ANNUAL REPORT 2011

SFC ENERGY

SFC ENERGY AG CONSOLIDATED KEY FIGURES

in k€

	1/1–12/31/2011	1/1–12/31/2010	Change in %
Total sales	15,426	13,330	15.7 %
Product sales total	13,567	12,455	8.9 %
Sales share of products	87.9%	93.4 %	–
Gross margin total	5,370	4,042	32.9 %
Gross margin	34.8 %	30.3 %	–
EBITDA	–4,644	–3,490	–33.1 %
EBITDA underlying	–2,691	–3,490	22.9 %
EBITDA margin underlying	–17.4 %	–26.2 %	–
EBIT	–6,615	–4,510	–46.7 %
EBIT underlying	–4,085	–4,510	9.4 %
EBIT margin underlying	–26.5 %	–33.8 %	–
Net loss	–6,218	–4,123	–50.8 %
Net loss per share, diluted	–0.87	–0.58	–50.0 %

in k€

	12/31/2011	12/31/2010	Change in %
Equity	36,788	41,721	–11.8 %
Equity ratio	75.4 %	90.1 %	–
Balance sheet total	48,783	46,312	5.3 %
Cash (freely available)	22,443	33,560	–33.1 %

	12/31/2011	12/31/2010	Change in %
Permanent employees at 12/31	190	97	95.9 %

CONTENT

4 **INTRODUCTION**
Introduction by the Management Board

7 **CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE**
From environmentally friendly power generation to plug & play installation: the SFC value chain

9 **PRODUCTS**
Generating and efficiently distributing power with SFC Energy products

13 **MARKETS**
Delivering power anytime, anywhere for applications in the Consumer, Industry and Defense & Security segments

16 **STRONGER TOGETHER**
Integrating the PBF Group: an interview with SFC Energy CEO Peter Podesser and CFO Gerhard Inninger, and PBF Group founders Hans Pol and Wolter Buikema

18 **SFC MILESTONES IN 2011**
Market breakthroughs and successful new applications

20 **SUPERVISORY BOARD REPORT**

26 **THE SHARE**

29 **CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE**

39 **GROUP MANAGEMENT REPORT**

63 **CONSOLIDATED FINANCIAL STATEMENTS**

72 **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

121 **RESPONSIBILITY STATEMENT**

122 **INDEPENDENT AUDITORS’ REPORT**

123 **FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT**

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

INTRODUCTION BY THE MANAGEMENT BOARD

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

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

In 2011 we gave SFC Energy a whole new structure. The result: we have adopted a broader business model and are concentrating on improving our operations and performance, placing the emphasis squarely on delivering customer benefits and customer satisfaction and on increasing the Company's value. In August 2011, Gerhard Inninger joined SFC Energy's management team as CFO. Mr Inninger will make a vital contribution to these efforts.

Going forward, we will continue to concentrate on our three core business areas to lay the foundation for long-term, sustainable growth. Soon our segment reporting will also reflect this concentration. SFC Energy will serve the "Industry", "Defense & Security" and "Consumer" segments as the market leader for off-grid and grid-based power supply solutions.

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

Our strategic realignment reached a major milestone in the fourth quarter of 2011, when we purchased the Dutch company PBF Group B.V. Our acquisition of PBF, which specializes in higher-level power management solutions and switched mode power supplies and is about the same size as SFC Energy, broadened the Group's systems expertise significantly. We believe that combining the customer base and specialized expertise of both companies will benefit the entire group, enhancing our technology as well as our business strength. More detailed information on the acquisition appears later in this annual report.

Expanding our business model, focusing on core markets and integrating PBF has put SFC Energy on a more solid footing. We are now less exposed to the seasonal nature of the leisure market and the limited predictability of the defense industry.

Naturally, we have geared our offering to the core needs of our customers. No matter how different markets may be, they all have one thing in common: customers want an easy-to-use power source – even when they're outdoors and on the go, and this go-anywhere power source needs to be as convenient and reliable as getting electricity from an outlet at home. For our customers, that means we create genuine added value – aligned with each market's needs – in their various applications. We do this not only by delivering a quiet, reliable, environmentally friendly power source – our successful fuel cells – but by ensuring that the power they produce is stored, converted and efficiently distributed as needed. At the end of this value chain is a product that the customer can hook up and turn on in a few simple steps: in short, a portable outlet.

Our customers want an easy-to-use power source – convenient and totally reliable.

The success of this approach is clear from last year's sales, which were up 32 percent for Industry and 26 percent for Defense & Security.

In the Leisure market, we launched our latest fuel cell generation, EFOY COMFORT, in spring 2011, a power source that is even more closely matched to the needs of RV and sailboat owners. The additional convenience features that we have included on the three models in this series, along with their extremely quiet operation, make the EFOY COMFORT the perfect vacation companion for anyone who wants reliable power anytime, anywhere, in any weather and without a noisy generator. With their many advantages, these popular power sources are steadily gaining international recognition throughout Europe and in the United States. And since the 2011 launch of EFOY fuel cells in Canada, recreational vehicle users and cabin owners in the upper reaches of North America can enjoy the quiet, environmentally friendly power generated by our fuel cells, too.

In the Industry market, we focus on applications in security and surveillance, traffic management, wind power and environmental technology, as well as in the oil and gas sector. In Canada we formed a new partnership with a systems integrator that is using EFOY Pro fuel cells to run chemical injector pumps, air compressors, and independent power packages for oil and gas pipelines and facilities that are isolated from the grid.

We also added to our list of customers and applications in defense last year. Jenoptik's Defense & Civil Systems division is now using our portable JENNY fuel cell and the SFC Power Manager to supply their NYXUS ground-based reconnaissance and surveillance platform. In the fall we launched a new off-grid power source for defense applications: the EMILYCube 2500. This new product uses a 100-watt fuel cell to deliver 100 hours of maintenance-free power – a clear advantage over battery-only power sources. And at only 13.5 kg, the EMILYCube is so light that one person can easily carry it to the exact location where power is needed.

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

Worldwide, we've sold more than 24,000 SFC fuel cells in all – clear proof that our innovative products are an attractive solution to our customers' off-grid energy supply needs in all of our markets.

SFC Energy expects to generate full-year 2012 sales of 28 to 30 million Euros for the entire group, and – as announced earlier – to reach EBITDA break-even in the second half of the year.

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

With best wishes,

The SFC Energy AG Management Board

Dr Peter Podesser
CEO

Gerhard Inninger
CFO

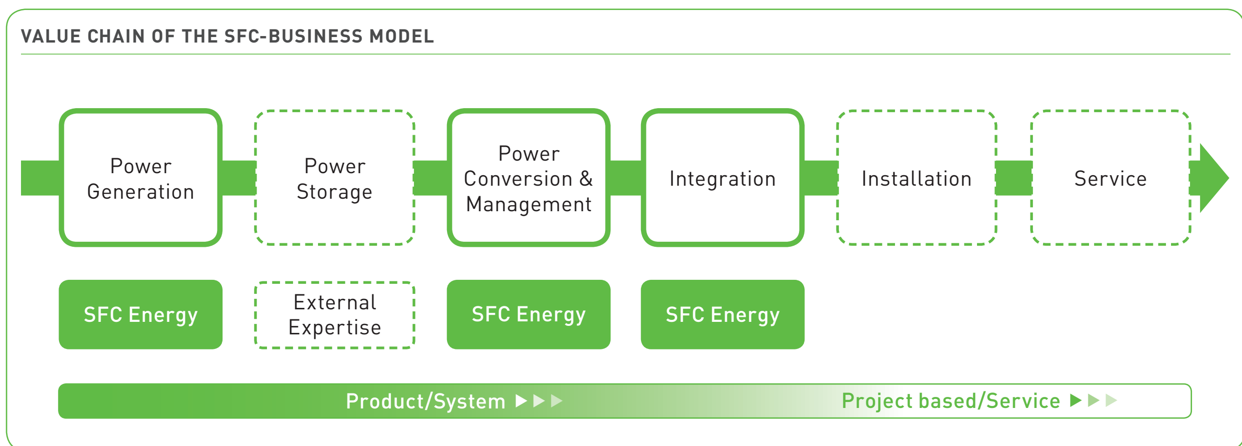
4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE

FROM ENVIRONMENTALLY FRIENDLY POWER GENERATION TO PLUG & PLAY INSTALLATION: THE SFC VALUE CHAIN

One of our customers says it best: "To me, my fuel cell is just as much a technological miracle as my computer. But I don't really need to know exactly how it all works – all I want is to be able to hook up my equipment and get power." And that's the basic need for all of our customers in all of our markets. They want access to off-grid power, anytime, anywhere, and they want it to be as convenient and reliable as the outlets they use at home. But if you've ever sat in a dark campsite because your batteries were dead, or had to stop using your laptop because there was no way to charge it, you know it's not so easy. Batteries are an excellent way to power electrical devices when you're on the go, but their capacity is limited, and once they're empty it often takes a long time to recharge them. So it's entirely understandable for customers to want a power source they can take with them anywhere.

But they also want an integrated power source, a device that doesn't just generate power, but stores it and keeps it available in the right amounts; that converts voltage and efficiently distributes power as needed.



4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

This is exactly where SFC Energy's business model comes in: Generally all it takes to generate power is one SFC fuel cell, but, if the application in question calls for it, that fuel cell can also be combined with solar modules, wind generators and other equipment to create hybrid solutions. A battery can be combined with a fuel cell to provide power storage. The reasons for this combination are technical: fuel cells produce continuous power at a constant rate but can't deliver surges in power if the equipment demands it; batteries can keep large quantities of power available, but take a long time to recharge. When the battery and fuel cell are combined, the fuel cell constantly monitors the battery's charge level. If it falls below a given threshold, the fuel cell automatically turns on and recharges the battery, ensuring that power is available at all times. After an inverter connected to the battery converts the power to the right voltage, the power is efficiently distributed to the user's equipment. Thanks to intelligent, reliable, high-quality components, complex power supply systems like the ones developed and produced by PBF take the energy that is generated and feed it to end devices efficiently and exactly to the customer's specifications.

Generally all it takes to generate power is one SFC fuel cell, but, if the application in question calls for it, that fuel cell can also be combined with solar modules, wind generators and other equipment to create hybrid solutions.

When customers use one of these integrated power supply solutions, all they have to do is plug their equipment in and turn it on. SFC offers integrated power supply solutions – like the EFOY ProCube for industrial applications or the EMILYCube for defense vehicles – to customers in each of its markets.

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

PRODUCTS

GENERATING AND EFFICIENTLY DISTRIBUTING POWER WITH SFC ENERGY PRODUCTS

THE EFOY COMFORT

EFOY COMFORT fuel cell generators for consumer applications are our newest generation of products, supplying quiet, reliable off-grid power to RVs, vacation cottages and sailboats. The EFOY COMFORT series consists of three models with charging capacities of 80, 140 and 210 amp-hours per day, offering users the ultimate flexibility. It's up to 15 percent more powerful, up to 15 percent more cost-effective, and even quieter than its predecessors, thanks to intelligent use of vibration-absorbing attenuators from the automotive industry. In addition to being even easier to use, our new EFOY COMFORT fuel cells feature a new expert mode that allows users to create custom settings.

EFOY COMFORT 80, EFOY COMFORT 140, EFOY COMFORT 210, dimensions (L x W x D): 443 x 202 x 288 mm, charging capacity/day: 80 to 210 Ah, weight: 7 – 8.2 kg

EFOY PRO 600, EFOY PRO 1600, EFOY PRO 2200, EFOY PRO 2200 XT, dimensions (L x W x D): 443 x 188 x 278 mm, charging capacity/day: 600 to 2,160 Wh, weight: 6.8 – 8.9 kg

THE EFOY PRO

Used exclusively in professional and industrial settings, the EFOY Pro series was specially developed for demanding applications in security and surveillance, traffic management, wind power and environmental technology, as well as in the oil and gas sector. It consists of four models with charging capacities ranging from 600 to 2,160 watt-hours per day. If more power is needed, several units can be combined. Like all SFC fuel cells, the EFOY Pro series generates environmentally friendly, fully automatic power in all seasons and weather conditions, even in the harshest environments. To allow for maximum flexibility in every application, EFOY Pro fuel cell generators can be used in a box, in a switch cabinet, on board a vehicle or even underground.

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

THE EFOY PROCUBE

The EFOY ProCube was also specially developed for industrial applications – a portable, maintenance-free integrated power source that's ready to use anytime, anywhere. The ProCube contains an EFOY Pro fuel cell, a battery and a fuel cartridge, and can be supplemented with an inverter and a switch system. Well protected by a box, the EFOY ProCube can be used outdoors or under cover, with no modification or integration required. The ProCube is particularly well suited to serve as a bad-weather backup unit or solar system supplement, or in other hybrid applications.

EFOY PRO CUBE, dimensions (L x W x D): 800 x 600 x 410 mm, weight: ca. 15 kg

EMILY, dimensions (L x W x D): 476 x 206 x 285.5 mm, weight: <12.5 kg, charging capacity/day: 2,200 Wh

THE EMILY 2200

This robust power source was developed specifically for use in defense vehicles and is fully automatic, quiet and reliable. Once installed, it recharges the on-board batteries that run electric equipment such as radio and communications systems, night vision equipment, navigation devices and computers. It can also serve as a field charging station for batteries in tents, huts and igloos, and as an unattended field charger.

THE EMILYCUBE 2500

The EMILYCube 2500 is a portable charging station for defense applications that delivers reliable power anywhere, anytime. The small power pack weighs only 13.5 kilogram – 21.9 kilogram when loaded with a full 10-liter fuel cartridge – and can easily be carried by a single person. The EMILYCube 2500 requires no installation and is easy to set up and turn on wherever power is needed. Once in operation, it delivers fully automatic power, with no human intervention or maintenance required.

EMILY CUBE 2500, dimensions (L x W x D): 394 x 305 x 384 mm, charging capacity/day: 2,500 Wh, weight: 13.5 kg without cartridge

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

THE PORTABLE JENNY 600S

SFC's smallest power source, the JENNY 600S is used exclusively in the defense industry. Because it weighs only 1.7 kilogram, soldiers can easily carry the JENNY 600S in their vests, taking it anywhere they need power – for communications and navigation systems, computers, laser tracking devices or other applications. The JENNY 600S is equally well suited to run off-grid sensors, cameras, metering equipment and other devices used in the field. Small, quiet and undetectable, it can also deliver fully automatic power to security-related or strategic applications over long periods without being discovered.

JENNY, dimensions (L x W x D): 183.6 x 74,4 x 252.3 mm, charging capacity/day: 600 Wh, weight: 1.7 kg

THE SFC POWER MANAGER

This highly intelligent device is an efficient power converter that allows batteries to be recharged in the field from nearly any available energy source. It provides a variety of output voltages as needed, allowing users to run devices that require different voltages. When combined with SFC's portable JENNY fuel cell generator and a hybrid battery, the SFC Power Manager forms an integrated, portable and highly efficient power source for soldiers in the field. With the Power Manager, soldiers can significantly reduce the weight of the batteries they once carried to power their various devices. To date the Power Manager has been used only in the defense industry.

SFC POWER MANAGER, dimensions (L x W x D): 131 x 87 x 41 mm, weight: 0.48 kg

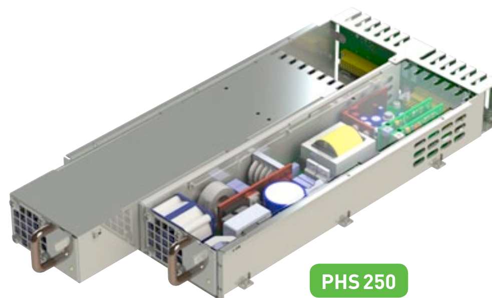
4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

FIRST-RATE POWER SUPPLY SOLUTIONS

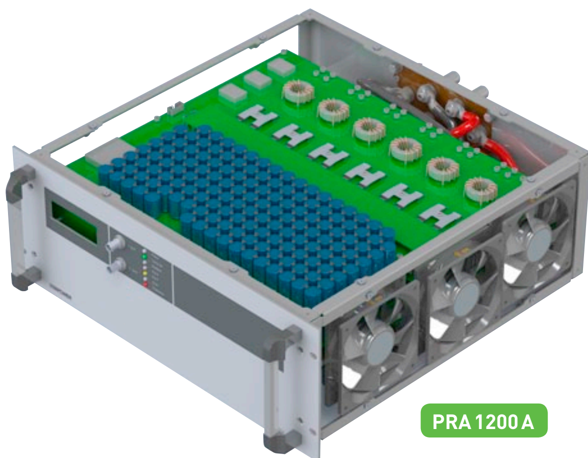
With PBF's intelligent, reliable and high-quality power supply solutions, SFC Energy's expertise now covers more of the value chain, putting SFC in a position to offer integrated solutions that range from power generation through storage and conversion to efficient distribution. PBF offers a broad portfolio of standard high-performance electronic components, external and internal converters and switched mode power supplies, as well as proven expertise in developing and implementing custom applications.

These highly specific components are used in a variety of applications, including electron microscopes, precision defense equipment, semiconductor and industrial equipment, testing and metering devices, security equipment and medical devices.

Thanks to its strong commitment to research and development, PBF is able to develop and manufacture durable power supply systems that are both highly reliable and highly efficient. With these extremely efficient systems, customers can also achieve legally mandated energy savings, reducing heat production and, with it, thermal load on components. That in turn reduces the amount of space needed for installing the power equipment. The bottom line: PBF products offer high power density coupled with maximum reliability and long product life.



PHS 250



PRA 1200 A

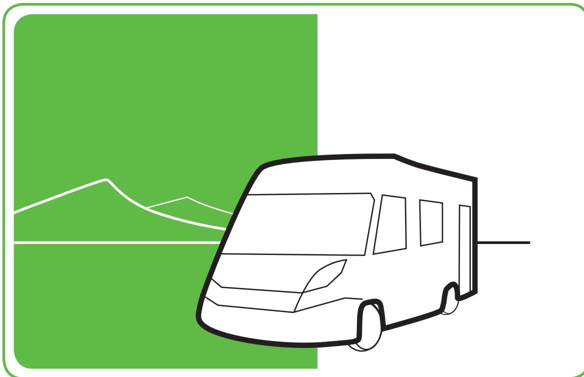
PRA 15024

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

MARKETS

DELIVERING POWER ANYTIME, ANYWHERE FOR APPLICATIONS IN THE CONSUMER, INDUSTRY AND DEFENSE & SECURITY SEGMENTS.

In line with our new strategic orientation, SFC is now focused on providing integrated power supply solutions to three core markets where our product portfolio creates genuine added value for customers – and for many customer applications is the only enabling technology available.



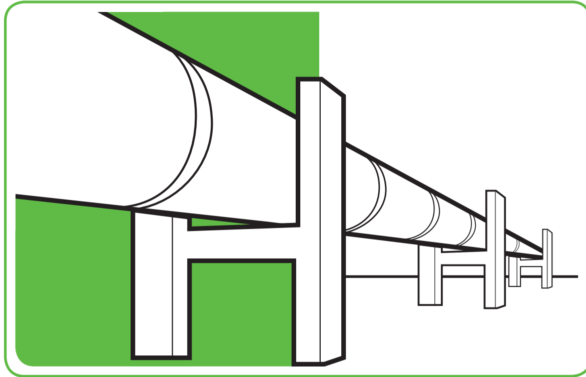
CONSUMER

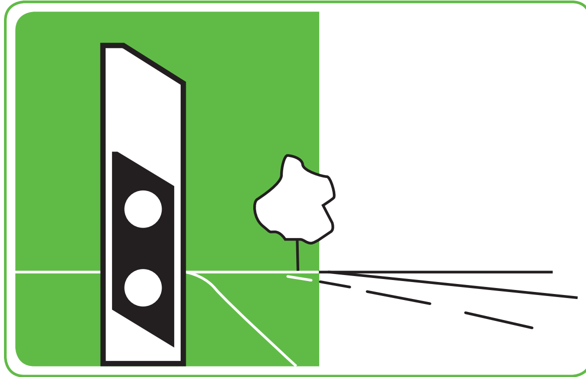
Customers in this market use SFC's EFOY COMFORT fuel cell generators to supply power to their RVs, vacation cottages and sailboats.

The consumer segment (previously referred to as the leisure market) is SFC's original market and includes many of our very first users, who are still proud to have pioneered the use of fuel cell technology in their RVs. Because the EFOY line has so many outstanding advantages over generators and solar modules, the brand enjoys excellent recognition in this market: EFOY products have scored extremely well in every major reader's poll in European trade magazines.

That's why so many EFOY fuel cells are now providing reliable, quiet, environmentally friendly power to RVs, boats, vacation cottages and mountain cabins in Europe and around the world, ensuring that users always have enough electricity for their televisions, coffee makers, vacuum cleaners, hair dryers, laptops and other electrical devices. In this market, our customer base consists exclusively of end consumers, and SFC's distribution partners are wholesale and retail sellers of RV accessories.

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT





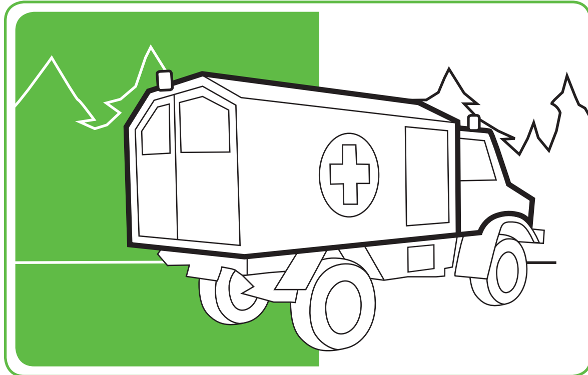
INDUSTRY

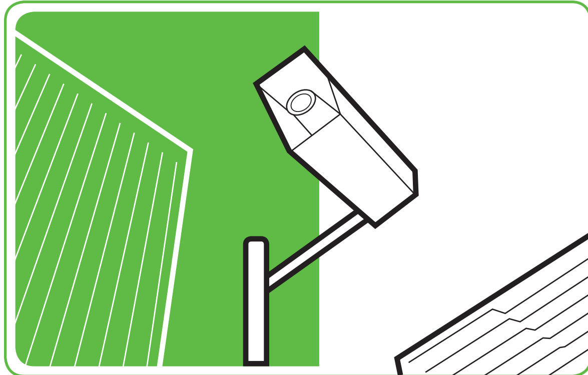
This market is highly diversified and could include any area of industry where professional users run electrical equipment away from the grid.

In the past, getting reliable, round-the-clock, all-weather power was an enormous challenge for these users. Their equipment – devices for oil pipeline operation, for example, or cameras monitoring rail lines – is often far from the nearest power connection and sometimes even from the nearest road. Because access routes are often long, batteries alone are a less than satisfactory solution, since they need to be replaced frequently. Solar modules are weather-dependent, presenting a major risk that equipment will fail in bad weather, and especially in winter, which means that service teams may have to change batteries in remote locations at precisely the time when flooded roads or heavy snows make them hardest to reach.

But with the EFOY Pro fuel cell, these users can be confident that batteries will be reliably recharged, in all weather conditions and all seasons. SFC's active sales and marketing efforts and related application development are focused on markets where our power supply solutions offer customers the greatest added value: security and surveillance, traffic management, wind power, sensor and metering technology for environmental applications, and the oil and gas sector.

In some applications in this market, it is extremely important for the power supply components to offer precision as well as reliability. This is true, for example, of electron microscopes, semiconductor sand industrial equipment, testing and metering devices, sound systems, security systems and many medical devices. All of these applications require steady, high-quality power supply, which is exactly what they get from PBF products and their efficient power electronic components, custom designed converters and switched mode power supplies like the PSA300 and ACDC180.





DEFENSE & SECURITY

Today's defense organizations and governments are using more and more off-grid equipment for defense and security – devices that need to run reliably for hours, and sometimes for days, with no human intervention. Here again, finding a power source that users can count on is a major problem, and because many of these devices are portable, mobile or vehicle-based, the power source must also weigh as little as possible, since taking heavy batteries along is usually not an option.

SFC power supply solutions present a highly attractive alternative for customers in defense and government. We have long maintained development partnerships with major NATO organizations, and over the last few years many of the resulting devices have been commercialized and are now in active use around the world. SFC products have also won many international honors from defense organizations in the past few years – clear proof of our pioneering role in this sector.

SFC's product portfolio for this market includes the JENNY 600S, a light, portable power source that soldiers can carry in a vest; the vehicle-based EMILY 2200, which powers electrical and electronic equipment aboard defense and government vehicles; the EMILYCube 2500, an integrated power source that independently runs defense devices in the field; our intelligent current converter, the SFC Power Manager; and the high-performance electronic components of PBF, which are used in precision defense equipment and testing and metering systems.

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

STRONGER TOGETHER

Integrating the PBF Group: an interview with SFC Energy CEO Peter Podesser and CFO Gerhard Inninger, and PBF Group founders Hans Pol and Wolter Buikema

Dr Podesser, why did SFC decide to acquire PBF?

Dr Peter Podesser, CEO: We've known our markets for a long time now, so we have a thorough understanding of what our customers need. They want integrated power supply solutions that deliver mobile power as reliably and conveniently as an outlet at home, and we realized early on that fuel cells alone weren't enough. What is required is an intelligent, all-in-one package that the customer can simply set up, plug in and turn on. To deliver this comprehensive package, we needed to broaden our business model. That's why we looked – and are still looking – for compatible partners. PBF is a perfect match for us: there's a lot of complementarity in our products and technologies, as well as in the markets the two companies serve.

Mr Pol, you're one of PBF's founders. What persuaded you to join the SFC Group?

Hans Pol, CSO: PBF is a specialist with an elite customer base. We originally spun our company off from Philips Electronics so that we could focus on our customers' needs even better. We're driven by technical innovation, so it makes a lot of sense to choose a partner with the same values. And that's true of SFC in every respect. Another deciding factor was that SFC and PBF are perfectly matched in terms of creating value: SFC makes equipment that generates power, and we make electronic components that deliver power so efficiently and precisely that each device gets exactly what it needs.

Mr Inninger, what are the business advantages of this alliance?

Gerhard Inninger, CFO: By adding PBF, the SFC Group is nearly doubling total sales and stands to profit from economies of scale. Cross-selling opportunities will improve sales efficiency and larger volumes will save us money on purchasing, to cite just two examples. In addition, we expect that the Company will be more efficient overall, both in terms of development costs for our integrated power sources – which don't just generate power but adapt and distribute it as needed – and in terms of the increased flexibility we'll get from having three production sites in Europe and an additional sales office in the United States.

And what are the technological advantages, Mr Buikema?

Wolter Buikema, CTO PBF Group: In terms of products and technologies, SFC and PBF complement each other perfectly: nearly everyone that needs a power source also needs electronic components that can "adjust" the power to the application. And many applications that involve high-performance electronics also require high-quality, reliable power, both on and off the grid – just think of all the metering devices and sensors used in environmental technology and disaster preparedness, to give an example. Another important advantage is that both SFC and PBF are true technology and innovation leaders in their markets. And we've taken that innovation power from the lab to the customer by translating it into successful, commercially available products.

Dr Podesser, what's next for the SFC Group?

Podesser: Profitability for today's SFC Group is our top priority. The next milestone on that path is to reach EBITDA break-even in the second half of 2012. At the same time, we'll continue to concentrate on our core expertise in power supply and on generating growth in our key markets – Consumer, Industry, and Defense & Security. Due to the structure of these markets, growth will be stronger in the last two. And we're continuing to look for partners that are compatible with us and can help us create even more value for our customers. For the long term, we want the SFC Group to become a financially and technologically successful provider of integrated, off-grid and grid-based power supply.

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

SFC MILESTONES IN 2011

SFC ENERGY AG'S MARKET BREAKTHROUGHS AND SUCCESSFUL NEW APPLICATIONS

JANUAR 2011

+++EFOY in Canada+++

At the Toronto RV Show, SFC and Canada's RV Care dealer network announce a new partnership. Now RV owners in Canada can also enjoy the quiet, lightweight, environmentally friendly, mobile power of EFOY fuel cells.

+++New EFOY App+++

SFC Energy AG expands service for customers in the leisure market by offering a free EFOY app for iPhone and iPad. With the new app, EFOY owners can use Google Maps to find the closest fuel cartridge dealer anywhere in the world.

MAI 2011

+++EFOY named "Best Brand" in *promobil* poll+++

The fourth year in a row, the EFOY fuel cell generator is rated among the top three best brands by the readers of *promobil*, Europe's biggest RV magazine. EFOY takes second place in the annual poll's "power source" category.

JUNI 2011

+++SFC launches EFOY COMFORT+++

SFC launches EFOY COMFORT, a new, significantly improved generation of its popular power supply solutions for recreational vehicles, sailboats and vacation cottages. Now even quieter, the all-season, on-board power source for leisure applications is available in three performance classes.

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

SFC MILESTONES IN 2011

JUNI 2011

+++EFOY Pro used in Canadian oil and gas applications+++

Canadian oil and gas systems integrator Ensol Systems Inc. partners with SFC, integrating EFOY Pro fuel cells into chemical injector pumps, air compressors, and independent power packages for oil and gas pipelines isolated from the grid.

JULI 2011

+++SFC wins Jenoptik contract+++

Jenoptik's Defense & Civil Systems division begins using SFC's portable JENNY fuel cell and Power Manager for efficient power delivery to its NYXUS reconnaissance and surveillance platform.

SEPTEMBER 2011

+++EFOY COMFORT wins Bronze fuel cell award+++

The new generation of EFOY COMFORT fuel cells takes third place in the 2011 Fuel Cell Innovation Prize competition, sponsored by the German state of Baden-Württemberg – underscoring yet again SFC's pioneering role in the fuel cell industry.

