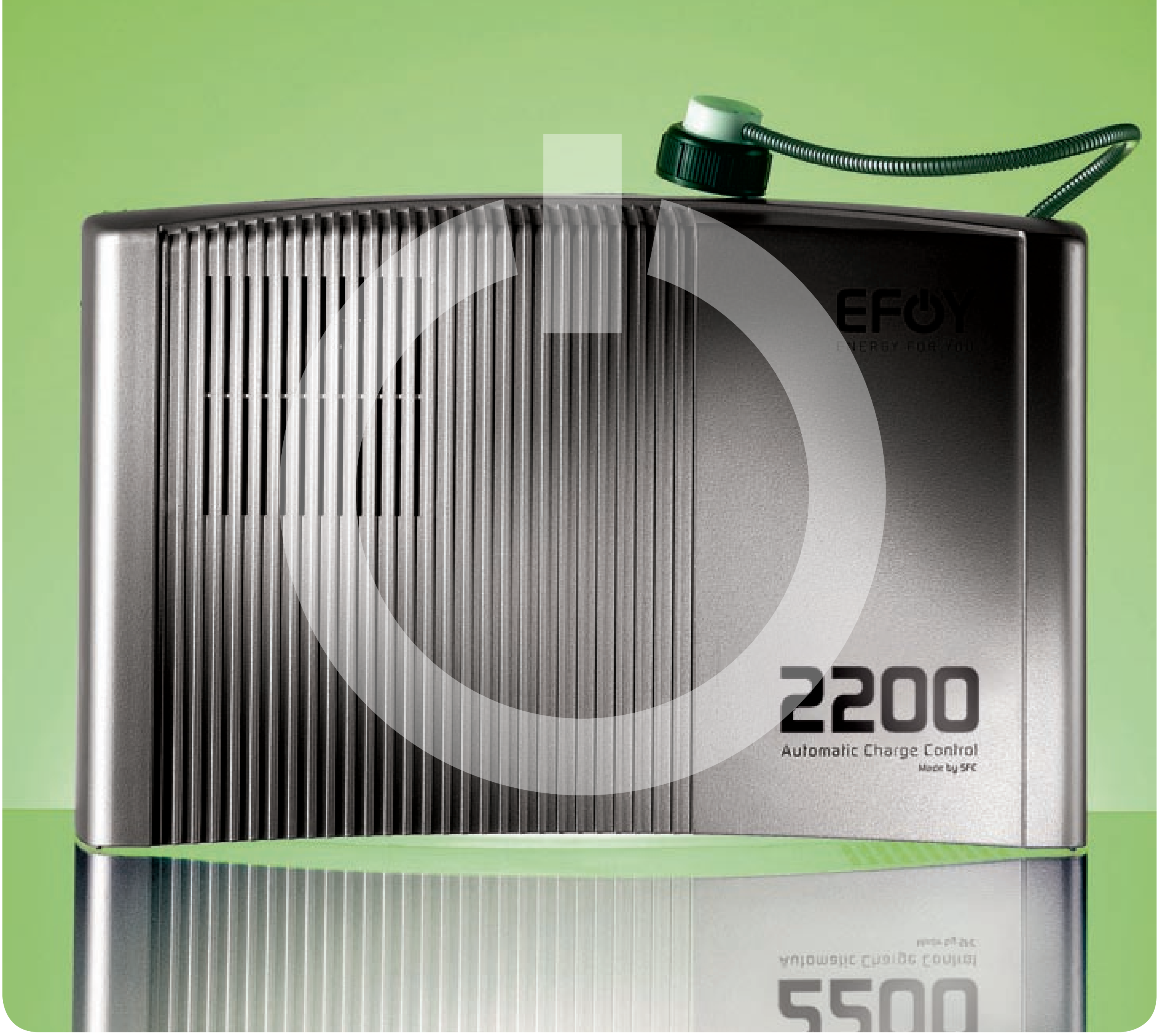
INTERIM REPORT Q3/2010



SFC ENERGY

SFC ENERGY AG CONSOLIDATED KEY FIGURES

in k €

	01/01 – 09/30/2010	01/01 – 09/30/2009	Change in %	Q3 2010	Q3 2009	Change in %
Total sales	8,865	8,476	4.6 %	2,287	2,810	– 18.6 %
Product sales total	8,217	7,547	8.9 %	2,051	2,421	– 15.3 %
Sales share of products	92.7 %	89.0 %	–	89.7 %	86.2 %	–
Gross margin total	2,453	2,275	7.8 %	477	925	– 48.4 %
Gross margin	27.7 %	26.8 %	–	20.9 %	32.9 %	–
EBITDA	– 3,395	– 2,586	– 31.3 %	– 1,765	– 688	> – 100 %
EBITDA margin	– 38.3 %	– 30.5 %	–	– 77.2 %	– 24.5 %	–
EBIT	– 4,138	– 3,271	– 26.5 %	– 2,032	– 893	> – 100 %
EBIT margin	– 46.7 %	– 38.6 %	–	– 88.9 %	– 31.8 %	–
Net loss	– 3,849	– 2,668	– 44.3 %	– 1,944	– 753	> – 100 %
Net loss per share, diluted	– 0.54	– 0.37	– 45.9 %	– 0.27	– 0.11	> – 100 %

