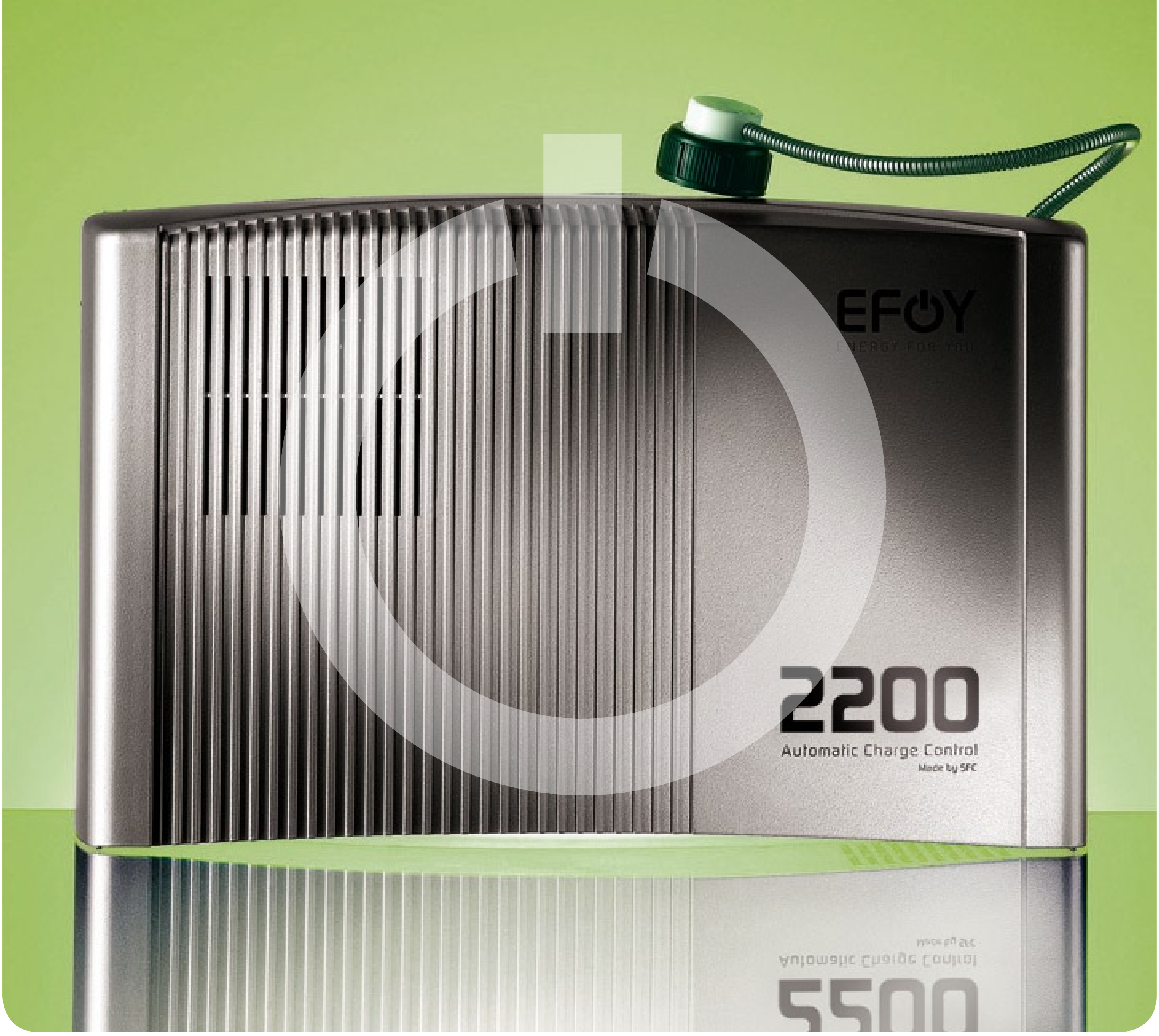
THREE MONTHS REPORT
Q1/2010



SFC
SMART FUEL CELL

SFC SMART FUEL CELL AG CONSOLIDATED KEY FIGURES

in k €

	01/01 – 03/31/2010	01/01 – 03/31/2009	Change in %
Total sales	3,595	2,873	25.1 %
Product sales total	3,394	2,427	39.8 %
Sales share of products	94.4 %	84.5 %	-
Gross margin total	1,073	531	102.1 %
Gross margin	29.8 %	18.5 %	-
EBITDA	– 605	– 929	34.9 %
EBITDA margin	– 16.8 %	– 32.3 %	-
EBIT	– 833	– 1,175	29.1 %
EBIT margin	– 23.2 %	– 40.9 %	-
Net loss	– 735	– 874	15.9 %
Net loss per share, diluted	– 0.10	– 0.12	16.7 %

in k €

	03/31/2010	12/31/2009	Change in %
Equity	45,094	45,860	– 1.7 %
Equity ratio	90.6 %	90.9 %	-
Balance sheet total	49,785	50,442	– 1.3 %
Cash (freely available)	38,298	40,544	– 5.5 %

