



NINE MONTHS REPORT 2007

Q3

Key Figures (IFRS)

in €k	01.01 – 30.09. 2007	01.01 – 30.09. 2006	Change in %	Q3 2007	Q3 2006	Change in %
Total sales	9,632	4,183	130.3%	2,126	1,183	79.7%
Product sales total	7,419	2,595	185.9%	1,329	928	43.2%
Sales share of products	77.0%	62.0%	-	62.5%	78.4%	-
Sales gross margin total	1,404	659	113.1%	428	215	99.1%
Gross margin	14.6%	15.8%	-	20.1%	18.2%	-
EBITDA	-3,101	-1,891	64.0%	-1,004	-959	4.7%
EBITDA margin	-32.2%	-45.2%	-	-47.2%	-81.1%	-
EBIT	-3,635	-2,178	66.9%	-1,196	-1,069	11.9%
EBIT margin	-37.7%	-52.1%	-	-56.3%	-90.4%	-
Net loss	-2,032	-2,495	-18.6%	-736	-950	-22.5%
Earnings per share, diluted	-0,34	-0,42	-19.0%	-0,12	-0,16	-25.0%
Employees on 30.09.	86	76	13.2%	-	-	-
	30.09.2007	31.12.2006				
Equity	52,811	5,596	>100%	-	-	-
Equity ratio	89.3%	37.3%	139.1%	-	-	-
Balance sheet total	59,149	14,986	>100%	-	-	-
Cash	43,354	6,249	>100%	-	-	-

Key figures for the share

IPO Prime Standard	25 May 2007
Number of outstanding shares	7,135,523
Designated Sponsor	Sal. Oppenheim, Steubing
Wertpapierkennnummer (WKN)	756857
ISIN	DE0007568578
Bloomberg symbol	F3C
Segment	Industrial/Renewable Energies





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FOREWORD

Dr. Peter Podesser (left)
CEO
Dr. Jens Müller (right)
CTO

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

The current report presents our third-quarter and year-to-date figures. The fact that sales increased by 130% compared with the first nine months of 2006 confirms that our work to further tap the markets for our fuel cells is succeeding.

One of the third quarter's special highlights was the Caravan Salon in Düsseldorf, which is one of the largest caravanning trade shows in Europe. Not only did SFC have its own booth, but, thanks to the participation of our authorized dealers, visitors were also given live demonstrations of our EFOY fuel cells at 33 other booths. EFOY fuel cells are no longer available just as an aftermarket product. They can now be obtained directly from the factory when purchasing a new motor home from any of 18 global RV manufacturers. We think the CEO of one of the largest mobile home producers summed it up perfectly when he said, "I can't imagine the leisure market without EFOY fuel cells." We are extremely proud of the fact that we took an innovative product which very few people gave any real chance of survival four years ago and so successfully positioned it in such a complex market steeped in tradition. New contracts with Concorde, Niesmann & Bischoff and Dethleffs, all major leisure brands, prove that our satisfaction is well founded.

And our success is not limited to Germany. In September we announced our plans to enter into a long-term cooperation agreement with Webasto on equipping recreational vehicles with our fuel cells. This cooperation, like our longstanding relationship with Trigano, will further accelerate the sale of EFOY fuel cells with our European neighbors. By partnering with these and other major international names, we now occupy an excellent position for future growth.

Another area where we are right on target is with the implementation of our cost-saving measures. Product cost reduction by innovation continued in Q3. Furthermore, we launched our EFOY 900 product to the market in August, an attractive product priced between the EFOY 600 and EFOY 1200. For many customers with solar devices, the EFOY 900 represents an efficient hybrid solution for ensuring an uninterrupted supply of power during bad weather. As soon as the solar device is unable to deliver energy, the fuel cell turns on automatically.

Unfortunately, the share price since the IPO has failed to reflect the Company's operating successes. However, we are confident that in the long term directing our full attention to the further strategic and operating development of our company will pay off not only in terms of our results, but, building on those results, will also benefit the valuation of our stock. These reasons make it all the more important for us to stay true to our systematic pursuit of the course we have chosen.



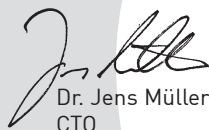
By guaranteeing the availability of power on a constant, reliable basis, the fuel cells of SFC Smart Fuel Cell open the door to completely new kinds of freedom for today's mobile society. Using this expertise as our starting point, we will continue to exhaust the opportunities to be had on our existing markets and pledge to conquer new ones, particularly with respect to industrial customers.

We thank you for the trust you have placed in us and invite you to stay on board as we move full steam ahead.

