28 March 2019

Ceres Power Holdings plc

Half-yearly report for the six months ended 31 December 2018

BOSCH & WECHAI PARTNERSHIPS ACCELERATE COMMERCIAL GROWTH

Ceres Power Holdings plc (AIM: CWR.L), a world leading developer of the SteelCell®, a low cost, next generation fuel cell technology, announces its half-yearly report for the six months ended 31 December 2018.

Financial Highlights

- Revenue and other income up 168% to £8.3m (H1 2017: £3.1m), driven by new licence fees
- Gross margin increased from 46% to 82% due to high margin licence fees
- Operating loss has halved from £6.2m to £3.0m
- Funded to cash flow breakeven: strong cash position of £78.4m at the period end (H1 2017: £13.2m)

Operational Highlights

- Strategic partnerships signed with Bosch and Weichai
- £30.5m contracted future revenues with significant license deals, leading to potential future royalties
- Field trials have begun with significant OEM of a first "go to market" multi-kW business-sector product
- Healthy pipeline with new partners at Evaluation stage
- 5th generation SteelCell® achieved key milestone of 60% net efficiency, twice that of conventional gas engine and greater than centralised megawatt-scale gas turbine

2019 Outlook

- Full year revenue and other operating income on track to more than double for fourth successive year to more than £15 million (2018: £7 million)
- On course to deliver target gross margins of greater than 50% due to our highly scalable licensing business model
- Demonstration of EV range extender concept with Weichai for its fuel cell electric vehicle ("FCEV") bus programme expected mid-2019
- Fit out for our new manufacturing facility underway and on track for use by end of 2019. An £8m project with the creation of 60 new engineering roles in Surrey, UK

Phil Caldwell, CEO of Ceres Power said:

"This has been another period of significant commercial and financial progress. Our Licence Agreements with both Robert Bosch and Weichai were key milestones and validate our strategy to secure initial license fees with major global OEM partners, with a view to generating royalties once products are launched. Both of these partnerships have the potential to transform Ceres and step change the scale of our business.

"Our work with Weichai will see the first EV bus with a Ceres-powered range extender demonstrated in China later this year, an exciting development with significant commercial potential. We are also field testing a new small-scale stationary power system with a significant OEM, in addition to progressing development work with Robert Bosch and our other partners.

"We enter the second half of the year with a strong cash position, having successfully raised £78 million in 2018, and good momentum thanks to the growing awareness of the role that fuel cells can play in the future energy mix. The interest in our technology and the wide-ranging applications it has in power, transport and heating is now gaining real traction. We are well placed to deliver on our growth potential."

Financial Summary:	**Six months ended 31 December 2018 (unaudited)**	Six months ended 31 December 2017 (unaudited)
	£'000	£'000
Total revenue and other operating income, comprising:	**8,266**	3,082
Licence fees	5,124	-
Engineering services revenue	2,988	2,625
Other operating income	154	457
Gross margin %	**82%**	**46%**
Operating loss	**(2,938)**	(6,184)
Underlying equity free cash flow [1]	**(2,935)**	(4,119)
Net cash and short-term investments	**78,397**	13,165

1 Underlying equity free cash flow is the net change in cash and cash equivalents in the period of £16.3m (2017: £5m) excluding: -

- net cash generated from financing activities of £76.4m (2017: £0.1m);
- the movement in short term investments of negative £55.7m (2017: positive £9m), and;
- the investment cost for property, fit out costs and the equipment for the new manufacturing site of £1.5m (2017: £nil).

The prior year underlying equity free cash flow includes £1.9m received in respect of the group's R&D tax credit. The tax credit receivable in the current year of £2.1m was received in full just after these half year results in January 2019.

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Chief Executive's statement

Following a period of significant commercial growth and financial progress, we are closer to realising our ambition - becoming a leading fuel cell technology company in long-term, high-growth markets providing clean power for the electrification of transport, homes, businesses and datacentres.

Over the past six months we have secured license deals with Robert Bosch in Germany and Weichai Power, a leading Chinese engine manufacturer.

These deals, which have contributed to our strong order book of £30.5m at 31 December 2018, mean that we remain on course to double revenue for a fourth successive year, meeting our internal target to deliver margins of greater than 50% going forward due to our highly scalable licensing business model, which sets us apart from many of our industry peers.