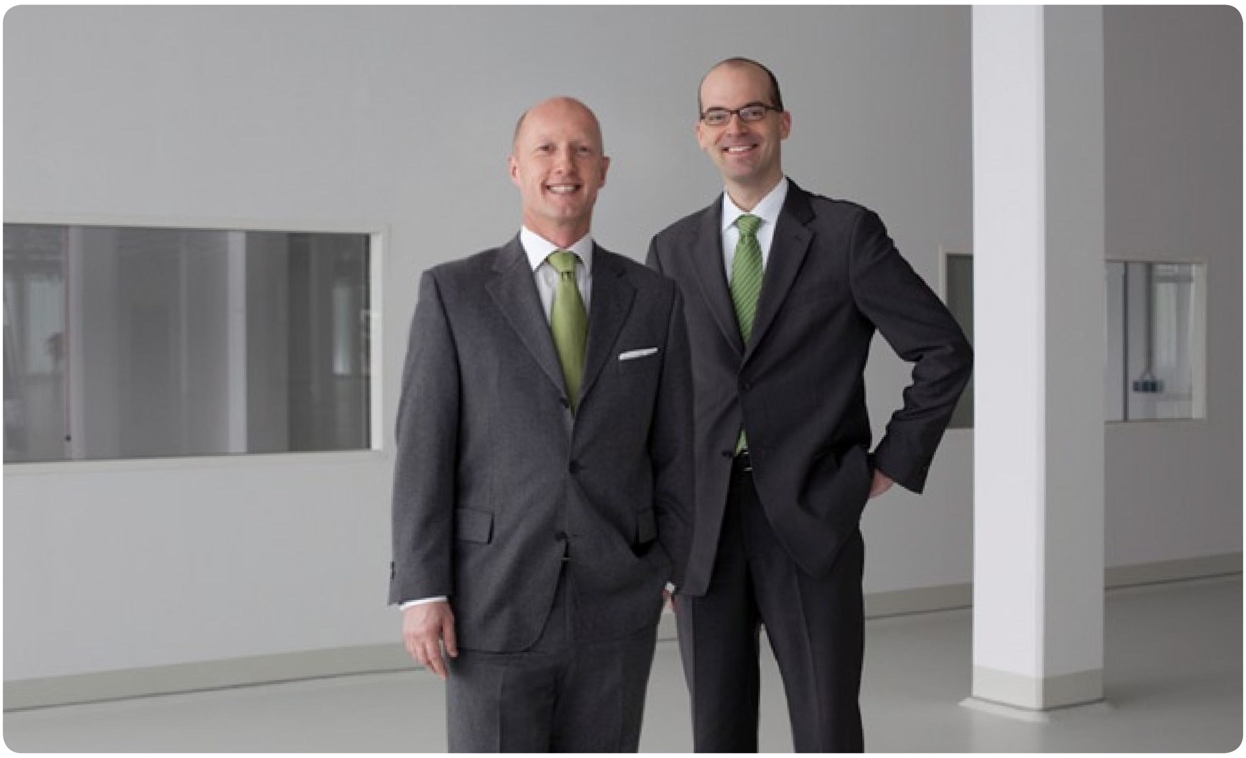
	03/31/2010	03/31/2009	Change in %
Permanent employees	96	98	– 2.0 %

DIRECTORS' SHAREHOLDINGS

	03/31/2010
Management Board	
Dr. Peter Podesser	115,800
Dr. Jens Müller	67,338
Supervisory Board	
Dr. Rolf Bartke	0
Rüdiger C. Olschowy, BIT Holdings GmbH	162,254
Wolfgang Biedermann	0
Jakob-Hinrich Leverkus	7,200
David Morgan	0
Dr. Manfred Stefener	1,163,758

CONTENT

INTRODUCTION BY THE MANAGEMENT BOARD



DEAR CUSTOMERS, SHAREHOLDERS, EMPLOYEES AND FRIENDS OF SFC SMART FUEL CELL AG,

In the first quarter of 2010, SFC's revenues increased for the first time since the overall difficult year 2009. Up by 25.1 % over the previous year, this quarter's revenues were at the upper end of our expectations. This positive development resulted in particular from increased sales of our EFOY fuel cells, which was mainly driven by two factors. First, there were signs of recovery in the two civilian markets that are so important to our Company: leisure (in which sales were up 34.3 %) and industry (with a 49.5 % increase in sales). Second, the strong demand for the new, more powerful EFOY 2200 and EFOY Pro 2200 confirms that SFC system solutions for reliable, environmentally friendly off-grid power generation are becoming more and more attractive.

SFC again expanded its comprehensive product portfolio in the first quarter of 2010 with the market launch of the new EFOY Pro 2200 XT fuel cell for remote off-grid power supply. In addition to the existing EFOY Pro Series, this product offers 50 % more guaranteed run time than the previous top-of-the-line model. It thus provides industrial customers with additional reliability for their off-grid applications. At the same time, its running costs per kilowatt hour are 15 % less over the course of the guaranteed run time.

On the market side, we further expanded our structure in the first quarter of 2010 with new partnerships in the oil and gas industry in the United States and Canada and in the safety and fire protection segment in France. In all our markets, the hybrid approach of our system solutions is bearing fruit. With their clear focus on hybridization with additional energy sources such as solar systems and energy storage units such as batteries, our system solutions convince the customer because of their flexible deployment possibilities, easy upgradability and high adaptability – advantages that make it easy for users to deploy new alternative energy concepts on a large scale. Our technology combines strong customer benefits with genuine sustainability and environmental responsibility. Therefore, we see significant long-term growth potential for our products in these applications.

In all our markets, the hybrid approach of our system solutions is bearing fruit.

The increased revenues described above and continued efficiency gains in logistics and production allowed us to more than double gross profit in Q1 2010 over the same period in 2009 (up 102.1 %). Cutting the costs of fuel cartridges also contributed to this improvement. As a result, gross margin increased significantly in Q1 2010, reaching 29.8 % (Q1/2009: 18.5 %) of total revenues.

Overall, these figures demonstrate sustainable success of our ongoing programs to reduce cost, consistently improve margins and to expand our product portfolio. We will continue to move forward with this strategy.

