11 March 2015

Ceres Power Holdings plc

Interim results for the six months ended 31 December 2014

Ceres Power Holdings plc ("Ceres", "Ceres Power", "the Company" or "the Group") announces its interim results for the six months ended 31 December 2014.

Highlights:

- Successful fundraising of £20 million from leading institutional investors provides the balance sheet strength to engage with commercial partners for the next stages of joint development and commercialisation of the Ceres Steel Cell technology
- Deepening relationship with a global Japanese power system company as Joint Development Agreement signed and underway with first stages meeting performance targets
- Achieved 40% improvement in power output of the technology – further validating the route to affordable fuel cell products
- Ongoing testing in South Korea nearing completion - meeting all targets
- Further evaluation of the technology by several new Japanese OEMs and potential manufacturing partners
- Aidan Hughes, ex-Finance Director of the Sage Group plc, appointed as Non-Executive Director and Chairman of Audit Committee
- James Falla appointed as COO to drive the delivery of both customer and internal programmes

Financial Highlights:

	Six months ended 31 December 2014 (Unaudited) £'000	Six months end 31 December 2013 (Unaudited) £'000
Total revenue, comprising	**133**	895
- release of deferred revenue	**-**	*740*
- underlying revenue [1]	***133***	*155*
Other operating income	**294**	177
Total underlying revenue and other operating income	**427**	332
Operating costs	**(5,741)**	(4,867)

Operating loss	**(5,314)**	(3,795)
Equity free cash flow [2]	**(4,528)**	(2,863)
Net cash and short-term investments	**22,735**	12,576

1 Underlying revenue is all revenue excluding the release of deferred revenue to the income statement which relates to legacy agreements

2 Equity free cash flow is the movement in net cash and cash equivalents and short-term investments in the period, excluding cash flows from financing activities

Alan Aubrey, Chairman of Ceres Power, commented:

"I am very pleased with the company's progress, particularly the significant technical advances made over the past six months. We are well positioned for the future and I am confident that we will soon see this progress further advancing our current commercial opportunities."

Chairman's statement

The global energy markets continue to change significantly and the traditional model of centralised power generation is gradually being disrupted. A clear example of this is E.ON's recent decision to split its business in two, spinning off its fossil fuel and nuclear business to focus on renewables and distributed generation. Johannes Teyssen, E.ON's CEO, said the traditional business model for utilities has "broken apart" and cited the main reason for this change as new technology, which has lowered the barrier of entry to the energy market, undermining the traditional role of the utility.

In the US, the Energy Information Administration expects centralised generation to produce less power in 2015 than in 2007 despite significant economic growth, due to the impact of energy efficiency and an increase in distributed generation. This reduction is due to new technologies enabling a combination of demand-side management and distributed generation, which is predominantly from solar PV, whose cost has dropped significantly with volume in recent years.

As the energy markets change, security of supply and the ability to generate power in a highly efficient way from the reliable existing gas infrastructure will drive the adoption of new technologies such as fuel cells. Japan has seen rapid growth of fuel cell systems generating power from natural gas. By the end of 2014 the number of installations of residential fuel cells in Japan exceeded 138,000 in line with government targets to have 1 million homes powered by fuel cells by 2020, rising to 5 million by 2030.

The recent drop in fuel prices has resulted in natural gas prices falling in recent months in sync with oil prices and in most regions this has widened the so-called spark gap between electricity and gas prices, improving the economic payback for fuel cells. The long term forecast from DECC in the UK and in other countries suggests that this trend will continue regardless of fuel price which will help drive the adoption of the technology. I am convinced that distributed generation will continue to grow as costs fall and the market opportunity for the Ceres Steel Cell is as large as ever.

In the two years I have been involved with Ceres Power we have laid the right foundations both technically and commercially for the future success of the business. We are continuing to build the management team around Phil Caldwell our CEO, including the recent appointments of James Falla as Chief Operating Officer and Aidan Hughes as Non-Executive Director. Aidan brings considerable experience of growing technology companies, is a significant addition to the Board and will chair the Audit Committee. James Falla brings a clear track record of operational delivery, particularly in Asia.

