Q1

Three Months Report 2008

SFC
SMART FUEL CELL

Key Figures

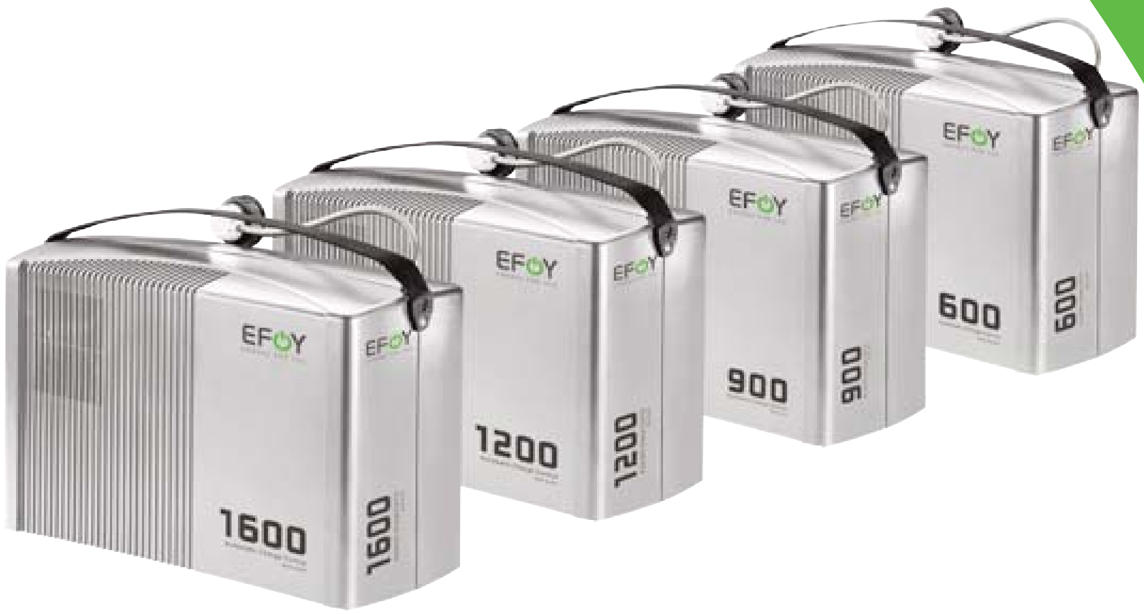
in kEuro	01/01-03/31/2008	01/01-03/31/2007	Change in %
Total sales	4,606	3,355	37.3%
Product sales total	3,469	2,674	29.7%
Sales share of products	75.3%	79.7%	-
Sales gross margin total	869	209	>100%
Gross margin	18.9%	6.2%	-
EBITDA	-227	-1,843	-87.7%
EBITDA margin	-4.9%	-54.9%	-
EBIT	-411	-2,015	-79.6%
EBIT margin	-8.9%	-60.1%	-
Net loss	147	-997	-
Earnings per share, diluted	0.02	-0.20	-

in kEuro	03/31/2008	12/31/2007	Change in %
Equity	52,089	51,912	0.3%
Equity ratio	90.0%	86.6%	-
Balance sheet total	57,900	59,945	-3.4%
Cash	49,413	52,945	-6.7%

	03/31/2008	03/31/2007	Change in %
Employees	97	75	29.3%

Share information

Bloomberg Symbol	F3C
Reuters Symbol	CXPNX
WKN	756857
ISIN	DE0007568578
Number of shares	7,136,243
Type of shares	Nennwertlose Stückaktien
Stock segment	Prime Standard
Stock exchange	Frankfurt, FWB
Tradable in	Xetra, Frankfurt, Berlin-HB, Dusseldorf, Stuttgart, Munich
Designated Sponsor	HSBC, Sal. Oppenheim, Steubing
Segment	Renewable Energies



Content page

Introduction by the Management Board

Dear customers, shareholders, employees and friends of SFC Smart Fuel Cell AG,

SFC continued to grow successfully in the first quarter of 2008. We increased sales once again, this time by 37% to €4,606k (Q1/2007: €3,355k). At 18.9%, our gross margin also rose again, outstripping the 6.2% gross margin from Q1/2007 by a substantial 12.7 percentage points. EBIT, which stood at minus €411k (Q1/2007: minus €2,015k), far exceeded the expectations. Adjusted by the special effect of the redemption of stock options in Q1/2007, the EBIT improved by 61% compared to Q1/2007. This improvement is mainly attributable to the volume growth achieved, our continued success with the systematic implementation of product cost-saving measures and income from the measurement of open dollar and platinum forwards in the amount of €255k.

Thanks to this positive development and positive net interest income of €558k, SFC posted a net profit of €147k in Q1/2008, the company's first-ever positive result after taxes (Q1/2007: minus €997k).

Cash totalled €49,413k as of March 31, 2008 (December 31, 2007: €52,945k), which topped the goals we had set for cash flows and working capital.

With this positive earnings development, we consistently continue on the path towards achievement of break-even in the 2008 business year, based on continued aggressive growth of at least 50 percent compared to previous year and continuation of product cost reduction. From today's perspective, however, we still see a risk that this target may not be completely reached on EBIT basis, due to the continuing increases in the cost of raw materials (e.g. for the platinum used in the stack). In addition, a slowdown of sell-through rates observed over the last weeks and, associated with this, a slowdown of the growth in the leisure market might turn into a growth hindrance.

Receiving one of the motor home industry's key distinctions was a particular high point for SFC: In the annual readers' poll conducted by "promobil" magazine-with a circulation of 78,356, Europe's largest and most successful publication for motor home enthusiasts-the EFOY fuel cell ranked third among power generators. The latest survey marks the first time that the EFOY brand was a choice for readers, which means it placed very highly in this important category in its inaugural appearance, beating out all solar cell producers to boot. The "promobil" readers' poll boasts a 20-year tradition of helping companies gauge their brands' strength in the market. Thus, this honour is an enormous testament to the growing significance of EFOY products in the motor home sector.