We thank you for your continued trust and invite you to stay on board for the next part of our journey.

Sincerely,
The Management Board of SFC Smart Fuel Cell AG

Dr. Peter Podesser
CEO

Dr. Jens Müller
COO

BUSINESS REVIEW

1. REPORT ON EARNINGS AND FINANCIAL POSITION

Earnings position

In the first quarter of 2010, SFC was able to post a 25.1 % increase in sales compared with the same period a year ago, which was at the top end of the Group's expectations. Sales rose to € 3,595k in the period under review, following € 2,873k in the first quarter of 2009. The share of sales attributable to products increased to 94.4 % in the first three months of 2010, compared with 84.5 % the year before, while that generated under joint development agreements (JDAs) and from other consulting services decreased accordingly.

Sales by segment

The increase in sales in the first three months of the fiscal year is due to higher unit sales of A-Series fuel cell systems, whereas sales in all other segments decreased. This development reflects the first signs of a possible recovery in the civilian markets; the defence market was still subject to low predictability in the first quarter of 2010.

SALES BY SEGMENT (UNAUDITED) in k €

	1st Quarter		
	2010	2009	Change in %
A-Series	3,166	2,161	46.5
C-Series	1	42	–97.6
Power Manager	17	20	–15.0
JDAs	201	321	–37.4
Other	210	329	–36.2
Total	**3,595**	**2,873**	**25.1**

Sales of A-Series fuel cell systems rose 46.5 %, to € 3,166k (Q1 2009: € 2,161k) in the first three months of 2010, due primarily to the significant growth in the leisure market, which posted an increase of € 658k, or 37.5 %. A-Series sales in the industry and mobility markets were up by a total of € 149k, or 37.0 %. Once again revenues were also generated from systems specially designed for military applications (FC 250, EMILY); they totalled € 180k (Q1 2009: € 0k). Unit sales of A-Series fuel cell systems advanced from 1,121 to 1,363, which represents an increase of 21.6 %. This overproportional increase in revenue resulted primarily from shifts in the model mix towards higher-performing fuel cell systems and is a reflection of the success of EFOY 2200 and EFOY Pro 2200 products that were launched in the fourth quarter of 2009.

Sales in the C-Series segment fell 97.6 %, from € 42k in the first quarter of 2009 to € 1k in the first quarter of 2010. While 2 entire systems were delivered in the prior-year period, only accessories were shipped for C-Series fuel cells in the first quarter of 2010.

Revenues from the sale of Power Managers fell 15.0 % in the first three months, from € 20k to € 17k; the number of Power Managers delivered fell from 4 to 2.

Sales in the JDA segment fell 37.4 % to € 201k in the first quarter of 2010, compared with € 321k the year before. This decrease is largely due to reduced sales to the German Bundeswehr.

Sales in the "Other" segment fell 36.2 % to € 210k in the reporting period, compared with € 329k the year before. The decrease is due mainly to the fact that the previous year's sales included consulting services in the amount of € 125k; sales of fuel cartridges were up € 3k (2.0 %) from the year before

Sales by region

SALES BY REGION (UNAUDITED)			in k €
	1st Quarter		
	2010	2009	Change in %
Europe (excluding Germany)	2,194	1,507	45.6
Germany	1,119	985	13.6
North America	219	285	– 23.2
Asia	35	88	– 60.2
Rest of world	28	8	250.0
Total	**3,595**	**2,873**	**25.1**

In the first quarter of 2010, SFC increased its sales in the key markets of Europe and Germany. The share of sales SFC generated in its home market of Germany stood at 31.1 % in the first three months of 2010, following 34.3 % the previous year. The share of international sales in total sales increased accordingly to 68.9 % (Q1 2009: 65.7 %).

The 45.6 % sales growth for the rest of Europe is predominantly attributable to higher unit sales of A-Series fuel cell systems, reflecting a possible recovery in the leisure market.

Germany also saw an increase particularly in sales of A-Series fuel cell systems. In contrast to the previous year, however, no JDA revenue was realized with the German Bundeswehr. Overall, sales in Germany were up 13.6 % in the first quarter of 2010 compared with the prior-year period.

Sales fell 23.2 % in North America primarily because previous year's sales had included consulting services in the amount of € 125k.

SFC itself is currently not actively marketing its products in Asia and other parts of the world.

Gross margin

The gross margin in the first quarter of 2010 surged 102.1 % to € 1,073k, following € 531k the year before, due primarily to the A-Series revenue effects already mentioned as well as efficiency gains in logistics and fuel cell production. The gross margin for the A-Series rose by € 644k to 31.8 % of sales, compared with 16.8 % the year before. As a result, the gross margin rose significantly in the first quarter of 2010 to 29.8 % of total sales, compared with 18.5 % the year before. Cost savings achieved for fuel cartridges contained in the "Other" segment are also worth mentioning. With sales volume virtually unchanged from the previous year, the gross margin improved by € 50k. The reduced gross margin of the "Other" segment by € 43k is attributable primarily to the absence of the high-margin consulting services contained in the previous year's sales.

Sales costs

Sales costs rose 24.5 % in the first three months of 2010 to € 1,173k (from € 942k) primarily because of the establishment of the US sales organisation.

