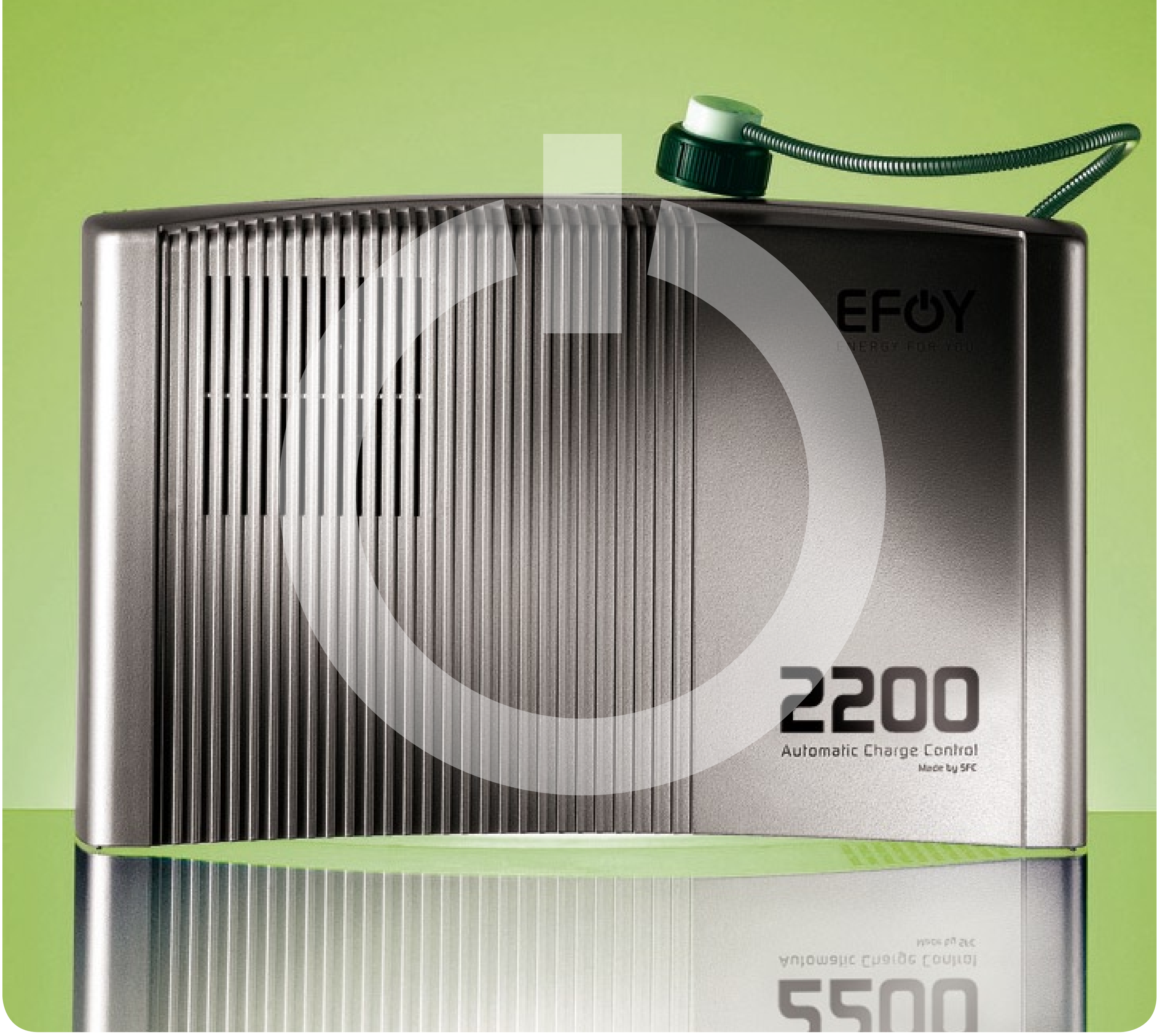
INTERIM REPORT Q2/2010



SFC ENERGY

SFC ENERGY AG CONSOLIDATED KEY FIGURES

in k €

	HY1 2010	HY1 2009	Change in %	Q2 2010	Q2 2009	Change in %
Total sales	6,579	5,666	16.1 %	2,984	2,793	6.8 %
Product sales total	6,166	5,126	20.3 %	2,772	2,699	2.7 %
Sales share of products	93.7 %	90.5 %	–	92.9 %	96,6 %	–
Gross margin total	1,976	1,350	46.4 %	903	819	10.3 %
Gross margin	30,0 %	23,8 %	–	30.3 %	29.3 %	–
EBITDA	– 1,630	– 1,898	14.1 %	– 1,025	– 969	– 5.8 %
EBITDA margin	– 24.8 %	– 33.5 %	–	– 34.3 %	– 34.7 %	–
EBIT	– 2,106	– 2,378	11.4 %	– 1,273	– 1,203	– 5.8 %
EBIT margin	– 32.0 %	– 42.0 %	–	– 42.7 %	– 43.1 %	–
Net loss	– 1,905	– 1,915	0.5 %	– 1,170	– 1,042	– 12.3 %
Net loss per share, diluted	– 0.27	– 0.27	0.0 %	– 0.16	– 0.15	– 6.7 %

in k €

	06/30/2010	12/31/2009	Change in %	–	–	–
Equity	43,855	45,860	– 4.4 %	–	–	–
Equity ratio	90.6 %	90.9 %	-	–	–	–
Balance sheet total	48,425	50,442	– 4.0 %	–	–	–
Cash (freely available)	36,416	40,544	– 10.2 %	–	–	–

