Q2
2021

HALF-YEAR REPORT

January 1 to June 30, 2021

SFC ENERGY

CONTENT

The figures presented in this interim Group report have been rounded in accordance with standard commercial practice. As a result, individual figures may not add up to the totals presented.

The financial figures for the first six months of 2021 and 2020 are subject to review.

SFC ENERGY AG – AT A GLANCE

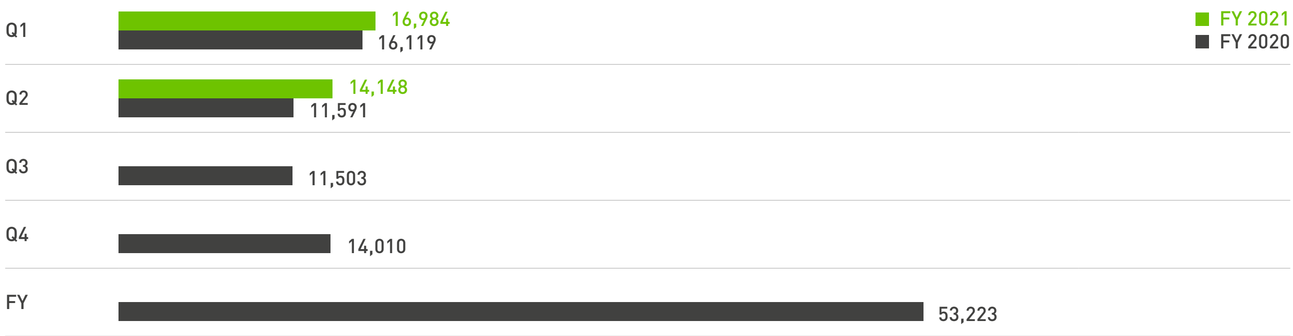
CONSOLIDATED KEY FIGURES

in EURk

	2021 01/01–06/30/	2020 01/01–06/30/	Change in %	2021 04/01–06/30/	2020 04/01–06/30/	Change in %
Sales	31,132	27,710	12.3 %	14,148	11,591	22.1 %
Gross profit	11,187	8,777	27.5 %	4,984	3,532	41.1 %
Gross margin	35.9 %	31.7 %		35.2 %	30.5 %	
EBITDA	– 1,912	– 2,113	9.5 %	546	– 2,488	n.a.
EBITDA margin	– 6.1 %	– 7.6 %		3.9 %	– 21.5 %	
EBITDA underlying	3,441	1,239	177.7 %	1,095	419	161.3 %
EBITDA underlying margin	11.1 %	4.5 %		7.7 %	3.6 %	
EBIT	– 3,953	– 4,000	1,2 %	– 575	– 3,568	n.a.
EBIT margin	– 12.7 %	– 14.4 %		– 4.1 %	– 30.8 %	
EBIT underlying	1,400	– 647	316.5 %	– 25	– 660	n.a.
EBIT underlying margin	4.5 %	– 2.3 %		– 0.2 %	– 5.7 %	
Consolidated net result of period	– 4,379	– 4,337	1,0 %	– 744	– 3,707	n.a.
Net result per share, not diluted	– 0.30	– 0.33	n.a.	– 0.05	– 0.28	n.a.
Net result per share, diluted	– 0.30	– 0.33	n.a.	– 0.05	– 0.28	n.a.

SALES BY QUARTER

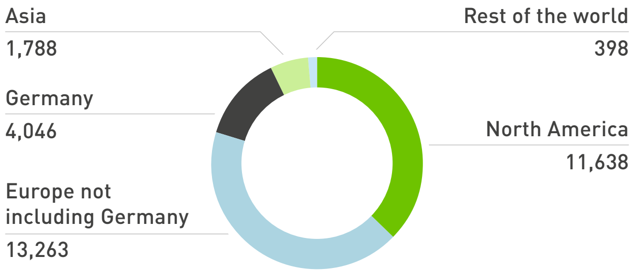
in EURk



SALES BY REGION

in EURk

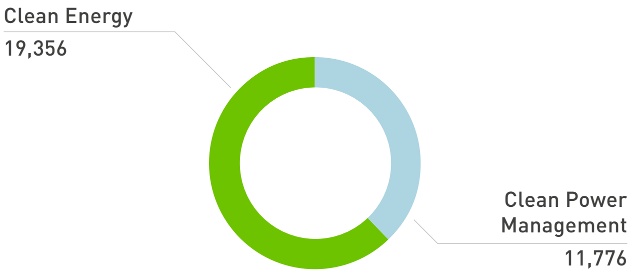
01/01–06/30/2021



SALES BY SEGMENT

in EURk

01/01–06/30/2021



LETTER TO THE SHAREHOLDERS

DEAR SHAREHOLDERS, BUSINESS PARTNERS AND EMPLOYEES OF SFC,

The best half-year in company history now lies behind us. We continued to grow strongly in operational terms and nearly tripled our operating profitability at the EBITDA underlying level. As a pioneer in fuel cell technology, we have been consistently investing in the performance and quality of our products for 20 years and are rapidly applying the experience gained in the various end markets to our innovation cycles. At the same time, we are constantly focusing on establishing and expanding new market access worldwide through partnerships and direct sales activities across user industries.

Hydrogen and fuel cells are moving into the focus of society, politicians and companies as core technologies with which we can meet the challenges of climate change. Against the backdrop of the most recent alarming findings of the Intergovernmental Panel on Climate Change on the path to climate neutrality, our ability and willingness to make a concrete contribution to achieving the climate targets faster is all the more important today.

As an international leader in fuel cells, we have a special responsibility in this regard, which we assume with determination. We support our customers in meeting their requirements for a modern and environmentally friendly stationary energy supply. Whether it's clean and efficient power for motorhomes, sailboats or tiny houses or large industrial applications such as the replacement of emergency back-up diesel engines, critical infrastructures in the telecommunications sector, and smart traffic systems, we offer market-proven fuel cell solutions backed by more than 20 years of experience.

Market-proven solutions for increasing demand

In the process, we are encountering steadily rising demand. Energy demand will grow across the board in the years ahead. The World Energy Outlook of the International Energy Agency (IEA) predicts an increase in electricity consumption of up to 50 % by 2040 compared to 2019. This development is being driven by ongoing digitalization, the increasing electrification of industries and new mobility concepts. At the same time, around 770 million people worldwide still have no access to electricity.

Fuel cell technology plays a key role here as a decentralized and environmentally friendly energy generation solution. A study by an internationally recognized consulting firm assumes that the relevant market potential in the markets served by SFC will increase from 4.3 GW of installable capacity in 2021 to 8.1 GW in 2026. This would be equivalent to average annual market growth of more than 14 %. According to this study, the demand for fuel cells in the markets served by SFC today will increase from EUR 1.9 billion in 2020 to EUR 6.9 billion in 2030.

New products

We specifically worked on the further development of our hydrogen and methanol fuel cell systems during the reporting period. With the new generation of the EFOY Pro series, we already introduced a groundbreaking innovation to the market in the first quarter. The new product series reduces operating costs by up to 33 % and is smaller, lighter and thus more flexible in use. Via the EFOY Cloud, there are further options for integrating the various units into IoT networks.

At the same time, we introduced the new generation of the EFOY Hydrogen towards the end of the first half of the year. With the EFOY Hydrogen Fuel Cell 2.5, we provide a modular hydrogen fuel cell solution that meets the highest demands of professional users. It offers an innovative solution as an emission-free replacement for diesel generators for a wide range of user industries thanks to its broad power range from 2.5 to 50 kilowatts (kW).

SFC partner network grows across industries

But we have continued to develop not just on the product side. In parallel with our development activities, we have consistently implemented our OEM strategy both regionally and in various user markets and sustainably expanded our partner network. Examples of this include our partnerships with Jenoptik, Leosphere, GWU-Umwelttechnik and also adKor with emission-free and efficient energy supply solutions for smart traffic and traffic safety applications in the dynamically growing wind energy sector for identifying areas suitable for wind farms and also in the expansion of government and mobile communications infrastructure.

Large individual orders in Japan, the USA and India

The regional expansion of our business is our second strategic focus. The Asian and Southeast Asian market offers great opportunities for our company. We recognized this at an early stage and are penetrating this region with a high level of commitment to meet the dynamically growing demand. We are not doing this alone either. Our long-standing partner Toyota Tsusho is supporting us locally.

In the Clean Energy segment, the pleasing market development is manifested in actual major orders in the various regions. For instance, Toyota Tsusho ordered 135 EFOY fuel cell systems for smart traffic applications in Japan. Additional orders followed. For example, we successfully completed the delivery and installation of an order for EFOY fuel cells for off-grid areas in India. These will be used in solar hybrid microgrids to supply electricity to residential accommodations. In the United States, we managed to secure the largest US order in the company's history for EFOY systems, with more than 100 EFOY Pro 2400 Duo fuel cell systems, despite the corona-related constraints. Demand there also remains high.

The Clean Power Management segment is experiencing high demand for efficient power conversion solutions, as evidenced on the one hand by a pandemic-related catch-up effect among major industrial customers and on the other hand by very gratifying first-time orders from new customers.

We can clearly see how diverse, regionally broad-based and dynamic the demand for clean and efficient energy supply and the potential applications of fuel cell technology are, and how virtually inexhaustible their potential opportunities are. This can already be seen in our figures for the first half of the year.

In operational terms, the SFC Energy Group generated sales of EUR 31,132k in the first half of 2021, up 12.3% on the prior-year figure of EUR 27,710k. EBITDA for the Group adjusted for non-recurring effects including valuation effects of the SARs and the stock option programs amounted to EUR 3,441k in the half-year under review, compared to EUR 1,239k in the prior-year period. At EUR 1,400k, earnings before interest and taxes (EBIT) adjusted for non-recurring items were significantly higher than the prior-year figure of EUR –647k.

Order intake increased in the half-year under review, resulting in an order backlog of EUR 17,091k as of June 30, 2021. This represents an increase of 73.0% compared to December 31, 2020 (EUR 9,882k). The strong order backlog, together with the continued broad regional demand that is not based on individual projects, forms the basis for further growth expectations.

The dynamic development in the first quarter of 2021 continued in the second quarter. The Clean Energy and Clean Power Management segments, which report according to technology platforms and the product and service portfolio offered by the Group, respectively, are up year-on-year both in the second quarter (Clean Energy: +33.1 %, Clean Power Management: +5.4 %) and for the entire first half of 2021 (Clean Energy: +16.2 %, Clean Power Management: +6.5 %).

It is important to us to penetrate further vital markets through complementary technologies. Energy supply solutions for traffic safety applications are an extremely important topic. Together with our partner Jenoptik, we have successfully implemented actual projects in speed measurement systems.

Clean Energy

Clean Energy achieved a 16.2 % increase in sales to EUR 19,356k in the first half of 2021 (previous year: EUR 16,652k) and remained the segment with the highest sales, accounting for 62.2 % of total Group sales. The dynamic demand for methanol and hydrogen fuel cells for consumer applications as well as industrial customers continues unabated. In the second quarter, sales growth even accelerated by 33.1 % to EUR 9,285k compared to EUR 6,977k in the second quarter of 2020. Consumer applications showed particularly strong year-on-year growth of 55 % in the first half of 2021 compared to the same period of the previous year. This was largely due to the new EFOY fuel cell generation launched in September 2020 and the continued high demand for motorhomes in Europe. Industrial applications continued their strong development as a result of sustained demand momentum, especially in the second quarter. Here, too, we recorded strong growth in both the first half and the second quarter. Demand for our customers' applications in the oil and gas industry increased and was also significantly higher than the previous year's level. The industry is also focusing on sustainability, which, coupled with a stable and strong oil price, ensured that the trend was reinforced.

Clean Power Management

The Clean Power Management segment recorded sales growth of 6.5 % to EUR 11,776k in the first half of 2021 (Same period of the previous year: EUR 11,058k) and contributed 38 % to total Group sales. This growth mainly resulted from the ongoing recovery in demand and the good capacity utilization in all markets targeted by the segment.

Positive cash flow and solid capitalization

Cash flow from operating activities increased significantly in the first half of the year compared to the first half of last year to EUR 672k (Same period of the previous year: EUR –862k). This positive development was mainly due to the significant increase in EBITDA underlying and operating profit before changes in net working capital.

The equity ratio was 58.0 % as of June 30, 2021 (December 31, 2020: 63.5 %). Freely available cash and cash equivalents on June 30, 2021, amounted to EUR 28,954k compared to EUR 31,464k at the end of fiscal year 2020. The good capitalization and the overall solid balance sheet position put our company in a position to continue to grow sustainably, to drive important product developments forward, and to tap into new market segments.

Share price performance outperforms German standard and technology stocks

The price of the SFC share increased by 76.6% in the half-year under review. This performance is well above the development of the comparable DAX and TecDax indices in the first half of 2021. Despite the generally challenging situation due to the COVID-19 pandemic, the gratifying development of the SFC share price in the half-year under review was driven in particular by the company's exceptionally good operating performance.

Outlook 2021

In light of the positive development in the first half of the year, the Management Board confirms its forecast for the current fiscal year 2021. For 2021, we expect Group sales to increase by 15 % to 30 % year-on-year from EUR 61,000k to EUR 70,000k. We expect positive growth contributions mainly from increasing demand for the new generation of methanol fuel cells and hydrogen fuel cells. Supported by the expected dynamic development of demand and a stable margin or slight margin expansion, EBITDA underlying is expected to show strong year-on-year growth from EUR 4,750k to EUR 6,000k in fiscal year 2021. Adjusted EBIT for the Group is now expected to be between EUR 1,000k and EUR 1,600k.

We would like to take this opportunity to express our sincere thanks to all SFC Energy employees for their passionate personal commitment. The success we are reporting here is not the success of a few, but rather of the entire SFC team. We are particularly proud of this. We would like to thank you, our shareholders, for the trust you have placed in us. We still have a lot ahead of us and would be pleased if you would continue to accompany us on our journey. It is still long and offers many opportunities that we want to seize.

Sincerely yours,

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

SFC ON THE CAPITAL MARKETS

Basic share data

Bloomberg symbol	F3C
Reuters symbol	CXPNX
GSIN	756857
ISIN	DE0007568578
Number of shares outstanding (June 30, 2021)	14,469,743
Shareholdings	No-par-value shares
Stock exchange segment	Prime Standard, Renewable Energies
Stock exchange	Frankfurt, FWB
Designated Sponsor	mwb fairtrade Wertpapierhandelsbank AG

Development of the indices

The global economic situation showed a gradual recovery from the effects of the coronavirus in the first half of 2021. The high pace of vaccination is the main reason for the improved situation in Europe. The industrial sector boomed due to domestic demand and promising export prospects. Growth in European industry was held back by supply bottlenecks for important raw materials. The US economy stood out in the second quarter with annualized quarter-on-quarter growth of around 9 %.

The improvement in the economic situation was reflected in the global stock markets, in particular. In the first six months of 2021, the leading US index, the Dow Jones, rose by a total of 14 % against its closing price as of December 30, 2020. The S&P 500 and the EURO STOXX 50 also performed well, rising by around 15 % and 14 % respectively in the first half of 2021. Germany's leading DAX index closed the first half of the year on June 30 up 13 % compared to its closing price in 2020. The German technology index, the TecDAX, rose by 11 %.