I am delighted with the progress made by Ceres Power and am excited about the Company's prospects. We are well positioned for the future and will soon begin to reap the benefits from the good work that the team has put in over the past few years.

Alan Aubrey
Chairman

Chief Executive's statement

Over the past six months we have made significant progress against our core strategy of being a technology provider of the Ceres Steel Cell to leading power systems companies across different applications and geographies. The execution of this strategy has focused on three key areas:

i) giving ourselves a strong financial platform and commercial pipeline for the business for the next few years,
ii) continuing to develop the core technology performance, increasing power, efficiency and lifetime, and
iii) making sure we are able to scale the business in future, both through process development in Horsham and working with manufacturing partners in key regions such as Asia.

Commercial Progress

Considering the size of our target customers for the Steel Cell and to give our existing partners confidence in the future of the business, it was important that we gave the Company sufficient funding to support our growth over the next few years. We achieved this through the £20 million raise in the summer, which was backed by leading institutional investors.

Since then we have continued to work with existing partners such as KD Navien in South Korea and Cummins in North America and brought in new customers with a particular focus on the Japanese market. Of these three target markets we have made most progress in Japan, where there is a drive to meet the target of installing 1 million fuel cell systems in homes by 2020 and 5 million by 2030. In order to accomplish this, the power system companies need to achieve a significant step down in cost without compromising performance, hence their interest in the Ceres Steel Cell, a low-cost and robust fuel cell technology.

In October 2014 we signed a Joint Development Agreement (JDA) with a leading Japanese Power System company after a successful period of testing of the technology both in the UK and Japan. This validation, in the most advanced fuel cell market in the world, is a huge endorsement of the

Steel Cell technology. This non-exclusive agreement has enabled both companies to start to combine their respective engineering and R&D expertise with the aim of producing a jointly developed Steel Cell SOFC stack for various applications within the Japanese company's product portfolio. The first results from this JDA have met the initial performance targets and the two companies are currently discussing further stages in extending the relationship further.

In order to support this activity we are also actively engaged with manufacturing partners to look at the potential production of the Steel Cell technology in Asia. Although this is still at an early stage, we have had several organisations validating our process methods and costs at our manufacturing facility in Horsham.

Testing with KD Navien, South Korea's largest domestic boiler manufacturer, has continued to progress well and is meeting all of the required targets. We expect to conclude this in the next few months and provide an update in due course. We also continue to have a good relationship with US power giant Cummins exploring different applications for the Steel Cell at higher power levels for prime power applications, which is a rapidly growing market.

Although progress to follow-on development programmes in the US and South Korea has taken longer than originally expected, we continue to grow the commercial pipeline, particularly in Japan. Our near term focus for the remainder of this financial year will be on securing next stage agreements in the Asian market.

Technology Progress

Over the past 6 months we have made significant technical progress having increased our net electrical efficiency to 47% which is equivalent to the highest performance achieved for SOFC in the Japanese market and superior to the existing offerings from PEM technology providers. Our target for the next period is to demonstrate that our Steel Cell technology enables net efficiency exceeding 50%, which would enhance the already significant benefit to the residential consumer in terms of economic payback and also enables prime power for commercial applications.

We have invested significantly in the technology team and test infrastructure to further validate the reliability and performance of the technology. We have already demonstrated the ability of the Steel Cell to turn on and off in different conditions, which is still a big issue for many SOFC companies and, in addressing steady state performance we now consistently achieve degradation rates equivalent to a 5-7 year stack life, which is the entry level requirement for good economic payback.

Since the period end, I am very pleased to note that, in early test results, we have also increased the overall power density by greater than 40% through a variety of both mechanical and material improvements to cell and stack design and will bring these forward from R&D to customer programmes later this year. This excellent progress by our scientists and engineers was achieved ahead of time against our internal roadmap and will have a direct and positive impact on the cost of Ceres Steel Cell products.