	09/30/2010	12/31/2009	Change in %	–	–	–
Equity	42,021	45,860	– 8.4 %	–	–	–
Equity ratio	89.1 %	90.9 %	–	–	–	–
Balance sheet total	47,148	50,442	– 6.5 %	–	–	–
Cash (freely available)	34,734	40,544	– 14.3 %	–	–	–

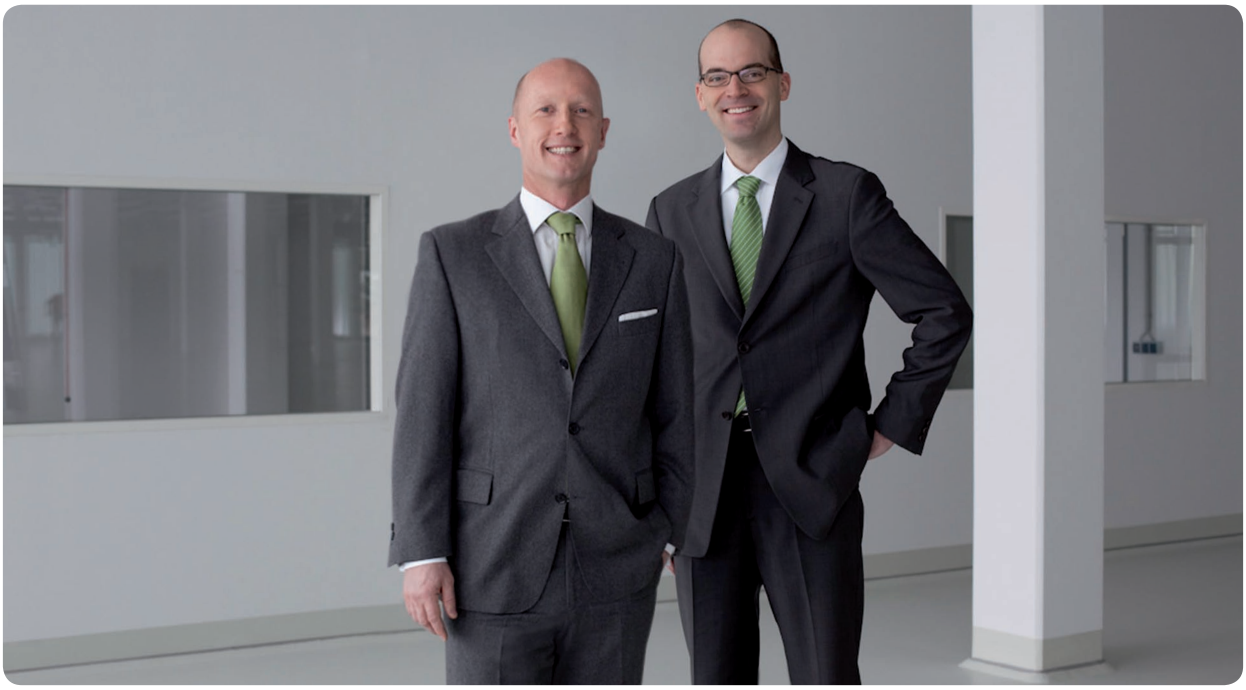
	09/30/2010	09/30/2009	Change in %	–	–	–
Permanent employees	97	94	3.2 %	–	–	–

DIRECTORS' SHAREHOLDINGS

	09/30/2010
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,

SFC Smart Fuel Cell AG changed its name and became SFC Energy AG on July 16, 2010. As a result, our Company's name now reflects its strategic direction: We consider ourselves to be an "off-grid energy supplier" to our customers in the leisure, industry and defense markets and in the area of e-mobility. This means that we supply more than just our fuel cells. We will also deliver more intelligent whole-product solutions that give customers easy plug-and-play access to reliable power for their applications.

The major production order placed by the German Bundeswehr in the third quarter demonstrates that our customers' needs are well served by this strategy. The SFC system solutions ordered consist of the portable JENNY fuel cell, the SFC Power Manager, a hybrid battery and a solar panel. With this contract, SFC has successfully made the transition from being a development partner to a product/system supplier of a major defense organization – clear proof that SFC products appeal to the defense market. The certification of Panasonic's Toughbook products with the "SFC Energy Approved" quality seal also validates the business model.