Our success in landing numerous contracts for large quantities of EFOY fuel cells from customers in France, Germany and Italy also signals a high degree of market penetration, as does the rising number of such orders from buyers in the UK, where fuel cells have grown in popularity since their introduction.

In collaboration with Büttner Elektronik, a specialist in solar and camper van electronics, SFC presented a new hybrid control system for motor homes in January. Based on an intelligent combination of solar cell and fuel cell, the system enables maximum utilisation of the available sunlight before switching to the fuel cell for power needs.

This hybrid solution is also enjoying increasing usage in a number of industrial applications which rely on EFOY fuel cells to reliably fill in for solar modules when the weather turns bad. Moreover, customers in the US are showing a growing interest in the EFOY fuel cell. We launched several very promising pilot projects involving our target applications in the first quarter, including in the areas of traffic control systems, safety and surveillance, oil and gas, as well as off-grid sensors and measuring stations.

Dr. Peter Podesser CEO **Dr. Jens Müller** CTO

SFC won the first series production contract for portable SFC fuel cells in the defense segment in the first quarter of 2008. The order from a European defense organisation for €359k reaffirms our competitive lead and the dependability that our fuel cell and power management technology offers. It also shows that the successful test runs conducted on SFC's fuel cells the world over are beginning to translate into series production orders. Hence, the extensive set of quality controls we use to ensure our products operate reliably even under extreme conditions in the field continues to bear fruit. The fuel cell systems for this latest defense contract will be used in an international peace-keeping mission. In addition, the first three 250W pilot series systems (FC 250) were delivered to the U.S. Army Test and Evaluation Center (ATEC) and to the German Bundeswehr.

The positive response from the motor home, industry and defense segments is clear proof that the fuel cells of SFC Smart Fuel Cell AG are capable of making their mark in an ever-growing number of applications as a 100% reliable, quiet, environmentally friendly "power source of choice." Building on this solid foundation, we will continue to move full steam ahead along the course we have charted.

We thank you for the trust you have placed in us and invite you to join us for the next chapters of this exciting journey.

Sincerely,
The Management Board of SFC Smart Fuel Cell AG

Dr. Peter Podesser
CEO

Dr. Jens Müller
CTO

Shareholdings as of March 31, 2008

	Shares	Options
Management Board		
Dr. Peter Podesser (CEO)	113,300	0
Dr. Jens Müller (CTO)	56,918	1,980[1)]
Supervisory Board		
Rüdiger C. Olschowy, BIT Holdings GmbH	162,254	0
Dr. Rolf Bartke	0	0
Wolfgang Biedermann	0	0
Jakob-Hinrich Leverkus	7,200	0
Dr. Roland Schlager	3,000	0
Dr. Manfred Stefener	1,155,967	0

1) Each share option entitles to subscribe to 4 SFC Smart Fuel Cell AG shares.

Business Review

1. Report on earnings and financial position

EARNINGS POSITION

SFC continued to grow successfully in the first quarter of 2008, posting a 37.3% increase in sales compared with same period a year ago. Sales rose to €4,606k in the period under review, following €3,355k in the first quarter of 2007. The share of sales attributable to products decreased to 75.3% in the first three months of 2008, compared with 79.7% a year earlier, while that generated under joint development agreements (JDAs) increased accordingly.

Sales by segment

The increase in product sales during the first three months of this year is chiefly due to higher unit sales of A-Series fuel cell systems.

Sales by segment **1st Quarter**

in k€ (unaudited)	2008	2007	Change in %
A-Series	3,267	2,454	33.1%
C-Series	16	56	-71.4%
Power Manager	0	111	-100.0%
JDAs	1,137	680	67.2%
Other products	186	54	244.4%
Sales	**4,606**	**3,355**	**37.3%**

The increase in sales of A-Series products by 33.1% to €3,267k, following €2,454k in the first three months of 2007, is largely the result of our sustained positive performance in the leisure market. Unit sales of A-Series fuel cell systems rose from 1,371 to 1,783, which represents an increase of 30.1%.

Sales in the C-Series segment fell 71.4%, from €56k in the first quarter of 2007 to €16k in the first quarter of 2008, with the number of systems delivered down from 4 to 1. SFC won a contract for the delivery of 18 systems from a European defense organisation in the first quarter of 2008. Delivery of these systems is planned for the second quarter of 2008.

We had no sales of Power Managers in the first quarter of 2008 (Q1 2007: €111k). Delivery of the 521 Power Managers ordered in 2007 is expected to start in the second quarter of 2008.

Due to our successful cooperation with the U.S. Armed Forces and German Bundeswehr, sales in the JDAs segment in the first three months of 2008 increased by 67.2% to €1,137k, following €680k the year before.

Sales in our Other Products segment surged 244.4% to €186k in the first quarter of 2008 verses €54k a year earlier. Besides the sale of fuel cartridges, the sale of test equipment to strategic partners is captured in this segment. Sales of our other products increased so dramatically because of the growing presence of fuel cell systems in the field.

Sales by region

in k€ (unaudited)	1st Quarter 2008	2007	Change in %
Europe (without Germany)	2,115	1,530	38.2%
Germany	1,913	950	101.4%
North America	552	873	-36.8%
Asia	9	2	350.0%
Rest of the world	17	0	n. a.
Sales	**4,606**	**3,355**	**37.3%**

We achieved substantial growth in Europe in the first quarter of 2008. The share of sales SFC generated in its home market of Germany in the first three months of 2008 stood at 41.5%, following 28.3% in the previous year. Thus, the share of international sales in total sales dropped to 58.5% (Q1 2007: 71.7%).

