

Updated Compliance Declaration 2010 of the management board and the supervisory board of SFC Energy AG pursuant to section 161 of the German Stock Corporation Act (AktG)

According to section 161 of the German Stock Corporation Act (Aktiengesetz), the management board and the supervisory board of a listed stock corporation shall declare annually that the recommendations of the Government Commission German Corporate Governance Code (the "Code") published by the Federal Ministry of Justice in the official section of the Electronic Federal Gazette (Elektronischer Bundesanzeiger) have been and are complied with or which recommendations have not been or are not applied. The declaration shall be made permanently publicly available on the website of the company. Hence, companies are permitted to deviate from the recommendations of the Code but, if so, are required to disclose this fact annually and to give reasons for it. This enables companies to account for the specific needs of their own industry or organization. Thus, the Code contributes to German corporations' internal governance structures becoming more flexible and to improving self-regulation.

The management board and the supervisory board of SFC Energy AG (the "Company") update their Compliance Statement of 22 March 2010 due to changed corporate practices and – taking into account the version of the Code of 26 May 2010 published in the electronic Federal Gazette on 2 July 2010 – declare the following:

For the period from the last Compliance Statement of 23 March 2009 until 4 August 2009, the following declaration refers to the version of the Code of 6 June 2008 published in the Electronic Federal Gazette on 8 August 2008. For the period from 5 August 2009 until 1 June 2010 the declaration refers to the version of the Code of 18 June 2009 published in the Electronic Federal Gazette on 5 August 2009. Since 2 June 2010 the declaration refers to the version of the Code of 26 May 2010 published in the Electronic Federal Gazette on 2 June 2010.

In accordance with section 161 of the German Stock Corporation Act (Aktiengesetz), the management board and the supervisory board of the Company declare that the Company constantly has complied with and will comply with the recommendations of the "Government Commission German Corporate Governance Code", except for the following exceptions:

- According to section 2.3.3 sentence 2 of the version of the Code of 25 May 2010, the Company shall assist the shareholders in the use of postal votes and proxies. The Company's articles of association do not provide for the opportunity of postal voting for the time being. The Company is of the opinion that postal votes have not been sufficiently tested in corporate practice yet. However, the Company enables its shareholders already to cast their votes prior to the day of the general meeting by instructing a proxy appointed by the Company that will represent the shareholder in the general meeting. Therefore, the possibility of postal voting would not, in the Company's view, constitute any significant facilitation of voting.
- According to section 3.8 para. 2 of the version of the Code of 6 June 2008 the Company shall agree on a suitable deductible if it takes out a D&O (directors' and officers' liability) insurance for its management board. Pursuant to section 3.8 para. 2 sentence 1 of the version of the Code of 18 June 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 (Gesetz zur Angemessenheit der Vorstandsvergütung), 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. We took out a D&O policy for the members of our management board prior to the promulgation of the Act on the Appropriateness of Management Board Compensation. That policy does not include such a deductible, and, in response to our inquiry, the insurer was not willing to lower the premium if we subsequently added a deductible. 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, the deductible for management board members must be adapted to the requirements of this Act by 1 July 2010 at the latest. As of 1 July 2010, therefore, the Company has taken out a new D&O policy for the members of the management board and of the supervisory board that complies with the statutory requirements. Accordingly, there is no deviation in this respect any longer.
- 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 31 December 2010 the management board consisted and consists of two members, namely a Chief Executive Officer (CEO) and a Chief Operating Officer (COO). By the end of 31 December 2010, the chief operating officer's term of office will expire and the corresponding person will not be available for a re-appointment as member of the management board. As of 1 January 2011, therefore, managerial responsibilities temporarily will be taken over by the chief executive officer

(CEO). This ensures, inter alia, a continuing business policy. In the medium-term, the supervisory board intends to appoint a second person to the management board again. This will require a thorough and due as well as comprehensive selection process. For these reasons, the management board will temporarily be comprised of one member only from 1 January 2011, and will no longer have a chairman or spokesman as of 1 January 2011.

- According to section 4.2.3 para. 4 of the Code, care shall be taken in concluding management board contracts to ensure that payments made to a management board member on premature termination of his contract without serious cause, including fringe benefits, do not exceed the value of two years' compensation (severance pay cap) and compensate no more than the remaining term of the contract. The current management board contracts do not provide for such a severance payment cap in the event of a premature termination without serious cause. However, a corresponding cap would not be relevant anyway since the remaining term of contract of the current management board contracts amounts to less than two years. When concluding new contracts with members of the management board the Company will account for appropriate severance payment caps.
- According to section 5.3.3 of the Code, the supervisory board shall form a nominating committee composed exclusively of shareholder representatives which proposes suitable candidates to the supervisory board as nominees for election to the supervisory board at the shareholders' meeting. The supervisory board has not formed a nominating committee. Consistent with the legal literature on this subject, the Company supports the position that forming a nominating committee is obsolete if no employees are represented on the supervisory board. It therefore refrains from forming such a committee.
- According to section 5.4.1 paras. 2 and 3 of the version of the Code of 26 May 2010 the supervisory board 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 interests, an age limit to be specified for the members of the supervisory board and diversity. These concrete objectives shall, in particular, 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. Except for the recommendation as to the implementation of an age limit, these recommendations are not complied with at the time of this declaration because the particular importance of this topic requires an appropriate consideration by the supervisory board. Such due consideration has not been possible yet and, therefore, will be implemented in the financial year 2011. Particularly, the supervisory board has not been able yet to carry out a due and thorough balancing operation in order to identify and choose concrete objectives that appear to be appropriate accounting for the specific situation of the Company as well as the Company's best interest. Accordingly, the objectives in question can not be taken into account in the context of possible election proposals by the supervisory board and, thus, there can not be any corresponding reporting within the corporate governance report. By contrast, the rules of procedure of the supervisory board already provide for an age limit for members of the supervisory board.

The Management Board and Supervisory Board of SFC Energy AG

Brunnthal, 9 December 2010