SFC Energy AG achieved total sales of € 8,865k in the first nine months of 2010, which marked a 4.6% increase from the same period last year. A more than 100% increase in revenues from our C-Series products for the defense market and a 75 % sales increase with EFOY fuel cells in the industry market drove this performance. As already announced, third-quarter sales were down materially compared to the year before, at € 2,287k.

Usual seasonality in the leisure sector depressed sales volumes, whilst sales to mobility customers – which were strongly driven by government stimulus program 2009 – where not repeated. The resulting drop in volumes had a direct impact on margins, which deteriorated compared to the half-year figures.

The fact that in Knaus Tabbert and Notin two additional acclaimed international motorhome manufacturers have decided to participate in partnership programs with SFC is added proof of just how broad the reception of EFOY fuel cells by the motorhome market, in particular, now is. Likewise, French motorhome manufacturer Rapido has opted to install EFOY fuel cells as standard equipment in another one of its successful motorhome series.

We remain firmly focused in our activities on creating revenue growth by increasing sales in existing markets, expanding our market presence in other regions, developing new applications and building the serial business in the defense market. Similarly, we continue to systematically cut costs by pursuing technological innovations. Given the continued softness in the leisure market, the Group anticipates sales to this segment in financial year 2010 to remain at their 2009 level, but sales growth in the civilian markets overall is expected. The Bundeswehr's orders will lead to a growth of approx. 50 percent in the defense segment. Thus the previous forecast for the fiscal year 2010 is unchanged, despite the weak third quarter.

The major production order placed by the German Bundeswehr in the third quarter demonstrates that our customers' needs are well served by this strategy.

SFC continues to see medium-term potential in the e-mobility market. At the eCarTec trade fair in October 2010, SFC and the renowned automotive engineering partner ESG Elektroniksystem- und Logistik GmbH presented a concept of combined heat and power generation using fuel cells that can significantly improve the performance of electric vehicles especially in winter conditions.

With our attractive product portfolio, strong network of international partners and long-standing experience in off-grid energy supply based on fuel cells, we believe we are in a good position for further sustainable sales growth.

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 – SEPTEMBER 30, 2010

1. REPORT ON EARNINGS AND FINANCIAL POSITION

Earnings position

Sales increased to € 8,865k in the first three quarters of 2010, up 4.6 % from € 8,467k in the prior-year period. The share of sales attributable to products increased to 92.7 % in the first nine months of 2010, compared with 89.0 % the year before, while that generated under joint development agreements (JDAs) and from other consulting services decreased accordingly.

Sales in the third quarter of 2010 fell by 18.6 % to € 2,287k (Q3 2009: € 2,810k), a decrease largely attributable to the effect a government economic stimulus program had on sales in the mobility market during the previous year.

Sales by segment

The increase in sales in the first nine months of the financial year is predominantly due to higher sales of A-Series and C-Series fuel cell systems. This development reflects the first signs of a possible recovery in the civilian markets leisure and industry, as well as increased interest in the system solutions offered in the defense market.

SALES BY SEGMENT (UNAUDITED) in k €

	January to September			3rd Quarter		
	2010	2009	Change in %	2010	2009	Change in %
A-Series	7,045	6,769	4.1 %	1,427	2,135	– 33.2 %
C-Series	389	194	100.5 %	306	89	>100 %
Power Manager	153	81	88.9 %	115	52	>100 %
JDAs	648	781	– 17.0 %	236	389	– 39.3 %
Other	630	651	– 3.2 %	203	145	40.0 %
Total	**8,865**	**8,476**	**4.6 %**	**2,287**	**2,810**	**– 18.6 %**

Sales of A-Series fuel cell systems rose 4.1 % to € 7,045k in the first nine months of 2010 (9M 2009: € 6,769k), primarily because of significant growth in the industry and leisure markets, which posted increases of € 742k (75.0 %) and € 512k (11.6 %), respectively. A-Series sales in the mobility market suffered a steep drop of € 985k (93.0 %) due to the effect mentioned above. Once again, revenues were generated on the sale of systems specially designed for military applications (FC 250, EMILY); they totaled € 247k (9M 2009: € 273k). Unit sales of A-Series fuel cell systems dropped from 3,137 to 2,858 compared with the prior-year period, which represents a decrease of 8.9 %. The fact that revenues grew while unit sales did not 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. Third-quarter sales in the A-Series segment suffered a decrease of 33.2 % from a year earlier at € 1,427k (Q3 2009: € 2,135k), while the number of fuel cell systems delivered dropped from 941 to 499, for a decrease of 47.0 %.

