THREE MONTHS REPORT Q1/2011

SFC ENERGY

SFC ENERGY AG CONSOLIDATED KEY FIGURES

in k €

	01/01 – 03/31/2011	01/01 – 03/31/2010	Change in %
Total sales	3,721	3,595	3.5
Product sales total	3,236	3,394	– 4.7
Sales share of products	87.0 %	94.4 %	–
Gross margin total	1,073	1,073	0.0
Gross margin	28,8 %	29.8 %	–
EBITDA	– 971	– 605	– 60.5
EBITDA margin	– 26.1 %	– 16.8 %	–
EBIT	– 1,280	– 833	– 53.7
EBIT margin	– 34.4 %	– 23.2 %	–
Net loss	– 1,175	– 735	– 59.9
Net loss per share, diluted	– 0,16	– 0,10	– 60.0

in k €

	03/31/2011	12/31/2010	Change in %
Equity	40,553	41,721	– 2.8
Equity ratio	88.3 %	90.1 %	–
Balance sheet total	45,925	46,312	– 0.8
Cash (freely available)	31,018	33,560	– 7.6

	03/31/2011	03/31/2010	Change in %
Permanent employees	95	96	– 1.0

DIRECTORS' SHAREHOLDINGS

	03/31/2011
Management Board	
Dr Peter Podesser	206,800
Supervisory Board	
Dr Rolf Bartke	0
Rüdiger Olschowy, MIT/BIT Holdings	182,854
David Morgan	4,000

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INTRODUCTION BY THE MANAGEMENT BOARD

DEAR CUSTOMERS, SHAREHOLDERS, EMPLOYEES AND FRIENDS OF SFC ENERGY AG,

In the first quarter of 2011, SFC Energy AG continued to focus on offering market and application-specific whole-product solutions for off-grid energy supply. When customers come to SFC, they find more than just innovative fuel cell technology. They also get easy plug-and-play access to integrated power supply systems developed with their market requirements in mind.

As expected, there was another slight decrease in sales of EFOY fuel cell systems to the leisure market in the first quarter due to intentional destocking at dealers. However, based on the interest generated since January from the market launch in Canada, there is reason to be optimistic that another chapter in the EFOY success story can be written in the leisure market there.

Revenues in the industry and defense markets continued to grow, leading an increase of 3.5 % in total sales compared with the first quarter of 2010. The industry market showed sustained demand for SFC stand-alone solutions reliably providing applications with power supply far from any outlets. The higher sales in the defense market were partly attributable to two development contracts awarded to SFC by U.S. defense organizations in the second half of 2010 - SFC's portable and mobile energy solutions are the ideal answer to the needs of users in the defense market.

The Company's orientation towards offering all-in-one solutions to our customers is also supported by our new anchor shareholders. With the acquisitions by HPE PRO Institutional Fund (HPE) and Havensight Capital of 25.01 % and 10.72 % of SFC's shares, respectively, over one-third of our capital stock is now in the hands of new investors who will use their expertise and experience to support of fresh strategic direction.

With our attractive product portfolio, growing customer bases in our core markets, a competent workforce on both sides of the Atlantic, and dedicated investors, we believe that we are in an excellent position to show the announced improvements in EBIT and cash flow in 2011 and to take concrete steps towards reaching break-even.

On behalf of SFC Energy AG, I would like to thank you for the support so far and want to invite you join our exciting journey into an environmentally responsible future with sustainable energy supply solutions.

Sincerely yours,

Dr Peter Podesser
CEO

BUSINESS REVIEW

1. REPORT ON EARNINGS AND FINANCIAL POSITION

Earnings position

In the first quarter of 2011, SFC was able to post a 3.5 % increase in sales compared with the same period a year ago, which was at the top end of its expectations. Sales rose to € 3,721k in the period under review, following € 3,595k in the first quarter of 2010. The share of sales attributable to products decreased to 87.0 % in the first three months of 2011, compared with 94.4 % a year earlier, while that generated under joint development agreements (JDAs) increased accordingly.

Sales by segment

The sales growth in the first three months of the year was chiefly the result of higher sales in the defense market (C-Series, Power Managers, JDAs). Sales of A-Series fuel cell systems, by contrast, were lower.

