SFC SMART FUEL CELL

# HALF-YEAR REPORT 2007

## Key Figures (IFRS)

| in €k | 1. HY 2007 | 1. HY 2006 | Change in % | Q2 2007 | Q2 2006 | Change in % |
|---|---|---|---|---|---|---|
| Total sales | 7,506 | 3,000 | 150.2% | 4,151 | 1,969 | 110.8% |
| Product sales total | 6,090 | 1,667 | 265.3% | 3,415 | 1,055 | 223.7% |
| Sales share of products | 81.1% | 55.6% | - | 82.3% | 53.6% | - |
| Sales gross margin total | 976 | 443 | 120.3% | 768 | 493 | 55.8% |
| Gross margin | 13.0% | 14.8% | - | 18,5% | 25.0% | - |
| EBITDA | -2,097 | -932 | 125.0% | -254 | -240 | 5.8% |
| EBITDA margin | -27.9% | -31.1% | - | -6.1% | -12.2% | - |
| EBIT | -2.439 | -1,109 | 119.9% | -424 | -335 | 26.6% |
| EBIT margin | -32.5% | -37.0% | - | -10.2% | -17.0% | - |
| Net loss | -1,295 | -1,545 | -16.2% | -299 | -423 | -29.3% |
| Earnings per share, diluted | -0.41 | -0.50 | -18.0% | -0.10 | -0.14 | -28.6% |
| Equity | 53,583 | 5,596 | >100% | - | - | - |
| Equity ratio | 83.7% | 37.3% | 124.1% | - | - | - |
| Balance sheet total | 64,026 | 14,986 | >100% | - | - | - |
| Cash | 52,023 | 11,154 | >100% | - | - | - |
| Employees on 30.06. | 85 | 78 | 9.0% | - | - | - |

SFC was the first company to market commercial fuel cells for a variety of applications. In contrast to most other fuel-cell manufacturers, SFC does no limit itself to fuel-cell systems. Instead, SFC has the mission to offer its customers a complete product solution.

SFC SMART FUEL CELL

# Content

# FOREWORD

**Dr Peter Podesser (left)**
Chief Executive Officer (CEO)

**Dr Jens Müller (right)**
Chief Technology Officer (CTO)

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

With this interim report we are presenting the half-yearly and second quarter figures in a new reporting format for the first time since the IPO on the Prime Segment of the German Stock Exchange on 25 May this year. As forecast, our company has successfully continued its triple-digit growth rate, with a revenue increase of over 150 per cent in the first six months of 2007 compared to the same period last year.

This is clear proof of the viability and sustainability of our business model. By reliably providing off-grid power in all weathers and locations SFC Smart Fuel Cell AG guarantees its customers unrestricted mobility, without them having to forgo the comfort and security that have become a normal part of modern life. Whether it be a caravanner in the countryside who wants to enjoy a glass of chilled wine whilst watching the television news, a pipeline operator in the cold North who needs to be sure that the pumps alongside the pipeline are delivering enough anti-freeze to stop it from freezing, or a soldier on special operations, on whose communications capacity many lives depend - they must all be able to rely on having sufficient electricity to power their equipment when there is no wall socket available, at all times. SFC Smart Fuel Cell and its products therefore meet one of the most pressing public needs of our time. And we do it in a way which is both sparing on resources and kind to the environment.

With exhaust gases roughly equivalent to a child's breath and a fuel which can be generated from renewable sources and even from household waste, our fuel cells set new standards in sustainability and independence from fossil fuels. The growing acceptance of our products with end consumers, industrial clients and public authorities, and the hugely positive feedback from international markets demonstrate very clearly the increasing importance of the fuel cell in off-grid power supply and form the foundation on which we intend to continue creating value: for our customers and staff and for our shareholders.

We are grateful for the trust you have placed in us.
Management Board, SFC Smart Fuel Cell AG

Dr Peter Podesser
CEO

Dr Jens Müller
CTO

## SHAREHOLDINGS

| | Shares | Share options |
|---|---|---|
| **Management Board** | | |
| Dr Peter Podesser (CEO) | 112,000 | 0 |
| Dr Jens Müller (CTO) | 46,604 | 6,462 1) |
| **Supervisory Board** | | |
| Rüdiger C. Olschowy, BIT Holdings GmbH | 156,254 | 0 |
| Dr Rolf Bartke | 0 | 0 |
| Wolfgang Biedermann, PRICAP Venture Partners AG | 1,047,806 | 0 |
| Achim Lederle | 0 | 0 |
| Jakob-Hinrich Leverkus | 7,200 | 0 |
| Dr Manfred Stefener | 1,155,967 | 0 |

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

## KEY FIGURES FOR THE SHARE

| IPO in Prime Standard | 25 May, 2007 |
|---|---|
| Number of outstanding shares | 7,103,195 |
| Designated Sponsor | Sal. Oppenheim, Steubing |
| Wertpapierkennnummer (WKN) | 756857 |
| ISIN | DE0007568578 |
| Bloomberg symbol | F3C |
| Segment | Industrial / Renewable Energies |

# INTERIM MANAGEMENT REPORT

## Interim Management Report for the period 1 January-30 June 2007

### 1. Report on earnings and financial position

#### EARNINGS POSITION

SFC continued to make good progress in the first half-year 2007 and recorded a 150.2% increase in revenues compared to the same period last year. Revenues increased to €7,506k following €3,000k for the first half-year 2006. The product share of revenues rose to 81.1% in the first half-year 2007, versus 55.6% for the same period in the prior year, whilst the share of revenues from joint development agreements (JDAs) went down accordingly. This progress underlines SFC Smart Fuel Cell AG development from a R&D company to a market and customer-oriented company. In the second quarter SFC increased revenues by 110.8% compared to the same period last year to reach €4,151k (Q2 2006: €1,969k).

**Sales by segment**
The increase in product sales is largely due to higher sales of fuel cell systems, primarily the A-Series, as well as higher sales of Power Managers to the US armed forces.

| in €k | 1st Half year | | | 2nd quarter | | |
|---|---|---|---|---|---|---|
| Sales by segment | 2007 | 2006 | Change in % | 2007 | 2006 | Change in % |
| A-Series | 4,349 | 1,307 | 232.7% | 1,896 | 711 | 166.7% |
| C-Series | 254 | 59 | 330.5% | 198 | 58 | 241.4% |
| Power Manager | 1,372 | 116 | 1082.8% | 1,260 | 116 | 986.2% |
| JDAs | 1,416 | 1,333 | 6.2% | 736 | 914 | -19.5% |
| Other products | 115 | 185 | -37.8% | 61 | 170 | -64.1% |
| TOTAL | 7,506 | 3,000 | 150.2% | 4,151 | 1,969 | 110.8% |

The sales increase in the A-Series segment by 232.7% to €4,349k (H1 2006: €1,307k) for the first half-year 2007 primarily results from rising demand for fuel cells in the leisure sector. This meant that the segment's share of total sales rose to 57.9% (H1 2006: 43.6%). Compared to the same period last year sales of A-Series fuel cells went up from 697 units to 2,372, representing an increase of 240.3%. For the first time reductions in direct personnel costs and cost of materials as well as economies of scale led to positive gross margins of €238k in the first half-year 2007, following a loss in the same period last year of €541k. In the second quarter A-Series sales were up by 166.7% to €1,896k (Q2 2006: €711k).