OKTOBER 2011

+++SFC launches EMILYCube 2500+++

SFC expands its successful portfolio of stand-alone power supply solutions for defense applications with the new, ready-to-use EMILYCube 2500. This portable charging station delivers reliable power anytime, anywhere, and at only 13.5 kilogram (21.9 kilogram with a 10-liter fuel cartridge), it can easily be transported by only one person.

+++Acquisition of PBF Group B.V.+++

SFC Energy AG signs the contracts to acquire PBF Group B.V., a Dutch company with international operations specializing in higher-level power management solutions and switched mode power supplies. The combined expertise of the two companies expands SFC's business model along the value chain and presents significant growth potential in existing markets such as industry, security and defense, as well as new markets such as medical technology.

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

SUPERVISORY BOARD REPORT

SUPERVISION OF COMPANY MANAGEMENT

The dominant factor in financial year 2011 was the Company's continued strategic move to become a systems supplier of complete power supply solutions which was driven mainly by the acquisition of Dutch PBF Group. The Supervisory Board actively participated in these efforts by advising and holding discussions with the Management Board. In the year under review the Supervisory Board performed the duties incumbent on it by law, the Company's Articles of Association and its Rules of Procedure. It closely supervised the efforts of the Management Board and regularly advised and carefully monitored the latter's management of the Company. The Supervisory Board also satisfied itself that the Company was properly managed in compliance with applicable laws and regulations. The Supervisory Board was involved early and directly in all decisions of fundamental importance for the Company, as described in more detail below. The Supervisory Board reviewed transactions requiring its consent and discussed each of these with the Management Board.

SUPERVISORY BOARD MEMBERSHIP

Pursuant to Article 10 para. 1 of the Company's Articles of Association, in financial year 2011 the Supervisory Board of SFC Energy AG was initially made up of six members. However, two of these, namely Wolfgang Biedermann and Jakob-Hinrich Leverkus, had already resigned from the Supervisory Board with effect from December 31, 2010. In financial year 2011, the members of the Supervisory Board were (i) Dr Rolf Bartke, (ii) Rüdiger C. Olschowy (until May 5, 2011), (iii) David Morgan, (iv) Dr Manfred Stefener (until January 31, 2011), and (v) Dr Jens Thomas Müller (since May 5, 2011). Under agenda item 6 and following a proposal by management, the Company's Annual General Meeting of May 5, 2011 decided to reduce the number of Supervisory Board members to three and to amend the Company's Articles of Association accordingly. The relevant amendments to the Articles of Association were registered in the Commercial Register of the Company on May 24, 2011 and have been in effect since that date in accordance with Section 181 Subsection 3 of the German Stock Corporation Act (AktG). Since May 24, 2011 the Company's Supervisory Board has therefore comprised three members pursuant to Article 10 para. 1 of the Articles of Association.

In financial year 2011, Dr Rolf Bartke continued to serve as Chairman of the Supervisory Board of the Company. The position of Vice Chairman of the Supervisory Board was held by Rüdiger C. Olschowy until his resignation from the Supervisory Board on May 5, 2011 and has since been held by David Morgan.

SUPERVISORY BOARD MEETINGS

In performance of its duties, the Supervisory Board met six times during financial year 2011: on March 23 and 24 (to review the financial statements for financial year 2010); on May 5, July 25, September 27, October 26 and December 6, 2011. With the exception of the meeting on September 27, which was conducted by telephone conference call, all meetings were held in person. All Supervisory Board members attended all Supervisory Board meetings either in person or by telephone.

During the Supervisory Board's meetings, the Management Board provided the Supervisory Board with comprehensive, timely information regarding the Company's revenue, profit and cash flow performance; budget planning; the Company's and the Group's current position, including its risk position, risk management and corporate compliance; strategic goals; and any changes in the Company's organization and personnel. The Supervisory Board discussed the organization of the Company and the Group with the Management Board, ensured that the Company's organization and risk management were effective, and discussed material Company strategy and policy issues with the Management Board. At various Supervisory Board meetings, the Management Board reported to the Supervisory Board on the status of individual business units; the Company's and the Group's economic, financial and strategic position along with material developments and events (such as initiated restructuring and cost reduction measures); the Group's growth strategy; and matters of securities and capital markets. Regular topics of the meetings of the Supervisory Board also included finance and controlling, sales and marketing, operations, quality management, human resources, research & development. In addition, the Management Board reported on the strategic situation of the US subsidiary of SFC Energy AG and on key developments related to that subsidiary.

Moreover, in compliance with the rules of procedure laid down for the Management Board by the Supervisory Board, the Management Board routinely provided the Supervisory Board Chairman (and at regular meetings, the entire Supervisory Board) with detailed reports on significant business events affecting the Company, as well as financial data (always in comparison with the budget and the prior year). The Supervisory Board Chairman maintained continuous and close contact with the Management Board and in particular the CEO who kept him thoroughly informed on current business events.

An important topic at Supervisory Board meetings during financial year 2011 was the Company's M&A strategy. The Supervisory Board reviewed potential acquisitions and acquisition targets and obtained detailed information on them from the Management Board as well as from employees of the M&A consulting firm engaged by the Company. It also raised questions and took an active part in discussions of the Company's M&A strategy, discussed the risks and opportunities of proposed acquisitions with the Management Board in detail, and requested additional information about them. One of the key topics discussed at the Supervisory Board meetings during financial year 2011, regarding the Company's M&A strategy, was the acquisition of Dutch PBF Group by SFC Energy AG. In various meetings the Supervisory Board was provided by the Management Board with extensive information about PBF Group, its proposed integration into SFC Group, details of the potential acquisition (such as prospective contractual terms and conditions, the purchase price and its components) and the transaction costs. The Supervisory Board members discussed both jointly with the Management Board and among themselves the objectives pursued with the acquisition of PBF Group, inter alia with respect to potential synergies and the integration of PBF Group in the context of the Company's strategic orientation to become a systems supplier. After thorough discussions and consultations, the Supervisory Board approved the share purchase agreement and employment contracts with the management team of PBF Group. In addition, the Supervisory Board thoroughly reviewed the capital increase out of approved capital that was decided by the Management Board

to partly finance the acquisition of PBF Group. It discussed the legal framework for exercising approved capital with subscription rights excluded in this specific case and whether the issue price for the new shares was adequate. After comprehensive consultations, the Supervisory Board approved the capital increase, the exclusion of subscription rights and further decisions made by the Management Board regarding the contents of the rights inherent in the shares and the remaining terms and conditions of the share issue. Moreover, the Supervisory Board actively supported the efforts of the Management Board to integrate PBF Group into SFC Group.

In financial year 2011 the Supervisory Board also dealt with Management Board issues, in particular the appointment of Gerhard Inninger as CFO of the Company. Upon a proposal from the Chairman of the Supervisory Board, all Supervisory Board members held interviews with several candidates who had been shortlisted. After thorough discussions, the Chairman of the Supervisory Board was instructed to conduct contract negotiations with Gerhard Inninger who on June 22, 2011 was appointed as a member of the Management Board with effect from August 16, 2011. The Supervisory Board also dealt with annual bonuses for Management Board members for financial year 2010 and targets for annual bonuses for financial year 2011 as well as the LTIP 2011 to 2013, the adoption of new rules of procedure for the Management Board and the appointment of a new chairman of the board of directors for the Group's US subsidiary, SFC Inc.

At its meeting on March 24 and 25, 2011, the Supervisory Board primarily discussed the management report and the annual financial statements prepared in accordance with the German Commercial Code and the group management report and consolidated financial statements prepared in accordance with IFRS for financial year 2010. It discussed and approved these documents in consultation with its Audit Committee and with the auditor in attendance. At its meeting on May 5, 2011, the Supervisory Board, among other things, dealt with changes to the Company's risk management reporting and potential targets for a strategic acquisition. At its meeting on July 25, 2011, the Supervisory Board, among other things, dealt with financial data for the first half year, the outlook for financial year 2011 as a whole and the Company's M&A strategy. The focal points of the Supervisory Board meeting on September 27, 2011 included the proposed acquisition of PBF Group by the Company and measures aimed at reducing costs within the Company. The topics discussed at the Supervisory Board meeting on October 26, 2011 included, among other things, the financial report for the third quarter, the status of the acquisition of PBF Group and its integration into SFC Group, changes to the Company's international sales organization and the Management Board's assignment of business plan. At its meeting on December 6, 2011, the Supervisory Board heard a comprehensive report from the Management Board on strategy and planning (including the budget) for 2012 as well as on the status of the integration of PBF Group into SFC Group. In addition, at this same meeting the Supervisory Board adopted new rules of procedure for itself.

The Supervisory Board members attended all meetings of the Supervisory Board in financial year 2011 either in person or by telephone.

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

COMMITTEES

In financial year 2011, the Supervisory Board had initially formed two standing committees from among its members, namely (i) the Audit Committee consisting of David Morgan (Committee Chairman), Dr Rolf Bartke, Dr Manfred Stefener (until January 31, 2011) and Rüdiger C. Olschowy (from February 1 until May 5, 2011) and (ii) the Personnel Committee consisting of Dr Rolf Bartke (Committee Chairman), Rüdiger C. Olschowy (until May 5, 2011) and David Morgan. Until its dissolution, the Personnel Committee met once in financial year 2011 on March 23/24. This meeting was attended by all committee members in person. In financial year 2011, the Audit Committee met three times before its dissolution, namely on January 24, March 17 and March 23 and 24. All of these meetings were attended by the committee members either in person or by telephone.

On May 5, 2011, the Company's Annual General Meeting decided to reduce the number of Supervisory Board members as per the Company's Articles of Association from six to three. This amendment to the Company's Articles of Association was registered in the Commercial Register on May 24, 2011. Due to the reduction of the Supervisory Board to three members, the Supervisory Board decided to dissolve the existing committees because it is of the opinion – which is consistent with the legal literature on this subject – that the efficiency of the advisory and controlling activities of a three-member board cannot be meaningfully increased by setting up committees.

The Audit Committee advised the Supervisory Board on the audit of the financial statements for 2010 and discussed and evaluated the auditor's findings. Moreover, the Committee assisted the Supervisory Board on questions related to maintaining and improving supervision of the business, whereby it has fulfilled its controlling function. Until its dissolution, the Audit Committee also reviewed the Group's risk management system. The Audit Committee discussed with the Management Board the financial figures for the first quarter of 2011, heard a comprehensive report on the Company's economic situation and thoroughly reviewed and discussed financial indicators.

Until its dissolution, the Personnel Committee assisted the Supervisory Board in preparing personnel decisions which by law had to be voted on by the entire Supervisory Board. Thus, the Personnel Committee deliberated bonus payments to Management Board members for financial year 2010, the renewal of Dr Podesser's employment contract as a member of the Management Board and the filling of management positions within the Company, before making recommendations to the Supervisory Board.

CORPORATE GOVERNANCE

Information on Supervisory Board-related aspects of the Company's corporate governance can be found in the corporate governance report and in the corporate governance statement included in this annual report (page 29 ff).

Compensation of Supervisory Board members is shown individually and broken down by component in the compensation report, which is reproduced in this annual report (page 36 ff).

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

In financial year 2011, as in previous years, the Supervisory Board thoroughly examined potential conflicts of interest affecting its members and discussed and agreed upon its procedure for handling such conflicts, should they arise. In the year under review, at its meeting on March 23/24, 2011, the Supervisory Board identified a potential conflict of interest regarding Supervisory Board member David Morgan. Under agenda item 10 of that Supervisory Board meeting, the Company's M&A strategy was discussed. Conduit Ventures Ltd., one of the Company's major shareholders, holds an equity interest in one potential acquisition target. As David Morgan is the Chairman of the Advisory Board of Conduit Ventures Ltd., Mr Morgan first announced and the Company's Supervisory Board then decided that David Morgan should abstain from voting on any potential resolution regarding the acquisition of the aforementioned target. However, as the Company did not subsequently pursue a potential acquisition of that target, the Supervisory Board did not adopt a resolution on that matter in financial year 2011.

No other conflicts of interest arose during the period under review.

As is customary, the Supervisory Board examined the efficiency of its activities also in financial year 2011. The Company is committed to complying with the recommendations of the German Corporate Governance Code. The annual declaration of conformity required from the Management and Supervisory Boards is available on the Company's homepage at www.investor-sfc.de/en/corporate_governance.php The most recent report dates from March 27, 2012. It is also provided in this annual report (on page 29).

ACCOUNTING

Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Munich, was chosen and appointed by the Annual General Meeting to audit the Company's financial statements and engaged for the audit by the Supervisory Board. The Supervisory Board negotiated the audit engagement, indicated the focal points of the audit and engaged the auditors. The agreed focal points for the audit were: (i) IFRS: Purchase price allocation of P&E Interholding BV, reconciliation with IFRS accounts, completeness of the consolidation entries, completeness of the notes; (ii) German Commercial Code ("HGB"): accounting-relevant internal control system in the process areas of procurement and tangible fixed assets, proof of sales and receivables, completeness and valuation of the provisions.

The auditor audited the annual financial statements of SFC Energy AG as of December 31, 2011 as prepared by the Management Board in accordance with the German Commercial Code, along with the management report, including the bookkeeping, and issued an unqualified audit opinion. Under Section 315a of the German Commercial Code, the Group's consolidated financial statements were prepared on the basis of International Financial Reporting Standards (IFRS) as applicable in the European Union. The auditor also issued an unqualified audit opinion on the consolidated financial statements and the group management report.

The Supervisory Board met to review the financial statements on March 27, 2012. The members received documentation on the annual and consolidated financial statements, the audit reports, and all other documents and reports in advance of the meeting, reviewed them carefully, and discussed them thoroughly during the meeting. As the annual financial statements for the financial year ended December 31, 2011 show no net income for the year, no proposal for allocating net income was required from the Management Board. The auditor participated in the meeting, reported on the course of the audit and the audit reports and was available to answer questions, provide additional information, and discuss the documents.

The Supervisory Board reviewed the annual and consolidated financial statements and the corresponding management reports in light of the auditor's reports as well as its discussion with the auditor, and agreed with the result of the audit. Based on its own review of the annual and consolidated financial statements and the corresponding management reports, the Supervisory Board determined that it had no objections to make. At its meeting on March 27, 2012, it approved the annual and consolidated financial statements for financial year 2011 and the corresponding management reports. The annual financial statements were thus established in accordance with Section 172 (1) of the German Stock Corporation Act.

The Supervisory Board would like to thank the members of the Management Board and all of the Company's employees for their deep commitment to and hard work for the Company, and for their achievements in financial year 2011.

Brunnthal, March 27, 2012

The Supervisory Board

Dr Rolf Bartke
Chairman

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

THE SHARE

DEVELOPMENT OF THE INDEXES AND THE SFC SHARE

Markets were shaped by the debt crisis in 2011: the year was difficult overall, and the major stock indexes ultimately suffered double-digit losses. The situation was aggravated by last summer's sharp selling pressure and by continued anxiety, especially in the second half of the year, over the widening sovereign debt crisis, which dominated the financial markets. The negative effects were not limited to financial stocks. All cyclical stocks suffered amid increasing fears of an economic downturn, with the downward pressure on energy stocks particularly strong. Shares of conventional utilities fell in response to the accelerated nuclear phase-out, and solar industry shares suffered from rising Asian competition and falling feed-in rates.

The DAX fell to 5,898.35, a loss of 14.7 percent for the year, primarily due to the soft performance of utilities and financial stocks. The TecDAX, which lost 19.5 percent, was Germany's weakest leading index in 2011, primarily due to poor performance by the numerous solar stocks.

International markets fared just as badly, with the top 50 international indexes losing an average of 15 percent from January to December 2011. At year-end the international RENIXX World (Renewable Energy Industrial Index) stood at 241.28 points – a full 54.4 percent down from the previous year's 529.63.

SFC Energy AG's share moved in sync with the major stock indexes in 2011. After starting the year at € 4.97, the SFC share reached € 5.39 on April 8, its 2011 high, then bottomed out at € 3.49 on December 28, and finished the year at € 4.00. In all, 1,310,434 SFC shares changed hands on Xetra and the Frankfurt trading floor during the reporting year. Daily trading volume averaged 5,098 shares.

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

INVESTOR RELATIONS

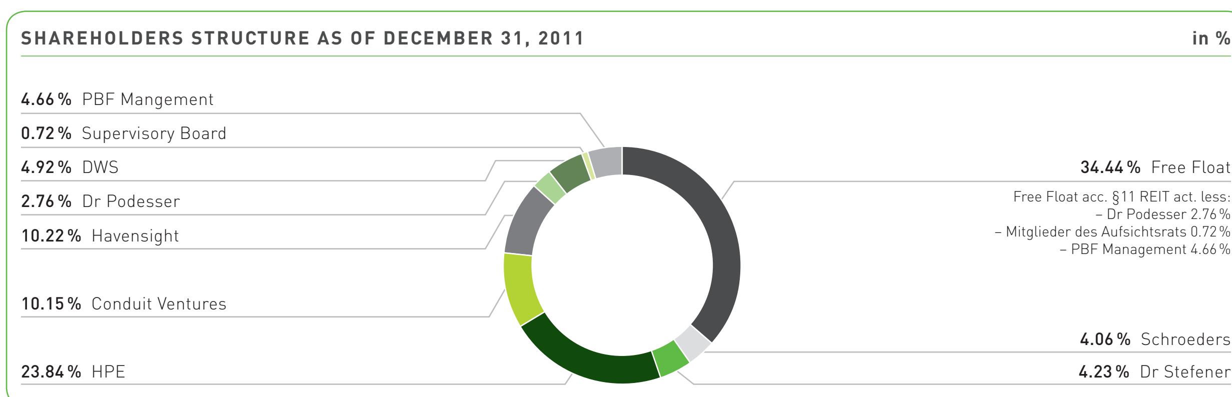
In 2011 the Management Board and Investor Relations team at SFC Energy AG continued to pursue an ongoing dialogue with investors, shareholders, analysts and members of the financial press.

The Management Board of SFC Energy AG presented the Company's annual, half-year and quarterly figures at investor conferences and in one-on-one discussions. These opportunities were used to provide information about SFC Energy AG's business model and its current business performance to interest groups with knowledge of the industry. In 2011 the main emphasis was the investment of new large shareholders, supporting the Company's new strategic orientation and the steps taken to implement it, including focusing all of the Company's segments on core competencies, broadening the business model to cover more of the value chain, and acquiring the PBF Group.

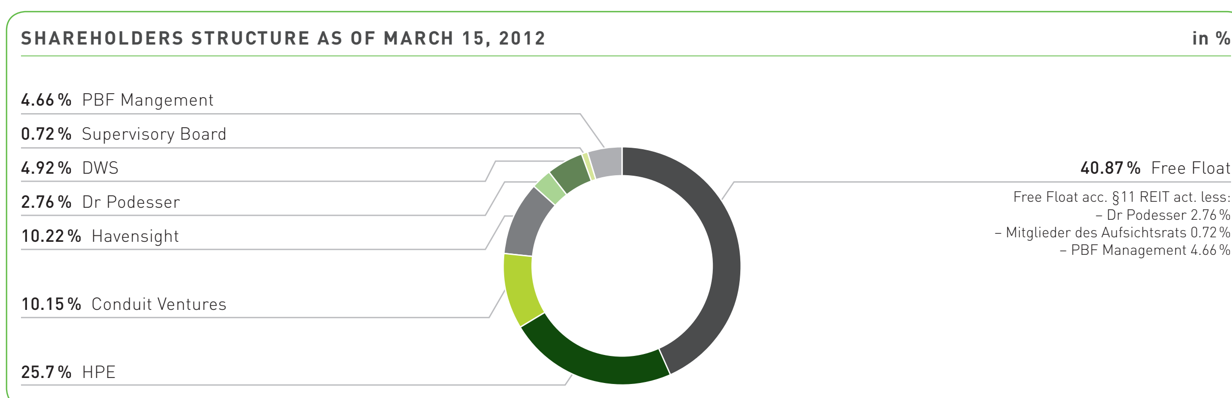
SHAREHOLDER STRUCTURE

SFC Energy AG welcomed two new major shareholders in 2011: HPE Holland Private Equity Management B.V. and Havensight Capital Ltd. Both HPE and Havensight join our other major shareholder, Conduit Ventures Limited, in supporting the Company's new strategic direction.

SHAREHOLDERS STRUCTURE AS OF DECEMBER 31, 2011 in %



SHAREHOLDERS STRUCTURE AS OF MARCH 15, 2012 in %



4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

ANALYST RESEARCH

In 2011 two banks/equity research firms raised the profile of the SFC share by publishing international research studies on our Company within the financial community. This type of research provides shareholders and investors with unbiased expert opinions on SFC Energy AG. Current research studies are available on the Internet at http://www.investor-sfc.de/en/research_reports_2012.php

GENERAL MEETING OF SHAREHOLDERS

SFC Energy AG's 2011 annual general meeting was held on May 5 at Haus der Bayerischen Wirtschaft. The shareholders and shareholder representatives in attendance were given a detailed presentation on business developments and earnings, as well as a report on the 2010 accounts. Results for the first quarter of 2011 and the outlook were also discussed. More than 73 percent of the Company's share capital was represented, and all of the resolutions presented to the shareholders were adopted with large majorities. A detailed agenda and results of the voting are available on the Internet at http://www.investor-sfc.de/en/hauptversammlung.php.

CAPITAL INCREASE

In 2011 the Company acquired the PBF Group, a profitable Dutch company with international operations specializing in switched mode power supplies and power electronics. As part of the purchase price for the acquisition, in December SFC Energy issued 350,000 new shares of SFC stock from authorized capital, at an issue price of € 5.70 each. The preemptive subscription rights of existing shareholders were excluded for this capital increase, which was recorded in the Commercial Register on December 20, 2011. The SFC shares issued as part of the transaction are subject to a 24-month lock-up agreement. SFC Energy's share capital now stands at € 7,502,887.00, divided into 7,502,887 no-par-value shares.

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

CORPORATE GOVERNANCE REPORT AND STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE

The Management and Supervisory Boards of the Company issue the following report on corporate governance of SFC Energy AG pursuant to Section 3.10 of the German Corporate Governance Code. The report below also contains the Company's corporate governance statement pursuant to Section 289a of the German Commercial Code ("Handelsgesetzbuch" – "HGB") and its compensation report.

The term 'corporate governance' implies the development of a management system which leads to responsible, transparent and sustainable creation of value and refers to a company's entire management and controlling system, including its organization, principles of business policy and guidelines for internal and external steering and monitoring mechanisms. Corporate governance promotes trust among domestic and international investors, business partners, the financial markets, employees and the general public in the management and controlling of SFC Energy AG. Instruments of effective corporate governance are efficient cooperation between the Management Board and the Supervisory Board in a relationship of mutual trust, respect for shareholders' interests and open and up-to-the-minute corporate communication. The Management and Supervisory Boards of SFC Energy AG are committed to upholding the principles of good corporate governance and they believe that these principles are an essential building block of the Company's success.

SFC Energy AG regularly reviews and continually seeks to improve its system of corporate governance. SFC Energy AG follows all but a few of the recommendations of the German Corporate Governance Code. These exceptions are explained in the following compliance statement made in accordance with Section 161 of the German Stock Corporation Act ("Aktiengesetz" – "AktG").

DECLARATION OF CONFORMITY PURSUANT TO SECTION 161 OF THE GERMAN STOCK CORPORATION ACT

Pursuant to Section 161 AktG, the management and supervisory boards of exchange-listed companies are required to declare annually that the company has complied, and will comply, with the recommendations of the Government Commission on the German Corporate Governance Code (the Code) published by the German Federal Ministry of Justice in the official Section of the electronic version of the Bundesanzeiger and/or which recommendations the company has not applied and/or will not apply. This declaration has to be made accessible to the public on a permanent basis on the company's website. Thus, companies may deviate from the recommendations of the Code but, if they do, they are required to disclose, and state the reasons for, such deviations on an annual basis. This allows companies to take into account sector-specific or company-specific needs. Thus, the Code helps to make corporate governance of German companies more flexible and promotes their self-regulation.

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

On March 27, 2012, the Management and Supervisory Boards of the Company issued the following declaration pursuant to Section 161 AktG. For the period since the issuance of the last declaration of conformity on March 23, 2011 (amended on July 25, 2011), the following declaration refers to the version of the Code dated May 26, 2010, as published in the electronic version of the Bundesanzeiger on June 2, 2010. The declaration of conformity issued on March 27, 2012 reads as follows:

"In accordance with Section 161 of the German Stock Corporation Act (Aktiengesetz) the Management and the Supervisory Board of SFC Energy AG declare that, with the following exceptions, the Company has complied and will comply in full with the Recommendations of the Government Commission on the German Corporate Governance Code, as amended:

- According to Section 4.2.1 Sentence 1 of the Code, the management board shall be comprised of several persons and have a chairman or spokesman. From January 1, 2011 until August 15, 2011 the Management Board was made up of one person only and did not have a chairman or spokesman. As of August 16, 2011 the Supervisory Board appointed a second person to the Management Board serving as Chief Financial Officer (CFO) and reassigned the function of chairman of the board to the former Chief Executive Officer (CEO). Hence, the Company does no longer deviate from Section 4.2.1 Sentence 1 of the Code as of that point in time.

- According to Section 4.2.3 para. 4 of the Code, care shall be taken when entering into management board contracts to ensure that any payments, including benefits, made or provided to a Management Board member on early termination of his or her contract without serious cause do not exceed the value of two years' compensation (severance payment cap) and compensate no more than the remaining term of the contract. The management board service contract concluded with the Chief Executive Officer (CEO) which expired on March 31, 2011 did not provide for such a severance payment cap in the event of early termination without serious cause. However, such a cap would not have become relevant anyway as this management board service contract was not terminated early. All management board service contracts in effect from or after April 1, 2011 provide for such a cap. Hence, the Company does no longer deviate from the corresponding provisions of the Code as of that point in time.

- According to Section 5.3.1 of the Code, the Supervisory Board shall, depending on the specifics of the enterprise and the number of its members, form committees with sufficient expertise. In particular, Section 5.3.2 of the Code recommends that an Audit Committee be set up. In the past, the Supervisory Board of SFC Energy AG has formed two standing committees namely an Audit Committee and a Personnel Committee. On May 5, 2011 the Annual General Meeting of the Company resolved to amend the Company's Articles of Association to reduce the number of Supervisory Board members from six to three. This amendment has been registered in the commercial register on May 24, 2011. The Supervisory Board holds the view – which is consistent with the legal literature on this subject – that the efficiency of the advisory and controlling activities of a supervisory board made up of only three members cannot be increased meaningfully by setting up any committees. Therefore, the Supervisory Board dissolved the formerly existing committees. As a result, the Company deviates from the recommendations set forth in Sections 5.3.1 and 5.3.2 of the Code.

- According to Section 5.3.3 of the Code, the Supervisory Boards shall form a Nominating Committee composed exclusively of shareholder representatives which will propose suitable candidates to the Supervisory Board for recommendation to the General Meeting. The Company's Supervisory Board has not set up a Nominating Committee. Consistent with the legal literature on this subject, SFC Energy AG supports the position that forming a Nominating Committee is irrelevant if no employees are represented on the Supervisory Board. It therefore refrains from setting up such a committee.

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

- According to Section 5.4.1 paras. 2 and 3 of the Code the Supervisory Boards shall specify concrete objectives regarding its composition which, whilst considering the specifics of the enterprise, take into account the international activities of the enterprise, potential conflicts of interest, an age limit to be specified for the members of the Supervisory Board and diversity. In particular, these concrete objectives shall stipulate an appropriate degree of female representation. Recommendations by the Supervisory Board to the competent election bodies shall take these objectives into account. The concrete objectives of the Supervisory Board and the status of the implementation shall be published in the Corporate Governance Report. The Company deviates from the recommendation to lay down, take account of and publish such concrete objectives. The composition of the Supervisory Board shall ensure that the Management Board is effectively advised and controlled, based on the Company's best interests. To ensure compliance with these statutory requirements the Supervisory Board will continue to base its proposals of candidates primarily on the knowledge, skills and experience of eligible candidates. In this respect, the Supervisory Board will also appropriately take account of the international activities of the Company, its potential conflicts of interest, an age limit laid down in the Supervisory Board's Rules of Internal Procedure and diversity. However, the Supervisory Board holds the view that it is neither necessary nor appropriate to set concrete objectives or gender-specific quotas as this would restrict in a blanket fashion the election of suitable candidates especially at SFC Energy AG as a smaller exchange-listed company. Accordingly, the Corporate Governance Report does not mention any such objectives.

- According to Section 5.4.6 Sentence 4 of the Code, the members of the Supervisory Board shall receive fixed as well as performance-based compensation. In the past, this was the case under the Articles of Association of SFC Energy AG. On May 5, 2011, however, the Annual General Meeting resolved to switch to a fixed-only compensation. This amendment has been registered in the commercial register on May 24, 2011. The Company thus deviates from the recommendations set forth in Section 5.4.6 Sentence 4 of the Code. SFC Energy AG believes that a fixed compensation structure better reflects the advisory and controlling function of the Supervisory Board, which has to be performed independently of the Company's success, than a combination of fixed and performance-based compensation components. This also helps to prevent among Supervisory Board members potential conflicts of interest which could arise from performance criteria. In addition, fixed-only compensation avoids any adverse effects on the control function of the Supervisory Board that could result from aligned performance criteria for both the Management Board and the Supervisory Board."

The declaration of conformity can be accessed at any time via the Company's website at www.investor-sfc.de/en/corporate_governance.php.