SALES BY SEGMENT (UNAUDITED)		in k €	in %
	1st Quarter		
Segment	2011	2010	Change
A-Series	2,717	3,166	– 14.2
C-Series	104	1	> 100
Power Manager	165	17	> 100
JDA	485	201	> 100
Other	250	210	19.0
Total	**3,721**	**3,595**	**3.5**

Sales in the A-Series segment fell 14.2 % to € 2,717k (Q1 2010: € 3,166k), predominantly because of SFC’s efforts to reduce customer stocks of fuel cells for the leisure market, where sales were down by € 338k, or 14.0 %. A-Series sales in the industry and mobility markets were up by a total of € 28k, or 5.1 %. In the defense market, they receded by € 139k, or 69.1 %. Unit sales of A-Series fuel cell systems dropped from 1,363 to 1,064 compared with the prior-year period, which represents a decrease of 21.9 %. The related decrease in sales revenue was only 14.2 % largely because of the higher portion of units sold in the industry market, shifts in the model mix towards higher-performing fuel cell systems and lower discounts in the leisure market.

Sales in the C-Series segment increased from € 1k in the first quarter of 2010 to € 104k in the first quarter of 2011. Seven C-Series systems (JENNY) were delivered in the first quarter of 2011, while nothing but accessories for C-Series fuel cell systems had been delivered in the prior-year period.

Revenues from the sale of Power Managers rose from € 17k to € 165k in the first three months, with the number of Power Managers delivered climbing from 2 to 4. In addition, a significant amount of revenue was generated in the first quarter of 2011 from the sale of cables for Power Managers.

Sales in the JDA segment rose to € 485k in the first quarter of 2011 (Q1 2010: € 201k). Revenue was generated with three defense organizations in the U.S. during the first quarter. In the year-earlier period there had been only one development program in place in the U.S.

Sales in the Other segment rose 19.0 % to € 250k in the reporting period (Q1 2010: € 210k) largely because of a € 34k, or 21.2 %, increase in revenue from the sale of fuel cartridges.

Sales by region

SALES BY REGION (UNAUDITED)		in k €	in %
	1st Quarter		
	2011	2010	Change
Europe (excluding Germany)	1,878	2,194	– 14.4
Germany	953	1,119	– 14.8
North America	775	219	> 100
Asia	82	35	> 100
Rest of world	33	28	17.9
Total	**3,721**	**3,595**	**3.5**

The decline in sales in the key markets Europe and Germany was primarily the result of the decrease in A-Series sales in the leisure market mentioned earlier. The share of sales SFC generated in its home market of Germany in the first three months of 2011 stood at 25.6 %, following 31.1 % the previous year. The share of international sales in total sales rose accordingly to 74.4 % (Q1 2010: 68.9 %).

The sales growth in North America stemmed mainly from the positive course of business in the defense market, with JDA sales up € 284k, Power Manager sales up € 147k and C-Series sales up € 45k. On top of that, SFC posted higher revenue from the sale of A-Series fuel cells in the industry market and made its first-ever sales in Canada's leisure market.

In Asia, testing is underway in Singapore on the first pilot systems for the industry market.

SFC itself is not actively marketing its products in any other parts of the world at this time.

Gross margin

The gross margin for the first quarter of 2011 was on a par with the previous year at € 1,073k (Q1 2010: € 1,073k). The sales growth in the defense market and lower discounts in the leisure market were offset by an increase in overhead expenses driven mainly by higher costs for the new building occupied since the second quarter of 2010. The gross margin for the A-Series decreased by € 170k to 30.8 % of sales (Q1 2010: 31.8 %). The gross margin percentage on total sales dropped to 28.8 % for the first quarter of 2011 (Q1 2010: 29.8 %).

Sales costs

Sales costs fell by 4.1 % to € 1,125k (Q1 2010: € 1,173k), mainly on account of lower consulting fees.

Research and development costs

Research and development costs rose from € 391k to € 460k in the first quarter of 2011, an increase of 17.6 %. Development costs in the amount of € 107k (Q1 2010: € 158k) and proprietary patents in the amount of € 5k (Q1 2010: € 14k) were capitalized in this period. 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 patents, true research and development expenditures in the first quarter of 2011 totaled € 1,177k, which represents an increase of 22.9 %, from the previous year's € 958k.

