



## THREE MONTHS REPORT Q1/2012

**SFC**  
ENERGY

## SFC ENERGY AG CONSOLIDATED KEY FIGURES

	in k €		
	01/01 – 03/31/2012	01/01 – 03/31/2011	Change in %
Total sales	7,554	3,721	103.0
Product sales total	7,304	3,236	125.7
Sales share of products	96.7 %	87.0 %	–
Gross margin total	3,063	1,073	185.5
Gross margin	40.6 %	28.8 %	–
EBITDA	186	– 971	>100
EBITDA margin	2.5 %	– 26.1 %	–
EBITDA underlying	186	– 971	>100
EBITDA margin underlying	2.5 %	– 26.1 %	–
EBIT	318	– 1,280	>100
EBIT margin	4.2 %	– 34.4 %	–
EBIT underlying	– 218	– 1,280	>100
EBIT margin underlying	– 2.9 %	– 34.4 %	–
Net result	339	– 1,175	>100
Net result per share, diluted	0,05	– 0,16	>100
			in k €
	03/31/2012	12/31/2011	Change in %
Equity	37,159	36,788	1.0
Equity ratio	76.1 %	75.4 %	–
Balance sheet total	48,843	48,783	0.1
Cash (freely available)	21,506	22,443	– 4.2
	03/31/2012	03/31/2011	Change in %
Permanent employees	183	95	92.6

### DIRECTORS' SHAREHOLDINGS

	03/31/2012
<b>Management Board</b>	
Dr. Peter Podesser	206,800
Gerhard Inninger	0
<b>Supervisory Board</b>	
Dr. Rolf Bartke	0
David Morgan	4,000
Dr. Jens T. Müller	50,000

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## INTRODUCTION BY THE MANAGEMENT BOARD

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**Dr Peter Podesser** Chief Executive Officer (CEO), **Gerhard Inninger** Chief Financial Officer (CFO)

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

The figures for the first quarter of the 2012 financial year show substantial organic growth in our core markets Industry and Defense & Security, combined with lasting effects from the restructuring in fall 2011, which targeted the realignment of our sales activities and simultaneous production cost optimization. Integration of the Dutch PBF Group, which was acquired at the end of 2011, is proceeding according to plan and also contributed substantially to our earnings improvement. We are moving in the right direction thanks to all of these measures. Because of them, we are on a good route and already achieved a positive EBITDA in this first quarter of 2012.

The focus on our core competencies has brought a new segment structure. Thus, starting this year, we will break down the figures we present to you by SFC Energy's three core markets:

- **Industry** (industrial applications in the oil & gas and wind industry, traffic management, surveillance, as well as in the analytical and semiconductor segments),
- **Defense & Security** (portable, mobile and vehicle-based power sources and field charging stations for defense and government applications) and
- **Consumer** (leisure applications, e.g., RVs, sailboats and vacation cottages)

Our goal with this new segment reporting is to ensure transparency, from the markets all the way to the results.

The first quarter of 2012 was momentous for SFC because of the sales and earnings improvement, but also because we received our largest order to date at the end of March. The German Bundeswehr placed an order for nearly €5m worth of energy networks for soldiers in the field, its third volume production order since 2010. The system solutions ordered consist of the portable JENNY fuel cell, the SFC Power Manager, a specially designed hybrid battery, a solar panel for alternative energy supply and accessories. The energy network enables the operation of a wide range of electrical devices, including radios, navigation systems, night vision equipment, laser tracking devices, portable computers and PDAs, whether troops are stationary or mobilized. The Bundeswehr's decision to use our technology is a testament to the high quality and performance capability of our products, SFC's expertise in system solutions and our lead over the competition. This order is not only the largest in SFC's history; it is the largest ever placed for fuel cell products. We are very proud of that. Delivery and sales recognition are expected in the fourth quarter of 2012.

The network for the Bundeswehr is a good example of the system approach we are pursuing with all our products: We deliver integrated energy supply that customers just need to set up and turn on to reliably power their applications anytime, anywhere.

This strategy has also started to bite in the Industry segment. In the quarter under review we signed a supply agreement with Canadian oil and gas system integration specialist Ensol Systems Inc. aimed at helping the company's solutions reliably harness even more zero-emissions power for off-grid applications in Northwest Canada's oil and gas industry.

None of this would be possible without our highly trained and dedicated staff. We would like to take this opportunity to recognize their achievements and express our appreciation for their excellent work. Our team is one of the primary reasons we have remained so competitive, even during challenging phases of the Company's development.

After a gratifying first quarter, we expect the usual seasonality in SFC's business for the second and third quarters. Users in the consumer market typically purchase fewer EFOY fuel cells during this time.

However, thanks to our first-quarter results, highly competitive and attractive products for power supply and distribution, and our professional team think we are well equipped to reach the ambitious targets of around €30m in full-year sales for the entire Group and a sustainably positive EBITDA in the second half of 2012.