Sincerely,
The Management Board of SFC Smart Fuel Cell AG



Dr. Peter Podesser
CEO



Dr. Jens Müller
CTO

Shareholdings

	Shares	Share options
Management Board		
Dr. Peter Podesser (CEO)	113,300	0
Dr. Jens Müller (CTO)	56,918	1,980 ¹⁾
Supervisory Board		
Rüdiger C. Olschowy, BIT Holdings GmbH	162,254	0
Dr. Rolf Bartke	0	0
Wolfgang Biedermann ²⁾	0	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.

2) Mr. Wolfgang Biedermann informed SFC Smart Fuel Cell AG that he resigned from the management board of PRICAP Venture Partners AG effective June 30, 2007. This means that any shares held by PRICAP Venture Partners AG are no longer attributable to Mr. Biedermann.



BUSINESS REVIEW

Business review for the period 01 January – 30 September 2007 of SFC Smart Fuel Cell AG

1. Report on earnings and financial position

EARNINGS POSITION

SFC continued to make good progress in the first three quarters of 2007, experiencing 130.3% sales growth compared with the same period a year ago. Sales for the period under review increased to €9,632k following €4,183k in the first three quarters of 2006. The share of sales attributable to products increased to 77.0% in the first nine months of 2007, compared with 62.0% a year earlier, while that generated from joint development agreements (JDAs) decreased accordingly. This change underscores the successful transformation of SFC Smart Fuel Cell AG from an R&D company to a market and customer-oriented manufacturing company. SFC increased its third-quarter sales by 79.7% to €2,126k (Q3 2006: €1,183k). The third quarter is seasonally a weaker quarter.

Sales by segment

The increase in product sales during the first nine months of this year is chiefly due to higher unit sales of A-Series fuel cell systems and Power Managers.

in k€

Sales by segment	January – September			Q3		
	2007	2006	Change in %	2007	2006	Change in %
A-Series	5,547	2,039	172.0%	1,198	732	63.7%
C-Series	274	132	107.6%	20	73	-72.6%
Power Manager	1,376	203	577.8%	4	87	-95.4%
JDAs	2,213	1,588	39.4%	797	255	212.5%
Other products	222	221	0.5%	107	36	197.2%
Total	9,632	4,183	130.3%	2,126	1,183	79.7%

The increase in sales of A-Series products by 172.0% to €5,547k in the first nine months of 2007, following €2,039k in the first nine months of 2006, is largely the result of increasing demand for fuel cell systems in the leisure market. Because of this brisk demand, the A-Series segment's share of total sales rose to 57.6% in the reporting period compared with 48.7% a year earlier. Unit sales of A-Series fuel cell systems rose from 1,088 to 3,030, which represents an increase of 178.5%. Third-quarter sales of A-Series products were up 63.7% to €1,198k (Q3 2006: €732k).

Sales in the C-Series segment were up 107.6%, from €132k in the first three quarters of 2006 to €274k in the first three quarters of 2007, with the number of systems delivered up from 6 to 16. The segment's third-quarter sales, at €20k, were down 72.6% from the previous year (Q3 2006: €73k).



Sales of Power Managers increased by 577.8% to €1,376k in the first nine months of 2007, following €203k in the first nine months of 2006, due to delivery of a series production order. Third-quarter sales of Power Managers decreased by 95.4%, from €87k in Q3 2006 to €4k in Q3 2007.

Due to our successful cooperation with the U.S. Armed Forces, year-to-date sales in the JDAs segment increased by 39.4% to €2,213k, following €1,588k in the first nine months of 2006. Third-quarter sales in the segment, at €797k, were up 212.5% from the year-earlier period (Q3 2006: €255k).

Sales in our Other Products segment were nearly unchanged at €222k in the first three quarters of 2007 versus €221k in the first three quarters of 2006. Besides the sale of fuel cartridges, the sale of test equipment to strategic partners is captured in this segment. Third-quarter sales increased by 197.2%, from €36k in the third quarter of 2006 to €107k in the third quarter of 2007.

Sales by region

in k€	January – September			Q3		
	2007	2006	Change in %	2007	2006	Change in %
Sales by region						
North America	4,063	873	365.4%	922	265	247.9%
Europe (excl. Germany)	3,482	865	302.5%	680	272	150.0%
Germany	2,072	1,104	87.7%	518	432	19.9%
Asia	9	1,281	-99.3%	5	186	-97.3%
ROW	6	60	-90.0%	1	28	-96.4%
Total	9,632	4,183	130.3%	2,126	1,183	79.7%

We achieved triple-digit growth in our core markets of North America and Europe in the first three quarters of 2007. Sales in Asia decreased year-on-year due to the successful end in 2006 of a JDA with LG Chem. Ltd. The share of sales SFC earned in its home market of Germany in the first nine months of 2007 stood at 21.5% following 26.4% in the previous year, while international sales expanded to 78.5% versus 73.6% a year earlier.