The successful equity raises in 2018 totalling £77.6m also underpin our long-term cash requirements and the Company is fully funded to execute its business plan.

Demand for fuel cell technology is seeing a global resurgence, particularly in our key target markets of China, Japan, Korea and Germany. There is a growing awareness of the role that fuel cells can play in the future energy mix and the interest in our technology and the wide-ranging applications it has in power, transport and heating is now gaining real traction. As a consequence of this, our robust balance sheet and strong recent commercial performance, we are investing further in growing the business and establishing the Company as a market leader in the sector.

We will continue to invest in refining our core technology to maintain our competitive advantage and secure high-value, near-term license fees and future royalty income. These contracts come through the licensing of our technology to world leading companies operating in our target markets and applications. This year we will invest £8m in the UK creating new, highly skilled jobs to service our global customers and provide the reference manufacturing plant which enables our partners to license and then manufacture our technology in larger volumes in due course. We also continue to invest in people and new products to seed future license deals, whilst also exploring new applications for our technology, which will enable our business to continue its growth trajectory.

In H1 we also launched our 5th generation SteelCell® technology, which has achieved the key milestone of 60% net efficiency in a customer prototype system, twice as effective as a conventional internal combustion engine and greater than a centralised MW-scale Gas Turbine.

We expect to sign new partners and continue to invest in the growth of the business to further grow revenues and get to profitability, establishing ourselves as one of the leading Fuel Cell Technology companies globally.

Macro drivers

Society is now at the beginning of a clean power era as we look to move towards more distributed power generation solutions that can balance renewable energy and power our homes, businesses, transportation and datacentres, and move away from harmful emissions caused by combustion engine technologies.
This is generating a renewed focus on highly efficient, non-combustion power generation technologies such as fuel cells and, in particular, our SteelCell®. We offer a solution that can utilise both conventional fuels today such as natural gas and is already suitable to use with future fuels such as hydrogen, which offer a path to a no carbon future. The trend towards electrification is growing rapidly in our target markets, driven by strong government policies, subsidies and investment such as in China, Japan, Korea, Germany and the US.
We have made significant progress in product development programmes with partners this year, expanding our offering from 1 kW to 5, 10 and 30 kW but with the potential to cover low 100's kW applications, ranging from

home systems through to data centres. We expect to announce further progress for these applications in the coming year.
Our strategic partnerships with Bosch and Weichai offer the potential for localised, high-volume manufacturing and we strongly believe that, driven by the adoption of high volume manufacturing in Asia as we've seen before with solar and battery technologies, fuel cells will become mass market technology. This is a key reason for our decision to partner with Bosch and with Weichai and invest in a future Joint Venture in China.

Commercial Progress

Bosch contract

In August 2018 we entered into a strategic collaboration with Robert Bosch which combines our respective expertise in fuel cells, manufacturing and product development. The collaboration helps to further develop our technology and will establish low-volume production at Bosch in Germany, enabling the future scale up to high volume manufacture of the SteelCell® for multiple applications including small power stations to be used in cities, factories, data centres and charge points for electric vehicles.

The Collaboration & Licence Agreement and Joint Development Agreements provide significant staged revenues to Ceres through licensing and longer-term royalties on 5kW SteelCell® stacks, as well as initial engineering services revenues. The initial revenues to Ceres Power to the end of 2020 are c. £20m and a key milestone of the agreement was achieved in H1.

In addition, during the period, Bosch made a £9m strategic equity investment in Ceres and it now owns c.4% of the Company's issued share capital.

Weichai contract

In December 2018 we finalised a long-term strategic collaboration with Weichai Power which was first announced in May 2018. The collaboration includes a Licence Agreement which will result in significant staged Technology Transfer payments of up to £30m and ongoing future royalties to Ceres, a new Joint Development Agreement for £9m for the continued development of a first range extender product for electric buses in China, and a Joint Venture Agreement with our commitment to invest in a new fuel cell manufacturing facility in Shandong, China, following successful trials. This proposed Joint Venture (JV) provides a staged path to high volume manufacturing of the SteelCell® under license.
Following these agreements, Weichai increased its total equity investment in Ceres Power to £48m and they now own 20% of the Company's issued share capital.