Our triple-digit growth in Germany is predominantly attributable to the success of our JDA with the Bundeswehr, while sales gains in the rest of Europe are a manifestation of the increasing market penetration of our A-Series fuel cell systems.

Sales fell by 36.8% in North America essentially because of the nature of our business with the U.S. Armed Forces, especially the business generated under JDAs and through the delivery of Power Managers and C-Series fuel cell systems. Compared with the first quarter, we expect sales in the region to turn sharply upward in the second quarter due to follow-on orders placed under existing JDAs and to the delivery of Power Managers.

Gross margin
Fuelled by sales growth and ongoing success in our systematic implementation of cost-saving measures in the production of A-Series fuel cell systems, our gross margin soared 315.8% to €869k, following €209k the same period a year ago. The increase in our gross margin to 18.9% for the period (Q1 2007: 6.2%) is predominantly the result of the tremendous change in the gross margin from our A-Series segment, which jumped from 1.5% to 20.3%.

Sales costs
We reduced our sales costs by 34.6% to €894k in the first three months of 2008, compared with €1,368k the year before. The previous year's figure reflected a one-time effect of €393k from cancelling and settling share options. Excluding this effect, sales costs were down by 8.4%, mostly because of lower consulting fees and commissions.

Research and development costs
Research and development costs increased by 6.2% to €120k in the first quarter of 2008, following €113k in the first quarter of 2007. We capitalised €300k in development costs in the period under review, compared with no development work being capitalised a year earlier.

General administration costs
General administration costs decreased by 30.0% to €556k in the first three months of 2008 (Q1 2007: €794k). Excluding the one-time effect of €485k from the cancellation and settlement of share options reflected in the previous year's figure, administration costs rose 79.9%. Higher payroll expenses, higher audit and consulting fees as well expenses related to investor relations accounted for the bulk of this increase.

Other operating income
Income of €255k from the measurement of open dollar and platinum forwards drove the increase in other operating income from €48k in the first quarter of 2007 to €290k in the first quarter of 2008.

Operating result (EBIT)
EBIT improved by 79.6% in the first quarter of 2008 to minus €411k, following minus €2,015k the same period a year ago. Adjusted for non-recurring items, EBIT improved by 60.7% (see "Result from special influences" in the Notes). Given the growth in sales, the adjusted EBIT margin improved to minus 8.9%, following minus 31.1% a year earlier.

Interest and similar income
Interest and similar income decreased from €1,079k in the first quarter of 2007 to €584 k in the first quarter of 2008. The previous year's figure included €1,012k in one-time effects related to the redemption of silent partnership investments in our company. Excluding these effects, our interest income would have risen by a considerable €517k given the investment of the proceeds from the capital increase undertaken in the prior year.

Interest and similar expenses
Interest and similar expenses decreased by 55.7% in the first three months of 2008 to €26k, compared with the year-earlier period's €61k, as a result of the redemption in the previous year of silent partnership investments in our company.

Net profit
SFC returned a net profit of €147k in the first quarter of 2008, the company's first-ever positive result after income taxes. The year before, we incurred a net loss of €997k.

Earnings per share
Earnings per share under IFRS (diluted) improved to €0.02 in the first quarter of 2008, following a net loss of €0.20 per share for the same period last year.

FINANCIAL POSITION
The chief influence on our financial position in the first quarter of 2008 was the repayment of the silent partnership investment made by tbg Technologie-Beteiligungs-Gesellschaft mbH, including final remuneration and current minimum remuneration, in the amount of €2,251k.

Cash and cash equivalents amounted to €49,413k at the end of March 2008 (March 2007: €1,034k).

Cash flow from ordinary operations
The net cash used in ordinary operations decreased to €1,248k in the first quarter of 2008 versus €1,342k a year ago. In addition to improving our result after taxes, as mentioned earlier, we experienced a much lower increase in inventories and trade accounts receivable in the period under review (€101k versus the €1,620k increase recorded in the year-earlier period). Regarding offsetting effects, our trade accounts payable, which had risen €1,691 a year earlier, were up only €590k in the first quarter of 2008.

Cash flow from investment activity
With interest income of €604k (Q1 2007: €67k), we had a net inflow of €42k from investment activity in the period under review. In the previous year we used net cash of €3,753k primarily because of the €3,566k spent on the acquisition of securities. Cash used in the acquisition of property, plant, equipment and intangible assets rose from €254k to €562k. The €300k in capitalised development costs factored heavily into this increase.

Cash flow from financial activity
The increase in net cash used for financial activity in the first quarter of 2008 to €2,327k, following €119k the year before, was largely a function of repaying the silent partnership investment referenced earlier.

ASSETS & LIABILITIES
The company has a healthy balance sheet. Our equity ratio grew in parallel with sales and earnings.

Total assets were down 3.4% at quarter's end, decreasing from €59,945k as of December 31, 2007 to €57,900k as of March 31, 2008.

Given the nearly unchanged volume of sales in the first quarter of 2008 when compared with the fourth quarter of 2007, inventories and trade accounts receivable rose a mere 1.6% to €3,333k (December 31, 2007: €3,281k).

The increase in other short-term assets and receivables from €479k at December 31, 2007 to €995k at March 31, 2008 is mainly due to VAT receivables and the measurement of open platinum and dollar forwards.

Intangible assets rose from €1,078k at December 31, 2007 to €1,317k at March 31, 2008 chiefly because of the development costs capitalised. The share of non-current assets in total assets climbed from 4.5% to 5.8%.

The majority of the decrease in other short-term liabilities, down from €3,564k at December 31, 2007 to €999k at March 31, 2008, is attributable to repayment of the silent partnership investment.

