MCPHY ENERGY

Half-year financial report

30 June 2020

STATEMENT OF FINANCIAL POSITION

ASSETS (€K)	NOTES	30 June 2020	31 December 2019
NON-CURRENT ASSETS			
Goodwill	3.1	2,487	2,487
Intangible non-current assets	3.1	133	157
Tangible non-current assets	3.2	4,018	2,808
Other assets		327	316
Deferred tax assets	3.3	57	77
TOTAL		**7,022**	**5,845**
CURRENT ASSETS			
Inventories	3.4	2,721	1,941
Trade and other receivables	3.5	9,077	7,714
Tax assets due	3.5	863	746
Financial assets	3.6	-	-
Cash and cash equivalents	3.6	23,960	12,995
TOTAL		**36,622**	**23,397**
TOTAL ASSETS		**43,643**	**29,242**

LIABILITIES (€K)	NOTES	30 June 2020	31 December 2019
Capital		2,342	2,079
Issue premiums		29,791	30,854
Treasury shares		(153)	(70)
Accumulated retained earnings		(8,012)	(16,281)
GROUP EQUITY		**23,968**	**16,581**
Minority interests			
TOTAL EQUITY		**23,968**	**16,581**
NON-CURRENT LIABILITIES			
Provisions > 1 year	3.7	916	756
Borrowings and financial debt maturing > 1 year	3.8	6,887	1,784
Other payables	3.9	-	-
Deferred tax liabilities	3.3	583	578
TOTAL		**8,385**	**3,118**
CURRENT LIABILITIES			
Provisions < 1 year	3.7	540	584
Borrowings and financial debt maturing < 1 year	3.8	1,157	1,088
Trade and other payables	3.9	3,878	4,881
Other current liabilities	3.9	5,715	2,990
Current tax	3.9	-	-
TOTAL		**11,290**	**9,543**
TOTAL EQUITY AND LIABILITIES		**43,643**	**29,242**

The appendix is an integral part of the consolidated financial statements.

STATEMENT OF COMPREHENSIVE INCOME

€K	NOTES	S1-2020	S1-2019	2,019
Revenue	3.10	5,356	4,316	11,387
Other income from operating activities	3.11	326	380	4,076
INCOME FROM CURRENT OPERATIONS		**5,682**	**4,696**	**15,463**
Goods consumed		(3,197)	(1,847)	(5,787)
Change in stocks of finished products, work in progress		318	35	(355)
Payroll charges		(4,146)	(3,554)	(7,149)
External charges		(2,174)	(2,962)	(6,007)
Taxes and duties		(51)	(50)	(89)
Amortization	3.12	(607)	(679)	(1,531)
Provisions	3.12	50	308	(1,029)
CURRENT OPERATING INCOME		**(4,125)**	**(4,052)**	**(6,484)**
Other operating income and charges		17	(38)	(64)
NET OPERATING INCOME		**(4,108)**	**(4,091)**	**(6,548)**
Income from cash and cash equivalents		28	37	480
Cost of gross financial debt		(144)	(73)	(110)
Cost of net financial debt		(116)	(35)	370
Tax charge on income	3.13	(32)	(40)	(77)
Income from equity affiliates		-	-	-
Net income from ordinary activities		(4,256)	(4,166)	(6,255)
Income (loss) from abandoned activities		-	-	-
NET INCOME (LOSS) FOR YEAR		**(4,256)**	**(4,166)**	**(6,255)**
Attributable to owners of the parent company		(4,256)	(4,166)	(6,255)
Attributable to minority interests		-	-	-
Net earnings per share - Group share	3.14	(0.22)	(0.28)	(0.42)
Net diluted earnings per share - Group share	3.14	(0.22)	(0.28)	(0.42)
NET INCOME (LOSS) FOR YEAR		**(4,256)**	**(4,166)**	**(6,255)**
Actuarial gains or (losses) on pension obligations		-	-	(12)
Currency translation adjustments		77	84	82
Deferred taxes recognized as equity		-	-	3
Other comprehensive income		77	84	73
TOTAL COMPREHENSIVE INCOME (LOSS) FOR YEAR		**(4,179)**	**(4,082)**	**(6,182)**