Performance of the SFC share

SHARE PRICE in EUR

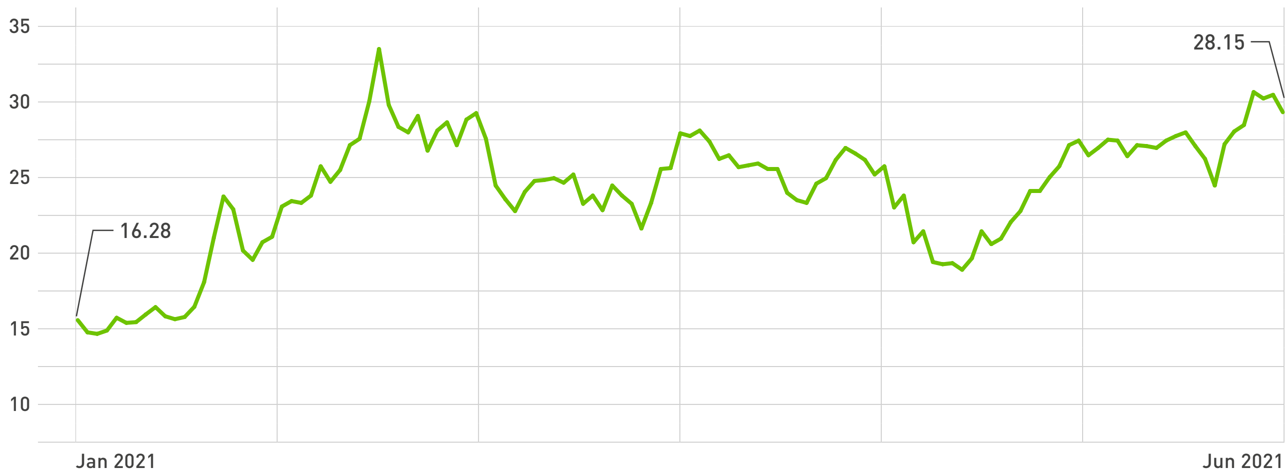
Opening price	01/04/2021	16.28
Highest price	02/16/2021	33.90
Lowest price	01/05/2021	15.48
Closing price	06/30/2021	28.15

1 https://www.metzler.com/de/metzler/asset-management/artikel-am/news/Metzler/MAM/markt-aktuell/2021-Q3

SFC Energy AG's share outperformed German standard and technology stocks by a wide margin in the first half of the year. The shares opened the 2021 trading year on January 4 at EUR 16.28. The lowest price during the 6-month period was EUR 15.48 on January 5. After the publication of the new strategic medium-term plan 2025, the share reached its highest price during the reporting period on February 16, 2021 at EUR 33.90. On June 30, 2021, SFC shares finished the first half of 2021 at a closing price of EUR 28.15. During the half year under review, SFC Energy AG's share price increased by 76.6 % compared to the closing price of EUR 15.94 on December 30, 2020. In spite of the generally challenging situation triggered by the ongoing coronavirus pandemic, SFC's clearly positive share performance was driven in particular by the best first quarter in the company's history as well as the strong momentum in methanol as well as hydrogen fuel cells.

The average daily trading volume in the first six months of 2021 came to 152,107 shares, significantly higher than the previous year's figure (52,645 shares). On June 30, 2021, SFC Energy AG's market value was EUR 407.3 million based on 14.47 million outstanding shares and a closing price of EUR 28.15.

SFC SHARE PRICE FROM THE BEGINNING OF JANUARY 2021 TO THE END OF JUNE 2021



Investor relations activities

In the first half of financial year 2021, the Management Board again held numerous detailed, predominantly virtual discussions in the context of investor conferences, roadshows and conference calls, despite the current restrictions. The thematic focus was on the advantageous positioning of SFC Energy AG in the context of the future technology hydrogen.

In the reporting period, designated sponsor mwb fairtrade Wertpapierhandelsbank AG ensured that binding bid/ask prices as well as adequate liquidity and corresponding tradability of SFC shares were maintained.

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. Detailed information is available to interested investors in the Investor Relations/Share section at sfc.com.

RESEARCH VALUATIONS in EUR

Publisher	Date	Rating	Target price
Metzler Capital Markets	07/05/2021	Buy	36.00
First Berlin – Equity Research	05/25/2021	Buy	44.00
MM Warburg	05/19/2021	Buy	35.00
ABN AMRO	04/20/2021	Neutral	25.00
Commerzbank	02/16/2021	Hold	34.00

Shareholder structure

The shareholder structure of SFC Energy AG as of June 30, 2021, has not changed significantly compared to December 31, 2020. Institutional investors hold 46.17 % of the shares. Extended management, including the Supervisory Board, holds 1.72 % (December 31, 2020: 1.69 %) of the voting rights. 52.14 % of SFC Energy AG shares were in free float as of the end of June 2020.

INTERIM GROUP MANAGEMENT REPORT JANUARY 1 – JUNE 30, 2021

This chapter of the half-year financial report summarizes material developments at SFC Energy AG in the first half of 2021 ("reporting period"). A detailed description of SFC Energy AG, the Group and its business segments can be found in the 2020 Annual Report.

Basis of the Group

Organization and reporting structure

SFC Energy AG ("SFC AG") together with its subsidiaries forms an internationally active Group of companies ("SFC" or "Group") in the fuel cell sector. In addition to the parent company SFC Energy AG (Germany), the Group includes the foreign subsidiaries SFC Energy B. V. (Netherlands) and SFC Energy Ltd. (Canada).

The segmentation of the Group's activities primarily follows the Group's internal organizational and reporting structure by business segment. Since January 1, 2021, this has been based on the Group's technology platforms and product and service portfolio and is divided into two business segments: The **Clean Energy** segment comprises the broad portfolio of products, systems and solutions for stationary and mobile off-grid power supply based on hydrogen (PEMFC) and direct methanol (DMFC) fuel cells for customers in the private, industrial and public sectors in various end-customer markets. The **Clean Power Management** segment bundles the entire business with technically advanced standardized and semi-standardized power management solutions such as power supplies and coils that are used in devices for the high-tech industry. Furthermore, this segment includes business with variable frequency drives that are used in the upstream and oil and gas industries. Technologies and products from the business segment are also used in the Clean Energy segment.

Objectives and strategy

The Group's strategic focus on expanding SFC's position in the market for environmentally friendly stationary and mobile off-grid power solutions remained unchanged in the reporting period. The goal is to establish a market-leading position as a supplier of low-emission or zero-emission basic and emergency power supply for off-grid applications, some of which are safety-critical, such as telecommunications infrastructure, security and surveillance cameras, and off-grid sensors using fuel cell generators. The fuel cells are intended to provide low-emission or zero-emission alternatives to diesel engines, which are used to date as emergency power generators or to cover peak loads, as well as to supplement the incumbent solutions currently used for off-grid power supply.

The implementation of this strategy is to be realized both through organic growth and by means of acquisitions, joint ventures, investments and cooperation agreements.

Research and development

With our research and development activities, we continue to pursue the goal of strengthening SFC's competitive and technological position against the backdrop of the upcoming transformation of energy systems in many countries. As part of these efforts, we are focusing on the future technologies hydrogen and methanol fuel cells and in particular on the development of fuel cell systems with higher performance, longer operating hours and lower product cost, as well as the digitalization and the digital connectivity of our products solutions.

Total research and development expenditure (R&D costs recognized in profit or loss plus capitalized development expenses, expenses under joint development agreements and grants received) in the reporting period declined compared to the first half of 2020 ("previous year" or "prior-year period") to EUR 2,933k (previous year: EUR 3,504k).

Of the total R&D expenditure, EUR 1,255k (previous year: EUR 1,929k) were capitalized in the reporting period; this equates to a capitalization ratio (capitalized development expenses in relation to total R&D expenditure) of 42.8 % (previous year: 55.1 %). Scheduled depreciation of capitalized research and development costs amounted to EUR 714k in the reporting period (previous year: EUR 461k).

Overall, we expect total R&D expenditure in the current fiscal year to be slightly higher than in fiscal year 2020. In the reporting period, the Group's R&D activities were subsidized by government grants to a small extent, e. g. via the National Organization for Hydrogen and Fuel Cell Technology, and are expected to continue to be so in the future.

In the Clean Energy business segment, the focus of development is on topics such as the next generations of fuel cell modules, as well as digitalization and the digital connectivity of our products. The focus in the reporting period was on:

- The successor generation for current direct methanol fuel cell systems ("EFOY 3.n");
- Design and further development of hydrogen fuel cell systems based on the EFOY Jupiter system;
- Development of a remote monitoring device for new generations of fuel cell products;
- Development of a 12V- and 24V-battery optimized for the EFOY 3.0, including a battery management system (BMS) for lithium batteries;
- Development of an intelligent Fuel Management System (FMD) for autonomy extension for new product generations;
- Continuous improvements and further developments to increase the performance and reduce the costs of future EFOY generations.

The development of the Clean Power Management business segment focused on topics such as increasing power density, energy efficiency and the "Watt / Euro" ratio for the power management solutions offered. The focus in the reporting period was on:

- Further development of the current 3.8kW to 4kW energy platform.
- Development of a new technology to increase the power of today's platforms from 4kW to 5kW.
- Integration of a new energy platform into laser systems.

ECONOMIC REPORT

Macroeconomic and industry-specific conditions

Recovery of the global economy progresses

According to the Kiel Institute for the World Economy (IfW), the global economy continued on its upward trend in the first half of the current fiscal year. The strong upturn in industrial production and world trade from the spring on was hampered by supply bottlenecks for intermediate products, shortages of materials and logistical bottlenecks in the global transport of goods, combined with the resulting price increases for raw materials, intermediate goods and transportation services. While momentum slowed noticeably in China, it picked up slightly in the United States.[1] The Institute for Economic Research (ifo) forecasts global GDP growth of 6.6 % this year and 4.2 % in 2022. While China has already significantly exceeded its pre-crisis level since the third quarter of 2020, global and US aggregate output should exceed pre-crisis levels in the second quarter of 2021. Most other countries should follow one quarter later. Accordingly, the euro zone as a whole should reach its pre-crisis level at the beginning of 2022. Figures for the full reporting period of the first half of the year were only available in individual cases.[2]

German economy on a growth path

According to the ifo Institute, overall economic activity fell by 1.8 % in the first three months of this year. Due to the advancing pace of vaccinations, the pace of infection from the coronavirus pandemic has slowed since the end of April and economic activity has picked up in return. Pandemic-related supply bottlenecks for raw materials and intermediate goods are affecting Germany in equal measure and noticeably hampering production at many companies. Despite a very good order situation, the manufacturing sector is therefore unlikely to be on course for recovery until the second half of the year, provided supply bottlenecks can be overcome. The reasons for this therefore remain on the supply side and not weak demand. Taking these parameters into account, the ifo Institute expects the gross domestic product to reach pre-crisis levels in the third quarter of the current year. An overall increase of 3.9 % is expected for 2021. The gross domestic product is estimated to increase by 4.8 % in 2022.[3]

Positive outlook despite the coronavirus pandemic

SFC Energy AG (SFC AG) is a leading supplier of hydrogen (PMFC) and direct methanol (DMFC) fuel cells for stationary and mobile off-grid power applications. The company reports its business activities in the Clean Energy and Clean Power Management segments.

The Clean Energy segment includes the revenues and expenses of SFC's hydrogen (PEMFC) and direct methanol (DMFC) fuel cell business. The business segment addresses customers from the private, industrial and public sectors in various end-customer markets such as telecommunications equipment, security and surveillance technology, remote sensing technology, defense technology and the caravaning market. The development of

1 https://www.ifw-kiel.de/de/publikationen/kieler-konjunkturberichte/2021/auf-dem-weg-in-den-post-corona-boom-0/
2 https://www.ifo.de/ifo-konjunkturprognose/20210616
3 https://www.ifo.de/ifo-konjunkturprognose/20210616

demand for the Group's decentralized energy supply solutions depends on the one hand on the growth in the installable number or capacity of off-grid power generators in the individual markets and on the other hand on the market penetration of fuel cell technology in these markets. A study by an internationally recognized consulting firm assumes that the total addressable market for the Group's fuel-cell solutions will increase from 4.3 GW of installable capacity in 2021 to 8.1 GW in 2026. This would be equivalent to market growth of 14 %. The total addressable market analyzed comprises nine use cases in the power spectrum < 100 kW, including telecommunications towers, construction power supply, upstream and midstream monitoring of oil and gas wells and pipelines, environmental monitoring of wind farms, and CCTV surveillance.

A study published in March 2021 by E4tech, a consultancy specializing in energy and sustainability issues, confirms the growing demand for fuel cells in various sectors. For 2020 as a whole (more up-to-date data was not available when this report went to press), E4tech expects 82,500 fuel cells to be sold worldwide.[4] This is an increase of around 10,000 units compared to the previous year 2019, with around 52,000 fuel cells being used in stationary applications. The remainder are used in mobile or portable applications. In terms of performance, the development represents an increase from 1,192 megawatts (MW) in 2019 to 1,319 MW in 2020.

E4tech is optimistic for the industry for the full year 2021. Numerous countries underpinned their climate protection targets. Besides the European Union, this includes China in particular.[5] Joe Biden declared his renewed accession to the Paris climate protection agreement following his election success as the new US president. According to the consultancy, these steps should contribute to a positive development of the industry.[6]

In the context of achieving climate protection targets, there are also greater opportunities in replacing conventional diesel generators for power generation with environmentally friendly fuel cells. The volume in this market amounted to USD 20.8 billion in 2019.[7]

The core business of the Clean Power Management segment includes the development, manufacture and marketing of highly technologically advanced power management solutions, highly-efficient transfomers and coils as well as the the business with variable frequency drives. With its products and solutions, the segment adresses various industries: for power management solutions, the main customers are manufacturers of analytical systems and semiconductor equipment in the high-tech industry, and for frequency converters, customers in the upstream oil and gas industry.

Data from the trade associations "Electronic Components & Systems" and "PCB & Electronic Systems" of the German Electrical and Electronic Manufacturers' Association (ZVEI) as well as data from the International Energy Agency is used to examine the economic development of the markets.

