

10 November 2014

Ceres Power Holdings plc

**Final Results 2014
and
Notice of Annual General Meeting**

Ceres Power Holdings plc (“Ceres”, “Ceres Power” or “the Group”) today announces its final results for the year ended 30 June 2014.

Highlights:

During the reporting period:

- Joint Development Agreement signed 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
- Evaluation of the Ceres Steel Cell with KD Navien, South Korea’s largest boiler manufacturer, as part of Technology Assessment Agreement
- Increase of underlying revenue from near zero in 2013 to £0.5 million in 2014 (total revenue increasing from £0.5 million to £1.2 million) and reduction of loss for the financial year by approximately 1/3 from £11.4 million to £7.4 million

After the period end:

- 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 technology
- Deepening relationship with global Japanese power system company as Joint Development Agreement signed following successful testing in Japan and the UK over the past year

Financial Highlights:

	Year Ended 30 June 2014	Year Ended 30 June 2013
	£’000	£’000
Revenue	<u>1,224</u>	<u>523</u>

Recurring operating costs	(10,128)	(10,187)
Operating costs	(10,128)	(13,255)
Operating loss	(8,588)	(12,741)
Loss for the financial year	(7,393)	(11,375)
Loss per share	(1.38)p	(3.88)p
Net cash and short-term investments	7,699	15,437

Notice of Annual General Meeting and posting of Annual Report and Accounts:

Notice of the Company's Annual General Meeting is hereby given for 11:00 am on Wednesday 3 December 2014 at its offices at Viking House, Foundry Lane, Horsham, RH13 5PX. The Company also announces that it has posted to shareholders its Annual Report and Accounts for the year ended 30 June 2014. The documents are also available from the Company's website www.cerespower.com.

Alan Aubrey, Chairman, commented:

"I am delighted with the tremendous progress the Company has made both technically and commercially. With the expected rapid growth in the fuel cell market over the next few years, I am particularly pleased that we have set Ceres Power on a strong financial footing through the recent £20 million fundraising."

Phil Caldwell, CEO added:

"We are now seeing the benefits of our internal developments coming through into our customer engagements with some of the most experienced power system companies in the world. We are building our global profile and we have a healthy commercial pipeline for the coming year."

For further information contact:

Ceres Power Holdings plc
Phil Caldwell, Chief Executive
Richard Preston, Finance Director

Tel. +44 (0)1403 273463

Nplus1 Singer Advisory LLP
Ben Wright

Tel. +44 (0) 20 7496 3000

Tavistock Communications

Tel. +44 (0) 20 7920 3150

Mike Bartlett / James Collins

www.cerespower.com

Chairman's Statement

This is an exciting time in the fuel cell industry. Following a prolonged development period we are now seeing the rapid emergence of an industry with the commercialisation of first generation products from leading global companies.

Growth of the sector has been particularly significant in Asia and the US, as favourable energy policies and subsidies, combined with a renewed interest in natural gas and billions of dollars of investment by private companies, support this initial commercialisation.

As with any emerging industry we are also seeing a period of consolidation. Many of the less well-financed independent fuel cell providers have exited the business or been acquired by larger OEM's, and significant partnerships have been made as companies form strategic alliances. This shows an increasing need for global engineering companies to access capability in fuel cell technology.

By focusing on our technology and partnering with these leading companies we are confident that we have the right strategy to take our technology through to product.

With the global market for fuel cells forecast to reach US\$8.5 billion by 2020, this represents a significant opportunity for those companies that can emerge as winners over the next few years. Therefore I am particularly pleased that we have set Ceres Power on a strong financial footing with the addition of several high quality institutional investors through the recent £20 million fundraising.

Progress

Since implementing our new strategy in 2013 Ceres has continued to deliver against its plan.

I am especially pleased with the calibre of commercial interest that Ceres has generated across different geographies and applications.

