

## Compliance Statement of the Management Board and the Supervisory Board of SFC Energy AG Pursuant to Section 161 of the German Stock Corporation Act

According to Section 161 of the German Stock Corporation Act (Aktiengesetz), the management board and the supervisory board of exchange-listed companies are required to declare annually that the company has complied, and will comply, with the recommendations of the Government Commission on the German Corporate Governance Code (the "Code") published by the German Federal Ministry of Justice in the official Section of the Electronic Federal Gazette (Bundesanzeiger) and/or which recommendations the company has not applied and/or will not apply. This declaration has to be made accessible to the public on a permanent basis on the company's website. Thus, companies may deviate from the recommendations of the Code but, if they do, they are required to disclose such deviations on an annual basis. The Code also allows companies to take account of sector-specific or company-specific needs. Thus, the Code helps to make corporate governance of German companies more flexible and promotes their self-regulation.

For the period from issuance of the last Compliance Statement of March 22, 2010 (amended on December 9, 2010) until June 1, 2010 the following statement refers to the version of the Code dated June 18, 2009, as published in the Electronic Federal Gazette (Elektronischer Bundesanzeiger) on August 5, 2009. Since June 2, 2010 the compliance statement refers to the version of the Code dated May 26, 2010, as published in the Electronic Federal Gazette (Elektronischer Bundesanzeiger) on June 2, 2010.

In accordance with Section 161 of the German Stock Corporation Act (Aktiengesetz) the Management and the Supervisory Board of SFC Energy AG declare that, with the following exceptions, the Company has complied and will comply in full with the Recommendations of the Government Commission on the German Corporate Governance Code, as amended:

- According to Section 2.3.3 Sentence 2 of the version of the Code dated May 25, 2010 the company shall assist the shareholders in the use of postal votes and proxies. The Articles of Association of SFC Energy AG do not yet provide for voting rights to be exercised through postal voting. The Company's Management and Supervisory Boards will propose at the next Annual General Meeting to authorize the Management Board in the Company's Articles of Association to provide for the exercise of voting rights in the invitation to the General Meeting. If this proposal is accepted and if the Management Board allows postal voting, the Company will also support its shareholders in relation to postal voting. In addition, SFC Energy AG already allows its shareholders to be represented by a proxy appointed by SFC Energy AG and thus exercise their voting rights already before the date of the General Meeting.
- According to Section 3.8 para. 2 of the Code in the version dated June 6, 2008, the Company shall agree on a suitable deductible if it takes out D&O (directors' and officers' liability) insurance for its Management Board. Pursuant to Section 3.8 para. 2 Sentence 1 of the Code in the version dated June 18, 2009 which corresponds to the provisions of Section 93 para. 2 Sentence 2 of the German Stock Corporation Act (Aktiengesetz), as amended by the Act on the Appropriateness of Management Board Compensation (VorstAG), the deductible for Management Board members must equal at least 10% of the loss up to at least the amount of one and a half times the fixed annual compensation of the respective management board member. SFC Energy AG took out D&O insurance for the members of its Management Board prior to the promulgation of the Act on the Appropriateness of Management Board Compensation. The relevant insurance policy does not include such a deductible, and, in response to an inquiry from the Company, the insurer was not willing to lower the premium if a deductible were agreed retroactively. Pursuant to Section 23 para. 1 of the Introductory Act to the German Stock Corporation Act, as amended by the Act on the Appropriateness of Management Board Compensation (VorstAG), the deductible for Management Board members had to be adjusted to meet the requirements of the VorstAG by July 1, 2010 at the latest. Therefore, with effect from July 1, 2010 SFC Energy AG took out a new D&O policy for the members of its Management Board and its Supervisory Board that complies with the statutory requirements. As a result, since that date the Company has no longer deviated from the relevant recommendations of the Code.
- According to Section 4.2.1 Sentence 1 of the Code, the management board shall be comprised of several persons and have a chairman or spokesman. Until and including December 31, 2010 the Company's Management Board was made up of two persons, namely the Chief Executive Officer (CEO) and the Chief Operating Officer (COO). On December 31, 2010 the term of office of the Chief Operating Officer (COO) expired and the person concerned was not available for reappointment as a member of the Management Board. Therefore, since January 1, 2011 the management duties of the Management Board are temporarily exercised by the Company's former Chief Executive Officer (CEO) alone. Among other things, this helps to ensure continuity in terms of business policy. In the medium term, the Supervisory Board intends to again appoint a second Management Board member. However, this will require a careful, orderly and comprehensive selection process. These are the reasons why, since January 1, 2011, the Management Board has been made up of just one person and has not had a chairman or spokesman.