Sales in the C-Series segment increased 100.5 % to € 389k in the first nine months of 2010, up from € 194k in the first nine months of 2009. The number of systems delivered rose from 15 to 19. Third-quarter sales, at € 306k (Q3 2009: € 89k), were up € 217k.

Revenues from the sale of Power Managers rose from € 81k to € 153k in the first nine months, for an increase of 88.9 %. Third-quarter sales climbed from € 52k in the third quarter of 2009 to € 115k.

Sales in the JDA segment were 17.0 % below the previous year's level in the first nine months of 2010, at € 648k (9M 2009: € 781k). Third-quarter sales in the segment fell from € 389k to € 236k. It should be noted that the sales figure for the third quarter of 2009 included a one-time effect of € 142k attributable to a back claim from a project completed in 2008.

Sales in the Other segment fell 3.2 % to € 630k in the first nine months of 2010, compared with € 651k 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 € 85k, or 23.4 %, from the year before. Third-quarter sales increased 40.0 %, from € 145k to € 203k.

Sales by region

SALES BY REGION (UNAUDITED) in k €

	January to September			3rd Quarter		
	2010	2009	Change in %	2010	2009	Change in %
Europe (excluding Germany)	4,982	3,468	43.7 %	895	1,098	– 18.5 %
Germany	2,668	3,695	– 27.8 %	988	1,159	– 14.8 %
North America	985	1,194	– 17.5 %	356	541	– 34.2 %
Asia	147	100	47.0 %	48	3	> 100 %
Rest of world	83	19	> 100 %	0	9	– 100.0 %
Total	**8,865**	**8,476**	**4.6 %**	**2,287**	**2,810**	**– 18.6 %**

The chief driver of the sales growth in the first nine months 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 43.6 % to 30.0 %. The share of international sales in total sales rose accordingly to 70.0 % (9M 2009: 56.4 %).

The 43.7 % 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 and industry markets.

Sales in Germany were down 27.8 % for the first nine months of 2010. The decrease in the sale of A-Series fuel cell systems in the mobility and leisure markets fueled this drop. In addition, in contrast to the previous year, no JDA revenue was realized with the German Bundeswehr.

Sales decreased in North America by 17.5 %. Higher revenue from JDAs and the sale of A-series full cell systems in the industry market was offset, in particular, by lower revenue from the sale of A-Series fuel cell systems in the defense market 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 three quarters of 2010 climbed 7.8 % to € 2,453k, following € 2,275k the year before, due primarily to the A-Series revenue effects already mentioned as well as lower warranty costs. The gross margin for the A-Series rose by € 216k to 28.2 % of sales (9M 2009: 26.1 %), which helped push the gross margin percentage on total sales for the first nine months of 2010 up to 27.7 % (9M 2009: 26.8 %). Additional cost savings achieved for fuel cartridges contained in the Other segment are also worth mentioning: With sales volume up € 85k from the previous year, the gross margin improved by € 57k. The decrease in the gross margin of the Other segment by € 47k is largely attributable to the absence of the high-margin consulting services contained in the previous year's sales. The gross margin for the third quarter fell 48.4 % to € 477k (Q3 2009: € 925k), largely because of the decrease in A-series sales in the mobility market, as discussed earlier.

Sales costs

Sales costs rose 12.3 % in the first nine months of 2010 to € 3,624k (from € 3,227k) primarily because of the establishment of the US sales organization. Third-quarter sales costs, at € 1,260k (Q3 2009: € 1,067k), were up 18.1 %.

Research and development costs

Research and development costs rose from € 1,102k to € 1,391k in the first nine months of 2010, an increase of 26.2 %. Development costs in the amount of € 844k (9M 2009: € 764k) and proprietary patents in the amount of € 24k (9M 2009: € 47k) were capitalized in this period. Research and development costs in the third quarter advanced 62.5 % to € 507k (Q3 2009: € 312k). 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 nine months of 2010 totaled € 3,447k, which represents an increase of 1.2 % from the previous year's € 3,406k.

General administration costs

General administration costs increased by 8.0 % to € 1,629k in the first three quarters of 2010, compared with € 1,509k the year before, chiefly because of the expenses for moving into the new building and higher personnel expenses. For the third quarter, general administration costs were up 8.3 % to € 550k (Q3 2009: € 508k).

Other operating income

Other operating income fell 8.8 %, from € 330k a year ago to € 301k in the first nine months of 2010, predominantly because of lower income from the measurement of open platinum forwards. In the third quarter of 2010, other operating income decreased by 78.3 %, from € 83k to € 18k.

Other operating expenses

Other operating expenses rose from € 37k to € 248k in the first nine months of 2010, largely because of higher expenses from exchange rate differences. In the third quarter, other operating expenses rose from € 13k to € 210k.