This is particularly so with the signing of a Joint Development Agreement and deepening of our relationship with one of the leading global Japanese power systems companies and the significant commercial progress made in a relatively short space of time with our ongoing relationship with Cummins Power Systems in the US.

It is a huge endorsement of the technical team's capabilities that they have been able to progress to the next stages with customers as technically demanding as the Japanese OEMs.

By satisfying demanding customer test requirements in both the UK and Asia, the Company has valuable third-party validation of the Steel Cell technology's disruptive performance, particularly its robustness.

We have made significant strides with the technology under the leadership of Mark Selby, our Chief Technology Officer, and I am pleased that this has been recognised by his promotion to the board.

People

I am delighted with the tremendous progress the Company has made, both technically and commercially, under the leadership of our CEO Phil Caldwell in his first full year with the Company.

We have a strong dedicated team who have embraced the new strategy and the increasing opportunities that this has generated. This progress can be clearly seen in the Horsham facility, which has never failed to impress the leading players from across the industry that have visited in the past year.

We continue to invest both in adding to the team in key areas and also the test and manufacturing infrastructure in Horsham. This will accelerate our development and enable further customer engagements.

I am confident that the Ceres Steel Cell technology can transform the way that power is generated and distributed and look forward to building on the significant progress made in the last twelve months to further position Ceres as one of the leading companies in the fuel cell industry in the year ahead.

Alan Aubrey
Chairman

Chief Executive's Statement

Introduction

I am positive that we have the right strategy to compete in the rapidly growing fuel cell industry and, through the dedication of the team working not just in the UK but also at customer sites in Korea, Japan and the US, we have put in place a solid foundation for our future commercial success.

Strategy

The fuel cell industry today is dominated by the large global players who have the balance sheet strength to invest in technology and bring first products to market in environments with favourable energy policy and subsidies.

A partnering approach is being adopted with alliances of several companies coming together to cover all aspects of the product development cycle, from the design and manufacture of the core fuel cell technology to system-level product development and the channel to market, often through a utility or energy services company.

Our strategy of being a technology provider rather than a product company allows us to play to our strengths and focus on our next generation Steel Cell technology, while leveraging the expertise of some of the world's largest power companies.

By using the same core Steel Cell technology for different product applications across different geographies we are able to access the growing markets of Asia and the US through strategic partnerships and ultimately the licensing of our technology.

The licensing approach and outsourced manufacturing is often used in the consumer electronics industry where a commercial "eco-system" of technology designers, manufacturers and OEM's come together to provide the products we are all reliant upon today. At Ceres Power we are working on establishing our own eco-system of partners.

This approach enables us to scale the business through leveraging our partners' product development and manufacturing capabilities in order to bring the Steel Cell technology to market in the next generation of power products we all need for the home and business.

The recent fundraise backed by leading institutional investors endorses the Company strategy and gives Ceres the balance sheet strength to engage with these leading companies at this key stage of the Company's development.

Commercial

Over the past year we have made significant commercial progress in building a pipeline of opportunities from the global power sector and we have welcomed many of the leading players to our facilities in Horsham. All of the companies we are dealing with are leaders in their chosen markets and although not all can be expected to go through to commercialisation, success with a relatively small number of companies would give us a significant market share.

One of the most satisfying aspects of the past year has been seeing our technology successfully tested on several 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 world's most experienced engineering companies.

In January we shipped our first fuel cell power system to KD Navien (KDN) under the terms of the Technology Assessment Agreement, which has undergone extensive testing at an independent Korean test house and then at KDN's own facility near Seoul. As a first deployment outside of the UK we have made great progress and learnt a tremendous amount about how our technology performs in different environmental conditions.

We have successfully demonstrated superior performance for cycling and robustness compared to similar solid oxide fuel cell (SOFC) technologies and have agreed to extend the testing period to enable modification for localised conditions and ensure we reproduce the same performance at KDN as in the UK. During this time we have built a strong working relationship with the KDN team and in parallel to the testing we are in discussions for the next phases of the relationship to jointly develop a product for the Korean and international markets based on the Steel Cell technology.