On behalf of SFC Energy AG, we thank you for your support and cordially invite you to stay with us as we continue our journey.

With best wishes,

The SFC Energy AG Management Board



**Dr Peter Podesser**  
CEO



**Gerhard Inninger**  
CFO

## BUSINESS REVIEW

### 1. REPORT ON EARNINGS AND FINANCIAL POSITION

#### Earnings position

The SFC Group posted sales of €7,554k in the first quarter of 2012, which is more than double the volume of sales reported in the same period a year ago. This figure includes €3,351k in sales from Netherlands-based PBF Group B.V. ("PBF"), which was acquired at the end of last year and initially consolidated as of December 1, 2011. Because of this acquisition, there is only limited comparability with the prior-year figures.

SFC Energy (excluding PBF; hereinafter "SFC") posted sales of €4,203k, for a year-on-year increase of 13.0%.

Both Group companies are reporting sales that were slightly higher than expected.

The Group's EBIT was plus €318k, up from minus €1,280k the year before. A €536k reversal of impairment losses previously recognized on capitalized development costs was one of the factors that contributed to this improvement. Excluding this one-off effect, EBIT was minus €218k. Thus, it, too, exceeded expectations.

There was also significant improvement in EBITDA. EBITDA in the first quarter of 2011 was minus €971k. By contrast, it came to plus €186k in the first quarter of 2012. As with EBIT, this marks a more than €1m increase from the previous year.

#### Sales by segment

Starting this year, the Group's segment reporting will be done by markets, which are Industry, Defense & Security and Consumer. This change will make it easier to put the individual markets and customers at the center of management decisions.

The following table shows a comparison of segment sales for the first three months of 2012 and 2011.

SALES BY SEGMENT (UNAUDITED)	in k €		in %
	1st Quarter		
Segment	2012	2011	Change
Industry	4,308	656	>100
Defense & Security	1,443	825	74,9
Consumer	1,803	2,239	-19,5
<b>Total</b>	<b>7,554</b>	<b>3,721</b>	<b>103,0</b>

SFC's first-quarter sales in the Industry market were up 48.9%, from €656k to €977k. An increase in the number of EFOY units sold, from 144 to 187, was one reason for this considerable sales growth. Another was a shift in the product mix towards higher-performing classes. Growth was particularly robust in the oil and gas sector and in security & surveillance.

Nearly all of PBF's sales were generated in the Industry segment. In the first quarter of 2012 it achieved sales of €3,331k in this segment.

Sales in the Defense segment rose by € 618k, or 74.9 %, to € 1,443k. The delivery of fifty FC 100 systems to the U.S. Army factored heavily into this increase. Sales under JDAs decreased from € 485k to € 220k because of contract expirations.

In the Consumer market, sales receded by € 436k, or 19.5%.

## Sales by region

SALES BY REGION (UNAUDITED)	in k €		in %
	1st Quarter		
	2012	2011	Change
Europe and rest of the world	6,150	2,946	108.8
North America	1,404	775	81.2
<b>Total</b>	<b>7,554</b>	<b>3,721</b>	<b>103.0</b>

SFC posted a small 3.7% drop in sales in the region Europe and rest of the world. Sales were down in the region's consumer market, but up in industry and defense & security.

PBF conducts almost all of its business in the region Europe and rest of the world.

The higher sales in North America are attributable to the effects already mentioned, namely growth in sales to the Canadian oil and gas market and the delivery of fifty FC 100 systems.

## Gross margin

Gross margin in the first quarter of 2012 was € 3,063k, or 40.5%. Last year's figures were only € 1,073k, or 28.8%. This is a substantial increase.

Group company SFC posted a significantly higher gross margin at 46.5%, compared with 28.8% in the first quarter of 2011. On the sales side, this was attributable to sizeable revenue growth in the defense & security market and industry. On the production side, technical improvements led to cost savings in the manufacture of the EFOY COMFORT fuel cell.

Group company PBF achieved a gross margin of 33.1%.

The year-on-year change in the individual segments' gross margin was as follows:

GROSS MARGIN (UNAUDITED)	in k €		
	1st Quarter		
Segment	2012	2011	Change
Industry	1,578	256	1,322
Defense & Security	768	311	457
Consumer	717	506	211
<b>Total</b>	<b>3,063</b>	<b>1,073</b>	<b>1,990</b>



## Sales costs

Despite a doubling of sales, sales costs rose just 18.8%, from € 1,125k to € 1,336k.

For Group company SFC, there was a decrease from € 1,125k (30.2% of its sales) to € 1,074k (25.6% of its sales).

PBF's sales costs were € 262k, or 7.8% of its sales.

## Research and development costs

Research and development costs increased to € 945k in the first quarter of 2012, following € 460k the year before. Expressed as a percentage of sales, they did not change from the previous year at 12.5% (previous year: 12.4%).

SFC also achieved a reduction in this area, from € 460k (12.4% of its sales) to € 399k (9.5% of its sales).