Segment sales for the C-Series went up by 330.5% from the first half-year 2006 (€59k) to €254k in the first half-year 2007, and the number of systems shipped to the US armed forces rose from 3 to 15. Gross margins improved from €33k to €130k in this segment. Second quarter sales were 241.4% above last year's figures at €198k (Q2 2006: €58k).

In the first half-year 2007 the first order was signed for the delivery of serial production Power Managers to the US military. The contract for supplying 556 Power Managers plus accessories was fully completed in the first half-year and resulted in sales of €1,354k. Two prototypes of next-generation Power Managers were also supplied. Segment sales in the same period last year amounted to €116k for the delivery of 26 prototype Power Managers. In the second quarter sales rose by 986.2% compared to Q2 2006, from €116k to €1,260k.

Sales in the JDA segment went up by 6.2% in the first half-year 2007, to €1,416k. During the period an additional development project was agreed with the US armed forces for the further development of the C-Series and the Power Manager-Sales for the period are related to 5 projects with the US military. In the prior year sales came predominantly from a JDA with LG Chem Ltd. (Korea). Against this background gross margin sank from 65.0% in the first half-year 2006 to 34.6% in the first half-year 2007, as the agreement with LG Chem Ltd. was based on a fixed rate with a considerably higher margin than the contracts with the US armed forces, which are predominantly on a "cost plus fixed fee" basis, i.e. billing is for actual costs including overhead plus a profit margin. Sales in the second quarter were 19.5% below last year's level at €736k (Q2 2006: €914k).

Sales in the segment Other Products dropped from €185k in the first half-year 2006 to €115k in the first half-year 2007. In addition to the sales of fuel cartridges this line also includes the sales of test equipment to strategic partners. The increase in sales of fuel cartridges from €25k in the first half-year 2006 to €97k in the first half-year 2007, which correlates with rising sales of fuel cell systems, was more than compensated by a considerable decline in sales of test equipment. Although the production costs of the fuel cartridges were reduced significantly and the gross margin improved in comparison with the previous year, gross margins sank from €16k in the first half-year 2006 to minus €179k in the first half-year 2007 due to the increased sales volume for fuel cartridges and the reduction in profitable sales from test equipment. The company assumes that fuel cartridge production will not break even for the whole of 2007 and that the total gross margin on fuel cartridges will therefore decline further. Due to the cost reductions already initiated an improvement in gross margin (relative to sales) is anticipated in the course of 2007. In the second quarter sales were down by 64.1% compared to the second quarter 2006 from €170k to €61k.

**Sales by region**
In its core markets North America and Europe the company achieved triple digit growth. In Asia sales declined due to a JDA with LG Chem Ltd. having been successfully completed in the previous year. SFC's domestic sales accounted for 20.7% of the total in the first half-year 2007, compared to 22.4% last year. The share of overseas sales rose accordingly to 79.3% (H1 2006: 77.6%).

# INTERIM MANAGEMENT REPORT

| in k€ | 1st Half year | | | 2nd quarter | | |
|---|---|---|---|---|---|---|
| Revenue by region | 2007 | 2006 | Change in % | 2007 | 2006 | Change in % |
| North America | 3,141 | 608 | 416.6% | 2,268 | 446 | 408.5% |
| Europe (excl. Germany) | 2,802 | 593 | 372.5% | 1,272 | 307 | 314.3% |
| Germany | 1,554 | 672 | 131.3% | 604 | 382 | 58.1% |
| Asia | 4 | 1,095 | -99.6% | 2 | 834 | -99.8% |
| ROW | 5 | 32 | -84.4% | 5 | 0 | - |
| TOTAL | 7,506 | 3.000 | 150.2% | 4,151 | 1,969 | 110.8% |

The increase in sales from North America from €608k in the first half-year 2006 to €3,141k in the first half-year 2007 (+416.6%) was particularly due to the successful collaboration with the US military, with JDAs contributing €1,416k, Power Managers €1,372k and C-Series systems €254k. Sales rose in the second quarter by 408.5% from €446k to €2,268k.

The targeted sales and marketing activities carried out in France and Italy in the last quarter of 2006 were largely responsible for an almost fivefold increase in European sales (excluding Germany) from €593k in the first half-year 2006 to €2,802k in the first half-year 2007. Compared to the same period last year the number of A-Series systems shipped to France and Italy rose by 460.8% from 250 units to 1,402 units in the first half-year 2007. In the second quarter sales in this region were 314.3% above last year's level at €1,272k (Q2 2006: €307k).

In Germany sales and marketing activities also generated an increase in sales to €1,554k for the first half-year 2007 compared to €672k in the first half-year 2006. The number of A-series fuel cell systems shipped went up by 140.5% from 343 to 825 units. In the second quarter sales rose by 58.1% to €604k (Q2 2006: €382k).

Asia reported a drop in sales from €1,095k in the first half-year 2006 to €4k in the first half-year 2007. This was mainly due to the JDA with LG Chem Ltd. which was successfully completed in 2006 and accounted for sales of €962k in the first half-year 2006. Second quarter sales was 99.8% under last year's at €2k (Q2 2006: €834k). The first targeted sales and marketing activities in Japan and Singapore were started.

**Gross margins**
As a result of higher sales gross margins also rose in the first half-year 2007 by 120.3% to €976k (H1 2006: €443k). The decline in gross margin to 13.0% (H1 2006: 14.8%) in the first half-year 2007 is largely due to lower margins from the JDAs, which last year included the JDA with LG Chem Ltd. mentioned above. This effect cancelled out significant improvement in gross margins for the A-Series of €779k. In the second quarter gross margins of the company rose by 55.8% to €768k (Q2 2006: €493k).

**Sales costs**
Sales costs rose in the first half-year 2007 by 114.1% to €2,036k (H1 2006: €951k). The main cause of this rise was additional recruitment in sales and marketing during the first half-year 2007, taking personnel numbers to 20 (H1 2006: 13). Consultancy and commission costs also went up from €62k in the first half-year 2006 to €230k. These mainly represent costs for interim management in the sales and marketing department and for achievement-related commissions for a consultant in the USA. In the first half-year 2007 a one-time non-cash expense of €393k was also reported for the cancellation of share options in connection with the share issue and the company's move to the Prime Standard of the Frankfurt Stock Exchange (see "Options for employees and Board members" in the notes to interim report). In the second quarter sales costs amounted to €667k and were 38.4% above last year's level of €482k.

