

30 July 2014

## Cashflow Report for the June Quarter

Ceramic Fuel Cells Limited (AIM/ASX: CFU), today released its quarterly cashflow report for the June 2014 quarter.

### Summary of the Quarter

- Sales volume – 71 units sold this quarter, 210 units sold in the twelve months ended 30 June 2014 (FY2013 - 147 units). This represents a 43% increase in unit sales over FY2013.
- Fundraising – successfully raised equity of £3.36M (A\$6.11M) together with the entering into of an investor agreement for a minimum US\$3.00M (A\$3.20M or £1.76M) and up to US\$8.50M (A\$9.10M to £5.00M) over the twelve months to 28 February 2015. To 30 June, under the investor agreement, equity to the value of US\$0.7M (A\$0.74M, £0.41M) has been issued as well as US\$0.25M (A\$0.27M, £0.14M) of convertible notes.
- Cash for Ameland order received – 20 units for the Ameland order were despatched in May with the remaining 20 in June. All proceeds from the sale of these units were received by 30 June.
- Cash position at 30 June 2014 - A\$5.31M (£2.92M).
- Announcement of major degradation improvements – on 30 June 2014 the Company announced that a substantial reduction (up to 70%) in stack degradation rates had been achieved following patented improvements to its BlueGEN product.

### Operational Review

#### Overview

CFU makes small-scale generators that use proprietary fuel cell technology to convert natural gas into electricity and heat for homes and small commercial buildings. CFU has fully commercialised its technology into products, and in addition to selling these products to commercial customers in Europe, is focussing on developing a product that can undertake thermal cycling.

The Company has recently announced substantial reductions in degradation rates following the introduction of patented improvements to its BlueGEN product. Extensive in-house and in-field testing demonstrated reductions of up to 70% of the average degradation rate experienced in current customer BlueGEN products. These patented improvements, which significantly improve the efficiency of the product over the life of the stack, are presently being introduced into the supply chain and will then be incorporated into routine stack production. It is envisaged that these improvements will reduce the magnitude of the required future warranty provision per unit.

### Market Developments and Sales

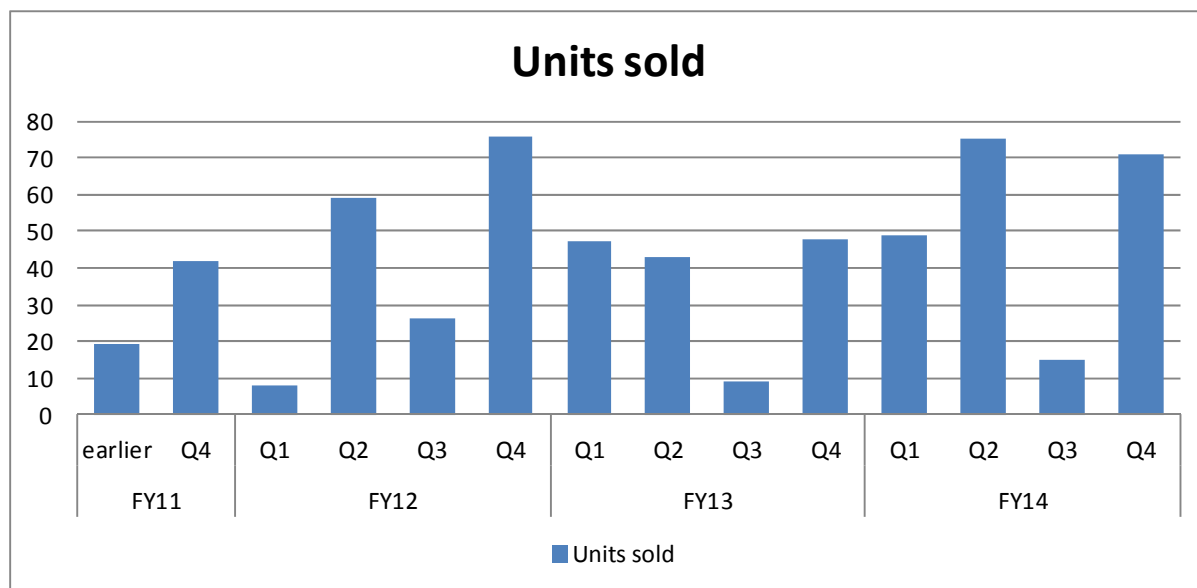
During the June quarter, 71 BlueGEN units were sold. Whilst this is a substantial improvement on the March quarter's 15 units, the Company has previously acknowledged that this level of sales will not sustain the business and is focusing its limited sales resources on large, project-based sales in both the UK and Europe. Development of these large-scale projects is progressing and the Board is confident that a number of these targeted projects will be converted into orders in the near future.