General administration costs

General administration costs increased by 45.3 % to € 686k in the first three months of 2011 (Q1 2010: € 472k), predominantly because of higher audit and consultancy costs (+ € 37k), costs of premises (+ € 41k) and personnel costs (+ € 120k). Dr Podesser's Management Board contract was renewed in the first quarter of 2011. Half of his € 200k retention bonus was reported under sales costs and half under administration costs.

Other operating income

Other operating income dropped to € 1k in the first quarter of 2011, compared with € 146k in the year-earlier period, when there was substantial income from the measurement of platinum forwards.

Other operating expenses

Other operating expenses rose from € 15k to € 82k in the first three months of 2011, largely because of higher expenses from exchange rate differences.

Operating result (EBIT)

EBIT decreased from minus € 833k to minus € 1,280k in the first quarter of 2011.The EBIT margin dropped to minus 34.4 %, following minus 23.2 % a year earlier.

Interest and similar income

Interest and similar income fell 5.0 %, from € 119k to € 113k. The drop in cash and cash equivalents was the chief reason for this decrease.

Net loss

The net loss widened to € 1,175k, following € 735k the year before.

Earnings per share

Earnings per share under IFRS (diluted) receded from minus € 0.10 to minus € 0.16.

Financial position

Net cash outflows increased to € 2,532k in the first quarter of 2011, compared with € 2,243k in the same period a year ago.

Cash and cash equivalents amounted to € 31,018k at the end of March 2011 (March 31, 2010: € 38,298k).

Cash flow from ordinary operations

The net cash used in ordinary operations climbed to € 2,418k in the first quarter of 2011 versus € 1,372k a year ago. The main reason for this increase was a shift in the way platinum prices are hedged and the related expenditure of € 1,275k on platinum and ruthenium (see the discussion about raw material price risks in the Report on Risks and Opportunities).

Cash flow from investment activity

Net cash used for investment activity totaled € 114k in the period under review (Q1 2010: € 871k). In addition to there being a € 200k decrease in capital expenditures in the first quarter of 2011, the previous year's figure reflected the pledge of € 570k in bank balances as a security deposit for the new production, development and administration building.

Assets and liabilities

The Group's balance sheet remains healthy, with an equity ratio of 88.3 % (December 31, 2010: 90.1 %).

Total assets were down 0.8 % at quarter's end, decreasing from € 46,312k as of December 31, 2010 to € 45,925k as of March 31, 2011.

Inventories rose from € 1,937k as of December 31, 2010 to € 3,171k as of March 31, 2011, largely because of the purchase of platinum and ruthenium mentioned earlier.

The increase in other short-term assets and receivables from € 1,280k at December 31, 2010 to € 1,803k at March 31, 2011 is mainly due to higher receivables from grants.

The share of non-current assets in total assets was nearly unchanged at 13.4 % as of March 31, 2011, compared with 13.3 % as of December 31, 2010.

Among current liabilities, other short-term liabilities climbed to € 1,536k as of March 31, 2011 (December 31, 2010: € 1,243k), mainly on account of the retention bonus for Dr Podesser mentioned earlier.

Altogether, liabilities made up 11.7 % of total liabilities and shareholders' equity (December 31, 2010: 9.9 %).

With the net loss for the period, shareholders' equity decreased to € 40,553k as of March 31, 2011, compared with € 41,721k at December 31, 2010.

Research and development

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

- Reduce unit costs through technological innovations, particularly 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. Here we continued our efforts to systematically increase power density and reduce degradation while cutting back on the amount of material used and thus improve margins.

- Significantly enhance product functionality; develop new products (e.g., higher performance, new market-specific features) in order to tap fresh areas of application in addition to the markets already addressed.

- Significantly improve the reliability, robustness and durability of devices developed for the industry market even under challenging conditions, in order to make the products more attractive and build on SFC's technological edge.

- Miniaturize the products and simultaneously increase performance in order to successfully tap markets, such as the defense industry, with demanding specifications for portable energy sources.

- On top of these focal points, we placed greater emphasis on the development of total energy supply solutions, typically consisting of a fuel cell system, hybrid battery, power management and accessories – and even solar cells in some cases – in order to better meet customer requirements, especially in the defense, industry and mobility markets.

Capital expenditures

In the first three months of 2011, we capitalized € 107k in development work directed at enhancing our fuel cell systems (Q1 2010: € 158k). We also invested in software and hardware for expanding our cloud infrastructure and in injection molding equipment for achieving further cost savings.