PBF's research and development costs were € 546k, or 16.3% of its sales.

Development costs in the amount of € 59k (€ 107k) and internally generated patents in the amount of € 3k (€ 5k) were capitalized during 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 2012 totaled € 1,321k, for an increase of 12.2% on the previous year's € 1,177k.

## General administration costs

General administration costs increased by 34.7% to € 924k in the first three months of 2012 (€ 686k). Nevertheless, they were 12.2% this year versus a full 18.4% last year when expressed as a percentage of sales.

## Other operating income

The figure for other operating income almost exclusively reflects the € 536k reversal of impairment losses previously recognized on capitalized development costs. The reversal was attributable to new insight gained from the large-scale order placed on March 30, 2012, by the German Bundeswehr for nearly € 5m in portable fuel cells.

## Other operating expenses

Other operating expenses came to € 84k and, as in the previous year (€ 82k), consisted mostly of foreign exchange transaction losses.

## Operating result (EBIT)

The Group's EBIT improved considerably in the first quarter of 2012, up from minus € 1,280k to plus € 318k. The EBIT margin improved from minus 34.4% to plus 4.2%. Adjusted for the reversal of impairment losses previously recognized on capitalized development costs, first-quarter EBIT came to minus € 218k and the first-quarter EBIT margin was minus 2.9%.

## EBITDA

EBITDA was plus € 186k, against minus € 971k in the same period a year ago. The EBITDA margin improved from minus 26.1% to plus 2.5%. Each of the three segments reported a more than € 300k improvement in EBITDA compared to the first quarter a year ago.

## Interest and similar income

Interest and similar income fell 26.5%, from € 113k to € 83k. The lower balance of cash and cash equivalents was the chief reason for this decrease.

## Interest and similar expenses

The interest and similar expenses item consists mostly of the interest cost on liabilities and provisions.

## Net profit

Last year at this time a loss of € 1,175k was reported. This year there was a profit of € 339k.

## Earnings per share

Earnings per share under IFRS (diluted) were positive in the first quarter of 2012 at € 0.05 (Q1 2011: minus € 0.16).

## Financial position

Net cash outflows decreased to € 933k in the first quarter of 2012, compared with € 2,532k a year ago.

The balance of cash and cash equivalents at the end of March 2012 was € 21,506k (March 31, 2011: € 31,018k).

## Cash flow from ordinary operations

The net cash used in ordinary operations decreased to € 609k in the first quarter of 2012 versus € 2,418k a year ago. The sharply improved result was one of the main reasons for this improvement. Another was the € 1,275k spent on platinum and ruthenium in the previous year.

## Cash flow from investment activity

Net cash used for investment activity totaled € 126k in the period under review (€ 114k). Investments were limited to essential items.

## Cash flow from financial activity

Nearly all of the net cash used for financial activity went towards the repayment of PBF's liabilities to banks.

## Assets and liabilities

The Group's balance sheet remains healthy, with an equity ratio of 76.1% (December 31, 2011: 75.4%). This slight improvement is attributable to the positive result after taxes.

Total assets were nearly unchanged as of March 31, 2012 at €48,843k, compared with €48,783k as of December 31, 2011.

The increase in trade accounts receivable from €4,474k at December 31, 2011 to €5,241k at March 31, 2012 is predominantly because of the higher sales in March 2012 compared to December 2011. The reduction in receivables from percentage-of-completion goes hand in hand with the expiration of JDA projects.

Intangible assets rose €399k due to the €536k reversal of impairment losses previously recognized on capitalized development costs.

The share of non-current assets in total assets was nearly unchanged as of March 31, 2012 at 32.2%, compared with 31.4% as of December 31, 2011.

Altogether, liabilities made up 23.9% of total liabilities and shareholders' equity (December 31, 2011: 24.6%). With the earn-out component from the PBF acquisition being reclassified from a non-current liability to a current liability, the share of non-current liabilities in total liabilities and shareholders' equity dropped from 10.7% to 7.8%, while the share of current liabilities, by contrast, rose from 13.9% to 16.1%.

With the positive result after taxes, shareholders' equity rose to €37,159k as of March 31, 2012, compared with €36,788k at December 31, 2011.

## Research and development

The focus of SFC's research and development activities were as follows in the first quarter of 2012:

- Reduce unit costs through technological innovations and an improved operating strategy, particularly for 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 SFC continued its efforts to systematically increase power density and reduce degradation while cutting back on the amount of material used, thereby increasing margins.
- Significantly enhance product functionality; develop new products in order to tap fresh areas of application in addition to the markets already addressed.

- Significantly improve the reliability and robustness of devices developed for the industry market, including under harsh environmental conditions, in order to make products even more attractive and build on SFC's technological edge.
- The first pilot projects with a significant increase in output power were successfully tested and presented to the first customers in the industry and defense markets.
- Miniaturize the products and simultaneously increase capacity in order to successfully tap markets, particularly in the defense industry, with demanding specifications for portable energy sources.
- Develop 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 and industry markets.