STRUCTURE AND WORK OF THE MANAGEMENT AND SUPERVISORY BODIES

SFC Energy AG believes that a corporate governance system and controlling structure rooted in responsible behaviour and transparency are the foundation for creating value and instilling confidence in the Company. The structure of the Company's management and supervisory bodies is as follows:

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

Shareholders and General Meeting

The shareholders of SFC Energy AG exercise their rights in the Company at the annual general meeting where they participate in decisions and vote. SFC Energy AG regularly informs its shareholders, as well as analysts, shareholders' associations, media representatives and the interested public, through its financial calendar which is published in the Company's annual and quarterly reports and on its website. As part of its investor relations activities, the Company regularly meets with analysts and institutional investors. The Company also holds an analysts' conference each year. The last such conference took place on November 22, 2011.

The annual general meeting of SFC Energy AG is held during the first eight months of each financial year. At this meeting, shareholders resolve on all matters reserved for their decision by law, including appropriation of profits, election and approval of the actions of the members of the Supervisory Board, approval of the actions of the Management Board, election of the auditors, amendments to the Company's Articles of Association and other matters.

In advance of the annual general meeting, shareholders receive in-depth information about the financial year under review and the pending agenda items through the annual report and the invitation notice, both of which make it easier for them to exercise their rights and prepare for the meeting. All of the documents and information pertaining to the annual general meeting, including the annual report, are also published on the Company's website. To facilitate the exercise of shareholders' rights, SFC Energy AG offers any shareholder who is unable or chooses not to exercise his or her voting rights at the annual general meeting in person the opportunity to have them exercised at the annual general meeting through a proxy in accordance with instructions given to such proxy.

The Management Board

The Management Board of SFC Energy AG manages the Company with the goal of creating sustainable value on its own responsibility and in the best interests of the Company, i. e., with the interests of the shareholders, employees and other stakeholders in mind. The Management Board acts without being subject to instructions from any third parties and in keeping with the law, the Company's Articles of Association and the rules of internal procedure laid down by the Supervisory Board for the Management Board and taking account of the resolutions by the annual general meeting. When filling management positions within the Company, the Management Board of SFC Energy AG also takes into consideration the principle of diversity and seeks to ensure appropriate representation of women.

Notwithstanding the principle of overall responsibility according to which all members of the Management Board are jointly responsible for managing the Company, each member of the Management Board has sole responsibility for the area assigned to him or her. The Chief Executive Officer has primary responsibility for the overall management and business policy of the Company. He ensures coordination and consistency of business management within the Management Board and represents the Company in public. During the past financial year, between January 1 and August 15, 2011, the Management Board of SFC Energy AG initially comprised only one member, Dr Peter Podesser, who serves as Chief Executive Officer (CEO). Since the appointment of Gerhard Inninger to the Company's Management Board on August 16, 2011, who serves as Chief Financial Officer (CFO), the Company has been led by a two-member management board.

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

The Management and Supervisory Boards of SFC Energy AG work closely together for the good of the Company. The Management Board regularly reports to the Supervisory Board providing a timely and comprehensive picture of all relevant issues of planning, the course of business, strategy, risk position and risk management, and all other important events that are of material importance for the management of the Company. The strategic orientation of SFC Energy AG is also regularly coordinated with the Supervisory Board. In accordance with the rules of internal procedure laid down by the Supervisory Board for the Management Board, material decisions by the Management Board are subject to the Supervisory Board's consent.

During the last financial year, there were no conflicts of interest involving the members of the Management Board of SFC Energy AG that would have required immediate disclosure to the Supervisory Board. No member of the Management Board was a member of the supervisory board of any non-group business partnership.

The Supervisory Board

The Supervisory Board appoints the Management Board and supervises the latter's management of SFC Energy AG. The Supervisory Board is directly involved in all decisions that are of fundamental importance for the Company. Pursuant to applicable law, the Company's Articles of Association and the Management Board's rules of internal procedure or resolutions adopted by the Supervisory Board, certain matters relating to the management of the Company require the latter's consent. The Supervisory Board actively guides the Management Board through advice and discussions, performs the duties incumbent on it by law and the Company's Articles of Association, and continuously supervises the conduct of the Company's business on the basis of Management Board reports and joint meetings (see the Supervisory Board report, page 20).

The Chairman of the Supervisory Board coordinates the Supervisory Board's work, chairs its meetings and represents its interests externally. He maintains regular contact with the Management Board and in particular discusses with the latter the Company's strategy, its performance and risk management. The Supervisory Board has established for itself rules of internal procedure which, within the limits set by law and the Company's Articles of Association, include among other things provisions regarding meetings of the Supervisory Board, the Supervisory Board Committees, the duty of confidentiality and the handling of conflicts of interest.

Supervisory Board Membership: Pursuant to Article 10 para. 1 of the Company's Articles of Association, in financial year 2011 the Supervisory Board of SFC Energy AG was initially made up of six members. However, two of these, namely Wolfgang Biedermann and Jakob-Hinrich Leverkus, had already resigned from the Supervisory Board with effect from December 31, 2010. In financial year 2011, the members of the Supervisory Board were (i) Dr Rolf Bartke, (ii) Rüdiger C. Olschowy (until May 5, 2011), (iii) David Morgan, (iv) Dr Manfred Stefener (until January 31, 2011) and (v) Dr Jens Thomas Müller (since May 5, 2011). Under agenda item 6 and following a proposal by management, the Company's annual general meeting of May 5, 2011 decided to reduce the number of Supervisory Board members to three and to amend the Company's Articles of Association accordingly. The relevant amendments to the Articles of Association were registered in the Commercial Register of the Company on May 24, 2011 and have been in effect since that date in accordance with Section 181 Subsection 3 AktG. As a result, the Company's Supervisory Board currently comprises three persons in accordance with Article 10 para. 1 of the Company's Articles of Association. These are (i) Dr Rolf Bartke (Chairman of the Supervisory Board), an industrial engineer from Berlin; (ii) David Morgan (Deputy Chairman of the Supervisory Board), a businessman from Rolvenden, Kent, UK, and (iii) Dr Jens Thomas Müller, a chemist from Munich.

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

Except for Dr Jens Thomas Müller, who was elected to the Company's Supervisory Board at the proposal of the Company's shareholder HPE PRO Institutional Fund B.V., Amsterdam, The Netherlands, which holds more than 25 percent of the voting rights in SFC Energy AG, no other former members of the Management Board of SFC Energy AG have sat or sit on the Company's Supervisory Board. The Company's Management and Supervisory Boards believe that the Supervisory Board consists of a sufficient number of independent members.

In financial year 2011 the Supervisory Board thoroughly examined potential conflicts of interest affecting its members and discussed and agreed upon its procedure for handling such conflicts, should they arise. In the year under review, at its meeting on March 23/24, 2011, the Supervisory Board identified a potential conflict of interest regarding Supervisory Board member David Morgan. Under agenda item 10 of that Supervisory Board meeting, the Company's M&A strategy was discussed. Conduit Ventures Ltd, one of the Company's major shareholders, holds an equity interest in one potential acquisition target. As David Morgan is the Chairman of the Board of Directors of Conduit Ventures Ltd, Mr Morgan announced and then the Supervisory Board resolved that David Morgan should abstain from voting on any potential resolution regarding the acquisition of the aforementioned target. However, as the Company did not subsequently pursue a potential acquisition of that target, the Supervisory Board did not adopt a resolution on that matter. No other conflicts of interest arose during the past financial year. Also, no advisory and/or other service-level agreements or contracts for work or services existed between members of the Supervisory Board and the Company.

Supervisory Board Committees: In financial year 2011, the Supervisory Board had initially formed two standing committees from among its members, namely (i) the Audit Committee consisting of David Morgan (Committee Chairman), Dr Rolf Bartke, Dr Manfred Stefener (until January 31, 2011) and Rüdiger C. Olschowy (from February 1 until May 5, 2011) and (ii) the Personnel Committee consisting of Dr Rolf Bartke (Committee Chairman), Rüdiger C. Olschowy (until May 5, 2011) and David Morgan. In financial year 2011 the Personnel Committee met once before its dissolution, namely on March 23/24. This meeting was attended by all committee members in person. In financial year 2011, the Audit Committee met three times before its dissolution, namely on January 24, March 17 and March 23/24. All of these meetings were attended by the committee members either in person or by telephone.

On May 5, 2011, the Company's annual general meeting resolved to reduce the number of Supervisory Board members from six to three as per the Company's Articles of Association. This amendment to the Company's Articles of Association was registered in the Commercial Register on May 24, 2011. Following the reduction of the number of members of the Company's Supervisory Board to three as per the Company's Articles of Association, the Supervisory Board dissolved the existing committees.

Until its dissolution, the Audit Committee primarily dealt with accounting and risk management issues in the past financial year. Until its dissolution, the Personnel Committee assisted the Supervisory Board in particular in preparing personnel decisions which had to be voted on by the Supervisory Board.

Of the Supervisory Board members currently in office, David Morgan especially qualifies as an independent financial expert within the meaning of Section 100 Subsection 5 AktG. He served many years as a UK auditor, chairs the audit committee at two other public companies, and for several years, he has held various prominent positions in the field of corporate finance. Until its dissolution, David Morgan also served as Chairman of the Audit Committee.

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

In connection with its reduction to three members, the Supervisory Board dissolved its committees. As a result, the Company deviates from Sections 5.3.1 and 5.3.2 of the German Corporate Governance Code. Consistent with the legal literature on this subject, SFC Energy AG is of the opinion that the setting up of committees within a supervisory board made up of only three members does not seem adequate and will not lead to any efficiency improvements in terms of the exercise of the advisory and controlling functions. The tasks and responsibilities that had been assigned to the Audit Committee and the Personnel Committee will now be assumed in full by the smaller overall Supervisory Board.

Since its amendment on June 14, 2007, the Code recommends under Section 5.3.3 that the Supervisory Board set up a nominating committee composed exclusively of shareholder representatives which proposes suitable candidates to the Supervisory Board for recommendation to the annual general meeting. SFC Energy AG believes that the setting-up of a nominating committee is irrelevant if there are no employee representatives on the Supervisory Board, an opinion it shares with the legal literature on this subject. Therefore, the Company will not set up any such committee.

Risk Management

One of the tasks of any system of good corporate governance is to deal with risks responsibly. The Management Board of SFC Energy AG ensures that the Company's risk management and risk controlling are adequate. Doing so guarantees that risks are identified in time and potential risks are minimized. More detailed information about the Company's risk management can be found in the Report on Opportunities and Risks of the Management Report, page 55.

Transparency

SFC Energy AG aims to secure the highest possible degree of transparency and to provide all target groups with the same information at the same time. All target groups can keep abreast of the latest developments at the Company via the internet. SFC Energy AG publishes ad hoc announcements as well as press releases and other corporate news on its website. The latest statement regarding the Company's compliance with the German Corporate Governance Code and all previous declarations of conformity are also accessible via the Company's website.

Pursuant to Section 15a of the German Securities Trading Act ("Wertpapierhandelsgesetz"), the members of SFC Energy AG's Management and Supervisory Boards and certain senior executives, as well as individuals and entities closely related to and affiliated with them, are required to report purchases and sales of shares in the Company and of any related financial instruments.

Management Board member Dr Peter Podesser notified SFC Energy AG that he had purchased a total of 1,000 no-par value shares in the Company on January 3, 2011 and another 40,000 no-par value shares on February 28, 2011.

All directors' dealings pursuant to Section 15a of the German Securities Trading Act are published on the Company's website at www.sfc.com. The total number of shares in SFC Energy AG held by Management Board members and Supervisory Board members as of December 31, 2011 was 2.76% and 0.72% of the shares issued by the Company, respectively.

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

Accounting and Auditing

The consolidated financial statements of SFC Energy AG as well as the Company's interim reports are prepared in accordance with the International Financial Reporting Standards (IFRS) pursuant to the guidelines of the International Accounting Standards Board. Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Munich, was appointed by the ordinary annual general meeting to audit the Company's financial statements for financial year 2011 and engaged for the audit by the Supervisory Board. The auditors participated in the Supervisory Board's discussions concerning the consolidated financial statements and reported on the material results of their audit. Shareholders and other interested parties can access the consolidated financial statements and interim reports on the Company's website.

COMPENSATION REPORT

The compensation report summarizes the principles used to determine the compensation of the Management Board of SFC Energy AG and explains the amounts and the structure of the compensation. The compensation report also describes the underlying principles and the amounts of compensation paid to the Supervisory Board.

System of Compensation for the Management Board

Pursuant to the German Stock Corporation Act, as amended by the Act on the Appropriateness of Management Board Compensation, the determination of the Management Board's compensation is a matter reserved for the full Supervisory Board. The compensation of the members of the Management Board consists of the following elements:

The members of the Management Board receive fixed annual compensation which is paid in twelve equal monthly installments.

In addition, the members of the Management Board receive variable compensation if pre-defined performance targets are met (performance-based bonus). In financial year 2011, the targets were for the Company to reach the amounts budgeted for sales, gross margin and EBIT, and each target was tied to 25% of the bonus. The Supervisory Board decides in its discretion on the award of the remaining 25% of the bonus.

Under a long-term incentive program (LTIP) of the Group, the members of the Management Board may additionally receive bonus payments for the period of the term of their service agreements, under certain circumstances and if certain performance targets are met. Dr. Peter Podessor participates in the LTIP since 2009, Gerhard Inninger participates in the programme as of 2012. As equivalent compensation for financial year 2011 Gerhard Inninger receives a one-off payment of € 18,700.00, which was be paid in January 2012. The LTIP is based on a so called phantom stock model and is divided into different performance periods of three years each: financial years 2009 to 2011, 2010 to 2012 and 2011 to 2013 (Dr. Peter Podessor) or financial years 2012 to 2014 (Gerhard Inninger). The cash compensation awarded at the end of each of the three-year periods predominantly depends on the Company's share price and the attainment of a defined EVA (Economic Value Added) target for the respective period. More detailed information about the LTIP can be found in the Group Management Report on page 52.

Additionally, in financial year 2011 Dr Peter Podesser received a one-off renewal premium in consideration of the early renewal of his term of office as a member of the Management Board and his signing of a new management board contract initiated by the Supervisory Board.

Finally, the members of the Management Board receive certain fringe benefits. For example, the Company provides each of the two members of its Management Board with a company car. It pays the premiums for their accident, pension and life insurance up to a maximum of € 10,000.00 per year and has taken out directors' and officers' liability insurance on both Management Board members.

Management Board's Compensation in 2011

Compensation of the members of the Management Board totaled € 887,775.00 in financial year 2011. Compensation in financial year 2011 included the fixed compensation, non-cash perquisites, variable profit and performance-based compensation, expenditure for the Long-Term Incentive Program, the renewal premium awarded to Dr Peter Podesser and premiums for accident, pension, and life insurance. The above total includes all amounts that were laid out in 2011 or set aside as provisions in the consolidated financial statements for 2011, less the amounts that had been set aside as of December 31, 2010.

The total and individual compensation (including non-cash perquisites) of the individual members of the Management Board in 2011 breaks down as follows:

FINANCIAL YEAR 2011					in €
	Fixed compensation	Short-term performance-based compensation	Long-term performance-based compensation	Renewal premium	Total amount
Dr Peter Podesser	355,980	162,630	39,241	200,000	757,851
Gerhard Inninger, since August 16, 2011	75,188	37,500	17,236	0	129,924
Gesamt	**431,168**	**200,130**	**56,477**	**200,000**	**887,775**

Compensation of the Supervisory Board

In keeping with the recommendations of the German Corporate Governance Code, compensation of the members of the Company's Supervisory Board initially comprised a fixed and variable component in financial year 2011. Under the respective arrangement, the members of the Supervisory Board received fixed compensation, payable after the end of the financial year, in the amount of € 20,000.00 per member, with the Chairman of the Supervisory Board and his deputy respectively receiving twice and one and a half times this amount. In addition, under this arrangement each Supervisory Board member received an additional € 5,000.00 per year for every Supervisory Board committee they chaired and an additional € 2,500.00 per year for every Supervisory Board committee on which they served as a member. Finally, compensation of the Supervisory Board included a variable component for each member equal to € 100.00 for every € 0.01 by which the dividend paid per share exceeded the amount of € 1.00 per share. This compensation component was not relevant in fiscal year 2011 since no dividend was paid.

For the reasons set out in the above declaration of conformity in relation to Section 5.4.6 Sentence 4 of the Code, the Company's ordinary annual general meeting of May 5, 2011 resolved to switch the Supervisory Board's compensation to fixed-only compensation in the amount of €25,000.00 per member, with the Chairman of the Supervisory Board and his deputy respectively receiving twice and one and a half times this amount, as in the past. The corresponding amendment to the Company's Articles of Association was registered in the Commercial Register on May 24, 2011.

Moreover, the members of the Supervisory Board are entitled to reimbursement of the out-of-pocket expenses they incur in exercising their duties as Supervisory Board members, including any value-added tax attributable to those expenses, and inclusion in the directors' and officers' liability insurance policy the Company has taken out for its governing bodies.

The compensation (including non-cash perquisites) of the individual members of the Supervisory Board in 2011 breaks down as follows:

FINANCIAL YEAR 2011				in €
	Fixed compensation	Committee membership until May 4, 2011	Variable compensation	Total
Dr Rolf Bartke, Chairman	46,602,74	2547,95	0,00	49,150,69
David Morgan, deputy Chairman since May 5, 2011	31,554,79	2,547,95	0,00	34,102,74
Rüdiger Olschowy, deputy Chairman until May 5, 2011	10,273,97	856,16	0,00	11,130,13
Dr Jens Müller, since May 5, 2011	12,500,00	0,00	0,00	12,500,00
Dr Manfred Stefener, until January 31, 2011	1,698,63	212,33	0,00	1,910,96

Share Option Programs

There were no more share options outstanding in fiscal year 2011. Share options from the share option programs launched in prior years were last exercised in financial year 2008.

GROUP MANAGEMENT REPORT

40 BUSINESS AND BACKGROUND CONDITIONS

42 ECONOMIC DEVELOPMENTS AND INDUSTRY CLIMATE: DEBT CRISIS SLOWS WORLD ECONOMY

45 EARNINGS AND FINANCIAL POSITION

52 REMUNERATION REPORT

54 INFORMATION ACCORDING TO § 315(4) HGB

55 REPORT ON RISKS AND REWARDS

61 GROUP ACCOUNTING-RELATED INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT SYSTEM

62 DECLARATION ON CORPORATE GOVERNANCE

62 FORECAST REPORT

62 SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

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

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

GROUP MANAGEMENT REPORT FOR FINANCIAL YEAR 2011

1. BUSINESS AND BACKGROUND CONDITIONS

Business activity and organizational structure

SFC Energy AG ("SFC") develops, produces and distributes power generation systems and components for off-grid equipment based on direct methanol fuel cell (DMFC) and other technologies; invests in the facilities required for these activities; and transacts any other related business. The Company's product portfolio also includes accessories and spare parts, particularly fuel cartridges, and solutions for combining fuel cell products with other power sources and electrical devices (the "Power Manager"). SFC is the first company in the world with genuine series-produced commercial products in the area of methanol fuel cells for multiple target markets.

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.

The Company's German location is in Brunnthal. SFC is represented in the United States by its subsidiary SFC Energy, Inc. in Atlanta.

In October 2011, the Company signed an agreement to buy a 100% stake in P&E Interholding B.V., Almelo, Netherlands, as part of a share deal. P&E Interholding B.V. is the parent company of the PBF Group ("PBF"), a global enterprise that specializes in the development and production of custom designed solutions, such as switched mode network components, external transformer units, power cabinets and special coils. The Company's aim in pursuing the business combination is the development of complementary technology and products to serve as the basis for joint product business in the future as well as the leveraging of cross-selling potential to a shared customer base.

The business of PBF was fully recognized in the consolidated financial statements beginning on the initial consolidation date of December 1, 2011.

SFC is benefiting from several important economic and societal trends (market drivers), such as a greater need for convenience and functionality in leisure and special vehicles; increased use of wireless information technology; greater automation of metering processes; intelligent traffic control, monitoring, and security systems; heavier power consumption in the defense market; changes in the political security situation; and the trend toward efficient, energy-saving power supplies. A clean, efficient off-grid energy supply is a genuine enabling technology that, according to SFC, will give many products which fail in the marketplace due to a lack of power the chance to succeed.

The Group's main products are compact fuel cell generators that are sold under the EFOY brand, mostly to the European leisure market (primarily to supply electricity to motor homes) and in the market for remote industrial applications. Highly-miniaturized versions of these products are being supplied as portable power sources to customers in the defense market. In addition to these products, a further portion of sales is generated by joint development agreements (JDAs) with military customers from Europe and the United States.

PBF develops and manufactures reliable high-tech power supply systems. This technology-oriented company works closely with its customers to customize solutions such as switched mode network components, external transformer units, power cabinets and special coils. Its product designs range from relatively simple open frames to extremely complex, efficient power cabinets produced in small to medium-sized series volumes of just a few or tens of thousands of units per year.

SFC is active in the following markets: For the leisure market, SFC offers series-produced products through established commercial channels (wholesalers, retailers and OEMs). In the industry market, it serves the market for off-grid, stationary power supply solutions for such applications as environmental sensors, security equipment and traffic technology. Defense includes a business in series products, but also development contracts to supply prototypes to military organizations. SFC is also tapping other markets, such as power supply in the mobility market, for light electric vehicles that are smaller than cars, as well as onboard power supplies for utility vehicles and service vans.

PBF's products are used in the fields of defense and security, medicine, research and science, industry and semiconductors. Most of its products are sold through distribution partners, but some are sold directly to customers.

As a result of the IPO and subscription rights offering in May 2007, SFC is solidly equipped with the capital it needs to finance future growth.

The Management Board of SFC is responsible for running the Group. The Supervisory Board appoints, monitors and advises the Management Board and is directly involved in decisions that are of fundamental importance for the Group. Information on the remuneration structures of the Management Board and Supervisory Board is contained in the Remuneration Report.

Within the framework of the existing comprehensive risk management system, numerous non-financial performance indicators such as quality parameters are used in addition to detailed financial reporting and controlling.

The legal basis for management and supervision of the Company is the German Stock Corporation Act *(Aktiengesetz)* and Capital Market Act *(Kapitalmarktgesetz)*, as well as the German Corporate Governance Code.

For internal steering purposes, the Management Board uses sales and the operating result (EBIT).

In financial year 2011 and previous years, the main focus of the Group was on building up the Company's markets and expanding market penetration while simultaneously reducing production costs through technological innovation. In 2011, sales increased 15.7 % to € 15,426k. The Group was able to consolidate its market position in its market segments as the only provider of commercially available, series-produced fuel cell systems. It also achieved considerable successes in the further expansion of its business and made significant improvements in its margins. Additionally, with the acquisition of PBF, the Company has considerably strengthened its position in the market for industrial applications.

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

2. ECONOMIC DEVELOPMENTS AND INDUSTRY CLIMATE: DEBT CRISIS SLOWS WORLD ECONOMY

Economic policies are becoming more restrictive almost everywhere, and many advanced economies are suffering from debt problems. According to the ifo Economic Forecast for 2012,[1] these are the primary reasons why the pace of economic expansion slowed in all major economic zones in 2011. The European economy was particularly hard hit by the escalation of the debt crisis in summer 2011, according to data collected for the ifo World Economic Survey. The ifo World Economic Climate Indicator has fallen considerably to well below its long-term average. The failure thus far to find a sustainable solution to the sovereign debt crisis in the euro area has led experts to believe there is a risk that the situation could morph into a full-blown banking and economic crisis throughout Europe. This could take a heavy toll on other regions of the world, in turn causing the volatility of the financial markets to skyrocket. Based on this scenario, noticeable slowing of the world economy as a whole is expected, with the euro area likely to feel the greatest impact. A modest uptick in the economy is expected during the second half of 2012.

Germany – Economic trend positive in 2011 – Forecasts for 2012 weaker due to debt crisis, but stable

According to the German Federal Ministry of Economics and Technology,[2] the German economy grew strongly overall in 2011 by 3.0 % in real terms, more than twice its average since reunification (1.3 %). The trend was weak during the fourth quarter following the satisfactory trend during the first three quarters of 2011, when Gross Domestic Product (GDP) rose by an average of 0.7 % in real terms. The reasons given for this are uncertainty due to the financial crisis and sovereign debt crisis and the slowdown in Europe and internationally. The German federal government anticipates that GDP will grow 0.7 % in real terms in 2012, so the German economy would continue to enjoy somewhat stronger growth than the euro area as a whole.

According to data from the German Federal Statistical Office,[3] the greatest impetus for growth in 2011 came from within the country, primarily household consumption, which at +1.5 % in real terms grew faster than it had for five years. Last year was also characterized by robust capital spending: far more was spent on equipment (machinery, devices and vehicles, +8.3 % in real terms) and buildings (+5.4 % in real terms) than during the previous year.

Foreign trade was still dynamic, although it accounted for a smaller share of GDP growth than domestic demand: adjusted for inflation, 8.2 % more goods and services were exported in 2011 than during the previous year. Imports did not increase to quite the same extent (+7.2 %). The difference between exports and imports – the trade balance – contributed 0.8 % to GDP growth in 2011.

Germany's economic output in 2011 was produced by a workforce that averaged 41.06 million people for the year. This renewed gain in employment, up 1.3 %, meant that the 41 million threshold was exceeded for the first time, surpassing the previous employment record set in 2010.

Germany's sovereign debt was considerably reduced in 2011 thanks to its strong economy. The national deficit was equivalent to 1.0 % of GDP, according to the German Federal Statistical Office.[4] Germany is therefore back below the upper limit of the E.U. stability pact for the first time in three years.

1 ifo Economic Forecast 2012, ifo Institute, Dec. 2011
2 German Federal Ministry of Economics and Technology, Annual Economic Report for 2012, Jan. 2012
3 German Federal Statistical Office Wiesbaden, press release 10/2012; January 11, 2012
4 German Federal Statistical Office Wiesbaden, press release 10/2012; January 11, 2012

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

The ifo Business Climate Index[5] for trade and industry in Germany remained stable during the first half of 2011, but expectations declined continuously from July through October. Business expectations improved again starting in November. The Climate improved in January 2012 for the third time in succession. Although companies assessed the business situation less favorably than in December 2011, the business outlook for the first six months of 2012 has brightened considerably.

Leisure market: The recreational vehicle industry[6] and the marine market

According to CIVD, the German caravaning industry association, 2011 was a successful year for the German caravaning industry. A rising level of exports and strong growth in domestic demand led to an overall 13 % increase in the production of recreational vehicles in 2011. According to CIVD, this demonstrates the growing popularity of recreational vehicles, where EFOY fuel cells by SFC are most frequently used.

Registration numbers also developed very positively. A total of 21,791 motor homes were newly registered in Germany between January and December 2011, a significant increase of 20.1 % compared with 2010, when registration numbers rose only 3.3 %. This is the highest level ever reached for motor homes in Germany.

In all, the German caravaning industry reported the best result in its history on total revenue of € 5.76bn in 2011 (up 25.6 % from the previous year). Manufacturers saw sales rise 28.2 % to € 2.96bn for new vehicles, while sales of used vehicles increased to € 2.25bn, 24.7 % more than in 2010. The accessories industry also grew, up 16.5 % to € 547m.

The excellent data from Germany and recovery of the French market also led to an increase in sales figures for Europe as a whole. However, there were obvious differences between pull-behind campers and motor homes, according to the European Caravan Federation (ECF).[7] While the number of new pull-behind campers that were sold declined by 1.4 %, sales of new motor homes rose 8.9 % in Europe as a whole, showing a clear trend in favor of motor homes. According to the latest available data, Europeans registered about 155,500 new recreational vehicles in 2011 (up 3.3 %), of which 74,500 were motor homes, a sharp increase of 8.9 % from 2010. European markets were again very mixed, however. The growth engines in Europe were France at around 29,500 and, above all, Germany at over 39,000 recreational vehicles, with solid or strong growth for both types of vehicles.

According to CIVD, the recreational vehicle manufacturers it represents believe that, overall, the trend for domestic demand in Germany will be better than for exports in 2012. They also anticipate that the demand for motor homes will be stronger than the demand for pull-behind campers both in Germany and elsewhere. The manufacturers believe that growing exports of motor homes and, above all, increased demand for motor homes in Germany will ensure that the industry is successful in 2012. At the same time, they expect a stable trend for foreign motor home markets in 2012.

In the maritime market, according to the German Marine Federation,[8] the upswing continued in 2011 following the severe slump caused by the financial and economic crisis and the marked recovery in 2010, when German boat production climbed almost 30 %. A total of 50.7 % of the companies surveyed in late 2011 as part of the trade group's year-end economic survey described business as better than in the previous year. Only 25.7 % reported a decline in sales. Their views are also borne out by the production figures of German boat manufacturers. The production of sailboats and motor yachts again increased, up almost 20 % in 2011 compared with the previous year. Overall, the group anticipates sales of maritime goods and services (not including mega yachts) to have totaled € 177bn in 2011 (up 2.6 %).

5 ifo Business Climate Germany; January 2012 ifo Business Survey
6 Data: CIVD Caravaning Industrie Verband e.V.
7 Data: ECF European Caravan Federation
8 Data: German Marine Federation, press release on the 2012 International Boat Show, Jan. 2012

Demand for high-quality maritime equipment and accessories in the end customer business remained at a high level in the equipment segment, the market that matters to SFC. Although bad weather in Germany during the summer reduced demand considerably, by the end of the year the accessories segment was up by almost 4 % from last year.