Our focus on the core technology has shown there is significant upside in performance still to come. This year we intend to increase efficiency still further and also start advanced engineering programmes to show applicability of the technology to larger scale power generation, such as for the data centre and prime power markets.

The Steel Cell is a disruptive technology compared with that used by existing fuel cell offerings in Japan and the US markets and we are consistently demonstrating the potential of this technology both internally and at customer sites. The combination of increasing overall efficiency, cell power and low degradation rates all contribute to an improved economic payback for the end user at an affordable price point.

Manufacturing and Operations

Having established high standards of technical performance, we are demonstrating our ability to live up to the low cost promise of the technology in high volume to our potential OEM partners. There is considerable value in licensing the manufacturing of the Steel Cell in the future and we have started to have exploratory discussions with several companies capable of making the Steel Cell in high volume for the Asian market.

We are now working on optimising our processes for volume, reducing processing time and costs. The work with ASM Assembly Systems (formerly DEK) is a good example of this and is backed by Innovate UK (formerly the Technology Strategy Board) in a £0.7 million funded project to take high-speed PV printing machines from the solar industry and adapt them for our fuel cell manufacture.

I am also very pleased to welcome James Falla to the business as COO. In the next phase of Ceres' growth, execution and delivery are crucial. James brings expertise in international operational delivery from the automotive sector such as establishing and running manufacturing facilities in Asia.

Financial

Although we have not yet seen commercial progress coming through to significant revenue, total underlying revenue and other operating income has increased to £0.43m (2013: £0.33m). This is due to an increase of UK Government grants recognised from £0.18m to £0.29m while underlying revenue remained broadly flat. The underlying revenue position is flat predominantly due to progress taking longer than anticipated to reach follow-on agreements in the US and South Korea. Overall revenue has declined to £0.13m (2013: £0.90m) as in 2013 the Group released £0.74m of deferred revenue to the income statement (deferred revenue being cash received relating to a contract but not recognised as revenue) due to the ending of a legacy product and supply agreement with Bord Gais Eirann.

The Group's operating loss increased as planned to £5.31m in 2014 (2013: £3.80m). This was driven by the reduction in total revenue, as detailed above, as well as the planned-for increase of £0.87m in recurring operating costs to £5.74m in the period (2013: £4.87m). This increase in recurring operating costs is due to the continued rebase and focus on development and 'productionisation' of the technology, which reflects an increased average number of employees in the period and the drive to improve the Company's test and manufacturing capability.

Ceres ends the calendar year 2014 with £22.74m in cash and cash equivalents and short-term investments, having started the period with £7.70m. This movement in funds was influenced by cash inflows from financing activities of £19.56m, being net funds received from the equity fundraise in July 2014 (2013: £nil), and equity free cash outflow (EFCF) in the period of £4.53m (2013: 2.86m). The EFCF was principally a reflection of net cash used in operations of £3.92m (2013: £3.71m), an increase of £0.21m as the business has grown, and investment in property, plant and equipment of

£0.85m (2013: £0.18m) as the Company has invested in expanding its test facilities. Since the period end the Company received £1.05m of income tax credit relating to the financial year ended 30 June 2014 (2013: the Company received £1.0m income tax credit during the period).

Summary

We have made good technical and commercial progress over the past six months, continuing to hit our key technical performance milestones and bringing through more companies to evaluate our technology. I am confident that we will start to see this reflected in commercial progress this year, as more partners evaluate the technology and we continue to demonstrate increasing performance against our roadmap. In the remainder of this year we expect to continue our investment in development and see more OEMs moving into next stage agreements.

Ceres is well positioned to become one of the leading companies in the fuel cell sector and the level of interest in our unique Steel Cell technology from the world's leading power system and manufacturing companies shows that we have a significant business opportunity.