The increase in North American sales is due for the most part to our cooperation with the U.S. Armed Forces, particularly in our JDAs and Power Manager segments, while the sales growth in Europe reflects the increasing market penetration of our A-Series fuel cell systems.





BUSINESS REVIEW

Gross margin

With sales up, our gross margin increased by 113.1% to €1,404k in the first nine months of 2007, following €659k in the first nine months of 2006. The decrease in our gross margin to 14.6% for the period, down from 15.8% a year earlier, is chiefly the result of a drop in our gross margin in the JDAs segment. The €946k increase in gross margin from our A-Series segment, which reported its first-ever positive gross margin at €364k, was more than offset by this drop. Third-quarter gross margin was up 99.1% to €428k (Q3 2006: €215k).

Sales costs

Sales costs increased by 63.7% to €3,073k in the first nine months of 2007 compared with €1,877k in the first nine months of 2006. The continued recruitment of sales and marketing personnel as well as consulting fees and a one-time effect related to the cancellation of stock options factored heavily into this increase. Third-quarter selling expenses, at €1,037k, were up 11.9% from the previous year (Q3 2006: €927k).

Research and development costs

Research and development costs increased by 2.4% to €387k in the first three quarters of 2007, following €378k in the first three quarters of 2006. No development work was capitalized in the period under review, compared with €658k in capitalized development costs a year earlier.

General administration costs

General administration costs increased by 139.8% to €1,664k in the first nine months of 2007 compared with €694k in the first nine months of 2006. The cancellation of stock options in 2007 accounted for the bulk of this increase. In the third quarter, general administration costs increased by 88.4% to €454k (Q3 2006: €241k).

Operating result (EBIT)

EBIT decreased in the period from January to September 2007 by 66.9% to minus €3,635k, following minus €2,178k in the year-earlier period. Adjusted for non-recurring items, our EBIT decreased to minus €2,665k (see "Result from special influences" in the Notes). Given the increase in sales, the adjusted EBIT margin improved to minus 27.7%, following minus 52.1% in the year-earlier period.

Interest and similar income

Interest and similar income increased from €138k in the first three quarters of 2006 to €1,797k in the first three quarters of 2007. The primary reasons for the increase were one-time effects related to redemption of the silent partnership investments in our company (see "Result before non-recurring items" in the Notes) and investment of the proceeds from the capital increase. For the third quarter, interest and similar income increased to €498k (Q3 2006: €78k).

Interest and similar expenses

Interest and similar expenses decreased by 43.6% in the first nine months of 2007 to €194k, compared with the year-earlier period's €344k, which included charges resulting from the valuation of the derivatives embedded in the silent partnership investments.



Net loss

Net loss improved by 18.6% in the first nine months of 2007, from minus €2,495k in the same period last year to minus €2,032k in the current period. Adjusted for non-recurring items, the net loss stood at minus €2,074k. Third-quarter net loss experienced a 22.5% improvement to minus €736k (Q3 2006: minus €950k).

Net loss per share

Net loss per share under IFRS (diluted) improved by 19.0% in the first three quarters of 2007 to minus €0.34, following minus €0.42 a year earlier. Third-quarter net loss per share were up 25.0% from minus €0.16 to minus €0.12.

FINANCIAL POSITION

The major influence on our financial position in the first nine months of 2007 was the public stock offering and subscription rights offering that took place in May of this year. SFC took in €53,556k in issue proceeds. The related costs of €5,391k came out of capital surplus.

Driven by the injection of capital, cash and cash equivalents as of the end of September 2007 increased to €43,354k, compared with €6,697k a year earlier.

Cash flow from ordinary operations

The net cash used in ordinary operations decreased to €3,076k in the first three quarters of 2007 versus €4,491k in the same period a year ago. The increase in inventories and trade accounts receivables, at €870k, was much lower than the increase of €1,908k recorded in the year-earlier period. Changes in other assets resulted in an inflow of €142k versus an outflow of €709k in the previous year. In addition, liabilities to shareholders were down by a mere €14k versus €414k in the first nine months of 2006.

Cash flow from investment activity

The net cash used in investment activity increased from €3,964k in the first nine months of 2006 to €6,768k in the first nine months of 2007, primarily as a result of the acquisition of securities.

Cash flow from financial activity

The increase in net cash provided by financial activity in the first three quarters of 2007 to €46,949k, following €14,938k in the year-earlier period, was chiefly a function of the stock and rights offerings mentioned above.

ASSETS & LIABILITIES

The company has a healthy balance sheet. Total assets grew in parallel with sales and earnings, increasing from €14,986k at December 31, 2006 to €59,149k at September 30, 2007, which corresponds to 294.7%. With sales volume up, inventories rose to €1,869k during the same period (December 31, 2006: €926k).