**Research and development costs**
Research and development costs sank in the first half-year 2007 by 7.0% to €226k (H1 2006: €243k). This was mainly due to an increase in income from state subsidies and sales from JDA. Subsidy offsets rose by 29.2% to €536k (H1 2006: €415k). Development work in connection with JDAs is not disclosed under Research and development costs but included in the Production costs for JDAs. This item rose by 98.3% to €926k (H1 2006: €467k). Capitalisable expenses for internally generated intangible assets were fully covered by subsidies and JDAs in the first half-year 2007, so that none were in fact capitalised in the period. In the previous year expenses of €271k were capitalised. In the second quarter expenses went up by 3.7% to €113k (Q2 2006: €109k). Adjusted for these offsets and reclassifications costs for research and development amounted to €1,688k in the first half-year 2007 (H1 2006: €1,396k).

**General administration costs**
General administration costs rose by 167.1% to €1,210k in the first half-year 2007 (H1 2006: €453k). This increase is largely due to the cancellation of share options in 2007 (see "Options for employees and Board members" in the notes to interim report). In the second quarter costs went up by 49.1% to €416k (Q2 2006: €279k).

**Operating result (EBIT)**
EBIT for the first half-year 2007 dropped by 119.9% to minus €2,439k (H1 2006: minus €1,109k). Adjusted for non-recurring items EBIT declined to minus €1,469k (see "Result from non-recurring items" in the notes to interim report). Due to the increase in sales the adjusted EBIT margin improved to minus 19.6% (H1 2006: minus 37.0%). In the second quarter the EBIT margin reached minus 10.2% compared to minus 17.0% in the second quarter last year.

**Interest and similar income**
Interest and similar income went up from €60k in the first half-year 2006 to €1,299k in the first half-year 2007. This was primarily due to the special influence of redeeming silent partnerships of €1,012k (see "Result from non-recurring items" in the notes to interim report). In the second quarter interest and similar income increased by 279.3% to €220k (Q2 2006: €58k).

**Interest and similar expenses**
Interest and similar expenses declined by 59.7% to €155k (H1 2006: €385k). In the first half-year 2006 this included expenses of €186k from valuing embedded derivatives in the silent partnerships. In the second quarter interest expenses dropped by 16.8% to €94k (Q2 2006: €113k).

# INTERIM MANAGEMENT REPORT

**Income taxes**
Income taxes went down in the first half-year 2007 to €0k (H1 2006: €111k). The same period in the previous year still included sales from LG Chem Ltd., which were subject to South Korean withholding taxes. In the second quarter of last year South Korean taxes of €33k were paid.

**Net loss**
Net loss improved in the first half-year 2007 by 16.2% from minus €1,545k to minus €1,295k, adjusted for non-recurring items to minus €1,337k. In the second quarter net loss went up by 29.3% to minus €299k (Q2 2006: minus €423k).

**Net loss per share**
Net loss per share (diluted) in line with IFRS improved in the first half-year by 18.0% from minus €0.50 to minus €0.41. In the second quarter earnings per share went up by 28.6% from minus €0.14 to minus €0.10.

## FINANCIAL POSITION

The financial position in the first half-year 2007 was largely determined by SFC's public share offering and subscription rights offering in May 2007. In the course of the move to the Prime Standard of the Frankfurt Stock Exchange 1,317,990 new shares were issued at a price per share of €37 and as part of the subscription rights offering the existing shareholders purchased an additional 129,461 shares at €37 per share. In total SFC therefore received issue proceeds of €53,556k. The related expenses of €5,325k have been offset against capital surplus.

Essentially due to the cash inflow from this transaction, cash and cash equivalents at the end of the half-year 2007 rose to €52,023k (end of H1 2006: €11,154k).

**Cash flow from ordinary operations**
Cash outflow for ordinary operations sank to €1,727k (H1 2006: €3,652k) in the first half-year 2007. The rise in inventories and trade account receivables was much lower than in the first half-year 2006 (€1,900k) at €643k. In addition, other liabilities went up by €570k in the first half-year.

**Cash flow from investment activity**
Cash outflow for investment activities went up from €387k in the first half-year 2006 to €2,266k in the first half-year 2007, primarily as a result of acquisition of securities.

**Cash flow from financial activity**
The increase in cash flow from financial activities in the first half-year 2007 to €49,768k (H1 2006: €14,980k) is essentially the result of the share and rights issue mentioned above.

## ASSETS & LIABILITIES

The company's assets are also developing well. Total assets inceased in line with sales and earnings development.

Compared to 31 December 2006 total assets as at 30 June 2007 were up by 327.2% to €64,026k (€14,986k).

As at 30 June 2007 inventories and trade account receivables climbed to €1,279k (31 December 2006: €926k) and €1,537k (31 December 2006: €1,310k) respectively, due to higher sales volumes.

The increase in other short-term assets and receivables from €299k on 31 December 2006 to €1,205 on 30 June 2007 is mainly to higher outstanding subsidies and claims for tax reimbursement.

The growth in cash and cash equivalents from €6,249k on 31 December 2006 to €52,023k on 30 June 2007 is the result of the capital markets transaction described above.

Property, plant and equipment grew to €903k as at 30 June 2007 (31 December 2006: €773k), due to capital expenditure. The proportion of non-current assets in the balance sheet total sank from 17.9% to 4.2%.

The rise in short-term trade accounts payables to €4,251k, compared to €1,395k as at 31 December 2006, is mainly due to higher sales volumes and the costs of the capital markets transaction.

The decline in derivative financial instruments to €0k (31 December 2006: €2,266k) results from the cancellation and waiver agreements with the silent partnership investors (see "Silent partnership" in the notes to interim report).

As a result of these agreements the silent partnerships disclosed under other long-term liabilities in the accounts as at 31 December 2006 are shown under other short-term liabilities as at 30 June 2007.

The rise in other short-term liabilities to €3,283k as at 30 June 2007 (31 December 2006: €725k) is primarily due to this reclassification. The silent partnership investment of €1,023k from the Technologie Beteiligungsfonds Bayern GmbH & Co. KG and the contractual final remuneration of €533k were repaid in full in June 2007. The silent partnership investment of €1,500k from tbg Technologie-Beteiligungs-Gesellschaft mbH and the contractual final remuneration of €720k are due to be repaid in January 2008.

Liabilities therefore accounted for 16.3% of the balance sheet total. Compared to 31 December 2006 (62.7%) the proportion of liabilities in the balance sheet total sank by 46.4 percentage points.

The substantial growth in shareholders' equity as at 30 June 2007 to €53,583k compared to 31 December 2006 (€5,596k) is the result of the successful capital increase. The equity ratio went up accordingly from 37.3% to 83.7%.

# INTERIM MANAGEMENT REPORT

## RESEARCH AND DEVELOPMENT

In the first half-year SFC signed another JDA with the US military (see "Sales by segment").

The focus of research and development work in the first half-year lay

- On reducing the unit costs using technological innovations, in order to significantly increase the earnings contributions of the products. In the reporting period substantial cost reductions have already been achieved for key components such as stacks, pumps and fuel cartridges.
- On expanding the products' functionality (e.g. higher performance, market-specific features) in order to develop further areas of application in addition to the markets already addressed.
- On miniaturizing the products in order to successfully develop markets with demanding specifications for the portability of the energy source.