The appendix is an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW

€K	S1-2020	S1-2019	2,019
NET INCOME (LOSS) FOR YEAR	(4,256)	(4,166)	(6,255)
Depreciation, amortization, and impairment	557	357	1,872
Other income and expenses	(448)	64	(3,545)
Gains (losses) on disposals	14	13	130
Income from equity affiliates	-	-	-
CASH FLOW AFTER COST OF NET FINANCIAL DEBT AND TAXES	(4,132)	(3,731)	(7,799)
Cost of net financial debt	75	3	(370)
Tax expense	32	40	77
CASH FLOW BEFORE COST OF NET FINANCIAL DEBT AND TAXES	(4,026)	(3,688)	(8,093)
Taxes paid	(7)	(9)	(9)
Reduction (increase) in Inventories	(780)	0	222
Reduction (increase) in Trade receivables	(2,384)	(2,617)	(1,119)
Reduction (increase) in Other receivables	894	343	91
Increase (reduction) in Trade payables	(289)	(584)	715
Increase (reduction) in Other payables	2,725	871	697
NET CASH FLOW FROM (USED IN) OPERATING ACTIVITIES	**(3,866)**	**(5,683)**	**(7,495)**
Acquisitions of intangible non-current assets	(26)	(28)	(83)
Acquisitions of tangible non-current assets	(57)	(139)	(77)
Other cash flows from investing activities	0	0	0
Effect of changes in scope	-	-	-
NET CASH FLOW FROM (USED IN) INVESTING ACTIVITIES	**(83)**	**(167)**	**(160)**
Capital increase sums received (net of capital increase expenses)	11,397	111	7,073
Proceeds drawn from new borrowings	4,098	98	-
Repayment of borrowings	(580)	(650)	(1,317)
NET CASH FLOW FROM FINANCING ACTIVITIES	**14,915**	**(442)**	**5,755**
Effect of changes in exchange rates			
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**10,965**	**(6,292)**	**(1,900)**
CASH AND CASH EQUIVALENTS AT START OF YEAR	**12,995**	**14,895**	**14,895**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**23,960**	**8,603**	**12,995**

The appendix is an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER EQUITY

	Number of shares	Capital	Additional paid-in capital	Accumulated retained earnings	Treasury shares	Currency translation adjustments	Other reserves	Equity - Group share	Minority interests	Total Equity
Situation at 1st January 2019	**14,613,307**	**1,754**	**31,217**	**(18,013)**	**(68)**	**51**	**742**	**15,682**	**-**	**15,682**
Recognition of prior losses	-	-	(7,077)	7,077	-	-	-	-	-	-
Reserved capital increase	-	-	-	-	-	-	-	-	-	-
Share issue warrants exercised	25,000	3	108	-	-	-	-	111	-	111
Share subscription warrants exercised	-	-	-	-	-	-	-	-	-	-
Cost of payments in shares	-	-	-	-	-	-	67	67	-	67
Other variations	-	-	-	-	-	-	(11)	(11)	-	(11)
Other comprehensive income	-	-	-	-	-	(31)	11	(20)	-	(20)
Net income (loss) for year	-	-	-	(4,166)	-	-	-	(4,166)	-	(4,166)
Variation in equity	-	-	-	-	(14)	-	14	-	-	-
Situation at 30 June 2019	**14,638,307**	**1,757**	**24,247**	**(15,101)**	**(82)**	**20**	**823**	**11,663**	**-**	**11,663**
Recognition of prior losses	-	-	-	-	-	-	-	-	-	-
Capital increase	2,552,544	306	6,097	33	-	-	-	6,436	-	6,436
Share issue warrants exercised	135,000	16	509	-	-	-	-	525	-	525
Share subscription warrants exercised	-	-	-	-	-	-	-	-	-	-
Cost of payments in shares	-	-	-	-	-	-	62	62	-	62
Other variations	-	-	-	-	-	-	11	11	-	11
Other comprehensive income	-	-	-	-	-	32	(48)	(16)	-	(16)
Net income (loss) for year	-	-	-	(2,090)	-	-	-	(2,090)	-	(2,090)
Variation in equity	-	-	-	-	12	-	(23)	(11)	-	(11)
Situation at 31 December 2019	**17,325,851**	**2,079**	**30,853**	**(17,158)**	**(70)**	**52**	**825**	**16,581**	**-**	**16,581**
Recognition of prior losses	-	-	(12,183)	12,183	-	-	-	-	-	-
Capital increase	-	-	-	-	-	-	-	-	-	-
Share issue warrants exercised	-	-	-	-	-	-	-	-	-	-
Share subscription warrants exercised	2,192,215	263	11,121	13	-	-	-	11,397	-	11,397
Cost of payments in shares	-	-	-	-	-	-	126	126	-	126
Other variations	-	-	-	-	-	-	10	10	-	10
Other comprehensive income	-	-	-	-	-		14	14	-	14
Net income (loss) for year	-	-	-	(4,256)	-	-	-	(4,256)	-	(4,256)
Variation in equity	-	-	-	-	31	-	64	95	-	95
Situation at 30 June 2020	**19,518,066**	**2,342**	**29,791**	**(9,218)**	**(39)**	**52**	**1,039**	**23,968**	**-**	**23,968**

MCPHY ENERGY
HALF-YEAR FINANCIAL INFORMATION
AT 30 JUNE 2020

1. ABOUT THE COMPANY

McPhy Energy is a limited company incorporated under French law, created in 2007. As a specialist in hydrogen production and distribution equipment, the Group contributes to the global development of zero-carbon hydrogen as a solution for the energy transition in the industry, mobility, and energy sectors.

