12 March 2014

Ceres Power Holdings plc
Interim results for the six months ended 31 December 2013

Ceres Power Holdings plc ("Ceres", "Ceres Power", "the Company" or "the Group") announces its interim results for the six months ended 31 December 2013.

Highlights

- KD Navien Technology Assessment Agreement on track with the two companies continuing to work closely together;
- Ceres Steel Cell fuel cell advantages corroborated as efficiency and robustness to cycling continue to be validated by our partners;
- Healthy pipeline of potential partners visiting Ceres facility and impressed by Steel Cell system and capabilities; and
- Feasibility studies for high power applications progressing - potential for higher efficiency and the opening up of new markets

Financial Highlights:

	Six months ended 31 December 2013	Six months ended 31 December 2012
	(Unaudited)	(Unaudited)
	£'000	**£'000**
Revenue	**895**	**502**
Other operating income	**177**	**-**
Operating loss	**(3,795)**	**(8,461)**
Interest receivable	**42**	**17**
Loss for the financial period	**(3,353)**	**(7,611)**
Loss per share	**(0.62)p**	**(6.83)p**
Cash and cash equivalent	**12,576**	**7,949**

After the period end

- Joint Development Agreement entered into with Cummins Power generation to explore the development and commercialisation of the Steel Cell technology for products in Cummins' core markets of prime and backup power utilising natural gas;
- Evaluation Agreement signed with a global Japanese Original Equipment Manufacturer (OEM), which corroborates our strategy to focus initially in the Far East. Testing is now underway in Japan with several global Japanese OEMs; and
- Japanese Commercial Office due to open in April 2014 to more easily service our current and future customers in the Far East;

Alan Aubrey, Chairman of Ceres Power, commented:

"I am excited by the commercial progress Ceres has made, especially since the period end. Our entry into the US market place with Cummins Power Systems opens the Ceres Power technology up to the wholly different and valuable market of higher power applications. Our progress in Japan is also especially pleasing after the initial engagements in 2013.

This commercial activity shows the increasing awareness of our technology, which enables highly efficient low cost distributed power solutions."

Chairman's statement

The world around us is changing and the need for a better, more efficient way of generating and distributing the power required for modern life is greater than ever. The rising cost and availability of energy continues to be a topic of debate. Globally we have seen big issues and big events impact energy supplies and its pricing, while our energy demands continue to increase.

In Asia Japan is already the world's largest importer of liquefied natural gas ("LNG"), with South Korea not far behind, and has increased its consumption by 20% post Fukishima. The USA is now exploring the best ways to utilise its newly found gas reserves, including exporting LNG to Asia.

Grid stability is also becoming a big issue. In the USA the lack of reliability of the power supply costs $80 billion/year and companies are looking for alternative solutions to ensure the reliability and security of supply to their businesses. In Europe a move away from nuclear and an increase in renewables has also given rise to grid stability issues, for which solutions are being actively sought.

This is exacerbated by our increasing appetite for the technologies that allow us to lead mobile, wireless lifestyles, increasing the demand for power still further. The energy used to power supporting data centres now represents 2% of the electricity demand in the USA and 1.3% of demand globally.

The way we use power is changing, but the way we generate and distribute it hasn't changed for a hundred years, as we are still reliant on expensive centralised generation and distribution.

The advantage of fuel cells as the most efficient and reliable way to generate power from natural gas is well understood, but to date the high cost of the technology has restricted its adoption without significant supporting subsidies. Despite this, in 2012 the fuel cell industry exceeded the $1 billion level for the first time as global companies such as Panasonic and Toshiba increased their micro-CHP footprint in Japan and companies such as E-bay and Google began to use fuel cells to power their businesses in the USA.

To make fuel cells affordable for everyone there needs to be a step change in the cost of the fuel cell technology used. Ceres Power is making this vision a reality with its unique Steel Cell technology.

Our next generation Steel Cell technology operates on mains natural gas and is manufactured using standard manufacturing processes and commodity materials such as steel, meaning that it can be mass produced at an affordable price for both domestic and business use.

We believe Ceres can transform the way that power is produced, and the recent announcement of our partnership with Cummins Power Systems to explore higher power uses of our Steel Cell technology corroborates the global opportunity that I believe the Company has before it.