## CAPITAL EXPENDITURE

In the first half-year 2007 the company invested above all in expanding and improving the IT infrastructure. More injection moulding tools were also purchased in order to enable further cost savings on the component side.

## EMPLOYEES

As at 30 June 2007 the company employed the following personnel:

| | 2007 | 2006 | Change |
|---|---|---|---|
| Board members | 2 | 2 | 0 |
| Reasearch and development | 23 | 24 | -1 |
| Production, logistics, quality management | 23 | 19 | 4 |
| Sales and marketing | 20 | 13 | 7 |
| Administration | 9 | 4 | 5 |
| Permanent employees | 77 | 62 | 15 |
| Trainees, graduands, stundent trainees | 8 | 16 | -8 |
| Personnel at half-year end | 85 | 78 | 7 |

The increase in the number of permanent employees at the end of the first half-year 2007 by 24.1% to 77 (30 June 2006: 62) is due to growth in sales & marketing, production, quality management and administration. It reflects SFC's stronger market orientation and the demands of a capital market oriented company. In order to react more flexibly to higher sales the company increasingly employs personnel from temporary employment companies, particularly in production. At the end of the half-year the number of these personnel rose to 15 (30 June 2006: 2).

## 2. Report on forecasts and other forward-looking statements

The Management Board currently assumes that the company is able to defend and extend its leading position in the new market for independent power supply using fuel cells. At present SFC has a unique position on the market with its commercially available methanol fuel cell systems and in the company's own opinion has now extended its competitive lead even further.

In the first half-year 2007 new orders progressed well at SFC. New orders increased in the first six months of 2007 by 33.8% to €5,390k (H1 2006: €4,029k). In the second quarter SFC was able to report new orders of €1,001k (Q2 2006: €3,179k); last year's high figure is mainly due to a large JDA order in the defence sector. This meant that new orders in the second quarter 2007 were 68.5% below the equivalent figure for the same quarter in the previous year. At the end of the first half-year 2007 there were total outstanding orders of €2,633k, which was 5.8% above the figure for the same period last year (€2,489k).

In the traditionally weak third quarter SFC expects sales to be lower than in the second quarter due to seasonal fluctuation but considerably higher than in the same period the previous year. For the financial year 2007 SFC also anticipates being able to approximately double the sales achieved in 2006. As a result of the cost savings for the A-series initiated and already partly implemented in the first half-year, SFC anticipates a substantial improvement in gross margins and EBIT in comparison with last year.

## 3. Report on risks and rewards

As part of a systematic and organisational approach to risk the company's risk management uses and continues to develop suitable instruments to identify and analyse risks and take appropriate action.

**Market risks**
SFC is currently the first company developing an industry for commercial fuel cell applications. This offers enormous opportunities, counterbalanced by the usual risks of developing and servicing a new market, for example an (initial) lack of market acceptance, low customer awareness, initially no usable image, long and difficult work to convince key customers, technical setbacks. A wide range of steps are being taken to minimize these risks, e.g. in-depth cooperation with well-known manufacturers and use of their sales channels (e.g. Hymer, Webasto), marketing the products under established brand names (e.g. MaxPower), intensive marketing, sales and PR activities (e.g. presence in trade press), regular attendance of trade fairs in key markets, cost reduction and improved value in use of the products.

**Technological risks**
The products manufactured by SFC must meet high quality specifications in order to survive in the market. In addition to continued development of its own technology for new applications, SFC is therefore primarily focusing on quality control, whilst reducing production costs at the same time. SFC is working intensively on these matters with major suppliers. The company is also striving to reduce production costs still further by technological developments and higher production quantities. For key components, e.g. stacks, pumps and fuel cartridges, substantial cost savings have already been realised during the reporting period without quality being compromised. The knowledge this generates constitutes a significant competitive advantage for SFC.

# INTERIM MANAGEMENT REPORT

**Patent risks**
SFC is not currently aware of any intellectual property rights which could appreciably disrupt the company's business. On the basis of its unique position as a provider of commercial DMFC systems SFC has itself prepared and registered numerous intellectual property rights (currently 13 patents awarded or notice of patent award received), which establish a strong position towards competitors.

**Competition**
Currently SFC remains in a unique position due to its clear technological leadership and a head start in marketing activities. This lead is secured by intellectual property rights, speed, and focusing on a single technological concept, amongst other things. However, some competitors do have considerably more capital and - particularly in the US defence sector - also have good market access, which in principle creates the risk that the leading position may be lost. In the target markets leisure and off-grid power supply SFC is still not aware of any competitor offering comparable products commercially.

**Procurement and production risks**
SFC purchases the necessary components to produce its fuel cell systems from different manufacturers. To date, the supplier industry for SFC components is only partially prepared for the demands of the emerging mass market for fuel cells, however. In order to avoid becoming dependent on certain suppliers the company is working to diversify its supplier base and is therefore entering into cooperation programmes with its suppliers.

**Exchange rate and raw material price risks**
Due to its increasing volume of business with the US military, SFC generates a substantial part of its sales in US dollars, which are only partly matched by lower costs in US dollars. For this reason a forward currency transaction was concluded in the first half-year 2007 for the sale of US$ 2.4m. However, only a large majority of the residual foreign currency exposure has been hedged; the unhedged portion is therefore subject to exchange rate risk.

Due to rising platinum prices in the first half-year 2007 and market sentiment indicating further increases, SFC decided in the second quarter 2007 to hedge around 65% of its estimated platinum requirement for May to December 2007 (see the section "Forward commodities transactions" in the notes to interim report). The risks from the unhedged portion are therefore capped at a sensible level.

**Financial and liquidity risks**
Sales and earnings contributions in the reporting period were not yet sufficient to bring the company to profitability. The strategic alignment of SFC and in particular its chosen expansion strategy require further massive build-up work, which must be financed in order to secure the company's future success, especially in product development, mass production, new segment development and building up the sales organisation. The proceeds of the public share offering in May 2007 were raised specifically for this development work. Until they are used as part of the growth strategy the capital surplus will be invested in low-risk securities (e.g. money market funds, investment grade bonds and sovereign bonds). Derivative financial instruments are not used as investments.

**Personnel risks**
In its present build-up/growth phase SFC remains heavily dependent on committed, highly qualified and to a certain extent on specialised employees. In view of the rapid expansion planned and the current, significantly increased demand on the job market for qualified personnel, the risk exists that key personnel becomes a bottleneck for the planned growth of the company. By the increasing use of performance-related remuneration components, flat hierarchies and giving early responsibility SFC is a competitive force on the labour market. In the second quarter of this year SFC was an attractive employer despite severely curtailed numbers of available applicants and was able to recruit very well qualified new members of staff, especially in marketing and sales but also for administrative work, and thereby meet further prerequisites for reaching its growth goals.

**Information technology risks**
In the course of the second quarter 2007 the company analysed its IT structures in cooperation with an external IT expert and adapted them to the greater data exchange and data protection requirements of SFC. This also covered the technical prerequisites for supporting the company's future growth with information technology. The company is currently also creating the technical conditions to provide real-time network access for the sales force and travelling employees.