BUSINESS REVIEW

The increase in other short-term assets and receivables from €299k at December 31, 2006 to €648k at September 30, 2007 is mainly due to higher outstanding subsidies.

The growth in cash and cash equivalents from €6,249k at December 31, 2006 to €43,354k at September 30, 2007 is attributable to the capital provided by the stock and rights offerings discussed earlier.

The amount reported as property, plant and equipment for the first nine months of 2007 increased to €864k due to capital expenditures (December 31, 2006: €773k). The share of non-current assets in total assets decreased from 17.9% to 4.1%.

The decrease in derivative financial instruments with negative fair values to €0k (December 31, 2006: €2,266k) is attributable to the cancellation and waiver agreements executed with our silent partnerships (see "Silent partnerships" in the Notes).

Because of these agreements, the silent partnerships reported under other long-term liabilities as of December 31, 2006 are shown under other short-term liabilities as of September 30, 2007.

This reclassification accounts for the majority of the increase in other short-term liabilities to €3,161k as of September 30, 2007 (December 31, 2006: €725k).

Altogether, liabilities made up 10.7% of total liabilities and shareholders' equity for the period. Compared with December 31, 2006, when the corresponding figure was 62.7%, the share of liabilities in total liabilities and shareholders' equity has dropped by 52.0 percentage points.

The substantial growth in shareholders' equity as of September 30, 2007 to €52,811k (December 31, 2006: €5,596k) is attributable to the successful placement of the shares resulting from our capital increase. Our equity ratio increased accordingly from 37.3% to 89.3%.



RESEARCH AND DEVELOPMENT

The focus of our research and development activities remained as follows in the third quarter:

- Reduce unit costs through technological innovations in order to maximize the contribution margins of our products. We generated additional cost savings with key components like stacks, pumps and fuel cartridges in the reporting period. Advances in technology helped reduce the cost of materials for our flagship products, the EFOY 1200 and EFOY 1600, by around 8%. This next generation of EFOY fuel cells hit the market in September.
- Enhance product functionality (e.g., higher performance, market-specific features) in order to develop new 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

Capital spending in the first nine months of 2007 targeted the expansion and improvement of our IT infrastructure, in particular. We also purchased additional injection molding machines to facilitate further cost savings with the production of components and invested in test equipment aimed at adapting our manufacturing processes to the higher volumes being handled.

EMPLOYEES

As of September 30, 2007, the company employed the following personnel:

	2007	2006	Change
Board members	2	1	1
Research and development	24	25	-1
Production, logistics, quality management	22	18	4
Sales and marketing	20	16	4
Administration	11	5	6
Permanent employees	79	65	14
Trainees, graduates, student trainees	7	11	-4
Number of employees at September 30	86	76	10





BUSINESS REVIEW

The increase in the number of permanent employees as of September 30, 2007 by 21.5% to 79, following 65 as of the end of the year-earlier period, is attributable to the growth in our sales and marketing, production, quality management and administration departments, itself a reflection of SFC's stronger market orientation and the demands of being a listed company. To be able to react flexibly to the higher sales volumes, SFC is increasingly turning to temporary staffing firms for suitable personnel, particularly to fill vacancies in manufacturing. The number of temporary workers hired through such agencies had increased to 14 by the end of September 2007, versus 1 at the end of September 2006.

2. Report on forecasts and other forward-looking statements

The Management Board believes the company is capable of defending and expanding its leading position in the promising market for independent power supply using fuel cells. SFC is the only company at present engaged in the series production of commercially available fuel cell systems powered by methanol and, by its own estimates, has likely increased its competitive lead further.

SFC's volume of new orders in the first nine months of 2007 was favorable. New orders increased in comparison to the prior-year period by 36.9% to €6,844k (versus €4,999k a year earlier). In the third quarter, SFC reported new orders of €1,454k (versus €970k a year earlier), which represents an increase of 49.9%. The order backlog as of quarter-end, at €1,961k, was 13.8% below its year-earlier level (€2,276k).

Looking ahead to the fourth quarter, which is traditionally a strong quarter, SFC has launched a marketing campaign in the motor home segment that offers customers the chance to finance the purchase of an EFOY fuel cell through a bank. The campaign includes several additional incentives and comprehensive training programs at the consumer, wholesale and retail levels. The company is hoping the year-end promotion results in solid contributions to annual sales.