New orders and order backlog

The volume of new orders increased 15.7 %, from € 2,416k in the first quarter of 2010 to € 2,795k. In light of the destocking in the leisure market, we were pleased with this figure.

Altogether, the order backlog stood at € 2,225k as of March 31, 2011, which represents a decrease of 0.4 % from the previous year's € 2,233k.

Employees

As of March 31, 2011, the Company employed the following permanent personnel:

EMPLOYEES

	03/31/2011	03/31/2010	Change
Management Board	1	2	– 1
Research and development	27	29	– 2
Production, logistics, quality management	26	25	1
Sales & Marketing	28	29	– 1
Administration	13	11	2
Permanent employees	**95**	**96**	**– 1**

SFC employed 7 trainees, graduates and student trainees as of March 31, 2011 (March 31, 2010: 10).

The number of permanent employees decreased by 1.0 % to 95 as of March 31, 2011, following 96 the year before.

2. REPORT ON RISKS AND OPPORTUNITIES

As part of a systematic and organizational 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, analyzing and measuring risks and determining the appropriate course of action.

We believe that the material risks and opportunities for SFC have not changed since the publication of our 2010 annual report, with the following exceptions.

Market risks

Macroeconomic developments

Energy policy faces major challenges globally in the wake of the earthquake in Japan and the nuclear crisis it triggered in Fukushima. In the ensuing discussion about alternatives to nuclear power, renewable energies and decentralized supply models are gaining traction. It is difficult to predict at this time what impact this shift in course will have in the energy-dependent world economy. In general, all signs are go for another year of dynamic economic growth in Germany according to statements made by the Federal Ministry of Economics and Technology in March 2011. The Ministry noted that after an unusually strong performance in 2010, when gross domestic product increased at a real rate of 3.6 %, the German economy is expected to sustain its upswing in 2011, although at a somewhat less rapid pace.

Leisure

The markets for leisure vehicles showed a modest year-on-year improvement in the first three months of 2011, but still have not achieved the high levels of 2008. However, market experts are optimistic on these improvements and believe that the sector has emerged from the lows of 2009 and 2010 and will continue to show positive growth.

Industry

Decentralized, sustainable energy supply solutions that conserve resources are gaining further prominence. In light of the current energy debate, the economy is taking greater notice of concepts for supplemental energy supply that meet sustainability criteria. The young market for off-grid and mobile industrial systems is expected to expand further because of its growing strategic significance. Nevertheless, lengthy test phases and complex decision-making process for capital expenditures will still play a large role in this market. In addition, many of its segments depend on the economic health of the public sector and government stimulus programs.

Mobility

SFC is active in two segments of the mobility market. In the area of APUs (auxiliary power units), strict environmental standards have raised the demand among users of conventional vehicles for environmentally friendly solutions to power the electrical and electronic devices they use on board their vehicles. The combined heat and power, or CHP, segment is merely in the developmental stages at this point and is not expected to make any economic impact yet.

Defense

In the defense markets, the trend towards using smaller, more flexible units in the pursuit of new armed forces and defense strategies continues. It is clear that there is a growing need here for new alternative power supply solutions that are wearable and mobile and enable troops to be in the field for longer stretches of time and change their location. However, it is important to note that the European and American defense markets are still affected by budget cuts and structural changes.

Raw material prices

At the end of the first quarter of 2011, SFC reacted to the downward pressure on platinum prices created by the crisis in Japan and secured its platinum needs for approximately 2 years (1,000 ounces). In the past, SFC has purchased its precious metals with each delivery of components and has hedged against price movements by taking out forward purchase contracts, the gain or loss on which was taken to other operating income/expenses. This year we have purchased into inventory all our projected platinum requirement from our supplier at the spot rate. The platinum is administered by the supplier in a separate account and used up as fuel cell components are delivered. Along with the platinum, we also purchased the corresponding quantity of ruthenium (400 ounces), which is used in the same product, but constitutes only about 4 % of the platinum's cost. Overall, € 1,275k was invested in these precious metals, which will be reported on the balance sheet as inventory until they are used up in SFC's products. Unlike with forward contracts, there is no need for remeasurement at each balance sheet date. A write-down of the precious metals would be in order only if the product manufactured from them could not be sold on the market at a price that covered its costs. Moreover, both precious metals are tradable at spot rates.