Weichai JV

Weichai and Ceres are planning to establish the Fuel Cell Manufacturing Joint Venture in Shandong Province, China, with an initial 51%:49% respective shareholding, after the successful demonstration of the technology in multiple bus trials in China, which is expected to be in 2020. The JV will target fuel cell product sales in the Chinese market which is rapidly becoming the largest market opportunity for fuel cells globally. Access to the high growth, high volume market and Chinese supply chain will enable significant reductions in cost and provide economies of scale for the SteelCell® technology.

The JV will manufacture SteelCell® systems, stacks and fuel cells after their respective technology transfers from Ceres. The Licence Agreement provides Weichai and then the JV with a mixture of exclusive and non-exclusive rights for the commercial vehicle, bus and certain stationary power markets in China.

APC funding update

We announce a change to the programme, funded by the UK's Advanced Propulsion Centre ("APC"), which further develops our fuel cell technology for EV applications. In August 2018 we announced a new partnership with Nissan whereby Ceres was to receive £7m funding from the APC over three years. Nissan, for business reasons, will not continue this programme beyond the first year; however, we are pleased to announce that Weichai Power will be our new partner in this activity focusing on larger commercial vehicles. As part of this revision, the total funding that Ceres Power will receive from the APC over the three years will reduce to £4.5m. This revision does not affect our overall revenue expectations and has enabled us to simplify the project's scope and consolidate our efforts onto a single 5 kW stack design for all applications.

Technical Progress

In the past six months we have released our 5th generation SteelCell® technology to customers and continue to focus future R&D on continuously improving our competitive advantage in power density, cost and lifetime. In addition to this, our engineering team is working with partners in Japan, the US and China to develop further systems for the SteelCell®, with the latest 30 kW range extender programme underway with Weichai Power in China. We have also achieved a key milestone of 60% net efficiency in a customer prototype system which is double that which can be achieved by a conventional combustion engine and greater than a centralised MW-scale gas turbine.

Operational Progress

Fit out of our new manufacturing facility near Redhill in the UK is going well with first equipment having arrived on site with commissioning due to start in Q2 2019. The new plant is expected to be fully operational by the end of the year, initially providing up to 2 MW of annual fuel cell manufacturing capacity with the capability to further expand in the future.

In parallel with this activity, we are collaborating with Bosch, both in the UK and in Germany, to establish a parallel pilot manufacturing line in a Bosch facility in Germany. Our joint manufacturing teams expect this to be mutually beneficial in establishing best practices for future manufacturing and supply chain.

Financial

Revenue and gross margin

Total revenue and other operating income rose 168% over the comparable period, with revenue from customers (rather than from grants) comprising over 95% of income in the period. This step change in revenue is important because the increase was principally due to new licences (£5.1m in 2018, nil in 2017), which is a good indicator of our maturing business and validates our model. Other revenue from engineering services, through joint development agreements and the provision of hardware to a mix of our customers, grew 14% in the period to £3m.

High margin licence fees are the prime driver of the increased gross margin from 46% to 82%, and we expect to see these licence fees continuing to provide a significant proportion of our future revenues, until royalties begin. Depending on the revenue mix in each period, the average gross margin is likely to be irregular, but we continue to target an average gross margin of more than 50%.

Operating costs and operating loss

Underlying operating costs[2] increased by 16% from £7.8m to £9.1m in the period.

This increase in our cost base was due to investment in people, capability and infrastructure to enable us to deliver customer contracts. The continued investment in people spans the areas of manufacturing, procurement and quality as we seek to increase our readiness levels in advance of the new manufacturing facility becoming operational. We have also strengthened our programme management and engineering capabilities in order to deliver on the customer programmes we won last year.

As a result of the improved revenue and gross margin and offset by increasing costs, the operating loss has decreased by 52% from £6.2m to £3.0m in the period.

2 Underlying Operating costs exclude unrealised losses on FX contracts (2018: £0.2m, 2017: £0.1m) and one-off legal fees to complete the two strategic deals with Weichai and Bosch (£0.5m)

Investment in the new manufacturing facility

During this period, the company has begun to invest in its new manufacturing facility in Redhill. The Company has incurred £2.9m on capital expenditure to the end of H1, of which £1.2m is currently treated as prepayments where instalment payments have been made.