Our achievements in the third quarter also extended to the defense segment: The German Bundeswehr again placed a fuel cell order for the new 250 watt system with SFC Smart Fuel Cell in the third quarter of 2007. Following a successful tender of the U.S. Air Force SFC's U.S. partner Capital Connections LLC was awarded a follow-up contract in the third quarter of 2007 regarding delivery of 521 Power Managers worth approx. 1.7 million USD. This follow-up contract has not yet resulted in order income/backlog due to a protest filed against the award decision by a competing US company prior to the balance sheet date (September 30, 2007). As of today, we are confident that we will be able to prove the rightfulness of the tender award jointly with our American business partner and legal counsel engaged in this matter. Depending on the time it takes for the matter to be clarified or the protest to be released we will only be able to judge whether or, respectively, what portion of the order can be executed in 2007 or subsequent business years afterwards.

SFC has made a number of new contacts throughout the world in the area of industrial applications. The first pilot and test projects are underway, giving the Company an excellent foothold for increasing its sales with industrial customers in 2008.



3. Report on risks and rewards

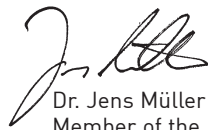
As part of a systematic and organizational approach to risk, the company's risk management uses and continues to develop suitable instruments to identify and analyze risks and take appropriate action.

We are of the opinion that most of the risks the company faces have not changed since the publication of our half-year report. The labor market represents the only area where we see increasing risks, because of the dwindling supply of skilled workers. SFC remains heavily dependent on committed, highly qualified and to a certain extent specialized employees. An inability to recruit key personnel could become a bottleneck in the company's planned growth.

October 18, 2007



Dr. Peter Podesser
Chairman of the Management Board




Dr. Jens Müller
Member of the Management Board





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IN EQUITY

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Income statement

from January 1, 2007 to September 30, 2007

in €	Jan. 1 – Sep. 30 2007	Jan. 1 – Sep. 30 2006	Jul. 1 – Sep. 30 2007	Jul. 1 – Sep. 30 2006
1. Sales	9,632,005	4,183,110	2,126,130	1,183,111
2. Production costs	-8,227,806	-3,524,320	-1,698,336	-967,709
3. Gross margin	1,404,199	658,790	427,794	215,402
4. Sales costs	-3,072,907	-1,877,137	-1,037,132	-926,586
5. Research and development costs	-386,822	-377,890	-160,469	-135,000
6. General administration costs	-1,664,057	-694,495	-453,714	-241,427
7. Other operating income	103,081	124,266	26,685	22,913
8. Other operating expenses	-18,442	-11,809	1,056	-4,423
9. Operating loss	-3,634,948	-2,178,275	-1,195,780	-1,069,121
10. Interest and similar income	1,796,776	138,210	497,861	78,103
11. Interest and similar expenses	-193,536	-343,716	-38,457	41,122
12. Loss from ordinary operations	-2,031,708	-2,383,781	-736,376	-949,896
13. Income taxes	0	-111,111	0	0
14. Net loss	-2,031,708	-2,494,892	-736,376	-949,896
15. Accumulated loss brought forward from previous year	-19,519,811	-15,095,305	-20,815,143	-16,640,301
16. Net accumulated loss	-21,551,519	-17,590,197	-21,551,519	-17,590,197
Net loss per share				
undiluted	-0.34	-0.42	-0.12	-0.16
diluted	-0.34	-0.42	-0.12	-0.16



INTERIM REPORT

Balance sheet

as of September 30, 2007

in €	30.09.2007	31.12.2006
A. Current assets	56,744,176	12,310,150
I. Inventories	1,869,300	926,000
II. Trade accounts receivables	1,212,959	1,310,188
III. Accounts due from shareholders	19,564	341,414
IV. Accounts due from tax authorities	254,385	70,426
V. Other short-term assets and receivables	647,797	299,360
VI. Securities	9,151,741	2,999,550
VII. Cash and cash equivalents	43,353,669	6,248,783
VIII. Cash and cash equivalents with limitation on disposition	145,320	45,320
IX. Deferred charges and prepaid expenses	89,441	69,109
B. Non-current assets	2,404,502	2,676,172
I. Intangible assets	1,126,429	1,235,731
II. Property, plant and equipment	864,133	773,310
III. Deferred tax assets	413,940	667,131
Assets	59,148,678	14,986,322