- According to Section 4.2.3 para. 4 of the Code, care shall be taken when entering into management board contracts to ensure that any payments, including benefits, made or provided to a Management Board member on early termination of his or her contract without serious cause do not exceed the value of two years' compensation (severance payment cap) and compensate no more than the remaining term of the contract. The management board service contract entered into with the resigned Management Board member and the management board service contract executed with the remaining Management Board member which will expire on March 31, 2011 did not provide for such a severance payment cap in the event of early termination without serious cause. However, such a cap would not have become relevant anyway as these management board contracts were not terminated early. The management board service contract in effect from April 1, 2011 provides for such a cap. Hence, the Company will no longer deviate from the corresponding provisions of the Code as of that point in time.
- According to Section 5.3.1 of the Code, the Supervisory Board shall, depending on the specifics of the enterprise and the number of its members, form committees with sufficient expertise. In particular, Section 5.3.2 of the Code recommends that an Audit Committee be set up. At present, the Supervisory Board of SFC Energy AG has two standing committees, formed from among its members, namely an Audit Committee and a Personnel Committee. The Management Board and the Supervisory Board of the Company will propose to the next Annual General Meeting to amend the Company's Articles of Association to reduce the number of Supervisory Board members from six to three. If this proposal is accepted by the General Meeting of SFC Energy AG, the Supervisory Board holds the view – which is consistent with the legal literature on this subject – that the efficiency of the advisory and controlling activities of a supervisory board made up of only three members cannot be increased meaningfully by setting up any committees. Therefore, if this proposal is accepted by the Annual General Meeting, the Supervisory Board will dissolve the existing committees. As a result, from that point in time onwards the Company will deviate from the recommendations set forth in Sections 5.3.1 and 5.3.2 of the Code.
- According to Section 5.3.3 of the Code, the Supervisory Boards shall form a Nominating Committee composed exclusively of shareholder representatives which will propose suitable candidates to the Supervisory Board for recommendation to the General Meeting. The Company's Supervisory Board has not set up a Nominating Committee. Consistent with the legal literature on this subject, SFC Energy AG supports the position that forming a Nominating Committee is irrelevant if no employees are represented on the Supervisory Board. It therefore refrains from setting up such a committee.
- According to Section 5.4.1 paras. 2 and 3 of the version of the Code dated May 26, 2010, the Supervisory Boards shall specify concrete objectives regarding its composition which, whilst considering the specifics of the enterprise, take into account the international activities of the enterprise, potential conflicts of interest, an age limit to be specified for the members of the Supervisory Board and diversity. In particular, these concrete objectives shall stipulate an appropriate degree of female representation. Recommendations by the Supervisory Board to the competent election bodies shall take these objectives into account. The concrete objectives of the Supervisory Board and the status of the implementation shall be published in the Corporate Governance Report. The Company deviates from the recommendation to lay down, take account of and publish such concrete objectives. The composition of the Supervisory Board shall ensure that the Management Board is effectively advised and controlled, based on the Company's best interests. To ensure compliance with these statutory requirements the Supervisory Board will continue to base its proposals of candidates primarily on the knowledge, skills and experience of eligible candidates. In this respect, the Supervisory Board will also appropriately take account of the international activities of the Company, its potential conflicts of interest, an age limit laid down in the Supervisory Board's Rules of Internal Procedure and diversity. However, the Supervisory Board holds the view that it is neither necessary nor appropriate to set concrete objectives or gender-specific quotas as this would restrict in a blanket fashion the election of suitable candidates especially at SFC Energy AG as a smaller exchange-listed company. Accordingly, the Corporate Governance Report does not mention any such objectives.
- According to Section 5.4.6 Sentence 4 of the Code, the members of the Supervisory Board shall receive fixed as well as performance-based compensation. Pursuant to the Articles of Association of SFC Energy AG this is currently the case. However, the Management Board and the Supervisory Board of the Company will propose switching to fixed-only compensation at the next Annual General Meeting. Therefore, the Company plans to deviate from the recommendations set forth in Section 5.4.6 Sentence 4 of the Code in the future. SFC Energy AG believes that a fixed compensation structure better reflects the advisory and controlling function of the Supervisory Board, which has to be performed independently of the Company's success, than a combination of fixed and performance-based compensation components. This also helps to prevent among Supervisory Board

members potential conflicts of interest which could arise from performance criteria. In addition, fixed-only compensation avoids any adverse effects on the control function of the Supervisory Board that could result from aligned performance criteria for both the Management Board and the Supervisory Board.

The Management Board and Supervisory Board of SFC Energy AG

Brunnthal, March 23, 2011