Altogether, liabilities made up 10.0% of total liabilities and shareholders' equity for the period (December 31, 2007: 13.4%).

With the positive result after taxes, our shareholder's equity rose to €52,089k as of March 31, 2008, compared with €51,912k at December 31, 2007. Our equity ratio increased accordingly from 86.6% to 90.0%.

RESEARCH AND DEVELOPMENT
The focus of our research and development activities remained as follows in the first quarter:

- Reduce unit costs through technological innovations in order to maximise the contribution margins of our products. We pressed ahead with our efforts to increase power density while cutting back on the amount of material used, especially for our fuel cell stacks, which represent the technical core of fuel cell systems and also account for a very large portion of the systems' production costs.

- Enhance product functionality (e.g., higher performance, market-specific features, greater durability under challenging conditions) in order to develop new areas of application in addition to the markets already addressed.

- Miniaturise the products in order to successfully tap markets, such as the defense industry, with demanding specifications for portable energy sources.

CAPITAL EXPENDITURES

In the first three months of 2008 we capitalised €300k in development work directed at enhancing our fuel cell systems. Chief among our other investments was an ultrasonic welding machine for fuel cartridges through which we aim to generate additional cost savings in the production of fuel cartridges.

NEW ORDERS AND ORDER BACKLOG

New orders were down in the first quarter of 2008 due in large measure to the expiration of JDAs in the defense segment this year. Negotiations are currently underway with the respective clients to determine the nature and terms of the successor programmes. In figures, the volume of new orders dropped 27.6% to €3,178k, following €4,388k in the first quarter of 2007. Consequently, the order backlog, which stood at €3,448k as of March 31, 2008, had dropped by 40.4% from a year earlier (March 31, 2007: €5,783k).

EMPLOYEES

As of March 31, 2008, the company employed the following personnel:

Employees	**03/31/2008**	03/31/2007	Change
Management Board	2	2	0
Research and development	28	25	3
Production, logistics, quality management	28	21	7
Sales & Marketing	23	16	7
Administration	10	6	4
Permanent employees	**91**	**70**	**21**
Trainees, graduates, student trainees	6	5	1
Employees at the end of the quarter	**97**	**75**	**22**

The increase in the number of permanent employees as of March 31, 2008 by 30.0% to 91, following 70 as of the end of the year-earlier period, is attributable to the growth in our sales and marketing, production, quality management and administration departments, itself a reflection of SFC's stronger market orientation and the demands of being a publicly traded company. To be able to react flexibly to the higher sales volumes, SFC turns to temporary staffing firms for suitable personnel, particularly to fill vacancies in manufacturing. As of the end of March 2008, SFC had 11 such workers in the company (March 2007: 13).

2. Report on forecasts and other forward-looking statements

The Management Board fully believes the company is capable of defending its leading position in the promising market for independent energy supply using fuel cells powered by methanol. During the period under review, we succeeded in expanding our market position further while simultaneously making great improvements in our gross margin, and we remain committed to continuing this course.

SFC is the only company at present engaged in the series production of commercially available products in the market for fuel cells and, by its own estimates, has likely increased its competitive edge further. Plans call for increasing sales considerably in both 2008 and 2009, while at the same time further improving the margin situation by introducing innovative new technologies and tapping markets with attractive pricing. SFC plans to invest in the additional expansion of its production capacities in order to meet the expected increase in demand. We will also analyse opportunities for accelerating our time to market, enhancing cooperative ventures with suppliers of complementary products, as well as establishing a more direct presence in the regions we serve and marketing the value added ratio of our products to local defense customers, at least in the U.S. SFC anticipates having its first pilot customers in the market for light-weight electric vehicles in 2008. In the leisure segment, we assume sales in the core markets of Germany, France and Italy will continue to grow and also expect to make our market debuts in the U.K. and Scandinavia. For the second half of 2008, SFC is planning a small series of miniaturised portable fuel cells and intends to launch a 250-watt fuel cell for our customers in the defense segment.

SFC is making great efforts to become economically profitable as soon as possible, while at the same time fostering long-term growth by establishing an early presence in key markets and distribution channels. The objective for the 2008 financial year is to achieve significant earnings improvement through additional aggressive sales growth and consistent reductions in our product costs, even if cash flows remain negative in the initial stages.

3. Report on risks and opportunities

As part of a systematic and organisational approach to risk, the Management Board has implemented a risk management system that defines, systematically uses and continues to develop suitable instruments for identifying, analysing and measuring risks and determining the appropriate course of action.

We are of the opinion that the chief risks the company faces have not changed since the publication of our 2007 annual report, with the following exceptions. In recent weeks we have observed a slowing of sales and thus growth in the leisure market as well as increasing risks in the labour market, where the supply of skilled workers continues to dwindle. SFC remains heavily dependent on committed, highly qualified and to a certain extent specialised employees. As before, the rising cost of raw materials like platinum also constitutes a risk, one that could have an adverse effect on our product margins. Any of these factors could become a bottleneck in the company's planned growth.

Brunnthal, April 21, 2008

Dr. Peter Podesser
CEO

Dr. Jens Müller
CTO

Clean power!

at any place and any time

Interim Report in accordance with International Financial Reporting Standards as of March 31, 2008 and March 31, 2007

The following Interim Report has been prepared in the German language. They have been translated for this Interim Report into English. In the event of questions of interpretation, the German version shall be authoritative.