INCOME STATEMENT
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in €	30.09.2007	31.12.2006
A. Current liabilities	5,597,278	5,748,008
I. Other provisions and accrued liabilities	398,834	406,138
II. Liabilities to shareholders	0	14,052
III. Payments in advance	0	8,103
IV. Trade accounts payable	1,261,567	1,395,022
V. Short-term liabilities from finance leases	287,796	287,796
VI. Liabilities from Percentage-of-Completion	356,055	454,646
VII. Derivative financial instruments	0	2,265,668
VIII. Other short-term liabilities	3,160,660	724,650
IX. Deferred charges	132,367	191,933
B. Non-current liabilities	740,026	3,642,118
I. Other long-term provisions and accrued liabilities	165,990	147,621
II. Liabilities from finance leases	160,096	341,258
III. Other long-term liabilities	0	2,486,108
IV. Deferred taxes	413,940	667,131
C. Equity	52,811,375	5,596,196
I. Subscribed capital	7,135,523	1,413,936
II. Capital surplus	67,227,371	23,702,071
III. Accumulated loss brought forward from previous year	-19,519,811	-15,095,305
IV. Net loss	-2,031,708	-4,424,506
Liabilities and shareholder's equity	59,148,678	14,986,322



INTERIM REPORT

Cash flow statement

from January 1, 2007 to September 30, 2007

in €	Jan. 1 – Sep. 30 2007	Jan. 1 – Sep. 30 2006
Result before taxes	-2,031,708	-2,383,781
-/+ Net interest income	-591,362	128,352
+ Depreciation/appreciation of intangible assets, property, plant and equipment	533,950	286,894
+ Expenses fom share option programme	1,073,856	522,166
+/- Changes in allowances	24,297	-17,091
-/+ Profits/losses from disposal of assets	2	-128
-/+ Profits/losses from derivatives	-1,011,879	77,155
- Other expenses/income not affecting cash	0	-30,222
Changes to operative result before working capital	-2,002,844	-1,416,655
+/- Increase/decrease in short and long-term provisions	-50,981	96,548
+/- Changes to trade accounts receivables	78,236	-348,702
- Changes to inventories	-948,604	-1,559,164
+/- Changes other assets	141,843	-709,237
-/+ Changes to deferred charges and prepaid expenses	-20,332	91,743
- Changes to trade accounts payables	-133,455	-53,843
- Changes to liabilities to shareholders	-14,052	-414,103
+/- Changes to other liabilities	117,584	-15,104
- Changes to deferred charges	-59,565	-50,165
Cash flow from ordinary operations before taxes	-2,892,170	-4,378,682
- Income tax payments	-183,958	-112,238
Cash flow from ordinary operations	-3,076,127	-4,490,920
- Acquisition of property, plant and equipment and intangible assets	-515,473	-935,103
- Payments for the acquisition of securities and pledged bank credits	-6,252,191	-3,029,216
+ Proceeds from the sale of assets	0	132
Cash flow from investment activity	-6,767,664	-3,964,187
+ Payments of shareholders	53,563,769	16,046,864
- Costs of issuing equity	-5,340,739	-1,082,302
+ Interest income	616,465	138,210
- Repayment of financial liabilities	-1,556,372	0
+ Proceeds from sale and lease back	0	183,300
- Repayment of liabilities from finance leases	-215,847	-204,969
- Interest paid and other expenses	-118,599	-142,957
Cash flow from financial activity	46,948,677	14,938,146
Net changes in cash and cash equivalents	37,104,886	6,483,039
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	43,353,669	6,696,882
Net changes in cash and cash equivalents	37,104,886	6,483,039

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Statement of changes in equity

from January 1, 2007 to September 30, 2007

in €	Subscribed capital	Capital surplus	Net accumulated loss	Total
Position 01.01.2006	130,920	9,403,940	-15,095,305	-5,560,445
Net result 01.01. – 30.09.2006			-2,494,892	-2,494,892
Allocation from option programme		522,166		522,166
Capital increase for cash from January 17, 2006	1,047,360			1,047,360
Capital increase for cash from April 4, 2006	235,656	14,763,848		14,999,504
Costs of capital issuance		-1,082,303		-1,082,303
Position 30.09.2006	1,413,936	23,607,651	-17,590,197	7,431,390
Net result Q4 2006			-1,929,614	-1,929,614
Allocation from option programme		94,420		94,420
Position 31.12.2006	1,413,936	23,702,071	-19,519,811	5,596,196
Net result 01.01. – 30.09.2007			-2,031,708	-2,031,708
Allocation from option programme		1,073,857		1,073,857
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		-5,390,739		-5,390,739
Exercise of option rights	32,328	-24,246		8,082
Position 30.09.2007	7,135,523	67,227,371	-21,551,519	52,811,375



INTERIM REPORT

Notes to Interim Report of SFC Smart Fuel Cell AG

Information about the company

SFC Smart Fuel Cell AG¹ (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 Brunthal 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.

The company went public on the Frankfurt Stock Exchange on 25 May 2007.

Course of business in the first three quarters

SFC continued to make good progress in the first three quarters of 2007, experiencing 130.3% sales growth compared with the same period a year ago. Sales for the period under review increased to €9,632,005 following €4,183,110 in the first three quarters of 2006. The product share of revenue increased to 77.0% in the first nine months of 2007, compared with 62.0% a year earlier, while that generated 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. SFC increased its third-quarter sales by 79.7% to €2,126,130 (Q3 2006: €1,183,111). The third quarter is seasonally a weaker quarter.