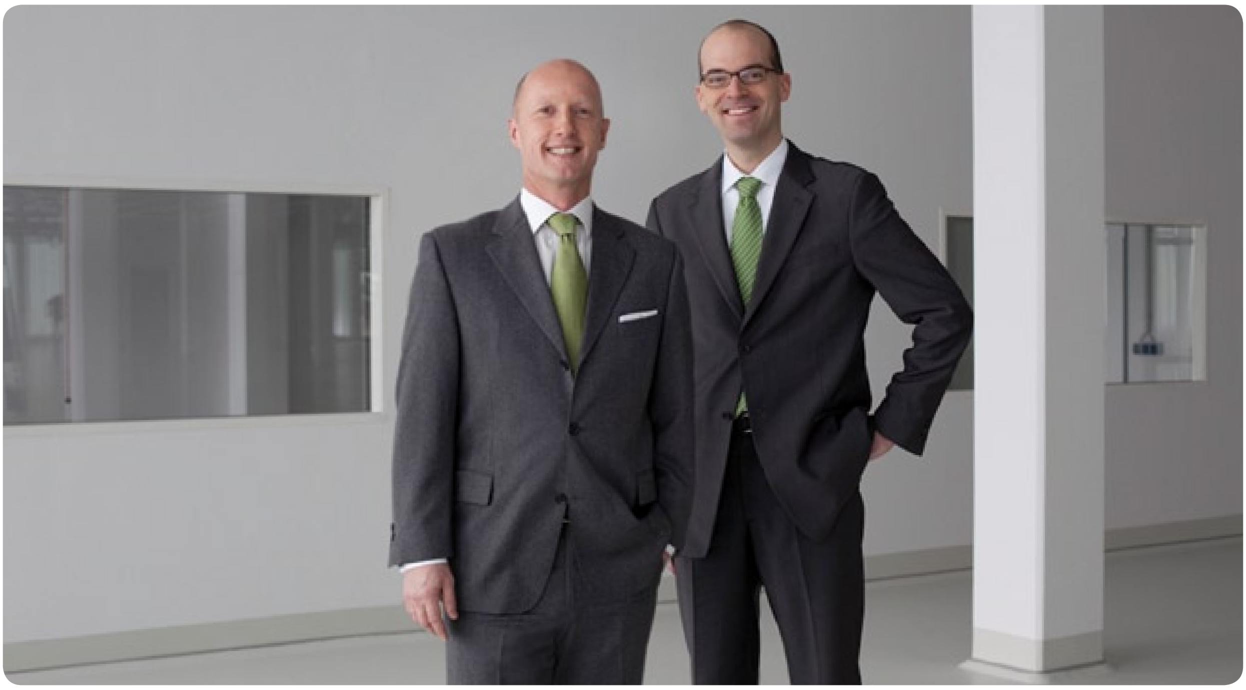
	06/30/2010	06/30/2009	Change in %	–	–	–
Permanent employees	98	96	2.1 %	–	–	–

DIRECTORS' SHAREHOLDINGS

	06/30/2010
Management Board	
Dr. Peter Podesser	115,800
Dr. Jens Müller	67,338
Supervisory Board	
Dr. Rolf Bartke	0
Rüdiger C. Olschowy, BIT Holdings GmbH	162,254
Wolfgang Biedermann	0
Jakob-Hinrich Leverkus	7,200
David Morgan	0
Dr. Manfred Stefener	1,163,758

CONTENT

INTRODUCTION BY THE MANAGEMENT BOARD



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

Since July 16, our Company has a new name: SFC Energy AG. The name change reflects the Company's future positioning as a provider of complete systems for off-grid energy supply. The Company has consequently evolved its business model within the last years towards comprehensive off-grid power solutions. Fuel cells remain core technology and components of the whole-product solutions. Our experience as pioneer in the commercialisation of fuel cells has shown that customers in many fields do not only need a fuel cell but total solution. With the strategic direction we put enhanced concentration on integrated system solutions. With the introduction of products such as the EFOY Pro Cube and the SFC Power Manager in the industry and defense markets, SFC has already been successful with whole-product solutions. We intend to build on this foundation to broaden our business model.

SFC continued on a positive course in the first half of 2010. The Company achieved total sales of € 6,579k in the first six months, which marked a 16.1 % increase from the same period last year (€ 5,666k). The higher revenues were predominantly the result of significant growth in the sale of EFOY fuel cells to customers in the leisure market, for which a sales increase of 22.5 % was posted. Sales of EFOY fuel cells in the industry and mobility markets rose a total of 23.5 %. The shift in the model mix towards more powerful EFOY models continued. Demand remained brisk for the EFOY 2200 and EFOY Pro 2200 models, which were launched in the fourth quarter of 2009. The reasons for this include the possible beginning of a recovery in our civilian markets as well as the growing awareness and appeal of SFC's power supply solutions in off-grid applications. The gross margin surged to 30.0 % in the first half of 2010, versus 23.8 % the year before, due to revenue effects, further efficiency gains in logistics and production as well as cost savings realized with fuel cartridges.

In the defense market, the German Bundeswehr, as expected, made an initial round of program decisions in the first half of 2010. Even if the quantity is limited, we see our first serial production order from the German Bundeswehr as a milestone with enormous follow-up potential. SFC will deliver autonomous systems which provide reliable energy supply under extreme field conditions for Bundeswehr operations abroad. The energy solution ordered is based on the portable JENNY fuel cell, which is already successfully deployed as a mobile off-grid power source in various international defense missions worldwide. In combination with the SFC Power Manager, it forms a high-performance energy network in the field. Thanks to its innovative technology, which is based on SFC's years of experience in developing reliable power supply solutions for the most demanding of applications, this energy solution can also be deployed undercover.

In April, SFC presented a promising business prospect for the Company in the fast-growing e-mobility market. Together with renowned automotive engineering partner ESG Elektroniksystem- und Logistik GmbH, SFC is currently developing a new energy supply concept for electric vehicles: combined heat and power (CHP) with SFC fuel cells. This concept represents a quantum leap for vehicles that run on battery power, freeing drivers from the dependency on charging stations and ensuring outstanding everyday performance, even in winter. A unique hybrid system that combines a lithium ion battery with an intelligently dimensioned DMFC fuel cell generates clean power as needed directly on board and simultaneously produces heat for battery conditioning and interior heating purposes. A major shortcoming of existing battery vehicles is their poor performance in winter. The use of the fuel cell as a source of power and heat, by contrast, gives drivers optimum comfort and the functionality to which they are accustomed, while at the same time improving the vehicle's performance and customer acceptance of electric vehicles as a viable means of transportation for the entire year.

Since July 16, our Company has a new name: SFC Energy AG. The name change reflects the Company's future positioning as a provider of complete systems for off-grid energy supply.

On the operational front, the successful move to our new building at the beginning of the second quarter and opportunity to focus on one single location have improved the efficiency with which we run our business tremendously. Production, Research & Development, Sales, Customer Service and Administration have been brought together under one roof at the new SFC headquarters. We resumed production in just two short days after the relocation and succeeded in maintaining the quality, and even optimizing the structure, of our processes.

The numbers and developments we are presenting to you in this report demonstrate once again the appeal of SFC's technology and products. We thank you for your continued trust and invite you to stay on board for the next part of our journey.