The areas of emphasis of PBF's research and development activities were as follows:

- The development department worked on nine projects in the area of network component solutions in the 220 W to 4000 W range, whereas two projects are research studies.
- Two projects involved a new technology for PBF.
  - The PU3000 is a 26 kV and 4000 W capacitor charger for an industrial laser application.
  - The PSM2000 project is a 2000 W network component for medical applications, which are subject to extremely strict safety requirements.
- PBF has also begun research in the area of buck-boost PFC converters that should lead to greater efficiency over a large input voltage range.

### New orders and order backlog

New orders in the first quarter of 2011 came to €2,795k, but in the first quarter of 2012 they came to €10,825k. One of the key contracts was the volume production order placed by the German Bundeswehr for portable fuel cells with an energy network. The contract has a net value of nearly €5m. Delivery and sales recognition are expected before the end of the year.

Altogether, the order backlog stood at €10,272k as of March 31, 2012, with €5,267k of that amount attributable to SFC and €5,005k to PBF.

## Employees

As of March 31, 2012, the Company employed the following permanent personnel:

EMPLOYEES	03/31/2012	03/31/2011	Change
Board members	2	1	1
Research and development	60	27	33
Production, logistics, quality management	68	26	42
Sales and marketing	32	28	4
Administration	21	13	8
<b>Permanent employees</b>	<b>183</b>	<b>95</b>	<b>88</b>

The SFC Group employed 10 trainees, graduates and student trainees as of March 31, 2012 (March 31, 2011: 7).

Of the permanent employees, 84 worked for SFC and 99 for PBF.

## 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 in the Consumer, Industry and Defense & Security segments have not changed since publication of our 2011 annual report. We believe that the other material risks and opportunities for the Group have not changed since the publication of our 2011 annual report either, with the following exceptions.

### Patent risks

Due to the complexity of our products and the technology needed to produce them, there remains a certain risk of possible patent infringement by SFC. We may be asked to pay damages for possible patent infringement in respect of a piece of equipment that we have since placed out of service. At the moment, SFC believes that there is little risk that we will actually pay any damages, and that the amount would be insignificant even if we did.

### Other risks

In August 2011, a former distributor in Canada filed suit against SFC for an alleged breach of a non-disclosure agreement. A settlement has been reached, and the complaint withdrawn.

### 3. FORECAST REPORT

After a pleasant development of the first quarter the usual seasonality for SFC's business is expected in the second and third quarter. Due to consumption and user habits there will be less demand for EFOY fuel cells in this period of time.

For the fiscal year 2012 management considers consolidated sales of around €30m achievable, reflecting the upper end of the previous guidance. In the consumer market sales are expected nearly at last year's level. Growth in the industry and defense & security markets is to be achieved primarily through strategic industrial partnerships and a greater focus on complete solutions. This may also include further acquisition steps.

Further, a sustainably positive EBITDA should be reached in the second half of 2012.

For 2013 further revenue growth of 10% to 15% and an associated further improvement of EBIT and EBITDA are anticipated. The consumer, industry and security/defense markets should also experience growth in the aforementioned range at that time.

### 4. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date.

Brunnthal, May 3, 2012

The Management Board



Dr Peter Podesser  
CEO



Gerhard Inninger  
CFO

## **INTERIM REPORT IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS AT MARCH 31, 2012**

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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, 2012

### CONSOLIDATED INCOME STATEMENT FROM JANUARY 1 TO MARCH 31, 2012

		in €	
		01/01 – 03/31/2012	01/01 – 03/31/2011
1.	Sales	7,553,953	3,720,588
2.	Production costs of work performed to generate sales	-4,490,752	-2,647,946
<b>3.</b>	<b>Gross margin</b>	<b>3,063,201</b>	<b>1,072,642</b>
4.	Sales costs	-1,336,010	-1,125,451
5.	Research and development costs	-945,460	-459,629
6.	General administration costs	-924,206	-686,345
7.	Other operating income	543,894	1,339
8.	Other operating expenses	-83,861	-82,218
<b>9.</b>	<b>Operating result</b>	<b>317,558</b>	<b>-1,279,662</b>
10.	Interest and similar income	82,584	113,172
11.	Interest and similar expenses	-36,737	-8,775
<b>12.</b>	<b>Result from ordinary operations</b>	<b>363,405</b>	<b>-1,175,265</b>
13.	Income taxes	-24,303	0
<b>14.</b>	<b>Consolidated net result</b>	<b>339,102</b>	<b>-1,175,265</b>
<b>NET RESULT PER SHARE</b>			
	undiluted	0.05	-0.16
	diluted	0.05	-0.16

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FROM JANUARY 1 TO MARCH 31, 2012

		in €	
		01/01 – 03/31/2012	01/01 – 03/31/2011
	<b>Consolidated net result</b>	<b>339,102</b>	<b>-1,175,265</b>
	Result from currency translations	31,400	6,879
	<b>Total results recognized directly in equity</b>	<b>31,400</b>	<b>6,879</b>
	<b>Total comprehensive income</b>	<b>370,502</b>	<b>-1,168,386</b>

All amounts are attributable in full to equity holders of the parent company.

