents	0	20,906,380	20,906,380
Cash and cash equivalents with limitation on disposal	0	285,620	285,620
Financial liabilities			
At amortized cost			
Liabilities to banks	0	6,512,634	6,512,634
Trade accounts payable	0	8,090,427	8,090,427
Liabilities under finance leases	0	8,033,266	8,033,266
Other non-current liabilities	0	4,639	4,639
Other non-current financial liabilities	0	155,700	155,700

Information on the exercise of the bond with warrants that was placed in August 2017 by the Harbert European Growth Capital Fund

On August 4, 2017, the Management Board of SFC Energy AG had issued a bond with warrants based on the authorization granted by the Annual General Meeting of SFC Energy AG on June 14, 2016. This bond with warrants comprises a warrant right to 204,700 SFC Energy shares with a notional value of € 1.00 per share of the Company's share capital at an option price of € 3.6639 each.

On January 31, 2020, this option was exercised by the Harbert European Growth Capital Fund. SFC Energy AG received gross issue proceeds of € 0.75 million as a result. The cash inflow will be used to strengthen the Company's liquidity base. Exercising the bond with warrants increased SFC Energy AG's share capital from € 12,949,612.00 to € 13,154,312.00.

Related-party transactions

The group of related parties has not changed in comparison with the consolidated financial statements as of December 31, 2019. In the first half of 2020, as in the first half of 2019, there were no significant transactions with related parties.

Employees

SFC had the following employees as of the reporting date:

	06/30/2020	06/30/2019
Full-time employees (incl. Management Board)	251	257
Part-time employees	33	30
Total	**284**	**287**

There were also 11 people (previous year: 11) employed as trainees, graduates or student trainees as of the end of June 2020.

Earnings per share

Earnings per share are calculated by dividing the consolidated net income for the year that is attributable to shareholders of the parent by the average number of shares in circulation. The number of outstanding shares on June 30, 2020, was 13,154,312 shares (previous year: 10,249,612 shares). Exercising the bond with warrants on January 31, 2020, increased SFC Energy AG's share capital from € 12,949,612.00 to € 13,154,312.00. 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. Exercising the bond with warrants on January 31, 2020, did not produce any dilutive effects as of June 30, 2020, that would have to be taken into account when calculating the number of shares outstanding.

Material events after the reporting period

There were no material events after the June 30, 2020, reporting date.

Brunnthal, August 20, 2020

The Management Board

Dr. Peter Podesser
Chairman of the Board (CEO)

Hans Pol
Board Member (COO)

Daniel Saxena
Board Member (CFO)

SFC ENERGY AG, BRUNNTHAL RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the 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.

Brunnthal, August 20, 2020

The Management Board

Dr. Peter Podesser
Chairman of the Board (CEO)

Hans Pol
Board Member (COO)

Daniel Saxena
Board Member (CFO)

FINANCIAL CALENDAR 2020

August 20, 2020	Half-year report 2020
August 20, 2020	5. Hamburg Investmentday (HIT)
September 16, 2020	ABN Amro Small Cap Conference, Amsterdam
November 16, 2020	Interim Disclosure Q3 2020
November 16 – 18, 2020	German Equity Forum

SHARE INFORMATION

Bloomberg symbol	F3C
Reuters symbol	CXPNX
WKN	756857
ISIN	DE0007568578
Number of shares as of 12/31/2019	12,949,612
Number of shares as of 06/30/2020	13,154,312
Stock category	No-par value shares
Stock segment	Prime Standard, Renewable Energies
Stock exchange	Frankfurt, FWB
Designated sponsors	mwb fairtrade Wertpapierhandelsbank AG

INVESTOR-RELATIONS

SFC Energy AG
Eugen-Saenger-Ring 7
85649 Brunnthal
Germany

Phone: +49 (0) 89 / 673 592 – 378
Fax: +49 (0) 89 / 673 592 – 169
Email: ir@sfc.com

IMPRINT

SFC Energy AG
Eugen-Saenger-Ring 7
85649 Brunnthal
Germany
Phone: +49 (0) 89 / 673 592 – 0
Fax: +49 (0) 89 / 673 592 – 369

Responsible: SFC Energy AG
Editing: SFC Energy AG/CROSS ALLIANCE communication GmbH
Concept and Design: Anzinger und Rasp
Cover/Illustration: Michael Paukner