In the first six months of 2021, the trade association recorded lively demand. After declining by 10 % in the first half of 2020 due to the pandemic, order intake increased again by more than 25 % in the first half of this year. Orders from domestic customers increased by 21.3 % and from foreign customers by 31.3 % compared to the same period of the previous year. Orders from the euro zone rose by 30.2 % in the first half of 2021. Orders

4 https://www.e4tech.com/resources/246-e4tech-produced-its-annual-fuel-cell-industry-review-now-in-its-7th-year.php
5 https://www.e4tech.com/resources/246-e4tech-produced-its-annual-fuel-cell-industry-review-now-in-its-7th-year.php
6 https://www.e4tech.com/resources/246-e4tech-produced-its-annual-fuel-cell-industry-review-now-in-its-7th-year.php
7 https://www.alliedmarketresearch.com/press-release/diesel-generator-market.html

from customers outside the euro zone climbed by 33.2%.[8] In the first six months of 2021, the aggregated industry sales in the domestic electronics industry amounted to EUR 69.7 billion, up 12.3% compared to the previous year's level. According to the ZVEI, capacity utilization at the beginning of the third quarter of 2021 had risen further to 89.2% of normal full capacity.[9]

For 2021 as a whole, the trade association expects the global electrical market to grow by 7.0% and by 5.0% in 2022.[10] For the EU and the euro zone, the same growth rate is expected at 7.0% in 2021 and a slightly higher rate at 6.0% in 2022. For 2021, the IEA expects investments in the upstream and mid/downstream sectors to rise again by just under 15% compared to 2020.[11]

Business performance and economic situation

Significant events

Supervisory Board

As planned, Mr. Tim van Delden resigned as the Chairman of the Supervisory Board with effect from the end of the Annual General Meeting on May 19, 2021. The Supervisory Board elected Mr. Hubertus Krossa to serve as the new Chairman of the Supervisory Board of SFC Energy AG. Hubertus Krossa was previously Deputy Chairman of the Supervisory Board of SFC Energy AG. His term of office runs until the end of the Annual General Meeting in 2022.

In addition, the Annual General Meeting resolved to amend the Articles of Association to expand the Supervisory Board from three to four members. This takes into account the growth of the Company and the increased regulatory requirements for the monitoring function, the diversity and internationalization of the Board. The amendment to the Articles of Association to increase the size of the Supervisory Board came into effect on July 22, 2021.

The shareholders elected Mrs. Sunaina Sinha Haldea, Managing Partner of Cebile Capital LLP, London (United Kingdom), and Mr. Henning Gebhardt, Managing Director of GAPS GmbH, new members of the Supervisory Board by a large majority. Mr. Gerhard Schempp, independent consultant, was re-elected to the Supervisory Board.

The terms of office of Mr. Gebhardt and Mr. Schempp began at the end of the Annual General Meeting in 2021 and will end for Mr. Gebhardt at the end of the Annual General Meeting in 2025 and for Mr. Schempp at the end of the Annual General Meeting in 2023. The term of office of Mrs. Sunaina Sinha Haldea will begin when the amendment to the Articles of Association comes into effect until the end of the Annual General Meeting in 2023.

In connection with the expansion of the Supervisory Board and against the backdrop of legal changes, the Supervisory Board of SFC Energy AG intends to appoint an Audit Committee whose tasks will include, among other things, reviewing the accounting and monitoring the accounting process, the effectiveness of the internal control

8 https://www.zvei.org/fileadmin/user_upload/Presse_und_Medien/Publikationen/2021/Juli/ZVEI-Konjunkturbarometer_Juli_2021/ZVEI-Konjunkturbarometer-Juli-2021.pdf
9 https://www.zvei.org/fileadmin/user_upload/Presse_und_Medien/Publikationen/2021/Juli/ZVEI-Konjunkturbarometer_Juli_2021/ZVEI-Konjunkturbarometer-Juli-2021.pdf
10 https://www.zvei.org/fileadmin/user_upload/Themen/Maerkte_Recht/Newsletter_auf_den_Punkt/ZVEI-Welt-Elektromarkt-Ausblick-bis-2021.pdf
11 International Energy Agency, (June 2021): World Energy Investment 2021

system, the risk management system, the internal audit system and compliance, as well as monitoring the audit of the financial statements, in particular the independence of the auditor, the quality of the audit and the additional services provided by the auditor.

Management Board

On February 23, 2021, the Supervisory Board of SFC Energy AG unanimously resolved, in agreement with Hans Pol, to extend his appointment as a member of the Management Board. In this context, Hans Pol's Management Board employment contract dated March 6/22, 2018, was terminated effective February 28, 2021, and a new Management Board employment contract was concluded by resolution and also dated February 23, 2021, effective March 1, 2021, for a term of four years until February 28, 2025.

Management Board remuneration system

The Annual General Meeting of SFC Energy AG on May 19, 2021, approved a remuneration system for the members of the Management Board in accordance with the requirements of stock corporation law. Future Mangement Board employment contracts shall be based on the remuneration system approved by the Annual General Meeting on May 19, 2021. In addition, the annual determination of the target total remuneration of each Management Board member takes into account not only the situation of the Company but also the respective areas of activity and responsibility of the Management Board member. This is done in line with statutory requirements and with a clear competitive focus. The balanced combination of non-performance-related (fixed) as well as short- and long-term performance-related (variable) remuneration components, using appropriate performance criteria and targets, promotes the implementation of SFC Energy AG's specific business strategy and the focus on sustainable and long-term company success. This also aligns the interests of all stakeholders, especially those of the shareholders as owners of the Company and those of the employees.

Earnings situation

In the first six months of fiscal year 2021 ("reporting period"), the Group generated sales of EUR 31,132k (previous year: EUR 27,710k), thus recording an increase of 12.3% compared to the same period of the previous year. This positive development was due to organic sales growth in both business segments, Clean Energy and Clean Power Management.

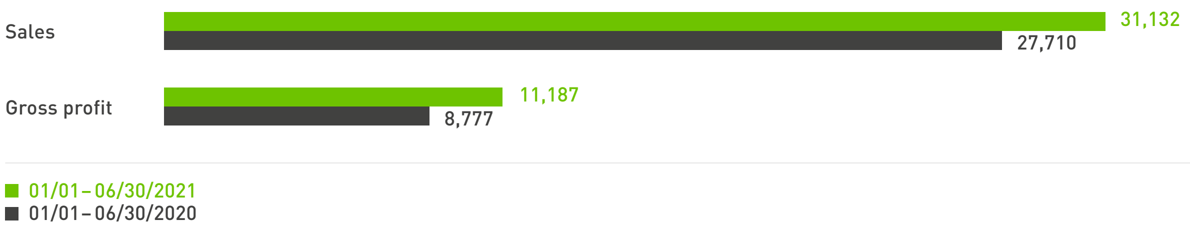
Compared to the prior-year period, exchange rate effects had virtually no impact on the Group's sales in the reporting period.

Compared to the previous year, the Clean Energy business segment recorded sales growth of 16.2 % to EUR 19,356k in the reporting period (previous year: EUR 16,652k). Sales in the Clean Power Management business segment increased by 6.5 % to EUR 11,776k in the reporting period (previous year: EUR 11,058k).

With a 62.2% share of Group sales (previous year: 60.1 %), Clean Energy remained the business segment with the highest sales in the Group. Clean Power Management's share of Group sales thus decreased slightly by 2.1 percentage points to 37.8 % (previous year: 39.9 %).

In the reporting period, both the positive development of Group sales and the increased gross profit margin in both segments led to an increase in gross profit of EUR 2,410k or 27.5 % to EUR 11,187k (previous year: EUR 8,777k). The resulting gross profit margin of the Group (gross profit as a percentage of sales) improved to 35.9 % (previous year: 31.7 %).

SALES AND GROSS PROFIT in EURk



Sales development by region

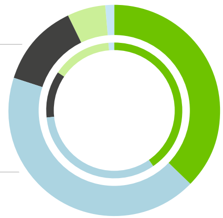
The sales development by region for the reporting period and the second quarter of 2021 compared to the previous year is as follows:

SALES BY REGION in EURk

	2021 01/01 – 06/30/	2020 01/01 – 06/30/	Change in %	2021 04/01 – 06/30/	2020 04/01 – 06/30/	Change in %
North America	11,638	11,197	3.9 %	5,514	4,699	17.3 %
Europe not including Germany	13,263	9,211	44.0 %	5,018	3,764	33.3 %
Germany	4,046	3,054	32.5 %	1,754	1,528	14.7 %
Asia	1,788	3,903	– 54.2 %	1,469	1,552	– 5.3 %
Rest of the world (RoW)	398	345	15.3 %	394	48	728.1 %
Total	**31,132**	**27,710**	**12.3 %**	**14,148**	**11,591**	**22.1 %**

BREAKDOWN OF SALES BY REGION
01/01 – 06/30/2021

in %



In terms of the regional sales development, the following changes occurred in the reporting period compared to the prior-year period: The Europe region (excluding Germany) contributed 42.6 % to Group sales (previous year: 33.2 %) and recorded the highest growth in both absolute and relative terms at EUR 4,052k and 44.0 % resepectively and replaced North America as the largest sales region. The increase in this region was mainly due to demand for fuel cell solutions for industrial and private (consumer) applications. North America's share of Group sales declined to 37.4 % in the reporting period (previous year: 40.4 %).

13.0 % (previous year: 11.0 %) of Group sales were generated in Germany and 5.7 % (previous year: 14.1 %) in Asia in the reporting period.

Reconciliation of EBITDA underlying and EBIT underlying

EBITDA underlying and EBIT underlying are presented in order to neutralize the impact of non-recurring effects that both increase and reduce the operating result for the reporting period in the presentation of financial performance indicators and to ensure comparability of these performance indicators between periods. In this context, the impact of the non-recurring effects listed below included in the respective functional costs and in other operating income are eliminated in the reporting period as part of a reconciliation to EBITDA underlying and EBIT underlying.

In the reporting period, non-recurring effects include expenses for the increase in provisions and additional paid-in capital for obligations under the long-term variable share-price-based cash compensation programs. These programs are stock appreciation rights ("SARs") and the stock option program for the Management Board ("MSOP") (together "LTI programs"). Expenses in the reporting period amounted to EUR 5,656k (prior year: EUR 3,071k) ("non-recurring expenses").

Furthermore, the non-recurring effects include income from the reversal of provisions for SARs. In the reporting period, income was recognized for the former Management Board member Markus Binder in the amount of EUR 119k and the current Management Board member Dr. Peter Podesser in the amount of EUR 365k ("non-recurring income"). The income was due to the reversal through profit or loss of provisions already accrued for the SARs, which were higher than the cash payments in the current fiscal year.

Expenses associated with transaction efforts amounting to EUR 181k (previous year: EUR 281k) are included in the non-recurring effects ("non-recurring expenses").

In total, the non-recurring effects are included as a net expense of EUR 5,353k (previous year: EUR 3,353k) for the reporting period in EBIT and EBITDA.

Expenses for the LTI programs of the incumbent Management Board members Dr. Peter Podesser, Daniel Saxena and Hans Pol are included in both sales costs and general and administration costs. Expenses associated with transaction efforts are included in general administrative expenses and income from the reversals of SARs provisions is included in other operating income.

The reconciliation to EBITDA underlying and EBIT underlying (= adjusted operating profit) and the allocation of non-recurring effects to income statement items are accordingly as follows:

NON-RECURRING EFFECTS in EURk

	2021 01/01–06/30/	2020 01/01–06/30/
Expenses for the LTI programs	–5,656	–3,071
Income from SARs	484	0
Expenditure for transaction efforts	–181	–281
Total net expense	**–5,353**	**–3,353**
thereof included in sales costs	–3,376	–1,981
thereof included in general administration costs	–2,461	–1,372
thereof included in other operating income	484	0

Sales development by segments

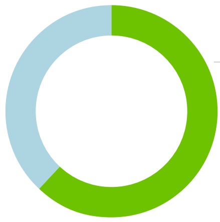
The segmentation of sales for the reporting period and the second quarter of 2021 compared to the previous year is as follows:

SALES BY SEGMENT in EURk

Segment	2021 01/01–06/30/	2020 01/01–06/30/	Change in %	2021 04/01–06/30/	2020 04/01–06/30/	Change in %
Clean Energy	19,356	16,652	16.2 %	9,285	6.977	33,1 %
Clean Power Management	11,776	11,058	6.5 %	4,863	4.614	5,4 %
Total	**31,132**	**27,710**	**12.3 %**	**14,148**	**11.591**	**22,1 %**

BREAKDOWN OF SALES BY SEGMENT
01/01 – 06/30/2021

in %



Clean Energy

The core business of the Clean Energy business segment focuses on the development, manufacture, supply, integration and marketing of products, systems and solutions based on technologically advanced hydrogen and direct methanol fuel cells for off-grid power generation. The business segment has an extensive portfolio of products that are sold individually or as solutions to customers in the private, industrial and public sectors in various end-customer markets.

In the markets addressed by Clean Energy, the continued growth in demand for renewable power generation and increasingly stringent national energy regulations, which are also increasing pressure to decarbonize value chains[12], are currently shifting market demand away from off-grid fossil fuel power generation, towards reliable, sustainable energy supply solutions with either low or no emissions at all. This is particularly evident in Europe, North America and Asia.

In general, the Clean Energy business segment is benefiting from changes in national energy regulations, for example in connection with the promotion of the hydrogen industry, the need for security of supply for an increasing number and variety of off-grid installations and systems, prices on CO_2 and climate protection targets, and the modernization of energy markets.[13] These changes are expected to increase future demand for fuel cell solutions.

In the period under review, the segment recorded sales of EUR 19,356k (previous year: EUR 16,652k), representing an increase of EUR 2,704k or 16.2 % compared to the same period of the previous year. In particular, the growth in sales was attributable to the continuing increase in demand for fuel cell solutions for industrial and private (consumer) applications.

With sales growth of 55.2 % compared to the same period of the previous year, business for private (consumer) applications increased particularly strongly against the backdrop of the new EFOY fuel cell generation launched in September 2020 and the continuing high demand for recreational vehicles in Europe. However, sales of fuel cell solutions for industrial applications, which made the largest contribution to segment sales, also increased significantly again by a total of 9.2 % compared to the prior-year period.

12 World Economic Forum, (Januar 2021): Net-Zero Challenge: The supply chain opportunity
13 Hydrogen Council / McKinsey & Company, (February 2021): Hydrogen Insights 2021: A perspective on Hydrogen investment, deployment and cost competitiveness

Sales in the defense business remained at a low level in the reporting period and slightly below those of the prior-year period. This was due to seasonal effects on the one hand and to continuing pandemic-related travel restrictions on the other, which particularly affected sales in markets outside Europe where SFC does not have a local presence.

The segment's gross margin of 40.2 % (previous year: 37.1 %) and gross profit of EUR 7,788k (previous year: EUR 6,185k) in the reporting period were above the level of the prior-year period due to more favorable manufacturing costs.

Sales costs adjusted for the above-mentioned non-recurring expenses of EUR 3,376k (previous year: EUR 1,981k) remained at the previous year's level of EUR 4,095k (previous year: EUR 4,092k).

The segment's general administration costs adjusted for the above-mentioned non-recurring expenses of EUR 2,461k (previous year: EUR 1,372k) increased by 20.2 % to EUR 2,391k (previous year: EUR 1,989k) in the reporting period and were thus significantly above the level of the previous year. The increase is mainly attributable to higher personnel expenses and auditing and advisory costs.

Mainly as a result of the significantly higher gross profit, EBITDA adjusted for non-recurring effects improved to EUR 2,435k in the reporting period (previous year: EUR 768k), which led to a likewise improved EBITDA underlying margin for the segment of 12.6 % (previous year: 4.6 %).

Clean Power Management

The core business of the Clean Power Management segment mainly comprises the development, manufacturing and marketing of the Group's wide range of high-tech power management solutions used to generate and control regulated voltage in electronic systems. The segment's target customers for these solutions are manufacturers of high-tech equipment for various industries. Here, the segment focuses in particular on companies with long-term positioning, especially in high-growth sectors.