I am extremely pleased with our progress in Japan this year, since opening our office in Kyoto in April and culminating in the recently signed next stage Joint Development Agreement with one of the leading Japanese power system companies. This follows extensive evaluation of the Steel Cell technology over the past year with testing in the UK and at the customer's facility in Japan. There is particular interest in the robustness and cycleability of the Steel Cell for different applications such as conventional generators, which has often been a problem for other SOFC technologies in the past. Under this agreement the companies will jointly develop a fuel cell stack using the Ceres Steel Cell technology combined with the engineering and design expertise of the Japanese OEM, to be built in the UK and then tested in Japan for its application for both residential and generator systems. Japan is a key market for us and we have developed a strong commercial pipeline and expect several more companies to enter evaluation stages in the coming months.

Recent advancements in the efficiency of the technology have opened up the opportunity for us to explore other applications, with a particular focus on the North American market. In March we signed a strategic Joint Development Agreement with Cummins Power Generation, a global provider of power

systems, including those for the data centre and back-up power markets. The purpose of the collaboration is to explore the joint development and commercialization of the Steel Cell technology for products in Cummins' existing markets. There is significant interest in distributed generation using fuel cells in the US and we are exploring several commercial opportunities, which we expect to progress to the next stages in the coming year.

As part of our business strategy we are also further developing our relationships with energy companies and utilities in different regions and are starting to explore strategic partnerships for manufacturing scale-up in key markets such as Asia.

Technology

The Board has been very pleased with progress made this year against our technology roadmap. In the last year the technology team has continued to evaluate the ability of the technology to compete in the most advanced markets in the world for fuel cell power generation, namely the rapidly maturing Japanese consumer scale CHP units and the emerging "power only", or prime power, market in North America.

We have also supported our customers with their own technology evaluation programmes, which have allowed them to validate our technology's unrivalled ability to shutdown repetitively in planned and unplanned scenarios.

I am most excited by the improvement in electrical efficiency from ~50% published this time last year to over 57%. Operation in an unoptimised CHP prototype product showed 47% net efficiency, which puts our technology firmly in the same high-efficiency category as m-CHP products on sale today in Japan, but at a much lower overall cost, improving potential savings for domestic micro-CHP customers. Looking to the future, our roadmap for the next period includes activities that aim to increase efficiency and power density still further and will strengthen our cost USP against other technologies.

With the support of a £1 million government grant from the Department of Energy and Climate Change (DECC) to accelerate the worldwide commercialisation of this technology, the team has made great strides in improving the Fuel Cell Module design, including improving emissions compliance at system level. This is key to enable adoption in all our target markets and it offers our partners an easier route to developing products around the technology.

Across all areas of our technology we continue to generate and protect our intellectual property. We file numerous patents where they strengthen our position and protect our competitive advantage, and since June 2013 we have increased the number of patent and trade mark families we have filed for from 33 to 39.

Our focus on increasing efficiency of the core Steel Cell technology combined with system development with our partners gives us confidence that we can address larger scale prime power applications where this is the main requirement.

Manufacturing and Operations

In manufacturing, the Company's operational focus has been continuing the supply of quality fuel cells to the various internal and customer programmes, as well as investing in improvements to the manufacturing processes. For example, our recent partnership with DEK (part of ASM Assembly Solutions), a global provider of screen printing equipment, coupled with grant funding of £0.7 million

from the Technology Strategy Board, which we announced in August 2014, is a key enabler to scale up some of our key processes more cost-effectively. The collaboration combines DEK's latest high speed photovoltaic manufacturing processes with Ceres existing manufacturing capability.

In the coming year we will continue to develop our manufacturing processes to enable further capacity, initially in the UK, and we will explore further scale-up with global manufacturing partners in line with our business strategy.