Research and development costs

Research and development costs rose 2.6 % to € 391k in the first quarter of 2010, following € 381k the year before. Development costs in the amount of € 158k (Q1 2009: € 203k) and self-developed patents in the amount of € 14k (Q1 2009: € 9k) were capitalized in the quarter. It is important to note that development costs incurred as part of JDAs are reported as production costs of work performed to generate sales, and that any subsidies received for government-sponsored development projects are offset against development costs. Adjusted for these two effects and adding back in the capitalized development costs and self-developed patents, true research and development expenditures in the first quarter of 2010 totalled € 958k, which represents a decrease of 20.2 % from previous year's € 1,200k.

General administration costs

General administration costs decreased by 12.6 % to € 472k in the first three months of 2010, (Q1 2009: € 540k), mainly because of lower audit and consulting fees.

Other operating income

Other operating income fell 12.0 %, from € 166k a year ago to € 146k in the first quarter of 2010, primarily because of the reduction in income from exchange rate differences.

Operating result (EBIT)

EBIT improved in the first quarter of 2010, from minus € 1,175k to minus € 833k. The EBIT margin rose to minus 23.2 %, following minus 40.9 % the year before.

Interest and similar income

Interest and similar income fell 63.2 %, from € 323k in the previous year to € 119k in the first quarter of 2010, mainly because of lower interest rates.

Net loss

The net loss for the quarter narrowed to € 735k from € 874k a year earlier.

Earnings per share

Earnings per share under IFRS (diluted) increased from minus € 0.12 to minus € 0.10 in the first quarter of 2010.

Financial position

In the first quarter of 2010, net outflows were reduced compared with the prior-year period, from € 3,098k to € 2,243k.

Cash and cash equivalents amounted to € 38,298k at the end of March 2010 (end of March 2009: € 42,470k).

Cash flow from ordinary operations

Net cash used in ordinary operations decreased to € 1,372k in the first quarter of 2010, compared with € 2,331k a year ago. Among other factors, inventory levels were € 417k lower compared with the prior-year period because of the higher sales volume and careful working capital management.

Cash flow from investment activity

Net cash used for investment activity totalled € 871k in the period under review (Q1 2009: € 695k). The increase is due primarily to a € 246k reduction in interest received. A payment of € 570k was pledged as a deposit for the new production, development and administration building; the prior-year payment of € 750k related to collateral for platinum forwards.

Cash flow from financial activity

Net cash used for financial activity decreased from € 72k to € 0k in the first quarter of 2010, primarily because the previous year’s figure included amortisation payments for liabilities from finance leases in the amount of € 70k.

Assets and liabilities

The company's balance sheet remains healthy, with an equity ratio of 90.6 % (December 31, 2009: 90.9 %).

Total assets were down 1.3 % at quarter's end, decreasing from € 50,442k as of December 31, 2009, to € 49,785k as of March 31, 2010.

The increase in other assets and receivables from € 1,225k as of December 31, 2009, to € 1,706k as of March 31, 2010, is mainly due to higher receivables from subsidies.

Non-current assets rose from € 4,846k as of December 31, 2009, to € 5,076k as of March 31, 2010, primarily because of investments in property, plant and equipment. The share of non-current assets in total assets climbed from 9.6 % to 10.2 %.

Among current liabilities, the main change occurred in trade accounts payable, which decreased from € 1,957k as of December 31, 2009, to € 1,414k as of March 31, 2010.

Altogether, liabilities made up 9.4 % of total liabilities and shareholders' equity on March 31, 2010 (December 31, 2009: 9.1 %).

With the net loss for the period, shareholders' equity decreased to € 45,094k as of March 31, 2010, compared with € 45,860k as of December 31, 2009.

Research and development

The focus of our research and development activities remained as follows in the period under review:

- 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, new market-specific features, greater durability and reliability under challenging conditions) in order to tap fresh areas of application in addition to the markets already addressed.

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

Capital expenditures

In the first three months of 2010, we capitalised € 158k in development work directed at enhancing our fuel cell systems (Q1 2009: € 203k). Furthermore, the Company made advance payments for equipment for the new production, development and administration building into which SFC moved at the beginning of April 2010.

New orders and order backlog

In view of the many orders received in the fourth quarter of 2009, new order intake was satisfactory in the first quarter of 2010 and was slightly higher than in the previous year.

In figures, order intake increased 3.1 %, from € 2,342k in the first quarter of 2009 to € 2,416k in the first quarter of 2010. Altogether, the order backlog stood at € 2,233k as of March 31, 2010, which represents an increase of 88.4 % over previous year's € 1,185k.

Employees

As of March 31, 2010, the company employed the following permanent personnel:

EMPLOYEES

	03/31/2010	03/31/2009	Change
Management Board	2	2	0
Research and development	29	30	– 1
Production, logistics, quality management	25	28	– 3
Sales & Marketing	29	28	1
Administration	11	10	1
Permanent employees	**96**	**98**	**– 2**

SFC employed 10 trainees, graduates and student trainees as of March 31, 2010 (March 31, 2009: 12).

The number of permanent employees decreased by 2 % to 96 as of March 31, 2010, following 98 the year before.

2. REPORT ON RISKS AND OPPORTUNITIES

As part of a systematic and organisational approach to risk, the Management Board has implemented a comprehensive 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 believe that the material risks and opportunities for the Group have not changed since the publication of our 2009 annual report.

3. REPORT ON FORECASTS AND OTHER FORWARD-LOOKING STATEMENTS

The Management Board firmly believes that SFC will remain capable of defending its leading position in the promising market for independent power supply using fuel cells based on methanol. The technology base is considered as strong as ever, and was reconfirmed by such achievements as winning the Wearable Power Prize from the U.S. Department of Defense in autumn 2008. In the area of marketing, too, the Management Board considers that the Group is well ahead of its competitors, given that over 17,000 fuel cell generators have been shipped and accumulated several millions of hours of operation.