## 4. Report on transactions with related parties

We refer to the section "Transactions with related persons and companies" in the notes to interim report.

Brunnthal, 16 July 2007

Dr Peter Podesser
Chairman of the Management Board

Dr Jens Müller
Member of the Management Board

# Content

## Income statement

from 1 January to 30 June 2007 and 2006 as well as from 1 April to 30 June 2007 and 2006

| | in € | 1. HY 2007 | 1. HY 2006 | Q2 2007 | Q2 2006 |
|---|---|---|---|---|---|
| 1. | Sales | 7,505,875 | 2,999,998 | 4,151,308 | 1,969,392 |
| 2. | Production costs | -6,529,470 | -2,556,611 | -3,383,776 | -1,476,420 |
| **3.** | **Gross margin** | **976,405** | **443,387** | **767,532** | **492,972** |
| 4. | Sales costs | -2,035,774 | -950,551 | -667,281 | -482,057 |
| 5. | Research and development costs | -226,353 | -242,890 | -113,024 | -109,229 |
| 6. | General administration costs | -1,210,342 | -453,068 | -416,428 | -279,151 |
| 7. | Other operating income | 76,396 | 101,353 | 28,873 | 45,924 |
| 8. | Other operating expenses | -19,498 | -7,386 | -23,850 | -3,391 |
| **9.** | **Operating loss** | **-2,439,166** | **-1,109,155** | **-424,178** | **-334,932** |
| 10. | Interest and similar income | 1,298,915 | 60,107 | 220,062 | 58,234 |
| 11. | Interest and similar expenses | -155,078 | -384,839 | -94,454 | -113,008 |
| **12.** | **Loss from ordinary operations** | **-1,295,329** | **-1,433,887** | **-298,570** | **-389,706** |
| 13. | Income taxes | 0 | -111,111 | 0 | -33,333 |
| **14.** | **Net loss** | **-1,295,329** | **-1,544,998** | **-298,570** | **-423,039** |
| 15. | Accumulated loss brought forward from previous year | -19,519,811 | -15,095,305 | -20,516,570 | -16,217,264 |
| **16.** | **Net accumulated loss** | **-20,815,140** | **-16,640,303** | **-20,815,140** | **-16,640,303** |
| **Net loss per share** | | | | | |
| | undiluted | -0.42 | -0.50 | -0.10 | -0.14 |
| | diluted | -0.41 | -0.50 | -0.10 | -0.14 |

# INTERIM REPORT

## Balance sheet

To 30 June 2007

| ASSETS in € | | 30.06.2007 | 31.12.2006 |
|---|---|---|---|
| **A.** | **Current Assets** | **61,358,088** | **12,310,150** |
| I. | Inventories | 1,278,800 | 926,000 |
| II. | Trade accounts receivables | 1,537,134 | 1,310,188 |
| III. | Accounts due from shareholders | 225,626 | 341,414 |
| IV. | Accounts due from tax authorities | 118,072 | 70,426 |
| V. | Other short-term assets and receivables | 1,205,437 | 299,360 |
| VI. | Securities | 4,741,419 | 2,999,550 |
| VII. | Cash and cash equivalents | 52,023,313 | 6,248,783 |
| VIII. | Cash and cash equivalents with limitation on disposition | 145,320 | 45,320 |
| IX. | Deferred charges and prepaid expenses | 82,967 | 69,109 |
| **B.** | **Non-current assets** | **2,667,997** | **2,676,172** |
| I. | Intangible assets | 1,188,451 | 1,235,731 |
| II. | Property, plant and equipment | 902,676 | 773,310 |
| III. | Deferred tax assets | 576,870 | 667,131 |
| | **Assets** | **64,026,085** | **14,986,322** |

| LIABILITIES AND SHAREHOLDERS' EQUITY in € | | 30.06.2007 | 31.12.2006 |
|---|---|---|---|
| **A.** | **Current liabilities** | **9,465,211** | **5,748,008** |
| I. | Other provisions and accrued liabilities | 455,868 | 406,138 |
| II. | Liabilities to shareholders | 348,400 | 14,052 |
| III. | Payments in advance | 0 | 8,103 |
| IV. | Trade accounts payable | 4,251,418 | 1,395,022 |
| V. | Short-term liabilities from finance leases | 287,796 | 287,796 |
| VI. | Liabilities from Percentage-of-Completion | 687,000 | 454,646 |
| VII. | Derivative financial instruments | 0 | 2,265,668 |
| VIII. | Other short-term liabilities | 3,282,507 | 724,650 |
| IX. | Deferred charges | 152,222 | 191,933 |
| | | | |
| **B.** | **Non-current liabilities** | **977,599** | **3,642,118** |
| I. | Other long-term provisions and accrued liabilities | 178,917 | 147,621 |
| II. | Liabilities from finance leases | 221,812 | 341,258 |
| III. | Other long-term liabilities | 0 | 2,486,108 |
| IV. | Deferred taxes | 576,870 | 667,131 |
| | | | |
| **C.** | **Equity** | **53,583,275** | **5,596,196** |
| I. | Subscribed capital | 7,103,195 | 1,413,936 |
| II. | Capital surplus | 67,295,220 | 23,702,071 |
| III. | Accumulated loss brought forward from previous year | -19,519,811 | -15,095,305 |
| IV. | Net loss | -1,295,329 | -4,424,506 |
| | **Liabilities and shareholders' equity** | **64,026,085** | **14,986,322** |