The Company sold 210 units for FY2014 which was a 43% increase on the previous year. The Company acknowledges that, whilst there is the basis to significantly increase sales volumes through project based schemes, there is also the opportunity to secure the business' future viability through actively pursuing

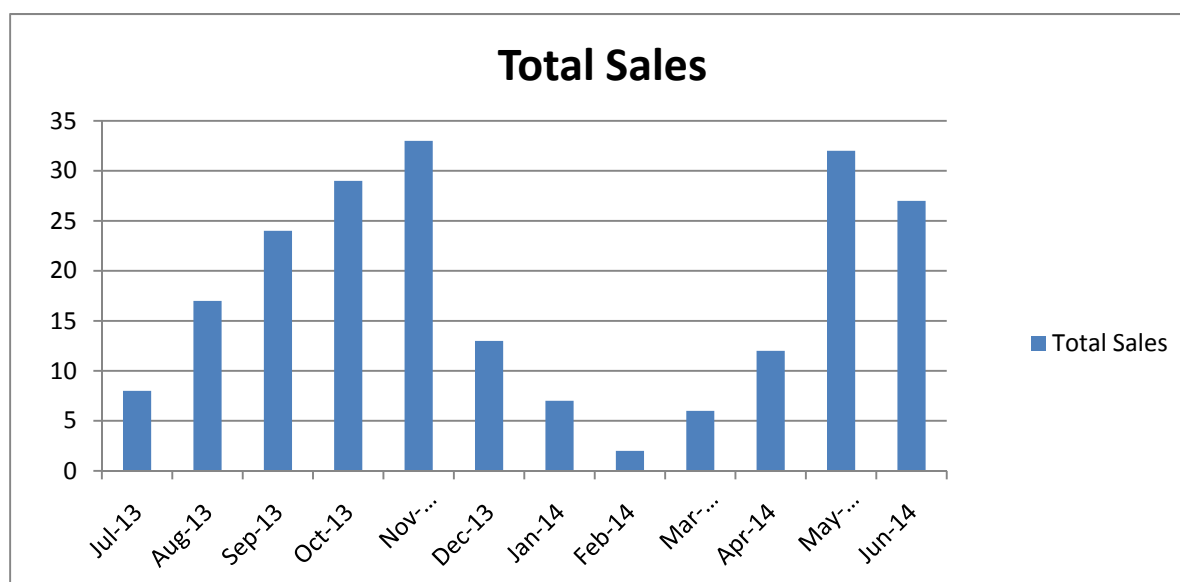
strategic partnerships with a number of key distribution partners in Europe, Asia and North America. In addition to distribution partners the Company has been approached to develop larger capacity units for certain markets. Such developments will require additional levels of resource and discussions are proceeding with a number of organisations to secure the appropriate financial support. These activities may lead to the Company becoming a multiple product business.

The Company remains in dialogue with Synergy International OÜ (SI), of Estonia, however until the situation is resolved no costs are being incurred in relation to potential SI sales.

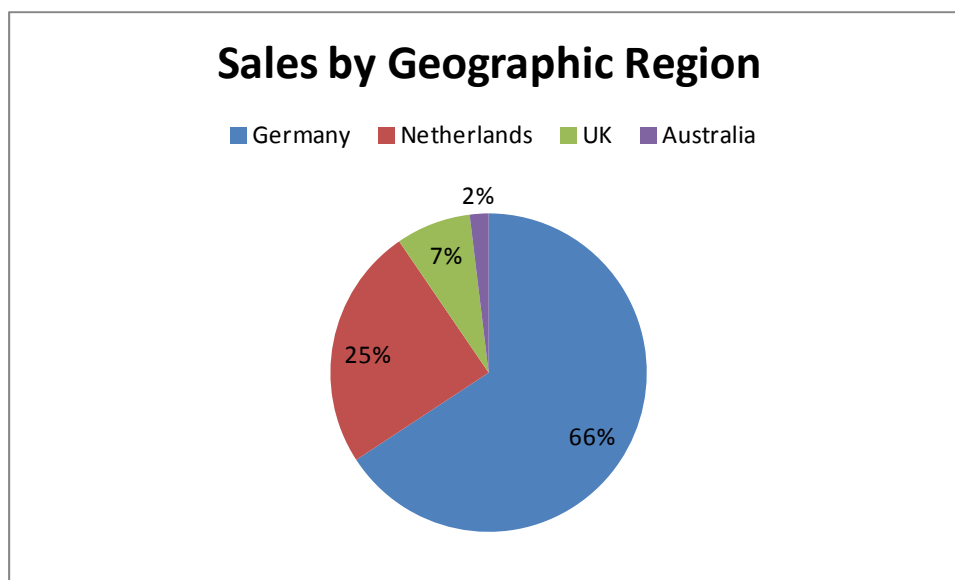
A summary of the Company's sales performance by quarter since FY11 is as follows:



Monthly sales for the 12 months to 30 June 2014 were as follows:



Sales by geographical region for the 12 months to 30 June 2014 were as follows:



During the June quarter Ameland, in the Netherlands, purchased 40 units and 5 German installers purchased multiple units. The Company is pleased with the increase in sales via its installers given the reduction in its direct sales force in March. During the quarter Avilos took the first 2 units under their agreement with the Company.

## Financial Review

### June Quarter Cash Flows

Net operating cash outflow for the June quarter was A\$2.95M (£1.62M). During the quarter, receipts from customers, including the receipt from Ameland, amounted to A\$2.00M (£1.10M) and operating expense cash outflow was A\$5.10M (£2.80M). The quarter's net operating cash outflow compares to the March quarter's net operating cash outflow of A\$8.06M (£4.43M), the December 2013 quarter's outflow of A\$1.22M (£0.67M) and the September 2013 quarter's outflow of A\$6.03M (£3.30M). The December 2013 quarter's net operating cash outflow was materially reduced by the receipt of a tax refund of A\$4.02M (£2.21M) for research and development expenditure for FY2013, hence the operating cash outflow before the tax receipt was A\$5.24M (£2.88M). It is anticipated that a research and development tax refund will be received for FY2014 in the last quarter of CY2014.

During March 2014 the Company undertook a review of its operations which led to a restructure in all countries in which it operates. This has led to a reduction in its work force and a lowering of its operational and production costs. The benefits of this restructure began to be realised during the June quarter as demonstrated by the reduced cash outflow for the quarter with further savings to be realised over the coming months.

The Board continues its strategic review of the Company's financial and operational needs along with its pursuit of joint venture possibilities with partners who are willing to pay for the Company's technology or can add significant synergies to the Company's operations.

Net investing cash flow for the quarter was an outflow of A\$0.012M (£0.007M). The outflow was for the acquisition of plant and equipment.

Net financing cash flow for the quarter was an inflow of A\$6.09M (£3.35M). Of the amount, A\$6.11M (£3.36M) was received from the equity placement approved by shareholders at the EGM on 28 April. The balance of the proceeds from the issue of shares was received under the investor agreement announced in March. The capital raise expenses disclosed in the Appendix 4C cover the majority of the equity placement and investor agreement expenses, with further cash outflows for these in the coming quarters.

Cash on hand at 31 March 2014 was A\$2.29M (£1.26M).

Cash on hand at 30 June 2014 was A\$5.31M (£2.92M).

**For more information please contact:**

**Ceramic Fuel Cells Limited**

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**About Ceramic Fuel Cells Limited:**

Ceramic Fuel Cells is a world leader in developing fuel cell technology to generate highly efficient and low-emission electricity from widely available natural gas. Ceramic Fuel Cells has sold its BlueGEN gas-to-electricity generator to major utilities and other foundation customers in Germany, the United Kingdom, Switzerland, The Netherlands, Italy, Japan, Australia, and the USA. Ceramic Fuel Cells is now focusing on markets in Germany, the United Kingdom and Benelux.

The company is listed on the London Stock Exchange AIM market and the Australian Securities Exchange (code CFU).