The Group anticipates sales in the Leisure segment in financial year 2010 to remain at their 2009 level, given the continued challenging market environment. In contrast, the Group anticipates noticeable growth in sales in all of its civilian markets. An important strategic goal remains to make SFC less vulnerable to seasonable and economic fluctuations in the leisure market and the continued unpredictability of the defence market by drawing on a more diversified base. It is difficult at this time to assess the trend in the Defence segment, but decisions about important projects are pending, and an award in favour of SFC is still to be anticipated during the first half of the year. The aim of continuous improvements in product margins, in conjunction with sales growth, is to improve operating profit (EBIT) in 2010, even with the anticipated special effects (expansion of the U.S. organization and the move to the new Company location). However, because of the continuing uncertain state of the economy, we believe that our sales forecasts are still subject to considerable uncertainty.

The Group expects that the planned broadening of the business model will provide added stimulus. Most customers require a turnkey package solution, not just a fuel cell system. With the introduction of products such as the EFOY Pro Cube and the SFC Power Manager in the industry and defense markets, SFC has already been successful with whole-product solutions. We intend to build on this foundation to broaden our product portfolio with the goal of developing the Group into a provider of comprehensive off-grid power supply solutions.

The Company sees interesting medium term business potential in the attractive e-mobility market. In April, SFC and the renowned Automotive Engineering Partner ESG Elektroniksystem- und Logistik GmbH presented a concept of combined heat and power generation which can significantly improve performance of electric vehicles even in winter conditions.

4. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date.

Brunnthal, April 27, 2010

Dr. Peter Podesser
CEO

Dr. Jens Müller
COO

INTERIM REPORT IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS OF MARCH 31, 2010

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

INTERIM REPORT IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS OF MARCH 31, 2010

CONSOLIDATED INCOME STATEMENT
FROM JANUARY 1, 2010, TO MARCH 31, 2010

in €

		01/01 – 03/31/2010	01/01 – 03/31/2009
1.	Sales	3,594,777	2,873,462
2.	Production costs of work performed to generate sales	–2,521,821	–2,342,823
3.	**Gross margin**	**1,072,956**	**530,639**
4.	Sales costs	–1,173,363	–942,010
5.	Research and development costs	–390,869	–380,511
6.	General administration costs	–472,477	–539,754
7.	Other operating income	145,558	165,593
8.	Other operating expenses	–14,547	–9,168
9.	**Operating loss**	**–832,742**	**–1,175,211**
10.	Interest and similar income	119,286	323,062
11.	Interest and similar expenses	–21,769	–21,446
12.	**Loss from ordinary operations**	**–735,225**	**–873,595**
13.	Income taxes	0	0
14.	**Net loss**	**–735,225**	**–873,595**
15.	Accumulated loss brought forward from previous year	–28,184,227	–24,399,447
16.	**Net accumulated loss**	**–28,919,452**	**–25,273,042**
	NET LOSS PER SHARE		
	undiluted	–0,10	–0,12
	diluted	–0,10	–0,12

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FROM JANUARY 1, 2010, TO MARCH 31, 2010

in €

	01/01 – 03/31/2010	01/01 – 03/31/2009
Net loss for the period	**–735,225**	**–873,595**
Result from currency translations	–31,049	–1,467
Total results recognized directly in equity	**–31,049**	**–1,467**
Total result for the period	**–766,274**	**–875,062**

The amounts are attributable in full to the shareholders of the parent.

CONSOLIDATED BALANCE SHEET
AS OF MARCH 31, 2010

	ASSETS		in €
		03/31/2010	12/31/2009
A.	**Current assets**	**44,709,278**	**45,596,399**
I.	Inventories	1,366,400	1,327,600
II.	Trade accounts receivable	2,161,129	2,200,369
III.	Receivables from Percentage-of-Completion	200,793	6,930
IV.	Income tax receivables	243,938	212,176
V.	Other short-term assets and receivables	1,705,591	1,225,070
VI.	Cash and cash equivalents	38,297,599	40,543,600
VII.	Cash and cash equivalents with limitation on disposal	615,320	45,320
VIII.	Deferred charges and prepaid expenses	118,508	35,334
B.	**Non-current assets**	**5,075,569**	**4,846,064**
I.	Intangible assets	2,434,373	2,410,796
II.	Property, plant and equipment	1,847,758	1,681,233
III.	Other long-term assets and receivables	29,095	63,285
IV.	Deferred tax assets	764,343	690,750
	Assets	**49,784,847**	**50,442,463**

CONSOLIDATED BALANCE SHEET
AS OF MARCH 31, 2010

	LIABILITIES AND SHAREHOLDERS' EQUITY		in €
		03/31/2010	12/31/2009
A.	**Current liabilities**	**3,355,436**	**3,444,426**
I.	Other provisions	716,961	571,606
II.	Liabilities from prepayments	5,041	18,321
III.	Trade accounts payable	1,414,472	1,957,452
IV.	Other short-term liabilities	1,218,962	897,047
B.	**Non-current liabilities**	**1,335,187**	**1,137,539**
I.	Other long-term provisions	331,436	264,241
II.	Other long-term liabilities	239,408	182,548
III.	Deferred tax liabilities	764,343	690,750
C.	**Equity**	**45,094,224**	**45,860,498**
I.	Subscribed capital	7,152,887	7,152,887
II.	Capital surplus	66,879,638	66,879,638
III.	Other changes in equity not effecting profit or loss	–18,849	12,200
IV.	Accumulated loss brought forward from previous year	–28,184,227	–24,399,447
V.	Net loss	–735,225	–3,784,780
	Liabilities and shareholders' equity	**49,784,847**	**50,442,463**