There were different degrees of market recovery in the marine segment, as well. While the demand for boats and yachts increased in northern Europe as a whole, the situation in southern Europe remained very mixed. There are no signs of a broad recovery nor is one considered likely due to the tense financial situation in some southern European countries.

On the whole, the surveyed companies view the business cycle over the medium term much more cautiously than one year ago. For the next two to three years, 25 % of German companies expect further growth, while 42 % anticipate that revenues will remain at today's level. Last year, almost twice as many companies expected business volumes to increase.

SFC lagged behind the performance of the leisure market as a whole due to destocking of the existing EFOY product generation it initiated at dealers in preparation for the launch of the new EFOY COMFORT series.

Industry and mobility: Off-grid power supply solutions

There is still no official data about the number of electric and electronic devices that are used off-grid for industrial applications, because the markets are extremely diverse. However, 2011 saw a repeat increase in the number of devices that are used far from any power outlets, such as off-grid sensors and metering devices; surveillance, security and traffic control systems; and onboard equipment for utility vehicles and service vans. At the same time, demand grew for easy-to-integrate, user-friendly power sources that ensure that such equipment runs reliably under any weather conditions and can be controlled remotely. EFOY Pro fuel cells by SFC are quiet, environmentally friendly and fully automated power sources that are used like a portable electric outlet and make it possible for many operators of remote installations to create new, more cost-efficient concepts with enhanced functions. They are used as independent power supplies in the field, in cabinets and in special boxes, and are also used as independent battery charging stations in conventional vehicles with internal combustion engines, since new environmental regulations make it illegal for vehicle users to idle the engine to generate electrical energy for battery charging. Both segments of this market experienced a pick-up in 2011 because they are strategically important, and a further increase in their importance is anticipated in 2012.

Defense

It is still difficult to plan the commercial use of independent power sources containing fuel cells in the programs of international defense organizations. However, interest in alternative portable and mobile power generation solutions that will allow new combat and defense strategies to be implemented has not abated over the past year. To better address asymmetrical/terrorist threats, defense forces are increasingly moving away from a monolithic formation to smaller units. Longer-lasting autonomy combined with low detectability for soldiers and vehicles is a vital requirement for longer missions.

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

Power electronics and switched mode network components

For assessing the economic development of the markets relevant to PBF, a company that SFC Energy AG acquired in 2011, we draw on information provided about the sub-segment of the electronics industry referred to as "electronic components & systems"[9] in the industry classification of the German Electrical and Electronic Manufacturers' Association (ZVEI). According to ZVEI,[10] total revenues for the industry as a whole rose 6 %, while production increased by a total of 14 %, meaning that it took the industry just two short years to recover (and then some) from the sharp downturn in production suffered in 2009. The number of orders climbed 7 % on the previous year. The business climate in the German electrical and electronics industry steadily worsened in the second half of 2011, despite initial expectations that it would be positive. Since the beginning of 2012, this trend has reversed, and expectations for the first half of 2012 have noticeably improved. The Association sees particularly strong growth potential for applications in the areas of climate protection, energy and resource efficiency, promotion of alternative energy, intelligent technology, solutions for demographic change as well as security and infrastructure. The most recent statistics published on the "electronic components & systems" market are from 2009 and 2010, when this sub-segment performed in step with the entire industry. It is safe to assume that this parallel performance with the broader electrical and electronics industry continued in 2011.

3. EARNINGS AND FINANCIAL POSITION

Earnings position

Sales revenue for financial year 2011 climbed to €15,426k from €13,330k the previous year, an increase of 15.7 %. Of course, the consolidation of PBF as of December 1, 2011 accounted for about 6.7 percentage points of this increase, making some of the prior-year figures only partly comparable. The share of sales attributable to products declined to 87.9 %, compared with 93.4 % a year earlier, while that generated under joint development agreements (JDAs) increased accordingly.

Sales by segment

The sales increase in financial year 2011 was due primarily to higher sales of fuel cell systems in our A-Series (EFOY, EMILY), higher sales under JDAs and the initial consolidation of PBF as of December 1, 2011. Sales in the C-Series (JENNY) and Power Manager segments moved in the opposite direction.

SALES BY SEGMENTS			in T€	in %
Segment	2011	2010	Change	Change
A-Series	10,721	9,628	1,093	11.4
C-Series	306	1,089	–783	–71.9
Power Manager	520	794	–274	–34.5
Power Supplies und Coils	891	0	891	n. a.
Joint Development Agreements	1,859	875	984	>100
Other	1,129	944	185	19.6
Sales	**15,426**	**13,330**	**2,096**	**15.7**

9 ZVEI Zentralverband Elektrotechnik- und Elektronikindustrie e.V., brochure on industry statistics for 2009/2010, March 2011
10 ZVEI economic barometer for February 2012, February 7, 2012, and a press release on growth expectations for 2012, December 15, 2011

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

In financial year 2011, sales for our A-Series segment rose 11.4 % to € 10,721k (€ 9,628k). In the industry and mobility segments, total sales rose € 781k (31.3 %). There was an increase in the defense market by € 944k to € 1,479k, primarily due to the increase in the number of EMILY fuel cells delivered from 22 to 82. By contrast, revenue in the leisure segment was down € 632k (9.6 %), mainly as a result of the fuel cell destocking initiated by SFC and preparation for the market launch of the new EFOY COMFORT product generation, which was successfully carried out at the end of the second quarter of 2011.

Sales in the C-Series segment declined from € 1,089k in financial year 2010 to € 306k in financial year 2011, with the number of systems that were delivered falling from 69 to 23.

Revenue from Power Managers also dropped, down from € 794k to € 520k during financial year 2011, with the number of Power Managers delivered decreasing from 88 to 17. Additionally, significant revenue was earned from cables for Power Managers in 2011.

The sales declines in the C-Series and Power Manager segments were due in large measure to budget restrictions in the German Bundeswehr, as a result of which purchases of SFC system solutions consisting of the portable JENNY fuel cell, the SFC Power Manager, a specially designed hybrid battery, a solar panel and special accessories, were lower than during the previous year.

Sales in the Power Supplies and Coils segment of PBF, which was consolidated for the first time, were around € 891k for the month of December 2011.

Revenue for the JDA segment in financial year 2011 rose from € 875k to € 1,859k. Most sales during this period were made to three defense organizations in the U.S., while most sales during the previous year were generated with one development program in the U.S.

Sales in the Other segment in financial year 2011 rose 19.6 % to € 1,129k (€ 944k), particularly due to the increase in revenue from fuel cartridges by € 148k (25.4 %).

SFC A-Series unit sales

SFC A-SERIES UNIT SALES

	2011	2010	Change	Change in %
Leisure	2,422	3,125	–703	–22.5
Industry	787	634	153	24.1
Defense	123	41	82	> 100
Mobility	39	31	8	25.8
Units	**3,371**	**3,831**	**–460**	**–12.0**

Unit sales of A-Series fuel cell systems dropped from 3,831 to 3,371, down 12.0 % from the previous year. The fact that revenue still rose 11.4 % is primarily due to the greater share of fuel cells sold in the defense and industry markets, the market launch of EFOY COMFORT and reduced discounts in the leisure market.

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

Sales by region

The overall sales growth in financial year 2011 was the result of SFC's growth outside of Europe and the initial consolidation of PBF.

SALES BY REGION			in T€	in %
	2011	2010	Change	Change
Europe (without Germany)	5,868	6,437	–569	–8.8
Germany	4,757	5,008	–251	–5.0
North America	3,468	1,596	1,872	> 100
Asia	591	195	396	> 100
RoW	742	94	648	> 100
Total	**15,426**	**13,330**	**2,096**	**15.7**

The 8.8 % decline in sales in Europe, a major market, was predominantly due to the aforementioned decrease in A-Series sales to the leisure market. This effect was partially offset by the initial consolidation of PBF.

In Germany, the reduction in revenue was primarily caused by the aforementioned budget constraints of the German Bundeswehr. By contrast, sales of A-Series systems in the home market rose by € 416k.

Consequently, the share of domestic sales in total sales fell to 30.8 %, down from 37.6 % in 2010. The share of international sales in total sales rose accordingly, to 69.2 % (62.4 %).

Revenue rose in North America predominantly on the increased sales under JDAs in the defense market, which were up € 956k. Another contributing factor was the positive business trend for the A Series, with those sales increasing by € 686k. Only part of the sales expected from the Canadian market launch in the leisure market were achieved.

In Asia, the first projects involving industrial applications were realized in Singapore.

The considerable increase in revenue in the rest of the world primarily came from business with customers in the Israeli defense market as well as customers in the Australian industry and leisure markets.

Gross margin: Gross margin was up 32.9 % to € 5,370k (€ 4,042k) in financial year 2011 due to the abovementioned sales effects and cost savings with the EFOY COMFORT fuel cells. Additionally, we were able to continue to improve the systems' runtime compared with the previous year. The gross margin of the A-Series rose by € 1,318k to 39.1 % (from 29.8 %) expressed as a percentage of sales. As a result, the gross margin on total sales for financial year 2011 increased to 34.8 % from 30.3 %.

Sales costs: In financial year 2011, sales costs rose 3.1 % to € 4,896k (€ 4,751k), primarily due to higher allowances for the risk of default in the amount of € 171k.

Research and development costs: In 2011 research and development costs increased 34.2 %, rising to € 2,537k from € 1,891k the previous year. Development costs in the amount of € 326k (€ 1,071k) and internally generated patents in the amount of € 9k (€ 30k) were capitalized in the reporting period. There were also impairment losses on capitalized development costs in the amount of € 578k for financial year 2011. It is important to note that development costs incurred as part of JDAs are reported as production costs of work performed to generate

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

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 2011 totaled € 5,183k, which represents an increase of 9.7 % from the previous year's € 4,725k.

General administration costs: In 2011 general administration costs rose by 30.5 % to € 2,677k (€ 2,052k), primarily due to higher audit and consulting fees (+€ 122k) and personnel expenses (+€ 417k). Dr Podesser's Management Board contract was renewed in the first quarter of 2011. Half of the € 200k retention bonus he was owed in this regard was reported under sales costs and half under administration costs. In addition, the personnel costs for Gerhard Inninger, the newest member of the Management Board, have been captured in this item since August 16, 2011.

Other operating income: Other operating income fell 13.6 %, down from € 228k the year before to € 197k in 2011.

Other operating expenses: Other operating expenses rose considerably in 2011, from € 87k to € 1,598k. The primary causes were non-recurring effects during financial year 2011, particularly anticipated losses from rent expenses (€ 597k), costs associated with the acquisition of PBF (€ 511k) and expenses from contract terminations (€ 323k).

Restructuring expenses: Expenses in the amount of € 474k were incurred for the first time in financial year 2011 in conjunction with a restructuring program aimed at boosting efficiency and earnings and focusing the business on core competencies. Reported as part of the operating result, these expenses, the Company's first such expenses ever, consisted almost entirely of payments related to layoffs.

Operating result (EBIT): The Group's EBIT fell 46.7 % from minus € 4,510k for financial year 2010 to minus € 6,615k. There were various one-off items in financial year 2011. Adjusted for these effects, EBIT was as follows:

	in T€
	2011
Operating result as shown in income statement	**–6,615**
Impairment losses on capitalized development costs	
Reported as research and development costs	578
Contingent losses for premises	
Reported as other operating expenses	597
Acquisition-related costs	
Reported as other operating expenses	511
Expenses from contract terminations	
Reported as other operating expensesw	323
Other	
Reported as other operating expenses	47
Payments related to layoffs	
Reported as restructuring expenses	474
EBIT underlying	**–4,085**

EBIT rose 9.4 % when adjusted for one-off items. Consequently, the underlying EBIT margin improved to minus 26.5 % (minus 33.8 %).

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

Interest and similar income: Interest and similar income rose 4.4 %, from € 409k to € 427k, in financial year 2011. The lower volume of cash and cash equivalents was offset by higher interest rates.

Consolidated net loss: The consolidated net loss widened 50.8 % in financial year 2011 to € 6,218k following a net loss of € 4,123k the year before. This includes the abovementioned one-off items in the total amount of € 2,530k for financial year 2011.

Net loss per share: Net loss per share under IFRS (diluted) dropped from minus € 0.58 to minus € 0.87.

Financial position

SFC's financial management includes the areas of liquidity management, management of foreign exchange and commodities risks, and credit and default risks.

Net cash outflows increased to € 11,131k in 2011, up from € 6,982k in the previous year.

At the end of December 2011, the Company had available cash and cash equivalents of € 22,443k (end of December 2010: € 33,560k). Furthermore € 285k in time deposits that were pledged as a lease security deposit.

There were liabilities to banks of € 759k (previous year: € 0k) as of the reporting date. Of this amount, € 200k represented a long-term liability.

Cash flow from ordinary operations: The net cash used in ordinary operations decreased to € 4,317k in financial year 2011, versus € 4,635k a year ago. One key reason for this was the lower increase in net working capital (inventories plus trade accounts receivable minus trade accounts payable). The increase was € 1,041k in financial year 2011 compared with € 1,665k in 2010. Contingent loss provisions for rent expenses in the amount of € 597k drove the € 874k increase in short and long-term provisions, as compared with a € 191k increase in 2010.

Cash flow from investment activity: Net cash used for investment activity totaled € 6,412k in the period under review, versus € 2,347k the previous year. The increase was due primarily to payments relating to the acquisition of PBF in the amount of € 6,000k. In addition, investments in intangible assets and property, plant and equipment declined significantly, from € 2,221k the previous year to € 1,131k in financial year 2011.

Cash flow from financial activity: Net cash used for financial activity increased from € 0k in 2010 to € 402k in 2011, chiefly due to the € 350k paid towards PBF's financial debt.

Assets & Liabilities

The Group's balance sheet remains healthy, with an equity ratio of 75.4 % (December 31, 2010: 90.1 %).

Total assets rose 5.3 % to € 48,783k as of December 31, 2011, up from € 46,312k as of December 31, 2010. This is primarily due to the consolidation of PBF starting December 1, 2011; in that respect, the figures as of December 31, 2011 are only partially comparable with the figures for the previous year.

Inventories rose from € 1,937k to € 4,907k due to the increase in sales and consolidation of PBF. Another contributing factor was the change in financial year 2011 in the way platinum prices are hedged (see commodity price risks). At the end of 2011, the value of the platinum and ruthenium reported under inventories was € 1,148k.

The sales growth and consolidation of PBF also generated a 64.9 % increase in trade accounts receivable, which rose to € 4,474k from € 2,713k in 2010.

Non-current assets rose from € 6,145k as of December 31, 2010 to € 15,313k as of December 31, 2011, due primarily to the goodwill of the PBF Group (€ 6,023k) and the consolidation of PBF. The share of non-current assets in total assets climbed from 13.3 % to 31.4 %. It should be noted that the building occupied by SFC is under long-term lease and is not shown under non-current assets.

Current liabilities increased to € 6,777k as of December 31, 2011 (December 31, 2010: € 3,178k), primarily due to the consolidation of PBF.

Altogether, liabilities made up 24.6 % of total liabilities and shareholders' equity (December 31, 2010: 9.9 %).

With the net loss for the period, shareholders' equity decreased to € 36,788k as of December 31, 2011, compared with € 41,721k as of December 31, 2010.

Research and development

The Group continues to make considerable investments in research and development. A total of € 5,183k was spent on R&D in financial year 2011 (previous year: € 4,725k), including costs related to joint development projects. At 23 (previous year: 28), the number of employees working on developing direct methanol fuel cell technology and incorporating it into the Group's products accounts for about one-quarter of personnel. SFC pursues an active patent strategy to defend barriers to entry into the market and to safeguard our own marketing options. SFC currently holds a portfolio of more than 30 different patent applications or granted patents. Some 40 % of PBF's employees work in development, with about one-third of them located in Romania.

The focus of SFC's research and development activities remained as follows in financial year 2011:

- Reduce unit costs through technological innovations and an improved operating strategy, particularly 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. Here we continued our efforts to systematically increase power density and reduce degradation while cutting back on the amount of material used, thereby increasing margins.

- Significantly enhance product functionality; develop new products (including, for example, ones with new market-specific features like the housing design and an innovative customer interface in the leisure market), in order to tap fresh areas of application in addition to the markets already addressed.

- Significantly improve the reliability and robustness of devices developed for the industry market, including under harsh environmental conditions, in order to make products even more attractive and build on SFC's technological edge.

- The first pilot projects with a significant increase in output power were successfully tested and presented to the first customers in the industry and defense markets.

- Miniaturize the products and simultaneously increase capacity in order to successfully tap markets, particularly in the defense industry, with demanding specifications for portable energy sources.

- Develop total energy supply solutions, typically consisting of a fuel cell system, hybrid battery, power management and accessories – and even solar cells in some cases – in order to better meet customer requirements, especially in the defense and industry markets.

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

- The development department worked on eight new projects in the area of network component solutions in the 220W to 400W range.

- Three projects involved a new technology for PBF.
  - The PU3000 is a 26kV and 4000W capacitor charger for an industrial laser application.
  - The PSM2000 project is a 2000W network component for medical applications, which are subject to extremely strict safety requirements.
  - The PSX project is a 5000W DCDC converter with a very high power density and up to 99 % efficiency.

- PBF has also begun research in the area of buck-boost PFC converters that should lead to greater efficiency over a large input voltage range.

We plan to keep R&D expenses high in order to build on the Group's strong position in technology and marketing. Our R&D activities received significant assistance from government funding during the period and are likely to continue doing so in the future, for example through the National Organization for Hydrogen and Fuel Cell Technology (NOW).

Capital expenditures

In financial year 2011, € 326k (€ 1,071k) was capitalized for the further development of fuel cell systems and PBF products. The investments in other intangible assets relate primarily to SFC Energy Inc.'s acquisition of a non-exclusive license to a comprehensive portfolio of American fuel cell patents from the University of Southern California and the California Institute of Technology. We also invested in software and hardware for expanding our cloud infrastructure, in a CAQ software program, and in injection molding equipment to achieve further cost savings.

Total capital expenditures in 2011 came to € 1,131k (€ 2,468k). Of that amount, € 0k (€ 246k) was financed by government grants and deducted from the costs of the respective investments. The remaining capital expenditures were financed by our own resources.

New orders and order backlog

New orders for SFC in financial year 2011 totaled € 12,621k, 3.4 % less than the year before (€ 13,068k), which was satisfactory in view of the destocking in the leisure market. New orders for EFOY fuel cells in the A-Series rose from € 7,710k to € 9,011k in 2011, while total new orders for the JENNY and Power Manager products in the defense market fell from € 1,968k to € 723k for the reasons described above.

This put the order backlog at € 1,220k at the end of 2011, a decrease of 61.3 % from the previous year's total of € 3,150k.

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

PBF had an order backlog of € 5,782k at the end of 2011. Its order backlog was at € 5,302k at the time of initial consolidation.

Employees at year end

As of December 31, 2011, the Group employed the following permanent personnel:

EMPLOYEES

	12/31/2011	12/31/2010	Change
Board members	2	2	0
Research and development	60	28	+32
Production, logistics, quality management	72	25	+47
Sales and marketing	34	29	+5
Administration	22	13	+9
Permanent employees	**190**	**97**	**+93**

The Group employed 12 (8) trainees, graduates and student trainees as of December 31, 2011.

SFC had 94 permanent employees as of December 31, 2011, which is 3.1 % fewer than the previous year (97). The decrease is due to the aforementioned restructuring program. Five employees who are scheduled to leave in 2012 were still counted as employees as of the reporting date; the employment relationship with another four employees ended on December 31, 2011. The number of employees increased by 96 due to the acquisition of PBF.

Summary

In summary, it can be concluded that at the reporting date the Group had a solid net asset and financial picture. However, if the earnings situation remains negative, the overall picture could undergo adverse changes over the long term.

4. REMUNERATION REPORT

Structure of remuneration for members of the Management Board

The remuneration of members of our Management Board complies with the statutory requirements of the German Stock Corporation Act.

Until May 5, 2011, contracts for members of the Management Board were prepared by the Personnel Committee under the guidance of the chairman of the Supervisory Board. The Personnel Committee reviews remuneration under the contract every twelve months and adjusts it if necessary. During the second half of the year, the contracts for the members of the Management Board were negotiated and prepared by the Supervisory Board.

Members of the Management Board receive fixed annual compensation as well as variable compensation (performance-related bonus) if specific targets are reached.

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

There are also agreements to make bonus payments to the members of the Management Board within the framework of a long-term incentive program for the period January 1, 2009, to December 31, 2016, under certain circumstances and if certain performance targets are reached. This program is based on a phantom-stock model and is divided into three individual three-year performance periods that include financial years 2009 to 2011, 2010 to 2012 and 2011 to 2013. Another long-term incentive program for the period from January 1, 2012 to December 31, 2016 was agreed in 2011. This program includes the individual three-year performance periods for financial years 2012 to 2014, 2013 to 2015 and 2014 to 2016. The remuneration at the end of each three-year period is paid in the form of cash and substantially depends on the price of the SFC share and achievement of a defined EVA (economic value added) target for that period.

We also provide a company car to both members of the Management Board. The Group pays the premiums for accident pension, and life insurance for the members of the Management Board every year up to a maximum of € 10,000 each. SFC has also obtained directors and officers liability insurance for both of them; these policies include a deductible equal to 10 % of the loss up to a maximum of one and a half times the annual base salary of the respective Management Board member.

Structure of remuneration for members of the Supervisory Board

The amount of remuneration was most recently adjusted by the Annual General Meeting on May 5, 2011. Since that time, members of our Supervisory Board have exclusively received a fixed remuneration.

Members of the Supervisory Board are entitled to reimbursement of out-of-pocket expenses related to the performance of their duties on the Supervisory Board and to inclusion in the D&O liability insurance that the Group obtains for management.

Until the close of business May 4, they also received fixed compensation of € 20,000.00 per individual member which was payable after the close of the financial year. The chairman of the Supervisory Board received 200 % and his deputy received 150 % of the amount of that remuneration. Each member of the Supervisory Board also received additional annual compensation of € 5,000.00 for each committee of the Supervisory Board that he chaired and € 2,500.00 for each committee of the Supervisory Board on which he served as a member. Each member also received variable compensation of € 100.00 for each € 0.01 of dividends per share that were distributed in excess of € 1.00 in dividends per share.

Starting May 5, 2011, members of the Supervisory Board receive, in addition to reimbursement of their out-of-pocket expenses, fixed remuneration in the amount of € 25,000.00 per member, payable after the end of the financial year. The chairman of the Supervisory Board receives 200 % and his deputy receives 150 % of the amount of that remuneration.

Information that is to be included in the Notes to the financial statements in accordance with § 314(1) No. 6a of the German Commercial Code (HGB) can be found in the Notes to the Consolidated Financial Statements.

Other related parties

Please see the section entitled “Related-party transactions” in the Notes.

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

5. INFORMATION ACCORDING TO § 315(4) HGB

The share capital of SFC Energy AG totals € 7,502,887.00 and is divided into 7,502,887 ordinary bearer shares with no par value representing a notional amount of our share capital of € 1.00 per share. The share capital is completely paid-up. Each share confers one vote.

HPE PRO Institutional Fund B.V., Amsterdam, Netherlands ("HPE") notified us that HPE acquired 1,788,993 of the voting rights in SFC Energy AG on January 25, 2011. In an agreement with the Company, HPE undertook not to sell the acquired shares within a period of twelve months as of January 25, 2011.

A part of the purchase price relating to the acquisition of the Dutch PBF group was paid by the Company by way of granting new shares in SFC Energy AG. That way, the sellers of the PBF group, i.e. T&E Holding B.V., Almelo, Netherlands, Novastar Beheer B.V., Hengelo Ov, Netherlands and MRJ Support B.V., Eerbeck, Netherlands (collectively the "Sellers"), received in total 350,000 new non par value shares in the Company. In order to secure potential guarantee claims of the Company against the Sellers that may arise in the context of the transaction, the Sellers transferred their shares in SFC Energy AG into an escrow account. For a period of 24 months as of December 1st, 2011, the Sellers shall not dispose of their shares without prior consent of the Company. In addition, the Sellers have undertaken not to exercise their voting rights attached to these 350,000 non par value shares during that period.

The management board is not aware of any further restrictions (including restrictions agreed between shareholders) concerning the exercise of voting rights or the disposition of shares.

The parties that directly and indirectly own capital exceeding 10 % of the voting rights are listed in the table below[11]:

	in %
Holland Private Equity Management B. V. (through HPE PRO Institutional Fund B. V.)	25.70
Havensight Capital, Ltd.	10.22
Conduit Ventures Limited (through Conduit Ventures General Partner II Limited and Conduit Ventures IIA LP)	10.15

Shareholders have no special rights that confer control.

Members of the Management Board of SFC Energy AG are appointed and removed in accordance with § 84 and § 85 of the German Stock Corporation Act (AktG) and § 7(2) of the Articles of Association.

Pursuant to § 179 of the German Stock Corporation Act in conjunction with § 20 of the Articles of Association, changes to the Articles of Association are subject to a resolution of the shareholders' meeting approved by a three-quarter majority.

The Management Board, with the approval of the Supervisory Board, is authorized to increase the share capital of the Company by as much as € 3,218,121.00 on one or over several occasions on or before May 7, 2013, by issuing new ordinary bearer shares with no par value in return for cash or non-cash consideration (Authorized Capital 2008). All shareholders are to be granted a subscription right. The subscription right of the shareholders may be excluded with the approval of the Supervisory Board subject to certain conditions. Pursuant to § 5(5) of

11 These are the holdings that had been reported to SFC pursuant to the German Securities Trading Act (WpHG) by the time this Group Management Report was prepared.

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

the Articles of Association, the terms of the capital increase are specified by the Management Board, with approval by the Supervisory Board.

The Company has a conditional capital 2011 in the amount of € 3,576,443.00 for the issuance of no-par-value bearer shares to the holders or creditors of convertible bonds and/or warrant-linked bonds, participatory rights and/or participatory bonds (or combinations of these instruments). No such instruments had been issued as of the reporting date. As stated in § 5(4) of the Articles of Association, the Management Board will determine the remaining details of the execution of the conditional capital increase, with approval by the Supervisory Board.

The Annual General Meeting held on May 6, 2010 authorized the Management Board to repurchase the Company's own shares on or before May 5, 2015, up to a limit of ten percent of the Company's share capital as of May 6, 2010. This authorization had not been utilized as of the balance sheet date.

There are currently no agreements at SFC Energy AG that are contingent on a change of control following a takeover offer.

There are no agreements with members of the Management Board or with employees concerning compensation in the event of takeover offers.

6. REPORT ON RISKS AND REWARDS

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.

Operational management is directly responsible for early detection, analysis, measurement, control, and communication of risks. Within the framework of discussions on targets between the Management Board and the responsible people in the business units and as a result of regular reporting, the business units provide information on changes in the risk situations of the individual business units.

The risk management system used at SFC also includes an early warning system that is based on a system of key figures. The key figures allow an objective overview of the Group's financial situation, a comparison between the budget and actual costs, a detailed preview of anticipated new orders and sales for each business unit (sales pipeline), unit-specific cost controlling, cost controlling for development and marketing projects, a uniform project management tool for the entire Group, and other process-related indicators. PBF has been integrated into this risk management system.

The Management Board regularly uses these instruments to determine in real time whether estimates and background conditions have changed and whether any remedial measures must be taken.

The Supervisory Board receives a similarly detailed financial report every month and is also informed in the short term about current developments when necessary. The Supervisory Board is thus also involved in risk management as a result of reports by the Management Board on transactions that could be of particular importance for profitability or liquidity.

The material risks listed below result from the Group's business activity.

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

Market risks

Macroeconomic developments: In spite of the debt crisis, the assessment of the economic climate for 2012 in Europe and the world is cautiously optimistic. Nonetheless, transparency has decreased considerably due to the failure so far to find solutions for the crisis – all forecasts are cautious. Therefore, there is a considerable degree of uncertainty associated with any evaluation of economic opportunities and risks in 2012, particularly with regard to whether customers will decide in favor of new technologies and innovative power supply concepts. The otherwise relatively stable euro area is also affected by this uncertainty.

Leisure: Every expectation of the experts was far exceeded in 2011, and both the German caravaning association CIVD and the European Caravaning Federation ECF anticipate a stable year in 2012. They see growth opportunities above all for motor homes, where EFOY fuel cells by SFC are most frequently used. However, it must be remembered that it is precisely the leisure market that is extremely dependent on economic trends; its customers are price-sensitive end consumers in the travel and leisure segment, who make their decisions to invest based on their total available budget and in tough times cut back on spending for leisure activities first.

The marine segment, in spite of growth over the past few years, including in the area of accessories, is also cyclical in this way. Top quality accessories do add value, along with improving comfort, convenience and safety. Still, this is also the first area where boat owners will cut spending if they perceive their overall economic situation as poor or difficult.

Industry and mobility: It is anticipated that the developing market of off-grid and mobile industrial systems will continue to grow in view of its increasing strategic importance. However, long test phases and complex decision-making processes for capital expenditures will still influence the economic realization of these projects, particularly because of the dependence of many industrial segments on the public procurement environment and government stimulus programs.

Defense: The trend in the defense markets of implementing new combat and defense strategies using smaller, more flexible units continues. This brings with it an increasing need for new portable and mobile alternative power supply units that will allow longer and more mobile missions, because this need cannot be covered by existing technologies such as batteries. However, it must be kept in mind that budget cuts and structural changes over the past few years continue to influence the planning of defense organizations in Europe and the Americas and their decisions on capital expenditures.