Financial

Apart from meeting commercial and technical milestones, we measure success of the business through careful management of the Company's resources and by measuring progress on our financial milestones.

The Company's loss for the financial year decreased from £8.3 million in 2013 (excluding restructuring costs of £3.1 million) to £7.4 million. As the weighted average number of shares in issue increased from 293 million to 537 million, the loss per ordinary share decreased from 3.88p to 1.38p.

Total revenue increased from £0.5 million in the year ending 30 June 2013 to £1.2 million in the current year. Excepting releases of deferred revenue in both the prior year (Calor Gas £0.5 million) and the current year (Bord Gais Eireann £0.7 million), the Group has increased its underlying revenue from £13,000 in the year ending 30 June 2013 to £0.5 million in the current year. This reflects the continued progress the Company has made in developing new and deepening existing partner relationships.

Control of the Company's cost base is vital to Ceres. We are in a growth phase and we do expect our cost base to increase as we service customers and rebase from our restructuring in 2013. The Board is comfortable with the recurring operating costs of £10.1 million (2013: £10.2 million), which is necessary to continue the development and productionisation of the technology.

At the year end the Company had £7.7 million in cash and cash equivalents, having used £7.3 million net cash in operations in the period (2013: £7.3 million), and with the addition of the £20 million gross raised via an oversubscribed private placing in July 2014, the Group is well financed to deliver the next phase of its business plan.

During the year the Company began again to invest significantly in capital equipment (£0.5 million based on cashflow during the year, compared to £42,000 in 2013), which will be used to accelerate the technology development cycle. The single largest investment in 2014 is £1 million of new test facilities, which was part complete at year end.

Ceres is also making excellent use of the available government grants and is grateful for their availability, recognising £0.6 million in the year (2013: nil). Another important form of funding to the business is receiving R&D tax credits. We received £1.1 million of tax credit relating to the prior year and we estimate to recover a similar amount for the current year.

People

I continue to be impressed with the whole team at Ceres. Their commitment over the year has been excellent, and the Board recognises the importance of everyone's contribution to achieving the Company's goals. During the year we have recruited new colleagues in order to deliver our internal and

external programmes, and we will continue to recruit the right resource to help us deliver to our objectives.

As the Chairman has stated in his report, since the year end we have promoted Mark Selby, Chief Technology Officer, to the main Board of Directors of the Company. This reflects his leadership and his active contribution to the development of our technology.

Risks

The Group faces a number of risks and uncertainties, which could affect the execution of its strategic objectives. The key business risks and the key financial risks are detailed in the Annual Report.

Outlook, key objectives and KPI's

In the past year we have laid a solid technical foundation and executed customer programmes to an extremely high standard of performance. We are now seeing the benefits of our internal developments coming through into our customer engagements with some of the most experienced power system companies in the world. We are building our global profile and we have a healthy commercial pipeline for the coming year.

Ceres considers its financial key performance indicators to be revenue from commercial activities, operating costs, and maintaining a strong cash position.

In the coming year I expect further revenue growth through advancement of partners to next stage Joint Development Agreements and bringing on new partners at the evaluation stage.

We will manage operating costs to support commercial activity and further investment will be made in the technical team and our test and manufacturing capabilities at Horsham as we pursue our own roadmap to produce a Steel Cell technology that is fit for real world applications in all metrics of performance and cost.

The valuable third party validation we have received from our OEM partners reinforces our confidence that our Steel Cell technology has the potential to become the standard next generation fuel cell technology.

This is a very exciting time in this rapidly growing industry and at Ceres Power we are well positioned to become one of the leading companies in this sector.