Income Statement

from January 1 to March 31, 2008

in €	2008 01/01 – 03/31	2007 01/01 – 03/31
1. Sales	4,605,803	3,354,568
2. Production costs of work performed to generate sales	-3,736,881	-3,145,696
3. Gross margin	**868,922**	**208,872**
4. Sales costs	-893,504	-1,368,493
5. Research and development costs	-120,376	-113,330
6. General administration costs	-555,926	-793,914
7. Other operating income	289,889	47,523
8. Other operating expenses	-24	4,353
9. Operating loss	**-411,019**	**-2,014,989**
10. Interest and similar income	584,289	1,078,853
11. Interest and similar expenses	-26,278	-60,623
12. Result from ordinary operations	**146,992**	**-996,759**
13. Income taxes	0	0
14. Net result	**146,992**	**-996,759**
15. Accumulated loss brought forward from previous year	-22,043,985	-19,519,811
16. Net accumulated loss	**-21,896,993**	**-20,516,570**
Earnings per share		
undiluted	0.02	-0.20
diluted	0.02	-0.20

Balance Sheet

as at March 31, 2008

ASSETS in €		03/31/2008	12/31/2007
A.	**Current assets**	**54,556,138**	**57,265,258**
I.	Inventories	1,162,400	1,280,700
II.	Trade accounts receivable	2,170,774	2,000,187
III.	Income tax receivables	658,162	463,229
IV.	Other short-term assets and receivables	995,171	478,970
V.	Cash and cash equivalents	49,412,518	52,945,317
VI.	Cash and cash equivalents with limitation on disposal	45,320	45,320
VII.	Deferred charges and prepaid expenses	111,793	51,535
B.	**Non-current assets**	**3,343,508**	**2,680,065**
I.	Intangible assets	1,316,567	1,078,082
II.	Property, plant and equipment	969,813	830,220
III.	Deferred tax assets	1,057,128	771,763
	Assets	**57,899,646**	**59,945,323**

LIABILITIES AND SHAREHOLDERS' EQUITY in €	03/31/2008	12/31/2007
A. Current liabilities	**4,265,899**	**6,770,573**
I. Other provisions	421,333	484,267
II. Liabilities from prepayments	335,869	985,863
III. Trade accounts payable	1,851,923	1,261,806
IV. Liabilities from finance leases	287,796	287,796
V. Liabilities from percentage-of-completion	277,601	74,655
VI. Other short-term liabilities	998,720	3,563,674
VII. Deferred charges	92,657	112,512
B. Non-current liabilities	**1,544,429**	**1,262,374**
I. Other long-term provisions	188,070	176,898
II. Liabilities from finance leases	32,531	97,013
III. Other long-term liabilities	266,700	216,700
IV. Deferred tax liabilities	1,057,128	771,763
C. Equity	**52,089,318**	**51,912,376**
I. Subscribed capital	7,136,243	7,136,243
II. Capital surplus	66,850,068	66,820,118
III. Accumulated loss brought forward from previous year	-22,043,985	-19,519,811
IV. Net result	146,992	-2,524,174
Liabilities and shareholders' equity	**57,899,646**	**59,945,323**

Cash Flow Statement

from January 1, 2008 to March 31, 2008

in €	2008 01/01 –03/ 31	2007 01/01 – 03/31
Cash flow from ordinary operations		
Result before taxes	**146,992**	**-996,759**
- Net interest income	-558,011	-6,350
+ Depreciation/amortisation of intangible assets and property, plant and equipment	183,758	171,525
+ Expenses from share options programmes	29,950	1,006,292
+ Changes in allowances	48,792	86,031
-/+ Profits/losses from derivatives	0	-1,011,879
Changes to operating result before working capital	**-148,519**	**-751,140**
-/+ Changes to short and long-term provisions	-66,196	60,285
- Changes to trade accounts receivable	-174,585	-954,144
+/- Changes to inventories	73,506	-666,299
- Changes to other assets	-535,541	-122,393
- Changes to prepaid expenses	-60,259	-914,916
+ Changes to trade accounts payable	590,116	1,691,198
-/+ Changes to other liabilities	-711,377	323,188
- Changes to deferred income	-19,855	-19,855
Cash flow from ordinary operations before taxes	**-1,052,710**	**-1,354,076**
- Income tax payments	-194,933	11,639
Cash flow from ordinary operations	**-1,247,643**	**-1,342,437**

in €	2008 01/01 – 03/31	2007 01/01 – 03/31
Cash flow from investment activity		
- Acquisition of property, plant and equipment and intangible assets	-561,835	-254,204
+ Interest income	603,629	66,974
- Cash used to acquire securities and pledged bank balances	0	-3,565,773
Cash flow from investment activity	**41,794**	**-3,753,003**
Cash flow from financial activity		
- Repayment of financial liabilities	-2,250,625	0
- Repayment of liabilities from finance leases	-71,949	-71,949
- Interest paid and other expenses	-4,376	-47,393
Cash flow from financial activity	**-2,326,950**	**-119,342**
Net change in cash and cash equivalents	**-3,532,799**	**-5,214,782**
Net change in cash and cash equivalents		
Cash and cash equivalents at beginning of period	52,945,317	6,248,783
Cash and cash equivalents at end of period	49,412,518	1,034,001
Net change in cash and cash equivalents	**-3,532,799**	**-5,214,782**

Statement of Changes in Equity

from January 1, 2008 to March 31, 2008

in €	Subscribed capital	Capital surplus
Balance 01/01/2007	**1,413,936**	**23,702,071**
Allocation from option programme		1,006,292
Net result 01/01 – 03/31/2007		
Balance 03/31/2007	**1,413,936**	**24,708,363**
Allocation from option programme		97,874
Capital increase from company funds	4,241,808	-4,241,808
Capital increase from IPO on Prime Standard	1,447,451	52,108,236
Costs of capital increase		-5,827,761
Exercise of option rights	33,048	-24,786
Net result 04/01 – 12/31/2007		
Balance 12/31/2007	**7,136,243**	**66,820,118**
Allocation from option programme		29,950
Net result 01/01 – 03/31/2008		
Balance 03/31/2008	**7,136,243**	**66,850,068**

Net accumulated loss	Total
-19,519,811	**5,596,196**
	1,006,292
-996,759	-996,759
-20,516,570	**5,605,729**
	97,874
	0
	53,555,687
	-5,827,761
	8,262
-1,527,415	-1,527,415
-22,043,985	**51,912,376**
	29,950
146,992	146,992
-21,896,993	**52,089,318**

Notes to the Interim Report of SFC Smart Fuel Cell AG

Information about the company

SFC Smart Fuel Cell AG (henceforth "SFC" or "the company") was established by articles of association dated December 10, 1999 under the name Gigantus Vermögensverwaltung GmbH, Hallbergmoos, Germany, and registered on December 21, 1999 in the Commercial Register of the local court in Munich under the number B 128831.