Power electronics and switched mode network components: Power electronic components and systems are needed anywhere power is used. As a rule, the electronics industry develops in sync with the overall economy. The provision, storage and distribution of power play a very important role in the emerging energy markets and markets of the future, such that there is constant and widespread demand for these parts. In this respect, we rate the market risks in this market as relatively low.

Technological risks

The products manufactured by SFC must meet high quality standards if they are to be successful on the market. In addition to further development of the Group's own technology for new applications, SFC gives great attention to quality assurance while simultaneously reducing production costs. SFC is working on this as part of intensive cooperative ventures with its major suppliers. At the same time, the Group is working to further reduce the production costs of its products through technological advancements and higher unit numbers. During the 2011 reporting period, we continued to generate additional cost savings without sacrificing quality. One example of this is stacks, a core component of fuel cell systems. The resulting know-how represents a major competitive edge for SFC. Overall, as for all highly innovative companies, we are exposed to risks from new product and technology features.

Patent risks

As the intellectual property situation becomes more complicated and products more complex, there remains a certain risk of possible patent infringement by SFC. However, as a result of its unique position as a supplier of commercial direct methanol fuel cell systems, SFC has obtained intellectual property rights or filed applications for them (around 20 patents or decisions to grant received so far), which put us in a strong position relative to our competitors. Due to SFC's orientation as a provider of power supply solutions, there is a risk that integration solutions are covered by intellectual property rights that have already been granted. SFC works continuously with experienced patent attorneys to ensure that it is operating in full compliance with the law by staying abreast of patents that may be relevant to the Company, including those granted in other countries. During the second quarter of 2011, SFC entered into an agreement on the acquisition of a non-exclusive license for SFC Energy Inc. to a comprehensive portfolio of American fuel cell patents belonging to the University of Southern California and California Institute of Technology. The agreement is intended to provide extensive certainty under patent laws for the sale of SFC's products to end consumers in the United States.

Competition

SFC enjoys a unique position today thanks to our leadership in DMFC systems technology and our marketing edge. Some of the ways we protect this advantage include intellectual property rights, swift action and a resolute focus on a single technological concept. Some of our competitors – particularly those in the U.S. defense market – have at least comparable access to the market, which primarily results in the risk of losing our leadership position. For example, ongoing monitoring of the competition in this connection brought to our attention the first deliveries of prototypes by competitors in the defense business in the United States. And the first competing products are now appearing on the market in our leisure and remote power supply target markets. Consequently, there are risks from announcement effects and actual substitutes that could provoke uncertainty among market participants and lead to a loss of sales for SFC. We are countering these risks by bringing focus and innovation to our continuing product development efforts.

Purchasing and production-related risks

SFC purchases components and equipment it needs to manufacture its fuel cell systems from various manufacturers and does not produce them itself. The supplier industry for SFC components is, however, only partially prepared for the specific requirements of the developing mass market for fuel cells. To avoid overdependence on certain suppliers, SFC is working to diversify its suppliers and is entering into intensive cooperative projects to that end. Arrangements have been made with suitable second suppliers for some components. Supply chain risks are being reduced through professional quality and supplier management. Nevertheless, insufficient availability of all components procured from suppliers poses a risk in the event that these components cannot be made available on time, at the planned cost or in the required quality. There is also the risk of the loss of a supplier.

Commodity price risks

At the end of the first quarter of 2011, SFC reacted to the downward pressure on platinum prices created by the crisis in Japan and secured its platinum needs for approximately 2 years (1,000 ounces). Rather than entering into commodity forwards as in the past, we purchased platinum from our supplier at the spot rate. The platinum is administered by the supplier in a separate account and used up as fuel cell components are delivered. Along with the platinum, we also purchased the corresponding quantity of ruthenium (400 ounces), which is used in the same product, but constitutes only about 4 % of the platinum's cost. Overall, € 1,275k was invested in these precious metals, which will be reported on the balance sheet as inventory until they are used up in SFC's products. Both precious metals are tradable at spot rates. Unlike with forward contracts, there is no need for remeasurement at each balance sheet date. A write-down of the precious metals would be in order only if the product manufactured from them could not be sold on the market at a price that covered its costs. The value of the platinum and ruthenium was € 1,148k on the balance sheet date.

In general, rising raw material and energy costs continue to pose a risk to our product margins.

Foreign exchange risks

Particularly on account of its volume of business with the U.S. Armed Forces, SFC generates a portion of its revenues in U.S. dollars, which is offset by expenses and payments in U.S. dollars that are lower than these revenues. No longer-dated currency forwards were entered into in financial year 2011. There were no open currency forwards as of the reporting date. In this respect, foreign exchange risk exists for the unhedged portion of sales.

As in the past, the possibility exists that volatile price trends for the dollar could result in book losses when forward deals are remeasured.

Financial and liquidity risks

Sales and contribution margins were not sufficient to make the Group profitable during the reporting period. SFC's strategic orientation requires continued capital expenditures, which must be financed to ensure future business success, particularly in the areas of product development and tapping additional market segments and new regions. The funds received by the Group from the public offering in May 2007 were raised for these capital expenditures. Cash is being deposited with various banks in low-risk investments (such as call and time deposits) until it is used within the framework of our growth strategy.

Consequently, the current liquidity risk from fluctuating payment flows is rated as very low. Nevertheless, there is a risk that a major customer or a bank may no longer meet its payment obligations to SFC.

There were no payment defaults in 2011, thanks to our customer structure (high percentage of military customers, industrial customers and wholesalers, low percentage of private end customers). As of the reporting date, individual allowances totaling € 179k had been recognized for receivables involving a potential default. There is a certain risk from the fact that our ten largest customers – including four military customers and three German and foreign wholesalers in the leisure market – accounted for 42 % of sales in 2011. We are counteracting this risk by generating new customers and expanding our sales with existing customers.

Interest rate risks

Interest rate risk results primarily from the investment of cash. As part of the capital increase in 2007, shares were also placed in the United States. In that context, SFC also had to assume the contractual obligation to comply with certain tax laws in the United States. Consequently, no investments may exceed a three-month term at present. In that respect, the net interest income or loss of SFC is materially influenced by short-term interest rates on the capital markets.

Personnel risks

SFC remains heavily dependent on committed, highly qualified and to a certain extent specialized employees. Given our growth plans, there is a risk that an inability to recruit key personnel could become a bottleneck for the Company's planned growth. SFC is attempting to stay competitive on the labor market by increasing its use of performance-related salary components, flat hierarchies and early assignment of responsibilities. SFC was an attractive employer in 2011 in spite of headcount reductions and was able to recruit new employees with good qualifications. The access to the Romanian labor market for highly skilled technicians should compensate for any bottlenecks at other locations.

IT risks

We have continued to expand and improve important IT features like backup and archiving functions, restoring availability after outages, redundancy and reliability. Monitoring of the high-availability servers has also been adapted to growing needs. Updating antivirus and other software and the server operating system on the domain controllers and the file server has helped improve the availability and sustainability of the IT infrastructure at SFC.

Regulatory risks

The business in which SFC operates is still highly regulated. That is because it produces, distributes and markets complex technical products and cartridges filled with methanol, distributes them in markets with demanding safety requirements (such as automakers or military organizations), and is subject to highly complex, sometimes non-uniform regulatory background conditions in various markets and countries. In some cases, authorities n Germany and Austria have objected to product labeling and distribution channels. SFC is working to obtain a legal clarification. It cannot be excluded that the applicable requirements may become stricter (for example, due to stricter anti-terror legislation, new laws under REACH or GHS, or the increased visibility of SFC products as they become more popular) and that additional requirements could be imposed on distribution of the Group's products. To avoid negative effects on the sale of products, SFC started offering additional product and safety training to dealers in Germany during the third quarter of 2011 to ensure proper qualification of their personnel. This problem has been resolved in Austria by a corresponding legislative amendment.

Other risks

In August 2011, a former distributor in Canada filed suit against SFC for an alleged breach of a non-disclosure agreement. SFC believes that the claim, which is for more than one million Canadian dollars, is too high. Nevertheless a provision in keeping with IAS 37 has been established. SFC is seeking an out-of-court settlement.

Conclusion

Based on the information known to us today, we believe that there are no risks that could threaten the continued existence of the Group.

Opportunities for future development

The key determinants of SFC's future development lie in our ability to successfully increase our sales (by raising volumes in current markets; expanding into new regions; tapping new markets by concentrating on delivering system solutions; and expanding our series business in the defense industry) and to use innovative technologies to reduce our costs. SFC has the opportunity to build on its current lead thanks to its mature technology and marketing power and to continue to be the recognized standard-setter for off-grid energy supply in the low and medium-power range. Additionally, new growth momentum as well as synergy and efficiency effects are expected from the integration of PBF.

Additional opportunities may present themselves as a result of external factors: earnings could benefit from falling raw material prices and favorable exchange rate developments.

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

7. GROUP ACCOUNTING-RELATED INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT SYSTEM

SFC has an internal control and risk management system for the (group) accounting process. This system defines appropriate structures and processes and implements them in the organization. It is designed to ensure timely, uniform and accurate bookkeeping of all business processes and transactions. It also ensures compliance with laws and accounting rules.

Changes to the laws, accounting standards and other official bulletins are regularly analyzed with regard to relevance and effects on the anual and consolidated financial statements, and the resulting changes are made to our internal systems and processes.

Our internal control system is based not only on defined control mechanisms, such as computerized and manual coordination processes, but also on separation of duties and compliance with work instructions.

Bookkeeping for our U.S. subsidiary is primarily performed or monitored by the parent company, which ensures that accounting standards are applied uniformly throughout the Group.

Bookkeeping for the Dutch subsidiary P&E and its affiliates is performed by the bookkeeping department in the Netherlands. Uniform application of IFRS accounting standards throughout the Group is ensured by training the Dutch bookkeeping management.

Consolidation and certain coordination work are performed by the Accounting Department at the parent company on the basis of information received from the consolidated companies. Because of the size of the Group, there is no separate group accounting department. Computerized controls are monitored by the employees in the Accounting Department and supplemented with manual tests. As a rule at least two people review everything at every level. Certain release processes must be complied with throughout the entire accounting process. The Management Board is responsible for implementing and monitoring the internal control system. This includes the (group) accounting-related internal control system. Given the size of the Group, there is no internal audit function within the Group.

The Management Board of SFC Energy AG has reviewed the accounting-based internal control system and believes that it was fully functional in financial year 2011. The effectiveness of the internal control system is monitored by the Supervisory Board of SFC Energy AG in accordance with the requirements of the Accounting Rule Modernization Act *(Bilanzrechtsmodernisierungsgesetz)*, which went into force in May 2009. It is important to note that an internal control system does not provide absolute certainly that material misstatements in the financial statements will be avoided or discovered, regardless of how it is designed.

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

8. DECLARATION ON CORPORATE GOVERNANCE

On March 27, 2012, the Management Board issued the Declaration on Corporate Governance pursuant to § 289a of the German Commercial Code. This declaration is available on the Internet at http://www.investor-sfc.de/de/corporate_governance.php.

9. FORECAST REPORT

The Management Board anticipates consolidated sales of between € 28m and € 30m in financial year 2012. In the leisure market, the Management Board expects to see sales at last year's level. Growth in the industry and security/defense markets is to be achieved primarily through strategic industrial partnerships and a greater focus on complete solutions. This may also include further acquisition steps. Current plans for the SFC Group anticipate achievement of break-even on an EBITDA basis during the second half of 2012 as a result of this revenue growth in combination with further improvement of the product cost structure.

Further revenue growth of 10 % to 15 % and an associated further improvement of EBITDA are anticipated for 2013. We expect that the leisure, industry and security/defense markets will also experience growth in the aforementioned range at that time.

10. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date.

Brunnthal, March 27, 2012

The Management Board

Dr Peter Podesser
CEO

Gerhard Inninger
CFO

CONSOLIDATED FINANCIAL STATEMENTS

64 CONSOLIDATED INCOME STATEMENT

64 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

65 CONSOLIDATED BALANCE SHEET

67 CONSOLIDATED CASH FLOW STATEMENT

69 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

70 CONSOLIDATED SEGMENT REPORTING

The following Consolidated Financial Statements have been prepared in the German language. They have been translated for this annual report into English. In the event of questions of interpretation, the German version shall be authoritative.

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT
FOR THE FINANCIAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2011

in €

		see Notes	2011	2010
1.	Sales	(1)	15,425,974	13,330,178
2.	Production costs of work performed to generate sales	(2)	–10,056,012	–9,287,856
3.	**Gross margin**		**5,369,962**	**4,042,322**
4.	Sales costs	(3)	–4,895,763	–4,751,085
5.	Research and development costs	(4)	–2,537,471	–1,890,860
6.	General administration costs	(5)	–2,676,857	–2,052,233
7.	Other operating income	(6)	196,767	228,089
8.	Other operating expenses	(7)	–1,597,538	–86,571
9.	Restructuring expenses	(8)	–473,970	0
10.	**Operating loss**		**–6,614,870**	**–4,510,338**
11.	Interest and similar income	(9)	427,360	408,846
12.	Interest and similar expenses	(9)	–37,380	–21,769
13.	**Loss from ordinary operations**		**–6,224,890**	**–4,123,261**
14.	Income taxes	(10)	7,143	0
15.	**Consolidated net loss**		**–6,217,747**	**–4,123,261**
	NET LOSS PER SHARE	(34)		
	undiluted		–0,87	–0,58
	diluted		–0,87	–0,58

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2011

in €

	see Notes	2011	2010
Consolidated net loss		**–6,217,747**	**–4,123,261**
Result from currency translations		–64,563	–15,828
Total results recognized directly in equity	(28)	**–64,563**	**–15,828**
Total comprehensive income		**–6,282,310**	**–4,139,089**

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

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

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

CONSOLIDATED BALANCE SHEET
AT DECEMBER 31, 2011

	ASSETS			in €
		see Notes	2011	2010
A.	**Current Assets**		**33,469,987**	**40,167,297**
I.	Inventories	(14)	4,906,928	1,936,612
II.	Trade accounts receivable	(15)	4,474,260	2,713,062
III.	Receivables from Percentage-of-Completion	(16)	541,137	3,833
IV.	Income tax receivables	(17)	112,559	103,567
V.	Other short-term assets and receivables	(18)	706,962	1,280,052
VI.	Cash and cash equivalents	(19)	22,443,141	33,560,171
VII.	Cash and cash equivalents with limitation on disposal	(20)	285,000	570,000
B.	**Non-current assets**		**15,312,741**	**6,145,106**
I.	Intangible assets	(21)	10,918,155	2,946,698
II.	Property, plant and equipment	(22)	2,746,578	2,335,363
III.	Other long-term assets and receivables	(18)	54,286	66,540
IV.	Deferred tax assets	(10)	1,593,722	796,505
	Assets		**48,782,728**	**46,312,403**

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

CONSOLIDATED BALANCE SHEET
AT DECEMBER 31, 2011

	LIABILITIES AND SHAREHOLDERS' EQUITY			in €
		see Notes	2011	2010
A.	**Current liabilities**		**6,777,407**	**3,177,805**
I.	Provisions for taxes	(23)	97,019	0
II.	Other provisions	(23)	770,981	547,265
III.	Liabilities to banks	(24)	559,390	0
IV.	Liabilities from prepayments	(25)	202,136	3,583
V.	Trade accounts payable	(26)	3,171,240	1,384,029
VI.	Liabilities from percentage-of-completion	(16)	43,792	0
VII.	Other short-term liabilities	(27)	1,932,849	1,242,928
B.	**Non-current liabilities**		**5,217,042**	**1,413,189**
I.	Other long-term provisions	(23)	1,413,160	500,865
II.	Liabilities to banks	(24)	200,000	0
III.	Other long-term liabilities	(27)	1,457,617	115,819
IV.	Deferred tax liabilities	(10)	2,146,265	796,505
C.	**Equity**		**36,788,279**	**41,721,409**
I.	Subscribed capital	(28)	7,502,887	7,152,887
II.	Capital surplus	(28)	67,878,818	66,879,638
III.	Other changes in equity not affecting profit or loss	(28)	−68,191	−3,628
VI.	Accumulated loss brought forward from previous year	(28)	−32,307,488	−28,184,227
V.	Consolidated net loss	(28)	−6,217,747	−4,123,261
	Liabilities and shareholders' equity		**48,782,728**	**46,312,403**

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2011

in €

		see Notes	2011	2010
	Cash flow from ordinary operations			
	Result before taxes		**–6,224,890**	**–4,123,261**
–	Net interest income	(9)	–389,980	–387,077
+	Depreciation/amortization of intangible assets and property, plant and equipment	(12), (21), (22)	1,971,230	1,020,083
+	Expenses from Long Term Incentive Plan	(32)	53,949	7,899
+/–	Changes in allowances	(14), (15)	270,879	–36,739
+	Losses from disposal of property, plant and equipment	(21), (22)	48	6,466
–	Profits from derivatives	(31)	0	–90,799
–	Other non-cash income[1]		–73,119	0
	Changes to operating result before working capital		**–4,391,883**	**–3,603,428**
+	Changes to short and long-term provisions	(23)	874,279	190,721
–	Changes to trade accounts receivable	(15)	–283,651	–511,939
–	Changes to inventories	(14)	–1,047,272	–579,685
+	Changes to other receivables and assets	(16), (17), (18)	343,157	84,852
+/–	Changes to trade accounts payable	(26)	290,377	–573,423
–/+	Changes to other liabilities	(25), (27)	–69,504	248,934
	Cash flow from ordinary operations before taxes		**–4,284,497**	**–4,743,968**
–/+	Income tax payments and refunds	(35)	–32,712	108,609
	Cash flow from ordinary operations		**–4,317,209**	**–4,635,359**

1 Consists solely of unrecognized foreign currency translation gains.

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2011

in €

		see Notes	2011	2010
	Cash flow from investment activity			
–	Investments in intangible assets from development projects	(21)	–326,468	–1,070,800
–	Investments in other intangible assets	(21)	–356,338	–88,816
–	Investments in property, plant and equipment	(22)	–447,841	–1,061,669
–	Cash outflows for the acquisition of subsidiaries, less acquired cash	(35)	–5,999,750	0
+	Bank balances released	(20)	285,000	45,320
+	Interest and similar income	(9)	429,059	394,986
–	Bank balances pledged	(20)	0	–570,000
+	Proceeds from disposal of property, plant and equipment	(22)	4,152	4,225
	Cash flow from investment activity		**–6,412,186**	**–2,346,754**
	Cash flow from financial activity			
–	Cash outflows for the issuance of shares	(28)	–50,820	0
–	Repayment of financial debt	(24)	–349,854	0
–	Interest paid and other expenses	(9)	–1,307	–207
	Cash flow from financial activity		**–401,981**	**–207**
	Net change in cash and cash equivalents		**–11,131,376**	**–6,982,317**
	Currency effects on cash and cash equivalents		14,346	–1,112
	Net change in cash and cash equivalents			
	Cash and cash equivalents at beginning of period	(19)	33,560,171	40,543,600
	Cash and cash equivalents at end of period	(19)	22,443,141	33,560,171
	Net change in cash and cash equivalents		**–11,131,376**	**–6,982,317**

Material Non-Cash Transactions

Apart from a cash component, the consideration for the acquisition of PBF includes an earn-out component that was not yet cash-effective as of the reporting date and the issuance of shares in SFC, which does not affect cash. Detailed information about last year's PBF acquisition is available under the heading "Changes in the scope of consolidation" in Section 1 "General Accounting Policies and Scope of Consolidation". There had been no material non-cash transactions in the previous year.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2011

in €

	see Notes	Subscribed capital	Capital surplus	Other changes in equity not effecting profit or loss	Net accumulated loss	Total
Balance 1/1/2010		**7,152,887**	**66,879,638**	**12,200**	**–28,184,227**	**45,860,498**
Total comprehensive income						
Consolidated net loss					–4,123,261	–4,123,261
Result from currency translation recognized in equity	(28)			–15,828		–15,828
Balance 12/31/2010		**7,152,887**	**66,879,638**	**–3,628**	**–32,307,488**	**41,721,409**
Total comprehensive income						
Consolidated net loss					–6,217,747	–6,217,747
Result from currency translation recognized in equity	(28)			–64,563		–64,563
Capital increase						
Issuance of shares for the acquisition of PBF	(28)	350,000	1,050,000			1,400,000
Less costs of the capital increase	(28)		–50,820			–50,820
Balance 12/31/2011		**7,502,887**	**67,878,818**	**–68,191**	**–38,525,235**	**36,788,279**

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

CONSOLIDATED SEGMENT REPORTING
FOR THE FINANCIAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2011

in €

	A-Series		C- Series		JDA	
	2011	2010	2011	2010	2011	2010
Assets	858,171	1,029,028	22,925	88,777	138,202	114,329
Inventories	2,196,444	1,192,570	307,789	461,089	0	0
Trade accounts receivable	2,282,762	1,634,829	102,723	145,817	121,136	481,365
Other segment assets	324,060	1,149,570	38,600	0	541,137	3,833
Cash and cash equivalents	0	0	0	0	0	0
Segment assets	**5,661,437**	**5,005,997**	**472,037**	**695,683**	**800,475**	**599,527**
	2011	2010	2011	2010	2011	2010
Sales	10,721,254	9,627,595	305,748	1,089,149	1,859,020	874,691
Production costs of work performed to generate sales	–6,533,470	–6,758,154	–167,260	–583,697	–1,213,049	–601,326
Gross margin	**4,187,784**	**2,869,441**	**138,488**	**505,452**	**645,971**	**273,365**
Operating costs not attributable to products						
Operating results						
Financial result						
Result from ordinary operations						
Income taxes						
Result after taxes						

Please refer to Note 36 “Disclosures on consolidated segment reporting”.

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

in €

Power Manager		Power Supplies and Coils		Other products		Unallocated items		Consolidated financial statement	
2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
26,619	43,803	9,203,051	0	198,674	190,945	3,217,091	3,815,179	13,664,733	5,282,061
138,480	156,547	1,989,696	0	274,519	126,406	0	0	4,906,928	1,936,612
30,780	301,880	1,811,985	0	124,874	149,171	0	0	4,474,260	2,713,062
10,806	42,887	268,962	0	0	0	1,825,101	1,054,207	3,008,666	2,250,497
0	0	0	0	0	0	22,728,141	34,130,171	22,728,141	34,130,171
206,685	**545,117**	**13,273,694**	**0**	**598,067**	**466,522**	**27,770,333**	**38,999,557**	**48,782,728**	**46,312,403**
2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
520,080	794,237	890,717	0	1,129,155	944,506	0	0	15,425,974	13,330,178
−376,267	−399,273	−661,560	0	−1,104,406	−945,406	0	0	−10,056,012	−9,287,856
143,813	**394,964**	**229,157**	**0**	**24,749**	**−900**	**0**	**0**	**5,369,962**	**4,042,322**
								−11,984,832	−8,552,660
								−6,614,870	**−4,510,338**
								389,980	387,077
								−6,224,890	**−4,123,261**
								7,143	0
								−6,217,747	**−4,123,261**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

73 GENERAL ACCOUNTING POLICIES AND SCOPE OF CONSOLIDATION

81 ACCOUNTING PRINCIPLES

88 NOTES ON THE CONSOLIDATED INCOME STATEMENT

95 NOTES ON THE CONSOLIDATED BALANCE SHEET

104 OTHER DISCLOSURES

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2011

1. GENERAL ACCOUNTING POLICIES AND SCOPE OF CONSOLIDATION

SFC Energy AG (the "Company" or "SFC") is a stock corporation domiciled in Germany. The Company's headquarters is located at Eugen-Sänger-Ring 7, 85649 Brunnthal. The Company is registered in the Commercial Register of the Local Court of Munich under number HRB 144296. The principal activities of the Company and its subsidiaries (the "Group" or the "SFC Group") are described in Note 36 "Disclosures on consolidated segment reporting".

Accounting principles

The consolidated financial statements for 2011 were prepared in accordance with the International Financial Reporting Standards (IFRSs) and the related interpretations of the International Accounting Standards Board (IASB) as they are to be applied in the European Union pursuant to Regulation No. 1606/2002 of the European Parliament and of the Council on the application of international accounting standards. As of December 31, 2011, there were no standards or interpretations in force, but not yet endorsed by the E.U., that would have had an impact on the consolidated financial statements. Accordingly, the consolidated financial statements are also in conformity with the IFRSs as published by the IASB.

The Group's financial year is the calendar year (January 1 to December 31).

The consolidated financial statements are presented in euros (€). The Notes are also stated in euros (€) unless otherwise indicated. The consolidated income statement was prepared using the cost-of-sales method. The additional disclosures of cost of materials and personnel costs are shown separately in the Notes. The Notes also contain the disclosures required under § 315a para. 1 of the German Commercial Code, or HGB ("Consolidated Financial Statements under International Accounting Standards").

The Management Board of SFC Energy AG approved the consolidated financial statements for release to the Supervisory Board on March 27, 2012. The Supervisory Board is tasked with reviewing the consolidated financial statements and deciding whether to adopt them.

New accounting standards applied

This section describes the standards and interpretations published by the IASB and endorsed by the European Commission that entered into force on January 1, 2011 and were applied to the consolidated financial statements for the first time in the 2011 financial year:

Revised IAS 24 "Related Party Disclosures": The IASB published a revised version of IAS 24 in November 2009. The revised standard provides a partial exemption from the disclosure requirements for government-related entities and clarifies the definition of a related party. The revised standard is effective for annual periods that began on or after January 1, 2011.

Amendments to IAS 32 "Financial Instruments: Presentation": In October 2009, the IASB issued an amendment to IAS 32 entitled "Classification of Rights Issues". The amendments address the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Such rights are to be classified as equity provided they are offered pro rata to all of the issuer's existing shareholders in the same class for a fixed amount of currency. The amendments are effective for annual periods that began on or after February 1, 2010.

Amendments from the "Annual Improvements Project": In May 2010, as part of the annual improvements process to improve IFRS, the IASB issued an omnibus standard amending six standards and one interpretation. The majority of the amendments are effective for annual periods that began on or after January 1, 2011.

Amendments to IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction": In November 2009, the IASB issued amendments to IFRIC 14, which is an interpretation of IAS 19 "Employee Benefits", entitled "Prepayments of a Minimum Funding Requirement". The purpose of the amendments is to correct unintended consequences of IFRIC 14. They permit entities to recognize prepayments of minimum funding contributions for a defined benefit plan as an asset. The interpretation is mandatory for annual periods that began on or after January 1, 2011, at the latest.

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments": In November 2009, the IFRS Interpretation Committee (formerly IFRIC) issued guidance on the accounting for equity instruments that a debtor issues in full or partial settlement of a financial liability after it has renegotiated the terms of the liability with its creditor. The interpretation is mandatory for annual periods that began on or after July 1, 2010, at the latest.

New accounting standards not yet applied

Below is a summary of the new and revised standards, some of which have been endorsed by the European Commission, that were released by the IASB prior to this report's publication, but which the SFC Group did not early adopt for 2011:

Amendments to IAS 1 "Presentation of Financial Statements": In June 2011, the IASB published amendments to IAS 1 entitled "Presentation of Items of Other Comprehensive Income". In the future, changes in value recognized directly in equity must be grouped on the basis of whether or not the items will be "recycled" into profit or loss in subsequent periods. Entities are required to apply the amendments retrospectively for annual periods beginning on or after July 1, 2012. Thus far, the E.U. has not yet endorsed the amendments.

Amendments to IAS 12 "Income Taxes": In December 2010, the IASB released "Deferred Tax: Recovery of Underlying Assets" concerning assets that are measured using the fair value model in IAS 40. The amendment introduces a rebuttable presumption that the carrying amount of underlying assets is recovered entirely by sale. Entities are required to apply the amendments for annual periods beginning on or after January 1, 2012. Thus far, the E.U. has not endorsed the amendments.

Amendments to IAS 19 "Employee Benefits": In June 2011, the IASB published amendments to IAS 19. These will have effects on the recognition and measurement of expense for defined benefit plans, in particular. Among other things, the current option of recognizing actuarial gains and losses immediately in profit or loss, in other comprehensive income or deferring such recognition using the "corridor method" has been eliminated. In the future, they will have to be recognized immediately in other comprehensive income. In addition, past service cost that arises in connection with a change of the plan will need to be recognized as it occurs, and, when determining the net interest component, the net defined benefit asset and net defined benefit liability will both be discounted at a uniform rate that is linked to the yields on high-quality corporate bonds. The amendments are effective on a retrospective basis for annual periods beginning on or after January 1, 2013. Thus far, the E.U. has not yet endorsed the amendments.

Revised IAS 27 "Separate Financial Statements": As part of the May 2011 release of the new standard IFRS 10, the title of IAS 27 "Consolidated and Separate Financial Statements" was changed to "Separate Financial Statements". In the future, IAS 27 will only contain rules on separate financial statements. The existing guidelines and explanatory notes for separate financial statements remained unchanged. The other parts of IAS 27 are being replaced by IFRS 10 "Consolidated Financial Statements". Entities are required to apply the revisions for annual periods beginning on or after January 1, 2013. The E.U. has not yet endorsed the revised version.

Revised IAS 28 "Investments in Associates and Joint Ventures": As part of the May 2011 release of the new standard IFRS 11, IAS 28 "Investments in Associates" was also renamed and revised. Joint ventures that fall under the definition of the new standard IFRS 11 "Joint Arrangements" are to be accounted for using the equity method, in accordance with the revised IAS 28. The basic procedure for assessing the presence of significant influence and rules for applying the equity method did not change. Entities are required to apply the revised standard for annual periods beginning on or after January 1, 2013. Thus far, the E.U. has not yet endorsed the revised standard.