Phil Caldwell

Chief Executive Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2014

	Note	Year ended 30 June 2014 £'000	Year ended 30 June 2013 £'000
Revenue		1,224	523
Cost of Sales		(265)	(10)
Gross Profit		959	513
Operating costs	2	(10,128)	(13,255)
Other operating income		581	1
Operating loss		(8,588)	(12,741)
Finance income		73	55
Loss before income tax		(8,515)	(12,686)
Income tax credit		1,122	1,311
Loss for the financial year and total comprehensive loss		(7,393)	(11,375)
 Loss per £0.01 ordinary share expressed in pence per share:			
Basic and diluted loss per share	3	(1.38)p	(3.88)p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Note	30 June 2014 £'000	30 June 2013 £'000
Assets			
Non-current assets			
Property, plant and equipment		1,657	2,181
Other receivables		58	53
Total non-current assets		1,715	2,234
Current assets			
Trade and other receivables		1,219	454
Current tax receivable		1,166	1,044
Short-term investments	6	-	6,207
Cash and cash equivalents	6	7,699	9,230
Total current assets		10,084	16,935
Liabilities			
Current liabilities			
Trade and other payables		(1,143)	(1,089)
Provisions for other liabilities and charges		(242)	(261)
Total current liabilities		(1,385)	(1,350)
Net current assets		8,699	15,585
Non-current liabilities			
Accruals and deferred income		(1,175)	(1,918)
Provisions for other liabilities and charges		(1,166)	(1,293)
Total non-current liabilities		(2,341)	(3,211)
Net assets		8,073	14,608
Equity attributable to the owners of the Parent			
Share capital	4	5,369	8,817
Share premium account		72,907	72,906
Capital redemption reserve		3,449	-
Other reserve		7,463	7,463
Accumulated losses		(81,115)	(74,578)
Total equity		8,073	14,608

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2014

		Year ended 30 June 2014 £'000	Year ended 30 June 2013 £'000
	Note		
Cash flows from operating activities			
Cash used in operations	5	(8,252)	(10,016)
Income tax received		1,000	2,667
Net cash used in operating activities		(7,252)	(7,349)
Cash flows from investing activities			
Purchase of property, plant and equipment		(520)	(42)
Movement in short-term investments		6,207	(6,207)
Finance income received		75	57
Net cash generated from/(used in) investing activities		5,762	(6,192)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		2	12,591
Net cash generated from financing activities		2	12,591
Net decrease in cash and cash equivalents		(1,488)	(950)
Exchange (losses)/gains on cash and cash equivalents		(43)	2
		(1,531)	(948)
Cash and cash equivalents at beginning of year		9,230	10,178
Cash and cash equivalents at end of year	6	7,699	9,230
Reconciliation to net funds			
Opening net funds		15,437	10,178
Net decrease in cash and cash equivalents		(1,531)	(948)
(Decrease)/increase in short-term investments		(6,207)	6,207
Closing net funds (note 6)		7,699	15,437

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2014

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other reserve £'000	Accumu- lated losses £'000	Total £'000
At 1 July 2012	4,311	64,821	–	7,463	(63,617)	12,978
Comprehensive income						
Loss for the financial year	–	–	–	–	(11,375)	(11,375)
Total comprehensive loss	–	–	–	–	(11,375)	(11,375)
Transactions with owners						
Issue of shares, net of costs	4,506	8,085	–	–	–	12,591
Share-based payments charge	–	–	–	–	414	414
Total transactions with owners	4,506	8,085	–	–	414	13,005
At 30 June 2013	8,817	72,906	–	7,463	(74,578)	14,608
Comprehensive income						
Loss for the financial year	–	–	–	–	(7,393)	(7,393)
Total comprehensive loss	–	–	–	–	(7,393)	(7,393)
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	–	–	–	–	856	856
Total transactions with owners	(3,448)	1	3,449	–	856	858
At 30 June 2014	5,369	72,907	3,449	7,463	(81,115)	8,073

Notes to the final announcement

1. Basis of preparation

The final announcement for the year ended 30 June 2014 has been prepared 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 financial information contained in this final announcement does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The financial information has been extracted from the financial statements for the year ended 30 June 2014, which have been approved by the Board of Directors and the comparative figures for the year ended 30 June 2013 are based on the financial statements for that year. The accounts for 2013 have been delivered to the Registrar of Companies and the 2014 accounts will be delivered after the Annual General Meeting. The auditors have reported on both sets of accounts without qualification, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006.