In general, rising raw material and energy costs continue to pose a risk to our product margins.

3. REPORT ON FORECASTS

The Management Board fully believes that SFC can continue to defend its leading position in the promising market for independent energy supply using fuel cells powered by methanol.

With over 21,000 fuel cell generators delivered and several million hours of operation accumulated in the field, the Management Board believes that SFC also has a clear advantage over competitors in terms of marketing.

For 2011 the Management Board expects organic sales growth to be similar to that achieved in 2010, with the defense and industry markets providing most of the improvement. In the leisure market it expects to see stable sales with some growth provided by the Canadian market launch. Growth in the industry and defense markets will be generated by strategic partnerships as well as further focus on integrated energy solutions. This may also include acquisitions. According to current planning, sales growth combined with further product cost reduction will lead to significant improvements in EBIT and cash flow, allowing us to take concrete steps towards break-even.

Our goal for 2012 will be to build on these developments. The regional expansion of the leisure business in North America should have a stronger impact on overall growth. At the same time, efficiency gains planned throughout the organization should contribute to further improvement in earnings and cash flow.

4. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date.

Brunnthal, April 28, 2011

The Management Board

Dr Peter Podesser

INTERIM REPORT IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS AT MARCH 31, 2011

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 AT MARCH 31, 2011

CONSOLIDATED INCOME STATEMENT
FROM JANUARY 1 TO MARCH 31, 2011

in €

		01/01–03/31/2011	01/01–03/31/2010
1.	Sales	3,720,588	3,594,777
2.	Production costs of work performed to generate sales	–2,647,946	–2,521,821
3.	**Gross margin**	**1,072,642**	**1,072,956**
4.	Sales costs	–1,125,451	–1,173,363
5.	Research and development costs	–459,629	–390,869
6.	General administration costs	–686,345	–472,477
7.	Other operating income	1,339	145,558
8.	Other operating expenses	–82,218	–14,547
9.	**Operating loss**	**–1,279,662**	**–832,742**
10.	Interest and similar income	113,172	119,286
11.	Interest and similar expenses	–8,775	–21,769
12.	**Loss from ordinary operations**	**–1,175,265**	**–735,225**
13.	Income taxes	0	0
14.	**Consolidated net loss**	**–1,175,265**	**–735,225**
15.	Accumulated loss brought forward from previous year	–32,307,488	–28,184,227
16.	**Net accumulated loss**	**–33,482,753**	**–28,919,452**
	NET LOSS PER SHARE		
	undiluted	–0.16	–0.10
	diluted	–0.16	–0.10

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FROM JANUARY 1 TO MARCH 31, 2011

in €

	01/01–03/31/2011	01/01–03/31/2010
Consolidated net loss for the period	**–1,175,265**	**–735,225**
Result from currency translations	6,879	–31,049
Total results recognized directly in equity	**6,879**	**–31,049**
Total comprehensive income for the period	**–1,168,386**	**–766,274**

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

There are no deferred tax effects on the total results recognized directly in equity.

CONSOLIDATED BALANCE SHEET
AS AT MARCH 31, 2011

	ASSETS		in €
		03/31/2011	12/31/2010
A.	**Current assets**	**39,755,601**	**40,167,297**
I.	Inventories	3,171,244	1,936,612
II.	Trade accounts receivable	2,731,541	2,713,062
III.	Receivables from Percentage-of-Completion	328,681	3,833
IV.	Income tax receivables	133,557	103,567
V.	Other short-term assets and receivables	1,802,629	1,280,052
VI.	Cash and cash equivalents	31,017,949	33,560,171
VII.	Cash and cash equivalents with limitation on disposal	570,000	570,000
B.	**Non-current assets**	**6,168,999**	**6,145,106**
I.	Intangible assets	2,882,496	2,946,698
II.	Property, plant and equipment	2,316,033	2,335,363
III.	Other long-term assets and receivables	104,700	66,540
IV.	Deferred tax assets	865,770	796,505
	Assets	**45,924,600**	**46,312,403**