As a designer, manufacturer, and integrator of hydrogen systems, McPhy Energy operates three development, engineering, and production centers in Europe (France, Italy, and Germany). Its international subsidiaries provide a broad commercial scope for its innovative hydrogen solutions.

The Company’s registered office is listed as 1115, route de Saint Thomas – 26190 La Motte-Fanjas (France) and it is listed on Compartment C of Euronext Paris.

The information provided in appendix to the consolidated financial statements is an integral part of the consolidated financial statements of McPhy Energy at 30 June 2020, approved by the Board of Directors meeting of 28 July 2020.

1.1. Highlights

To enable all shareholders to participate in the transaction carried out on 6 November 2019 and enjoy the same conditions of subscription, the Company proposed the free allocation of BSA share subscription warrants to all existing shareholders prior to the Issue; in this respect an entitlement to BSAs was allocated by Euroclear to all shareholders and 10 BSAs could be used to subscribe to one new ordinary share. The extraordinary general meeting held on 16 January 2020 approved the issue of BSAs to all of the Company's shareholders, it being specified that the Fonds Ecotechnologies and EDF Pulse Croissance Holding renounced to exercise the BSAs allocated to them. As the period in which these BSAs could be exercised ended on 18 May 2020, the Board of Directors meeting of 20 May 2020, following the Shareholders' Meeting, acknowledged the capital increase with suppression of the preferential subscription right for a total amount of **€2.1 M** via the issue of 793,670 new ordinary shares resulting from the exercise of 7,936,700 BSAs.

In the context of the Covid-19 public health crisis, McPhy has implemented measures to minimize the impact on its cash flow and ensure its business continuity. In particular, the Group received **€4 M** in State-guaranteed loans, and on 10 April 2020, it renewed its equity financing line for a two-year term during which Kepler Cheuvreux has undertaken to subscribe to up to 3,500,000 shares to the extent made possible by the contractual conditions. At 30 June 2020, 1,375,000 shares have been created for a total amount of **€9.1 M.**

The first half-year was also marked by good commercial momentum, in particular due to the announcement of two emblematic projects reflecting a change of scale in McPhy's industrial activities:

- the order of a 20 MW electrolysis platform equipped with "Augmented McLyzer" technology to outfit the largest zero-carbon hydrogen production unit in Europe, deployed by Nouryon and Gasunie ("Djewels" project);

- the order of three McFilling stations, in the firm tranche, and of two other stations and several electrolyzers, in an additional tranche, to equip the Zero Emission Valley project, the largest zero-emissions hydrogen mobility deployment in France.

1.2. Post-closing events

The Group continues to enjoy strong commercial and operational performance. In July, for example, McPhy inaugurated a hydrogen station in Le Mans and was selected to outfit a new zero-carbon hydrogen station capable of distributing 200 kg of clean hydrogen per day.

2. ACCOUNTING PRINCIPLES AND METHODS

2.1. General principles

The consolidated financial statements were drawn up based on individual company financial statements for the period ending 30 June 2020.

The condensed half-year consolidated financial statements were prepared in compliance with the IAS 34 - Interim Financial Reporting standard, including the amendment to IAS 34.

These financial statements do not include all of the information required for an end-of-year closure, but rather a selection of explanatory notes, and must be read in comparison to the Group's consolidated financial statements to 31 December 2019.

By virtue of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards, the principles of recognition, valuation and presentation used to prepare the consolidated financial statements are compliant with the standards and IFRS interpretations as adopted by the European Union at 31 December 2019, available on the European Commission website:

https://ec.europa.eu/commission/index_en.

The accounting principles and methods used to prepare the consolidated financial statements comply with those used for the year ending 31 December 2019, except for the standards, amendments and IFRS interpretations endorsed by the European Union and applicable as of 1st January 2020:

The following standards, amendments and IFRS interpretations, mandatory at 30 June 2020, have not had significant impacts on the accounts:

Amendments to IAS 39, IFRS 7 and IFRS 9 - Reference interest rate reform

Moreover, the Group has opted not to apply in advance the standards, amendments, and interpretations becoming mandatory on 1st January 2021 or later, as the Group is currently analyzing the potential impacts of their entry into effect.

2.2. Scope and methods of consolidation

The consolidated financial statements comprise the parent Company financial statements and those of companies under its control.

Fully consolidated companies

Entities are fully consolidated in the financial statements if the Group has a generally majority interest and has control. This rule is applied independently of the percentage of shareholding. The concept of control represents the power to direct an associate company's financial and operational policies, to obtain the benefits of its activities. The interests of minority shareholders are presented in the balance sheet and in the income statement, in a category separate from the Group share.