Amendments to IAS 32 "Financial Instruments: Presentation": In December 2011, the IASB issued amendments to IAS 32 entitled "Offsetting Financial Assets and Financial Liabilities". The amendments did not change the offsetting requirements of IAS 32 per se, but did formalize the offsetting rules by clarifying the meaning of a legally enforceable right of set-off and providing examples where a gross settlement mechanism may still be considered equivalent to net settlement. Entities are required to apply the amendments retrospectively for annual periods beginning on or after January 1, 2014. The E.U. has not yet endorsed the amendments.

Amendments to IFRS 7 "Financial Instruments: Disclosures": In October 2010, the IASB released amendments to IFRS 7 entitled "Transfers of Financial Assets". The amendments require enhanced disclosures for transactions that lead to a transfer of financial assets. The purpose of the amendments is to allow users of financial statements to improve their understanding of any risks that may remain with the entity that transferred the assets. The amendments are effective for annual periods beginning on or after July 1, 2011. The E.U. endorsed the amendments in November 2011.

Amendments to IFRS 7 "Financial Instruments: Disclosures": In December 2011, the IASB issued amendments to IFRS 7 entitled "Disclosures – Offsetting Financial Assets and Financial Liabilities". The amendments stipulate new qualitative and quantitative disclosure requirements for certain netting arrangements. The amendments are effective on a retrospective basis for annual periods beginning on or after January 1, 2013. The E.U. has not yet endorsed the amendments.

IFRS 9 "Financial Instruments": In November 2009, the IASB published new requirements for classifying and measuring financial assets. Pursuant to IFRS 9, financial assets are to be measured either at amortized cost or fair value. Taking into account the amendments of December 2011, IFRS 9 goes into effect for annual periods beginning on or after January 1, 2015. Thus far, the E.U. has not endorsed the standard.

Additions to IFRS 9 "Financial Instruments": In October 2010, the IASB issued requirements on the accounting for financial liabilities. The amendments add requirements on accounting for financial liabilities to the "Financial Instruments" standard issued in November 2009. If an entity elects the fair value option for a financial liability, the amount of change in the fair value that is attributable to changes in the entity's own credit risk shall be presented in other comprehensive income and not in profit or loss. Taking into account the amendments of December 2011, entities are required to apply the additions for annual periods beginning on or after January 1, 2015. Thus far, the E.U. has not endorsed the standard.

Amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures": In December 2011, the IASB published amendments to IFRS 9 and IFRS 7 entitled "Mandatory Effective Date and Transition Disclosures". The amendments move the mandatory effective date of IFRS 9 from annual periods beginning on or after January 1, 2013 to annual periods beginning on or after January 1, 2015. They also introduce exceptions to the requirement of restating prior periods that allow entities to make modified disclosures in the Notes upon transition to IFRS 9. The modified Notes disclosures required by IFRS 9 were added as an amendment to IFRS 7. Thus far, the E.U. has not endorsed the amendments to either standard.

IFRS 10 "Consolidated Financial Statements": In May 2011, the IASB published the new standard IFRS 10. The standard replaces the guidelines on control and consolidation in IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation – Special Purpose Entities". The definition of "control" is amended by the new IFRS 10 so that the same criteria are applied to all companies to determine a control relationship. The revised standard is effective for annual periods beginning on or after January 1, 2013, and thus far has not yet been endorsed by the E.U.

IFRS 11 "Joint Arrangements": In May 2011, the IASB published the new standard IFRS 11. Under IFRS 11, two joint arrangement situations will be distinguished in the future: joint operations and joint ventures. The current option to choose the proportionate consolidation method of accounting for jointly controlled entities was eliminated. In the future, the equity method must be used. If a joint operation is involved, the assets, liabilities, income and expenses directly attributable to the participating company are recognized directly in the consolidated financial statements of that company. The new standard replaces IAS 31 "Interests in Joint Ventures" and SIC 13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers" and is applicable to annual periods beginning on or after January 1, 2013. Thus far, the E.U. has not yet endorsed the standard.

IFRS 12 "Disclosure of Interests in Other Entities": IFRS 12, which was issued by the IASB in May 2011, establishes the required explanatory notes for companies that prepare their financial statements in accordance with the two new standards IFRS 10 "Consolidated Financial Statements" and IFRS 11 "Joint Arrangements". The standard replaces the disclosure requirements currently contained in IAS 28 "Investments in Associates". Explanatory notes regarding subsidiaries, associates, joint arrangements and non-consolidated structured entities (special purpose entities) are now governed by IFRS 12. The new standard is effective for annual periods beginning on or after January 1, 2013, and thus far has not yet been endorsed by the E.U.

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

IFRS 13 "Fair Value Measurement": In May 2011, the IASB published the new standard IFRS 13. IFRS 13 describes how fair value is to be determined and expands the fair value disclosures required. The new standard does not contain any rules regarding the cases in which fair value is to be used. Through IFRS 13 the existing guidelines on fair value measurement in the individual IFRSs are replaced by a single standard. IFRS 13 applies to reporting periods beginning on or after January 1, 2013, and thus far has not yet been endorsed by the E.U.

The IASB has issued additional statements. The Company currently projects that use of the new and revised standards will have no impact at all or no material impact on the consolidated financial statements.

Uncertainty of estimates and discretionary judgments

The preparation of the consolidated financial statements in accordance with IFRS requires management to make certain assumptions that have an effect on the measurement of assets and liabilities, disclosure of contingent assets and contingent liabilities at the balance sheet date, and the income and expenses disclosed. Actual future amounts may vary from estimates. Variances are recognized in profit or loss at the time more knowledge is gained.

Assumptions and estimates relate mainly to:

Measurement of provisions: Management estimates are used to measure provisions. The carrying amount of warranty provisions, for example, is based on the historical development of warranties and on an assessment of all future, potential warranty cases, weighted by probability of occurrence. The long-term provisions determined on the basis of these assumptions are discounted. Better insight was gained into the timing of warranty cases in the year under review, which resulted in an adjustment of the discount rates to current market developments. Note 23 contains information about the discount rates used, the change in the net present value, and the impact of the rate adjustments. In addition, in forming contingent loss provisions for rent expenses (see Note 23), estimates concerning the likelihood of drawing on the provisions are made.

Determination of useful lives for property, plant and equipment and intangible assets: The useful lives for non-current assets are based on estimates by management. SFC reviews the estimated useful lives of property, plant and equipment and intangible assets at the end of each financial year. No estimated useful lives were changed during the financial year. In the context of the PBF acquisition, the useful life of the customer relationships was determined using statistical analyses and management estimates, while that of the acquired technology was determined using empirical values for the industry's average product life cycle (see "Intangible assets" under Section 2 "Accounting Principles").

Mandatory capitalization of self-produced intangible assets: Based on management's planning and estimates, development costs are capitalized to the extent IFRS criteria are fulfilled. Please see Note 21 "Intangible assets" for additional information about the development costs capitalized in the year under review.

Recognition of deferred tax assets, particularly for losses carried forward: Deferred tax assets are recognized on tax loss carryforwards of the Company and its U.S. subsidiary only up to the amount at which they, less any other deferred tax assets, can be offset by deferred tax liabilities, since the availability of future taxable income to offset with the tax loss carryforwards cannot be predicted with sufficient certainty. Please see Note 10 "Income taxes" for additional information.

Measurement of share-based payment: The Company has set up a Long Term Incentive Plan for members of the Management Board and selected executives. Note 32 "Share-based payment" contains information about the measurement model and inputs used to determine the resulting expenses.

Recognition of sales from development assignments: SFC performs development assignments under Joint Development Agreements (JDA). Applying the percentage-of-completion method requires estimates for, among other items, the total cost of the contract, the remaining costs to be incurred up to the contract's completion, as well as the total revenues that will be generated from the contract. Any changes the customer makes to a contract can cause the estimated revenues and costs to increase or decrease. For information about the adjustments that became necessary last year, please see Note 16 "Receivables and liabilities from percentage-of-completion".

Impairment of non-financial assets: The Group evaluates all non-financial assets at each balance sheet date to determine whether there are indications of impairment. Goodwill is tested at least annually, even without an indication of impairment. The determination of the recoverable amount of the assets and of the cash generating units requires estimates from management. In 2011, impairment losses were recognized on capitalized development costs. Please see Note 21 "Intangible assets" for additional information.

Impairment of receivables: Management estimates allowances for receivables expected to be uncollectible based on past experience and the current economic environment. Please see Note 31 "Financial instruments" for additional information.

Additional estimates were required in conjunction with establishing the acquisition-date fair value of items relating to the purchase of PBF, especially the value to be assigned in the purchase price allocation to acquired intangible assets as well as the earn-out-component of the consideration. Please see the information about changes in the scope of consolidation later in this section.

Scope of consolidation

The consolidated financial statements include SFC and all companies directly or indirectly controlled by SFC. SFC controls a company when it has over half of the entity's voting rights or otherwise has the power to govern its financial and operating policies so that it can derive a benefit from the entity's business activities. Thus, the consolidated financial statements cover SFC as the ultimate parent company, SFC's U.S. subsidiary, and the PBF Group, which was acquired in 2011. Subsidiaries are consolidated as of the date on which control is acquired and deconsolidated as of the date on which control is lost.

The annual financial statements of the consolidated companies, which have been prepared in conformity with their national GAAPs, have been reconciled with IFRS and adjusted to reflect the Group's accounting and measurement methods. The financial year of the consolidated companies is the same as the calendar year (January 1 through December 31).

The table below shows the stake the Company had in each of its consolidated subsidiaries as of December 31, 2011. The figures that are shown were determined in compliance with the accounting standards of the country in which the respective entity is headquartered.

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

FULLY CONSOLIDATED SUBSIDIARIES in %

Name of company	Registered office	Share directly (indirectly)
SFC Energy, Inc.	Atlanta (USA)	100
P&E Interholding B.V.	Almelo (Netherlands)	100
PBF-Group B.V.	Almelo (Netherlands)	(100)
PBF Power Srl	Cluj-Napoca (Romania)	(100)
Power Concepts B.V.	Almelo (Netherlands)	(100)

In addition, P&E Interholding B.V. still holds a 100 % stake in PBF Hong Kong Limited, China, which is considered insignificant. The non-operating subsidiary had an acquisition-date fair value of € 0 and was not included in the consolidated financial statements.

Changes in the scope of consolidation

On December 1, 2011 (acquisition date), the Company acquired a 100 % majority stake in P&E Interholding B.V., Almelo, Netherlands, as part of a share deal. P&E Interholding B.V. is the parent company (PBF Group), and holds 100 % of the capital, of PBF-Group B.V. (PBF), Netherlands, PBF Power Srl, Romania, and Power Concepts B.V., Netherlands. PBF is a global enterprise that specializes in the development and production of custom designed solutions, such as switched mode network components, external transformer units, power cabinets and special coils. SFC's aim in pursuing the business combination is the development of complementary technology and products to serve as the basis for joint product business in the future as well as the leveraging of cross-selling potential to a shared customer base.

The goodwill of € 6,023,469 recognized on the acquisition mostly reflects these expectations for synergies and economies of scale from joint operations. As expected, it is not deductible for tax purposes.

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

The following table shows a breakdown of the consideration paid for the PBF Group and the amounts recognized as of the acquisition date for the acquired assets and assumed liabilities.

	in €
	as at 12/1/2011
Contribution	
Cash and cash equivalents	6,000,000
Equity instruments (350.000 ordinary shares by SFC)	1,400,000
Contingent consideration arrangement	1,287,849
Total transferred contribution	**8,687,849**
Amounts recognized for the identifiable assets acquired and liabilities assumed	
Inventories	2,016,560
Trade accounts receivable	1,657,393
Other assets and receivables	296,795
Cash and cash equivalents	250
Identifiable intangibles assets	2,711,101
Property, plant and equipment	476,313
Deferred tax assets	98,103
Liabilities	–3,588,157
Provisions	–340,472
Deferred tax liabilities	–663,506
Total identifiable net assets	**2,664,380**
Goodwill	**6,023,469**

The gross value of the trade accounts receivable was € 1,665,395. The allowances on these receivables came to € 8,002. In the case of other assets and receivables, the gross amount and net amount were the same.

The € 510,566 in costs relating to the business combination was reported in the 2011 consolidated income statement under other operating expenses.

The fair value of the 350,000 shares in SFC was determined using the closing price of SFC stock on the acquisition date, which was € 4.00 per share.

The purchase price also includes an earn-out component that is tied to the achievement of certain targets (2012 EBITDA forecast, revenues from cross-selling effects and distribution of jointly developed products in 2012/2013). The potential amount of all future payments the Company may be required to make because of this contingent consideration is between € 0 and € 1,350,000 on an undiscounted basis. The Management Board expects full payment of the contingent consideration. The fair value of € 1,287,849 was calculated by applying the discounted cash flow method with an assumed interest rate of 3.84 %. This estimate had not changed as of December 31, 2011.

The identified intangible assets from the acquisition consist predominantly of identified customer relationships and technology relating to the development of energy supply solutions. To determine the fair value of these assets, the net cash they are projected to provide was discounted using maturity-specific, risk-adjusted interest rates of 6.94 % and 6.51 %. Please see the section on other intangible assets in Note 21 "Intangible assets" for additional information.

There has been € 890,717 in sales of the PBF Group accounted for in the consolidated statement of comprehensive income since December 1, 2011. During that same period, the Group had negative earnings of € 40,053.

In keeping with IFRS 3, the following table shows the sales and earnings of the Company under the assumption that full consolidation of the PBF Group already had taken place as of January 1, 2011. The pro forma adjustments are presented as though the PBF Group's 2010, prior-year financial statements already had been prepared on the basis of International Financing Reporting Standards (IFRS). These pro forma adjustments include amortization expense of € 361,404 on capitalized intangible assets resulting from the purchase price allocation.

in €

	2011	Pro-forma adjustments	2011 Pro-forma
Sales	**15,425,974**	**11,947,993**	**27,373,967**
Total expenses	–22,040,844	–11,288,584	–33,329,428
Operating result	**–6,614,870**	**659,409**	**–5,955,461**
Financial result	389,980	–70,709	319,271
Income taxes	7,143	–99,670	–92,527
Consolidated net result	**–6,217,747**	**489,030**	**–5,728,717**
EPS	**–0.87**	**0.11**	**–0.76**

2. ACCOUNTING PRINCIPLES

Revenue recognition

SFC generates the predominant portion of its revenues from the sale of fuel cell systems in the A-series (EFOY, EMILY). The EFOY product is mostly used in the leisure sector, primarily for caravans and boats. The new product generation, EFOY COMFORT, was successfully launched in the 2011 financial year. The industrial version, EFOY Pro, is being sold for off-grid industrial applications and is also used for applications in the mobility market. The Company also generates revenues from the sale of A-series systems specifically developed for the defense segment (EMILY) and from the sale of portable fuel cells, the so-called C-series (JENNY), in the defense market. The "Power Manager" is also used in this market. The Power Manager is a versatile electronic converter that enables and facilitates charging and operation of various types of electronic equipment and batteries with different power sources. Revenues are also generated from the sale of fuel cartridges, test equipment and other products for network solutions.

PBF develops, manufactures and markets customized high-tech power solutions, from power supply units to complete power systems for producers of professional machines and equipment. PBF translates these solutions into actual products, integrating electrical engineering, electronics, mechanical constructions and software.

These revenues are recognized when the customer or other party responsible for transport picks up the order, i.e., at the time when opportunities and risks are transferred to the customer, provided the amount of revenue can be reliably calculated, economic benefits will flow to the Company, and the costs involved in selling the item can be reliably calculated. Revenues are recognized at the value of the consideration for the sale and delivery of the product to the customer.

In the area of Joint Development Agreements (JDA) SFC develops fuel cells and Power Managers customized to the needs of the client. The Joint Development Agreements are development contracts carried out by the Company together with various public-sector clients.

These long-term contracts are accounted for using the percentage-of-completion method (PoC method). The percentage of contract completion is determined using the ratio of costs incurred to the estimated total cost (cost-to-cost method). Contracts are shown under receivables or liabilities from percentage-of-completion. Where accumulated performance (production costs incurred plus profits shown) exceeds individual advance payments, production orders are carried under receivables from percentage-of-completion. If there is a negative result after deduction of advance payments, orders are carried under liabilities from percentage-of-completion.

Expense recognition

Production costs of work performed to generate sales and operating expenses are shown at the time of performance or at the time they are incurred.

Intangible assets

Intangible assets acquired for valuable consideration are carried at cost, less amortization on a straight-line basis over the estimated useful life of the asset. Amortization periods are as follows:

- ERP software 5 – 8 years
- Software 3 – 5 years
- Patents 5 – 14 years
- Licenses 2 – 5 years

Customizing costs for acquired ERP software as costs directly attributable to the acquisition are allocated to intangible assets. They are amortized on a straight-line basis over the expected useful life of the ERP software.

Development costs are capitalized in accordance with IAS 38 "Intangible assets" if a newly developed asset can be clearly defined, is technically feasible and is intended either for the Company's own use or is to be sold. Capitalization also presumes that it is likely that the development costs will be covered by future cash flows and the development expenses can be reliably measured. Capitalized development costs are amortized on a straight-line basis over the expected useful life of the asset. The useful life of the development costs to be amortized is 5 years at SFC and 6 years at PBF. Where requirements for capitalization are not met, expenses are recognized in the year in which they arise. Research costs are shown as current expenses under IAS 38.

Goodwill is carried at cost and tested for impairment at least annually.

The cost at which the other intangible assets acquired in the PBF Group acquisition are carried corresponds to their acquisition-date fair value. They will be amortized on a straight-line basis over their expected useful life.

- PBF customer relationships 8 years
- PBF technology 6 years
- PBF order book 1 year

The useful life of the customer relationships was determined using statistical analyses and management estimates, while that of the acquired technology was determined using empirical values for the industry's average product life cycle.

Property, plant and equipment

Property, plant and equipment is carried at cost, less depreciation, in accordance with its estimated useful life. Cost includes individual costs as well as all direct costs associated with bringing an asset to the site where it will be used and getting it ready for operation.

Property, plant and equipment is depreciated on a straight-line basis.

The depreciation periods are:

- Technical plant and machinery 3 – 10 years
- Other equipment, fixtures and fittingss 3 – 13 years

Cost of borrowing

If the production phase of an item of plant or equipment extends over a long period of time, any borrowing costs incurred until completion of the asset are capitalized as part of acquisition or manufacturing costs in accordance with the provisions of IAS 23. As during the previous year, there were no such borrowing costs during financial year 2011.

Impairment of non-financial assets

Intangible assets and non-current assets are tested for impairment on the basis of the cash flows expected from the use of the asset (discounted by a risk-adjusted interest rate) and on the basis of the net selling price (impairment testing), if events or market developments suggest a possible correction of the estimated useful life or a possible reduction in value. Furthermore, intangible assets not yet able to be used must be tested for impairment annually. If the net carrying value of an asset is higher than the recoverable amount (greater of value in use or net selling value), an impairment loss is recognized. In calculating expected cash flows, account is taken of actual and predicted income levels and sector-specific, technological, economic and general developments. If it is not possible to determine a recoverable amount for an asset, the recoverable amount of the cash generating unit to which that asset can be allocated is determined.

If the reasons for impairment cease to apply, the impairment loss is reversed and the carrying value of the asset (or cash generating unit) is written back up to the new estimate of the asset's recoverable amount. The asset's recovery is limited to the carrying amount that would have been reported for the asset (or cash generating unit) had no impairment loss been expensed in previous years. Impairment reversals are recognized in profit or loss immediately.

Goodwill is allocated to identifiable groups of assets (cash generating units) or groups of cash generating units that create synergies from the respective acquisition. An impairment loss is recognized if the carrying amount of the cash generating unit to which goodwill is allocated (including the carrying amount of the goodwill itself) is higher than the recoverable amount of the group of assets. The impairment loss is first allocated to the goodwill, then to the other assets in proportion to their carrying amounts. Under IAS 36, impairment losses cannot be reversed in the case of goodwill.

Leasing

Leasing contracts are classified as finance leases when the leasing conditions transfer all important risks and opportunities associated with ownership to the lessee. All other leasing contracts, where economic ownership remains with the lessor, are operating leases. As during the previous year, there were no leases classified as finance leases during financial year 2011.

The rental and leasing payments from the Group's operating leases are recognized on a straight-line basis over the term of the contract. The leased assets are accounted for by the lessor.

Inventories

Raw materials and supplies are carried at cost at the time of acquisition, plus any additional acquisition costs less any acquisition cost reductions. Finished goods and work in progress are carried at their production price, including directly attributable costs and general production and materials costs.

Thereafter, inventories are measured taking into account the expected net selling value at the balance sheet date. The consumption tracking method used is the weighted average cost.

Financial assets

Financial assets within the meaning of IAS 39 are classified as financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments, or available-for-sale assets.

Financial assets are measured at fair value at initial recognition. In the case of financial assets not fair valued through profit or loss, transaction costs directly attributable to the acquisition of the financial asset or the issue of the financial liability are also included.

SFC decides the classification of its financial assets at initial recognition and reviews this classification at the end of each fiscal year wherever permitted and appropriate. As of the reporting date, the Group had not classified any financial assets as "held to maturity" or "available for sale".

Except for derivative financial instruments from the 2009 financial year, the sale of which was captured in the cash flow statement for the previous year, the Group had no financial assets fair valued through profit or loss as of the reporting date.

Loans and receivables are measured at amortized cost using the effective interest rate method. This category particularly includes trade accounts receivable, other financial assets and receivables, and cash and cash equivalents.

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset to a third party in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are also transferred.

Impairment of financial assets

Financial assets or groups of financial assets are tested for impairment at each balance sheet date. An impairment loss is recognized immediately in the income statement. Financial assets are impaired if there is objective evidence as a result of one or more events that occurred after the initial recognition of the asset that there has been a negative change in the expected cash flows from the financial investment. Objective evidence for our purposes essentially means significant financial difficulties on the part of customers or a breach of contract, such as payment default.

Trade accounts receivable are measured at amortized cost, less appropriate write-downs for recognizable individual risks; this corresponds to the market value.

Other financial assets and receivables are recognized at amortized cost. If there are indications that such other financial assets are impaired, write-downs are applied on a case-by-case basis.

Government grants

Government grants consist of sponsorship for development activities by SFC, and were received for the development of new fuel cell systems and for studying product field quality. In the previous year, investments in research, process development and pilot production infrastructure also received subsidies.

If development costs are capitalized pursuant to IAS 38 “Intangible Assets”, the grants for assets are carried as a reduction in the cost of the asset involved.

If the prerequisites for capitalization are not met, the grants are carried as a reduction of research and development costs, production costs of work performed to generate sales, and general administration costs.

Investment grants are deducted directly from acquisition costs.

Deferred taxes

Deferred tax assets and liabilities are recognized using the balance sheet liability method in accordance with IAS 12 "Income Taxes" for all temporary and quasi-permanent differences between amounts under tax rules and amounts under IFRS. In accordance with IAS 12.34, deferred tax assets on losses carried forward are only recognized in the amount for which it is anticipated that there will be sufficient future taxable profits to offset with the loss carryforwards. Thus far, we have only recognized deferred tax assets on loss carryforwards to the extent that they can be offset with deferred tax liabilities, because future taxable income cannot be assumed with sufficient certainty.

Deferred tax liabilities are recognized on the basis of tax rates applicable at the time of realization.

Provisions

Provisions are recognized in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" if there is a current obligation to a third party from a past event that will probably lead to a future outflow of resources and can be reliably determined. This means that the probability of occurrence must be higher than 50 %. Provisions are recognized for identifiable risks and contingent liabilities in the amount they are likely to cost and are not offset with reimbursements. Other long-term provisions are discounted. The settlement amount also includes cost increases to be taken into consideration at the balance sheet date.

Provisions for warranty claims are recognized on the basis of existing or estimated future claims for damages, taking into account future income from the recycling of fuel cells. There are no guarantees or warranty obligations in excess of normally accepted business levels.

A provision for restructuring is formed only if a detailed, formal restructuring plan is in place and the affected parties have a valid expectation that the restructuring measures will be implemented.

If it appears that the Company will take a loss on a contract, it recognizes a provision for contingent losses for the present obligation from the contract. The amount of the provision equals the amount by which the expected cost of performing the contract or of not performing it, as the case may be, exceeds the anticipated economic benefit from the contract. In financial year 2011, provisions for contingent losses were formed for contingent losses relating to rent expenses and reported in other long-term provisions and other short-term provisions. Allocations to these provisions were recognized in profit and loss under the heading "other operating expenses".

Financial liabilities

Financial liabilities are classified, in accordance with IAS 39, as fair valued through profit or loss or as measured at amortized cost.

SFC decides the classification of its financial liabilities at initial recognition.

Financial liabilities measured at amortized cost are measured at initial recognition at the fair value of the received consideration less any transaction costs associated with the borrowing. After initial recognition, financial liabilities are measured at amortized cost using the effective interest method.

The earn-out component (contingent consideration) that is part of the PBF acquisition was classified as a financial liability fair valued through profit or loss and reported under other long-term liabilities. Gains or losses from remeasurement of this component to fair value will be recognized in profit or loss and presented in the consolidated income statement.

A financial liability is derecognized when the underlying obligation has been discharged or cancelled or has expired.

Consolidation

Acquisition accounting is done in compliance with IAS 27 “Consolidated and Separate Financial Statements” by netting the carrying amount of the equity interest and the subsidiary’s equity as of the date of the opening balance sheet.

The effects of all material intra-Group transactions are eliminated. Receivables and liabilities between consolidated companies are offset against one another. All income and expenses from intra-Group transactions are likewise eliminated.

Results on the supply of goods within the Group, which are captured in the carrying amount of inventories, are eliminated. Deferred taxes were recognized on the differences resulting from the elimination of intra-Group results.

Foreign currency translation

In the single-entity financial statements of the consolidated companies, which are prepared in the local currency, SFC measures foreign currency transactions arising from business activities in accordance with IAS 21 “Effects of Changes in Foreign Exchange Rates” using the transaction exchange rate. Gains or losses arising from foreign currency translation are recognized in the income statement.

The consolidated companies’ single-entity financial statements prepared in foreign currency are translated on the basis of the concept of functional currency under IAS 21 “Effects of Changes in Foreign Exchange Rates”, using the modified closing rate method. Since SFC’s subsidiaries generally do business autonomously in financial, economic and organizational terms, the functional currency is identical with the Company’s local currency.

Consequently, assets and liabilities are translated at the exchange rate applicable on the reporting date; equity is translated at historical rates; and expenses and income are translated at the average rate. The difference resulting from foreign currency translation is offset with no effect on profit or loss, and is recognized separately in equity as other changes in equity not affecting profit or loss.

The exchange rate for the foreign currency that is of material interest to the Group evolved as follows:

in €

	Average rate	Average rate	Rate on reporting date	Rate on reporting date
	2011	2010	12/31/2011	12/31/2010
US-Dollar (USD)	0.71824	0.75415	0.77298	0.74705

3. NOTES ON THE CONSOLIDATED INCOME STATEMENT

(1) Sales

Sales are shown in the following table:

		in €
	2011	2010
Sales	**15,425,974**	**13,330,178**
thereof from POC	1,859,020	874,691

Please see "Consolidated Segment Reporting" for a breakdown of sales by product and the explanations in Note 36 "Disclosures on consolidated segment reporting" and Note 16 "Receivables and liabilities from percentage-of-completion" for additional information.

(2) Production costs of work performed to generate sales

Production costs of work performed to generate sales were as follows:

		in €
	2011	2010
Cost of materials	6,081,433	6,212,255
Personnel costs	1,891,890	1,567,363
Cost of premises	656,166	452,897
Transport costs	394,401	253,164
Depreciation and amortization	374,847	283,288
Warranties	300,596	191,155
Consultancy	95,391	63,230
Other	261,288	310,819
Set-off against grants	0	–46,315
Total	**10,056,012**	**9,287,856**

(3) Sales costs

Sales costs were as follows:

in €	2011	2010
Personnel costs	2,427,898	2,340,235
Advertising and travel costs	1,086,746	1,024,318
Consultancy/commissions	418,991	567,384
Additions to allowances for receivables	170,610	0
Cost of materials	127,141	205,288
Depreciation and amortization	56,310	17,583
Other	608,067	596,277
Total	**4,895,763**	**4,751,085**

(4) Research and development costs

Research and development costs were as follows:

in €	2011	2010
Personnel costs	1,471,857	2,138,624
Depreciation and amortization of self produced assets	1,324,391	554,566
Cost of materials	532,748	809,979
Cost of premises	305,488	271,631
Consultancy and patents	177,857	144,919
Other depreciation and amortization	71,321	55,453
Other	105,859	148,560
Capitalization of self-produced assets	–335,405	–1,100,536
Set-off against grants	–1,116,645	–1,132,336
Total	**2,537,471**	**1,890,860**

The figure for amortization of self-produced intangible assets includes € 577,638 in impairment losses on capitalized development costs. Please see Note 21 "Intangible assets" for additional information.