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



## CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2012

ASSETS		in €	
		03/31/2012	12/31/2011
<b>A.</b>	<b>Current assets</b>	<b>33,102,820</b>	<b>33,469,987</b>
I.	Inventories	4,852,744	4,906,928
II.	Trade accounts receivable	5,241,016	4,474,260
III.	Receivables from Percentage-of-Completion	0	541,137
IV.	Income tax receivables	134,828	112,559
V.	Other short-term assets and receivables	1,083,662	706,962
VI.	Cash and cash equivalents	21,505,570	22,443,141
VII.	Cash and cash equivalents with limitation on disposal	285,000	285,000
<b>B.</b>	<b>Non-current assets</b>	<b>15,740,173</b>	<b>15,312,741</b>
I.	Intangible assets	11,316,764	10,918,155
II.	Property, plant and equipment	2,681,501	2,746,578
III.	Other long-term assets and receivables	24,408	54,286
IV.	Deferred tax assets	1,717,500	1,593,722
	<b>Assets</b>	<b>48,842,993</b>	<b>48,782,728</b>

## CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2012

LIABILITIES AND SHAREHOLDERS' EQUITY		in €	
		03/31/2012	12/31/2011
<b>A.</b>	<b>Current liabilities</b>	<b>7,881,437</b>	<b>6,777,407</b>
I.	Provisions for taxes	134,181	97,019
II.	Other provisions	852,972	770,981
III.	Liabilities to banks	564,999	559,390
IV.	Liabilities from prepayments	5,713	202,136
V.	Trade accounts payable	3,030,183	3,171,240
VI.	Liabilities from percentage-of-completion	50,855	43,792
VII.	Other short-term liabilities	3,242,534	1,932,849
<b>B.</b>	<b>Non-current liabilities</b>	<b>3,802,775</b>	<b>5,217,042</b>
I.	Other long-term provisions	1,367,805	1,413,160
II.	Liabilities to banks	0	200,000
III.	Other long-term liabilities	181,693	1,457,617
IV.	Deferred tax liabilities	2,253,277	2,146,265
<b>C.</b>	<b>Equity</b>	<b>37,158,781</b>	<b>36,788,279</b>
I.	Subscribed capital	7,502,887	7,502,887
II.	Capital surplus	67,878,818	67,878,818
III.	Other changes in equity not affecting profit or loss	-36,791	-68,191
IV.	Accumulated loss brought forward from previous year	-38,525,235	-32,307,488
V.	Consolidated net result	339,102	-6,217,747
	<b>Liabilities and shareholders' equity</b>	<b>48,842,993</b>	<b>48,782,728</b>

## CONSOLIDATED CASH FLOW STATEMENT FROM JANUARY 1 TO MARCH 31, 2012

	in €	
	01/01 – 03/31/2012	01/01 – 03/31/2011
<b>Cash flow from ordinary operations</b>		
<b>Result before taxes</b>	<b>363,405</b>	<b>-1,175,265</b>
- Net interest income	-45,847	-104,397
-/+ Write up and depreciation/amortization of intangible assets and property, plant and equipment	-131,324	308,536
+ Expenses from Long Term Incentive Plan	11,925	42,792
- Changes in allowances	-136,679	-31,529
+ Losses from disposal of property, plant and equipment	452	0
+ Other non-cash expenses	49,232	52,806
<b>Changes to operating result before working capital</b>	<b>111,164</b>	<b>-907,057</b>
+ Changes to short and long-term provisions	16,459	85,214
- Changes to trade accounts receivable	-640,033	-50,871
+/- Changes to inventories	49,351	-1,213,632
+/- Changes to other receivables and assets	191,460	-886,118
-/+ Changes to trade accounts payable	-137,501	289,873
-/+ Changes to other liabilities	-173,232	294,193
<b>Cash flow from ordinary operations before taxes</b>	<b>-582,332</b>	<b>-2,388,398</b>
- Income tax payments	-26,176	-29,990
<b>Cash flow from ordinary operations</b>	<b>-608,508</b>	<b>-2,418,388</b>