For a new acquisition, the assets, liabilities, and contingent liabilities of the subsidiary are recognized at their fair value on the date of acquisition. The income from subsidiaries acquired or disposed of during the fiscal year is included in the statement of comprehensive income respectively since the date of acquisition or until the date of disposal. The excess price paid over the proportionate share of the fair value of the assets, liabilities and contingent liabilities acquired is recognized as goodwill on the balance sheet assets. The excess proportionate share of the fair value of the assets, liabilities and contingent liabilities acquired on the cost of acquisition is immediately booked in the income statement.

Associate companies

Companies over which the Group exerts notable influence in terms of financial and operational decisions, without having overall control are consolidated using the equity method.

2.3. Currency conversion

Functional currency and reporting currency

Accounts are prepared in the functional currency of each Group company, i.e. the currency of the main economic environment where it operates, and which generally corresponds to the local currency. The consolidated financial statements are reported in Euros, which is the functional and reporting currency of the consolidating Company, McPhy Energy S.A.

Transactions in currency

The activity of foreign subsidiaries included within the scope of consolidation is considered as an extension of the parent Company's activity. In this respect, the accounts of the subsidiaries are converted using the historical exchange rate method. Applying this method produces an effect similar to what would have been reported on the financial position and income if the consolidating Company had operated under its own name abroad. On the closing date, monetary assets and liabilities in foreign currencies are converted into the functional currency at the exchange rate in effect on the closing date. Non-monetary items are converted at the historical exchange rate. All currency translation adjustments are recorded on the income statement.

The exchange rates used for the main currencies are as follows (non Euro-zone currencies):

Exchange rate EUR against currencies		Average rate S1-2020	Average rate S1-2019	Average rate 2019	Closing date rate 30 June 2020	Closing date rate 31 Dec. 2019
Singapore dollar	SGD	1.541	1.537	1.527	1.566	1.509
US dollar	USD	1.101	1.137	1.123	1.123	1.121

2.4. Use of estimates

The preparation of financial statements requires that Management use estimates and reasonable assumptions, likely to impact the amounts relating to assets, liabilities, equity, income, and charges recognized in the accounts, as well as on the information provided in the appendix. These estimates are based on an assumption of going concern and are calculated according to the information available at the time of their production. The main estimates concern:

- provisions for retirement benefits: we consider that the change in the retirement benefit provision was not significant, including the impact of actuarial gains and losses, the calculation will be carried out at year end;
- the tax charge (current and deferred) on the results for the interim financial statements is calculated by applying to the accounting result of the period an estimated average yearly effective rate consistent with the yearly tax assessment;
- as the financial statements of McPhy Energy Northern America Corp. are not significant in terms of the Group's consolidated financial statements, the half-year result used was estimated at 30 June 2020.

The estimates may be revised if the circumstances on which they were founded evolve or new information is obtained.

2.5. Segment reporting

Accounting standard IFRS 8 requires that operational segments are identified based on the internal reporting used by the Chief Operating Decision Maker in order to take decisions on the allocation of resources and the assessment of Group performance. McPhy Energy is organized internally to report to the Chief Executive Officer, the Chief Operating Decision Maker, based on Group-level consolidated information. Strategic decisions and performance measurements of activity are made monthly by the Executive Committee, which comprises the CEO and executive directors, primarily by referring to the Group-level consolidated data. Consequently, McPhy Energy has only one identifiable operating segment for which the Group is able to publish information in accordance with IFRS 8.

3. SELECTED NOTES TO THE CONSOLIDATED BALANCE SHEET AND STATEMENT OF INCOME

A NOTES TO THE BALANCE SHEET

3.1. Intangible non-current assets

(in thousands of €)	Goodwill	Concessions Patents Licenses	Other	Total
At 31 December 2019	**2,487**	**882**	**-**	**3,369**
Acquisitions	-	26	-	26
Disposals	-	-	-	-
Other variations	-	-	-	-
At 30 June 2020	**2,487**	**908**	**-**	**3,395**
Accumulated amortizations and impairments				
At 31 December 2019	**-**	**725**	**-**	**725**
Amortization for fiscal year	-	49	-	49
Other variations	-	-	-	-
At 30 June 2020	**-**	**775**	**-**	**775**
Net values at 30 June 2020	**2,487**	**133**	**-**	**2,621**

The goodwill is not amortized and is subjected to an impairment test at the end of each financial year. The Company has not identified any indication of loss in value at 30 June 2020.