Sincerely,
The Management Board of SFC Energy AG

Dr. Peter Podesser
CEO

Dr. Jens Müller
COO

INTERIM GROUP MANAGEMENT REPORT JANUARY 1 – JUNE 30, 2010

1. BUSINESS

The corporate purpose of SFC Energy AG (formerly SFC Smart Fuel Cell AG) is to develop, produce and market energy supply systems and their components for off-grid applications, amongst others, on the basis of fuel cell technology, as well as to make the required investments and conduct all related business. Over the last few years, SFC has systematically expanded its business model to include a comprehensive range of off-grid energy solutions. Looking ahead, the Company will focus increasingly on providing whole-product solutions, with fuel cells continuing to constitute the core technology and core component. At their meeting on May 6, 2010, the Company's shareholders resolved to restate the corporate purpose to include this new aspect of the business. They also approved changing the Company's name from SFC Smart Fuel Cell AG to SFC Energy AG for this reason. The change of name reflects the Company's goal of positioning itself in the future as a supplier of whole-product solutions for autonomous energy supply. The name change was entered in the Commercial Register on July 16, 2010.

2. ECONOMIC DEVELOPMENTS AND INDUSTRY CLIMATE: GLOBAL ECONOMY HAS RECOVERED

The economic data for the first half of 2010 shows that the economy is picking up steam overall. However, the sovereign debt crisis is continuing to create substantial uncertainty on the financial markets and undermining economic prospects as a result.

After experiencing robust growth in the fourth quarter of 2009, global real gross domestic product also notched considerable gains in the first half of 2010; the IfW estimates that growth for the first quarter of 2010 over the prior-year period, when production hit its lowest level for the global recession, was 4.5% on a purchasing power parity basis. Using the IfW Indicator for global economic activity, which is based on confidence indicators from 41 countries, the institute believes there was a strong increase in global output during the second quarter. Production also grew at a better-than-expected pace in the industrialized countries. The IfW cautions, however, that this upswing was largely driven by companies' inventory cycle and many countries' ongoing expansive fiscal policy, factors that could gradually provide less stimulus over time or, as in the case of fiscal policy, even have a restrictive effect.[1]

The World Economic Climate Index[2], which is calculated in conjunction with the Ifo World Economic Survey, rose again in the first half of 2010, chiefly because of the substantial improvements in Asia. In Western Europe, by contrast, it remained largely unchanged and had not reached its long-term average. The expectations for the coming six months are pointed upwards in all regions, but not quite as strongly as at the beginning of the year.

1 Institute for the World Economy at the University of Kiel, June 2010
2 Ifo World Economic Climate, Ifo Institute, June 2010

Germany: Moderate upswing continues, expectations still cautiously optimistic

In Germany, the modest economic upswing continued in the first months of 2010. The country's gross domestic product (GDP) in the first quarter of 2010 rose by 0.2 % from the previous quarter when adjusted for price, seasonal and calendar effects, and the German Federal Statistical Office revised the result for the fourth quarter of 2009 slightly upward, raising it to +0.2 %, as well. Thus, although the upward trend of the economy in the second (+0.4 %) and third quarter of 2009 (+0.7 %) slowed to a degree, it persisted despite the relatively cold and long winter.[3]

Production rose noticeably, the volume of incoming orders to fill domestic and foreign demand continued to grow, and capacity utilization improved faster than expected in the first half of 2010. When cumulated from January to April 2010, working-day adjusted revenues in the manufacturing sector were 8.8 % above the level of the same period of the previous year; domestic revenues rose 4.8 % and foreign revenues by a total of 14.0 %.

Robust growth in the labor market also contributed to the stabilization. In June 2010, the number of persons in employment exceeded the corresponding figure for the previous year for the first time in twelve months, following a continual reduction in jobless figures over the preceding six months.

Despite the mounting risks, the IfW raised its growth forecast for the current year to 2.1 %.[4]

The ifo Business Climate Index, which remained buoyant in the first six months of 2010, confirms the recovery. Firms are more satisfied with their current business situation, but expressed in June, for the second month in a row, that they were somewhat less optimistic about the upcoming half year.[5]

Motorhome industry[6] and marine market

Unlike the market for passenger cars and trucks, in which registrations have been dropping sharply, the market for recreational vehicles has slowly started to rebound. According to data available thus far from the European Caravan Federation (ECF),[7] the umbrella organization representing the national organizations of the European leisure vehicle industry that collects market data on industry performance and the sale of pull-behind campers ("caravans") and motorhomes ("motor caravans"), the European market for leisure vehicles stabilized in the period from January to April 2010. At approximately 26,950 vehicles, the number of newly registered motor caravans throughout Europe was 0.6 % above the previous year. Thus, as manufacturers, suppliers and dealers had anticipated at the beginning of the year, the downward trend appears to have ended. In 2009, sales in the European market were down 18.2 %.

In France, which is Europe's largest market for motor caravans, new registrations rose 11.2 % in the first four months of the year. Sales were also robust in the Scandinavian markets: The number of newly registered vehicles increased 28.6 % in Sweden over the same period and an even higher 31.8 % in Norway. Of course, given the extremely weak prior-year figures used as a starting point, there is a baseline effect to consider when assessing these comparisons.

The German market also followed the international trend. A total of 10,109 motorhomes were newly registered with the Federal Motor Transport Authority in Flensburg, which represents a 1 % increase and therefore modest recovery from the 16.1 % drop sustained a year ago.

3 German Federal Statistical Office Wiesbaden, Wirtschaftsdaten 2010, May 2010
4 IfW Institute for the World Economy at the University of Kiel, June 2010
5 Ifo Business Survey, Ifo Institute, June 2010
6 Data: CIVD Caravaning Industrie Verband e.V.
7 Data: ECF European Caravan Federation

Even the marine market, which had been particularly hard hit by the financial and economic crisis, showed initial signs of a gradual comeback in the first half of 2010. In particular, an increased interest in innovations and "green," i.e., energy efficient and environmentally friendly solutions, is beginning to emerge in this segment.

Industry: Off-grid power supply solutions

In the area of industrial applications, demand for solutions that can reliably provide remote power continued to grow in the first six months of 2010 given the ever-increasing number of electric and electronic devices that are used far away from any power outlets. Typical areas of use include off-grid sensors and metering equipment, surveillance, security and traffic control systems, and a host of other applications. More and more operators of remote equipment are looking at SFC's EFOY fuel cells as a true enabling technology that allows them to put new, more economical concepts with greater functionality into operation. Nevertheless, lengthy test phases and complex decision-making processes for capital expenditures still play a large role in this market. Since planning conditions remained difficult for customers in the public sector, investment decisions in the industrial market were often postponed in the first half of 2010, just as they had been in prior periods. This market is still expected to become increasingly more significant.