In addition, as at 31 December 2018, we had committed to an additional £4.5m of capital expenditure relating to the new facility. The overall capital investment, which is expected to be £7.5m, will provide interim manufacturing capacity of 2MW p.a. from January 2020 until our manufacturing partners' facilities are ready.

Cash flow and cash position

During the period, the company raised £75.9m net from the issue of new equity through the Placing and strategic investments of Robert Bosch and Weichai.

Equity free cash outflow[3] for the period was £4.4m, slightly more than the comparable prior period last year £4.1m. However, £1.5m of this relates to the investment cost for property, fit out costs and the equipment for the new manufacturing site. Excluding this investment, the company's ongoing cash outflow (underlying EFCF[1]) has reduced 29% from £4.1m to £2.9m.

We expect the underlying operating loss[2] and equity free cash outflow[3] to reduce as we grow revenue; however, due to the timing of the large deals and subsequent variability of high-margin revenue, this will mean that our underlying EFCF[1] may vary from period to period.

The Group held £78m of cash, cash equivalents and short-term investments at 31 December 2018. The Board considers this sufficient to take Ceres Power to cash flow breakeven.

3 Equity free cash outflow (EFCF) is the net change in cash and cash equivalents in the period (£16.3 million) less net cash generated from financing activities (£76.4 million) plus the movement in short term investments (£55.7 million)

Outlook

Our focus over the next 6 months and beyond will be on delivering our existing customer contracts and preparing our new manufacturing facility for launch.

As part of this, we expect continued strong revenue growth with the FY 2019 revenue and other operating income expected to more than double from last year's £7m. We anticipate that the order book for future revenue (currently £30.5m, which is a mix of licences and engineering services) will increase further and our ongoing underlying cash burn to continue to decline.

We expect to complete the first proof of concept of our 30kW SOFC range extender for an electric bus in China, complete our DoE 10 kW system programme and announce progress of field trials with our unnamed partner.

We continue to target a new significant partner in the year and we will update the markets regularly on the progress of the new manufacturing site.

With a strong balance sheet, world class partners and growing order book we will continue to invest to establish Ceres as a leading global fuel cell technology company.

Philip Caldwell

Chief Executive Officer

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 31 December 2018

	Note	Six months ended 31 December 2018 (Unaudited) £'000	Six months ended 31 December 2017 (Unaudited) £'000	Year ended 30 June 2018 (Audited) £'000
Revenue		8,112	2,625	6,329
Cost of sales		(1,462)	(1,417)	(3,097)
Gross profit		**6,650**	**1,208**	**3,232**
Other operating income		154	457	680
Operating costs	3	(9,790)	(7,849)	(15,854)
Operating loss		**(2,986)**	**(6,184)**	**(11,942)**
Finance income		173	43	57
Loss before taxation		**(2,813)**	**(6,141)**	**(11,885)**
Taxation credit		946	952	1,961
Loss for the financial period / year and total comprehensive loss		**(1,867)**	**(5,189)**	**(9,924)**
Loss per £0.10 ordinary share expressed in pence per share:				
Basic and diluted loss per share [4]	4	(1.44)p	(5.12)p	(9.78)p

All activities relate to the Group's continuing operations and the loss for the financial period is fully attributable to the owners of the parent.

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

4 On 7 August 2018 Ceres Power Holdings plc completed a 1 for 10 share consolidation where every 10 existing ordinary shares of 1p each in the Company were consolidated into 1 ordinary share of 10p each. The period ended December 2017 and year ended June 2018 have been rebased using the post share consolidated share capital so they are comparable with the current half year results.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	31 December 2018 (Unaudited) £'000	31 December 2017 (Unaudited) £'000	30 June 2018 (Audited) £'000
Assets				
Non-current assets				
Property, plant and equipment		3,206	1,989	2,197
Other Intangible assets		118	-	47
Total non-current assets		**3,324**	**1,989**	**2,244**
Current assets				
Inventories		1,585	486	1,400
Trade and other receivables		7,561	2,496	3,151
Other assets		2,091	-	1,630
Derivative financial instrument		-	40	8
Current tax receivable		2,846	891	1,900
Short-term investments	7	55,700	5,000	-
Cash and cash equivalents	7	22,697	8,165	6,395
Total current assets		**92,480**	**17,078**	**14,484**
Liabilities				
Current liabilities				
Trade and other payables and liabilities		(8,155)	(2,367)	(4,290)
Derivative financial instrument		(194)	(1)	(5)
Total current liabilities		**(8,349)**	**(2,368)**	**(4,295)**
Net current assets		**84,131**	**14,710**	**10,189**
Non-current liabilities				
Provisions		(863)	(838)	(851)
Total non-current liabilities		**(863)**	**(838)**	**(851)**
Net assets		**86,592**	**15,861**	**11,582**
Equity attributable to the owners of the parent				
Share capital	5	15,208	10,158	10,163
Share premium		178,826	107,441	107,445
Capital redemption reserve		3,449	3,449	3,449
Merger reserve		7,463	7,463	7,463
Accumulated losses		(118,354)	(112,650)	(116,938)
Total equity		**86,592**	**15,861**	**11,582**