With a smaller share of sales, the segment also includes the variable frequency drive business for customers in the oil and gas industries.

The technologies and products of the Clean Power Management business segment are also used in the Clean Energy segment.

For 2021, the IEA expects investment in both the upstream and mid/downstream sectors to rebound by nearly 15 % compared to 2020.[14]

In the reporting period, the Clean Power Management business segment recorded sales growth of 6.5 % to EUR 11,776k (previous year: EUR 11,058k). The growth was mainly based on recovering demand and good capacity utilization in the business segment's target markets.

14 International Energy Agency, (June 2021): World Energy Investment 2021

The gross profit of the Clean Power Management business segment increased significantly to EUR 3,399k (previous year: EUR 2,591k). The increase was due to both the development of sales and the higher gross profit margin. The resulting gross margin of 28.9 % (previous year: 23.4 %) was significantly above the level of the prior-year period due to more favorable conditions in the business segment's target markets.

At EUR 964k (previous year: EUR 982k), the business segment's sales costs remained at the previous year's level.

General administration costs of the business segment amounted to EUR 1,051k in the reporting period (previous year: EUR 694k) and were significantly higher than in the same period of the previous year, mainly due to higher personnel expenses and IT expenses of EUR 357k.

The segment's EBITDA does not include any non-recurring effects. EBITDA improved to EUR 1,007k in the reporting period, mainly as a result of the significantly higher gross profit (previous year: EUR 471k), which led to a likewise improved EBITDA margin for the segment of 8.5 % (previous year: 4.3 %) compared to the prior-year period.

Group

Gross profit

In the reporting period, gross profit increased significantly by 27.5 % to EUR 11,187k (previous year: EUR 8,777k), up EUR 2,410k compared to the previous year. This increase was attributable to organic sales growth and higher capacity utilization.

The gross profit margin of the Group (gross profit as a percentage of sales) resulting from the development of sales increased significantly to 35.9 % in the reporting period (previous year: 31.7 %). Both the increasing sales contribution from the high-margin Clean Energy business segment and the significantly higher gross profit margin of both business segments contributed to this.

For the individual segments, the gross profit compared to the previous year is as follows:

GROSS PROFIT FROM SALES in EURk

Segment	2021 01/01–06/30/	2020 01/01–06/30/	Change in %	2021 04/01–06/30/	2020 04/01–06/30/	Change in %
Clean Energy	7,788	6,185	25.9 %	3,692	2,532	45.8 %
Clean Power Management	3,399	2,591	31.2 %	1,293	999	29.4 %
Total	**11,187**	**8,777**	**27.5 %**	**4,984**	**3,531**	**41.1 %**

Sales costs

Sales costs increased by 19.6 % year-on-year to EUR 8,436k in the reporting period (previous year: EUR 7,055k). This development is due to the significantly higher non-recurring expenses of EUR 3,376k (previous year: EUR 1,981k) included in sales costs compared to the same period of the previous year.

Adjusted for these effects, sales costs in the reporting period remained at the level of the prior-year period at EUR 5,059k (previous year: EUR 5,074k). Group-wide, adjusted sales costs as a percentage of sales fell slightly to 16.3 % (previous year: 18.3 %) due to the increase in sales.

Lower expenses for marketing, essentially still due to the global pandemic restrictions, are the main reason for the constant sales costs in this context.

Research and development costs

Research and development costs reported in the income statement decreased by 4.7 % to EUR 1,498k in the reporting period (prior year: EUR 1,572k).

Including the development expenses capitalized in the reporting period, the expenses for joint development agreements and grants received in the total amount of EUR 1,435k (prior year: EUR 1,932k), the Group's total research and development expenditure in the reporting period amounted to EUR 2,933k (prior year: EUR 3,504k). This resulted in a total development ratio of the Group (research and development costs including capitalized development costs and joint development agreements as a percentage of sales) of 9.4 % (previous year:12.6 %). The slight decrease resulted from the positive sales development in the reporting period on the one hand and from higher development cost subsidies at the business segment Clean Power Management (SFC Energy B.V.) on the other hand. In addition, the research and development costs of SFC Energy B. V. in the prior-year period included impairment losses of EUR 287k. There were no impairment losses in the reporting period.

General administration costs

At EUR 5,902k (previous year: EUR 4,054k), general administration costs in the reporting period were significantly higher than in the prior-year period. After adjustment for the non-recurring effects of EUR 2,461k described above (previous year: EUR 1,372k), general administration costs increased by EUR 759k year-on-year to EUR 3,441k (previous year: EUR 2,682k). The increase is mainly due to higher personnel expenses in both segments, higher auditing, legal and consulting expenses, and IT expenses.

Other operating income

Other operating income increased significantly year-on-year to EUR 726k in the reporting period (previous year: EUR 68k). The main reason for this is the income from the reversal of SARs provisions in the amount of EUR 484k, which is included in the non-recurring effects described above. This item also includes income from exchange rate differences amounting to EUR 242k (previous year: EUR 62k).

Other operating expenses

Other operating expenses amounted to EUR 30k in the reporting period (previous year: EUR 163k) and resulted from expenses from exchange rate differences.

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

Although the Group's earnings before interest, taxes, depreciation and amortization (EBITDA) increased to EUR –1,912k in the reporting period (previous year: EUR –2,113k), they remained negative, resulting in a negative EBITDA margin (EBITDA as a percentage of sales) of –6.1% (previous year: –7.6 %). The negative EBITDA is attributable to the significant charges to functional costs with the non-recurring effects listed above.

The key financial performance indicator for managing the operating business, EBITDA adjusted for non-recurring effects (EBITDA underlying), amounted to EUR 3,441k in the reporting period (previous year: EUR 1,239k) and, with an increase of EUR 2,202k, more than doubled compared to the previous year's figure. The EBITDA underlying margin recorded a strong increase of 6.6 percentage points and, at 11.1 % (previous year: 4.5 %), was significantly higher than in the previous year.

The significant sales growth of both business segments in conjunction with the increase in the gross profit margin mainly accounted for the increase in EBITDA underlying.

Operating result (EBIT)

The Group's earnings before interest and taxes (EBIT) improved slightly in the reporting period to EUR –3,953k (previous year: EUR –4,000k). Although the EBIT margin (EBIT in relation to sales) improved to –12.7 % (previous year: –14.4 %), it remained negative due to the non-recurring effects listed above.

EBIT adjusted for the non-recurring effects (EBIT underlying) amounted to EUR 1,400k (previous year: EUR –647k) and was thus considerably higher than the previous year's figure of EUR 2,047k. This resulted in an EBIT underlying margin of 4.5 % (previous year: –2.3 %).

Interest and similar income

Interest and similar income amounted to EUR 0k (previous year: EUR 0k) due to the low level of interest rates.

Interest and similar expenses

Interest and similar expenses of EUR 171k (previous year: EUR 254k) include interest expenses from the application of IFRS 16 in the amount of EUR 86k (previous year: EUR 118k). The decrease in this item was due to lower IFRS 16 expenses and lower interest expenses for financial liabilities.

Consolidated net income for the period

At EUR –4,379k, the consolidated result for the period under review was at the same level as in the same period of the previous year (previous year: EUR –4,337k).

Earnings per share

The basic and diluted loss per share according to IFRS decreased to EUR –0.30 (EUR –0.33) due to the higher number of shares outstanding in the reporting period compared to the same period of the previous year.

Order intake and order backlog

Order intake increased significantly in the reporting period to EUR 38,340k (previous year: EUR 24,672k). Accordingly, the Group's order backlog increased to EUR 17,091k (previous year: EUR 12,451k) as of the reporting date of June 30, 2021. Of this amount, SFC AG accounted for EUR 4,469k (previous year: EUR 3,197k), SFC Energy B.V. for EUR 8,174k (previous year: EUR 6,433k) and SFC Energy Ltd. for EUR 4,448k (previous year: EUR 2,821k).

Assets and financial position

Capital structure

Shareholders' equity amounted to EUR 51,023k as of June 30, 2021 (December 31, 2020: EUR 54,838k) and thus decreased by EUR 3,815k.

The net financial position (freely available cash and cash equivalents less liabilities to banks) decreased by EUR 1,985k to EUR 24,930k in the reporting period (December 31, 2020: EUR 26,915k).

Cash and cash equivalents

As of June 30, 2021, freely available cash and cash equivalents amounted to EUR 28,954k (December 31, 2020: EUR 31,464k).

Overall, liabilities to banks decreased by EUR 525k to EUR 4,024k in the reporting period compared to the end of fiscal year 2020 (December 31, 2020: EUR 4,549k).

Continuous investment in product development as well as potential joint ventures, equity investments and acquisitions remain an important part of our growth and internationalization strategy in order to strengthen and expand our market positions in a targeted manner or to supplement current or enter new areas of business. The implementation of this strategy may give rise to financial obligations or additional financing requirements.

Until used, liquidity surpluses are invested in low-risk financial securities (e.g. overnight and time deposits) at various banks.

No capital requirements are defined in SFC's Articles of Association.

Cash flow and investments

CASH FLOW (UNAUDITED) in EURk

	01.01.–30.06.2021	01.01.–30.06.2020
Operating result before changes in working capital	3,078	1,104
Cash flow from		
Operating activities	672	–862
Investment activities	–1,564	–2,449
Financing activities	–1,618	–2,745

Cash flow from operating activities (Cash flow from ordinary operations)

Cash flow from operating activities increased particularly sharply in the reporting period compared to the prior-year period and amounted to EUR 672k (previous year: EUR –862k). The main reason for this increase was the extremely positive development of EBITDA underlying, respectively the operating result before changes in working capital, which increased by EUR 1,974k to EUR 3,078k in the reporting period (previous year: EUR 1,104k).

With regard to the main changes in net working capital, both trade receivables increased by EUR 2,251k with an effect on liquidity in the reporting period and trade payables increased by EUR 832k with an effect on liquidity in the same period. Inventories increased by EUR 318k in the reporting period with an effect on liquidity. Together with the other items of net current assets, this resulted in an increase in net current assets and thus a liquidity outflow of EUR 2,270k (previous year: EUR 1,866k) in the reporting period.

Cash flow from investing activities

Net cash used in investing activities in the reporting period amounted to EUR –1,564k (previous year: EUR –2,449k). This sharp decline is mainly due to lower capitalized development costs for the further development of the products of SFC Energy AG and SFC Energy B.V., which in the reporting period amounted to EUR 1,255k (previous year: EUR 1,929k).

Investments

Investments in property, plant and equipment and intangible assets amounted to EUR 1,573k in the reporting period (previous year: EUR 2,449k). This was a decrease of EUR 876k or 35.8 % compared to the previous year's figure. This decrease is mainly due to the lower capitalizable development expenses mentioned above.

Investments in property, plant and equipment amounted to EUR 221k (previous year: EUR 324k). Rights of use in accordance with IFRS 16 (Leases), amounting to EUR 74k (previous year: EUR 166k) are not included in these investments. Investments in intangible assets amounted to EUR 1,352k (previous year: EUR 2,125k) in which EUR 1,255k (previous year: EUR 1,929k) relates to capitalizable development expenses.

In relation to Group sales, this corresponds to an investment ratio including the recognition of rights of use in accordance with IFRS 16 of 5.3 % (previous year: 9.4 %).

The investments were made from the company's own funds or under the current loan agreements.

Cash flow from financing activities

The cash outflow from financing activities in the reporting period of EUR –1,618k (previous year: EUR –2,745k) mainly results from the repayment of financial liabilities of EUR 323k (previous year: EUR 589k), the repayment of working capital lines of 328k (previous year: EUR 1,633k) and the repayment of lease liabilities of EUR 802k (previous year: EUR 1,020k) in connection with the application of IFRS 16.

Operating cash flow before changes in net working capital and income taxes (operating profit before working capital changes) amounted to EUR 3,078k in the reporting period (previous year: EUR 1,104k) and was thus significantly higher than in the previous year.

After taking the change in net working capital, which increased by EUR 2,270k in the reporting period, and income tax payments into account, the cash flow from operating activities amounted to EUR 672k (previous year: EUR –862k).

The net change in cash and cash equivalents amounted to EUR –2,510k (previous year: EUR –6,056k). The balance of freely available cash and cash equivalents amounted to EUR 28,954k as of June 30, 2021 (December 31, 2020: EUR 31,464k).

Net assets

Total assets of EUR 88,046k as of June 30, 2021 (December 31, 2020: EUR 86,330k) increased by 2.0 % compared to the end of the previous fiscal year to EUR 1,716k. This was mainly due to the increase in current assets, and in particular the increase in inventories and trade receivables.

Inventories increased by approx. 5.4 % to EUR 13,295k (December 31, 2020: EUR 12,617k), in particular due to higher stockpiling of raw materials and supplies at SFC AG in order to prevent potential interruptions in the supply chains due to the COVID-19 pandemic and potential supply bottlenecks.

Trade accounts increased significantly by 19.4 % to EUR 14,758k (previous year: EUR 12,363k), which is also attributable to the relatively high level of Group sales at the end of the half year.

In the reporting period, non-current assets as a percentage of total assets remained at 32.0%, the same level as at the end of fiscal year 2020 (December 31, 2020: 32.3 %).

Intangible assets increased to EUR 16,969k as of June 30, 2021 (previous year: EUR 15,999k), mainly due to higher capitalized development expenses of EUR 8,273k as of June 30, 2021 (December 31, 2020: 7,733k) and higher recognized goodwill of SFC Energy Canada Ltd. and SFC Energy B.V. as of June 30, 2021 in the amount of EUR 8,258k (December 31, 2020: 7,853k) resulting from positive effects from currency translation. Capitalized development expenses of EUR 714k (previous year: EUR 461k) were amortized as scheduled in the reporting period.

Property, plant and equipment decreased slightly to EUR 9,191k (December 31, 2020: EUR 9,985k). Investments in and capitalization of property, plant and equipment amounted to EUR 295k in the reporting period (previous year: EUR 490k), of which EUR 74k (previous year: EUR 166k) resulted from the capitalization of rights of use (IFRS 16).

Current liabilities increased by EUR 5,244k to EUR 24,024k in the reporting period (December 31, 2020: EUR 18,780k). The significant increase mainly resulted from the reclassification of SARs liabilities in the amount of EUR 4,054k from non-current to current liabilities.

At EUR 5,765k (December 31, 2020: EUR 4,742k), trade accounts payables were 21.6 % or EUR 1,023k higher than at the end of the previous fiscal year.

Current liabilities under finance leases increased by EUR 620k to EUR 1,973k (December 31, 2020: EUR 1,353k).

Non-current liabilities increased slightly in the reporting period by EUR 288k to EUR 12,999k (December 31, 2020: EUR 12,711k). The main items included in non-current liabilities are liabilities under finance leases of EUR 5,358k (December 31, 2020: EUR 6,548k) and liabilities from the LTI programs of EUR 4,192k (December 31, 2020: EUR 5,683k).

Liabilities to banks decreased by EUR 525k to EUR 4,024k in the reporting period (December 31, 2020: EUR 4,549k) and are exclusively of a current nature. These mainly relate to working capital lines of SFC Energy B.V. and SFC Energy Ltd.