[www.cfcl.com.au](http://www.cfcl.com.au)

[www.bluegen.info](http://www.bluegen.info)

# Appendix 4C

## Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001

Name of entity

**CERAMIC FUEL CELLS LIMITED**

ABN

**82 055 736 671**

Quarter ended ("current quarter")

**30 JUNE 2014**

### Consolidated statement of cash flows

		Current quarter	Year to date
		\$A'000	(12 months) \$A'000
<b>Cash flows related to operating activities</b>			
1.1	Receipts from customers	2,004	5,779
1.2	Payments for		
	(a) staff costs <sup>1</sup>	(2,924)	(12,728)
	(b) advertising and marketing <sup>2</sup>	(127)	(1,168)
	(c) research and product development <sup>3</sup>	(938)	(3,634)
	(d) leased assets	-	-
	(e) other working capital <sup>4</sup>	(1,106)	(12,922)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	-	-
1.5	Interest paid	-	-
1.6	Income taxes	-	4,023
1.7	Other		
	- Net GST/VAT received/(paid)	101	1,932
	- Government grants received/(repaid)	-	(28)
	- Sundry income received	44	492
<b>Net operating cash flows</b>		<b>(2,946)</b>	<b>(18,254)</b>

#### Notes

- 'Staff costs' includes all labour and associated headcount costs, and therefore incorporates all Research & Product Development (R&PD) staff, Manufacturing staff, Sales & Marketing (S&M) staff and General & Administrative (G&A) staff.
- 'Advertising and marketing' excludes all S&M staff costs (as per note 1 above).
- 'Research and product development' costs includes all R&PD costs as defined in Note 1(e) to the Consolidated Financial Statements for the year ended 30 June 2013, but excludes all R&PD staff costs (as per note 1 above) and all prototype manufacturing costs, which are now included within other working capital costs (as per note 4 below).
- 'Other working capital' includes prototype manufacturing costs previously included within R&PD costs but now included within Manufacturing costs, as detailed in Note 4 to the Consolidated Financial Statements for the half-year ended 31 December 2013.

**Appendix 4C**  
**Quarterly report for entities**  
**admitted on the basis of commitments**

	Current quarter \$A'000	Year to date (12 months) \$A'000
1.8 Net operating cash flows (carried forward)	(2,946)	(18,254)
<b>Cash flows related to investing activities</b>		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	(12)	(189)
(e) other non-current assets	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	1,974
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other – Security deposits decreased (increased)	-	14
<b>Net investing cash flows</b>	<b>(12)</b>	<b>1,799</b>
<b>1.14 Total operating and investing cash flows</b>	<b>(2,958)</b>	<b>(16,455)</b>
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares	6,629	12,655
1.16 Proceeds from sale of forfeited shares	-	23
1.17 Proceeds from borrowings		
– convertible loan notes (secured)	-	339
– convertible loan notes (unsecured)	-	274
1.18 Repayment of borrowings – finance lease	(76)	(328)
1.19 Dividends paid	-	-
1.20 Other - Financial assets: Net proceeds/(Net payments) <sup>1</sup>	-	-
Other - Share issue costs	(262)	(627)
Other - Convertible loan notes (secured) issue costs	-	(87)
Other - Convertible loan notes (unsecured) issue costs	(28)	(28)
Other - Interest received	6	67
Other - Interest paid on borrowings (convertible notes)	(164)	(640)
Other - Interest paid on borrowings (finance lease)	(14)	(64)
<b>Net financing cash flows</b>	<b>6,091</b>	<b>11,584</b>
<b>Net increase (decrease) in cash held</b>	<b>3,133</b>	<b>(4,871)</b>
1.21 Cash at beginning of quarter/year to date	2,294	10,010
1.22 Exchange rate adjustments on foreign currency cash balances	(117)	171
<b>1.23 Cash at end of quarter</b>	<b>5,310</b>	<b>5,310</b>

1. The net proceeds from/(payments for) the disposal and purchase of the company's investments are at item 1.20

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	52
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

Item 1.24  
- Directors' fees: \$52k

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

NIL

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

NIL

**Financing facilities available**

*Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

## Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
4.1	Cash on hand and at bank	5,310	2,294
4.2	Bank term deposits:		
	- up to 3 months duration	-	-
	- between 3 and 12 months duration	-	-
4.3	Bank overdraft	-	-
4.4	Other	-	-
<b>Total: cash at end of quarter (item 1.23)</b>		<b>5,310</b>	<b>2,294</b>

## Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	Not applicable	Not applicable
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: .....

Date: 30 July 2014

Print name: Clifford Ashby  
Director



## Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
  - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
  - 9.2 - itemised disclosure relating to acquisitions
  - 9.4 - itemised disclosure relating to disposals
  - 12.1(a) - policy for classification of cash items
  - 12.3 - disclosure of restrictions on use of cash
  - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.