The shareholders' meeting of February 28, 2000 approved the restatement of the articles of association and the change of name to SFC Smart Fuel Cell GmbH. The purpose of the company was amended to read as follows: "The purpose of the company is the development and marketing of energy supply systems and their components for off-grid machines on the basis of fuel cell technology. The company may form, buy, act as agents for or invest in companies of a similar nature as well as set up branch offices." The company's registered office was moved to Brunnthal near Munich.

On May 14, 2002, the shareholders of SFC Smart Fuel Cell GmbH, Manfred Stefener, Jakob-Hinrich Leverkus, Michael Negel, PRICAP Venture Partners AG, 3i Group Investments L.P. and SOHO GmbH, resolved to transform the company into a stock corporation (Aktiengesellschaft) to be known as "SFC Smart Fuel Cell AG."

The company went public on the Frankfurt Stock Exchange on May 25, 2007.

Course of business in the first quarter

SFC continued to grow successfully in the first quarter of 2008, posting a 37.3% increase in sales compared with same period a year ago. Sales rose to €4,605,803 in the period under review, following €3,354,568 in the first quarter of 2007. The increase in product sales during the first three months of this year is chiefly due to higher unit sales of A-Series fuel cell systems. The share of sales attributable to products decreased to 75.3% in the first three months of 2008, compared with 79.7% a year earlier, while that generated under joint development agreements (JDAs) increased accordingly.

The delivery of 1,783 EFOY fuel cells in the first quarter of 2008 demonstrates that we are gaining market traction, particularly in the leisure segment. With the year-earlier figure at 1,371, unit sales of A-Series fuel cell systems thus rose 30.1%. Due to our successful cooperation with the U.S. Armed Forces and German Bundeswehr, sales in the JDAs segment increased by 67.2% to €1,137,266 in the first three months of 2008, following €680,085 the year before. We had no sales of Power Managers in the first quarter of 2008 (Q1 2007: €111,438). Delivery of the 521 Power Managers ordered in 2007 is expected to start in the second quarter of 2008.

Fuelled by sales growth and ongoing consistent reductions in our production costs for A-Series fuel cell systems, the gross margin soared to €868,922, following €208,872 the same period a year ago. The increase in our gross margin to 18.9% for the period (Q1 2007: 6.2%) is predominantly the result of the tremendous change in the gross margin from our A-Series segment, which jumped from 1.5% to 20.3%.

EBIT improved by 79.6% in the first quarter of 2008 to minus €411,019, following minus €2,014,989 a year earlier. Two special influences had a significant impact on our earnings in the first three months of 2007 (see "Result from special influences"). Without these, EBIT improved by 60.7%.

[1] The company's registered office is at Eugen-Sänger-Ring 4, 85649 Brunnthal.

The chief influence on our financial position in the first quarter of 2008 was the repayment of the silent partnership investment made by tbg Technologie-Beteiligungs-Gesellschaft mbH, including final remuneration and current minimum remuneration, in the amount of €2,250,625.

The company has a healthy balance sheet. The equity ratio grew in parallel with sales and earnings, climbing from 86.6% as of December 31, 2007 to 90.0% as of March 31, 2008.

Accounting principles

The quarterly financial statements of SFC Smart Fuel Cell AG for the financial period January 1 to March 31, 2008 have been prepared in accordance with IAS 34 "Interim Financial Reporting" as a set of condensed financial statements. These condensed financial statements do not contain all of the information required for a complete set of financial statements for a full financial year and should, therefore, be read in conjunction with the financial statements for the year ended December 31, 2007.

The accounting policies used in the preparation of these condensed financial statements are identical to those that were used in preparing the annual financial statements at December 31, 2007. The following Interpretations were applicable for the first time:

- IFRIC 11 "Group and Treasury Share Transactions": Entities were required to apply this Interpretation for financial years beginning on or after March 1, 2007. It did not impact the quarterly financial statements.

- IFRIC 12 "Service Concession Arrangements": Entities were required to apply this Interpretation for reporting periods beginning on or after January 1, 2008. It did not impact the quarterly financial statements.

The interim report is presented in euros (€). Figures stated in this report are in euros (€) unless otherwise indicated. Please note that small differences can arise in rounded amounts and percentages due to commercial rounding of figures.

The income statement was prepared using the cost-of-sales method.

The auditors have neither audited nor reviewed the interim financial statements.

Forward exchange dealing

As of the reporting date, forward exchange deals on the sale of U.S. dollars with a total volume of US$ 2,800,000 remained open. These transactions had a positive fair value of €126,159 as of the reporting date. Hedge accounting is not utilised, so the forward transactions were classified as fair value through profit and loss, and any changes in value were recognised in the income statement under other operating income. The positive fair value is shown under other assets.

Forward commodities transactions

As of the reporting date, forward commodities transactions for hedging the price risk of the platinum used in a key fuel cell component remained open. The company has secured the price for approximately 85% of the platinum needed in the current year through previously executed commodity forwards. Platinum prices soared in the first quarter of 2008. Because of the steep increase, the open platinum forwards had a positive fair value of €150,363 as of the reporting date, which has been captured under other assets. The changes in value were recognised on the income statement under other operating income.