I am delighted with the progress made both technically and commercially in the past six months by the Ceres team. The response to our change in strategy a little over a year ago, led by our new CEO Phil Caldwell, has exceeded expectations in terms of the level of customer engagement. What is most satisfying is the on-going validation of our technology by our Korean and Japanese customers.

I am also very pleased to announce that Steve Callaghan, who led the turnaround in 2013 and has been a Non-Executive Director since December 2012, has been appointed the Senior Independent Director.

Alan Aubrey

Chairman

Chief Executive's statement

Since becoming Chief Executive at Ceres Power I have led with a strong focus on customers as this drives the business to deliver not just commercially but also technically, which in turn provides us with the greatest validation of the potential for our technology. Over the past six months we have welcomed leading companies from the power sector around the world to our facility at Horsham and they have all left with a very positive view of our capabilities. The subsequent level of commercial interest has exceeded our expectations and the focus for the rest of 2014 will be to convert our relationships to the next level while developing further partner relationships by geography and by application and continuing to achieve our internal targets against our technology roadmap.

Commercial Progress

The most exciting part of the past six months has been seeing our technology successfully tested on customer sites in Korea and Japan. This confirms the confidence that we have in the performance of the Steel Cell technology with third party validation by some of the most experienced engineering companies in the world and we expect further evaluations in the USA and the Far East later this year.

We have met key milestones in our partnership with KD Navien, the largest boiler company in South Korea with annual sales of over 1 million units and an export market which is growing rapidly at over 40% /year in its new target markets such as the USA.

In January we shipped our first fuel cell power system to KD Navien which has undergone successful initial testing in Seoul to date. The next phase of the programme would be to jointly develop a product for the Korean and international markets based on the Steel Cell technology.

In Japan we have several global OEMs testing the Steel Cell technology as a follow on to successful testing conducted in the UK over the past six months. These customers are exploring different market applications for the technology, including residential at 1 kW level and light industrial at 5 kW. As a result of this positive level of engagement in the Japanese and Asian markets we are opening a commercial office in Kyoto, Japan, next month.

Advancements in the efficiency of the technology have opened up the opportunity for us to begin to explore other applications, with a particular focus on the North American market. As announced recently we have signed a joint development agreement with Cummins Power Generation, a global provider of power generation systems, including those for the data centre and back up-power markets. It is a subsidiary of Cummins Inc., a global power leader with over US$17bn of revenues in 2012. The purpose of the collaboration is to explore the joint development and commercialisation of the Steel Cell technology for products in Cummins' existing markets.

Technology progress

Recent outputs from core cell technology development have resulted in the highest gross efficiency achieved by the a Ceres system of 54%, which means that we are confident we could meet a target specification of 45% net electrical efficiency with overall net efficiency of 90% when running as a combined heat and power system ("CHP") for the residential market. These improvements in efficiency further improve potential savings for domestic micro-CHP customers.

With the appropriate level of system engineering we believe that we could increase net efficiency even further to more than 50% which is the main requirement for prime power applications, where the emphasis is on the electrical power output rather than heat. I believe that the Ceres Steel Cell technology could have a compelling business case for larger power consumers.

In November 2013 we received an award of £1.0 million from DECC's Energy Entrepreneurs Fund to accelerate the development of our Fuel Cell Module, which is key to enabling some of our customers to develop complete products around our core technology.

Manufacturing and operations

Our manufacturing operations continue to deliver quality cells at high yields to support our internal and customer programmes As such we have continued to recruit a small number of high-quality people into the team to meet specific objectives. The Company is also currently investing to increase its test capability in order to enable parallel customer engagement and meet its internal road map deliverables.

Financial

Underlying revenue has increased to £0.2m (2012: £nil) due to the commercial progress made since the change of strategy in 2012 and relates to our new customers in Korea and Japan. In addition deferred revenue has been released from the balance sheet due to the ending of the product and supply agreements gained under the old strategy (2013: £0.7m Bord Gais Eirann; 2012: £0.5m Calor Gas). This has led to overall revenue in the period increasing to £0.9m (2012: £0.5m).

Since the change of strategy the Company has won £1.1m of UK Government grant funding to support key programmes. £0.2m of these grants has been recognised as other income in the period (2012: £0.0m). The Company will continue to apply for UK and other Government grant funding to assist the delivery of the Company roadmap where possible.