3.2. Tangible non-current assets

(in thousands of €)	Land and buildings	Plant and machinery	Other tangible	Total
At 31 December 2019	**1,873**	**6,916**	**1,966**	**10,756**
Acquisitions	5	8	44	57
Leases (IFRS 16)	1,134	38	-	1,172
Disposals	-	(184)	(47)	(231)
Internal transfer	-	-	-	-
At 30 June 2020	**3,012**	**6,778**	**1,963**	**11,754**
Accumulated amortizations and impairments				
At 31 December 2019	**658**	**5,871**	**1,418**	**7,947**
Amortization for fiscal year	16	208	85	309
Lease amortizations (IFRS 16)	246	(4)	6	248
Disposals	-	(209)	(12)	(221)
Other variations	(481)	(11)	(56)	(548)
At 30 June 2020	**439**	**5,855**	**1,441**	**7,735**
Net values at 30 June 2020	**2,573**	**923**	**522**	**4,018**

The acquisitions of the period are affected for €1,172k of the IFRS 16 restatement.

Leases whose contract term is less than one year or whose yearly amount is less than $5k have not been included in the IFRS 16 restatement and represent an amount of €64k, for information purposes.

3.3. Deferred taxes

(in thousands of €)	On Balance sheet 30 June 2020	On Balance sheet 31 Dec. 2019	On Income Statement 30 June 2020	On Income Statement 31 Dec. 2019
Losses carried forward	-	-	-	-
Taxable temporary differences	15	14	1	-
Consolidation restatements	42	62	(20)	21
Total deferred tax assets	**57**	**77**	**(19)**	**21**
Taxable temporary differences	(512)	(476)	(36)	(64)
IAS 32 restatements	-	-	-	-
Other consolidation restatements	(71)	(101)	30	(25)
Total deferred tax liabilities	**(583)**	**(578)**	**(6)**	**(89)**
Total deferred tax liabilities (net)	**(526)**	**(501)**	**(25)**	**(68)**

Pursuant to IAS 12, deferred tax assets and liabilities are compensated with the entity has a statutory right to offset current tax assets and liabilities, and if the deferred tax assets liabilities are of the type of taxation collected by the same tax authority.

The base amount of tax losses carried forward amounts to €105M at 30 June 2020. For reasons of prudence, the Company did not report deferred tax assets for entities sustaining fiscal losses. This latent tax receivable may potentially be offset against any future tax charge.

3.4. Inventories

(in thousands of €)	30 June 2020	31 Dec. 2019
Raw materials and other supplies	2,211	1,716
Work in progress and services	429	162
Finished products	468	589
Gross value	**3,108**	**2,467**
Provisions	(387)	(527)
Net value	**2,721**	**1,941**

3.5. Receivables and other current assets

(in thousands of €)	30 June 2020	31 Dec. 2019
Trade receivables and related accounts (1)	7,047	6,632
State and other bodies (2)	2,263	1,502
Deferred charges	457	153
Sundry (3)	1,023	1,023
Gross value	**10,790**	**9,310**
Impairment (4)	(850)	(850)
Net value	**9,940**	**8,460**

(1) *The "Trade receivables and related accounts" item includes contract assets as per IFRS 15 for an amount of €3.5 M (including €1.2 M relating to the Hebei project) and €3.5 M in trade receivables, of which more than 70% were paid in July 2020.*

(2) *The "State and other bodies" item includes VAT receivables for an amount of €1.1 M and Research tax credit for an amount of €0.8 M (of which €0.6 M was repaid in July 2020).*

(3) *The "Sundry" item includes advance payments made for an amount of €0.6 M and a matured receivable for an amount of €0.2 M which was provisioned.*

(4) *The "Impairment" item has not changed since the close of 2019 and was increased by €0.5 M in 2019 as the contract asset for the Hebei project was subject to a 50% impairment.*

3.6. Cash and cash equivalents

(in thousands of €)	30 June 2020	31 Dec. 2019
Short-term deposits (1)	23,956	12,992
Demand deposits		
Liquidities and equivalent	4	3
Cash and cash equivalents	**23,960**	**12,995**

Marketable securities are accounted for at their market value.

3.7. Provisions for risks and charges

(in thousands of €)	Balance 12/31/2019	Provisions	Uses	Unused reversals	Other variations	Balance 6/30/2020
Disputes	11	-	-	-		11
Pensions and retirement benefits	141	-	-	-	-	141
Other risks and charges	1,187	208	(80)	(13)	-	1,302
Provisions for risks and charges	**1,340**	**208**	**(80)**	**(13)**	**-**	**1,456**
Non-current	756	192	(18)	(13)	-	916
Current	584	17	(62)	-	-	540
Provisions for risks and charges	**1,340**	**209**	**(80)**	**(13)**	**-**	**1,456**

3.8. Borrowing and financial debt

(in thousands of €)	31 Dec. 2019	Issues	Repayments	Restatements	30 June 2020
Bank borrowing	684	3,800		(86)	4,399
Repayable advances	372	0	(7)	21	386
Debt on financial leases	263	0		(99)	164
Lease agreements	465	1,446		28	1,939
Non-current financial debt	**1,784**	**5,246**	**(7)**	**(136)**	**6,887**
Bank borrowing	331	200	(203)	86	414
Repayable advances	0	72		(21)	51
Debt on financial leases	230	0	(125)	99	205
Lease agreements	527	241	(252)	(28)	488
Current financial debt	**1,088**	**513**	**(580)**	**136**	**1,158**
Total borrowing and financial debt	**2,872**	**5,758**	**(587)**	**0**	**8,045**