Silent partnerships

In anticipation of the initial public offering on the Prime Standard, an effort was made in the first quarter of 2007 to reach an agreement to buy out the two silent shareholders. Additional information is available in the Notes to the financial statements for the year ended December 31, 2007.

A final agreement was reached just before the public offering.

In connection with the redemption of the silent partnership investments, SFC repaid tbg Technologie-Beteiligungs-Gesellschaft mbH its €1,500,000 contribution in full and also paid the final remuneration that had been arranged (€720.000, or 48% of the contribution) as well as the current minimum remuneration (€30,625) in January 2008.

A similar agreement was reached with Technologie Beteiligungsfonds Bayern GmbH & Co. KG ("BayKap") on redemption of its silent partnership investment of €1,022,584 and payment of a contractual final remuneration of €533,789. These payments to BayKap were already made in the second quarter of 2007.

Redemption of the silent partnership investments resulted in a one-time effect of €1,011,879 in the year-earlier period that was captured under interest and similar income.

Liabilities from percentage-of-completion

With advance payments on orders up in the first quarter, the liabilities from percentage-of-completion increased by €202,946 to €277,601.

Options for employees and Management Board members

There have been no changes in SFC's share option programme since December 31, 2007.

In the first quarter of the 2007 financial year, there was a major, one-time effect related to the cancellation of share options. In the course of preparing the prospectus with its legal advisors in Q1 2007, SFC was advised to eliminate the existing authorised capital I to III for the issue of share options. A final agreement on compensation was reached at the Supervisory Board meeting held on March 27, 2007. Additional information is available in the Notes to the financial statements for the year ended December 31, 2007.

The still outstanding expense from the options issued to the affected persons, which amounted to €969,910, was recognised in full pursuant to IFRS 2.28 (a) and allocated mainly to general administration costs and sales costs. These transactions will not give rise to any further expense for SFC in future periods.

The number of outstanding options as of March 31, 2008 was 4,341 (Q1 2007: 12,675). These options entitle their holders to subscribe for a total 17,364 shares.

Sales costs

Our sales costs were as follows in the first quarter of 2008:

in €	01/01 – 03/31/2008	01/01 – 03/31/2007
Personnel costs	449,445	465,243
Advertising and travel costs	180,064	234,779
Consultancy/commissions	125,125	194,668
One-time effect of redemption of share options	0	392,917
Other	138,870	80,886
Total	**893,504**	**1,368,493**

The previous year's sales costs reflected a one-time effect of €392,917 from the cancellation of share options.

Research and development costs

We capitalised €300,000 in development costs in the first quarter of 2008, compared with no development work being capitalised a year earlier.

Intangible assets rose accordingly to €1,316,567, compared with €1,078,082 at December 31, 2007, chiefly because of the capitalised development costs.

General administration costs

Our general administration costs were as follows in the first quarter of 2008:

in €	01/01 – 03/31/2008	01/01 – 03/31/2007
Personnel costs	238,190	163,075
Audit and consultancy costs	66,738	19,477
Investor relations/annual meeting	61,543	6,541
Supervisory Board compensation	41,108	32,500
Travel costs	36,300	11,446
Recruiting costs	29,985	21,079
Depreciation and amortisation	20,655	14,772
One-time effect of redemption of share options	0	484,955
Other	73,364	71,728
Set-off against grants	-11,957	-31,659
Total	**555,926**	**793,914**

The previous year's general administration costs reflected a one-time effect of €484,955 from the cancellation of share options.

Income taxes

As was the case with the annual financial statements as of and for the year ended December 31, 2007, the amount reported as deferred tax assets does not exceed our deferred tax liabilities since we cannot show with reasonable certainty that SFC Smart Fuel Cell AG will be able to utilise the tax losses brought forward.

Result from special influences

Taking account of the two special influences from the previous year mentioned above, namely, the redemption of the silent partnership investments and cancellation of share options, the result for the first quarter of 2008 cannot be compared with the result from a year earlier.

However, in order to offer some comparison, we present the result after taxes and operating result adjusted for these special circumstances.

in €	01/01 – 03/31/2008	01/01 – 03/31/2007
Net result in accordance with income statement	146,992	-996,759
Effect from redemption of silent partnership	0	-1,011,879
Effect from cancellation of share options	0	969,910
Adjusted result after taxes	**146,992**	**-1,038,728**

in €	01/01 – 03/31/2008	01/01 – 03/31/2007
Operating loss in accordance with income statement	-411,019	-2,014,989
Effect from cancellation of share options	0	969,910
Adjusted operating loss	**-411,019**	**-1,045,079**

Segment report

SFC's sales and results were as follows in the first quarter of 2008:

	Segment sales		Segment result	
Segment	03/31/2008	03/31/2007	03/31/2008	03/31/2007
A-Series	3,267,059	2,453,341	663,226	36,436
C-Series	16,000	56,073	9,136	24,534
JDA	1,137,266	680,085	354,557	220,782
Power Manager	0	111,438	0	23,071
Other products	185,478	53,631	-157,997	-95,951
Unallocated items	0	0	-721,930	-1,205,631
Total	**4,605,803**	**3,354,568**	**146,992**	**-996,759**

Related party transactions

By order of the local court in Munich on January 24, 2008, Dr. Roland Schlager of Munich was appointed to the Supervisory Board. Other than Dr. Schlager's appointment, there have been no changes in the group of related parties since preparation of the annual financial statements for the year ended December 31, 2007.

There were no significant related party transactions in the first quarter of 2008.