Mobility

The mobility market, especially the "green" mobility segment for environmentally sustainable traffic and transportation solutions, has been sparking widespread public interest since 2009. The German federal government and Germany's industry, for example, want to team up to make Germany the leading global market for electric mobility. The goal is to have a million electric vehicles, fueled by sustainably produced energy, on Germany's roads in just ten years. The focus right now, however, is on R&D and pilot testing: genuine, commercially produced standard solutions are rare at this time. However, numerous studies concur in their predictions that far greater attention will be attached to such solutions in the future.

Defense

The defense market remains extremely unpredictable because it is less transparent, driven by policy decisions and developments, does not readily lend itself to forecasting and is heavily project-based. Here, defense programs continue to feel the effects of the financial and economic crisis. Despite these constraints, fuel cell products posted their first commercial successes in the first half of 2010, signaling the shift from pilot phases to series production. However, it remains almost impossible to project what will happen in this market over the rest of 2010.

3. REPORT ON EARNINGS AND FINANCIAL POSITION

Earnings position

In the first half of 2010, SFC succeeded in posting a 16.1 % increase in sales compared with the same period a year ago. Sales rose to € 6,579k in the period under review, following € 5,666k in the first half of 2009. The share of sales attributable to products increased to 93.7 % in the first six months of 2010, compared with 90.5 % the year before, while that generated under joint development agreements (JDAs) and from other consulting services decreased accordingly.

Second-quarter sales rose 6.8 % to € 2,984k (Q2 2009: € 2,793k).

Sales by segment

The increase in sales in the first six months of the financial year is predominantly due to higher unit sales of A-Series fuel cell systems. This development reflects the first signs of a possible recovery in the civilian markets. The defense market was still unpredictable in the first half of 2010.

SALES BY SEGMENT (UNAUDITED) in k €

	1st half year			2nd Quarter		
	2010	2009	Change in %	2010	2009	Change in %
A-Series	5,617	4,634	21.2 %	2,451	2,473	– 0.9 %
C-Series	83	105	– 21.0 %	82	63	30.2 %
Power Manager	38	29	31.0 %	21	9	> 100 %
JDAs	413	392	5.4 %	212	71	> 100 %
Other	428	506	– 15.4 %	218	177	23.2 %
Total	**6,579**	**5,666**	**16.1 %**	**2,984**	**2,793**	**6.8 %**

Sales of A-Series fuel cell systems rose 21.2 % to € 5,617k in the first half of 2010 (H1 2009: € 4,634k), primarily because of the significant growth in the leisure market, which posted an increase of € 770k, or 22.5 %. A-Series sales in the industry and mobility markets were up by a total of € 224k, or 23.5 %. Once again, this included revenues from systems specially designed for military applications (FC 250, EMILY); they totaled € 200k (H1 2009: € 252k). Unit sales of A-Series fuel cell systems advanced from 2,196 to 2,359 compared with the prior-year period, which represents an increase of 7.4 %. The fact that revenue growth outpaced unit sales growth in this segment is mainly due to shifts in the model mix towards higher-performing fuel cell systems and reflects the success of the EFOY 2200 and EFOY Pro 2200 models that were launched in the fourth quarter of 2009. Second-quarter sales in the A-Series segment essentially drew level with the previous year at € 2,451k (Q2 2009: € 2,473k), while the number of fuel cell systems delivered dropped from 1,075 to 996, for a decrease of 7.3 %.

Sales in the C-Series segment retreated 21.0 % to € 83k in the first half of 2010, down from € 105k in the first half of 2009. The number of systems delivered fell from 8 to 6. Second-quarter sales in the segment, at € 82k (Q2 2009: € 63k), were up 30.2 %.

Revenues from the sale of Power Managers rose from € 29k to € 38k in the first six months, for an increase of 31.0 %. Second-quarter sales climbed from € 9k in the second quarter of 2009 to € 21k.

Sales in the JDA segment were slightly above the previous year's level in the first half of 2010, at € 413k (H1 2009: € 392k). Second-quarter sales in the segment rose from € 71k to € 212k.

Sales in the Other segment fell 15.4 % to € 428k in the first six months of 2010, compared with € 506k the year before. The decrease is primarily attributable to the inclusion of € 148k in sales from consulting services in the previous year's figure. Sales of fuel cartridges were up € 52k, or 19.0 %, from the year before. Second-quarter sales increased 23.2 %, from € 177k to € 218k.

Sales by region

SALES BY REGION (UNAUDITED)						in k €
	1st half year			2nd Quarter		
	2010	2009	Change in %	2010	2009	Change in %
Europe (excluding Germany)	4,087	2,370	72.4 %	1,893	863	>100 %
Germany	1,680	2,536	−33.8 %	561	1,551	−63.8 %
North America	629	653	−3.7 %	410	368	11.4 %
Asia	100	97	3.1 %	65	9	>100 %
Rest of world	83	10	>100 %	55	2	>100 %
Total	**6,579**	**5,666**	**16.1 %**	**2,984**	**2,793**	**6.8 %**

The chief driver of the sales growth in the first half of 2010 was the significant growth in Europe. Sales in Germany, by contrast, fell sharply, which reduced the share of sales generated in the home market from 44.8 % to 25.5 %. The share of international sales in total sales rose accordingly to 74.5 % (H1 2009: 55.2 %).

The 72.4 % sales growth for the rest of Europe is predominantly attributable to higher unit sales of A-Series fuel cell systems and the incipient recovery in the leisure market.

Sales in Germany were down 33.8 % for the first six months of 2010. The decrease in the sale of A-Series fuel cell systems in the leisure and mobility markets fueled this drop. In addition, in contrast to the previous year, no JDA revenue was realized with the German Bundeswehr.

Sales dipped in North America by 3.7 %. Higher revenue from JDAs was offset, in particular, by lower revenue from A-Series fuel cell systems and the absence of the revenue generated from consulting services in the previous year.

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

Gross margin

The gross margin in the first half of 2010 surged 46.4 % to € 1,976k, following € 1,350k the year before, due primarily to the A-Series revenue effects already mentioned as well as efficiency gains in logistics and fuel cell production. The gross margin for the A-Series rose by € 620k to 31.4 % of sales (H1 2009: 24.7 %), which helped push the gross margin percentage on total sales for the first half of 2010 up significantly to 30.0 % (H1 2009: 23.8 %). Additional cost savings achieved for fuel cartridges contained in the Other segment are also worth mentioning: With sales volume up € 52k from the previous year, the gross margin improved by € 72k. The decrease in the gross margin of the Other segment by € 43k is largely attributable to the absence of the high-margin consulting services contained in the previous year's sales. The gross margin for the second quarter rose 10.3 % to € 903k (Q2 2009: € 819k).