< 1 year	1,158
1-5 years	5,389
> 5 years	1,498
Total	**8,045**

3.9. Trade and other payables

(in thousands of €)	**30 June 2020**	**31 Dec. 2019**
Supplier payables	3,878	4,881
Subsidies	2,410	214
Tax and employee-related liabilities	2,950	2,150
Other payables	53	223
Liabilities on contracts	302	403
Trade and other payables	**9,593**	**7,871**

B NOTES TO THE INCOME STATEMENT

3.10. Revenue

The revenue at 30 June 2020 amounts to €5,356k.

The distribution of the revenue by geographical area presented below reflects the country of the client billed.

(in thousands of €)	S1-20		S1-19		2019	
Europe	5,007	*93%*	3,423	*79%*	10,042	*88%*
Middle East, Africa	40	*1%*	743	*17%*	110	*1%*
Americas	57	*1%*	26	*1%*	123	*1%*
Asia / Pacific	252	*5%*	124	*3%*	1,112	*10%*
Total	**5,356**	*100%*	**4,316**	*100%*	**11,387**	*100%*

3.11. Other income from operating activities

(in thousands of €)	S1-20	S1-19	2019
Subsidies	122	8	3,290
Research tax credit	183	268	640
Other income	21	104	146
Other income from operating activities	**326**	**380**	**4,076**

3.12. Amortization and provisions

(in thousands of €)	S1-20	S1-19	2019
Intangible non-current assets	49	42	91
Tangible non-current assets	558	624	1,310
Gains (losses) from asset retirements	-	13	130
Amortization	607	679	1,531
Provisions	176	215	1,199
Reversals of provisions	(185)	(503)	(195)
Net recurring operational provisions	**598**	**391**	**2,535**
Non-recurring provisions (reversals)	(41)	(20)	25
Gains (losses) from asset retirements	-	-	-
Net operational provisions	**557**	**371**	**2,560**

The increase in provisions is justified principally by the restatement of IFRS 16, to the amount of €0.3 M.

3.13. Corporate taxation

The tax charge stated results from the integration of:

(in thousands of €)	S1-20	S1-19	2019
Tax liability in respect of fiscal year	(7)	(9)	(10)
Deferred taxes	(25)	(30)	(67)
Tax expense	**(32)**	**(40)**	**(77)**

3.14. Earnings per share

Net diluted earnings per share is obtained by dividing the net income group share by the weighted average number of shares, net of the maximum impact of the conversion of dilutive instruments into ordinary shares, using the share buyback method. Using this method, funds collected by potentially dilutive financial instruments are allocated to share buybacks at their market value. Dilution consists in the difference between the theoretical amount of shares to be bought back and the number of potentially dilutive options.

(in units except for net income expressed in thousands of Euros)	**S1-20**	**S1-19**	**2019**
Weighted average number of shares in circulation	19,514,814	14,621,018	15,070,537
Dilutive effect of options	138,502	(4,166)	(91,086)
Number of shares after effect of dilutive instruments	19,653,316	14,616,852	14,979,451
Net earnings - Group share	(4,256)	(4,166)	(6,255)
Basic net earnings per share	(0.22)	(0.28)	(0.42)
Net diluted earnings per share	(0.22)	(0.28)	(0.42)

The number of shares issued and fully paid-up at 30 June 2020 is 19,518,066 shares with a nominal unit value of €0.12. The reconciliation between the number of shares in circulation at the start and end of the fiscal year is stated in the consolidated statement of changes in shareholder equity.

C OTHER INFORMATION

3.15. Scope and methods of consolidation

The companies included in the scope of consolidation close their accounts on 31 December.

Companies	Country	30 June 2020	30 June 2019	Notes
Fully consolidated companies				
McPhy Energy S.A.	France	Parent	Parent	Design, manufacture, and marketing
McPhy Energy Italia Sprl	Italy	100%	100%	Design, manufacture, and marketing
McPhy Energy Deutschland GmbH	Germany	100%	100%	Engineering and marketing
McPhy Energy Northern America Corp.	USA	100%	100%	Marketing
McPhy Energy Asia Pacific Pte. Ltd	Singapore	100%	100%	Marketing
Companies consolidated using the equity method				
McPhy Waterfuel Energy Equipment LLC	UAE	10%	10%	Marketing

3.16. Headcount

The headcount of the Company and its fully consolidated subsidiaries totals 101 people at 30 June 2020 (92 people at 30 June 2019).

3.17. Related party transactions

Related parties with whom transactions are completed include companies related directly or indirectly to the McPhy Group, and entities which directly or indirectly own an equity interest in the Group.