CONSOLIDATED CASH FLOW STATEMENT
FROM JANUARY 1, 2010, TO MARCH 31, 2010

in €

		01/01 – 03/31/2010	01/01 – 03/31/2009
	Cashflow from ordinary operations		
	Result before taxes	**–735,225**	**–873,595**
–	Net interest income	–97,517	–301,616
+	Depreciation/amortization of intangible assets and property, plant and equipment	227,732	246,227
+	Expenses from Long Term Incentive Plan	56,860	34,032
+	Changes in allowances	10,445	6,037
+	Losses from disposal of property, plant and equipment	9,618	0
–	Profits from derivatives	–85,339	–86,027
	Changes to operating result before working capital	**–613,426**	**–974,942**
+/–	Changes to short and long-term provisions	190,988	–58,804
+	Changes to trade accounts receivable	34,007	350,152
–	Changes to inventories	–44,011	–460,696
–	Changes to other assets	–561,570	–314,268
–	Changes to prepaid expenses	–83,174	–82,857
–	Changes to trade accounts payable	–542,980	–532,028
+/–	Changes to other liabilities	280,136	–143,868
–	Changes to deferred income	0	–19,855
	Cashflow from ordinary operations before taxes	**–1,340,030**	**–2,237,166**
–	Income tax payments	–31,762	–94,102
	Cashflow from ordinary operations	**–1,371,792**	**–2,331,268**

CONSOLIDATED CASH FLOW STATEMENT
FROM JANUARY 1, 2010, TO MARCH 31, 2010

in €

		01/01–03/31/2010	01/01–03/31/2009
	Cashflow from investment activity		
–	Investments in intangible assets from development projects	–158,400	–202,700
–	Investments in other intangible assets	–14,494	–13,464
–	Investments in property, plant and equipment	–254,557	–100,907
+	Interest and similar income	126,000	372,494
–	Bank balances pledged	–570,000	–750,000
	Cashflow from investment activity	**–871,451**	**–694,577**
	Cashflow from financial activity		
–	Repayment of liabilities from finance leases	0	–70,390
–	Interest paid and other expenses	–207	–1,570
	Cashflow from financial activity	**–207**	**–71,960**
	Net change in cash and cash equivalents	**–2,243,450**	**–3,097,805**
	Currency effects on cash and cash equivalents	2,551	117
	Net change in cash and cash equivalents		
	Cash and cash equivalents at beginning of period	40,543,600	45,567,521
	Cash and cash equivalents at end of period	38,297,599	42,469,599
	Net change in cash and cash equivalents	**–2,243,450**	**–3,097,805**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FROM JANUARY 1, 2010, TO MARCH 31, 2010

in €

	Subscribed capital	Capital surplus	Other changes in equity not effecting profit or loss	Net accumulated loss	Total
Balance 01/01/2009	**7,152,887**	**66,879,638**	**1,752**	**–24,399,447**	**49,634,830**
Total result for the period					
Net result 01/01 – 03/31/2009				–873,595	–873,595
Result from currency translation recognized in equity			–1,467		–1,467
Balance 03/31/2009	**7,152,887**	**66,879,638**	**285**	**–25,273,042**	**48,759,768**
Total result for the period					
Net result 01/04 – 12/31/2009				–2,911,185	–2,911,185
Result from currency translation recognized in equity			11,915		11,915
Balance 12/31/2009	**7,152,887**	**66,879,638**	**12,200**	**–28,184,227**	**45,860,498**
Total result for the period					
Net result 01/01 – 03/31/2010				–735,225	–735,225
Result from currency translation recognized in equity			–31,049		–31,049
Balance 03/31/2010	**7,152,887**	**66,879,638**	**–18,849**	**–28,919,452**	**45,094,224**

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") is a stock corporation (Aktiengesellschaft) located in Germany. The company's registered office is at Eugen-Sänger-Ring 4 (until April 5, 2010) and (since April 6, 2010) at Eugen-Sänger-Ring 7, 85649 Brunnthal, Germany. The company is registered in the Commercial Register of the local court in Munich under the number HRB 144296. The principal activities of the company and its subsidiary ("the Group") are the development, production and marketing of energy supply systems and their components for off-grid machines on the basis of fuel cell technology.

Accounting principles

The quarterly financial statements of SFC Smart Fuel Cell AG for the financial period January 1, 2010, to March 31, 2010, 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 consolidated financial statements for the year ended December 31, 2009.

The accounting policies used in the preparation of these condensed financial statements are identical to those that were used in preparing the consolidated financial statements as of and for the year ended December 31, 2009. The following Standards and Interpretations were applicable for the first time:

IFRS 1: "First-time Adoption of International Financial Reporting Standards": The amendments relate solely to the formal structure of IFRS 1, with the general provisions separated from the specific ones. The new structure is intended to improve the clarity and applicability of IFRS 1. Entities were required to apply the amendments for annual periods beginning on or after January 1, 2010. They did not affect our quarterly financial statements.

IFRS 1: "First-time Adoption of International Financial Reporting Standards": The amendments relate to the retrospective application of IFRS in particular situations and are intended to ensure that entities do not incur excessive costs upon adoption of IFRS. Entities were required to apply the amendments for annual periods beginning on or after January 1, 2010. They did not affect our quarterly financial statements.