Sales costs

Sales costs rose 9.5 % in the first six months of 2010 to € 2,365k (from € 2,160k) primarily because of the establishment of the US sales organisation. Second-quarter sales costs, at € 1,191k (Q2 2009: € 1,218k), were down 2.2 %.

Research and development costs

Research and development costs rose 11.9 % to € 884k in the first half of 2010, following € 790k the year before. Development costs in the amount of € 540k (H1 2009: € 517k) and proprietary patents in the amount of € 21k (H1 2009: € 33k) were capitalized in this period. Research and development costs in the second quarter advanced 20.2 % to € 493k (Q2 2009: € 410k). 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 half of 2010 totalled € 2,157k, which represents a decrease of 11.6 % from the previous year's € 2,439k.

General administration costs

General administration costs increased by 7.7 % to € 1,078k in the first half of 2010, (H1 2009: € 1,001k), mainly because of a lower set-off against grants. For the second quarter, general administration costs were up 31.5 % to € 606k (Q2 2009: € 461k).

Other operating income

Other operating income rose 14.6 %, from € 247k a year ago to € 283k in the first half of 2010, mainly because of higher income from exchange rate differences. In the second quarter, other operating income advanced from € 81k to € 138k.

Operating result (EBIT)

EBIT improved by 11.4 % in the first half of 2010 to minus € 2,106k (H1 2009: minus € 2,378k). The EBIT margin rose to minus 32.0 %, following minus 42.0 % the year before. Second-quarter EBIT amounted to minus € 1,273k, versus minus € 1,203k the year before.

Interest and similar income

Interest and similar income fell 54.0 %, from € 485k in the first half of 2009 to € 223k in the first half of 2010. Lower interest rates were the chief reason for this decrease. Second-quarter interest and similar income decreased by 36.4 % to € 103k (Q2 2009: € 162k).

Net loss

The net loss for the first half of 2010, at € 1,905k, was nearly unchanged from the prior-year period (€ 1,915k). The net loss for the second quarter widened to € 1,170k from € 1,042k.

Earnings per share

Earnings per share under IFRS (diluted) in the first half of 2010 matched the year-earlier figure at minus € 0.27. The net loss per share in the second quarter increased from € 0.15 to € 0.16.

Financial position

Net cash outflows increased to € 4,122k in the first half of 2010, following € 2,509k in the same period a year ago. Net outflows in the second quarter were € 1,879k, versus net inflows of € 589k for the second quarter of 2009.

Cash and cash equivalents amounted to € 36,416k at the end of June 2010 (end of June 2009: € 43,059k).

Cash flow from ordinary operations

Net cash used in ordinary operations increased to € 2,552k in the first half of 2010 versus € 1,806k a year ago. In the prior-year period a tax refund of € 719k had been received. The tax refund of € 212k to be received in 2010 is not expected until the third quarter.

Cash flow from investment activity

Net cash used for investment activity totalled € 1,570k in the period under review (H1 2009: € 583k). The increase was primarily due to higher investments in property, plant and equipment, which were up by € 515k. In addition, there was a € 320k reduction in interest received.

Cash flow from financial activity

Net cash used for financial activity decreased from € 120k to € 0k in the first half of 2010, primarily because the previous year's figure included € 118k used in the repayment of liabilities from finance leases.

Assets & liabilities

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

Total assets were down 4.0 % at the end of the half, decreasing from € 50,442k as of December 31, 2009 to € 48,425k as of June 30, 2010.

Inventories rose from € 1,328k as of December 31, 2009 to € 1,807k as of June 30, 2010, largely because of the build-up of stocks for the US subsidiary.

Non-current assets rose from € 4,846k as of December 31, 2009 to € 5,693k as of June 30, 2010, mainly because of the investments in capitalized development costs and property, plant and equipment. The share of non-current assets in total assets climbed from 9.6 % to 11.8 %.

Among current liabilities, the main change occurred in trade accounts payable, which decreased from € 1,957k as of December 31, 2009, to € 1,370k as of June 30, 2010.

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

With the net loss for the period, shareholders' equity decreased to € 43,855k as of June 30, 2010, compared with € 45,860k as of December 31, 2009.

Research and development

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

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

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

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

Capital expenditures

In the first six months of 2010 we capitalized € 540k in development work directed at enhancing our fuel cell systems (H1 2009: € 517k). We also made advance payments on an automatic filling system for fuel cartridges and invested in equipment for the new production, development and administration building into which SFC moved at the beginning of April 2010.

New orders and order backlog

The change in the volume of new orders in the first half of 2010 was influenced by the high volume of new orders received for A-Series fuel cell systems in the fourth quarter of 2009. Since new orders for A-Series products were down sharply in the period under review, order intake overall was below the prior year.

In figures, order intake dropped 21.3 % to € 4,357k, following € 5,537k in the first half of 2009. In the second quarter, SFC received € 1,941k in new orders (Q2 2009: € 3,195k). Altogether, the order backlog stood at € 1,191k as of June 30, 2010, which represents a decrease of 25.0 % from the previous year's € 1,587k.

Employees

As of June 30, 2010, the Company employed the following permanent personnel:

EMPLOYEES

	06/30/2010	06/30/2009	Change
Management Board	2	2	0
Research and development	29	30	– 1
Production, logistics, quality management	26	26	0
Sales & Marketing	29	27	2
Administration	12	11	1
Permanent employees	**98**	**96**	**2**

SFC employed 11 trainees, graduates and student trainees as of June 30, 2010 (June 30, 2009: 11).

The number of permanent employees as of June 30, 2010 was largely unchanged from the previous year at 98 (June 30, 2009: 96).

4. REPORT ON RISKS AND OPPORTUNITIES

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

We believe that the material risks and opportunities for the Group have not changed since the publication of our 2009 annual report, with the following exceptions.

Market risks

Macroeconomic developments

The situation of the global economy is still such that there is little clarity as to the exact repercussions of the downturn. According to current government forecasts and those from economic research institutes, the slump in the Group's most important markets may have bottomed out; however, with no reliable indications of an imminent sustainable economic recovery, uncertainty continues to restrict the ability of companies to plan and make projections.

Leisure

This uncertainty continues to plague the European markets for recreational vehicles. Market experts do not see any clear reversal of the trend at this time. Sales of accessories are also affected, which further increases the risk that sales of EFOY fuel cells will be off throughout Europe this season.