# INTERIM REPORT

## Cash flow statement

from 1 January 2007 to 30 June 2007

| in € | | 1. HY 2007 | 1. HY 2006 |
|---|---|---|---|
| **Result before taxes** | | **-1,295,329** | **-1,433,887** |
| | | | |
| +/- | Net interest income | -131,958 | 138,876 |
| +/- | Depreciation/appreciation of intangible assets, property, plant and equipment | 341,964 | 176,914 |
| + | Expenses from share option programme | 1,051,574 | 184,842 |
| +/- | Changes in allowances | 63,652 | -1,231 |
| -/+ | Profits/losses from disposal of assets | 2 | -128 |
| -/+ | Profits/losses from derivatives | -1,011,879 | 185,857 |
| - | Other expenses/income not affecting cash | 0 | -30,222 |
| **Changes to operative result before working capital** | | **-981,974** | **-778,979** |
| | | | |
| + | Changes in short and long-term provisions | 68,980 | 52,875 |
| - | Changes to trade accounts receivables | -237,808 | -831,131 |
| - | Changes to inventories | -405,589 | -1,069,224 |
| - | Changes other assets | -790,289 | -494,385 |
| -/+ | Changes to deferred charges and prepaid expenses | -13,858 | 85,190 |
| +/- | Changes to trade accounts payables | 164,507 | -167,499 |
| - | Changes to liabilities to shareholders | -14,052 | -276,850 |
| +/- | Changes to other liabilities | 570,376 | -63,508 |
| - | Changes to deferred charges | -39,710 | -30,310 |
| **Cash flow from ordinary operations before taxes** | | **-1,679,417** | **-3,573,821** |
| - | Income tax payments | -47,646 | -78,353 |
| **Cash flow from ordinary operations** | | **-1,727,063** | **-3,652,174** |
| | | | |
| - | Acquisition of property, plant and equipment and intangible assets | -424,052 | -386,959 |
| - | Payments for the acquisition of securities and pledged bank credits | -1,841,869 | 0 |
| + | Proceeds from the sale of assets | 0 | 132 |
| **Cash flow from investment activity** | | **-2,265,921** | **-386,827** |
| | | | |
| + | Payments of shareholders | 53,555,687 | 16,046,864 |
| - | Costs of issuing equity | -2,284,564 | -1,082,302 |
| + | Interest income | 287,036 | 60,107 |
| - | Repayment of financial liabilities | -1,556,372 | 0 |
| + | Proceeds from sale and lease back | 0 | 183,300 |
| - | Repayment of liabilities from finance leases | -143,898 | -133,020 |
| - | Interest paid and other expenses | -90,375 | -95,422 |
| **Cash flow from financial activity** | | **49,767,514** | **14,979,527** |
| | | | |
| **Net changes in cash and cash equivalents** | | **45,774,530** | **10,940,524** |
| | | | |
| Net changes in cash and cash equivalents | | | |
| | Cash and cash equivalents at beginning of reporting period | 6,248,783 | 213,843 |
| | Cash and cash equivalents at end of reporting period | 52,023,313 | 11,154,367 |
| | | | |
| **Net changes in cash and cash equivalents** | | **45,774,530** | **10,940,524** |

## Statement of changes in Equity

from 1 January 2007 to 30 June 2007

| in € | Subscribed capital | Capital surplus | Net accum. loss | Total |
|---|---|---|---|---|
| **Position 01.01.2006** | **130,920** | **9,403,940** | **-15,095,305** | **-5,560,445** |
| Net result 01.01. - 30.06.2006 | | | -1,544,998 | -1,544,998 |
| Allocation from option programme | | 184,842 | | 184,842 |
| Capital increase for cash from 17 January 2006 | 1,047,360 | | | 1,047,360 |
| Capital increase for cash from 4 April 2006 | 235,656 | 14,763,848 | | 14,999,504 |
| Costs of capital issuance | | -1,082,303 | | -1,082,303 |
| **Position 30.06.2006** | **1,413,936** | **23,270,327** | **-16,640,303** | **8,043,960** |
| Net result Q3 - Q4 2006 | | | -2,879,508 | -2,879,508 |
| Allocation from option programme | | 431,744 | | 431,744 |
| **Position 31.12.2006** | **1,413,936** | **23,702,071** | **-19,519,811** | **5,596,196** |
| Net result 01.01. - 30.06.2007 | | | -1,295,329 | -1,295,329 |
| Allocation from option programme | | 1,051,574 | | 1,051,574 |
| Capital increase from company funds | 4,241,808 | -4,241,808 | | 0 |
| Capital increase from IPO on Prime Standard | 1,447,451 | 52,108,236 | | 53,555,687 |
| Costs of capital issuance | | -5,324,853 | | -5,324,853 |
| **Position 30.06.2007** | **7,103,195** | **67,295,220** | **-20,815,140** | **53,583,275** |

# INTERIM REPORT

## Notes to interim report of SFC Smart Fuel Cell AG

### Information about the company

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

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

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

### Course of business in the first half-year

SFC continued to make good progress in the first half-year 2007, reporting a revenue increase of 150.2% compared to the same period last year. Revenues went up to €7,505,875 compared with €2,999,998 in the first half-year 2006. The product share of revenue rose in the first half-year 2007 to 81.1%, versus 55.6% in the same period last year, whilst the share of revenues from joint development agreements (JDAs) decreased accordingly. This progress underlines SFC Smart Fuel Cell AG development from an R&D company to a market and customer-oriented company. In the second quarter SFC increased revenues by 110.8% compared to the same period last year to reach €4,151,308 (Q2 2006: €1,969,392).

From a market perspective the delivery of 2,372 EFOY fuel cells in the first half-year 2007 demonstrated increasing traction in the market, especially the leisure market. In the same period last year 697 units of the EFOY fuel cell and its predecessor A50 were shipped. In the first half-year 2007 the first order was signed for the supply of serial production Power Managers to the US military and all 556 units were delivered in the first half-year. Another joint development contract was closed with the US Air Force for next generation of portable fuel cell systems.

On the technology side, there was an important milestone with the cost reductions for the two main products EFOY 1200 and EFOY 1600. On the basis of intensive co-operation with the producers of core components for the fuel cells, it was possible to increase the power density to such a level that cell numbers could be reduced considerably without affecting the performance of the product. The transition to this new (outwardly unchanged) product took place in February. At the same time, we introduced a new production process for fuel cartridges, which resulted in considerable cost reductions for sealing and increased production capacity.

The above-mentioned cost reductions resulted in a first time positive gross result of €237,959 for the A-series (current EFOY product generation) in the first half-year 2007; in the previous year there had been a loss in the amount of €540,755. In total, the gross margin improved by €533,108 to €976,405.

First half-year earnings in 2007 were marked by two non-recurring items (see also "Result from non-recurring items"). Without these, the adjusted EBIT margin would have improved considerably from -37.0% to -19.6% of revenues.

The financial position in the first half-year 2007 was largely determined by SFC's public share offering and subscription rights offering in May 2007. In the course of the move to the Prime Standard of the Frankfurt Stock Exchange 1,317,990 new shares were issued at a price per share of €37 and as part of the subscription rights offering the existing shareholders purchased an additional 129,461 shares at €37 per share. In total SFC therefore received issue proceeds of €53,556k. The related expenses of €5,325k have been offset against the capital surplus.

## Accounting principles

Preparation of the quarterly financial statement of SFC Smart Fuel Cell AG for the financial period 1 January to 30 June 2007 was made in accordance with IAS 34 "Interim financial reporting" as an abridged financial statement. The abridged financial statement does not include all information required for a full annual financial statement and should be read in conjunction with the annual financial statement to 31 December 2006.

The accounting and valuation principles used in the preparation of the quarterly financial statements are identical to the principles applied in the last annual financial statement to 31 December 2006. The following Standards and Interpretations were applicable to the interim report for the first time:

- Amendment to IAS 1 "Presentation of financial statements": The amendment refers to a change in presentation of the statement of equity, which has no relevance for the quarterly report.
- IFRIC 7 "Applying the restatement approach under IAS 29 - Financial Reporting in Hyperinflationary Economies": This Interpretation was applicable for financial years beginning on or after 1 January 2007. It had no relevance for the quarterly report.
- IFRIC 8 "Application of IFRS 2": This interpretation was obligatory for financial years beginning on or after 1 May 2006 but had no effect on the quarterly report.
- IFRIC 9 "Reassessment of embedded derivatives": This interpretation was obligatory for financial years beginning on or after 1 June 2006 but had no effect on the quarterly report.
- IFRIC 10 "Interim Financial Reporting and Impairment": This interpretation was obligatory for financial years beginning on or after 1 November 2006 but had no effect on the quarterly report.