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

CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 31 December 2018

	Note	Six months ended 31 December 2018 (Unaudited) £'000	Six months ended 31 December 2017 (Unaudited) £'000	Year ended 30 June 2018 (Audited) £'000
Cash flows from operating activities				
Cash used in operations	6	(3,185)	(5,277)	(11,349)
Taxation received		-	1,866	1,866
Net cash used in operating activities		**(3,185)**	**(3,411)**	**(9,483)**
Cash flows from investing activities				
Purchase of property, plant and equipment		(1,418)	(726)	(1,454)
Investment in intangibles		(71)	-	(47)
Movement in short-term investments		(55,700)	9,000	14,000
Finance income received		173	43	57
Net cash (used in) / generated from investing activities		**(57,016)**	**8,317**	**12,556**
Cash flows from financing activities				
Proceeds from issuance of ordinary shares		77,625	126	135
Net expenses from issuance of ordinary shares		(1,199)	-	-
Net cash generated from financing activities		**76,426**	**126**	**135**
Net increase in cash and cash equivalents		**16,225**	**5,032**	**3,208**
Exchange gains / (losses) on cash and cash equivalents		77	(25)	29
		16,302	5,007	3,237
Cash and cash equivalents at beginning of period		6,395	3,158	3,158
Cash and cash equivalents at end of period	7	**22,697**	**8,165**	**6,395**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 31 December 2018

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Accumulated losses £'000	Total £'000
At 1 July 2017	**10,124**	**107,349**	**3,449**	**7,463**	**(107,934)**	**20,451**
Comprehensive income						
Loss for the financial year	-	-	-	-	(5,189)	**(5,189)**
Total comprehensive loss	-	-	-	-	(5,189)	**(5,189)**
Transactions with owners						
Issue of shares, net of costs	34	92	-	-	-	**126**
Share-based payments charge	-	-	-	-	473	**473**
Total transactions with owners	**34**	**92**	**-**	**-**	**473**	**599**
At 31 December 2017	**10,158**	**107,441**	**3,449**	**7,463**	**(112,650)**	**15,861**
Comprehensive income						
Loss for the financial year	-	-	-	-	(4,735)	**(4,735)**
Total comprehensive loss	-	-	-	-	(4,735)	**(4,735)**
Transactions with owners						
Issue of shares, net of costs	5	4	-	-	-	**9**
Share-based payments charge	-	-	-	-	447	**447**
Total transactions with owners	**5**	**4**	**-**	**-**	**447**	**456**
At 30 June 2018	**10,163**	**107,445**	**3,449**	**7,463**	**(116,938)**	**11,582**
Comprehensive income						
Loss for the financial year	-	-	-	-	(1,867)	**(1,867)**
Total comprehensive loss	-	-	-	-	(1,867)	**(1,867)**
Transactions with owners						
Issue of shares, net of costs	5,045	71,381	-	-	-	**76,426**
Share-based payments charge	-	-	-	-	451	**451**
Total transactions with owners	5,045	71,381	-	-	451	**76,877**
At 31 December 2018	**15,208**	**178,826**	**3,449**	**7,463**	**(118,354)**	**86,592**

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

Notes to the financial statements for the six months ended 31 December 2018

1. Basis of preparation

The condensed interim financial statements have been prepared in accordance with the requirements of the AIM Rules for Companies and IAS 34 "Interim Financial Statements" as adopted by the EU. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 30 June 2018.