## CONSOLIDATED CASH FLOW STATEMENT FROM JANUARY 1 TO MARCH 31, 2012

	in €	
	01/01 – 03/31/2012	01/01 – 03/31/2011
<b>Cash flow from investment activity</b>		
– Investments in intangible assets from development projects	–58,600	–107,000
– Investments in other intangible assets	–51,234	–23,717
– Investments in property, plant and equipment	–100,451	–97,081
+ Interest and similar income	84,431	113,704
<b>Cash flow from investment activity</b>	<b>–125,854</b>	<b>–114,094</b>
<b>Cash flow from financial activity</b>		
– Repayment of financial debt	–194,391	0
– Interest paid and other expenses	–4,243	0
<b>Cash flow from financial activity</b>	<b>–198,634</b>	<b>0</b>
<b>Net change in cash and cash equivalents</b>	<b>–932,996</b>	<b>–2,532,482</b>
Currency effects on cash and cash equivalents	–4,575	–9,740
Net change in cash and cash equivalents		
Cash and cash equivalents at the beginning of the period	22,443,141	33,560,171
Cash and cash equivalents at the end of the period	21,505,570	31,017,949
<b>Net change in cash and cash equivalents</b>	<b>–932,996</b>	<b>–2,532,482</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FROM JANUARY 1 TO MARCH 31, 2012

	Subscribed capital	Capital surplus	Other changes in equity not effecting profit or loss	Net accumulated loss	in € Total
<b>Balance 01/01/2011</b>	<b>7,152,887</b>	<b>66,879,638</b>	<b>-3,628</b>	<b>-32,307,488</b>	<b>41,721,409</b>
<b>Total comprehensive income for the period</b>					
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
<b>Balance 03/31/2011</b>	<b>7,152,887</b>	<b>66,879,638</b>	<b>3,251</b>	<b>-33,482,753</b>	<b>40,553,023</b>
<b>Total comprehensive income for the period</b>					
Consolidated net loss 04/01-12/31/2011				-5,042,482	-5,042,482
Result from currency translation recognized in equity			-71,442		-71,442
<b>Capital increase</b>					
Issuance of shares for the acquisition of PBF	350,000	1,050,000			1,400,000
Less costs of the capital increase		-50,820			-50,820
<b>Balance 12/31/2011</b>	<b>7,502,887</b>	<b>67,878,818</b>	<b>-68,191</b>	<b>-38,525,235</b>	<b>36,788,279</b>
<b>Total comprehensive income for the period</b>					
Consolidated net profit 01/01-03/31/2012				339,102	339,102
Result from currency translation recognized in equity			31,400		31,400
<b>Balance 03/31/2012</b>	<b>7,502,887</b>	<b>67,878,818</b>	<b>-36,791</b>	<b>-38,186,133</b>	<b>37,158,781</b>

## 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 headquarters is located 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 subsidiaries (the Group) are the development, production and distribution of power generation systems and their components for off-grid applications based on direct methanol fuel cell (DMFC) and other technologies, as well as investment in the equipment and facilities required for these activities and transaction of all other related business.

The Company changed its segment reporting in the first quarter of 2012. As a supplier of off-grid and grid-based power supply solutions, the Group serves the core markets "Industry", "Defense & Security" and "Consumer", in particular. The prior-year figures have been restated in accordance with this realignment. Further details are provided in the "Segment report".

The PBF Group has been fully captured in the consolidated financial statements since December 1, 2011. Because of this, the items reported in the consolidated income statement for the first quarter of 2012 have only limited comparability with those reported a year ago. Most year-on-year increases that are not separately addressed in these Notes are attributable to the consolidation of the PBF Group.

### 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, 2011 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, 2012 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, 2011.

In addition to the standards and interpretations applied as at December 31, 2011, the following standard was applicable for the first time, but had no impact on the consolidated financial statements:

- Amendments to IFRS 7 "Financial Instruments: Disclosures": Transfers of Financial Assets (October 2010)

The amendments to IAS 12 "Income taxes": Deferred Tax: Recovery of Underlying Assets (December 2010) are mandatory for annual periods beginning on or after January 1, 2012. The E.U. has not yet endorsed the amendments. Their application would have had no impact on the consolidated financial statements.

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.

## Receivables and liabilities from percentage-of-completion

If the production costs (including earnings contributions) incurred during the quarter under review for contracts that are not yet completed exceed the amounts already invoiced (installment payments), the difference is reported as receivables from percentage-of-completion. Conversely, the difference is reported as liabilities from percentage-of-completion if the prepayments exceed these costs. There were liabilities from percentage-of-completion in the amount of € 50,855 in the first quarter of 2012 (December 31, 2011: € 43,792). The production contracts giving rise to the € 541,137 in receivables from percentage-of-completion reported as of December 31, 2011 were completed in the first quarter of 2012.

## Other short-term assets and receivables

The Company had other short-term assets and receivables of € 1,083,662 as of the reporting date (December 31, 2011: 706,962). The increase is largely due to higher receivables from subsidiaries, which stood at € 413,395. (December 31, 2011: € 144,018).

## Intangible assets: reversal of impairment charges on development costs

Impairment losses of € 577,638 were recognized on capitalized development costs in the fourth quarter of 2011 because of indications that projects for the German Bundeswehr had lost value due to uncertainties surrounding both the budget situation and the military's procurement priorities if faced with budget cuts. The impairment charges were determined on the basis of the corresponding assets' value in use. As of the first quarter of 2012, the estimates regarding future cash flows from these assets had changed, since the placement of a large-scale order by the Bundeswehr provided new insight into the sales and gross margin relating to the capitalized development costs. The reversal came to € 535,563 and was based on the amortized cost at which the corresponding assets would have been carried had they never been impaired in the first place. The full amount of the reversal was recognized in profit and loss under other operating income.