CONSOLIDATED BALANCE SHEET
AS AT MARCH 31, 2011

	LIABILITIES AND SHAREHOLDERS' EQUITY		in €
		03/31/2011	12/31/2010
A.	**Current liabilities**	**3,801,981**	**3,177,805**
I.	Other provisions	596,905	547,265
II.	Liabilities from prepayments	2,955	3,583
III.	Trade accounts payable	1,666,272	1,384,029
IV.	Other short-term liabilities	1,535,849	1,242,928
B.	**Non-current liabilities**	**1,569,596**	**1,413,189**
I.	Other long-term provisions	545,214	500,865
II.	Other long-term liabilities	158,612	115,819
III.	Deferred tax liabilities	865,770	796,505
C.	**Equity**	**40,553,023**	**41,721,409**
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	3,251	–3,628
IV.	Accumulated loss brought forward from previous year	–32,307,488	–28,184,227
V.	Consolidated net loss	–1,175,265	–4,123,261
	Liabilities and shareholders' equity	**45,924,600**	**46,312,403**

CONSOLIDATED CASH FLOW STATEMENT
FROM JANUARY 1 TO MARCH 31, 2011

in €

		01/01–03/31/2011	01/01–03/31/2010
	Cashflow from ordinary operations		
	Result before taxes	**–1,175,265**	**–735,225**
–	Net interest income	–104,397	–97,517
+	Depreciation/amortization of intangible assets and property, plant and equipment	308,536	227,732
+	Expenses from Long Term Incentive Plan	42,792	56,860
–/+	Changes in allowances	–31,529	10,445
+	Losses from disposal of property, plant and equipment	0	9,618
–	Profits from derivatives	0	–85,339
+	Other expenses not affecting cash	52,806	0
	Changes to operating result before working capital	**–907,057**	**–613,426**
+	Changes to short and long-term provisions	85,214	190,988
–/+	Changes to trade accounts receivable	–50,871	34,007
–	Changes to inventories	–1,213,632	–44,011
–	Changes to other assets and receivables[1]	–886,118	–644,744
+/–	Changes to trade accounts payable	289,873	–542,980
+	Changes to other liabilities	294,193	280,136
	Cashflow from ordinary operations before taxes	**–2,388,398**	**–1,340,030**
–	Income tax payments	–29,990	–31,762
	Cashflow from ordinary operations	**–2,418,388**	**–1,371,792**

1 Deferred charges and prepaid expenses were reported in a separate line item at March 31, 2010. At March 31, 2011, they were reported with other short-term assets and receivables. The previous year's figures have been restated accordingly.

CONSOLIDATED CASH FLOW STATEMENT
FROM JANUARY 1 TO MARCH 31, 2011

in €

		01/01–03/31/2011	01/01–03/31/2010
	Cashflow from investment activity		
–	Investments in intangible assets from development projects	–107,000	–158,400
–	Investments in other intangible assets	–23,717	–14,494
–	Investments in property, plant and equipment	–97,081	–254,557
+	Interest and similar income	113,704	126,000
–	Bank balances pledged	0	–570,000
	Cashflow from investment activity	**–114,094**	**–871,451**
	Cashflow from financial activity		
–	Interest paid and other expenses	0	–207
	Cashflow from financial activity	**0**	**–207**
	Net change in cash and cash equivalents	**–2,532,482**	**–2,243,450**
	Currency effects and other effects on cash and cash equivalents	–9,740	–2,551
	Net change in cash and cash equivalents		
	Cash and cash equivalents at beginning of period	33,560,171	40,543,600
	Cash and cash equivalents at end of period	31,017,949	38,297,599
	Net change in cash and cash equivalents	**–2,532,482**	**–2,243,450**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FROM JANUARY 1 TO MARCH 31, 2011

in €

	Subscribed capital	Capital surplus	Other changes in equity not effecting profit or loss	Net accumulated loss	Total
Balance 01/01/2010	**7,152,887**	**66,879,638**	**12,200**	**–28,184,227**	**45,860,498**
Total comprehensive income for the period					
Consolidated net loss 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**
Total comprehensive income for the period					
Consolidated net loss 04/01 – 12/31/2010				–3,388,036	–3,388,036
Result from currency translation recognized in equity			15,221		15,221
Balance 12/31/2010	**7,152,887**	**66,879,638**	**–3,628**	**–32,307,488**	**41,721,409**
Total comprehensive income for the period					
Consolidated net loss 01/01 – 03/31/2011				–1,175,265	–1,175,265
Result from currency translation recognized in equity			6,879		6,879
Balance 03/31/2011	**7,152,887**	**66,879,638**	**3,251**	**–33,482,753**	**40,553,023**

NOTES TO THE INTERIM REPORT OF SFC ENERGY AG

Information about the company

SFC Energy AG (the "Company" or "SFC") is a stock corporation domiciled in Germany. The Company's registered office is at Eugen-Sänger-Ring 7, 85649 Brunnthal. The Company is registered in the Commercial Register of the Local Court of Munich under 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 applications, amongst others, on the basis of fuel cell technology.