The composition and development of net financial liabilities were as follows:

NET FINANCIAL DEBT (UNAUDITED) in EURk

	06/30/2021	12/31/2020	Change
Liabilities to banks	4,024	4,549	– 525
thereof SFC Energy AG			–
thereof SFC Energy B.V.	2,112	2,341	– 227
thereof SFC Energy Ltd.	1,912	2,209	– 297
Less			
Freely available cash and cash equivalents [1]	28,954	31,464	– 2,510
Total	**24,930**	**26,915**	**– 1,985**

1 Cash and cash equivalents less restricted cash and cash equivalents

Overall, liabilities accounted for 42.0 % of total capital (December 31, 2020: 36.5 %).

The Group's equity decreased to EUR 51,023k in the reporting period (December 31, 2020: EUR 54,838k). The equity ratio also decreased to 58.0 % (December 31, 2020: 63.5 %). With regard to the development of equity, please refer to the Consolidated Statement of Changes in Equity in the interim consolidated financial statements.

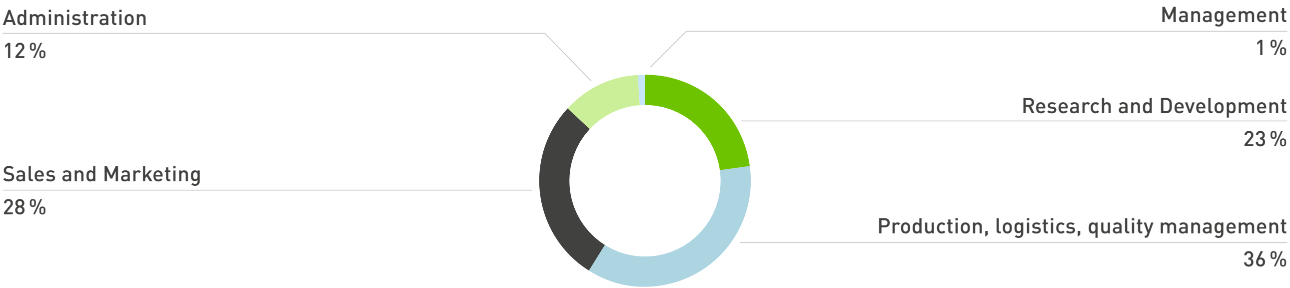
Employees

The number of permanent employees as of June 30, 2021, is as follows:

EMPLOYEES

	06/30/2021	12/31/2020	Change
Management board	3	3	0
Research and development	65	65	0
Production, logistics, quality management	101	96	5
Sales and marketing	78	82	– 4
Administration	35	34	1
Permanent employees	**282**	**280**	**2**

EMPLOYEES BY FUNCTIONAL AREA
AS OF 06/30/2021



As of June 30, 2021, the Group had 282 permanent employees worldwide (December 31, 2020: 280).

Risk and Opportunities Report

In our Annual Report for fiscal year 2020, we presented both the risks that could have a significant adverse impact on our net assets, financial position and results of operations (including effects on assets, liabilities and cash flows) and our most significant opportunities. Changes in risks and opportunities are constantly monitored, assessed, and incorporated into our planning as necessary during the year.

In the reporting period, we added risks from acquisitions, joint ventures, equity investments and cooperation agreements which are related to our inorganic growth strategy.

Otherwise, we did not identify any further significant risks and opportunities beyond those described in our 2020 Annual Report and in this Interim Group Management Report. In this risk report, we therefore focus only on those risks whose overall significance has been classified as medium or high and describe the respective change compared to the end of the previous fiscal year.

The assessment of risks and opportunities for the further development in 2021 is influenced by uncertainty, in particular due to potential supply bottlenecks, raw material price increases and the recruitment of qualified employees.

Other risks and opportunities of which we are currently unaware or which we currently assess as immaterial could also affect our business activities. At present, no risks have been identified which, either individually or in combination with other risks, could jeopardize the continued existence of the Group.

Business risks

Market risks

Following the pandemic-related slump in the first half of 2020, the global economy continued to recover in the first half of 2021. Following a decline in February, global industrial production in March returned to its positive trend since May 2020. Global trade also reached a new high above pre-crisis levels after a strong gain, and various sentiment indicators point to a further improvement in the global economy. We expect global macroeconomic development to remain stable in the current fiscal year.

Uncertainty remains high, however, due to the dynamic nature of the infection and ongoing disruptions in global supply chains. A major risk to the development of the global economy is the further course of the COVID-19 pandemic. If the further course of infection requires more comprehensive containment measures than currently assumed, this would have a major impact on economic recovery and international trade links. The broader and more comprehensive the lockdowns, the more severe these effects would be.

Whereas the markets for off-grid energy supply in the Clean Energy business segment have been affected by economic cycles to only a limited extent in recent quarters, the markets of the Clean Power Management business segment were characterized by investment retraints during the pandemic-related recession.

Clean Energy segment

In recent years, the energy system transformation and climate protection have become dominant issues in the perception of politics, economies and societies. In our assessments there will be significant changes in the energy sector, also in response to climate target obligations. Power generation from fossil fuels is coming under increasing pressure as the prevailing trend in many regions of the world is toward sustainable power generation from renewables or carbon-neutral fuels. This is demonstrated, among other developments, by the closer alliances of large parts of science, industry and civil society for a comprehensive CO_2 price, the climate package of the German government, but also the "EU Green Deal" of the EU Commission and the "Energy Earthshots" initiative of the U.S. Department of Energy.

Changes to the regulatory framework or an increase in the price for CO_2 emissions could make a significant contribution to the development of a high-performance hydrogen and methanol economy. This would improve the competitiveness of "green hydrogen" and "green methanol," and thus also that of the business segment's product portfolio.

These – in some cases disruptive – expected developments in the energy markets, including the trend towards decarbonization of industries, provide us with opportunities to accelerate the penetration of our target markets with low-emission or zero-emission fuel cells and, in our estimation, will have a significant positive impact on the sales growth and earnings of the Clean Energy business segment.

However, the relevant changes may take place gradually over several years or even decades. There is a risk that demand for hydrogen and direct methanol fuel cell solutions will fall short of forecasts because the transition to the technology will be slower than we expect or other low-emission or emission-neutral technologies will be employed.

There is also a risk that corresponding requirements or regulatory measures (e. g. CO_2 pricing, deployment restrictions for greenhouse gas emitting technologies, promotion of hydrogen infrastructure) will be implemented in a much longer timeframe than we expect and may force us to rethink our strategy and organizational structure as well as our product portfolio.

Low or even falling electricity generation costs from conventional or fossil fuels in some regions of the world may mean that demand for fuel cells develops more slowly than expected.

As in the past, the sales growth and earnings of the business segment will continue to depend to a large extent on our ability to meet the evolving needs of our current customers and potential new customers, and on our ability to anticipate and adapt to changes in the markets we serve and optimize our cost base accordingly.

Parts of the business segment's product portfolio are aimed at public-sector customers. Risks exist in the dependency on the spending behavior of public-sector budgets in Germany and in foreign customer countries. Government budgets can be restructured and cut back, which may also affect the departments we address.

The diversified customer structure ensures a balance in the event of fluctuations in demand in individual sectors and regions. The diversified product portfolio in terms of performance and fuel cell technology and the low dependence on individual customers mean that price change risks and weaknesses in demand can be cushioned.

The systematic internationalization of the segment and the focus of its business on the major economic regions of Europe, North America and Asia limit dependency on individual customer countries and spread the risk.

Overall, negative political, regulatory and macroeconomic developments are considered unlikely for the business segment, but could have a significant negative impact on the net assets, financial position and results of operations in individual cases. The risk is therefore classified as medium.

Clean Power Management segment

The Clean Power Management segment bundles the entire business with technically advanced standardized and semi-standardized power management solutions such as power supplies and coils that are used in devices for the high-tech industry. Furthermore, this segment includes business with variable frequency drives that are used in the upstream and oil and gas industries. Technologies and products from the business segment are also used in the Clean Energy segment. Due to the markets served for equipment in the high-tech and oil and gas industries, the development of the Clean Power Management business segment is closely linked to macroeconomic trends and business cycles at the global level, but also in the individual regions and countries in which the business segment operates. Risks arising from economic cycles cannot be completely averted.

Thus, there is a risk of short-term market fluctuations in the markets we address. It is also possible that future market downturns can turn out to be different from those seen to date, by taking an L-shape with longer phases of stagnant growth, for example. A lack of or decline in market growth would make it considerably more difficult to achieve the business segment's growth target.

Permanently low oil and gas prices could lead to a decline in demand for our products and solutions for the oil and gas industry. At present, analysts at international banks are assuming that the oil price will not collapse or will continue to rise in the short term due to the cyclical increase in demand for oil despite the COVID-19 pandemic exploding in parts of the world and the simultaneous unchanged oil supply.

Declining trends worldwide and in individual countries and temporary fluctuations in demand for capital goods in the high-tech and oil and gas industries are being countered by expanding the company's international presence and increasingly marketing products in the renewable energies industry.

The segment's diversified product portfolio helps to ensure that temporary economic fluctuations can be partly offset by more favorable developments in other regions and markets.

The net risk from negative macroeconomic and cyclical developments in the markets addressed by the business segment is considered possible and could have a significant negative impact on the net assets, financial position and results of operations. We therefore classify it as a high risk.

Operational risks

Supply chain management (procurement and production risks)

The results of our operating business units depend on reliable and effective management of our supply chain for components, parts and materials. Unexpected delivery failures or supply bottlenecks resulting from ineffective supply chain management and / or capacity constraints at individual suppliers could lead to production bottlenecks, delivery delays, quality problems and additional costs.

Our operating business units are dependent on individual suppliers for the supply of certain components and parts: In the event that one of these suppliers restricts or discontinues production or interrupts supply, this could potentially have a significant negative impact on the affected business.

We counter these risks through ongoing monitoring of procurement markets, structured procurement concepts, the avoidance of supplier dependencies, careful selection of efficient suppliers, annual supplier reviews, quality and reliability checks at suppliers, alternative suppliers and subcontractors. We also reduce the probability of this risk potential occurring through long-term strategic alliances for supply- and price-critical components, medium- and long-term framework supply agreements, and higher safety stocks.

As a result of pandemic-related rising demand in individual countries and scarce transport capacities, there have been significantly more supplier bottlenecks since the first quarter of the current fiscal year compared to previous years. The situation is currently not expected to improve in the short term, as further supplier bottlenecks will occur in the future with a time lag depending on the situation in the international supply countries.

Overall, we no longer assess the probability of occurrence of the risk as possible, but now as likely. We continue to assess the negative impact on the net assets, financial position and results of operations as substantial in individual cases. Overall, this risk is assessed as high.

Commodity price risks

The Clean Energy segment requires certain precious metals for the production of fuel cells that are purchased from suppliers. The Clean Power Management segment requires electronic components in its production process. The purchase prices for these raw materials can fluctuate significantly due to market conditions, political crises or legislation – combined with possible supply shortages – and volatile demand for individual raw materials.

Past experience has shown that increased manufacturing costs cannot always be passed on to our customers by adjusting prices.

The majority of the procurement volume of raw materials is not fixed in terms of price.

To reduce purchasing-related risks such as major price fluctuations, we procure important goods and input materials on the basis of long-term supply contracts.

As a result of the global spread of the pandemic, many raw material producers temporarily halted their production partially or completely. This temporary supply shortage, coupled with recovering demand from industrialized countries, led to sharply rising raw material prices in the first half of 2021 and a procurement situation characterized by unstable raw material supplies and supply bottlenecks. Due to largely unchanged underlying conditions, price fluctuations with uncertain and inconsistent trends are expected for the current fiscal year.

Overall, we no longer assess the risk in terms of its probability of occurrence as possible, but now as likely. In individual cases, we no longer assess the negative impact on the net assets, financial position and results of operations as immaterial, but rather as moderate. Overall, this risk is assessed as high.

Acquisitions, joint ventures, investments and cooperation agreements

In order to further develop and expand our current business and our competitive position, we also pursue external growth opportunities in the form of potential acquisitions or other forms of partnership with companies, such as joint ventures and equity investments. In addition to opening up new end-customer markets and regional markets, the focus here is on supplementing our product and technology portfolio.

Acquisitions generally entail entrepreneurial risks, as they involve imponderables arising from the integration of employees, technologies, products and processes. Integration processes may prove to be more difficult or more time-consuming and cost-intensive than anticipated. The acquired business may also not develop as successfully as originally expected after integration or the objectives pursued with the acquisition may not be achieved or not to the extent planned. In addition, risks could arise in the course of the operations of the newly acquired business that were not previously identified or were not considered to be material.

Joint ventures, shareholdings and collaborations entail fundamental risks, as it may not be possible for us to counteract potential negative effects on our business by exerting sufficient influence on management processes or business decisions. In addition, joint ventures also involve risks in connection with the integration of employees, technologies, products and processes. Similarly, collaborations may involve risks for us as we compete in some business areas with the companies with which we collaborate. Necessary portfolio or structural measures could result in additional financing requirements.

Securing financing for acquisitions, joint ventures, equity investments and collaborations could pose a challenge for us.

Acquisitions and the various forms of partnerships can have a considerable impact on the Group's debt/equity ratio and financing/capital structure and lead to an increase in non-current assets including goodwill. Charges can result from impairment losses on goodwill due to unforeseen business developments. In addition, such transactions may well result in significant acquisition, administration and integration expenses.

We strive to reduce risk exposure through good due diligence processes and closely managed integration processes. Before any investment decision is made, a careful business assessment and analysis of the commercial, technical, legal, tax and financial framework is carried out (due diligence). For the optimal integration of businesses, we have established the necessary structures and processes and work, according to a standardized post-merger concept, for example. We also benefit from our many years of experience in the successful integration of companies and businesses.

The occurrence of risks from acquisitions, joint ventures, investments and cooperation agreements is generally possible. We consider the associated impact on the net assets, financial position and results of operations to be substantial. We therefore classify the risk as high.

Financial risks

Human resources (human resources risks)

For a technology-oriented company like the SFC Group, the achievement of ambitious growth targets and sustainable economic success are supported, among other things, by a diverse and highly qualified workforce, such as experienced specialists, experts or talented staff in the fields of software development, digitalization and electrical engineering.

Competition for employees with above-average qualifications overall in the industries and regions in which we do business remains intense and is increasing. However, we continue to need highly qualified employees to implement our growth strategy and compensate for staff turnover.

If we are unable to recruit management, specialist and junior staff to fill vacancies who have the commercial, technical or industry-specific skills we are looking for, this could have an adverse effect on the Group, as could inadequate qualifications or low motivation among employees.

We are meeting these challenges, for example, by strengthening the skills and knowledge of our employees in recruitment, by making targeted use of employer branding initiatives, competitive remuneration packages with performance-based incentive systems, modern HR management and structured HR development based on a skill model. Technology and digitalization are designed to help us attract and select talent more effectively – also in view of the diversity of our workforce.

Nevertheless, there may be a shortage of qualified employees that affects the Group's business, even if the effects are difficult to assess at present.