The Group's operating loss reduced by £4.7m from £8.5m in 2012 to £3.8m in 2013. This is driven by the reduction of £1.0m in recurring operating costs to £4.9m in the period from £5.9m in the corresponding period in 2012. This is primarily due to the reduced average number of employees and the focus on core technology delivery as a result of the change of strategy, as well as the Group not incurring non-recurring costs in 2013 (2012: £3.1m). Ceres ends the calendar year 2013 with £12.6m in cash and short-term investments, having started the period with £15.4m. The net cash used in operating activities of £2.7m in the period (2012: 5.5m) is primarily due to £3.7m cash used in operations (2012: £5.5m) offset by £1.0m cash received relating to income tax credit (2012: nil).

Summary

Over the past six months we have continued to demonstrate that we can deliver technology to the high standards set by some of the world leading companies, supported by our engineers at their sites in Korea and Japan. We have continued to exceed our own technical milestones, which puts us in a good position for developing these relationships to the next stage.

I would like to thank the team, right across the company, for continually delivering to meet our deadlines. One example of the commitment of the team was well illustrated by people coming in at the eleventh hour on Christmas Eve, when our facility at Horsham was facing blackouts, to ensure our testing and customer programmes were not compromised.

The third party validation from our OEM partners and the recent agreement with Cummins Power Generation reinforces our belief that our Steel Cell technology has the potential to become the standard next generation fuel cell technology for stationary power applications and we are in a very strong position for the future.

Philip Caldwell

Chief Executive Officer

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 31 December 2013

	Note	**Six months ended 31 December 2013 (Unaudited) £'000**	**Six months ended 31 December 2012 (Unaudited) £'000**	**Year ended 30 June 2013 (Audited) £'000**
Revenue		895	502	523
Operating costs	2	(4,867)	(8,963)	(13,265)
Other operating income		177	-	1
Operating loss		**(3,795)**	**(8,461)**	**(12,741)**
Interest receivable		42	17	55
Loss before income tax		**(3,753)**	**(8,444)**	**(12,686)**
Income tax credit		400	833	1,311
Loss for the financial period / year and total comprehensive loss		**(3,353)**	**(7,611)**	**(11,375)**

Losses per £0.05 ordinary share expressed in pence per share:

Basic and diluted loss per share	3	(0.62)p	(6.83)p	(3.88)p

The accompanying notes are an integral part of these interim financial statements.

CONSOLIDATED BALANCE SHEET
As at 31 December 2013

	Note	**31 December 2013 (Unaudited) £'000**	**31 December 2012 (Unaudited) £'000**	**30 June 2013 (Audited) £'000**
Assets				
Non-current assets				
Property, plant and equipment		1,771	2,761	2,181
Other receivables		53	53	53
Total non-current assets		**1,824**	**2,814**	**2,234**
Current assets				
Trade and other receivables		642	476	454
Derivative financial instruments		-	-	-
Current tax receivable		444	3,233	1,044
Short-term investments	6	-	-	6,207
Cash and cash equivalents	6	12,576	7,949	9,230
Total current assets		**13,662**	**11,658**	**16,935**
Liabilities				
Current liabilities				
Trade and other payables		(1,585)	(2,315)	(1,350)
Total current liabilities		**(1,585)**	**(2,315)**	**(1,350)**
Net current assets		**12,077**	**9,343**	**15,585**
Non-current liabilities				
Other payables		(1,157)	(1,901)	(1,918)
Provisions for other liabilities and charges		(1,107)	(1,429)	(1,293)
Total non-current liabilities		**(2,264)**	**(3,330)**	**(3,211)**
Net assets		**11,637**	**8,827**	**14,608**
Equity				
Share capital	4	5,369	7,631	8,817
Share premium account		72,907	64,821	72,906
Capital redemption reserve		3,449	-	-
Other reserve		7,463	7,463	7,463
Profit and loss account (deficit)		(77,551)	(71,088)	(74,578)
Total equity		**11,637**	**8,827**	**14,608**

The interim financial statements on pages 9 to 15 were approved by the Board of Directors on 11 March 2014 and were signed on its behalf by:

Philip Caldwell
Director

Richard Preston
Director

The accompanying notes are an integral part of these interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 31 December 2013