IFRS 3 "Business Combinations": The revised version of IFRS 3 provides an option to measure minority interests either at fair value or at the proportionate share of identifiable net assets. In the case of business combination achieved in stages, existing interests in the acquired entity are remeasured on the date that control is obtained, and any resulting adjustments recognised in income. Entities were required to apply the amendments for annual periods beginning on or after July 1, 2009. They did not affect our quarterly financial statements.

IAS 27 "Consolidated and Separate Financial Statements": Distributions of dividends from jointly controlled entities and associates are henceforth recognised in the income statement irrespective of whether a distribution originates from earnings generated before or after the acquisition. If distributions for a year exceed the total income for that year, an impairment test must be performed. Entities were required to apply the amendments for annual periods beginning on or after July 1, 2009. They did not affect our quarterly financial statements.

IAS 39 "Financial Instruments: Recognition and Measurement" and IFRIC 9 "Reassessment of Embedded Derivatives": The amendments clarify the accounting treatment of embedded derivatives if hybrid financial instruments are reclassified out of the "fair value through profit or loss" category. Entities were required to apply the amendments for annual periods beginning on or after June 30, 2009. They did not affect our quarterly financial statements.

IAS 39 "Financial Instruments: Recognition and Measurement": The amendments clarify the inflation risk of a hedged item and the one-sided risk in a hedged item in relation to hedge accounting. Entities were required to apply the amendments for annual periods beginning on or after July 1, 2009. They did not affect our quarterly financial statements.

IFRIC 16 "Hedges of a Net Investment in a Foreign Operation": The purpose of the Interpretation is to clarify two issues relating to the application of IAS 21 "The Effects of Changes in Foreign Exchange Rates" and IAS 39 "Financial Instruments: Recognition and Measurement" and arising in connection with the accounting treatment of foreign currency hedges within a company and its foreign operations. Entities were required to apply IFRIC 16 for annual periods beginning on or after July 1, 2009. It did not affect our quarterly financial statements.

IFRIC 17 "Distributions of Non-cash Assets to Owners": This Interpretation addresses issues on how an entity should measure distributions of assets other than cash when it pays dividends to its owners. Entities were required to apply IFRIC 17 for annual periods beginning on or after October 1, 2009. It did not affect our quarterly financial statements.

IFRIC 18 "Transfers of Assets from Customers": IFRIC 18 is particularly relevant for utilities (e.g., power utilities). It clarifies the accounting treatment of issues in which an entity receives assets from a customer and is then required to use those assets in order to either connect the customer to a network or to provide a customer with long-term access to goods or services (e.g., power, gas or water). Entities were required to apply IFRIC 18 for transfers of assets that occurred on or after July 1, 2009. It did not affect our quarterly financial statements.

AIP – Omnibus Standard to Amend Multiple IFRS 2007–2009 ("Improvements to IFRS"): In April 2009, the IASB published the "Annual Improvements 2007–2009", which amended ten IFRS and two IFRIC Interpretations. The majority of the amendments required initial application for annual periods beginning on or after January 1, 2010. They did not affect our quarterly financial statements.

The present financial statements represent consolidated quarterly financial statements of the company.

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 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 its expected platinum needs for the current year through previously executed commodity forwards. The positive fair value of € 178,899 (December 31, 2009: € 150,108) is shown under other assets. The changes in value were recognised in the income statement under other operating income.

Receivables from percentage-of-completion

Since the volume of sales recognised on orders exceeded the prepayments received on those same orders in the first quarter of 2010, we had receivables from percentage-of-completion totalling € 200,793 as of the reporting date, versus € 6,930 as of December 31, 2009.

Other long-term assets

The company had other long-term assets of € 29,095 as of the reporting date (December 31, 2009: € 63,285) relating to prepayments made for the purchase of parts used in the construction and assembly of boards.

Cash and cash equivalents with limitation on disposal

In the first quarter of 2010, € 570,000 were pledged as collateral in connection with the lease for the company's new corporate building. Thus, the amount reported under cash and cash equivalents with limitation on disposal increased to € 615,320 (December 31, 2009: € 45,320).

Long-term incentive plan for Management Board members and top executives

The Supervisory Board adopted a long-term incentive plan (LTIP 2009 – 2011) for the members of the Management Board in March 2009 (Tranche 1). In July 2009, the Supervisory Board approved the participation of certain other top executives (Tranche 2). The purpose of the plan, which will last a total of 5 years, is to reward the Management Board members and these select top executives for their contributions to increasing the company's shareholder value. The plan encompasses variable compensation in the form of phantom stock, or "pretend" stock, the value of each unit of which is based on the total value of a real SFC share. A phantom share entitles its holder to a cash payment equal to the then-current share price plus any dividend per share. Participants are not entitled to receive actual SFC shares.

The plan is divided into three sub-tranches with different performance periods, with each such period lasting three calendar years. The performance period for this first sub-tranche of Tranche 1 began January 1, 2009. The two remaining sub-tranches will begin exactly one and two years later, respectively. The performance period for Tranche 2 also began January 1, 2009. At the beginning of each performance period, a preliminary value is assigned to the allotment by taking the volume allotted and dividing it by the weighted average market price of a share of SFC stock for the first three months of the respective performance period. Allotment volumes of € 220,000 and € 190,000 were defined for each of the first and second sub-tranches of Tranche 1 and for Tranche 2, respectively, which puts the number of phantom shares initially allotted at 36,001 for the first sub-tranche of Tranche 1, 35,215 for the second sub-tranche of Tranche 1 and 27,003 for Tranche 2. The allotment volume for the third sub-tranche of Tranche 1 was assumed to be € 220,000 as well. However, the number of phantom shares to be initially allotted was estimated at 26,688 on the basis of share price movement simulated using the Monte Carlo model.