The interim report is shown in Euros (€). Figures stated in this report are in Euros (€) unless otherwise stated. We advise that small differences can arise in rounded amounts and percentages due to commercial rounding of figures.

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

The interim financial statements have been neither audited nor reviewed by the company's auditors.

# INTERIM REPORT

### Securities

The amount of securities increased by €1,741,869 compared with 31 December 2006. The rise was due to the purchase of shares in a near-money market fund.

### Cash and cash equivalents

The amount of cash and cash equivalents went up due to the proceeds from the public share offering and capital increase. The proceeds from the public offering were invested in interest-bearing deposit accounts with a term of less than one week over the half-yearly balance sheet date.

### Forward exchange dealing

In the first quarter 2007 two forward exchange deals were concluded for the sale of US$ 2,410,000 in total. One of these transactions, for US$ 1,410,000, was still open at the balance sheet date and had a positive fair market value of €18,964. Hedge accounting is not utilised. The transaction was therefore classified as fair value through profit and loss and changes in value were recognised in the income statement. The positive mark-to-market value is shown under other assets.

### Forward commodities transactions

In the second quarter 2007 a forward contract was closed to hedge the platinum used in one of the fuel cell's key components. The hedge covered 65% of expected monthly consumption from May to December 2007 (equivalent to 525 ounces of platinum) to the end of each month at an average price of US$ 1,346.05 per ounce. As the platinum price had declined at the reporting date the transaction has a negative mark-to-market value of €19,187, which is disclosed under other liabilities.

### Capital increase

At the shareholders' meeting on 2 April 2007 a resolution was passed on a capital increase of €4,241,808 from company funds, which was completed upon registration in the Commercial Register on 20 April 2007. The capital surplus was reduced accordingly.

In the course of SFC Smart Fuel Cell's initial public offering on the Prime Standard of the German Stock Exchange on 25 May 2007 subscribed capital was increased by €1,447,451. At the same time capital surplus was increased by €52,108,236, resulting in total issue proceeds of €53,555,687. Costs of €5,324,853 in connection with this capital increase were offset against capital surplus.

## Silent partnership

In anticipation of the initial public offering on the Prime Standard an effort was made in the first half of 2007 to reach an agreement to buy out the two silent shareholders. For a detailed description we refer to the notes to the financial statements to 31 December 2006.

A final agreement on the redemption was reached just before the public offering. On 17 April 2007 an agreement was signed with tbg Technologie-Beteiligungs-Gesellschaft mbH ("tbg"), whereby tbg will be repaid its investment in full and at the same time the contractual final remuneration, the embedded derivative, will be finalised by a payment of €720,000 (or 48% of the capital). Payment of both amounts will be made in January 2008. The corresponding obligations are disclosed under current other liabilities.

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

## Liabilities from Percentage-of-Completion

In comparison with the last annual financial statements the liabilities from Percentage-of-Completion increased by €232,354 to €687,000 as a result of milestone payments received.

## Liabilities to shareholders

Liabilities to shareholders are short-term liabilities for services provided by a shareholder of SFC in the course of the public share offering.

## Options for employees and Board members

In the course of preparing the IPO-prospectus with its legal advisors in Q1 2007, SFC Smart Fuel Cell AG was advised to eliminate the existing authorised capital I to III for the issue of share options. This authorised capital affects the options issued to Dr Jens Müller and Oliver Freitag and an unfilled option to Dr Peter Podesser. The three have declared their willingness to settle these options.

After agreement in principle by the Supervisory Board to find an alternative solution, negotiations were begun in Q1 between the three parties, the company and substantial shareholders. Final agreement was reached at the Supervisory Board meeting held on 27 March 2007, whereby the parties involved shall receive 75% of the option value, calculated on the basis of the share price when an IPO is made, to be paid in cash by substantial shareholders of SFC. This agreement was accepted by the parties involved and the Supervisory Board.

# INTERIM REPORT

In accordance with IFRS 2.28 (a), the first step for a premature annulment of issued options is to calculate the outstanding expense for the options, since it will be presumed that a premature annulment or fulfilment of the options will be made on the basis that the beneficiary has already fulfilled all the performance requirements for the options to be exercised. In the case in hand, this means that the outstanding expense from the options in the amount of €969,910 was immediately recognised. The resulting expense was allocated mainly to general administration costs and sales costs. The remaining amount was included under research and development.

No further expenses will arise for SFC from these transactions in future periods and SFC has no further obligations in this respect.

In the second quarter 2007 no new options were granted and no existing options were exercised.

The discharge of the share options for the three persons detailed above reduces the number of outstanding options to 30 June 2007 to 12,675 (previous year: 21,006). They entitle the holders to subscribe to 50,700 shares.

## Sales costs

Due to the discharge of share options, this expense increased in the first half-year as follows:

| in € | 01.01.-30.06.2007 | 01.01.-30.06.2006 |
|---|---|---|
| One-time effect from share options | 392,917 | 0 |
| Personnel costs | 757,461 | 460,997 |
| Advertising and travel costs | 387,674 | 355,523 |
| Consultancy / commission | 230,031 | 61,563 |
| Other | 267,691 | 72,468 |
| **Total** | **2,035,774** | **950,551** |

## General costs of administration

Due to the discharge of share options, general costs of administration expenses increased in the first half-year as follows:

| in € | 01.01.-30.06.2007 | 01.01.-30.06.2006 |
|---|---|---|
| One-time effect of share options | 484,955 | 0 |
| Personnel costs | 364,830 | 283,340 |
| Audit and consultancy costs | 116,334 | 97,259 |
| Supervisory board remuneration | 69,375 | 38,100 |
| Depreciation | 34,552 | 9,846 |
| Office supplies | 23,836 | 9,692 |
| Travel costs | 23,603 | 10,979 |
| Other | 157,162 | 63,858 |
| Setting-off of grants received | -64,305 | -60,006 |
| **Total** | **1,210,342** | **453,068** |

## Result from non-recurring items

Taking account of the two special influences mentioned above, modification of the silent partnership and cancellation of share options, the result for the first half-year 2007 cannot be compared with those for the previous year. However, in order to offer some comparison, we present this result after taxes and the operating result adjusted for the special circumstances.

| in € | 01.01.-30.06.2007 | 01.01.-30.06.2006 |
|---|---|---|
| Net loss in accordance with income statement | -1,295,329 | -1,544,998 |
| | | |
| Effect from modification of silent partnership | -1,011,879 | 0 |
| Effect of cancellation of share options | 969,910 | 0 |
| **Adjusted result after taxes** | **-1,337,298** | **-1,544,998** |
| | | |
| Operating loss in accordance with income statement | -2,439,166 | -1,109,155 |
| | | |
| Effect of cancellation of share options | 969,910 | 0 |
| **Adjusted operating loss** | **-1,469,256** | **-1,109,155** |