Phil Caldwell
Chief Executive Officer

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 31 December 2014

	Note	Six months ended 31 December 2014 (Unaudited) £'000	Six months ended 31 December 2013 (Unaudited) £'000	Year ended 30 June 2014 (Audited) £'000
Revenue		133	895	1,224
Operating costs	2	(5,741)	(4,867)	(10,393)
Other operating income		294	177	581
Operating loss		**(5,314)**	**(3,795)**	**(8,588)**
Interest receivable		58	42	73
Loss before income tax		**(5,256)**	**(3,753)**	**(8,515)**
Income tax credit		550	400	1,122
Loss for the financial period / year and total comprehensive loss		**(4,706)**	**(3,353)**	**(7,393)**
Losses per £0.05 ordinary share expressed in pence per share:				
Basic and diluted loss per share	3	(0.64)p	(0.62)p	(1.38)p

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2014

	Note	31 December 2014 (Unaudited) £'000	31 December 2013 (Unaudited) £'000	30 June 2014 (Audited) £'000
Assets				
Non-current assets				
Property, plant and equipment		1,998	1,771	1,657
Other receivables		53	53	58
Total non-current assets		**2,051**	**1,824**	**1,715**
Current assets				
Trade and other receivables		885	642	1,219
Current tax receivable		1,550	444	1,166
Short-term investments	6	12,000	-	-
Cash and cash equivalents	6	10,735	12,576	7,699
Total current assets		**25,170**	**13,662**	**10,084**
Liabilities				
Current liabilities				
Trade and other payables		(1,317)	(1,585)	(1,143)
Provisions for other liabilities and charges		(326)	-	(242)
Total current liabilities		**(1,643)**	**(1,585)**	**(1,385)**
Net current assets		**23,527**	**12,077**	**8,699**
Non-current liabilities				
Other payables		(1,146)	(1,157)	(1,175)
Provisions for other liabilities and charges		(966)	(1,107)	(1,166)
Total non-current liabilities		**(2,112)**	**(2,264)**	**(2,341)**
Net assets		**23,466**	**11,637**	**8,073**
Equity				
Share capital	4	7,725	5,369	5,369
Share premium account		90,115	72,907	72,907
Capital redemption reserve		3,449	3,449	3,449
Other reserve		7,463	7,463	7,463
Profit and loss account (deficit)		(85,286)	(77,551)	(81,115)
Total equity		**23,466**	**11,637**	**8,073**

The interim financial statements were approved by the Board of Directors on 10 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 2014

	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 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**
Comprehensive loss						
Loss for the period	-	-	-	-	(4,040)	(4,040)
Total comprehensive loss	-	-	-	-	(4,040)	(4,040)
Transactions with owners						
Share-based payments charge	-	-	-	-	476	476
Total transactions with owners	-	-	-	-	476	476
At 30 June 2014	**5,369**	**72,907**	**3,449**	**7,463**	**(81,115)**	**8,073**
Comprehensive loss						
Loss for the period	-	-	-	-	(4,706)	(4,706)
Total comprehensive loss	-	-	-	-	(4,706)	(4,706)
Transactions with owners						
Issue of shares, net of costs	2,356	17,208	-	-	-	19,564
Share-based payments charge	-	-	-	-	535	535
Total transactions with owners	2,356	17,208	-	-	535	20,099
At 31 December 2014	**7,725**	**90,115**	**3,449**	**7,463**	**(85,286)**	**23,466**