These transactions are conducted at normal market conditions. The Group did not record any transactions falling under the scope of IAS 24 in the period.

MCPHY ENERGY
HALF-YEARLY ACTIVITY REPORT

1. SIGNIFICANT EVENTS DURING THE PERIOD

Despite the Covid-19 public health crisis, McPhy's revenue grew by 24% to reach €5.4 M, up from €4.3 M in the first half of 2019. To weather this crisis, minimize its impact on cash flow and ensure its business continuity, the Group has put in place all necessary measures. McPhy has therefore opened additional lines of credit guaranteed by the French state totalling €4 M and increased its financial flexibility by renewing an equity finance line with Kepler Cheuvreux on 10 April 2020.

At 30 June 2020, McPhy had €24 M in cash.

2. COMMENTS ON THE CONSOLIDATED QUANTIFIED DATA

– IFRS standards - in €M	S1 2020	S1 2019	Reminder of 2019 figures
Revenue	5.4	4.3	11.4
Other income from operating activities	0.3	0.4	4.1
Income from current operations	**5.7**	**4.7**	**15.5**
Cost of materials	(2.9)	(1.8)	(6.1)
Payroll charges	(4.1)	(3.5)	(7.1)
Other operating expenses	(2.2)	(3.0)	(6.1)
Allocations to amortizations and provisions	(0.6)	(0.4)	(2.6)
Current operating income	**(4.1)**	**(4.1)**	**(6.5)**
Other non-recurring income and charges	(0.0)	(0.0)	(0.0)
Cost of net financial debt	(0.1)	(0.1)	0.4
Tax charge on income	(0.0)	(0.0)	(0.0)
Net profit	**(4.3)**	**(4.2)**	**(6.3)**

2.1. COMMERCIAL ACTIVITY

The first half of the year was promising for McPhy, in particular due to two major projects for which the Group was selected.

This past January, McPhy was chosen to install the largest industrial zero-carbon hydrogen production unit in Europe, with a capacity of 3,000 tonnes per year (20 MW). This project, launched by Nouryon, a world leader in specialty chemicals, and Gasunie, a gas infrastructure company, is a pioneer among industrial initiatives aiming to reduce carbon emissions using hydrogen. Each year, 3,000 tonnes of clean hydrogen will be produced by electrolysis using green electricity and used to produce bio-methanol. This will help reduce CO2 emissions by up to 27,000 tonnes per year. McPhy will participate in the pre-engineering phase, the detailed engineering phase, then the commissioning phase of the electrolysis platform.

McPhy was also selected by Hympulsion to outfit the largest zero-emissions hydrogen mobility deployment project in France, and one of the most ambitious on the European level: Zero Emission Valley. This project was initiated by the Auvergne-Rhône-Alpes region to accelerate the large-scale deployment of hydrogen as a clean energy carrier. Selected as part of a tender procedure with strict technical and economic standards, the grouping formed by McPhy (the lead company), Atawey and TSM will be responsible, under the framework agreement, for the design, supply and integration of 14 hydrogen stations out of the 19 stations to be supplied, including five in the firm tranche. The subsequent stages of the framework agreement provide for the deployment of nine more stations and several electrolyzers, which will produce zero-carbon hydrogen on-site.

The Group recorded revenue of €5.4 M in the first half of 2020, compared to €4.3 M in the same period in 2019, an increase of 24%.

Geographical distribution of the revenue:

(in thousands of €)	**S1-20**		**S1-19**		**2019**	
Europe	5,007	*93%*	3,423	*79%*	10,042	*88%*
Middle East, Africa	40	*1%*	743	*17%*	110	*1%*
Americas	57	*1%*	26	*1%*	123	*1%*
Asia / Pacific	252	*5%*	124	*3%*	1,112	*10%*
Total	**5,356**	*100%*	**4,316**	*100%*	**11,387**	*100%*

2.2. CONSOLIDATED RESULTS

The other income from activity totals €0.3 M, in line with the level observed in the first half of 2019 (€0.4 M). This amount is primarily composed of €0.2 M of Research tax credit.

The gross margin on consumption of materials is stable in comparison with 2019 (46 % in S1-20 and 2019). External charges have been reduced in the first half of 2020 and have decreased 27% in comparison to the first half of 2019.

The Group has strengthened its employee base to ensure a successful industrialization phase since 30 June 2019. The net recruitment of 9 people over one year increases the headcount at 30 June 2020 to 101 employees, and the personnel expenses totalled €4.1 M in the first half of the year, an increase of €0.6 M compared to S1-2019.

R&D efforts have been increased and totalled close to €2.0 M over the period (€1.5 M in S1-2019). Net of the impact of the tax credit and subsidies, these expenses increased €0.4 M compared to the same period in the previous year.