Accounting principles

This interim report was prepared in accordance with International Financial Reporting Standards (IFRS), as they are to be applied in the European Union. The principal accounting policies used by the Company to prepare its consolidated financial statements for the financial year ended December 31, 2010 were also used to prepare the interim financial statements.

The quarterly financial statements of SFC Energy AG for the financial period January 1 to March 31, 2011 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, 2010.

In addition to the standards and interpretations applied as at December 31, 2010, the following standards and interpretations were applicable for the first time, but had no impact on the consolidated financial statements:

- Revised IAS 24 "Related Party Disclosures"
- Amendments to IAS 32 "Financial Instruments: Presentation"
- Amendments from the "Annual Improvements Project" 2008 – 2010 (AIP)
- Amendments to IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"

No new standards or interpretations were released in the time leading up to the approval of these first quarter interim financial statements for printing.

The interim report is presented in euros (€). Figures stated in this report are in euros (€) unless otherwise indicated. The consolidated income statement was prepared using the cost-of-sales method. The auditors have neither audited nor reviewed the interim financial statements.

Inventories

Inventories were € 3,171,244 as of the reporting date (December 31, 2010: € 1,936,612). The main reason for this increase was the shift in the strategy for hedging platinum in the first quarter. Instead of executing forward contracts (forward commodities transactions) as in the past, we purchased platinum and ruthenium directly from our fuel cell component supplier at the spot rate, for a total of € 1,275,158 (December 31, 2010: € 0).

Forward commodities transactions

Due to the strategy shift described above, no forward commodities transactions for hedging the price risk of the platinum used in a key fuel cell component were open as of the reporting date. In the previous year, the positive fair value of such transactions was shown under other short-term assets and receivables. The changes in value were recognized in the income statement under other operating income.

Receivables from percentage-of-completion

Since the volume of sales recognized on orders exceeded the prepayments received on those same orders in the first quarter of 2011, we had receivables from percentage-of-completion totaling € 328,681 as of the reporting date, versus € 3,833 as of December 31, 2010.

Other short-terms assets and receivables

The Company had other short-term assets and receivables of € 1,802,629 as of the reporting date (December 31, 2010: € 1,280,052). The increase is largely due to higher receivables from subsidies, which stood at € 1,287,162 (December 31, 2010: € 933,562).

Other long-terms assets and receivables

The Company had other long-term assets and receivables of € 104,700 as of the reporting date (December 31, 2010: € 66,540) relating to prepayments made for the purchase of parts used in the construction and assembly of boards.

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 and July 2010, 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 various sub-tranches with different performance periods, with each such period lasting three calendar years. The performance period for the first sub-tranche of Tranche 1 began January 1, 2009. The two remaining sub-tranches began exactly one and two years later, respectively. The performance period for the first sub-tranche of Tranche 2 also began January 1, 2009, while the second sub-tranche began exactly one year later. 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. A total allotment of € 220,000 per tranche was defined for the first and second sub-tranche of Tranche 1 (with each sub-tranche having an outstanding allotment volume of € 120,000 as of March 31, 2011). The allotment volume for the third sub-tranche of Tranche 1 came to € 145,000 as of March 31, 2011.The original allotment volume for the first sub-tranche of Tranche 2 was € 190,000 (March 31, 2011: € 155,000), and for the second sub-tranche of Tranche 2 € 155,000 (March 31, 2011: € 155,000). As of March 31, 2011, the number of phantom shares remaining from the initial allotments amounted to 19,634 for the first sub-tranche of Tranche 1, 19,208 for the second sub-tranche of Tranche 1 and 30,279 for the third sub-tranche of Tranche 1. The number of phantom shares remaining from the initial allotment volumes for the first and second sub-tranches of Tranche 2 was 25,366 and 24,813 as of March 31, 2011.