Due to the intense competition for qualified specialists, the occurrence of this risk is classified as possible, with a potentially significant negative impact on the net assets, financial position and results of operations, and is therefore assessed as a high risk.

Financial and liquidity risks

The continuation of SFC's business activities in the medium term depends on the realization of the current business plan. A material failure to meet the key assumptions of the business plan, in particular the increase in sales, gross profit, EBIT and cash flow from operating activities, could adversely affect the Group's solvency and thus cast doubt on the Group's ability to continue as a going concern in the medium term and beyond.

Guidance

Although we continue to expect global macroeconomic development to remain subdued for the remainder of fiscal year 2021, with risks associated with the macroeconomic environment impacted by the COVID-19 pandemic and geo-economic uncertainties in particular, we expect our businesses to continue to develop positively in the second half of the fiscal year. The business of the Clean Energy business segment in particular has proven to have limited exposure to economic cycles and has demonstrated a high degree of resilience. Risks from macroeconomic developments for the business of the Clean Power Management segment arising from economic cycles cannot be completely ruled out or averted. In our guidance, we assume that the recovery from the negative effects of the pandemic on the business of the Clean Power Management business segment will continue.

Our guidance continues to assume a limited financial impact from the COVID-19 pandemic in fiscal year 2021. Nevertheless, we are monitoring the resurgence of the COVID-19 pandemic and the measures imposed by the authorities closely. We continue to monitor the pandemic situation and evaluate appropriate measures with regard to our outlook. In the quarterly announcement dated March 31, 2021, we specified the forecast for the development of underlying and EBIT underlying for SFC Energy AG in 2021.

Sales

After a strong first half of 2021, which was characterized by sales growth in both segments, we confirm the guidance for year-on-year consolidated sales growth for SFC Energy AG of 15 % to 30 % to approximately EUR 61,000k to between EUR 70,000k.

EBITDA underlying

EBITDA underlying is one of our key financial performance indicators for managing the operating business. For fiscal year 2021, we expect EBITDA underlying to be in the range of EUR 4,750k to EUR 6,000k, supported by the positive development of demand in both segments and the slight expansion of margins.

EBIT underlying

In line with the results achieved in the first half of the fiscal year and the expectations described above, we are concretizing EBIT underlying to a range of EUR 1,000k to EUR 1,600k.

REPORT ON SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

Related party transactions

Related parties within the meaning of IAS 24 (Related-Party Disclosures) are legal entities or individuals that can influence SFC Energy AG and its subsidiaries or are subject to control, joint control or significant influence by SFC Energy AG or its subsidiaries. These include, in particular, unconsolidated subsidiaries, joint ventures and associated companies included at cost or using the equity method, and pension plans, as well as the members of SFC Energy AG's corporate bodies.

The changes in the Supervisory Board compared with the Group Management Report as of December 31, 2020, are shown on pages 15 and 16 of this Interim Group Management Report. There were no changes in the group of related parties.

Related parties

As in the previous year, there were no material related party transactions in the reporting period.

Related companies

As in the previous year, there were no transactions with non-consolidated subsidiaries in the reporting period.

Other related party disclosures

The members of the Management Board and Supervisory Board hold a total of approximately 1.7 % (December 31, 2020: less than 1.7 %) of the shares issued by SFC Energy AG.

SUPPLEMENTARY REPORT

The amendments to the Articles of Association resolved at the Annual General Meeting on May 19, 2021, were entered in the Commercial Register on July 22, 2021.

Up to the date of preparation, no events of particular significance have occurred that are expected to have or have had a significant effect on the net assets, financial position and results of operations of the Group.

Brunnthal, August 16, 2021

The Management Board

Dr. Peter Podesser
Chairman of the Board (CEO)

Hans Pol
Board member (COO)

Daniel Saxena
Board member (CFO)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO THE INTERNATIONAL FINANCIAL REPORTING STANDARDS FOR THE PERIOD JANUARY 1 TO JUNE 30, 2021

Consolidated Statement of Income

JANUARY 1 TO JUNE 30, 2021 — in EUR

	1 HY 2021 01/01 – 06/30/2021	1 HY 2020 01/01 – 06/30/2020
Sales	31,131,904	27,709,901
Cost of goods sold and services rendered to generate sales revenue	– 19,944,500	– 18,933,248
Gross profit	**11,187,404**	**8,776,653**
Selling expenses	– 8,435,620	– 7,054,930
Research and development costs	– 1,498,129	– 1,572,236
General administrative expenses	– 5,902,390	– 4,054,303
Other operating income	726,061	68,054
Other operating expenses	– 30,217	– 162,776
Operating result (EBIT)	**– 3,952,891**	**– 3,999,538**
Interest and similar income	5	0
Interest and similar expenses	– 170,643	– 253,623
Result before taxes	**– 4,123,529**	**– 4,253,161**
Taxes on income and earnings	– 255,550	– 84,082
Consolidated net result for the period	**– 4,379,079**	**– 4,337,243**
Earnings per share		
undiluted	– 0.30	– 0.33
diluted	– 0.30	– 0.33

Consolidated Statement of Comprehensive Income

JANUARY 1 TO JUNE 30, 2021		in EUR
	1 HY 2021 01/01–06/30/2021	1 HY 2020 01/01–06/30/2020
Consolidated result for the period	**–4,379,079**	**–4,337,243**
Other comprehensive income to be reclassified to profit or loss for the period in the future:		
Differences from the translation of foreign subsidiaries	358,162	–332,209
Changes in value recognized directly in equity (total other comprehensive income)	**358,162**	**–332,209**
Total comprehensive income for the period	**–4,020,917**	**–4,669,452**

The amounts are fully attributable to the shareholders of the parent company. There are no deferred tax effects on the changes in value recognized directly in equity.

Consolidated Statement of Financial Position

ASSETS AS OF JUNE 30, 2021

in EUR

	06/30/2021	12/31/2020
Current assets	**59,832,468**	**58,447,329**
Inventories	13,294,635	12 ,617,145
Trade receivables	14,758,139	12,362,867
Assets from contracts with customers	1,021,687	668,212
Receivables from income taxes	0	0
Other assets and receivables	1,518,324	1,049,387
Cash and cash equivalents	28,954,063	31,464,099
Restricted cash and cash equivalents	285,620	285,620
Non-current assets	**28,213,187**	**27,882,362**
Intangible assets	16,969,477	15,999,278
Property, plant and equipment	9,191,284	9,985,097
Financial assets	0	0
Deferred tax assets	2,052,426	1,897,987
Assets	**88,045,655**	**86,329,691**

Consolidated Statement of Financial Position

LIABILITIES AND SHAREHOLDERS' EQUITY AS OF JUNE 30, 2021 in EUR

	06/30/2021	12/31/2020
Current liabilities	**24,024,133**	**18, 780,475**
Tax provisions	41,975	7,476
Other accrued liabilities	1,679,634	1,575,879
Liabilities to banks	4,023,805	4,339,954
Liabilities from advance payments	15,576	39,531
Trade accounts payable	5,764,841	4,742,006
Liabilities from finance leases	1,972,994	1,353,289
Liabilities from contracts with customers	15 8,581	51,928
Other liabilities	10,366, 727	6,670,413
Non-current liabilities	**12,998,618**	**12,711,252**
Other accrued liabilities	1,425,761	1,407,402
Liabilities to banks	0	209,446
Liabilities from finance leases	5,358,127	6,547,750
Other non-current financial liabilities	0	0
Other liabilities	4,295,340	2,752,773
Deferred tax liabilities	1,919,390	1,793,881
Equity	**51,022,904**	**54,837,964**
Subscribed capital	14,469,743	14,469,743
Capital reserve	119,324,197	119,118,339
Other changes in equity not affecting net income	– 760,545	– 1,118,708
Result carried forward	– 77,631,411	– 72,447,357
Consolidated net result for the period	– 4,379,080	– 5,184,054
Liabilities	**88,045,655**	**86,329,691**

Consolidated Statement of Cash Flows

JANUARY 1 TO JUNE 30, 2021

in EUR

		01/01–06/30/2021	01/01–06/30/2020
	Cash flow from operating activities		
	Earnings before taxes	**–4,123,529**	**–4,253,161**
+	Interest result	170,638	253,623
+	Amortization of intangible assets and depreciation of property, plant and equipment	2,040,898	1,886,434
+/–	Income/expenses from LTI programs	5,172,316	3,071,107
+	Change in the valuation allowance	–146,659	94,780
+/–	Losses/gains on the disposal of non-current assets	–2,475	4,786
+/–	Other non-cash income and expenses	–33,099	46,428
	Operating cash flow before changes in working capital	**3,078,089**	**1,103,997**
+/–	Changes to provisions	106,490	24,926
–/+	Change in trade receivables	–2,251,070	1,134,656
–/+	Change in inventories	–318,059	–1,070,541
–/+	Change in other receivables and assets	–773,154	–540,520
+/–	Change in trade accounts payable	831,719	–1,771,178
+/–	Changes to other liabilities	134,209	356,364
	Cash flow from operating activities before income taxes	**808,224**	**–762,296**
+/–	Income tax refunds/payments	–135,779	–99,693
	Cash flow from operating activities	**672,444**	**–831,989**

Consolidated Statement of Cash Flows

JANUARY 1 TO JUNE 30, 2021

in EUR

		01/01–06/30/2021	01/01–06/30/2020
	Cash flow from investing activities		
–	Investments in intangible assets from development projects	–1,254,772	–1,929,488
–	Investments in other intangible assets	–97,396	–195,718
–	Investment in property, plant and equipment	–221,067	–324,068
+	Interest and similar income received	5	0
+	Sale of fixed assets	9,000	0
	Cash flow from investing activities	**–1,564,230**	**–2,449,273**
	Cash flow from financing activities		
+	Proceeds from the issue of equity instruments of the company	0	750,000
–	Cost of equity issuance	0	–6,000
–	Repayment of financial liabilities	–322,576	–588,728
+/–	Change in current account liabilities	–328,349	–1,633,433
–	Repayment of liabilities from finance leases	–802,129	–1,020,222
–	Interest paid and similar expenses	–165,196	–246,523
	Cash flow from financing activities	**–1,618,250**	**–2,744,906**
	Cash-effective change in cash and cash equivalents		
	Net change in cash and cash equivalents		
	Cash and cash equivalents at the beginning of the reporting period	31,464,099	20,906,380
	Cash and cash equivalents at the end of the reporting period	28,954,063	14,850,212
	Net change in cash and cash equivalents	**–2,510,036**	**–6,056,168**

Consolidated Statement of Changes in Equity

JANUARY 1 TO JUNE 30, 2021

in EUR

	Subscribed capital	Capital surplus	Other changes in equity not effecting profit or loss	Net accumulated loss	Total
Status on 12/31/2020	**14,469,743**	**119,118,339**	**– 1,118,708**	**– 77,631,411**	**54,837,963**
Total comprehensive income for the period					
Consolidated loss for the period 01/01 – 06/30/2021				– 4,379,080	– 4,379,080
Income/loss from currency translation recognized directly in equity			358,162		358,162
Equity-settled share-based payment transactions		205,858			205,858
Status on 06/30/2021	**14,469,743**	**119,324,197**	**– 760,546**	**– 82,010,491**	**51,022,904**

JANUARY 1 TO JUNE 30, 2020

in EUR

	Subscribed capital	Capital surplus	Other changes in equity not effecting profit or loss	Net accumulated loss	Total
Status on 12/31/2020	**12,949,612**	**100,416,909**	**– 658,895**	**– 72,447,357**	**40,260,269**
Total comprehensive income for the period					
Consolidated loss for the period 01/01 – 06/30/2020				– 4,337,243	– 4,337,243
Income/loss from currency translation recognized directly in equity			– 332,209		– 332,209
Capital increase					
Capital increase	204,700	543,300			750,000
Less costs from capital increase		– 6,000			– 6,000
Status on 06/30/2021	**13,154,312**	**100,956,209**	**– 991,104**	**– 76,784,600**	**36,334,818**

SELECTED EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

General principles and scope of consolidation

Information on the company

SFC Energy AG ("company" or "SFC AG") is a stock corporation domiciled in Germany. The registered office of the company is Eugen-Sänger-Ring 7, 85649 Brunnthal. The company is registered in the Commercial Register of the Local Court of Munich under the number 144296. The main activities of the company and its subsidiaries ("SFC" or "Group") are the development, production and marketing of products, systems and solutions for stationary and mobile off-grid power supply based on hydrogen (PEMFC) and direct methanol (DMFC) fuel cells for customers from the private, industrial and public sectors in various end-customer markets, the making of the necessary investments for this purpose, and all other related business.

The company is listed in the Prime Standard of the Frankfurt Stock Exchange (WKN 756857, ISIN: DE0007568578).

Accounting principles

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) for interim reporting as adopted by the EU. The significant accounting policies of the company that were applied in the preparation of the Consolidated Financial Statements for the year ended December 31, 2020, have also been applied in the preparation of these interim financial statements.

The condensed interim financial statements of SFC Energy AG for the period January 1 to June 30, 2021, ("the reporting period") have been prepared in accordance with IAS 34 "Interim Financial Reporting" as condensed consolidated financial statements. The condensed consolidated financial statements do not contain all the information required for the consolidated financial statements for a fiscal year and should be read in conjunction with the Consolidated Financial Statements as of December 31, 2020.

The 2021 interim consolidated financial statements of SFC AG for the reporting period have been prepared on a going concern basis.

The Management Board is of the opinion that there are no material uncertainties that could cast significant doubt on this assumption. The Board has concluded that the Group has sufficient funds reasonably available to meet its obligations for the foreseeable future and at least 12 months after the end of the reporting period. The interim financial statements are presented in euros (EUR). Unless stated otherwise, the figures in these interim financial statements have been rounded to the nearest euro (EUR). Please note that the use of rounded amounts and percentages may result in differences due to commercial rounding. The Consolidated Statement of Income has been prepared using the cost of sales method.

These interim financial statements have been reviewed by an auditor. At the proposal of the Supervisory Board, the auditor has been elected by the Annual General Meeting to serve as auditor of the annual financial statements and consolidated financial statements for fiscal year 2021 and auditor for any review of interim financial reports for the fiscal year.

Accounting standards to be applied for the first time in fiscal year 2021

The accounting policies applied in preparing the condensed consolidated interim financial statements are consistent with those applied in preparing the consolidated financial statements for the year ended December 31, 2020, except for the application of new standards effective from January 1, 2021. The Group has not adopted any standards, interpretations or amendments early that have been issued but are not yet effective.

Several amendments are effective for the first time for the year 2021 but have no impact on the company's condensed consolidated interim financial statements.

In the second quarter of 2020, the International Accounting Standards Board (IASB) published an amendment to IFRS16. The amendment relates to "COVID-19 pandemic lease concessions." The lessee is to be granted practical relief in accounting for rental concessions as a result of the COVID-19 pandemic. This does not have any material impact on the Group.

The amendment to be applied from January 1, 2021, due to the Interest Rate Benchmark Reform – Phase 2 that resulted in amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 have no impact on the Group. Likewise, the amendments to IFRS 4 (concerning the exemption from having to apply IFRS 9) have no impact on the Group.