Allocations for amortization and provisions, totalling €0.6 M, were primarily composed of allocations for amortization (of which €0.4 M was amortization related to the IFRS 16 restatement: lease agreements restated under investments and debts).

The overall current operating loss totalled €4.1 M, equivalent to the same period in 2019.

The Company did not report deferred tax assets for entities sustaining fiscal losses. This latent tax receivable will be offset against any future tax charge.

After taking into account the cost of financial debts and taxes, the net result totalled -€4.3 M, a net loss per share of €0.22 (compared with -€0,28 in S1-19).

2.3. OTHER ELEMENTS

Net assets at 30 June 2020 amounted to €24.0 M, broken down as follows:

	ASSETS		LIABILITIES
Goodwill	€2.5 M	Non-current liabilities	€8.4 M
Other non-current assets	€4.6 M	Current liabilities	€11.3 M
Current assets	€12.7 M		
Cash and cash equivalents	€24.0 M		

The net debt to equity ratio *(gearing)* is -66% at 30 June 2020, compared to -61% at 31 December 2019.

Company cash flows and indebtedness

The company's cash flows and relative cash flow trends can be summarized as follows:

USES		RESOURCES	
Cash flow from operations	€4.0 M	Capital increase	€11.4 M
Non-financial investments	€0.1 M	New bank loans	€4.1 M
Bank loan repayments	€0.6 M	BFR decrease	€0.2 M
Closing liquidity	€24.0 M	Opening liquidity	€13.0 M

The Group’s cash flow from operations (before cost of net financial debt and taxes) amounted to €4.0 M in the first half of 2020.

Working capital requirement is €0.2 less than the previous year.

The Group made tangible investments in equipment to the amount of €0.1 M.

Net liquidity amounts to €15.9 M at 30 June 2020 (compared to €10.1 M at 31 December 2019). Debt comprises €4.8 M of bank borrowing, including €4 M of State-guaranteed loans taken out during the Covid-19 public health crisis, €0.4 M of advances repayable according to conditions of success and €2.9 M of financial debt (finance lease and lease contracts).

3. RELATED PARTY TRANSACTIONS

None

4. RISKS AND UNCERTAINTIES

Other than the risks mentioned in the Risk Factors chapter of the Reference Document filed with the Autorité des Marchés Financiers (AMF) on 22 April 2020 under number D. 20-0334, the Company's management has not identified significant risks or uncertainties that could hinder the growth of its activities.

5. EXPECTED GROWTH

McPhy is expected to continue its growth throughout the second half of 2020.

6. DECLARATION BY THE PERSONS RESPONSIBLE

"As the person responsible for the half-year financial report, I certify that, to my knowledge, the financial statements have been drawn up in accordance with the applicable accounting standards and provide a true picture of the assets and liabilities, financial situation and results of all of the companies within the scope of consolidation of McPhy Energy, and that the half-year activity report presents a true picture of the information listed in Article 222-6 of the General Regulation of the AMF. ”

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Laurent CARME

Chief Executive Officer

7. DECLARATION OF THE AUDITORS CONCERNING THE HALF-YEAR FINANCIAL DATA

Period from 1 January to 30 June 2020

To the shareholders of the company McPhy Energy,

In accordance with our appointment granted by your Shareholders' general meeting, and pursuant to Article L. 451-1-2 III of the Monetary and Financial Code, we have performed:

- a limited examination of the company's condensed consolidated half-year accounts for the period from 1 January 2020 to 30 June 2020, as attached to this report;

- a verification of the information given in the half-year activity report.

These condensed consolidated half-year accounts were established under the oversight of the Board of Directors' meeting of 28 July 2020 on the basis of the information available to this date in the evolving context of the Covid-19 crisis and the difficulties of assessing its impact and future prospects. Our role is to express our findings concerning these accounts, on the basis of our limited examination.

I- Findings concerning the accounts

We conducted our limited examination in accordance with the professional standards applicable in France. A limited examination essentially consists of speaking with the members of the Board of Directors in charge of accounting and financial matters and of implementing analytical procedures. This work is less extensive than that required for an audit carried out in accordance with the professional standards applicable in France. As a result, the level of confidence with which we may assert that the accounts, as a whole, do not contain major errors, on the basis of a limited examination, is lower than would be the case in the event of an audit.

On the basis of our limited examination, we have not observed any major errors that would call into question the conformity of the condensed consolidated half-year accounts with the IAS 34 standard - IFRS benchmark standard as adopted in the European Union for interim financial information.

II- Special verification

We have also verified the information given in the half-year activity report established on 28 July 2020 discussing the condensed consolidated half-year accounts on which we performed our limited examination. We have no matters to report as to their fair presentation and their consistency with the condensed consolidated half-year financial statements.

Juvigny and Paris-La Défense, 28 July 2020

Statutory Auditors

SARL AUDIT EUREX	Deloitte & Associés
Philippe TRUFFIER	Hélène DE BIE