Payouts under the plan will be made after the end of the respective performance period and will correspond to the final number of phantom shares of that performance period multiplied by the average price of a share of SFC stock for the first three months after the respective performance period. The final number of phantom shares depends on the achievement of predefined EVA (economic value added) targets. If a participant's employment with the company ends, there will be no allotment for any performance periods not yet begun. Unless a participant is terminated for cause, payouts under Tranche 1 of the plan for any performance period already commenced as of the respective participant's departure will be made on the basis of the number of phantom shares initially allotted at the beginning of the respective performance period and will reflect the portion of the performance period served. Pro rata payouts will be made under Tranche 2 unless SFC terminates the employment relationship without notice for cause or does so with notice for conduct-related reasons. Pro rata payouts are also excluded if the respective executive quits with notice.

The phantom shares awarded were classified and measured as cash-settled share-based payment transactions. The fair value of the liability to recognise because of the LTIP was determined for all of the tranches using a Monte Carlo model. At March 31, 2010, the carrying value of the liability recognised on the balance sheet, which is reported under other long-term liabilities, was € 239,408 (December 31, 2009: € 182,548) and the amount expensed for the period was € 56,860 (prior-year period: € 34,032).

The following parameters were used in the measurement:

Measurement date	03/31/2010
Remaining term (in years)	1,8 – 3,8
Anticipated volatility	51.99 % – 67.60 %
Risk-free interest rate	0.38 % – 1.87 %
Share price as of the measurement date	€ 6,15

Sales costs

Our sales costs were as follows in the first quarter of 2010:

in €	01/01 – 03/31/2010	01/01 – 03/31/2009
Personnel costs	641,945	563,342
Advertising and travel costs	183,013	204,773
Consultancy/commissions	162,549	61,288
Other	185,856	112,607
Total	**1,173,363**	**942,010**

Research and development costs

We capitalized € 158,400 in development work in the first quarter of 2010, versus € 202,700 the year before.

Intangible assets rose accordingly to € 2,434,373, compared with € 2,410,796 at December 31, 2008, chiefly because of the capitalized development costs.

General administration costs

Our general administration costs were as follows in the first quarter of 2010:

in €	01/01 – 03/31/2010	01/01 – 03/31/2009
Personnel costs	265,748	238,055
Audit and consultancy costs	56,725	108,298
Investor relations/annual meeting	48,502	44,965
Supervisory Board compensation	38,790	42,500
Travel costs	34,691	50,397
Insurance	20,388	22,519
Depreciation and amortization	20,324	32,879
Costs of hardware and software support	10,213	9,814
Car-operating costs	9,769	9,177
Other	14,808	55,481
Set-off against grants	– 47,481	– 74,331
Total	**472,477**	**539,754**

Income taxes

As was the case in the consolidated financial statements as of and for the year ended December 31, 2009, deferred tax assets are recognised on tax loss carryforwards only in such an amount as can be offset against deferred tax liabilities, after subtraction of the other deferred taxes, since we cannot yet show with reasonable certainty that we will be able to draw a future economic benefit from these carryforwards.

Segment report

SFC's sales and results were as follows in the first quarter of 2010:

in €	Segment sales		Segment result	
	01/01 – 03/31/2010	01/01 – 03/31/2009	01/01 – 03/31/2010	01/01 – 03/31/2009
A-Series	3,165,967	2,160,903	1,007,979	363,666
C-Series	1,000	42,000	616	30,372
JDA	201,251	320,848	57,885	88,600
Power Manager	17,166	20,496	11,354	9,594
Other	209,393	329,215	– 4,878	38,407
Unallocated items	0	0	– 1,808,181	– 1,404,234
Total	**3,594,777**	**2,873,462**	**– 735,225**	**– 873,595**

The line item "unallocated items" captures consolidation effects as well as all of the amounts that cannot be assigned to any of the other segments.

Related party transactions

By order of the local court in Munich on March 8, 2010, David Morgan, Kent, UK, was appointed to the Supervisory Board. Other than Mr. Morgan's appointment, there have been no changes in the group of related parties since preparation of the consolidated financial statements for the year ended December 31, 2009.

There were no significant related party transactions in the first quarter of 2010.

Employees

SFC employed the following personnel as of the reporting date:

	03/31/2010	03/31/2009
Full-time employees	90	93
Part-time employees	6	5
Total	**96**	**98**

Ten trainees, graduates and student trainees were also employed as of the end of March 2010 (March 31, 2009: 12).

Earnings per share

The number of issued shares at the beginning of the fiscal year and at the reporting date of March 31, 2010, was unchanged at 7,152,887 (Q1 2009: 7,152,887).

Under IAS 33 "Earnings per Share" the effect of potential shareholdings needs to be considered for purposes of 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. As in the prior-year period, there were no potential shares or dilutive effects on the number of issued shares.

Likewise, there were no dilutive effects on SFC's result.

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 27, 2010
The Management Board

Dr. Peter Podesser
CEO

Dr. Jens Müller
COO

FINANCIAL CALENDAR 2010

May 6, 2010	Annual general meeting
July 27, 2010	Publication half year report
October 28, 2010	Publication nine months report

SHARE INFORMATION

Bloomberg Symbol	F3C
Reuters Symbol	CXPNX
WKN	756857
ISIN	DE0007568578
Number of shares	7,152,887
Stock Category	No-par value shares
Stock segment	Prime Standard, Renewable Energies
Stock exchange	Frankfurt, FWB
Designated Sponsor	HSBC

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Statements about the future
This interim report contains statements and information about the future. Such passages contain such word 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 Group'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.

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