The consolidated financial statements of the Group are prepared on a going concern basis, in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, the IFRS Interpretations Committee (IFRS-IC) interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared on a historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and financial instruments classified as fair value through the profit or loss.

The financial information contained in this half-yearly report is unaudited and does not constitute statutory financial statements as defined by in Section 434 of the Companies Act 2006. The financial statements for the year ended 30 June 2018, on which the auditors gave an unqualified audit opinion, have been filed with the Registrar of Companies.

The Directors confirm that, to the best of their knowledge, this condensed set of consolidated financial statements have been prepared in accordance with the AIM Rules.

Going Concern

The Group has reported a loss after tax for the 6 months ended 31 December 2018 of £1,867,000 and net cash used in operating activities of £3,185,000. At 31 December 2018, it held cash and cash equivalents and short-term investments of £78,397,000. The directors have prepared annual budgets and cash flow projections that extend beyond 12 months from the date of this report. Those projections show that the Group will have sufficient cash reserves to meet its liabilities as they fall due and continue as a going concern. For the above reasons the directors continue to adopt the going concern basis in preparing the financial statements. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

2. Changes in accounting policies and standards

Except as described below the accounting policies adopted are consistent with those of the financial statements for the year ended 30 June 2018, as described in those financial statements.

New standards and amendments applicable as of 1 July 2018

The Group has adopted the following new standard with a date of initial application of 1 July 2018.

- IFRS15 'Revenue from Contracts with Customers'
- IFRS9 'Financial Instruments'

IFRS15 – 'Revenue from Contracts with Customers'

IFRS 15 replaces IAS 18 which covers contracts for goods and services and IAS 11 which covers customer contracts. IFRS15 establishes a principles-based approach to revenue recognition and measurement. Revenue in respect of engineering service and licence revenue is recognised when performance obligations are satisfied. Performance obligations are deemed to be satisfied for engineering services and access or sale of technology hardware either on delivery or as calculated on a percentage of completion basis, based on costs incurred to date versus total estimated costs over the period that the work is performed. Performance obligations for licences are deemed to be satisfied either at a point in time or over time depending on whether the licence is assessed as a right to use or right to access licence. The adoption of this standard is mandatory for accounting periods starting after 1 January 2018.

The Group has analysed the possible impacts and practical consequences of the standards application and there has been no material change in how or when revenue is recognised from the existing policy in the comparative period.

IFRS9 – 'Financial instruments'

IFRS 9 addresses the classification and measurement of financial assets and liabilities and replaces IAS 39. Among other things, the standard introduces a forward-looking credit loss impairment model whereby entities need to consider and recognise impairment triggers that might occur in the future (an "expected loss" model). The adoption of this standard is mandatory for accounting periods starting after 1 January 2018.

The Group has considered the potential impact of the standards application and there has been no material change on numbers reported in the financial statements for the period ended 31 December 2018 or as previously presented.

Notes to the financial statements for the six months ended 31 December 2018 (continued)

3. Operating costs

Operating costs are split as follows:

	Six months ended 31 December 2018 (Unaudited) £'000	Six months ended 31 December 2017 (Unaudited) £'000	Year ended 30 June 2018 (Audited) £'000
Research and development costs	6,820	5,906	11,422
Administrative expenses	2,970	1,943	4,432
	9,790	**7,849**	**15,854**

4. Loss per share

	Six months ended 31 December 2018 (Unaudited) £'000	Six months ended 31 December 2017 (Unaudited) £'000	Year ended 30 June 2018 (Audited) £'000
Loss for the financial period attributable to shareholders	**(1,867)**	**(5,189)**	**(9,924)**
Weighted average number of shares in issue [5]	129,787,335	101,376,561	101,483,381
Loss per £0.10 ordinary share (basic & diluted)	**(1.44)p**	**(5.12)p**	**(9.78)p**

5 Weighted number of share in issue for the period ended December 2017 and year ended June 2018 have been rebased using the post share consolidated share capital so they are comparable with the current results for the six months ended December 2018

5. Share capital

Ceres Power Holdings plc has called-up share capital totalling 152,076,657 £0.10 ordinary shares as at 31 December 2018 (1,016,269,193 ordinary shares of £0.01 each at 30 June 2018).