## Other liabilities

Other long-term liabilities include the obligation recognized from the Long Term Incentive Plan for members of the Management Board and selected executives. The section entitled "Long-term incentive plan for Management Board members and top executives" contains additional information about the plan. The earn-out component from the purchase price agreement for PBF is also reported under other liabilities. It was carried at € 1,287,849 under other long-term liabilities at December 31, 2011, then reclassified to other short-term liabilities in the first quarter of 2012 given the timing of the likely outflow of resources. In the first quarter of 2012, interest cost of € 12,197 was added back to the discounted value of all future cash flows for the earn-out component, as determined at year-end 2011 by applying an assumed interest rate of 3.84 %.

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

The Supervisory Board adopted a Long Term Incentive Plan (LTIP 2009 - 2011) for members of the Management Board in March 2009 (Tranche 1). The Supervisory Board approved the participation of additional selected executives in July 2009 and July 2010 (Tranche 2). This plan, which will run for a total of five years, is intended to reward the contribution by members of the Management Board and selected executives to increasing the Company's value. The plan includes variable compensation in the form of phantom shares,

each of which is based on the total value of one 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. In June 2011 the Supervisory Board approved the participation of Gerhard Inninger, the new CFO, in the LTIP (Tranche 3).

The plan is divided into various sub-tranches with different performance periods of three calendar years each. 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. In the first half of 2011, two additional sub-tranches of Tranche 1 were authorized by the Supervisory Board in conjunction with the new Management Board contract. The performance period for the fourth sub-tranche of Tranche 1 began on January 1, 2012, while the period for the fifth sub-tranche begins one year later. 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. In June 2011 the Supervisory Board approved a third sub-tranche within Tranche 2 for executives. The performance period for the third sub-tranche began on January 1, 2011. The performance period for the first sub-tranche of Tranche 3 began January 1, 2012. Similar to the policy for Tranches 1 and 2, the two remaining sub-tranches of Tranche 3 will begin one and two years later, respectively.

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. The original allotment volume for the first and second sub-tranche of Tranche 1 was € 220,000 each (with sub-tranche 1 having an outstanding allotment volume of € 0 and sub-tranche 2 having an outstanding allotment volume of € 120,000 as of March 31, 2012). The allotment volume for the third, fourth and fifth sub-tranches of Tranche 1 was € 145,000 at March 31, 2012. The original allotment volume for the first, second and third sub-tranches of Tranche 2 was € 155,000 (March 31, 2012: outstanding allotment volume of € 0 for sub-tranche 1, € 120,000 for sub-tranche 2 and € 120,000 for sub-tranche 3). The final number of phantom shares allotted at March 31, 2012 for the first sub-tranche of Tranche 1 was 0. The number of phantom shares provisionally allotted was 19,208 for the second sub-tranche of Tranche 1, 30,278 for the third sub-tranche of Tranche 1 and 36,317 for the fourth sub-tranche of Tranche 1. For the first sub-tranche of Tranche 2, the final number of phantom shares allotted at March 31, 2012 was 0. The number of phantom shares provisionally allotted was 19,208 for the second sub-tranche of Tranche 2 and 25,059 for the third sub-tranche of Tranche 2. For the first sub-tranche of Tranche 3, the number of phantom shares provisionally allotted at March 31, 2012 was 12,523.

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 and Tranche 3 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, 2012, a liability of € 181,693 was recognized under other long-term liabilities (December 31, 2011: € 169,768), with no amounts recognized under other short-term liabilities. The amount expensed for the period was € 11,925 (prior-year period: € 42,792). The following parameters were used in the measurement:

Measurement date	03/31/2012
Remaining term (in years)	0.75 – 4.75
Anticipated volatility	27.58 % – 56.97 %
Risk-free interest rate	0.13 % – 0.88 %
Share price as of the measurement date	€ 4.00

## Sales costs

Sales costs were as follows in the first quarter of 2012:

	01/01 – 03/31/2012	01/01 – 03/31/2011
		in €
Personnel costs	710,252	668,865
Advertising and travel costs	221,144	203,026
Consultancy / commissions	153,740	96,978
Depreciation and amortization	56,615	6,222
Cost of materials	13,272	13,562
Other	180,987	136,798
<b>Total</b>	<b>1,336,010</b>	<b>1,125,451</b>

## Research and development costs

Research and development costs were as follows in the first quarter of 2012:

	01/01 – 03/31/2012	01/01 – 03/31/2011
		in €
Personnel costs	692,236	371,449
Consultancy / patents	127,718	38,308
Depreciation and amortization of self produced assets	107,627	176,203
Cost of premises	95,731	62,505
Other depreciation and amortization	82,971	12,274
Cost of materials	78,362	163,815
Other	33,027	27,551
Capitalization of self-produced assets	-61,533	-111,841
Set-off against grants	-210,679	-280,635
<b>Total</b>	<b>945,460</b>	<b>459,629</b>