# INTERIM REPORT

## Segment report

The sales and results of SFC for the semi-annual periods are as follows:

| Segment | Segment sales | | Segment result | |
|---|---|---|---|---|
| in € | 01.01.-30.06.2007 | 01.01.-30.06.2006 | 01.01.-30.06.2007 | 01.01.-30.06.2006 |
| A-Series | 4,349,247 | 1,306,990 | 237,959 | -540,755 |
| C-Series | 254,405 | 58,744 | 129,654 | 33,297 |
| JDA | 1,416,022 | 1,332,686 | 490,261 | 865,731 |
| Power Manager | 1,371,425 | 116,191 | 297,155 | 69,352 |
| Other | 114,777 | 185,387 | -178,623 | 15,761 |
| Offsetting | 0 | 0 | -2,271,734 | -1,988,386 |
| **Total** | **7,505,875** | **2,999,998** | **-1,295,329** | **-1,544,998** |

## Transactions with related persons and companies

The group of related parties has changed in comparison to the financial statements to 31 December 2006 as a result of the listing on the Prime Standard and the concomitant changes to the shareholder structure. DuPont Chemical and Energy Operations, Inc. which was identified in the year-end financial statements as a related party as an investor with a seat on the Supervisory Board, has reduced its stake in SFC on the one hand and renounced its Supervisory Board seat to 31 March 2007 on the other, and is therefore no longer a related party. In the shareholder's meeting on 2 April 2007 Dr Rolf Bartke was elected as Supervisory Board member as successor of Thomas J. Faughnan.

Other than the cancellation of share options described above and the resulting expenses, the only significant transactions occurred as part of the cooperation with DuPont. Revenues of €456,032 were realised in the first half-year for the supply of C-Series systems, test equipment and in the course of a JDA. PoC liabilities towards DuPont went down to €268,163. The other changes to the agreement with DuPont no longer fall under the disclosure obligations of IAS 24 as DuPont is no longer classified as a related party.

## Employees

At balance sheet date SFC had the following employees:

| | 30.06.2007 | 30.06.2006 |
|---|---|---|
| Full-time employees | 70 | 56 |
| Part-time employees | 7 | 6 |
| Trainees / Graduands / Student trainees | 8 | 16 |
| **Total** | **85** | **78** |

## Contingent liabilities and other financial obligations

There were no significant changes to contingent liabilities and other financial obligations since the last balance sheet date.

## Earnings per share

During the first half-year 2007 the following changes took place in the number of issued shares:

| | 01.01.-30.06.2007 | 01.01.-30.06.2006 (adjusted) |
|---|---|---|
| **Issued shares 01.01.** | **1,413,936** | **1,413,936** |
| Capital increase from company funds April 2007 | 4,241,808 | |
| Capital increase May 2007 | 1,447,451 | |
| **Issued shares 30.06.** | **7,103,195** | **7,103,195** |
| **Undiluted weighted number issued shares** | **3,069,114** | **3,069,114** |
| Shares from exercisable options 01.01. | 72,792 | 50,904 |
| Shares from exercisable options 30.06. | 33,048 | 50,904 |
| Dilution effect | 52,920 | 50,904 |
| **Diluted number of issued shares** | **3,122,034** | **3,120,018** |

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

In addition and in accordance with IAS 33 the number of issued shares in the previous year has been adjusted for the shares issued in 2007, in order to enable a comparison between the two reporting periods. At the balance sheet date 8,262 options were capable of being exercised. Each option entitles the holder to subscribe to 4 shares of SFC Smart Fuel Cell AG.

There are no diluted effects on the SFC result.

## Significant events after the balance sheet date

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

Brunnthal, 16 July 2007
The Board

Dr Peter Podesser

Dr Jens Müller

# RESPONSIBILITY STATEMENT

To the best of our knowledge, the interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the company, and the interim management report includes a fair review of the companies development and performance of its position, together with a description of the principal opportunities and risks associated with the expected development of the company in the remaining months of the financial year, in accordance with proper accounting principles of interim reporting.

Brunnthal, 16 July 2007

Dr Peter Podesser
CEO

Dr Jens Müller
CTO

# IMPRINT

## Responsible

SFC Smart Fuel Cell AG
Eugen-Sänger-Ring 4
85649 Brunnthal
Germany
Phone: +49 89 / 673 592-0
Fax: +49 89 / 673 592-369

## Investor Relations

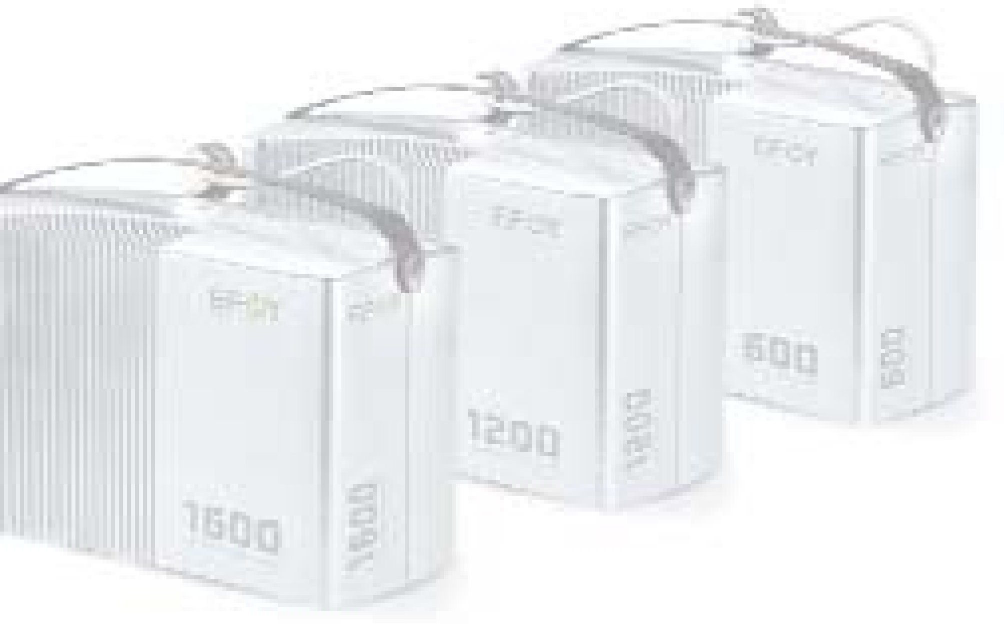
Barbara v. Frankenberg
Investor Relations Manager

Phone: +49 (89) 673 592 - 378
Fax: +49 (89) 673 592 - 368
E-Mail: barbara.frankenberg@sfc.com

Layout
Sophie Huppert & Johanna Böhm

## FINANCIAL CALENDAR

| Date | Agenda |
|---|---|
| 02.04.2007 | AGM SFC |
| 16.07.2007 | Half yearly report |
| anticipated 23.10.2007 | Nine months report |




SMART FUEL CELL

**SFC Smart Fuel Cell AG**
Eugen-Saenger-Ring 4 • 85649 Brunnthal • Germany
Phone: +49 (89) 673 592 - 378 • Fax: +49 (89) 673 592 - 36
www.sfc.com • info◘ scf.com