	Share capital (Unaudited) **£'000**	Share premium account (Unaudited) **£'000**	Capital redemption reserve (Unaudited) **£'000**	Other reserve (Unaudited) **£'000**	Profit and loss account (deficit) (Unaudited) **£'000**	Total (Unaudited) **£'000**
At 1 July 2012	4,311	64,821	-	7,463	(63,617)	12,978
Comprehensive loss						
Loss for the period	-	-	-	-	(7,611)	(7,611)
Total comprehensive loss	-	-	-	-	(7,611)	(7,611)
Transactions with owners						
Issue of shares, net of costs	3,320	-	-	-	-	3,320
Share-based payments charge	-	-	-	-	140	140
Total transactions with owners	3,320	-	-	-	140	3,460
At 31 December 2012	**7,631**	**64,821**	**-**	**7,463**	**(71,088)**	**8,827**
Comprehensive loss						
Loss for the period	-	-	-	-	(3,764)	(3,764)
Total comprehensive loss	-	-	-	-	(3,764)	(3,764)

Transactions with owners						
Issue of shares, net of costs	1,186	8,085	-	-	-	9,271
Share-based payments charge	-	-	-	-	274	274
Total transactions with owners	1,186	8,085	-	-	274	9,545
At 30 June 2013	**8,817**	**72,906**	**-**	**7,463**	**(74,578)**	**14,608**
Comprehensive loss						
Loss for the period	-	-	-	-	(3,353)	(3,353)
Total comprehensive loss	-	-	-	-	(3,353)	(3,353)
Transactions with owners						
Issue of shares, net of costs	1	1	-	-	-	2
Cancellation of deferred shares, net of costs	(3,449)	-	3,449	-	-	-
Share-based payments charge	-	-	-	-	380	380
Total transactions with owners	(3,448)	-	3,449	-	380	382
At 31 December 2013	**5,369**	**72,907**	**3,449**	**7,463**	**(77,551)**	**11,637**

The accompanying notes are an integral part of these interim financial statements.

CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 31 December 2013

	Note	**Six months ended 31 December 2013 (Unaudited) £'000**	**Six months ended 31 December 2012 (Unaudited) £'000**	**Year ended 30 June 2013 (Audited) £'000**
Cash flows from operating activities				
Cash used in operations	5	(3,710)	(5,534)	(10,016)
Income tax received		1,000	-	2,667
Net cash used in operating activities		**(2,710)**	**(5,534)**	**(7,349)**
Cash flows from investing activities				
Purchase of property, plant and equipment		(184)	(30)	(42)
Capital grant contributions to property, plant and equipment		-	-	-
Movement in short-term investments		6,207	-	(6,207)
Finance income received		31	19	57
Net cash generated from/(used in) investing activities		**6,054**	**(11)**	**(6,192)**
Cash flows from financing activities				
Proceeds from issuance of ordinary shares		2	3,320	12,591
Net expenses of shares issued		-	-	-
Net cash generated from financing activities		**2**	**3,320**	**12,591**
Net increase/(decrease) in cash and cash equivalents		**3,346**	**(2,225)**	**(950)**
Exchange (losses)/gains on cash and cash equivalents		-	(4)	2
		3,346	(2,229)	(948)
Cash and cash equivalents at beginning of period		9,230	10,178	10,178
Cash and cash equivalents at end of period		**12,576**	**7,949**	**9,230**

Reconciliation to net funds

Opening net funds	15,437	10,178	10,178
Net increase/(decrease) in cash and cash equivalents	3,346	(2,229)	(948)
(Decrease)/increase in short-term investments	(6,207)	-	6,207
Closing net funds (note 6)	**12,576**	**7,949**	**15,437**

The accompanying notes are an integral part of these interim financial statements.

Notes to the interim financial statements for the six months ended 31 December 2013

1. Basis of preparation

The financial information has been prepared in accordance with all IFRS and IFRS Interpretations Committee ("IFRIC") interpretations that had been published by 31 December 2013 as endorsed by the European Union (EU). The Standards that will be applicable for the year ending 30 June 2014 are not known with certainty at the time of preparing the interim results. Accordingly, the accounting policies for that accounting period will be determined finally only when the annual financial statements for the year ending 30 June 2014 are prepared.