On 27 July 2018 the Company completed the allotment of 260,952,269 ordinary £0.01 shares for gross cash consideration of £39,352,000. The allotment was in respect of the Weichai Power strategic investment, announced via the Regulatory News Service (RNS) on the 16 May 2018, for 128,326,275 ordinary £0.01 shares, and the placing of 132,625,994 ordinary £0.01 shares to existing and new institutional investors.

On 20 July 2018 at a General Meeting of the Company, the shareholders approved the issue of an option to Weichai Power, subject to the prior subscription being completed, allowing it to subscribe for up to an additional 182,115,100 ordinary £0.01 shares in the Company, but not more than 20% of the issued share capital of the Company, at a price of £0.1645 per share and subject to certain commercial documents being signed and conditions being met.

Notes to the financial statements for the six months ended 31 December 2018 (continued)

5. Share capital (cont.)

On 12 December 2018 (after the below mentioned 1 for 10 share consolidation), Weichai exercised its warrant and was allotted 16,879,964 new ordinary shares of 10 pence each for a cash consideration of £27,757,540. This increases its shareholding in Ceres Power from just under 10% to 20%.

On 7 August 2018 Ceres Power Holdings plc completed a 1 for 10 share consolidation where every 10 existing ordinary shares of 1p each in the Company were consolidated into 1 ordinary share of 10p each. All outstanding capital instruments including employee share options and the aforementioned Weichai Power option were amended as a result of this consolidation.

Following the share consolidation, the Company completed the allotment of 5,973,660 ordinary £0.10 shares to Robert Bosch GmbH for cash consideration of £9,008,279 on 25 September 2018 and an additional allotment to Weichai Power of 663,740 ordinary £0.10 shares for cash consideration of £1,000,920 on 5 October 2018.

During the period 837,146 ordinary shares of £0.10 each were issued on the exercise of employee share options.

6. Cash used in operations

	Six months ended 31 December 2018 (Unaudited) £'000	Six months ended 31 December 2017 (Unaudited) £'000	Year ended 30 June 2018 (Audited) £'000
Loss before taxation	(2,813)	(6,141)	(11,885)
Adjustments for:			
Other finance income	(173)	(43)	(57)
Depreciation of property, plant and equipment	409	650	1,170
Share-based payments	451	473	920
Net foreign exchange (gains)/losses	(77)	25	(29)
Net change in fair value of financial instruments at fair value through profit and loss	197	(39)	(3)
Operating cash flows before movements in working capital	**(2,006)**	**(5,075)**	**(9,884)**
Increase in trade and other receivables	(4,410)	(479)	(1,812)
Decrease in other assets	183	445	12
Increase in capital prepayments	(644)	-	(519)
(Increase)/decrease in inventories	(185)	109	(805)
Increase/(decrease) in trade and other payables	3,865	(287)	1,636
Increase in provisions	12	10	23
Increase in working capital	(1,179)	(202)	(1,465)
Cash used in operations	**(3,185)**	**(5,277)**	**(11,349)**

Notes to the financial statements for the six months ended 31 December 2018 (continued)

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

	Six months ended 31 December 2018 (Unaudited) £'000	Six months ended 31 December 2017 (Unaudited) £'000	Year ended 30 June 2018 (Audited) £'000
Cash at bank and in hand	3,477	2,055	3,828
Money market funds	19,220	6,110	2,567
Cash and cash equivalents	22,697	8,165	6,395
Short-term investments (bank deposits > 3 months)	55,700	5,000	-
Net cash and short-term investments	**78,397**	**13,165**	**6,395**

The Group typically places surplus funds into pooled money market funds and bank deposits with durations of up to 12 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 with 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 10% ordinary equity.

INDEPENDENT REVIEW REPORT TO CERES POWER HOLDINGS PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly report for the six months ended 31 December 2018 which comprises Consolidated Statement of Profit and Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Cashflow Statement, Consolidated Statement of Changes in Equity, and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 31 December 2018 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the AIM Rules.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

The impact of uncertainties due to the UK exiting the European Union on our review

Uncertainties related to the effects of Brexit are relevant to understanding our review of the condensed financial statements. Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. An interim review cannot be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Directors' responsibilities

The half-yearly report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly report in accordance with the AIM Rules.

The annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Gemma Hancock
for and on behalf of KPMG LLP
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27 March 2019