Industry

The difficult climate for customers in the public sector and expiration of government economic stimulus programs, as well as ongoing lengthy test phases and complex decision-making processes, harbor the risk that growth and market cultivation will be slow in the market for industrial applications. The sovereign debt crisis is also capable of putting the brakes on growth in this segment.

Mobility

The mobility market is also affected by the expiration of economic stimulus programs and could face additional, medium-term risks as government austerity measures intensify.

Defense

The defense market remains extremely unpredictable because it is less transparent, driven by policy decisions and developments, does not readily lend itself to forecasting and is heavily project-based. Because of this, we assume that the orders SFC is expecting to get may be pushed back even further, despite the fact that initial calls for bids and notices concerning future calls for bids have been publicly announced. The fact that the steep increase in the national debt of many countries could spell less spending in the military arena constitutes an additional risk.

5. REPORT ON FORECASTS AND OTHER FORWARD-LOOKING STATEMENTS

The Group anticipates sales in the Leisure segment in financial year 2010 to remain at their 2009 level, given the continued challenging market environment. By contrast, it anticipates noticeable sales growth in the civilian markets overall. An important strategic goal remains to make SFC less vulnerable to seasonal and economic fluctuations in the leisure market and the continued unpredictability of the defense market by drawing on a more diversified base. The timing of developments in the defense market is still difficult to estimate, but the program decisions made by the German Bundeswehr in the first half of the year demonstrate that SFC's technology and products are appealing to customers. Based on successful deployment in the field, the Company anticipates that this will lead to additional new orders for its latest product solutions. For the third quarter, the Company expects business to be weaker than in the third quarter of 2009, especially given the coincidence of the usual seasonality in the leisure market, the expiration of economic stimulus programs and the budget uncertainty faced by public-sector fleet managers. However, this does not affect the Company's previous forecast for 2010 as a whole.

The Group expects that the planned broadening of the business model will provide added stimulus. Most customers require a turnkey package solution. With the introduction of products such as the EFOY Pro Cube and the SFC Power Manager in the industry and defense markets, SFC has already been successful with whole-product solutions. We intend to build on this foundation to broaden our product portfolio with the goal of developing the Group into a provider of comprehensive off-grid power supply solutions.

The Group sees interesting medium term business potential in the attractive e-mobility market. In April 2010, SFC and the renowned automotive engineering partner ESG Elektroniksystem- und Logistik GmbH presented a concept of combined heat and power generation that can significantly improve the performance of electric vehicles even in winter conditions.

6. REPORT ON MATERIAL TRANSACTIONS WITH RELATED PARTIES

Please refer to the section entitled "Related party transactions" in the Notes.

7. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date.

Brunnthal, July 27, 2010

Dr. Peter Podesser
CEO

Dr. Jens Müller
COO

INTERIM REPORT IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS AT JUNE 30, 2010

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

INTERIM REPORT IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS AT JUNE 30, 2010

CONSOLIDATED INCOME STATEMENT FROM JANUARY 1 TO JUNE 30, 2010

in €

		01/01–06/30/2010	01/01–06/30/2009
1.	Sales	6,578,555	5,665,929
2.	Production costs of work performed to generate sales	–4,602,824	–4,316,150
3.	**Gross margin**	**1,975,731**	**1,349,779**
4.	Sales costs	–2,364,674	–2,159,683
5.	Research and development costs	–883,911	–790,201
6.	General administration costs	–1,078,423	–1,000,575
7.	Other operating income	283,423	246,660
8.	Other operating expenses	–38,277	–24,401
9.	**Operating loss**	**–2,106,131**	**–2,378,421**
10.	Interest and similar income	222,755	484,781
11.	Interest and similar expenses	–21,769	–21,621
12.	**Loss from ordinary operations**	**–1,905,145**	**–1,915,261**
13.	Income taxes	0	0
14.	**Net loss**	**–1,905,145**	**–1,915,261**
15.	Accumulated loss brought forward from previous year	–28,184,227	–24,399,447
16.	**Net accumulated loss**	**–30,089,372**	**–26,314,708**
	NET LOSS PER SHARE		
	undiluted	–0.27	–0.27
	diluted	–0.27	–0.27

CONSOLIDATED INCOME STATEMENT
FROM APRIL 1 TO JUNE 30, 2010

in €

		04/01 – 06/30/2010	04/01 – 06/30/2009
1.	Sales	2,983,778	2,792,467
2.	Production costs of work performed to generate sales	–2,081,003	–1,973,327
3.	**Gross margin**	**902,775**	**819,140**
4.	Sales costs	–1,191,311	–1,217,673
5.	Research and development costs	–493,042	–409,690
6.	General administration costs	–605,946	–460,821
7.	Other operating income	137,865	81,067
8.	Other operating expenses	–23,730	–15,233
9.	**Operating loss**	**–1,273,389**	**–1,203,210**
10.	Interest and similar income	103,469	161,719
11.	Interest and similar expenses	0	–175
12.	**Loss from ordinary operations**	**–1,169,920**	**–1,041,666**
13.	Income taxes	0	0
14.	**Net loss**	**–1,169,920**	**–1,041,666**
15.	Accumulated loss brought forward from previous year	–28,919,452	–25,273,042
16.	**Net accumulated loss**	**–30,089,372**	**–26,314,708**
	NET LOSS PER SHARE		
	undiluted	–0.16	–0.15
	diluted	–0.16	–0.15

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FROM JANUARY 1 TO JUNE 30, 2010

		in €
	01/01–06/30/2010	01/01–06/30/2009
Net loss for the period	**–1,905,145**	**–1,915,261**
Result from currency translations	–100,486	6,923
Total results recognized directly in equity	**–100,486**	**6,923**
Total result for the period	**–2,005,631**	**–1,908,338**

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FROM APRIL 1 TO JUNE 30, 2010

		in €
	04/01–06/30/2010	04/01–06/30/2009
Net loss for the period	**–1,169,920**	**–1,041,666**
Result from currency translations	–69,437	8,390
Total results recognized directly in equity	**–69,437**	**8,390**
Total result for the period	**–1,239,357**	**–1,033,276**