2. Operating costs

Operating costs are split as follows:

	Year ended 30 June 2014 £'000	Year ended 30 June 2013 £'000
Operating costs are split as follows:		
Research and development costs	7,138	7,190
Administrative expenses - recurring	2,990	2,997
	10,128	10,187
Administrative expenses – non-recurring restructuring related	–	3,068
	10,128	13,255

Non-recurring costs incurred in 2013 relate to the disposal of property, plant and equipment (£759,000) and termination payments and provisions for onerous leases (£2,309,000).

3. Loss per share

Basic and diluted loss per £0.01 ordinary share are calculated by dividing the loss for the financial year attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year. Given the losses during the year, there is no dilution of losses per share in the year ended 30 June 2014 or in the previous year.

The loss for the financial year ended 30 June 2014 was £7,393,000 (2013: £11,375,000) and the weighted average number of £0.01 ordinary shares in issue during the year ended 30 June 2014 was 536,831,883 (2013: 292,793,498).

4. Share capital

	2014		2013	
	Number	£'000	Number	£'000
Allotted and fully paid				
At 1 July	536,799,123	8,817	86,215,662	4,311
Allotted under share option schemes	32,850	1	2,235,838	22
Allotted on cash placing & open offer	–	–	448,347,623	4,484
Transfer to capital redemption reserve	– ¹	(3,449)	–	–
Ordinary shares of £0.01 each at 30 June	536,831,973	5,369	536,799,123	8,817

¹ 86,215,662 £0.04 deferred shares were cancelled in the year. These deferred shares were not included in the number of ordinary shares disclosed in this table.

During the period the deferred shares of £0.04 each were cancelled with £3,448,626 being transferred to a capital redemption reserve and 32,850 ordinary shares of £0.01 each were issued on the exercise of employee share options for cash consideration of £1,642. (2013: On 18 December 2012 each existing ordinary share of £0.05 was sub-divided into one new ordinary share of £0.01 and one deferred share of £0.04. On that date the Company issued 330,000,000 ordinary shares of £0.01 each in a placing and open offer for cash consideration of £3,300,000. On 2 April 2013 the Company issued 118,347,623 ordinary shares of £0.01 each in a placing and open offer for cash consideration of £9,467,810 (before deducting issue costs of £208,050). Also 2,235,838 ordinary shares of £0.01 each were issued on the exercise of employee share options for cash consideration of £31,792).

5. Cash used in operations

	Year ended 30 June 2014 £'000	Year ended 30 June 2013 £'000
Loss before income tax	(8,515)	(12,686)
Adjustments for:		
Other finance income	(73)	(55)
Depreciation of property, plant and equipment (net of amortised grant contributions)	1,069	1,322
Disposal of property, plant and equipment	–	759
Share-based payments charge	856	414
Operating cash flows before movements in working capital	(6,663)	(10,246)
(Increase)/decrease in trade and other receivables	(773)	163
Decrease in trade and other payables	(670)	(861)
(Decrease)/increase in provisions	(146)	928
(Increase)/decrease in working capital	(1,589)	230
Cash used in operations	(8,252)	(10,016)

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

	30 June 2014 £'000	30 June 2013 £'000
Cash at bank and in hand	982	576
Money market funds	6,717	8,654
Cash and cash equivalents	7,699	9,230
Short-term bank deposits greater than three months	-	6,207
	7,699	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 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 25% ordinary equity.

7. Post balance sheet event

During July 2014 the Company completed a private placing which raised £20 million gross through the issue of 235,705,868 ordinary shares.