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

(5) General administration costs

General administration costs were as follows:

		in €
	2011	2010
Personnel costs	1,427,129	1,010,281
Audit and consultancy costs	408,018	286,252
Investor relations/annual meeting	182,490	144,758
Depreciation and amortization	144,361	109,193
Supervisory Board compensation	108,795	166,290
Insurance	103,446	88,443
Travel costs	97,595	140,011
Car-operating costs	63,428	46,050
Costs of hardware and software support	40,680	39,283
Recruiting costs	9,873	6,250
Other	356,012	242,897
Set-off against grants	−264,970	−227,475
Total	**2,676,857**	**2,052,233**

(6) Other operating income

Other operating income was as follows:

		in €
	2011	2010
Foreign exchange transaction gains	189,223	56,256
Income from other periods	2,190	940
Income from mark-to-market of derivatives	0	90,799
Other	5,354	80,094
Total	**196,767**	**228,089**

(7) Other operating expenses

Other operating expenses were as follows:

		in €
	2011	2010
Contingent losses for premises	597,124	0
Acquisition-related costs	510,566	0
Expenses from contract terminations	323,300	0
Foreign exchange transaction losses	100,833	68,358
Expenses from other periods	18,092	8,593
Other	47,623	9,620
Total	**1,597,538**	**86,571**

Please see Note 23 "Other provisions and tax provisions" for information about the contingent losses from rent expenses in the 2011 financial year and the explanations under the heading "Changes in the scope of consolidation" in Section 1 "General Accounting Policies and Scope of Consolidation" for information about the costs associated with the PBF Group acquisition. The expenses from contract terminations relate to the termination of a multi-year contract concerning the filling of fuel cartridges and the termination of a contract with a business partner.

(8) Restructuring expenses

SFC incurred expenses of € 473,970 in financial year 2011 for a restructuring program aimed at boosting the company's efficiency and earnings, its first such expenses ever. Reported as part of the operating result, these expenses consisted almost entirely of payments related to layoffs. The remaining € 221,820 in current restructuring liabilities has been reported under other short-term liabilities (see Note 27 "Other liabilities").

(9) Financial result

Interest and similar income were as follows:

		in €
	2011	2010
Interest income from liquid funds	420,993	406,758
Other	6,367	2,088
Total	**427,360**	**408,846**

The breakdown of interest and similar expense is shown in the following table:

		in €
	2011	2010
Interest cost on other provisions	36,073	21,562
Other	1,307	207
Total	**37,380**	**21,769**

(10) Income taxes

The breakdown of income taxes is shown in the following table:

	2011	2010
		in €
Actual income taxes on the result for the current year	5,717	0
Deferred tax income (-)/expense (+) from		
Reversal of deferred tax liabilities on other intangible assets	–8,545	0
Recognition of deferred tax liabilities on capitalized development costs	3,374	0
Recognition of deferred tax assets on inventories	–7,689	0
Total income (–)/expense (+) from income taxes	**–7,143**	**0**

The multiplier for trade tax (Gewerbesteuer) in the District of Brunnthal is 330 %, applied on a tax rate of 3.5 %. This yields a trade tax rate of 11.55 % and a total tax rate for SFC (including corporate income tax of 15 % and the solidarity surcharge of 5.5 % levied thereon) of 27.38 % (previous year: 27.4 % due to rounding).

Income taxes for the subsidiaries in the United States, Netherlands and Romania are calculated using the applicable tax rate for the specific country. For the year under review, tax rates of 18 % to 25 % (previous year: 39 %) were applied.

Deferred tax assets and liabilities were as follows:

	2011	2010
		in €
Deferred tax assets		
Loss carryforwards	9,796,372	10,749,202
Provisions	173,626	771
Inventories	122,740	20,683
Other liabilities	45,574	37,850
Other	26,186	0
Write-down of deferred tax assets	–8,570,776	–10,012,001
Total	**1,593,722**	**796,505**
Deferred tax liabilities		
Other intangible assets	654,961	0
Self-generated intangible assets	495,118	774,070
Other assets	996,186	22,435
Total	**2,146,265**	**796,505**

At the reporting date, there were tax losses carried forward in the amount of approximately € 37,309,928 (2010: € 41,586,738) for corporate income tax purposes and approximately € 32,973,007 (2010: € 35,782,883) for trade tax purposes. These amounts are subject to change based on the results of the tax audit. Deferred tax assets are recognized on tax loss carryforwards of the Company and its U.S. subsidiary only up to the amount at which they, less any other deferred tax assets, can be offset against deferred tax liabilities, since the availability of future taxable income against which to offset the tax loss carryforwards cannot be predicted with sufficient certainty. In Germany, tax losses can be carried forward indefinitely in principle, whereas in the United States they expire after 20 years.

The following table shows a reconciliation of the income taxes expected in the respective financial year to the actual taxes shown on the consolidated income statement:

		in €
	2011	2010
Tax rate	**27.38 %**	**27.40 %**
Loss from ordinary operations	**−6,224,890**	**−4,123,261**
Expected tax charge	**−1,704,375**	**−1,129,773**
Reconciliation to the tax charge		
Loss carryforwards not available for tax purposes	2,577,493	0
Change in write-down of deferred tax assets	−1,455,055	1,428,571
Differences in the tax rate	420,925	−133,879
Taxes from permanent differences – non-deductible expenses	163,848	−23,928
Differences arising from the currency translation	−13,830	0
Other	3,851	−140,991
Tax charge pursuant to consolidated income statement	**−7,143**	**0**

(11) Cost of materials

The cost of materials (before set-offs against grants and capitalization of self-produced intangible assets) was as follows:

		in €
	2011	2010
Raw materials and supplies and related goods	5,976,134	6,349,451
Related services	768,772	877,762
Total	**6,744,906**	**7,227,213**

(12) Depreciation and amortization

Please see Note 21 "Intangible assets" and Note 22 "Property, plant and equipment" for information about depreciation and amortization expenses.

The consolidated income statement was prepared in accordance with the cost-of-sales method and includes pro rata depreciation and amortization for property, plant and equipment and intangible assets in the production costs of work performed to generate sales, sales costs, research and development costs, and general administration costs.

(13) Personnel expenses and employees

Personnel expenses (before set-offs against grants and capitalization of self-produced intangible assets) were as follows:

		in €
	2011	2010
Wages and salaries	5,165,958	5,219,078
Social security expenses required by law	877,352	843,827
Variables/bonuses	895,482	826,127
Restructuring expenses	468,519	0
Other social security expenses/pensions	168,860	161,167
Expenses from Long Term Incentive Plan	53,949	7,899
Other	57,174	–1,595
Total	**7,687,294**	**7,056,503**

The social security expenses required by law include the Company's share of € 476,383 in contributions to the public pension insurance system (previous year: € 443,918).

The average number of permanent employees was as follows:

	2011	2010
Full-time employees (incl. Management Board)	98	91
Part-time employees	8	6
Total	**106**	**97**

There was also an average of 8 (previous year: 10) trainees, graduates and student trainees during the year. The employees of the PBF Group were counted for just one month.

4. NOTES ON THE CONSOLIDATED BALANCE SHEET

(14) Inventories

Inventories have an expected turnover rate of less than one year and consist of the following:

	2011	2010
		in €
Raw materials and supplies	3,342,253	1,449,100
Unfinished goods	311,211	67,063
Finished goods	1,253,464	420,449
Total	**4,906,928**	**1,936,612**

Taking into account the achievable net proceeds on disposal, inventories were written down as follows:

	2011	2010
		in €
Raw materials and supplies – before impairment	3,436,529	1,468,697
Impairment	–94,276	–19,597
Net book value	**3,342,253**	**1,449,100**

	2011	2010
		in €
Unfinished and finished goods – before impairment	1,618,974	514,907
Impairment	–54,299	–27,395
Net book value	**1,564,675**	**487,512**

A total of € 136,278 for the impairment of inventories (previous year: € 27,395) was expensed to the consolidated income statement. Inventories with a remaining book value of € 1,904,414 were pledged as collateral for liabilities (previous year: € 0 inventories pledged as collateral).

(15) Trade accounts receivable

Trade accounts receivable and individual allowances for the risk of default consisted of the following:

	2011	2010
		in €
Trade accounts receivable – gross	4,652,874	2,714,376
Allowances for risk of default	–178,614	–1,314
Total	**4,474,260**	**2,713,062**

All trade accounts receivable are due in less than one year. For information about the individual allowances, please see the section on "credit risk" in Note 31 "Financial instruments".

Trade accounts receivable with a remaining book value before write-downs of € 1,819,989 were pledged as collateral for a loan in the amount of € 300,000 (see Note 24 "Liabilities to banks") and for an as yet unused credit line (original interest rate of 5.6 %) in the amount of € 540,610 (previous year: € 0 trade accounts receivable pledged as collateral).

(16) Receivables and liabilities from percentage-of-completion

If the production costs (including earnings contributions) incurred during the year under review for contracts that are not yet completed exceed the amounts already invoiced (installment payments received), the difference is reported as receivables from percentage-of-completion. Conversely, the difference is reported as liabilities from percentage-of-completion if the prepayments exceed the production costs.

		in €
	12/31/2011	12/31/2010
Proceeds shown	1,859,020	874,691
Costs incurred and gains recognized under contracts on or before the reporting date	1,862,853	874,691
Partial settlements	1,365,508	870,858
Production contracts with a positive balance due from the customer (reported as receivables from percentage-of-completion)	**541,137**	**3,833**
Production contracts with a negative balance due from the customer (reported as liabilities from percentage-of-completion)	**–43,792**	**0**

Changes the customer makes to a contract's scope of work during the project life cycle by adjusting, say, the specifications or the length of time to completion can increase or decrease the revenues and costs associated with the contract. The resulting impact for the current period and any foreign currency effects are recognized in profit or loss.

In financial year 2011, project volumes increased by € 331,487 (previous year: € 18,296) because of these kinds of changes and because of exchange rate differences, with total estimated projects costs rising by € 206,837 from the prior year (previous year: no change). Consequently, sales increased € 195,059 in 2011 (previous year: € 18,296), and the gross margin increased € 20,010 (previous year: € 18,296). The change in total project costs will cause contract costs to increase by € 31,788 in subsequent years (previous year: no change).

The receivables from percentage-of-completion have remaining terms of less than one year.

(17) Income tax receivables

The income tax receivables relate to refunds of tax (including the solidarity surcharge) withheld on investment income and have a remaining term of less than one year.

(18) Other assets and receivables

The other long-term assets and receivables pertain to prepayments made for the purchase of components for circuit boards and their assembly.

The other short-term assets and receivables are due in less than one year and consist of the following:

		in €
	2011	2010
VAT receivables	165,440	0
Receivables from grants	144,018	933,562
Prepayments made	134,220	192,355
Deferred income	126,595	39,383
Interest receivables on time depostit	21,150	29,216
Other	115,539	85,536
Total	**706,962**	**1,280,052**

The other assets and receivables include financial assets in the amount of € 165,168 (previous year: € 962,778).

(19) Cash and cash equivalents

Cash and cash equivalents consist of cash and current account balances and of time and call deposit accounts at banks that mature within three months.

(20) Cash and cash equivalents with limitations on disposal

There is a bank guarantee in the amount of € 285,000 (previous year: € 570,000) in connection with the lease for the Company's building at Eugen-Sänger-Ring 7. Time deposits in the amount of € 285,000 (previous year: € 570,000) were pledged to secure these lease guarantees.

(21) Intangible assets

Below is a statement of the Group's intangible assets:

in €

	Software	Patents and licences	Capitalised patents	Development costs	Goodwill PBF Group	Other intangible assets	Total
Acquisition costs as at 1/1/2010	**361,574**	**59,533**	**529,881**	**2,704,023**	**0**	**0**	**3,655,011**
Additions	59,080	0	29,736	1,070,800	0	0	1,159,616
Disposals	–16,055	0	0	0	0	0	–16,055
Differences arising from the currency translation	–338	0	0	0	0	0	–338
as at 12/31/2010	**404,261**	**59,533**	**559,617**	**3,774,823**	**0**	**0**	**4,798,234**
Changes in the scope of consolidation	28,410	28,669	0	0	6,023,469	2,654,022	8,734,570
Additions	122,975	224,426	8,937	326,468	0	0	682,806
Differences arising from the currency translation	1,296	17,105	0	0	0	0	18,401
as at 12/31/2011	**556,942**	**329,733**	**568,554**	**4,101,291**	**6,023,469**	**2,654,022**	**14,234,011**
Depreciation and impairment losses as at 1/1/2010	**–214,530**	**–48,129**	**–366,661**	**–614,894**	**0**	**0**	**–1,244,214**
Scheduled depreciation	–68,706	0	–59,241	–495,326	0	0	–623,273
Disposals	15,923	0	0	0	0	0	15,923
Differences arising from the currency translation	28	0	0	0	0	0	28
as at 12/31/2010	**–267,285**	**–48,129**	**–425,902**	**–1,110,220**	**0**	**0**	**–1,851,536**
Scheduled depreciation	–86,924	–16,613	–48,659	–698,094	0	–34,176	–884,466
Impairment losses	0	0	0	–577,638	0	0	–577,638
Differences arising from the currency translation	–994	–1,222	0	0	0	0	–2,216
as at 12/31/2011	**–355,203**	**–65,964**	**–474,561**	**–2,385,952**	**0**	**–34,176**	**–3,315,856**
Carrying amounts							
as at 1/1/2010	147,044	11,404	163,220	2,089,129	0	0	2,410,797
as at 12/31/2010	**136,976**	**11,404**	**133,715**	**2,664,603**	**0**	**0**	**2,946,698**
as at 12/31/2011	**201,739**	**263,769**	**93,993**	**1,715,339**	**6,023,469**	**2,619,846**	**10,918,155**

Development costs: Grants of € 1,381,615 (previous year: € 1,359,811) were received in connection with development activities and were shown as a reduction of research and development costs and of general administration costs.

There were indications in the 2011 financial year that development work capitalized in conjunction with projects for the German Bundeswehr had lost value due to uncertainties surrounding both the budget situation and the military's procurement priorities (preference for existing equipment over innovations) if faced with budget cuts. Based on an impairment test of the corresponding assets, an impairment loss of € 577,638 was recognized on

capitalized development costs in financial year 2011 (previous year: € 0). The amount of the impairment change was determined by applying a discount rate of 10.23 % to the respective assets' value in use. The C-Series segment as well as Power Manager and Other segments were affected. The impairment charges were reported under research and development costs.

Goodwill of the PBF Group: The goodwill resulting from the acquisition of the PBF Group (€ 6,023,469) was allocated to the cash generating unit "Power Supplies and Coils". To figure this segment's recoverable amount, we measured the fair value less costs to sell by discounting the projected cash flows given in the three-year budget (2012 to 2014) approved by management. A growth rate was not used to extrapolate cash flows in the last budget year. The total cost of capital used for discounting was based on the risk-free interest rate of 3.25 % and a market risk premium of 4.50 %. From there, the beta factor, tax rate and capital structure of the peer group of the "Power Supplies and Coils" segment was used to arrive at a weighted average cost of capital (WACC) of 7.55 %. Determining the fair value less costs to sell for the cash generating unit required the use of historical data, forecasts about market performance, and market research. Where the Company's budget is concerned, the principal underlying assumptions included market growth rates and the rate of growth in selling prices and purchase prices, as taken from external market studies and current price developments with due consideration for changes in macroeconomic indicators.

Other intangible assets of the PBF Group: As part of the PBF Group acquisition, customer relationships, technology and an order book were identified that have been allocated to the "Power Supplies and Coils" cash generating unit. Because of the unique qualities of the PBF Group's products, customers associate the change in supplier with an upgrade of the product by the new supplier (so-called switching costs). Therefore, supplier loyalty is high on the part of customers, even in the absence of a contract. The order book and this customer loyalty are closely related, but must be treated separately in the purchase price allocation under the provisions of IFRS 3. On top of that, the PBF Group develops customized energy supply solutions for its customers that can be sold on a stand-alone basis at any time. Thus, the requirement under IFRS 3 that the assets be identifiable and separable has been met. Below is a statement of these other intangible assets:

in €

	Customer relationships	Technology	Order book	Total
Acquisition costs as at 1/1/2011	0	0	0	0
Changes in the scope of consolidation	1,408,354	1,231,359	14,309	2,654,022
as at 12/31/2011	**1,408,354**	**1,231,359**	**14,309**	**2,654,022**
Description and impairment losses as at 1/1/2011	0	0	0	0
Scheduled depreciation	–14,670	–17,102	–2,404	–34,176
as at 12/31/2011	**–14,670**	**–17,102**	**–2,404**	**–34,176**
Carrying amounts as at 1/1/2011	0	0	0	0
as at 12/31/2011	**1,393,684**	**1,214,257**	**11,905**	**2,619,846**
Remaining term of depreciation and amortization in years	7	5	1	
Allocation to segments				
Power Supplies and Coils	1,393,684	1,214,257	11,905	2,619,846

(22) Property, plant and equipment

Below is a statement of the Group's property, plant and equipment:

			in €
	Machinery and fixtures	Other equipment, fixures and fittings	Total
Acquisition costs as at 1/1/2010	**663.615**	**2.054.163**	**2.717.778**
Additions	36,195	1,025,474	1,061,669
Disposals	−15,501	−220,632	−236,133
Differences arising from the currency translation	0	−194	−194
as at 12/31/2010	684,309	2,858,811	3,543,120
Changes in the scope of consolidation	355,824	120,489	476,313
Additions	11,420	436,421	447,841
Disposals	−1,952	−104,524	−106,476
Reclassifications	84,877	−84,877	0
Differences arising from the currency translation	0	803	803
as at 12/31/2011	**1,134,478**	**3,227,123**	**4,361,601**
Depreciation and impairment losses as at 01/01/2010	**−181,147**	**−855,398**	**−1,036,545**
Scheduled depreciation	−98,165	−298,646	−396,811
Disposals	14,023	211,551	225,574
Differences arising from the currency translation	0	25	25
as at 12/31/2010	−265,289	−942,468	−1,207,757
Scheduled depreciation	−120,354	−388,772	−509,126
Impairment losses	0	0	0
Disposals	0	102,276	102,276
Differences arising from the currency translation	0	−416	−416
as at 12/31/2011	**−385,643**	**−1,229,380**	**−1,615,023**
Carrying amounts			
as at 1/1/2010	482,468	1,198,765	1,681,233
as at 12/31/2010	**419,020**	**1,916,343**	**2,335,363**
as at 12/31/2011	**748,835**	**1,997,743**	**2,746,578**

In the previous year, grants of € 246,489 were received for investments in research, process development and pilot production infrastructure and offset directly against acquisition costs.

Fixtures and fittings with a remaining book value of € 342,704 have been pledged as collateral for liabilities (previous year: € 0).

(23) Other provisions and tax provisions

The change in other provisions is shown in the following table:

in €

	Warranty provisions	Provisions for contingent losses	Total other provisions	Tax provisions
as at 1/1/2011	**1,048,130**	**0**	**1,048,130**	**0**
Changes in the scope of consolidation	225,450	0	225,450	115,022
Differences arising from the currency translation	209	0	209	0
Additions	408,744	597,124	1,005,868	5,717
Interest cost	36,073	0	36,073	0
Disposals	–131,589	0	–131,589	–23,720
Release	0	0	0	0
as at 12/31/2011	**1,587,017**	**597,124**	**2,184,141**	**97,019**
of which with a remaining term of between one and five years	1,020,567	392,593	**1,413,160**	0

Warranty provisions: Warranty provisions are reported at the present value of the net amount required to satisfy the obligations. The discount rate used is 3.94 % (previous year: 3.90 %) for those obligations that would first be due after two years and 4.09 % (previous year: 4.07 %) for those due after three years. Better insight was gained into the timing of warranty cases in the year under review. As a result, some obligations were classified as falling due in four years and discounted at 4.24 % and some were classified as falling due in five years and discounted at 4.37 %. Because of these adjustments, last year's allocation to warranty provisions was € 51,918 lower than it would have been without the changes. For the previous year, the effects from changes in the discount rate were not significant.

Provisions for contingent losses: The provisions for contingent losses relate to contingent losses from rent expenses. A draw on the long-term portion of the provisions is not likely until 2013 at the earliest. The amount to set aside in each case was based on current lease agreements. The discount factor was set at either 3.94 % or 4.09 %, depending on the provision's remaining term.

Tax provisions: The tax provisions are for corporate income taxes in the Netherlands and have a remaining term of less than one year.

(24) Liabilities to banks

Liabilities to banks include a loan in the amount of € 300,000, of which € 200,000 is long-term. The loan carries a fixed interest rate of 5.2 % and requires quarterly principal payments of € 25,000. The short-term portion of € 100,000 is reported under current liabilities to banks.

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

(25) Liabilities from prepayments

Liabilities from prepayments relate to prepayments received on orders and have a remaining term of less than one year.

(26) Trade accounts payable

All trade accounts payable are due in less than one year.

(27) Other liabilities

Other short-term liabilities were as follows:

in €	2011	2010
Variables/bonuses	623,400	801,110
Wage tax	265,197	86,325
Restructuring expenses	221,820	0
Outstanding vacation	214,787	79,309
Expenses from contract terminations	171,601	0
Christmas bonus	147,096	0
Accruals for invoices	171,158	0
Trade association contributions	58,200	42,700
Social security	16,739	7,245
Overtime	9,886	9,985
Compensatory tax for the severely disabled	8,290	9,180
VAT	1,508	50,398
Prohibition of Competition	0	80,000
Severance and release from duties	0	57,786
Other	23,167	18,890
Total	**1,932,849**	**1,242,928**

Other long-term liabilities include the expensed obligation from the Long Term Incentive Plan for members of the Management Board and selected executives. Please see Note 32 "Share-based payment" for the details of that agreement. For 2011, this line item also includes the earn-out component from the purchase price agreement for PBF (see the explanations under the heading "Changes in the scope of consolidation" in Section 1 "General Accounting Policies and Scope of Consolidation"). The following table shows a breakdown of the other long-term liabilities:

in €	2011	2010
Contingent consideration from the acquisition	1,287,849	0
Long Term Incentive Plan	169,768	115,819
Total	**1,457,617**	**115,819**

Other liabilities include financial liabilities of € 1,346,049 (previous year: € 42,700).

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

(28) Equity

Changes to SFC's equity are shown in the Consolidated Statement of Changes in Equity.

Subscribed capital: At the balance sheet date, subscribed capital amounted to € 7,502,887 (previous year: € 7,152,887) and was divided into 7,502,887 (previous year: 7,152,887) bearer shares without par value, with a notional amount in the capital stock of € 1.00 per no-par-value share. The subscribed capital has been fully paid in. Each share confers one vote. Shareholders have no special rights that confer control.

In reliance on the authorization granted by the general meeting held on May 8, 2008 (authorized capital 2008), the Company increased its capital stock pursuant to the articles of association by € 350,000, from € 7,152,887 to € 7,502,887, through the issuance of 350,000 new bearer shares of common stock without par value (no-par-value shares) with a notional amount in the capital stock of € 1.00 each and full dividend rights starting January 1, 2011, against a (mixed) contribution in kind with the preemptive subscription right of existing shareholders excluded. The execution of the capital increase was recorded in the Commercial Register of the Local Court of Munich on December 20, 2011.

Capital surplus: The capital surplus came to € 67,878,818 at the reporting date (previous year: € 66,879,638).

The sum of € 980,000 was credited to capital surplus in financial year 2011 in conjunction with the (mixed) contribution in kind alluded to above. The € 70,000 difference resulting from movement in the stock price between the acquisition date and entry date was also credited to capital surplus, and not recognized in profit or loss. Please see the explanations under the heading "Changes in the scope of consolidation" in Section 1 "General Accounting Policies and Scope of Consolidation" for additional information. The costs of € 50,820 associated with the non-cash capital increase were then debited to the capital surplus account, without recognition in profit or loss. Deferred tax assets were not formed on these costs.

Conditional capital: The Company has a conditional capital 2011 in the amount of € 3,576,443 for the issuance of no-par-value bearer shares to the holders or creditors of convertible bonds and/or warrant-linked bonds, participatory rights and/or participatory bonds (or combinations of these instruments). No such instruments had been issued as of the reporting date. As stated in § 5 para. 4 of the Articles of Association, the Management Board will determine the remaining details of the execution of the conditional capital increase, with approval by the Supervisory Board.

Authorized capital: The Management Board is authorized to increase the Company's subscribed capital by up to € 3,218,121 on one or more occasions before May 7, 2013, with the Supervisory Board's consent, by issuing new no-par-value bearer shares, in exchange for cash or in-kind contributions (authorized capital 2008). As a general rule, shareholders are to be granted a preemptive right to subscribe for these shares. However, under certain circumstances the preemptive subscription right of shareholders may be excluded with the Supervisory Board's consent.

Authorization to acquire own shares: The general meeting held on May 6, 2010 authorized the Management Board to acquire treasury shares on or before May 5, 2015 in an amount not to exceed 10 % of the Company's capital stock on May 6, 2010. No use had been made of this authorization as of the balance sheet date.

Other changes in equity without effect on profit or loss: The other changes in equity not affecting profit or loss relate to changes not recognized in profit or loss from the U.S. subsidiary's foreign currency translation.

5. OTHER DISCLOSURES

(29) Contingent liabilities

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events beyond the control of SFC. Furthermore, present obligations are contingent liabilities when it is not probable that they will be claimed and/or the amount of the obligation cannot be measured with sufficient reliability.

There were no identifiable contingent liabilities as of the reporting date.

(30) Other financial liabilities

The other financial liabilities result from leases entered into.

Obligations under operating leases: The Company has financial liabilities under operating leases, particularly from the leases for the business premises and from motor vehicle, printer and copier leases.

Expenses of € 1,187,879 were recognized from operating leases last year (previous year: € 947,341).

The total minimum rent payments under such non-terminable operating leases that had an initial or remaining term of more than one year as of the reporting date were made up as follows, broken down by due date:

		in €
	2011	2010
Operate Leases		
within 1 year	1,323,622	1,242,247
between 1 and 5 years	5,062,370	4,298,539
> 5 years	3,814,480	4,737,876
Total	**10,200,472**	**10,278,662**

The agreement for the Company's production, development and administration building is also an operating lease. The agreement automatically terminates after the end of ten years. There is an option to renew the lease on a one-time basis for an additional five years. A provision for contingent losses was formed in connection with vacant space under this lease agreement (see Note 23 "Other provisions and tax provisions").

Order commitments: The Group has purchasing commitments of € 7,947,298 (previous year: € 4,317,394). These relate primarily to blanket orders for components for fuel cell systems and for the raw materials and supplies that are needed.

(31) Financial instruments

The following table shows the financial assets and liabilities by measurement category and class:

CARRYING AMOUNTS PURSUANT TO THE BALANCE SHEET		in €
	2011	2010
Financial assets		
Assets carried at amortized cost		
Trade accounts receivable	4,474,260	2,713,062
Other assets and receivables- short term	165,168	962,778
Cash and cash equivalents	22,443,141	33,560,171
Cash and cash equivalents with limitation on disposal	285,000	570,000
Financial liabilities		
Liabilities carried at amortized cost		
Liabilities to banks	759,390	0
Trade accounts payable	3,171,240	1,384,029
Other liabilities – short term	58,200	42,700
Liabilities measured as at fair value through profit or loss		
Other liabilities – long term	1,287,849	0

The book values of the financial assets and financial liabilities carried at amortized cost are close to the fair values because, with the exception of the long-term loan, they are short-term. The line item "liabilities to banks", which are carried at amortized cost, includes a loan in the amount of € 300,000 (see Note 24 "Liabilities to banks"). The fair value came to € 310,516 at the balance sheet date and was determined by discounting the cash flows for the loan payments to their net present value using the market interest rate.

Financial assets and liabilities measured at fair value are assigned to one of the following three hierarchy levels: Financial assets and financial liabilities are assigned to Level 1 if there are quoted prices in active markets for identical assets and liabilities. They are assigned to Level 2 if the inputs on which the fair value measurement is based are observable either directly as prices or indirectly from prices. Financial assets and liabilities are assigned to Level 3 if the fair value measurement is not based on observable inputs. The earn-out component of the PBF acquisition that was reported in financial year 2011 under other long-term liabilities is a Level 3 liability. Please see "Changes in the scope of consolidation" in Section 1 "General Accounting Policies and Scope of Consolidation" for additional information.

The breakdown by measurement category of income and expense from the financial instruments was as follows:

EXPENSES AND INCOME FROM THE FINANCIAL INSTRUMENTS		in €
	2011	2010
Financial assets		
Assets carried at amortized cost		
Trade accounts receivable		
Income from write-downs of trade accounts receivable	1,314	4,798
Expense from write-downs of trade accounts receivable	–170,610	0
Income from currency translation of trade accounts receivable	186,512	50,661
Expense from currency translation of trade accounts receivable	–75,317	–32,790
Cash and cash equivalents		
Interest income	420,993	406,758
Interest expense	0	–207
Net result of assets carried at amortized cost	**362,892**	**429,220**
Financial liabilities		
Liabilities carried at amortized cost		
Liabilities to banks		
Interest expense	–1,307	0
Trade accounts payable		
Income from currency translation of trade accounts payable	2,711	5,595
Expense from currency translation of trade accounts payable	–25,516	–35,568
Net result of liabilities carried at amortized cost	**–24,112**	**–29,973**

Derivatives: Income of € 90,799 was recognized in the previous year from the remeasurement of derivatives with a positive market value. There were no financial derivatives as of December 31, 2010 or December 31, 2011. The commodity futures (platinum) that were shown with a positive market value in 2009 were used to hedge the price of platinum, which is used in one of the core components of the fuel cells. Those positions were closed in the course of the previous year.

Capital management: SFC considers a strong financial profile for the Group to be a fundamental requirement for further growth. SFC's strategic orientation, and especially its chosen expansion strategy, will require further investments that will have to be financed to ensure future business success – particularly in product development, the tapping of further market segments and new regions, and expanding the business in existing market segments. The funds brought in through the May 2007 public stock offering were raised specifically for this purpose. Until they are used to implement the growth strategy, excess liquidity has been invested with various banks in low-risk securities (e.g., call and time deposits).