From a market perspective the delivery of 3,030 EFOY fuel cells in the first three quarters 2007 demonstrated increasing traction in the market, especially the leisure market. In the same period last year 1,088 units of the EFOY fuel cell and its predecessor A50 were shipped. In the area of defense applications, the U.S. military signed its first order for the supply of serial production Power Managers, with all 556 units being delivered in the first half of the year. In addition, we executed another joint development agreement with the U.S. Air Force for the 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 cooperation 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. Versions of the EFOY 1200 and EFOY 1600 with even fewer cells were released in September 2007, which reduced our material costs again. We also introduced a new production process for fuel cartridges in the first quarter that resulted in considerable cost savings for sealing and increased production capacity.

¹ Registered offices: Eugen-Sänger-Ring 4, 85649 Brunthal.

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Thanks to these cost savings, we reported a gross margin of €363,535 in our A-Series segment for the first three quarters of 2007, the first-ever positive gross result for the segment that encompasses our latest generation of EFOY fuel cells. A year ago the segment suffered a gross loss of €581,812. Altogether, our gross profit was up €745,409 to €1,404,199.

Our earnings in the first three quarters of 2007 were marked by two special influences (see also "Result from special influences"). Without these, the adjusted EBIT margin would have improved considerably, from -52.1% to -27.7%.

The financial position in the first three quarters of 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 €5,391k 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 September 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.





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Securities

The amount of securities increased by €6,152,191 compared with December 31, 2006 due to the purchase of shares in two near-money market funds.

Cash and cash equivalents

The amount of cash and cash equivalents increased due to the proceeds provided by the capital increase implemented in conjunction with our public share offering. The proceeds from the increase were invested in 3-month interest-bearing terms deposits that are scheduled to expire December 6, 2007.

Forward exchange dealing

Three forward exchange deals on the sale of US\$ 2,810,000 in total have been executed in the current fiscal year. One of these sales, for US\$ 400,000, was still open as of the reporting date and had a positive fair market value of €11,263. Hedge accounting is not utilized, so the transaction was classified as fair value through profit and loss, and any changes in value were recognized 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. Since platinum prices had increased as of the reporting date, the contract has a positive market value of €6,272, which is disclosed under other assets.

Capital increase

At the shareholders' meeting on April 2, 2007, a resolution was passed authorizing a capital increase of €4,241,808 from company funds. The increase was completed upon its registration in the Commercial Register on April 20, 2007, and 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 €5,390,739 in connection with this capital increase were offset against capital surplus.



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In addition, employees of SFC Smart Fuel Cell AG exercised 8,082 stock options in the third quarter, each of which entitled them to 4 shares of the company. The share capital was increased by €32,328 as a result, with the sum of €8,082 being contributed in cash and the remaining €24,246 coming out of capital surplus.

Silent partnership

In anticipation of the initial public offering on the Prime Standard an effort was made in the first quarter 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

Since the sales recognized in the first three quarters of the year exceed the payments received on the relevant orders, the liabilities from percentage-of-completion have dropped by €98,591 compared to the end of 2006 to €356,055.

Options for employees and Board members

In the course of preparing the 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.

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.



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

A total of 8,082 options were exercised by employees of SFC Smart Fuel Cell AG in the third quarter. No options were issued in the third quarter, and 252 options have been forfeited year-to-date since the employees who held them have left the company.

With the cancellation and settlement of the stock options granted to the three parties mentioned above plus exercise and forfeiture of options by employees of SFC Smart Fuel Cell AG, the number of outstanding options decreased to 4,341 as of September 30, 2007 (Q3 2006: 30,426). These options entitle their holders to subscribe for a total of 17,364 shares.

Sales costs

Due to the discharge of share options, this expense increased in the first three quarters as follows:

in €	Jan. 1 – Sep. 30, 2007	Jan. 1 – Sep. 30, 2006
One-time effect from share options	392,917	0
Personnel costs	1,141,120	957,350
Advertising and travel costs	820,982	615,483
Consultancy / commission	365,736	178,593
Other	352,152	125,711
Total	3,072,907	1,877,137

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General costs of administration

Due to the discharge of share options, general costs of administration expenses increased in the first three quarters as follows:

in €	Jan. 1 – Sep. 30, 2007	Jan. 1 – Sep. 30, 2006
One-off effect of share options	484,955	0
Personnel expenses	562,790	423,798
Auditing and advisory fees	163,374	141,641
Remuneration of Supervisory Board	106,250	57,200
Depreciation and amortisation	58,796	15,354
Office supplies	39,411	15,926
Travel expenses	72,554	12,894
Other	284,728	127,519
Offset against subsidies received	-108,801	-99,837
Total	1,664,057	694,495