## General administration costs

General administration costs were as follows in the first quarter of 2012:

	in €	
	01/01 – 03/31/2012	01/01 – 03/31/2011
Personnel costs	420,217	385,249
Audit and consultancy costs	190,796	93,966
Investor relations/annual meeting	63,149	59,319
Depreciation and amortization	40,608	30,347
Insurance	38,500	28,428
Supervisory Board compensation	28,125	28,125
Travel costs	28,074	20,419
Car-operating costs	21,203	14,131
Costs of hardware and software support	12,588	9,766
Other	139,253	89,560
Set-off against grants	-58,307	-72,965
<b>Total</b>	<b>924,206</b>	<b>686,345</b>

## Income taxes

As was the case in the consolidated financial statements as of and for the year ended December 31, 2011, deferred tax assets are recognized on tax loss carryforwards of SFC and its U.S. subsidiary only in such an amount as can be offset against deferred tax liabilities, after subtraction of the other deferred tax assets, since we cannot yet show with reasonable certainty that we will be able to draw a future economic benefit from these carryforwards.

In the first quarter of 2012, the deferred tax liabilities recognized on capitalized development costs increased because of the reversed impairment charge on capitalized development costs. The deferred tax assets also increased accordingly.

## Segment report

Internally, the Management Board uses sales, gross margin and EBITDA when steering the Group and implementing the realignment of its business with the core markets "Industry", "Consumer" and "Defense and Security". The segment reporting for the first quarter of 2012 and prior-year figures were adjusted to fit the new internal reporting structure.

Sales, gross margin, EBITDA and the reconciliation of EBITDA to the operating result (EBIT) as reported in the consolidated income statement were as follows in the first quarter of 2012:

	Sales		Gross margin		EBITDA		in €
	01/01 – 03/31/2012	01/01 – 03/31/2011	01/01 – 03/31/2012	01/01 – 03/31/2011	01/01 – 03/31/2012	01/01 – 03/31/2011	
Industry	4,307,896	656,437	1,577,714	255,958	-32,177	-485,850	
Consumer	1,802,986	2,238,799	717,286	505,554	211,931	-111,290	
Defense & Security	1,443,071	825,352	768,201	311,130	6,480	-373,986	
<b>Total</b>	<b>7,553,953</b>	<b>3,720,588</b>	<b>3,063,201</b>	<b>1,072,642</b>	<b>186,234</b>	<b>-971,126</b>	
Depreciation and amortization					131,324	-308,536	
<b>Operating result</b>					<b>317,558</b>	<b>-1,279,662</b>	

The "Industry" market is highly diversified and could include any area of industry where professional users run electrical equipment away from the grid and use SFC's EFOY Pro fuel cell. Right now, the Company's technology enables applications in security and surveillance, traffic management, wind power and environmental technology, as well as in the oil and gas sector. Additionally, PBF sells nearly all of its high-performance electronic components for integration into precision equipment as well as testing and metering systems in this segment.

In the "Consumer" market, SFC's EFOY COMFORT fuel cells are used to supply power to RVs, vacation cottages and sailboats.

The "Defense & Security" segment covers defense and security applications for defense organizations and governments. SFC's product portfolio for this market includes the JENNY 600S, the vehicle-based EMILY 2200, the EMILY Cube 2500 and the SFC Power Manager.

## 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, 2011. There were no significant related party transactions in the first quarter of 2012, just as there had been none in the first quarter of 2011.

## Employees

SFC employed the following personnel as of the reporting date:

	03/31/2012	03/31/2011
Full-time employees (incl. Management Board)	159	89
Part-time employees	24	6
<b>Total</b>	<b>183</b>	<b>95</b>

Ten trainees, graduates and student trainees were also employed as of the end of March 2012 (previous year: 7).

## 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, 7,502,887 at the balance sheet of March 31, 2012 (previous year: 7,152,887), did not change during the quarter, as had also been the case in the previous year. As during the prior-year period, there were no dilutive effects to be taken into account in 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, May 3, 2012

The Management Board



**Dr Peter Podesser**  
CEO



**Gerhard Inninger**  
CFO

## FINANCIAL CALENDAR 2012

May 9, 2012	Annual general meeting
July 31, 2012	Publication half year report
October 31, 2012	Publication nine months report

## SHARE INFORMATION

Bloomberg Symbol	F3C
Reuters Symbol	CXPNX
WKN	756857
ISIN	DE0007568578
Number of shares	7,502,887
Stock Category	No-par value shares
Stock segment	Prime Standard, Renewable Energies
Stock exchange	Frankfurt, FWB
Designated Sponsor	Close Brothers Seydler

## INVESTOR-RELATIONS CONTACT

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## IMPRINT

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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.