Operating result (EBIT)

EBIT decreased by 26.5 % to minus € 4,138k in the first three quarters of 2010, versus minus € 3,271k the year before. The EBIT margin dropped to minus 46.7 %, following minus 38.6 % a year earlier. Third-quarter EBIT reached minus € 2,032k, compared with minus € 893k for the third quarter of the previous year.

Interest and similar income

Interest and similar income fell 50.2 %, from € 624k in the first nine months of 2009 to € 311k in the first nine months of 2010. Lower interest rates were the chief reason for this decrease. Third-quarter interest and similar income decreased by 37.1 % to € 88k (Q3 2009: € 140k).

Net loss

The net loss widened by 44.3 % to € 3,849k in the first nine months of 2010, following a net loss of € 2,668k the year before. The net loss for the third quarter widened to € 1,944k from € 753k.

Earnings per share

Earnings per share under IFRS (diluted) fell to minus € 0.54 in the first nine months of 2010, following negative earnings of € 0.37 per share for the same period last year. Third-quarter earnings per share receded from minus € 0.11 to minus € 0.27.

Financial position

Net cash outflows increased to € 5,807k in the first nine months of 2010, following € 3,512k in the same period a year ago. Net outflows in the third quarter were € 1,685k, versus net outflows of € 1,003k for the third quarter of the previous year.

Cash and cash equivalents amounted to € 34,734k at the end of September 2010 (September 30, 2009: € 42,056k).

Cash flow from ordinary operations

The net cash used in ordinary operations increased to € 3,766k in the first nine months of 2010, versus € 2,757k a year ago. In the prior-year period a tax refund of € 719k had been received. The amount refunded in 2010 decreased to € 212k.

Cash flow from investment activity

Net cash used for investment activity totaled € 2,042k in the period under review (9M 2009: € 635k). The increase was primarily due to higher investments in property, plant and equipment, which were up by € 602k. In addition, there was a € 387k reduction in interest received.

Cash flow from financial activity

Net cash used for financial activity decreased from € 120k to € 0k in the first nine months 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 89.1 % (December 31, 2009: 90.9 %).

Total assets were down 6.5 % at the end of the period, decreasing from € 50,442k as of December 31, 2009 to € 47,148k as of September 30, 2010.

Inventories rose from € 1,328k as of December 31, 2009 to € 2,112k as of September 30, 2010, largely because of preparations for delivery of the defense orders placed for the fourth quarter and the build-up of stocks for the US subsidiary.

Non-current assets rose from € 4,846k as of December 31, 2009 to € 6,025k as of September 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 12.8 %.

Among current liabilities, the main change occurred in trade accounts payable, which decreased from € 1,957k as of December 31, 2009 to € 1,524k as of September 30, 2010.

Altogether, liabilities made up 10.9 % of total liabilities and shareholders' equity (December 31, 2009: 9.1 %).

With the net loss for the period, shareholders' equity decreased to € 42,021k as of September 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.

In addition, greater emphasis was placed on the development of whole-product solutions for power supply, typically consisting of a fuel cell system, hybrid battery, power management, and accessories – and even solar cells in some cases – in order to better meet customer requirements in the defense, industry and mobility markets, in particular.

Capital expenditures

In the first nine months of 2010, we capitalized € 844k in development work directed at enhancing our fuel cell systems (9M 2009: € 764k). We also made advance payments on an automated filling line for fuel cartridges, and invested in injection molding tools as well as 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 order intake in the first nine months 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, the volume of new orders dropped 13.6 % to € 7,474k, following € 8,648k in the first three quarters of 2009. In the third quarter, SFC received € 3,117k in new orders (Q3 2009: € 3,111k). Consequently, the order backlog, which stood at € 2,021k as of September 30, 2010, had increased by 7.0 % from a year earlier (September 30, 2009: € 1,888k).

A significant milestone was achieved in the defense market in the third quarter of 2010, with SFC receiving a further serial order from the German Bundeswehr. Through this order, the Bundeswehr will be introducing the portable JENNY fuel cell (C-Series) into a new energy network for soldiers. The system solution consists of the portable JENNY fuel cell, the SFC Power Manager, a hybrid battery specially tailored to the system, a solar panel for alternative energy supply as well as extensive accessories. The size of the order is around one million euro gross, and the systems are expected to be delivered before the end of 2010.

Employees

As of September 30, 2010, SFC employed the following permanent personnel:

EMPLOYEES

	09/30/2010	09/30/2009	Change
Management Board	2	2	0
Research and development	27	29	-2
Production, logistics, quality management	26	26	0
Sales & Marketing	30	26	4
Administration	12	11	1
Permanent employees	**97**	**94**	**3**

SFC employed 12 trainees, graduates and student trainees as of September 30, 2010 (September 30, 2009: 9).