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 recognize because of the LTIP was determined for all of the sub-tranches using a Monte Carlo model. At March 31, 2011, a liability of € 158,612 was recognized under other liabilities (€ 158,612 thereof under other long-term liabilities) (December 31, 2010: € 190,447, with € 115,819 thereof under other long-term liabilities). The amount expensed for the period was € 42,792 (prior-year period: € 56,860). The following parameters were used in the measurement:

Measurement date	03/31/2011
Remaining term (in years)	1,75 – 2,75
Anticipated volatility	40.07 – 50.24 %
Risk-free interest rate	1.80 % – 2.11 %
Share price as of the measurement date	€ 5,14

Sales costs

Our sales costs were as follows in the first quarter of 2011:

		in €
	01/01–03/31/2011	01/01–03/31/2010
Personnel costs	668,865	641,945
Advertising and travel costs	203,026	183,013
Consultancy/commissions	96,978	162,549
Other	156,582	185,856
Total	**1,125,451**	**1,173,363**

Research and development costs

We capitalized € 107,000 in development work in the first quarter of 2011, versus € 158,400 the year before. The amortization of capitalized development costs amounted to € 164,039 (Q1 2010: € 117,756).

Intangible assets decreased accordingly to € 2,882,496, compared with € 2,946,698 at December 31, 2010, chiefly because of this amortization.

General administration costs

Our general administration costs were as follows in the first quarter of 2011:

		in €
	01/01–03/31/2011	01/01–03/31/2010
Personnel costs	385,249	265,748
Audit and consultancy costs	93,966	56,725
Investor relations/annual meeting	59,319	48,502
Depreciation and amortization	30,347	20,324
Insurance	28,428	20,388
Supervisory Board compensation	28,125	38,790
Travel costs	20,419	34,691
Car-operating costs	14,131	9,769
Costs of hardware and software support	9,766	10,213
Other	89,560	14,808
Set-off against grants	–72,965	–47,481
Total	**686,345**	**472,477**

General administration costs were up from a year earlier predominantly because of higher personnel costs, audit and consultancy costs as well as costs of premises (shown in other costs). Dr. Podesser's Management Board contract was renewed in the first quarter of 2011. Half of his € 200,000 retention bonus was reported under sales costs and half under administration costs.

Income taxes

As was the case in the consolidated financial statements as of and for the year ended December 31, 2010, deferred tax assets are recognized 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 2011:

in €

	Segment sales		Segment result	
	01/01 – 03/31/2011	01/01 – 03/31/2010	01/01 – 03/31/2011	01/01 – 03/31/2010
A-Series	2,716,609	3,165,967	837,858	1,007,979
C-Series	103,884	1,000	49,148	616
JDA	484,882	201,251	160,350	57,885
Power Manager	164,943	17,166	60,093	11,354
Other	250,270	209,393	– 34,807	– 4,878
Unallocated items	0	0	– 2,247,907	– 1,808,181
Total	**3,720,588**	**3,594,777**	**– 1,175,265**	**– 735,225**

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

There have been no changes in the group of related parties since preparation of the consolidated financial statements for the year ended December 31, 2010. There were no significant related party transactions in the first quarter of 2011.

Employees

SFC employed the following personnel as of the reporting date:

	03/31/2011	03/31/2010
Full-time employees	89	90
Part-time employees	6	6
Total	**95**	**96**

Seven trainees, graduates and student trainees were also employed as of the end of March 2011 (March 31, 2010: 10).

Earnings per share

Earnings per share are calculated by dividing the net income for the year that is attributable to shareholders of the parent by the average number of shares in circulation. The number of outstanding shares, 7,152,887 at the balance sheet of March 31, 2011, did not change during the quarter and was the same as in the previous year. As during the prior-year period, there were no dilution effects that would have had to be taken into account when determining the number of outstanding shares or any dilutive effects on SFC's earnings.

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.

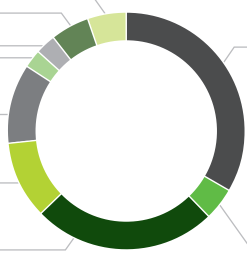
Brunnthal, April 28, 2011

The Management Board

Dr Peter Podesser

SHAREHOLDER STRUCTURE OF SFC ENERGY AG

SHAREHOLDERS STRUCTURE **in %**



FINANCIAL CALENDAR 2011

May 5, 2011	Annual general meeting
July 27, 2011	Publication half year report
October 27, 2011	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	Close Brothers Seydler

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