Estimation uncertainties and discretionary decisions

The preparation of the Consolidated Financial Statements in conformity with IFRS requires management to make certain assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed by management on an ongoing basis. Changes in estimates are recognized in the period in which the estimates are changed and in any future periods affected.

In preparing these interim financial statements, the significant judgments made by management in the process of applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied in the preparation of the consolidated financial statements for the year ended December 31, 2020, as follows.

Scope of consolidation

As of June 30, 2021, four (December 31, 2020: four) companies including the parent company, SFC Energy AG, were fully consolidated. These are the same companies as on December 31, 2020, and therefore there are no changes in the scope of consolidation compared to the Consolidated Financial Statements. The company's direct and indirect shareholdings in the three subsidiaries included in the scope of consolidation as of June 30, 2021, and their changes of names on January 1, 2021, are shown in the following table.

Subsidiaries that are fully included in the scope of consolidation:

SUBSIDIARIES, FULLY CONSOLIDATED IN THE CONSOLIDATED FINANCIAL STATEMENTS in %

Name of company	Seat	Share in capital			Currency
		directly	indirectly	total	
SFC Energy Ltd. (formerly Simark Controls Ltd.)	Calgary (Canada)	100.00	–	100.00	CAD
SFC Energy B. V. (formerly PBF Group B. V.)	Almelo (Netherlands)	100.00	–	100.00	EUR
SFC Energy Power SrL. (formerly PBF Power Srl.)	Cluj-Napoca (Romania)	–	100.00	100.00	RON

As of June 30, 20201, there were no changes in ownership interests in the Group that would have resulted in a loss of control. There are no significant restrictions on the ability of the Group or its subsidiaries to access and use the Group's assets or to discharge the Group's liabilities.

Economic and seasonal influences on business activity

The operating events presented in these interim financial statements are subject to macroeconomic trends and cyclical influences. Seasonal events, on the other hand, have no significant impact on the Group.

Disclosures on significant events and transactions

Balance sheet impact of the COVID-19 pandemic

SFC is continuously reviewing the impact of the COVID-19 pandemic on its business and the resulting effects on the Group's financial reporting. To date, the COVID pandemic has had a significant impact on the awarding of contracts. For further details, please refer to the section "Business Performance and Economic Situation" in the Interim Group Management Report. Please refer to the Forecast Report in the Interim Group Management Report for information on the expected impact of the COVID-19 pandemic on the fiscal year 2021.

Other liabilities

Non-current other liabilities comprise the liability from the Stock Appreciation Rights Program (SAR Program) for the Management Board members Dr. Peter Podesser, Daniel Saxena and Hans Pol. For details on this agreement, please refer to the following note on "Stock Appreciation Rights Program."

Stock Appreciation Rights Program

As part of the Management Board contracts, an agreement was concluded between the company and the Management Board members on the conclusion of a Stock Appreciation Rights Program. The objective of the program is to pursue a business policy that is primarily aligned to the interests of the shareholders and promotes the long-term increase in value of the shareholders' shareholding.

The program provides for variable compensation in the form of stock appreciation rights (SARs). A SAR grants the holder the right to receive a cash payment equal in value to the valid share price at the time of exercise less the exercise price. The SARs can be exercised after expiry of the respective waiting period within a period of one year, subject to the achievement of performance targets and observance of the so-called blackout period. The number of SARs that can be exercised depends largely on the average SFC share price over a period of 30 trading days before the end of the respective waiting period (reference price).

As part of the performance targets, the average stock market price of the company 30 trading days before the end of the respective waiting period must exceed the average stock market price 30 trading days before the SARs are issued.

The granting of SARs has been classified and measured as cash-settled share-based payment transactions in accordance with IFRS 2.30. The fair value of the SARs is remeasured on each balance sheet date using a Monte Carlo model and taking into account the terms and conditions upon which the SARs were granted.

In fiscal year 2020, additional SARs were granted to Daniel Saxena under the new Management Board contract (Tranche DS1/ Daniel Saxena Program 5). Furthermore, the waiting periods of the tranche PP2 (Dr. Peter Podesser Program 3) were shortened by 7 and 14 months respectively in fiscal year 2020. The Tranche PP3 was replaced in fiscal year 2020 by a stock option program Tranche PP1 (Peter Podesser Stock Option Program 1), which is why there are no longer any entitlements under this SARs program at the end of the fiscal year.

Markus Binder's entitlements were redeemed by a cash payment in the first half of 2021. Furthermore, a portion of the entitlements of Dr. Peter Podesser based on Tranche PP2 (Peter Podesser Program 2) were exercised in the reporting period.

The SARs developed as follows in the reporting period:

DEVELOPMENT OF SARs IN 2021

	Tranche HP2 (Hans Pol Program 2)	Tranche PP2 (Peter Podesser Program 2)	Tranche MB1 (Markus Binder Program 1)	Tranche HP3 (Hans Pol Program 4)	Tranche DS1 (Daniel Saxena Program 5)
Number of stock appreciation rights (SARs)	180,000	360,000	180,000	180,000	228,000
Maximum term (in years)	7.00	7.00	7.00	7.00	8.00
SARs outstanding at the beginning of the 2021 reporting period (Jan. 1, 2021)	20,000	220,000	55,000	120,000	228,000
In the reporting period 2021					
SARs granted	0	0	0	0	0
SARs forfeited	0	0	55,000	0	0
SARs exercised	0	73,333	0	0	0
SARs expired	0	0	0	0	0
SARs outstanding at the end of the 2021 reporting period (June 30, 2021)	**20,000**	**146,667**	**0**	**120,000**	**228,000**
SARs exercisable at the end of the reporting period 2021 (June 30, 2021)	**0**	**0**	**0**	**0**	**0**

The SARs developed as follows in fiscal year 2020:

DEVELOPMENT OF SARS IN 2020

	Tranche HP2 (Hans Pol Program 2)	Tranche PP2 (Peter Podesser Program 2)	Tranche PP2 (Peter Podesser Program 3)	Tranche MB1 (Markus Binder Program 1)	Tranche HP3 (Hans Pol Program 4)	Tranche DS1 (Daniel Saxena Program 5)
Number of stock appreciation rights (SARs)	180,000	360,000	420,000	180,000	180,000	228,000
Maximum term (in years)	7.00	7.00	7,00	7.00	7.00	8.00
SARs outstanding at the beginning of the 2020 reporting period (Jan. 1, 2020)	20,000	260,000	420,000	102,500	150,000	0
In the reporting period 2020						
SARs granted	0	0	0	0	0	228,000
SARs forfeited	0	40,000	420,000	47,500	30,000	0
SARs exercised	0	0	0	0	0	0
SARs expired	0	0	0	0	0	0
SARs outstanding at the end of the reporting period 2020 (Dec. 31, 2020)	**20,000**	**220,000**	**0**	**55,000**	**120,000**	**228,000**
SARs exercisable at the end of the reporting period 2020 (Dec. 31, 2020)	**0**	**0**	**0**	**0**	**0**	**0**

The following parameters were taken into account in the valuation as of June 30, 2021:

SARs IN 2021

	Tranche HP2 (Hans Pol Program 2)	Tranche PP2 (Peter Podesser Program 2)	Tranche HP3 (Hans Pol Program 4)	Tranche DS1 (Daniel Saxena Program 5)
Valuation date	06/30/2021	06/30/2021	06/30/2021	06/30/2021
Remaining term (in years)	1.00	2.75	4.00	7.00
Volatility	63.72 %	60.32 %	56.07 %	52.14 %
Risk-free interest rate	– 0.71 %	– 0.69 %	– 0.63 %	– 0.46 %
Expected dividend yield	0.00 %	0.00 %	0.00 %	0.00 %
Exercise price	EUR 1.00	EUR 1.00	EUR 1.00	EUR 1.00
SFC share price at the valuation date	EUR 28.15	EUR 28.15	EUR 28.15	EUR 28.15

The following parameters were used as a basis for the valuation as of December 31, 2020:

SARs IN 2020

	Tranche HP2 (Hans Pol Program 2)	Tranche PP2 (Peter Podesser Program 2)	Tranche PP2 (Peter Podesser Program 3)	Tranche MB1 (Markus Binder Program 1)	Tranche HP3 (Hans Pol Program 4)	Tranche DS1 (Daniel Saxena Program 5)
Valuation date	12/31/2020	12/31/2020	12/31/2020	12/31/2020	12/31/2020	12/31/2020
Remaining term (in years)	1.50	3.25	6.00	3.17	4.50	7.50
Volatility	64.05 %	55.05 %	49.68 %	54.69 %	54.73 %	43.63 %
Risk-free interest rate	– 0.76 %	– 0.77 %	– 0.73 %	– 0.77 %	– 0.76 %	– 0.69 %
Expected dividend yield	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
Exercise price	EUR 1.00	EUR 1.00	EUR 1.00	EUR 1.00	EUR 1.00	EUR 1.00
SFC share price at the valuation date	EUR 15.94	EUR 15.94	EUR 15.94	EUR 15.94	EUR 15.94	EUR 15.94

The period from the measurement date to the end of the agreement was used as the term. The share price was determined via Bloomberg from the closing price in XETRA trading as of June 30, 2021. The volatility was determined as the historical volatility of the SFC share over the remaining term to maturity. The expected volatility taken into account is based on the assumption that future trends can be inferred from historical volatility, so that the volatility that actually occurs may differ from the assumptions made. The expected dividend yield is based on market estimates for the amount of the expected dividend of the SFC share in the years 2021 and 2022.

As of June 30, 2021, a liability of EUR 8,245,847 (thereof EUR 4,191,660 non-current) was recognized under other liabilities as part of the SARs Program (December 31, 2020: EUR 5,683,464; thereof EUR 2,752,773 non-current). Expenses for the period from January 1 to June 30 amount to EUR 4,966,458 (prior-year period: EUR 3,071,107).

Stock option program

As part of the Management Board contracts, an agreement on the conclusion of a stock option program (MSOP) was concluded between the company and Dr. Podesser and Hans Pol. The objective of this program is to pursue a business policy that is primarily aligned with the interests of the shareholders and promotes the long-term increase in the value of the shareholders' shareholding.

In fiscal year 2020, tranche PP1 (Peter Podesser Stock Option Program 1) was granted in exchange for the entitlements from tranche PP3 (Dr. Peter Podesser SARs Program).

Tranche PP1 (Peter Podesser Stock Option Program 1) provides for variable compensation in the form of so-called stock options. A stock option entitles the holder to subscribe to one no-par value ordinary bearer share of the company (no-par share) with simultaneous payment of the exercise price by the option holder. The stock options can be exercised after expiry of the respective vesting period within a period of one year, taking into account the so-called blackout periods. The number of exercisable stock options depends largely on the average SFC share price over a period of 30 trading days prior to the expiration of the respective waiting period (reference price).

The granting of the stock options has been classified and measured as equity-settled share-based payment transactions in accordance with IFRS 2.30. The fair value of the stock options is remeasured on each balance sheet date using a Monte Carlo model and taking into account the terms and conditions upon which the stock options were granted.

A stock option program was granted to Hans Pol in fiscal year 2021 (Hans Pol Stock Option Program 2).

The Stock Option Program 2 has a maximum term of eight years. The option rights can be exercised in accordance with the option conditions within one year after the expiry of a waiting period. The waiting period is four or seven years, in each case starting on the issue date of the tranche (beginning on March 1, 2021). The exercise price is EUR 24.41. Each option right entitles the holder to purchase one SFC AG share. Subscription rights granted may only be exercised if a stock market price of SFC AG shares defined in more detail by the Annual General Meeting has reached a certain price target at certain times during the four-year waiting period and subscription rights have therefore not lapsed (in whole or in part). The exercise of stock options with respect to each sub-tranche is furthermore conditional upon an average stock market price of SFC AG stock at the time of exercise, as defined in more detail by the Annual General Meeting, reaching or exceeding thresholds set by the Annual General Meeting.

The stock option program ensures that, after expiry of the waiting period, option rights may only be exercised for the respective drawing period if the total of the number of option rights exercised multiplied by the closing price on the exercise date of these option rights less the exercise price and the number of option rights to be exercised multiplied by the closing price on the trading day before the intended date of exercise of the option rights less the exercise price does not exceed an amount of EUR 1 million (cap). The granting of the stock options has been classified and measured as equity-settled share-based payment transactions in accordance with IFRS 2.30.

The stock options developed as follows in the reporting period:

DEVELOPMENT OF STOCK OPTIONS IN 2021

	Tranche PP1 (Peter Podesser Stock Option Program 1)	Hans Pol Stock Option Program 2
Number of stock options	504,000	504,000
Maximum term (in years)	8.00	8.00
Stock options outstanding at the beginning of the reporting period 2021 (Jan. 1, 2021)	504,000	0
In the reporting period 2021		
Stock options granted	0	500,000
Stock options forfeited	0	0
Stock options exercised	0	0
Stock options expired	0	0
Stock options outstanding at the end of the reporting period 2021 (June 30, 2021)	**504,000**	**500,000**
Stock options exercisable at the end of the reporting period 2021 (June 30, 2021)	**0**	**0**

The stock options developed as follows in fiscal year 2020:

DEVELOPMENT OF STOCK OPTIONS IN 2020

	Tranche PP1 (Peter Podesser Stock Option Program 1)
Number of stock options	504,000
Maximum term (in years)	8.00
Stock options outstanding at the beginning of the reporting period 2020 (Jan. 1, 2020)	0
In the reporting period 2020	
Stock options granted	504,000
Stock options forfeited	0
Stock options exercised	0
Stock options expired	0
Stock options outstanding at the end of the reporting period 2020 (Dec. 31, 2020)	**504,000**
Stock options exercisable at the end of the reporting period 2020 (Dec. 31, 2020)	**0**

The following parameters were taken into account in the valuation as of June 30, 2021:

2021

	Tranche PP1 (Peter Podesser Stock Option Program 1)	Hans Pol Stock Option Program 2
Valuation date	05/19/2020	03/01/2021
Remaining term (in years)	8.15	8.00
Volatility	45.18 %	49.49 %
Risk-free interest rate	– 0.54 %	– 0.47 %
Expected dividend yield	0.00 %	0.00 %
Exercise price	EUR 1.00	EUR 24.41
SFC share price on the valuation date	EUR 10.00	EUR 28.50

As of June 30, 2021, a capital reserve of EUR 762,099 was recognized under the stock option program (December 31, 2020: EUR 556,241). The expense for the period from January 1 to June 30 amounts to EUR 205,858 (prior-year period: EUR 0).