The number of permanent employees as of September 30, 2010 was largely unchanged from the previous year at 97 (September 30, 2009: 94).

2. REPORT ON RISKS AND OPPORTUNITIES

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

We believe that the Group's material risks and opportunities have not changed since the publication of our 2010 half-year report.

3. REPORT ON FORECASTS AND OTHER FORWARD-LOOKING STATEMENTS

Given the continued softness in the leisure market, the Group anticipates sales to this segment in financial year 2010 to remain at their 2009 level, but sales growth in the civilian markets overall is expected. The Bundeswehr's orders will lead to a growth of approx. 50 percent in the defense segment. Thus the previous forecast for the fiscal year 2010 is unchanged, despite the weak third quarter.

SFC continues to see medium-term potential in the e-mobility market. At the eCarTec trade fair in October 2010, SFC and the renowned automotive engineering partner ESG Elektroniksystem- und Logistik GmbH presented a concept of combined heat and power generation using fuel cells that can significantly improve the performance of electric vehicles especially in winter conditions.

4. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date.

Brunnthal, October 28, 2010

Dr. Peter Podesser
CEO

Dr. Jens Müller
COO

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

CONSOLIDATED INCOME STATEMENT
FROM JANUARY 1 TO SEPTEMBER 30, 2010

			in €
		01/01 – 09/30/2010	01/01 – 09/30/2009
1.	Sales	8,865,456	8,476,061
2.	Production costs of work performed to generate sales	–6,412,857	–6,201,425
3.	**Gross margin**	**2,452,599**	**2,274,636**
4.	Sales costs	–3,624,293	–3,226,974
5.	Research and development costs	–1,390,909	–1,102,409
6.	General administration costs	–1,628,816	–1,508,855
7.	Other operating income	301,388	329,982
8.	Other operating expenses	–247,987	–37,315
9.	**Operating loss**	**–4,138,018**	**–3,270,935**
10.	Interest and similar income	310,958	624,382
11.	Interest and similar expenses	–21,769	–21,621
12.	**Loss from ordinary operations**	**–3,848,829**	**–2,668,174**
13.	Income taxes	0	0
14.	**Net loss**	**–3,848,829**	**–2,668,174**
15.	Accumulated loss brought forward from previous year	–28,184,227	–24,399,447
16.	**Net accumulated loss**	**–32,033,056**	**–27,067,621**
	NET LOSS PER SHARE		
	undiluted	–0.54	–0.37
	diluted	–0.54	–0.37

CONSOLIDATED INCOME STATEMENT
FROM JULY 1 TO SEPTEMBER 30, 2010

			in €
		07/01–09/30/2010	07/01–09/30/2009
1.	Sales	2,286,901	2,810,132
2.	Production costs of work performed to generate sales	–1,810,033	–1,885,275
3.	**Gross margin**	**476,868**	**924,857**
4.	Sales costs	–1,259,619	–1,067,291
5.	Research and development costs	–506,998	–312,208
6.	General administration costs	–550,393	–508,280
7.	Other operating income	17,965	83,322
8.	Other operating expenses	–209,710	–12,914
9.	**Operating loss**	**–2,031,887**	**–892,514**
10.	Interest and similar income	88,203	139,601
11.	Interest and similar expenses	0	0
12.	**Loss from ordinary operations**	**–1,943,684**	**–752,913**
13.	Income taxes	0	0
14.	**Net loss**	**–1,943,684**	**–752,913**
15.	Accumulated loss brought forward from previous year	–30,089,372	–26,314,708
16.	**Net accumulated loss**	**–32,033,056**	**–27,067,621**
	NET LOSS PER SHARE		
	undiluted	–0.27	–0.11
	diluted	–0.27	–0.11

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

		in €
	01/01 – 09/30/2010	01/01 – 09/30/2009
Net loss for the period	**–3,848,829**	**–2,668,174**
Result from currency translations	9,497	15,908
Total results recognized directly in equity	**9,497**	**15,908**
Total result for the period	**–3,839,332**	**–2,652,266**

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FROM JULY 1 TO SEPTEMBER 30, 2010

		in €
	07/01 – 09/30/2010	07/01 – 09/30/2009
Net loss for the period	**–1,943,684**	**–752,913**
Result from currency translations	109,983	8,985
Total results recognized directly in equity	**109,983**	**8,985**
Total result for the period	**–1,833,701**	**–743,928**