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

CONSOLIDATED BALANCE SHEET
AS AT JUNE 30, 2010

	ASSETS		in €
		06/30/2010	12/31/2009
A.	**Current assets**	**42,732,423**	**45,596,399**
I.	Inventories	1,807,083	1,327,600
II.	Trade accounts receivable	2,331,738	2,200,369
III.	Receivables from Percentage-of-Completion	27,404	6,930
IV.	Income tax receivables	272,199	212,176
V.	Other short-term assets and receivables	1,230,168	1,225,070
VI.	Cash and cash equivalents	36,416,071	40,543,600
VII.	Cash and cash equivalents with limitation on disposal	570,000	45,320
VIII.	Deferred charges and prepaid expenses	77,760	35,334
B.	**Non-current assets**	**5,692,904**	**4,846,064**
I.	Intangible assets	2,706,991	2,410,796
II.	Property, plant and equipment	2,184,344	1,681,233
III.	Other long-term assets and receivables	4,635	63,285
IV.	Deferred tax assets	796,934	690,750
	Assets	**48,425,327**	**50,442,463**

CONSOLIDATED BALANCE SHEET
AS AT JUNE 30, 2010

	LIABILITIES AND SHAREHOLDERS' EQUITY		in €
		06/30/2010	12/31/2009
A.	**Current liabilities**	**3,168,661**	**3,444,426**
I.	Other provisions	666,811	571,606
II.	Liabilities from prepayments	13,958	18,321
III.	Trade accounts payable	1,369,574	1,957,452
IV.	Other short-term liabilities	1,118,318	897,047
B.	**Non-current liabilities**	**1,401,799**	**1,137,539**
I.	Other long-term provisions	308,252	264,241
II.	Other long-term liabilities	296,613	182,548
III.	Deferred tax liabilities	796,934	690,750
C.	**Equity**	**43,854,867**	**45,860,498**
I.	Subscribed capital	7,152,887	7,152,887
II.	Capital surplus	66,879,638	66,879,638
III.	Other changes in equity not effecting profit or loss	–88,286	12,200
IV.	Accumulated loss brought forward from previous year	–28,184,227	–24,399,447
V.	Net loss	–1,905,145	–3,784,780
	Liabilities and shareholders' equity	**48,425,327**	**50,442,463**

CONSOLIDATED CASH FLOW STATEMENT
FROM JANUARY 1 TO JUNE 30, 2010

in €

		01/01–06/30/2010	01/01–06/30/2009
	Cash flow from ordinary operations		
	Result before taxes	**–1,905,145**	**–1,915,261**
–	Net interest income	–200,986	–463,160
+	Depreciation/amortization of intangible assets and property, plant and equipment	476,610	480,706
+	Expenses from Long Term Incentive Plan	114,065	72,053
–	Changes in allowances	–1,268	–24,089
+	Losses from disposal of property, plant and equipment	6,464	0
–	Profits from derivatives	–69,025	–148,042
	Changes to operating result before working capital	**–1,579,285**	**–1,997,793**
+/–	Changes to short and long-term provisions	117,654	–96,149
–/+	Changes to trade accounts receivable	–130,404	770,209
–	Changes to inventories	–479,180	–247,687
+	Changes to other receivables and assets	91,705	170,784
–	Changes to prepaid expenses	–42,425	–40,869
–	Changes to trade accounts payable	–587,878	–694,755
+/–	Changes to other liabilities	118,095	–213,113
–	Changes to deferred income	0	–33,092
	Cash flow from ordinary operations before taxes	**–2,491,718**	**–2,382,465**
–/+	Income tax payments	–60,023	576,941
	Cash flow from ordinary operations	**–2,551,741**	**–1,805,524**

CONSOLIDATED CASH FLOW STATEMENT
FROM JANUARY 1 TO JUNE 30, 2010

in €

		01/01–06/30/2010	01/01–06/30/2009
	Cash flow from investment activity		
–	Investments in intangible assets from development projects	–539,500	–516,800
–	Investments in other intangible assets	–51,862	–43,876
–	Investments in property, plant and equipment	–691,443	–176,121
–	Bank balances released	45,320	350,000
+	Interest and similar income	233,152	553,305
–	Bank balances pledged	–570,000	–750,000
+	Proceeds from the sale of assets	4,225	0
	Cash flow from investment activity	**–1,570,108**	**–583,492**
	Cash flow from financial activity		
–	Repayment of liabilities from finance leases	0	–118,182
–	Interest paid and other expenses	–207	–1,745
	Cash flow from financial activity	**–207**	**–119,927**
	Net change in cash and cash equivalents	**–4,122,056**	**–2,508,943**
	Currency effects on cash and cash equivalents	5,473	41
	Net change in cash and cash equivalents		
	Cash and cash equivalents at beginning of period	40,543,600	45,567,521
	Cash and cash equivalents at end of period	36,416,071	43,058,537
	Net change in cash and cash equivalents	**–4,122,056**	**–2,508,943**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FROM JANUARY 1 TO JUNE 30, 2010

in €

	Subscribed capital	Capital surplus	Other changes in equity not effecting profit or loss	Net accumulated loss	Total
Balance 01/01/2009	**7,152,887**	**66,879,638**	**1,752**	**−24,399,447**	**49,634,830**
Total result for the period					
Net result 01/01 – 06/30/2009				−1,915,261	−1,915,261
Result from currency translation recognized in equity			6,923		6,923
Balance 06/30/2009	**7,152,887**	**66,879,638**	**8,675**	**−26,314,708**	**47,726,492**
Total result for the period					
Net result 07/01 – 12/31/2009				−1,869,519	−1,869,519
Result from currency translation recognized in equity			3,525		3,525
Balance 12/31/2009	**7,152,887**	**66,879,638**	**12,200**	**−28,184,227**	**45,860,498**
Total result for the period					
Net result 01/01 – 06/30/2010				−1,905,145	−1,905,145
Result from currency translation recognized in equity			−100,486		−100,486
Balance 06/30/2010	**7,152,887**	**66,879,638**	**−88,286**	**−30,089,372**	**43,854,867**

NOTES TO THE INTERIM REPORT OF SFC ENERGY AG

Information about the Company

SFC Energy AG (formerly SFC Smart Fuel Cell AG; henceforth "SFC" or "the Company" and together with its subsidiaries, the "SFC Group") is a stock corporation (Aktiengesellschaft) located in Germany. The Company's registered office is at Eugen-Sänger-Ring 4 (until April 5, 2010) and (since April 6, 2010) at Eugen-Sänger-Ring 7, 85649 Brunnthal, Germany. The Company is registered in the Commercial Register of the local court in Munich under the number HRB 144296. The principal activities of the Company and its subsidiary (the Group) are the development, production and marketing of energy supply systems and their components for off-grid applications, amongst others, on the basis of fuel cell technology.