This interim report, which comprises the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes, is unaudited and does not constitute audited accounts within the meaning of the Companies Act 2006. The accounts for the year ended 30 June 2013, on which the auditors gave an unqualified audit opinion, have been filed with the Registrar of Companies.

The accounting policies adopted are consistent with those of the financial statements for the year ended 30 June 2013, as described in those financial statements. As at the date of signing the interim financial statements, there are no new Standards likely to affect the financial statements for the year ending 30 June 2014.

The Company is continuing to develop and commercialise its core Steel Cell fuel cell system technology. The Company raises finance for its activities in discrete tranches and further funding will be raised as and when required.

The directors prepare annual budgets and cash flow projections that extend beyond 12 months from the date of this report. On the basis of these forecasts, the directors believe that the going concern basis is appropriate for the preparation of the financial statements.

2. Operating costs

Operating costs are split as follows:

	Six months ended 31 December 2013 (Unaudited) £'000	**Six months ended 31 December 2012 (Unaudited) £'000**	**Year ended 30 June 2013 (Audited) £'000**
Research and development costs	3,366	4,079	7,200
Administrative expenses - recurring	1,501	1,816	2,997
	4,867	**5,895**	**10,197**
Administrative expenses - non recurring restructuring related	**-**	**3,068**	**3,068**
	4,867	**8,963**	**13,265**

3. Loss per share

	Six months ended 31 December 2013 (Unaudited) £'000	**Six months ended 31 December 2012 (Unaudited) £'000**	**Year ended 30 June 2013 (Audited) £'000**
Loss for the financial period / year attributable to shareholders	**(3,353)**	**(7,611)**	**(11,375)**
Weighted average number of shares in issue	536,831,794	111,476,532	292,793,498
Loss per £0.01 ordinary share (basic & diluted)	(0.62)p	(6.83)p	(3.88)p

4. Share capital

Ceres Power Holdings plc has called-up share capital totaling 536,831,973 £0.01 ordinary shares as at 31 December 2013 (536,799,123 ordinary shares of £0.01 each at 30 June 2013, as disclosed in the statutory financial statements of Ceres Power Holdings plc for the year ended 30 June 2013).

During the period 32,850 ordinary shares of £0.01 each were issued on the exercise of employee share options for cash consideration of £1,642 and the Deferred Shares of £0.04, as noted in the statutory financial statements of Ceres Power Holdings plc for the year ended 30 June 2013, were cancelled with £3,448,626 being transferred to a capital redemption reserve.

5. Cash used in operations

	Six months ended 31 December 2013 (Unaudited) £'000	**Six months ended 31 December 2012 (Unaudited) £'000**	**Year ended 30 June 2013 (Audited) £'000**
Loss before income tax	(3,753)	(8,444)	(12,686)
Adjustments for:			
Other finance income	(42)	(17)	(55)
Depreciation of property, plant and equipment	597	1,362	1,322
Disposal of property, plant and equipment	-	-	759
Share-based payments charge	380	140	414
Operating cash flows before movements in working capital	**(2,818)**	**(6,959)**	**(10,246)**
(Increase)/decrease in trade and other receivables	(179)	140	163
(Decrease)/increase in trade and other payables	(527)	221	(861)

(Decrease)/increase in provisions	(186)	1,064	928
(Increase)/decrease in working capital	(892)	1,425	230
Cash used in operations	**(3,710)**	**(5,534)**	**(10,016)**

6. Net cash, short-term investments and financial assets

	31 December 2013 (Unaudited) £'000	**31 December 2012 (Unaudited) £'000**	**30 June 2013 (Audited) £'000**
Cash at bank and in hand	1,843	968	576
Short-term bank deposits < 3 months	9,021	1,802	-
Money market funds	1,712	5,179	8,654
Cash and cash equivalents	12,576	7,949	9,230
Short-term investments (bank deposits > 3 months)	-	-	6,207
	12,576	**7,949**	**15,437**

The Group typically places surplus funds into pooled money market funds and bank deposits with durations of up to twelve months. The Group's treasury policy restricts investments in short-term sterling money market funds to those which carry short-term credit ratings of at least two of AAAm (Standard & Poor's), Aaa/MR1+ (Moody's) and AAA V1+ (Fitch) and deposits with banks having a minimum long-term rating of A/A-/A3 and short-term rating of F-1/A-2/P-2 for banks which the UK Government holds less than 25% ordinary equity.

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