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

CONSOLIDATED BALANCE SHEET
AS AT SEPTEMBER 30, 2010

	ASSETS		in €
		09/30/2010	12/31/2009
A.	**Current assets**	**41,123,673**	**45,596,399**
I.	Inventories	2,112,178	1,327,600
II.	Trade accounts receivable	2,090,021	2,200,369
III.	Receivables from Percentage-of-Completion	263,007	6,930
IV.	Income tax receivables	80,790	212,176
V.	Other short-term assets and receivables	1,197,832	1,225,070
VI.	Cash and cash equivalents	34,733,933	40,543,600
VII.	Cash and cash equivalents with limitation on disposal	570,000	45,320
VIII.	Deferred charges and prepaid expenses	75,912	35,334
B.	**Non-current assets**	**6,024,557**	**4,846,064**
I.	Intangible assets	2,875,168	2,410,796
II.	Property, plant and equipment	2,290,992	1,681,233
III.	Other long-term assets and receivables	0	63,285
IV.	Deferred tax assets	858,397	690,750
	Assets	**47,148,230**	**50,442,463**

CONSOLIDATED BALANCE SHEET
AS AT SEPTEMBER 30, 2010

	LIABILITIES AND SHAREHOLDERS' EQUITY		in €
		09/30/2010	12/31/2009
A.	**Current liabilities**	**3,638,525**	**3,444,426**
I.	Other provisions	653,530	571,606
II.	Liabilities from prepayments	52,012	18,321
III.	Trade accounts payable	1,524,179	1,957,452
IV.	Other short-term liabilities	1,408,804	897,047
B.	**Non-current liabilities**	**1,488,539**	**1,137,539**
I.	Other long-term provisions	302,113	264,241
II.	Other long-term liabilities	328,029	182,548
III.	Deferred tax liabilities	858,397	690,750
C.	**Equity**	**42,021,166**	**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	21,697	12,200
IV.	Accumulated loss brought forward from previous year	–28,184,227	–24,399,447
V.	Net loss	–3,848,829	–3,784,780
	Liabilities and shareholders' equity	**47,148,230**	**50,442,463**

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

in €

		01/01–09/30/2010	01/01–09/30/2009
	Cash flow from ordinary operations		
	Result before taxes	**–3,848,829**	**–2,668,174**
–	Net interest income	–289,189	–602,761
+	Depreciation/amortization of intangible assets and property, plant and equipment	743,123	685,385
+	Expenses from Long Term Incentive Plan	145,480	127,710
–	Changes in allowances	–12,902	–24,144
+/–	Profits/Losses from disposal of property, plant and equipment	6,464	–251
–	Profits from derivatives	–81,475	–223,040
	Changes to operating result before working capital	**–3,337,328**	**–2,705,275**
+	Changes to short and long-term provisions	98,234	1,356
+	Changes to trade accounts receivable	111,901	355,017
–	Changes to inventories	–773,229	–314,431
–/+	Changes to other receivables and assets	–81,749	199,693
–	Changes to prepaid expenses	–40,577	–18,201
–	Changes to trade accounts payable	–433,273	–792,991
+	Changes to other liabilities	559,058	11,688
–	Changes to deferred income	0	–33,092
	Cash flow from ordinary operations before taxes	**–3,896,963**	**–3,296,236**
+	Income tax payments	131,387	539,540
	Cash flow from ordinary operations	**–3,765,576**	**–2,756,696**

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

in €

		01/01–09/30/2010	01/01–09/30/2009
	Cash flow from investment activity		
–	Investments in intangible assets from development projects	–844,000	–764,400
–	Investments in other intangible assets	–77,973	–60,711
–	Investments in property, plant and equipment	–907,753	–305,685
+	Bank balances released	45,320	550,000
+	Interest and similar income	308,626	695,404
–	Bank balances pledged	–570,000	–750,000
+	Proceeds from the sale of assets	4,225	252
	Cash flow from investment activity	**–2,041,555**	**–635,140**
	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	**–5,807,338**	**–3,511,763**
	Currency effects on cash and cash equivalents	2,329	–20
	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	34,733,933	42,055,778
	Net change in cash and cash equivalents	**–5,807,338**	**–3,511,763**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FROM JANUARY 1 TO SEPTEMBER 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 – 09/30/2009				–2,668,174	–2,668,174
Result from currency translation recognized in equity			15,908		15,908
Balance 09/30/2009	**7,152,887**	**66,879,638**	**17,660**	**–27,067,621**	**46,982,564**
Total result for the period					
Net result 10/01 – 12/31/2009				–1,116,606	–1,116,606
Result from currency translation recognized in equity			–5,460		–5,460
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 – 09/30/2010				–3,848,829	–3,848,829
Result from currency translation recognized in equity			9,497		9,497
Balance 09/30/2010	**7,152,887**	**66,879,638**	**21,697**	**–32,033,056**	**42,021,166**

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 subsidiary, 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. This 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 September 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 recognized 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 € 60,265 (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 nine months of 2010, we had receivables from percentage-of-completion totaling € 263,007 as of the reporting date, versus € 6,930 as of December 31, 2009.