Income taxes

As part of corporate tax reform, German legislators have cut tax rates effective January 1, 2008 in an effort to substantially reduce the average tax burden on German corporations from the current level of approximately 40%. The bill was adopted by the Bundesrat, or upper house of German parliament, on July 6, 2007, after the lower house, the Bundestag, had approved it on May 25, 2007. Cornerstones of the new legislation include a reduction in the corporate income tax rate from 25% to 15% and a reduction in the base rate for municipal trade tax from 500 to 350. According to a position paper by the DRSC, the Accounting Standards Committee of Germany, this reduction should be taken into account for purposes of calculating deferred taxes from Q3 2007 on. Accordingly, the tax rate to use when determining deferred taxes on temporary differences whose reversal is first expected after the beginning of the 2008 fiscal year was reduced from 36.8% to 27.4%.

As was the case with the annual financial statements as of and for the year ended December 31, 2006, the amount reported as deferred tax assets does not exceed our deferred tax liabilities since we cannot show with reasonable certainty that SFC Smart Fuel Cell AG will be able to utilize the tax losses brought forward. Thus, with the subsequent netting of our deferred tax assets and liabilities, the change in the applicable tax rate is of no relevance to the deferred taxes we reported on our balance sheet and, thus, had no impact on our income tax expense/income for the period.



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Result from special influences

Taking account of the two special influences mentioned above, modification of the silent partnership and cancellation of share options, the result for the first three quarters 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 €	Jan. 1 – Sep. 30, 2007	Jan. 1 – Sep. 30, 2006
Net loss in accordance with income statement	-2,031,708	-2,494,892
Effect from modification of silent partnership	-1,011,879	
Effect of cancellation of share options	969,910	
Adjusted result after taxes	-2,073,677	-2,494,892
Operating loss in accordance with income statement	-3,634,948	-2,178,275
Effect of cancellation of share options	969,910	
Adjusted operating loss	-2,665,038	-2,178,275

Segment report

SFC's sales and results were as follows in the first three quarters of 2007:

Segment	Segment sales		Segment result	
	30.09.2007	30.09.2006	30.09.2007	30.09.2006
in €				
A-Series	5,547,249	2,039,397	363,535	-581,812
C-Series	273,969	131,640	140,297	80,282
JDA's	2,213,101	1,587,621	790,775	1,031,366
Power Manager	1,375,982	202,897	298,425	128,444
Other	221,703	221,554	-188,833	510
Offsetting	0	0	-3,435,906	-3,153,682
Total	9,632,005	4,183,110	-2,031,708	-2,494,892

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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 on the other, and is therefore no longer a related party.

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.

We also recognized sales of €54,202 from the supply of test equipment to Elcomax GmbH, a company over which one of the shareholders of SFC Smart Fuel Cell AG can exert a significant influence.

Employees

SFC employed the following personnel as of the reporting date:

	30.09.2007	30.09.2006
Full-time employees	72	60
Part-time employees	7	5
Trainees / Graduates / Student trainees	7	11
Total	86	76

Contingent liabilities and other financial obligations

In the course of public project sponsorships, SFC received grants for specific purposes in fiscal years 2005, 2006 and 2007 that are subject to securing financing for the whole respective project. Until these projects are successfully completed, the grants received so far amount to an eventual of €2,002,354 as of the reporting date (€1,406,441 as of December 31, 2006).



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Earnings per share

The following changes took place in the number of issued shares in the first three quarters of 2007:

	Jan. 1 – Sep. 30, 2007	Jan. 1 – Sep. 30, 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	
Capital increase from stock options July 2007	32,328	
Issued shares 30.09.	7,135,523	7,135,523
Undiluted weighted number of issued shares	5,924,519	5,924,519
Shares from exercisable options 01.01.	72,792	50,904
Shares from exercisable options 30.09.	720	73,800
Dilution effect	36,756	62,352
Diluted number of issued shares	5,961,275	5,986,871

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. As of the balance sheet date, 180 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 SFC's result.




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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, October 18, 2007
The Board


Dr. Peter Podesser


Dr. Jens Müller





IMPRINT

Responsible

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Sophie Huppert & Johanna Böhm

FINANCIAL CALENDAR 2007

Date	Agenda
02.04.2007	AGM SFC
16.07.2007	Half yearly report
18.10.2007	Nine months report

Statements about the future

This annual report contains statements and information about the future. Such passages contain such words 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 company's actual results, success, and performance to deviate from the results, success, and performance in the statements made explicitly or implicitly about the future.





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SMART FUEL CELL

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