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

CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 31 December 2014

	Note	Six months ended 31 December 2014 (Unaudited) £'000	Six months ended 31 December 2013 (Unaudited) £'000	Year ended 30 June 2014 (Audited) £'000
Cash flows from operating activities				
Cash used in operations	5	(3,917)	(3,710)	(8,252)
Income tax received		166	1,000	1,000
Net cash used in operating activities		**(3,751)**	**(2,710)**	**(7,252)**
Cash flows from investing activities				
Purchase of property, plant and equipment		(848)	(184)	(520)
Movement in short-term investments		(12,000)	6,207	6,207
Finance income received		53	31	75
Net cash (used in) / generated from investing activities		**(12,795)**	**6,054**	**5,762**
Cash flows from financing activities				
Proceeds from issuance of ordinary shares		20,035	2	2
Expenses of shares issued		(471)	-	-
Net cash generated from financing activities		**19,564**	**2**	**2**
Net increase/(decrease) in cash and cash equivalents		**3,018**	**3,346**	**(1,488)**
Exchange gains/(losses) on cash and cash equivalents		18	-	(43)
		3,036	3,346	(1,531)
Cash and cash equivalents at beginning of period		7,699	9,230	9,230
Cash and cash equivalents at end of period		**10,735**	**12,576**	**7,699**

Reconciliation to net funds

Opening net funds	7,699	15,437	15,437
Net increase/(decrease) in cash and cash equivalents	3,036	3,346	(1,531)
Increase/(decrease) in short-term investments	12,000	(6,207)	(6,207)
Closing net funds (note 6)	**22,735**	**12,576**	**7,699**

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 2014

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 2014 as endorsed by the European Union (EU).

This interim report, which comprises the consolidated statement of comprehensive income, the consolidated statement of financial position, 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 2014, 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 2014, 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 2015.

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 2014 (Unaudited) £'000	Six months ended 31 December 2013 (Unaudited) £'000	Year ended 30 June 2014 (Audited) £'000
Research and development costs	4,056	3,366	7,403
Administrative expenses	1,685	1,501	2,990
	5,741	**4,867**	**10,393**

3. Loss per share

	Six months ended 31 December 2014 (Unaudited) £'000	Six months ended 31 December 2013 (Unaudited) £'000	Year ended 30 June 2014 (Audited) £'000
Loss for the financial period / year attributable to shareholders	**(4,706)**	**(3,353)**	**(7,393)**
Weighted average number of shares in issue	735,388,547	536,831,794	536,831,883
Loss per £0.01 ordinary share (basic & diluted)	(0.64)p	(0.62)p	(1.38)p

4. Share capital

Ceres Power Holdings plc has called-up share capital totalling 772,537,841 £0.01 ordinary shares as at 31 December 2014 (536,831,973 ordinary shares of £0.01 each at 30 June 2014, as disclosed in the statutory financial statements of Ceres Power Holdings plc for the year ended 30 June 2014).

During the period 235,705,868 ordinary shares of £0.01 each were issued as a placing on AIM for cash consideration of £20,035,000. Expenses of the issue were £471,000.

5. Cash used in operations

	Six months ended 31 December 2014 (Unaudited) £'000	Six months ended 31 December 2013 (Unaudited) £'000	Year ended 30 June 2014 (Audited) £'000
Loss before income tax	(5,256)	(3,753)	(8,515)
Adjustments for:			
Other finance income	(58)	(42)	(73)
Depreciation of property, plant and equipment	486	597	1,069
Share-based payments charge	535	380	856
Operating cash flows before movements in working capital	**(4,293)**	**(2,818)**	**(6,663)**
Decrease/(increase) in trade and other receivables	344	(179)	(773)
Increase/(decrease) in trade and other payables	148	(527)	(670)
Decrease in provisions	(116)	(186)	(146)
Decrease/(increase) in working capital	**376**	**(892)**	**(1,589)**
Cash used in operations	**(3,917)**	**(3,710)**	**(8,252)**

6. Net cash and cash equivalents and short-term investments

	31 December 2014 (Unaudited) £'000	31 December 2013 (Unaudited) £'000	30 June 2014 (Audited) £'000
Cash at bank and in hand	1,256	1,843	982
Short-term bank deposits less than 3 months	5,029	9,021	-
Money market funds	4,450	1,712	6,717
Cash and cash equivalents	10,735	12,576	7,699
Short-term investments (bank deposits greater than 3 months)	12,000	-	-
	22,735	**12,576**	**7,699**

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.