Cash and cash equivalents with limitation on disposal

In the first three quarters 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 September 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 and July 2010, the Supervisory Board approved the participation of certain other top executives (Tranche 2). The purpose of the plan, which will last a total of 5 years, is to reward the Management Board members and these select top executives for their contributions to increasing the Company's shareholder value. The plan encompasses variable compensation in the form of phantom stock, or "pretend" stock, the value of each unit of which is based on the total value of a real SFC share. A phantom share entitles its holder to a cash payment equal to the then-current share price plus any dividend per share. Participants are not entitled to receive actual SFC shares.

The plan is divided into various sub-tranches with different performance periods, with each such period lasting three calendar years. The performance period for the first sub-tranche of Tranche 1 began January 1, 2009. The two remaining sub-tranches begin exactly one and two years later, respectively. The performance period for the first sub-tranche of Tranche 2 also began January 1, 2009, while the second sub-tranche began exactly one year later. At the beginning of each performance period, a preliminary value is assigned to the allotment by taking the volume allotted and dividing it by the weighted average market price of a share of SFC stock for the first three months of the respective performance period. A total allotment volume of € 220,000 each was defined for the first and second sub-tranche of Tranche 1. The allotment volume for the first sub-tranche of Tranche 2 was originally € 190,000, and for the second sub-tranche of Tranche 2 it was € 155,000. As of September 30, 2010, the number of phantom shares initially allotted amounted to 36,001 for the first sub-tranche of Tranche 1, 35,215 for the second sub-tranche of Tranche 1, 27,003 for the first sub-tranche of Tranche 2 and 24,813 for the second sub-tranche of 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 September 30, 2010, the carrying value of the liability recognized on the balance sheet, which is reported under other long-term liabilities, was € 328,029 (December 31, 2009: € 182,548) and the amount expensed for the period was € 145,480 (prior-year period: € 127,710).

The following parameters were used in the measurement:

Measurement date	09/30/2010
Remaining term (in years)	1,25 – 3,25
Anticipated volatility	38.22 % – 59.90 %
Risk-free interest rate	0.64 % – 1.09 %
Share price as of the measurement date	€ 5,20

Sales costs

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

		in €
	01/01 – 09/30/2010	01/01 – 09/30/2009
Personnel costs	1,810,232	1,676,924
Advertising and travel costs	768,757	649,561
Consultancy/commissions	399,037	442,397
Other	646,267	458,092
Total	**3,624,293**	**3,226,974**

Research and development costs

We capitalized € 844,000 in development work in the first nine months of 2010, versus € 764,400 the year before.

Intangible assets rose accordingly to € 2,875,168, 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 three quarters of 2010:

		in €
	01/01 – 09/30/2010	01/01 – 09/30/2009
Personnel costs	787,987	724,877
Audit and consultancy costs	202,772	247,863
Investor relations/annual meeting	124,383	134,896
Supervisory Board compensation	123,790	127,500
Travel costs	110,505	126,990
Depreciation and amortization	79,021	92,507
Insurance	66,716	66,527
Car-operating costs	30,435	43,192
Costs of hardware and software support	27,874	26,508
Other	232,640	132,438
Set-off against grants	–157,307	–214,443
Total	**1,628,816**	**1,508,855**

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 three quarters of 2010:

in €

	Segment sales		Segment result	
	01/01 – 09/30/2010	01/01 – 09/30/2009	01/01 – 09/30/2010	01/01 – 09/30/2009
A-Series	7,044,770	6,769,565	1,985,697	1,769,422
C-Series	389,119	194,117	182,324	114,112
JDA	648,291	780,529	225,767	314,943
Power Manager	153,060	80,535	73,269	43,109
Other	630,216	651,315	– 14,457	33,049
Unallocated items	0	0	– 6,301,429	– 4,942,809
Total	**8,865,456**	**8,476,061**	**– 3,848,829**	**– 2,668,174**

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 three quarters of 2010.

Employees

SFC employed the following personnel as of the reporting date:

	09/30/2010	09/30/2009
Full-time employees	91	88
Part-time employees	6	6
Total	**97**	**94**

Twelve trainees, graduates and student trainees were also employed as of the end of September 2010 (September 30, 2009: 9).

Earnings per share

The number of issued shares at the beginning of the financial year and at the reporting date of September 30, 2010 was unchanged at 7,152,887 (9M 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, October 28, 2010
The Management Board

Dr. Peter Podesser
CEO

Dr. Jens Müller
COO

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

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