SFC's articles of association do not define any capital requirements. SFC is authorized to acquire its own shares on or before May 5, 2015 in amount not to exceed ten percent of its capital stock.

The Group's capital management focuses on cash and cash equivalents (see Note 19), equity (see Note 28) and liabilities to banks (see Note 24)

The table below shows the Company's equity and total equity and liabilities as of the respective reporting dates:

COMPANY'S EQUITY RATIO		in €
	2011	2010
Equity	**36,788,279**	**41,721,409**
As a percentage of total capital	75,4	90,1
Long-term liabilities	5,217,042	1,413,189
Short-term liabilities	6,777,407	3,177,805
Liabilities	**11,994,449**	**4,590,994**
As a percentage of total capital	24,6	9,9
Total capital	**48,782,728**	**46,312,403**

Thanks to its good level of capital resources and an equity ratio of 75.4 % (previous year: 90.1 %), SFC is well positioned for the planned growth of the Group.

For internal steering, the Company used the "underlying operating result" in financial year 2011, i.e., earnings before interest and income taxes without the earnings effects from restructuring expenses and other one-off effects that arose in financial year 2011. The following table shows the reconciliation of the operating result (EBIT) reported in SFC's consolidated income statement to the underlying operating result:

RECONCILIATION TO UNDERLYING OPERATING RESULT (EBIT)		in €
	2011	2010
EBIT (earnings before interest and taxes)	**–6,614,870**	**–4,510,338**
Restructuring Expenses	473,970	0
Reported as research and development costs:		
Impairment losses capitalized development	577,638	0
Reported as other operating expenses:		
Impending losses premises	597,124	0
Expenses from contract terminations	323,300	0
Acquisition-related costs	510,566	0
Other effects	47,278	0
Underlying EBIT	**–4,084,994**	**–4,510,338**

Risks such as market risk, credit risk and liquidity risk may arise in connection with financial instruments and are discussed below:

Risks and hedging policy: As a result of SFC's international activities, changes in exchange rates, commodities prices and interest rates can affect the assets, financial condition and earnings of the Group. There are also credit and liquidity risks associated with market price risks or that accompany a worsening of the operating business or disruptions to financial markets.

Credit risk: Credit risk results primarily from trade accounts receivable. The risk consists of the possibility of default by a contractual partner because the customer structure is characterized by different large customers. To prevent credit risk, creditworthiness is checked by reviewing credit information files for selected customers, and regular status reports with an early warning function are obtained. Deliveries to new customers are generally subject to advance payment. In addition, all past-due receivables are discussed weekly as part of receivables management, and steps are taken with the responsible sales employees. In terms of credit risk prevention practices at the subsidiary PBF, which has a transparent clientele and can readily identify delinquencies, past-due accounts are first handled by employees in the accounting department and then turned over to the responsible sales employee for discussion with the customer.

The amounts shown on the balance sheet are net of the write-downs for receivables expected to be uncollectible, as estimated by management on the basis of past experience and the current economic environment. Individual allowances are made as soon as there is an indication that receivables are not collectible. The indications are based on close contact with the respective customers as part of receivables management.

The maximum amount of default is the net carrying amount of the receivable. No collateral from unpaid receivables was acquired or recognized during the reporting period or during the previous year. Receivables from the sale of products are secured for SFC through a reservation of ownership.

Of the € 4,474,260 in trade accounts receivable (previous year: € 2,713,062), the largest customers account for € 602,610, € 393,822, € 328,540 and € 283,252 (previous year: € 481,365 and € 255,844 attributable to the two largest customers). There are no other material risk concentrations.

The following table shows the changes in the write-downs of trade accounts receivable over the course of the year:

WRITE-DOWNS		in €
	2011	2010
Write-downs at 1/1	**1,314**	**7,142**
Changes in the scope of consolidation	8,004	0
Additions	170,610	0
Use	0	–1,030
Release	–1,314	–4,798
Write-downs at 12/31	**178,614**	**1,314**

SFC also has past-due trade accounts receivable that it has thus far not written down in the amount of € 1,304,687 (previous year: € 546,612). These can be broken down by maturity range as follows:

in €	2011	2010
Gross book value of the impaired receivables	183,720	1,564
Specific write-downs	–178,614	–1,314
Net book value of the impaired receivables	**5,106**	**250**
Not past due or impaired	3,164,467	2,166,200
Past due and not impaired		
Up to one month past due and not impaired	1,026,237	455,686
One to three months past due and not impaired	195,739	6,973
Three to six months past due and not impaired	44,101	76,667
Over six months past due and not impaired	38,610	7,286
Receivables per balance sheet	**4,474,260**	**2,713,062**

The outstanding receivables that are neither past due nor impaired are of high credit quality because of the current client base. There was no indication as of the balance sheet date that any defaults were to be expected on these receivables.

No write-downs of the other financial assets were taken. There were no past-due receivables in this regard at the balance sheet date.

There are also credit risks with regard to cash. This cash substantially includes short-term time and call deposits and immediately available deposits at banks. SFC is exposed to credit risks associated with the investment of liquid funds to the extent the banks fail to meet their obligations. To minimize this risk, the banks in which the investments are made are carefully chosen, and the investments are divided among several banks. Moreover, only short-term time deposits have been made, which are covered by the deposit insurance of the banks. The maximum risk position corresponds to the book value of the cash as of the reporting date.

Liquidity risk: Liquidity risk describes the possibility that SFC may not be able to meet its payment obligations. This risk was counteracted by the capital increase in May 2007. SFC still has adequate cash reserves to be able to finance the further planned growth of the Group.

SFC is subject to liquidity risks from the financial liabilities that it holds, which are presented undiscounted in the table below on the basis of their earliest possible maturity. By analogy, the cash flows from financial instruments are shown as short-term and long-term assets. The remaining net liquidity outflow is covered by existing cash.

in €

	2011			2010		
	Total	1 year	> 1 year	Total	1 year	> 1 year
Original financial liabilities						
Liabilities to banks	–759,390	–559,390	–200,000	0	0	0
Trade accounts payable	–3,171,240	–3,171,240	0	–1,384,029	–1,384,029	0
Other financial liabilities	–1,346,049	–58,200	–1,287,849	–42,700	–42,700	0
Total cash outflow	**–5,276,679**	**–3,788,830**	**–1,487,849**	**–1,426,729**	**–1,426,729**	**0**
Original financial assets						
Cash and cash equivalents	22,728,141	22,728,141	0	34,130,171	34,130,171	0
Trade accounts receivable	4,474,260	4,474,260	0	2,713,062	2,713,062	0
Other financial assets	165,168	165,168	0	962,778	962,778	0
Total cash inflow	**27,367,569**	**27,367,569**	**0**	**37,806,011**	**37,806,011**	**0**
Net liquidity from financial instruments	**22,090,890**	**23,578,739**	**–1,487,849**	**36,379,282**	**36,379,282**	**0**

Interest rate risk: Interest rate risk results primarily from the investment of cash. As part of the capital increase in 2007, shares were also placed in the United States. In that context, SFC also had to assume the contractual obligation to comply with certain tax laws in the United States. Consequently, no investments may exceed a three-month term at present. In that respect, the net interest income or expense of SFC is materially influenced by short-term interest rates. An increase or decrease of 50 basis points in the interest rate level would have increased the net interest income or expense by € 126,411 (previous year: € 171,670). The Group is not subject to any other material interest rate risk from variable-interest instruments.

SFC has defined any risk management objectives or actions based on the aforementioned restrictions. Risk is measured during the year in the context of the rolling year-end forecast.

Exchange rate risk: Particularly on account of its volume of business with the U.S. Armed Forces, SFC generates a portion of its revenues in U.S. dollars, which is offset by expenses and payments in U.S. dollars that are lower than these revenues. No longer-dated currency forwards were entered into in financial year 2011.

There would have been a positive effect of € 82,072 on the Group's equity if, when translating the assets and obligations of SFC Energy Inc. as of December 31, 2011, the exchange rate had fluctuated by –5 % and a negative effect of € 82.072 if the rate had fluctuated by +5 %. There were no material effects from foreign currency translation of the business of the Romanian subsidiary and its transactions in Romanian leu.

Measurement of SFC's and PBF's foreign currency receivables and liabilities as of December 31, 2011 would have led to an increase of € 12,446 in the foreign currency result if the rate had fluctuated by –5 % and a decrease of € 12,446 if the rate had fluctuated by +5 %.

The objective of foreign currency management is to minimize exchange rate losses in comparison with budget assumptions. For that purpose, an open USD balance sheet is calculated on the basis of actual and planned USD positions and adjusted in the context of the rolling year-end forecast. If large open positions exist, most of the open balance is hedged with currency forwards to the extent the forecast and market expectations indicate significant deviations from the budgeted assumptions. There were no open currency forwards as of the reporting date. In this respect, foreign exchange risk exists for the unhedged portion of sales.

Price risk for platinum: Due to platinum, which is one of the raw materials used in fuel cells, SFC is subject to the risk of a change in the price of platinum. Moreover, platinum is usually traded in U.S. dollars, which results in additional value risks in connection with platinum futures depending on the performance of the U.S. dollar. In the past, SFC sometimes used derivative financial instruments to hedge the price of platinum on a quarterly basis so that it could limit some of the uncertainty associated with building the cost of platinum into its prices. In the first quarter of 2011, the Company shifted its platinum hedging strategy. Instead of entering into forward transactions (commodity futures) as in the past, the Company bought platinum and ruthenium directly from the supplier of fuel cell component at the spot rate. Thus, in 2011, as in the previous year, there were no more financial derivatives arising out of commodity futures transactions as of the December 31 balance sheet date.

(32) Share-based payment

The Supervisory Board adopted a Long Term Incentive Plan (LTIP 2009 – 2011) for members of the Management Board in March 2009 (Tranche 1). The Supervisory Board approved the participation of additional selected executives in July 2009 and July 2010 (Tranche 2). This plan, which will run for a total of five years, is intended to reward the contribution by members of the Management Board and selected executives to increasing the Company's value. The plan includes variable compensation in the form of phantom shares, each of which is based on the total value of one SFC share. A phantom share entitles its holder to a cash payment equal to the then-current share price plus any dividend per share. Participants are not entitled to receive actual SFC shares. In June 2011 the Supervisory Board approved the participation of Gerhard Inninger, the new CFO, in the LTIP (Tranche 3). The plan was not revoked or changed during financial 2011 or during the previous year.

The plan is divided into various sub-tranches with different performance periods of three calendar years each. The performance period for the first sub-tranche of Tranche 1 began January 1, 2009. The two remaining sub-tranches began exactly one and two years later, respectively. In the first half of 2011, two additional sub-tranches of Tranche 1 were authorized by the Supervisory Board in conjunction with the new Management Board contract. The performance period for the fourth sub-tranche of Tranche 1 began on January 1, 2012, while the period for the fifth sub-tranche will begin one year later. The performance period for the first sub-tranche of Tranche 2 also began January 1, 2009, while the second sub-tranche began exactly one year later. In June 2011 the Supervisory Board approved a third sub-tranche within Tranche 2 for management. The performance period for the third sub-tranche began on January 1, 2011. The performance period for the first sub-tranche of Tranche 3 began January 1, 2012. Similar to the policy applicable to Tranches 1 and 2, the two remaining sub-tranches of Tranche 3 will begin one and two years later, respectively.

At the beginning of each performance period, a preliminary value is assigned to the allotment by taking the volume allotted and dividing it by the weighted average market price of a share of SFC stock for the first three months of the respective performance period. A total allotment volume of € 220,000 each was defined for the first and second sub-tranche of Tranche 1, while the allotment volume for the third sub-tranche was set at € 145,000. The original allotment volume for the first sub-tranche of Tranche 2 was € 190,000, and for the second and third sub-tranches of Tranche 2 it was € 155,000. As of December 31, 2011, the number of allotted

phantom shares for the first sub-tranche of Tranche 1 was 0 (previous year: 36,001), while the number of provisionally allotted phantom shares for the second sub-tranche of Tranche 1 was 19,208 (previous year: 35,208) and the number of provisionally allotted phantom shares for the third sub-tranche of Tranche 1 was 30,278. As of December 31, 2011, the number of remaining phantom shares for the first sub-tranche of Tranche 2 was 0 (previous year: 31,094), while the number of provisionally allotted phantom shares for the second sub-tranche of Tranche 2 was 19,208 (previous year: 24,813) and the number of provisionally allotted phantom shares for the third sub-tranche of Tranche 2 was 25,059. An allotment volume of € 145,000 each is currently being assumed for the fourth and fifth sub-tranches of Tranche 1, while the assumed volume for the first, second and third sub-tranches of Tranche 3 is € 50,000 each. The number of provisionally allotted phantom shares for sub-tranches four and five of Tranche 1 and sub-tranches one through three of Tranche 3 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 and Tranche 3 of the plan for any performance period already commenced as of the respective participant's departure will be made on the basis of the number of phantom shares initially allotted at the beginning of the respective performance period and will reflect the portion of the performance period served. Pro rata payouts will be made under Tranche 2 unless SFC terminates the employment relationship without notice for cause or does so with notice for conduct-related reasons. Pro rata payouts are also excluded if the respective executive quits with notice.

The status of the phantom shares in 2011 is shown in the following table:

	Tranche 1	Tranche 2	Tranche 3
Number of phantom shares	135,628	82,546	37,015
Maximum term (years)	3.0 – 5.0	3	3.0 – 5.0
Contractual remaining term on 12/31/2011 (years)	1.0 – 4.0	1.0 – 2.0	3.0 – 5.0
Outstanding number of phantom shares at the beginning of the 2011 reporting period (1/1/2011)	63,485	50,179	0
during the 2011 reporting period			
Phantom shares awarded	72,143	32,367	37,015
Phantom shares forfeited	13,999	38,279	0
Phantom shares exercised	0	0	0
Phantom shares expired	0	0	0
Phantom shares outstanding at the end of the 2011 reporting period (12/31/2011)	**121,629**	**44,267**	**37,015**
Exercisable phantom shares at the end of the 2011 reporting period (12/31/2011)	**0**	**0**	**0**

The estimated number of provisionally allotted phantom shares in Tranches 1.4, 1.5, 3.1, 3.2 and 3.3 was calculated on the basis of a Monte Carlo simulation and may change at subsequent balance sheet dates as a function of the actual trend for the price of the SFC share.

The status of the phantom shares in 2010 is shown in this table:

	Tranche 1	Tranche 2
Number of phantom shares	110,395	55,907
Maximum term (years)	3.0 – 5.0	3
Contractual remaining term on 12/31/2010 (years)	1.0 – 3.0	1.0 – 2.0
Outstanding number of phantom shares at the beginning of the 2010 reporting period (1/1/2010)	100,887	27,003
during the 2010 reporting period		
Phantom shares awarded	9,508	24,813
Phantom shares forfeited	14,543	0
Phantom shares exercised	32,367	1,637
Phantom shares expired	0	0
Phantom shares outstanding at the end of the 2010 reporting period (12/31/2010)	**63,485**	**50,179**
Exercisable phantom shares at the end of the 2010 reporting period (12/31/2010)	**0**	**0**

The phantom shares awarded were classified and measured as cash-settled share-based payment transactions. The fair market value of the phantom shares is remeasured on each balance sheet date using a Monte Carlo simulation, taking into account the terms on which the phantom shares were awarded. The measurement of the options that were still outstanding at December 31, 2011 and December 31, 2010 was based on the following inputs:

Measurement date	12/31/2011	12/31/2010
Remaining term (years)	1.0 – 5,0	2.0 – 3.0
Share price on the measurement date	€ 4.00	€ 4.97
Strike price	€ 0.00	€ 0.00
Expected volatility	37.02 % – 70.71 %	38,09 % – 51.18 %
Risk-free interest rate	0.04 % – 0.91 %	0,66% – 1.28 %
Dividend yield	0.00 %	0.00 %

The term in each case is the period from the measurement date to the end of each performance period. The expected volatility is based on the assumption that historic volatility is indicative of future trends, which means that the actual volatility which occurs may differ from the assumptions.

The weighted average of the fair market value of the phantom shares issued during the reporting period was € 3.67 as of the reporting date (previous year: € 4.96). Expenses of € 53,949 were recognized in the 2011 consolidated income statement for cash-settled share-based payment transactions from the LTIP (previous year: € 7,899), while a liability of € 169,768 was recognized under other long-term liabilities as of the balance sheet date (previous year: € 190,447, of which € 115,819 was long-term).

(33) Related party transactions

IAS 24 "Related Party Disclosures" defines related parties as companies and persons that have the ability to directly or indirectly control or exercise significant influence over the reporting entity or that participate in the joint management of the reporting entity. At SFC, shareholder Dr Manfred Stefener, who held a seat on the Supervisory Board until January 31, 2011, is to be classified as a "related party" within the meaning of IAS 24.

Persons in key positions at SFC are the Management Board members and the Supervisory Board members along with close members of their families. The members of the Management Board and the Supervisory Board were as follows in financial years 2010 and 2011:

Management Board members

Dr Peter Podesser, Simbach am Inn, a businessman (Chairman)
Gerhard Inninger, Munich, who holds a degree in finance (from August 16, 2011)
Dr Jens Müller, Munich, who holds a degree in chemistry (until December 31, 2010)

Supervisory Board members

Dr Rolf Bartke, Berlin, a business engineer (Chairman)
David William Morgan, Rolvenden (United Kingdom), MA ACA, a businessman (from March 8, 2010, deputy chairman since May 5, 2011)
Wolfgang Biedermann, Hamburg, a businessman (until December 31, 2010)
Jakob-Hinrich Leverkus, Hamburg, a businessman (until December 31, 2010)
Dr Jens Müller, Munich, who holds a degree in chemistry (from May 05, 2011)
Rüdiger Olschowy, Schliersee, a businessman (until May 5, 2011)
Dr Manfred Stefener, Munich, an engineer (until January 31, 2011)

Companies that are directly or indirectly controlled by members of management in key positions or are under their significant influence are also classified as "related parties" under IAS 24 "Related Party Disclosures".

The following overview shows the transactions with related entities:

TRANSACTIONS WITH COMPANIES WITH SIGNIFICANT INFLUENCE in €

	2011	2010
Receivables	0	3,100
Income	2,113	30,752

Revenues of € 2,113 (previous year: € 30,752) were realized under a supply relationship for individual components and test equipment with Elcomax GmbH, an entity under the significant influence of shareholder Dr Manfred Stefener. Additionally, SFC operates together with Elcomax GmbH under a joint grant project.

There were no related party transactions with individuals last year or in the previous year.

The compensation of persons in key positions was as follows:

in €

	2011		2010	
	Fixed portion	Variable portion	Fixed portion	Variable portion
Management Board	431,168	456,607	569,740	295,082
Supervisory Board	108,795	0	166,290	0
Total	**539,963**	**456,607**	**736,030**	**295,082**

We had € 477,701 in liabilities to persons in key positions as of the reporting date (previous year: € 652,639). The variable portion includes the expense for the Long Term Incentive Program for members of the Management Board. In addition, the recorded expense for the agreed six-month prohibition of competition following the end of Dr Müller's Management Board contract was included in financial year 2010 (see "compensation prohibition competition" in the 2010 table).

FINANCIAL YEAR 2011 — in €

	Fixed compensation	Short-term performance based compensation	Long-term performance based compensation	Retention bonus	Total
Dr Peter Podesser	355,980	162,630	39,241	200,000	757,851
Gerhard Inninger	75,188	37,500	17,236	0	129,924
Total	**431,168**	**200,130**	**56,477**	**200,000**	**887,775**

FINANCIAL YEAR 2010 — in €

	Fixed compensation	Short-term performance based compensation	Long-term performance based compensation	Compensation prohibition competition	Total
Dr Peter Podesser	320,440	141,062	4,584	0	466,086
Dr Jens Müller	249,300	68,949	487	80,000	398,736
Total	**569,740**	**210,011**	**5,071**	**80,000**	**864,822**

(34) Earnings per share

Earnings per share are calculated by dividing the net income for the year that is attributable to shareholders of the parent by the average number of shares in circulation. As during the prior year, there were no dilutive effects to be taken into account in determining the number of outstanding shares or any dilutive effects on SFC's earnings. The following table breaks down the calculation of earnings per share:

CALCULATION OF BASIC AND DILUTED EARNINGS PER SHARE		per share
	2011	2010
Number of shares in circulation at the beginning of the period	7,152,887	7,152,887
Number of shares in circulation at the end of the period	7,502,887	7,152,887
Weighted average number of shares in circulation	**7,162,609**	**7,152,887**
Number of potentially dilutive shares of common stock	0	0
Weighted average number of shares used to calculate the diluted earnings	**7,162,609**	**7,152,887**
		in €
Consolidated net loss (€)	**–6,217,747**	**–4,123,261**
Net loss per share diluted (€)	–0.87	–0.58
Net loss per share undiluted (€)	–0.87	–0.58

(35) Disclosures on the consolidated cash flow statement

The consolidated cash flow statement shows the origin and use of cash flows. In accordance with IAS 7 "Cash Flow Statements", cash flow statements break down cash flows into cash flow from ordinary operations, cash flow from investment activities and cash flow from financial activities. The "cash and cash equivalents" item in the cash flow statement corresponds to the "cash and cash equivalents" item in the balance sheet.

Income tax payments and refunds pertain mostly to the investment income tax and solidarity surcharge withheld from credited interest when call and time deposits matured.

Because SFC invests surplus cash in short-term, low-risk financial securities, the interest that is received is allocated to the cash flow from investment activity. Interest payments are shown in the cash flow from financial activity.

During the year under review, the Company assumed control of the subsidiary PBF. The fair values of the acquired assets and assumed liabilities were as follows:

PAYMENTS FOR THE ACQUISITION OF SUBSIDIARIES	in €
	as at 12/1/2011
Cash and cash equivalents	250
Inventories	2,016,560
Trade accounts receivable and other assets	2,052,291
Property, plant, and equipment and intangible assets	3,187,414
Liabilities and provisions	–4,592,135
Goodwill	6,023,469
Total purchase price	**8,687,849**
Deducting:	
Cash acquired in connection with the subsidiary PBF	–250
Non-cash contribution	
Issue of ordinary shares	–1,400,000
Contingent consideration arrangement	–1,287,849
Cash outflows for the acquisition of subsidiaries, less aquired cash	**5,999,750**

(36) Disclosures on consolidated segment reporting

As part of the consolidated segment reporting pursuant to IFRS 8 "Operating Segments", the segments are broken down in accordance with internal reporting. Internal reporting at SFC is primarily by product, but also by region. However, corporate planning and accounting for resources are based on the products and services. On that basis, the following segments are subject to a reporting requirement:

- A-Series
- C-Series
- Joint Development Agreements ("JDA")
- Power Manager
- Power Supplies and Coils
- Other

The A-Series are the series produced fuel cells (EFOY, EMILY).

The C-Series (JENNY) involves miniaturized portable fuel cells that resulted from development activities under Joint Development Agreements.

The Joint Development Agreements are contractual agreements with strategic partners to adapt fuel cells and Power Managers to customer-specific requirements.

The Power Manager is a versatile electronic converter that enables and facilitates charging and operation of various types of electronic equipment and batteries with different power sources.

Power Supplies are power supply units and transformer units that convert electrical voltages in various output ranges plus the cabinets needed to house them. Coils are high-performance copper coils used especially in high-powered microscopes.

The sales in the “Other” segment relate primarily to the sale of fuel cartridges with methanol to fill the fuel cells, test equipment for testing the components of fuel cell systems, and other products for network solutions.

The heading “unallocated items” is used for consolidation effects as well as all of the amounts that cannot be assigned to any of the other segments.

Internal reporting is made to the Management Board and the Supervisory Board. The revenues and number of items sold are reported by product category and by region. The segment result is equivalent to the gross margin. No additional determinations of profits or analyses of profits beyond gross margin are made at the segment level because they would not be meaningful. There is no offsetting between the segments. The net result from interest income and interest expenses is shown in the financial result.

Sales and non-current assets (excluding deferred tax assets) by region were as follows:

	Sales from transactions with external customers		Long-term Assets	in €
	2011	2010	2011	2010
Europe (not including Germany)	5,867,499	6,437,251	9,203,051	0
Germany	4,757,792	5,008,288	4,254,553	5,298,281
North America	3,468,522	1,595,542	261,415	50,320
Asia	590,250	194,354	0	0
Rest of the world	741,911	94,743	0	0
Total	**15,425,974**	**13,330,178**	**13,719,019**	**5,348,601**

Sales by region were determined on the basis of the customer's registered office. Sales of € 4,757,792 (previous year: € 5,008,288) were generated in SFC's home market of Germany. The sales in all other countries totaled € 10,668,182 (previous year: € 8,321,890).

No sales were generated with large customers (customers accounting for more than 10 % of sales) in the 2011 financial year. Sales to large customers in 2010 were as follows:

	A-Series	C-Series	Power Manager	Other products	Revenues (in €)	Total revenues (in %)
2010						
Customer A	42,391	859,445	453,068	150,432	1,505,336	11.29

The depreciation of fixed assets contained in the production costs can be broken down by segment as follows:

in €	2011	2010
A-Series	252,917	198,728
C-Series	6,756	17,145
JDA	40,730	22,080
Power Manager	7,845	8,459
Power Supplies and Coils	8,047	0
Other	58,552	36,876
Total	**374,847**	**283,288**

Additions to fixed assets break down among the segments as follows:

in €	2011	2010
A-Series	209,617	432,741
C-Series	5,600	37,334
JDA	33,757	48,079
Power Manager	6,502	18,421
Power Supplies and Coils	9,251,718	0
Other	48,528	80,298
Total	**9,555,722**	**616,873**
Not attributable to segments	785,808	1,604,412
Total fixed assets	**10,341,530**	**2,221,285**
of which changes in the scope of consolidation	9,210,883	0

Fixed assets and additions to fixed assets at SFC were assigned to the segments in the ratio of depreciation per segment to total depreciation. The capital expenditures and additions at PBF were allocated through the acquisition to the Power Supplies and Coils segment.

Of the € 577,638 (previous year: € 0) impairment loss on capitalized development costs, € 408,549 is attributable to the C-Series segment, € 45,766 to the Power Manager segment and € 123,323 to the Other segment.

(37) Auditor's fees

The auditor's fees were:

in €	2011	2010
Financial statements	104,000	71,000
Other consultancy	61,004	0
Tax consultancy	6,335	7,468
Total	**171,338**	**78,468**

(38) Statement of compliance with the German Corporate Governance Code

The Management Board and Supervisory Board have issued a statement of compliance with the German Corporate Governance Code in accordance with § 161 of the German Stock Corporation Act (AktG). It was published on March 27, 2012 on the website of SFC Energy AG. This compliance statement will remain available on the Internet for the next five years and thus be accessible to the public on a long-term basis. It is also published in the Annual Report as part of the Corporate Governance Report.

(39) Material events after the balance sheet date

There were no material events after the balance sheet date.

Brunnthal, March 27, 2012

The Management Board

Dr Peter Podesser
CEO

Gerhard Inninger
CFO

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

SFC ENERGY AG, BRUNNTHAL RESPONSIBILITY STATEMENT

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

Brunnthal, March 27, 2012

The Management Board

Dr Peter Podesser
CEO

Gerhard Inninger
CFO

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

INDEPENDENT AUDITORS' REPORT

We have audited the consolidated financial statements, comprising the income statement and statement of comprehensive income, the balance sheet, the cash flow statement, the statement of changes in equity and the segment reporting as well as the notes to the consolidated financial statements, together with the group management report of SFC Energy AG, Brunnthal, for the fiscal year from 1 January to 31 December 2011. The preparation of the consolidated financial statements and the group management report in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a (1) of the German Commercial Code (HGB) are the responsibility of the Company's Management Board. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Management Board, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit, the consolidated financial statements of SFC Energy AG, Brunnthal, comply with the IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, 27 March 2012

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

Voit
Wirtschaftsprüfer
(German Public Auditor)

Weinberger
Wirtschaftsprüfer
(German Public Auditor)

4 INTRODUCTION
7 CLEAN POWER: ENVIRONMENTALLY FRIENDLY, CONVENIENT AND RELIABLE
9 PRODUCTS
13 MARKETS
16 STRONGER TOGETHER
18 SFC MILESTONES IN 2011
20 SUPERVISORY BOARD REPORT
26 THE SHARE
29 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE
39 GROUP MANAGEMENT REPORT
63 CONSOLIDATED FINANCIAL STATEMENTS
72 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
121 RESPONSIBILITY STATEMENT
122 INDEPENDENT AUDITORS' REPORT
123 FINANCIAL CALENDAR 2012 / SHARE INFORMATION / CONTACT / IMPRINT

FINANCIAL CALENDAR 2012

May 3, 2012	Publication of quarterly report
May 9, 2012	Annual general meeting
July 25, 2012	Publication half year report
October 25, 2012	Publication nine months report

SHARE INFORMATION

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

INVESTOR-RELATIONS CONTACT

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

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

IMPRINT

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

Responsible: SFC Energy AG
Editing: SFC Energy AG
Concept and Design: Anzinger | Wüschner | Rasp

Statements about the future
This interim report contains statements and information about the future. Such passages contain such word as "expect", "intend", "plan", "believe", "aim", "estimate", etc. Such statements about the future are based on current expectations and certain assumptions. They therefore also contain a number of risks and uncertainties. A multitude of factors, many of which are beyond the control of SFC, affect our business, our success, and our results. These factors can lead the Group's actual results, success, and performance to deviate from the results, success, and performance in the statements made explicitly or implicitly about the future. SFC assumes no obligation to update any forward looking statements.