Employees

SFC employed the following personnel as of the reporting date:

in €	03/31/2008	03/31/2007
Full-time employees	85	63
Part-time employees	6	7
Trainees, graduates, student trainees	6	5
Total	**97**	**75**

Contingent liabilities and other financial obligations

In the course of public project sponsorships, SFC has received grants for specific purposes that are subject to securing financing for the whole respective project. Until these projects are successfully completed, the grants received so far constitute a contingent liability of €633,721 as of the reporting date (€718,591 as of December 31, 2007).

Earnings per share

The following changes took place in the number of issued shares in the first quarter of 2008:

in €	01/01 – 03/31/2008	01/01 – 03/31/2007	01/01 – 03/31/2007 adjusted
Outstanding ordinary shares 01/01	**7,136,243**	**1,413,936**	**1,413,936**
Capital increase from company funds April 2007			4,241,808
Capital increase May 2007			1,447,451
Capital increase from share options July/October 2007			33,048
outstanding ordinary shares 03/31	**7,136,243**	**1,413,936**	**7,136,243**
Undiluted number of outstanding ordinary shares	**7,136,243**	**1,413,936**	**5,099,924**
Shares from exercisable options 01/01	0	18,198	72,792
Shares from exercisable options 03/31	0	2,988	11,952
Dilution effect	0	10,593	42,372
Diluted number of outstanding ordinary shares	**7,136,243**	**1,424,529**	**5,142,296**

Under IAS 33 "Earnings per Share" the effect of potential shareholdings needs to be considered when determining the diluted earnings per share. It is presumed that all valid share options whose strike price was under the average share price for the period had actually been exercised.

There were no dilutive effects on SFC's result.

To calculate the earnings per share, the increase in the number of ordinary shares resulting from the capital increase in 2007 was used retroactively for the first quarter of the 2007 financial year, to maintain comparability. In the process, the number of ordinary shares was determined as though each option outstanding in the first quarter of 2007 had entitled its holder to subscribe for four shares, which is consistent with the terms of the capital increase carried out as part of the initial public offering and listing in the Prime Standard segment.

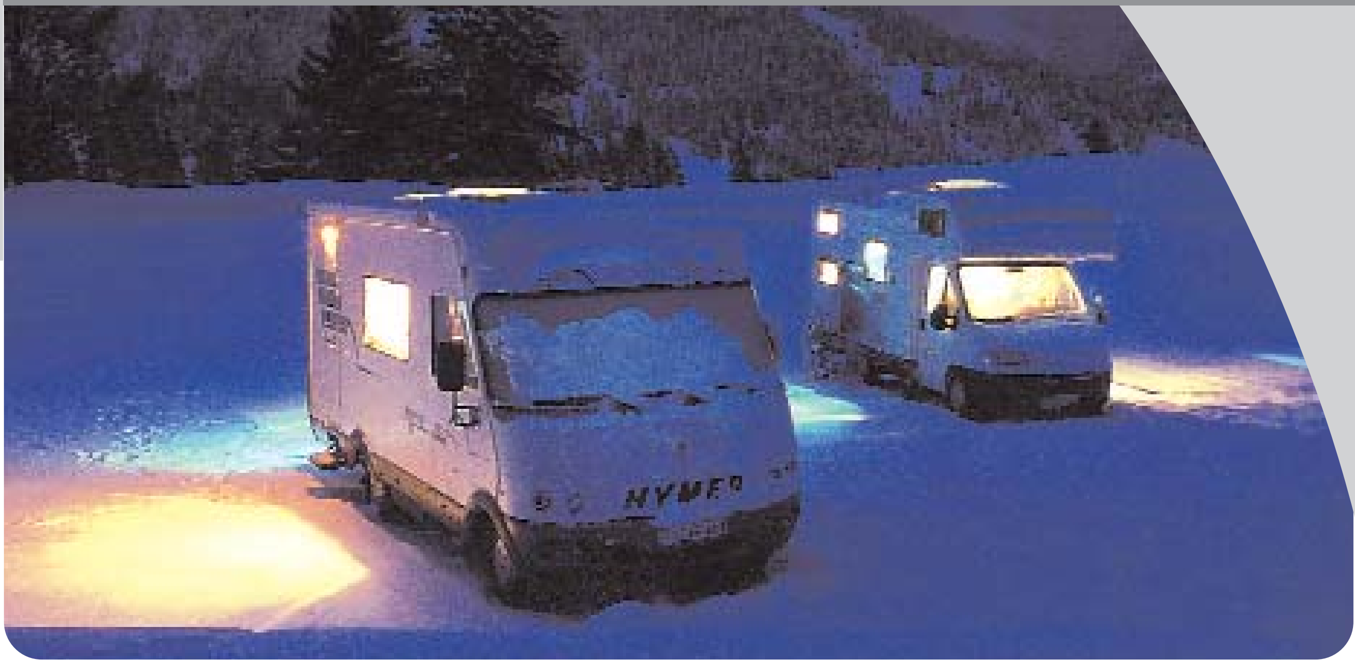
Material events after the balance sheet date

The company is not aware of any material events after the balance sheet date affecting the course of business.

Brunnthal, April 21, 2008
The Management Board

Dr. Peter Podesser CEO	Dr. Jens Müller CTO

Statements about the future
This annual report contains statements and information about the future. Such passages contain such words as "expect", "intend", "plan", "believe", "aim", "estimate", etc. Such statements about the future are based on current expectations and certain assumptions. They therefore also contain a number of risks and uncertainties. A multitude of factors, many of which are beyond the control of SFC, affect our business, our success, and our results. These factors can lead the company's actual results, success, and performance to deviate from the results, success, and performance in the statements made explicitly or implicitly about the future. SFC assumes no obligation to update any forward looking statements.



FINANCIAL CALENDAR

Date	Schedule
05/08/2008	Annual General Meeting
07/24/2008	Publication Half yearly Report
10/21/2008	Publication Nine months Report

IMPRINT

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