The following parameters were used as a basis for the valuation as of December 31, 2020:

2020

	Tranche PP1 (Peter Podesser Stock Option Program 1)
Valuation date	05/19/2020
Remaining term (in years)	8.15
Volatility	45.18 %
Risk-free interest rate	– 0.54 %
Expected dividend yield	0.00 %
Exercise price	EUR 1.00
SFC share price on valuation date	EUR 10.00

Breakdown of sales revenue

Revenue for the period January 1 to June 30, 2021, can be broken down as follows:

BREAKDOWN OF SALES REVENUE in EUR

	Clean Energy	Clean Power Management	Total
	01/01/–06/30/2021	01/01/–06/30/2021	01/01/–06/30/2021
Regions			
North America	7,893,074	3,744,594	11,637,668
Europe (excluding Germany)	6,259,439	7,003,386	13,262,824
Germany	3,676,061	369,607	4,045,668
Asia	1,309,860	478,335	1,788,196
Rest of the world	217,752	179,796	397,548
Total	**19,356,186**	**11,775,718**	**31,131,904**
Timing of revenue recognition			
Time-related transfer of goods	19,238,145	8,926,410	28,164,555
Period-related revenue recognition/provision of services	118,041	2,849,308	2,967,349
Total	**19,356,186**	**11,775,718**	**31,131,904**

Revenue for the comparative period January 1 to June 30, 2020, can be broken down as follows:

BREAKDOWN OF SALES REVENUE in EUR

	Clean Energy	Clean Power Management	Total
	01/01/–06/30/2020	01/01/–06/30/2020	01/01/–06/30/2020
Regions			
North America	6,661,002	4,536,191	11,197,192
Europe (excluding Germany)	3,474,858	5,736,026	9,210,884
Germany	2,635,672	417,955	3,053,628
Asia	3,719,592	183,733	3,903,325
Rest of the world	160,456	184,416	344,872
Total	**16,651,581**	**11,058,320**	**27,709,901**
Timing of revenue recognition			
Time-related transfer of goods	16,421,302	8,871,885	25,293,187
Period-related revenue recognition/provision of services	230,279	2,186,436	2,416,715
Total	**16,651,581**	**11,058,320**	**27,709,901**

Cost of goods sold and services rendered to generate sales revenue

The cost of sales in the first half of 2021 is as follows:

PRODUCTION COSTS in EUR

	01/01/–06/30/2021	01/01/–06/30/2020
Cost of materials	15,490,759	14,810,995
Personnel costs	2,137,487	2,112,034
Room costs	174,132	140,727
Transport costs	509,004	393,173
Amortization of capitalized development costs	678,474	142,880
Warranty	151,029	140,183
Other depreciation and amortization	584,764	709,105
Consulting	27,360	34,169
Other	191,491	449,982
Total	**19,944,500**	**18,933,248**

Selling expenses

Selling expenses in the first half of 2021 are as follows:

SELLING EXPENSES in EUR

	01/01/–06/30/2021	01/01/–06/30/2020
Personnel costs	7,286,720	5,526,418
Depreciation	265,108	327,740
Advertising and travel expenses	343,635	422,022
Consulting / Commission	99,928	325,760
Other	440,229	452,990
Total	**8,435,620**	**7,054,930**

Research and development costs

Research and development costs in the first half of 2021 are as follows:

RESEARCH AND DEVELOPMENT COSTS in EUR

	01/01/–06/30/2021	01/01/–06/30/2020
Personnel costs	1,426,440	1,539,555
Consultancy and patents	249,114	465,261
Room costs	28,096	57,815
Other depreciation and amortization	317,083	511,761
Cost of materials	811,055	850,836
Other	101,705	79,473
Offsetting against grants received	–180,592	–2,977
Capitalization as internally generated intangible assets	–1,254,772	–1,929,488
Total	**1,498,129**	**1,572,236**

General administrative expenses

General administrative expenses in the first half of 2021 are as follows:

GENERAL ADMINISTRATIVE EXPENSES in EUR

	01/01/–06/30/2021	01/01/–06/30/2020
Personnel costs	3,885,002	2,324,048
Audit and consulting fees	798,099	707,425
Investor Relations/Annual General Meeting	319,212	168,223
Insurance	121,353	125,886
Depreciation	195,469	194,948
Vehicle costs	77,747	37,851
Travel expenses	23,348	38,657
Supervisory Board remuneration	65,724	56,250
Maintenance costs for hardware and software	95,078	24,912
Other	324,293	376,826
Offsetting against grants received	–2,935	–723
Total	**5,902,390**	**4,054,303**

Other operating income and expenses

In the reporting period, other operating income mainly includes income from exchange rate differences in the amount of EUR 242,091 (previous year: EUR 62,373) and income from the reversal of provisions from the SARs program in the amount of EUR 483,650 (previous year: EUR 0) after part of the entitlements of Dr. Peter Podesser's tranche had been exercised in the reporting period. Other operating income amounts to a total of EUR 726,061 (previous year: EUR 68,054).

Other operating expenses in the reporting period exclusively include exchange rate differences in the amount of EUR 30,217 (prior year: EUR 162,776).

Income taxes

As in the Consolidated Financial Statements as of December 31, 2020, deferred tax assets on tax loss carry-forwards of SFC and its subsidiaries are recognized at a maximum of the amount at which they can be offset against deferred tax liabilities after deduction of the other deferred tax assets, since a future economic benefit from these loss carryforwards cannot yet be sufficiently substantiated.

Segment Report

SFC's segments are Clean Energy and Clean Power Management.

Since January 1, 2021, the Group has been segmented on the basis of a view and management of the company's activities oriented to the technology platforms and the portfolio of products and services offered. The Group's segments are Clean Energy and Clean Power Management. The Group's previous segmentation was based on SFC's target markets. The Clean Energy & Mobility and Defense & Security segments have been combined in full in the new Clean Energy segment. The Oil & Gas segment was divided into the two new segments.

To measure the performance of the Clean Energy and Clean Power Management segments and to manage the Group, The Management Board continues to use sales, gross profit, adjusted EBITDA (adjusted earnings before interest, taxes, depreciation and amortization) and adjusted EBIT (earnings before interest and taxes adjusted for special effects) as key performance indicators.

Sales revenue, gross profit, EBITDA and the reconciliation of EBITDA to profit from operations (EBIT) according to the Consolidated Statement of Income are as follows in the first half of 2021:

SEGMENTS
JANUARY 1 TO JUNE 30, 2021

in EUR

	Clean Energy		Clean Power Management		Consolidated financial statements	
	2021	2020	2021	2020	2021	2020
Sales	**19,356,186**	**16,651,581**	**11 ,775,718**	**11,058,320**	**31,131,904**	**27,709,901**
Cost of goods sold and services rendered to generate sales revenue	–11,568,176	–10,466,368	–8,376,342	–8,466,880	–19,944,500	–18,933,248
Gross profit	**7,788,010**	**6,185,213**	**3,399,395**	**2,591,440**	**11,187,405**	**8,776,653**
Selling expenses	–7,471,507	–6,072,560	–964,113	–982,371	–8,435,621	–7,054,930
Research and development costs	–623,389	–374,961	–874,740	–1,197,274	–1,498,129	–1,572,236
General administrative expenses	–4,851,649	–3,360,764	–1,050,741	–693,539	–5,902,390	–4,054,303
Other operating income	726,061	68,054	0	0	726,061	68,054
Other operating expenses	–30,217	–162,776	0	0	–30,217	–162,776
Other expenses/income (balance)	695,844	–94,722	0	0	695,844	–94,722
Operating result (EBIT)	**–4,462,691**	**–3,717,794**	**509,800**	**–281,744**	**–3,952,892**	**–3,999,538**
Adjustments EBIT	5,353,331	3,352,545	0	0	5,353,331	3,352,545
Adjusted EBIT	**890,640**	**–365,249**	**509,800**	**–281,744**	**1,400,439**	**–646,993**
Depreciation	–1,543,951	–1,133,292	–496,947	–753,142	–2,040,898	–1,886,434
EBITDA	**–2,918,740**	**–2,584,502**	**1,006,747**	**471,398**	**–1,911,994**	**–2,113,104**
Adjustments to EBITDA	5,353,331	3,352,545	0	0	5,353,331	3,352,545
Adjusted EBITDA	**2,434,591**	**768,043**	**1,006,747**	**471,398**	**3,441,337**	**1,239,441**
Operating result (EBIT)					**–3,952,892**	**–3,999,538**
Financial result					–170,638	–253,623
Result from ordinary activities					**–4,123,530**	**–4,253,161**
Taxes on income and earnings					–255,550	–84,082
Consolidated result for the period					**–4,379,080**	**–4,337,243**

The Clean Energy segment comprises the Group's broad portfolio of products, systems and solutions in the area of stationary and mobile off-grid energy solutions based on hydrogen (PEMFC) and direct methanol (DMFC) fuel cells for customers from the private, industrial and public sectors in various end-customer markets. The Clean Power Management segment bundles the entire business with technologically advanced, standardized and semi-standardized power management solutions such as voltage transformers and coils for the operation of equipment in the high-tech industry. In addition, the segment also includes the business with frequency converters used in the upstream oil and gas industry. Some of the technologies and products from the segment are also used in the Clean Energy segment.

Other disclosures on financial instruments

The carrying amounts of the financial assets and financial liabilities recognized in the financial statements at amortized cost largely correspond to their fair values, as they are mainly current.

CARRYING AMOUNTS ACCORDING TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION in EUR

	06/30/2021	12/31/2020
Financial assets		
Assets measured at amortized cost		
Trade receivables	14,758,139	12,362,867
Other assets and receivables – current	250,659	0
Cash and cash equivalents	28,954,063	31,464,099
Restricted cash and cash equivalents	285,620	285,620
Financial debt		
Liabilities measured at amortized cost		
Liabilities to banks	4,023,805	4,549,400
Trade accounts payable	5,764,841	4,742,006
Leasing liabilities	7,331,121	7,901,039
Other liabilities – current	108,319	148,475

The carrying amounts of the financial assets and financial liabilities recognized in the financial statements at amortized cost largely correspond to their fair values.

Financial assets and liabilities measured at fair value are allocated to the following three hierarchy levels: Financial assets and liabilities are allocated to Level 1 if a quoted price for identical assets and liabilities is available on an active market. They are allocated to Level 2 if the parameters on which the fair value is based are observable either directly as prices or indirectly derived from prices. Financial assets and liabilities are reported in Level 3 if the fair value is determined from unobservable inputs. In the current period, there are no financial liabilities and financial assets based on a Level 3 fair value measurement.

The allocation to the fair value levels as of June 30, 2021, is as follows:

FAIR VALUE LEVEL

in EUR

	06/30/2021		
	Level 1	Level 2	Total
Financial assets			
Assets measured at amortized cost			
Trade receivables	0	14,758,139	14,758,139
Other assets and receivables – current	0	250,659	250,659
Cash and cash equivalents		28,954,063	28,954,063
Restricted cash and cash equivalents	0	285,620	285,620
Financial debt			
Liabilities measured at amortized cost			
Liabilities to banks	0	4,023,805	4,023,805
Trade accounts payable	0	5,764,841	5,764,841
Lease liabilities	0	7,331,121	7,331,121
Other liabilities – current	0	108,319	108,319

The allocation to the fair value levels is as follows as of December 31, 2020:

FAIR VALUE LEVEL

in EUR

	12/31/2020		
	Level 1	Level 2	Total
Financial assets			
Assets measured at amortized cost			
Trade receivables	0	12.362.867	12.362.867
Other assets and receivables – current	0	0	0
Cash and cash equivalents	0	31.464.099	31.464.099
Restricted cash and cash equivalents	0	285.620	285.620
Financial debt			
Liabilities measured at amortized cost			
Liabilities to banks	0	4.549.400	4.549.400
Trade accounts payable	0	4.742.006	4.742.006
Lease liabilities	0	7.901.039	7.901.039
Other liabilities – current	0	148.475	148.475

Employees

The number of permanent employees as of June 30, 2021, is as follows:

EMPLOYEES

	06/30/2021	06/30/2020
Full-time employees (including the Management Board)	249	251
Part-time employees	33	33
Total	**282**	**284**

In addition, a total of 9 (previous year: 11) interns, diploma students and student trainees were employed at the end of June 2021.

Earnings per share

Earnings per share are calculated by dividing the consolidated net profit for the year attributable to the shareholders of the parent company by the average number of shares outstanding. The number of shares outstanding as of the reporting date June 30, 2021, amounted to 14,469,743 shares (previous year: 13,154,312 shares). The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders and a weighted average of ordinary shares outstanding after adjusting for all dilutive effects of potential ordinary shares. Earnings per share for the reporting period amount to EUR -0.30 (previous year: EUR -0.33)

Brunnthal, August 16, 2021

The Management Board

Dr. Peter Podesser
Chairman of the Board (CEO)

Hans Pol
Board member (COO)

Daniel Saxena
Board member (CFO)

REVIEW REPORT
To SFC Energy AG, Brunnthal/Germany

We have reviewed the condensed interim consolidated financial statements, which comprise the consolidated balance sheet as at 30 June 2021, the consolidated statement of profit and loss and the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the period from 1 January to 30 June 2021 as well as selected explanatory notes to the consolidated financial statements, and the interim group management report of SFC Energy AG, Brunnthal/Germany, for the period from 1 January to 30 June 2021. The preparation of the condensed interim consolidated financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act (WpHG) applicable to interim group management reports is the responsibility of the executive directors of the Company. Our responsibility is to issue a review report on the condensed interim consolidated financial statements and on the interim group management report based on our review.
We conducted our review of the condensed interim consolidated financial statements and the interim group management report in accordance with German Generally Accepted Standards for Reviews of Financial Statements promulgated by the Institut der Wirtschaftsprüfer (IDW) as well as in supplementary compliance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE 2410). Those standards require that we plan and perform the review to obtain a certain level of assurance to preclude through critical evaluation that the condensed interim consolidated financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU or that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act (WpHG) applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and persons responsible for accounting as well as to analytical procedures and thus provides less assurance than an audit of consolidated financial statements. Since, in accordance with our engagement, we have not performed a consolidated financial statement audit, we cannot express an audit opinion.
Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of SFC Energy AG, Brunnthal/Germany, have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU or that the interim group management report has not been prepared, in material respects, in accordance with the provisions of the German Securities Trading Act (WpHG) applicable to interim group management reports.

Our review report is intended solely for SFC Energy AG, Brunnthal/Germany, and may not be disclosed to or used by third parties without our prior consent. Our responsibility is solely towards SFC Energy AG, and our liability shall be limited in accordance with the engagement letter agreed with the Company dated 7/8 July 2021 and the "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (German Public Auditors and Public Audit Firms)" as of 1 January 2017.

Munich/Germany, 16 August 2021

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed:

Dirk Bäßler	Oliver Pointl
Wirtschaftsprüfer (German Public Auditor)	Wirtschaftsprüfer (German Public Auditor)

2021 FINANCIAL CALENDAR

MAY 18, 2021	Q1 REPORT 2021
MAY 19, 2021	ANNUAL GENERAL MEETING
AUGUST 19, 2021	Q2 REPORT 2021
AUGUST 25, 2021	CAPITAL MARKET CONFERENCE HIT, HAMBURG
NOVEMBER 15, 2021	Q3 REPORT 2021
NOVEMBER 22, 2021	GERMAN EQUITY FORUM, FRANKFURT

SHARE INFORMATION

Bloomberg symbol	F3C
Reuters symbol	CXPNX
WKN	756857
ISIN	DE0007568578
Number of shares as of 06/30/2021	14,469,743
Stock category	No-par value shares
Stock segment	Prime Standard, Renewable Energies
Stock exchange	Frankfurt, FWB
Designated sponsor	mwb fairtrade Wertpapierhandelsbank AG

INVESTOR-RELATIONS

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