Over the last few years, SFC has systematically expanded its business model to include a comprehensive range of off-grid energy solutions. Looking ahead, the Company will focus increasingly on providing whole-product solutions, with fuel cells continuing to constitute the core technology and core component. At their meeting on May 6, 2010, the Company's shareholders resolved to restate the corporate purpose to include this new aspect of the business. They also approved changing the Company's name from SFC Smart Fuel Cell AG to SFC Energy AG for this reason. The change of name reflects the Company's goal of positioning itself in the future as a supplier of whole-product solutions for autonomous energy supply. The name change was entered in the Commercial Register on July 16, 2010.

Accounting principles

The quarterly financial statements of SFC Energy AG for the financial period January 1 to June 30, 2010 have been prepared in accordance with IAS 34 "Interim Financial Reporting" as a set of condensed financial statements. These condensed financial statements do not contain all of the information required for a complete set of financial statements for a full financial year and should, therefore, be read in conjunction with the consolidated financial statements for the year ended December 31, 2009.

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

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

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

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

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

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

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

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

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

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

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

The present financial statements represent consolidated quarterly financial statements of the SFC Group.

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

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

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

Forward commodities transactions

As of the reporting date, forward commodities transactions for hedging the price risk of the platinum used in a key fuel cell component remained open. The company has secured its expected platinum needs for the current year through previously executed commodity forwards. The positive fair value of € 103,399 (December 31, 2009: € 150,108) is shown under other short-term assets and receivables. The changes in value were recognized in the income statement under other operating income or other operating expenses.

Receivables from percentage-of-completion

Since the volume of sales recognized on orders exceeded the prepayments received on those same orders in the first half of 2010, we had receivables from percentage-of-completion totaling € 27,404 as of the reporting date, versus € 6,930 as of December 31, 2009.

Other long-terms assets

The Company had other long-term assets of € 4,635 as of the reporting date (December 31, 2009: € 63,285) relating to prepayments made for the purchase of parts used in the construction and assembly of boards.

Cash and cash equivalents with limitation on disposal

In the first half of 2010, € 570,000 was pledged as collateral in connection with the lease for the Company's new corporate building. The collateral of € 45,320 furnished for the previous corporate building was returned in the second quarter. Thus, the amount reported under cash and cash equivalents with limitation on disposal stood at € 570,000 as of June 30, 2010 (December 31, 2009: € 45,320).

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

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

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

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

The phantom shares awarded were classified and measured as cash-settled share-based payment transactions. The fair value of the liability to recognize because of the LTIP was determined for all of the sub-tranches using a Monte Carlo model. At June 30, 2010, the carrying value of the liability recognized on the balance sheet, which is reported under other long-term liabilities, was € 296,613 (December 31, 2009: € 182,548) and the amount expensed for the period was € 114,065 (prior-year period: € 72,053).

The following parameters were used in the measurement:

Measurement date	06/30/2010
Remaining term (in years)	1,5 – 3,5
Anticipated volatility	43.21 % – 65.79 %
Risk-free interest rate	0.51% – 1.07%
Share price as of the measurement date	€ 5,94

Sales costs

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

in €

	01/01 – 06/30/2010	01/01 – 06/30/2009
Personnel costs	1,237,090	1,170,001
Advertising and travel costs	427,720	418,938
Consultancy/commissions	297,156	254,532
Other	402,708	316,212
Total	**2,364,674**	**2,159,683**

Research and development costs

We capitalized € 539,500 in development work in the first half of 2010, versus € 516,800 the year before.

Intangible assets rose accordingly to € 2,706,991, compared with € 2,410,796 at December 31, 2009, chiefly because of the capitalized development costs.

General administration costs

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

in €

	01/01 – 06/30/2010	01/01 – 06/30/2009
Personnel costs	533,974	485,587
Audit and consultancy costs	130,371	152,798
Investor relations/annual meeting	105,002	98,525
Supervisory Board compensation	81,290	85,000
Travel costs	64,898	94,106
Depreciation and amortization	48,255	63,503
Insurance	38,454	44,446
Car-operating costs	19,907	26,314
Costs of hardware and software support	18,807	17,610
Other	125,729	93,084
Set-off against grants	– 88,264	– 160,398
Total	**1,078,423**	**1,000,575**

Income taxes

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

Segment report

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

	Segment sales		Segment result	
in €	01/01–06/30/2010	01/01–06/30/2009	01/01–06/30/2010	01/01–06/30/2009
A-Series	5,617,202	4,634,229	1,766,008	1,146,088
C-Series	83,380	104,724	51,622	61,685
JDA	412,687	391,606	155,010	104,101
Power Manager	37,852	28,801	22,974	15,150
Other	427,434	506,569	–19,884	22,754
Unallocated items	0	0	–3,880,875	–3,265,039
Total	**6,578,555**	**5,665,929**	**–1,905,145**	**–1,915,261**

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

Related party transactions

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

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

Employees

SFC employed the following personnel as of the reporting date:

	06/30/2010	06/30/2009
Full-time employees	92	91
Part-time employees	6	5
Total	**98**	**96**

Eleven trainees, graduates and student trainees were also employed as of the end of June 2010 (June 30, 2009: 11).

Earnings per share

The number of issued shares at the beginning of the financial year and at the reporting date of June 30, 2010 was unchanged at 7,152,887 (H1 2009: 7,152,887).

Under IAS 33 "Earnings per Share" the effect of potential shareholdings needs to be considered for purposes of determining the diluted earnings per share. It is presumed that all valid share options whose strike price was under the average share price for the period had actually been exercised. As in the prior-year period, there were no potential shares or dilutive effects on the number of issued shares.

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

Material events after the balance sheet date

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

Brunnthal, July 27, 2010
The Management Board

Dr. Peter Podesser
CEO

Dr. Jens Müller
COO

SFC ENERGY AG, BRUNNTHAL RESPONSIBILITY STATEMENT

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

Brunnthal, 27 July 2010

Dr. Peter Podesser
CEO

Dr. Jens Müller
COO

FINANCIAL CALENDAR 2010

October 28, 2010 Publication nine months report

SHARE INFORMATION

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

INVESTOR-RELATIONS CONTACT

Barbara von Frankenberg
Head of Investor Relations and Public Relations
SFC Energy AG
Eugen-Saenger-Ring 7
85649 Brunnthal
Germany

Phone: +49 (0) 89 / 673 592 – 378
Fax: +49 (0) 89 / 673 592 – 169
Email: barbara.frankenberg@sfc.com

IMPRINT

SFC Energy AG
Eugen-Saenger-Ring 7
85649 Brunnthal
Germany
Phone: +49 (0) 89 / 673 592 – 0
Fax: +49 (0) 89 / 673 592 – 369

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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.