



Monday 23 April 2012

Cashflow Report and Trading Update for the March Quarter

Ceramic Fuel Cells Limited (AIM / ASX: CFU) a leading developer of high efficiency and low emission power products for homes and other buildings, today released its quarterly cashflow report for the period ended 31 March 2012.

The cashflow report is available at www.cfcl.com.au.

Highlights

- Total order book of 619 units at 23 April 2012
- 58 percent increase in units installed at customer sites – up to 193 units at 23 April
- Receipts from customers of AUD 2.7m, an increase of 85 percent from the December quarter
- Twenty six units delivered during the quarter
- Active marketing and sales, with focus on Germany, Netherlands, UK
- Strong and increasing policy support for fuel cell mCHP in Germany and UK

Operational Review

Orders and Deliveries

The Company currently has an order book of 619 units made up of 264 integrated mCHP products and 355 BlueGen® products.

At the end of the December quarter the Company's open order book (meaning units ordered but not recognised in revenue) was 477 units, spread between Germany, The Netherlands and the United Kingdom.

During the quarter the Company delivered 26 units, reducing its open order book (meaning units ordered but not recognised in revenue) to 451 units. The bulk of these deliveries were BlueGen units delivered to sanevo in Germany and EON in the UK, and integrated mCHP units delivered to EWE in Germany.

These orders will be recognised in revenue, and will deliver cashflow to the Company, as the units are delivered to Customers over the coming year.

The number of units installed and operating at customer sites increased strongly, up from 121 units at the start of the quarter to 193 at 23 April. (This number is updated and reported on www.bluegen.net.) The pace of installations is increasing, reflecting the Company's work in the previous quarters to select and train appropriately skilled local installation and service partners.

Germany

In January the Company's first distributor in Germany, sanevo Blue Energy, confirmed that it has received customer commitments for its first order of 100 BlueGen units, which are expected to be delivered within the first 12 months of their distributorship (by the end of July 2012). sanevo has a target minimum of 500 units for delivery in its second year and a target of 2,000 BlueGens over years three and four.

In the March quarter sanevo blue energy received its first order for a BlueGen unit in Austria, as well as a follow-on order to the Swiss regional utility Cosvegaz near Lausanne.

Approximately 30 of sanevo blue energy's sales partners are now offering BlueGen to customers across Germany.

During the quarter the Company continued to work with EWE, Germany's fifth largest utility, and its external contractors as they installed integrated mCHP systems. During the March quarter six units were delivered to EWE. A further 19 units are expected to be installed early in the June quarter, under the first phase of EWE's 'Lighthouse Project'. In the second phase of the project a further 145 units are planned to be deployed.

Market settings in Germany continue to provide strong support for fuel-cell based micro CHP systems.

Late last year the federal state of Saxony announced a '1,000 Basement Programme' to provide financial incentives for installing fuel cell based micro CHP units. In February 2012 the state of Hesse announced funding of EUR 600,000 to support early deployment of mCHP products. The state of North Rhine Westphalia has also announced plans to increase the share of CHP electricity production to 25 percent, by providing funding of EUR 250 million over several years to support the deployment of local CHP systems.

The German Federal Government is also providing support for the Company's products. In February 2012 the "Bundesrat" (the upper house of the German Federal Parliament) proposed an increase in the current feed in tariff for mCHP units with high electrical efficiency – ideally suited to the Company's BlueGen and mCHP products.

From 1 April 2012, the German Federal Government also introduced a capital subsidy for eligible mCHP products which generate up to 20 kilowatts of electricity and meet demanding performance requirements, including a total efficiency of at least 85 percent. Ceramic Fuel Cells' BlueGen and integrated mCHP products will receive a subsidy of 1,800 Euros per unit.

This program is in addition to the existing German CHP Law, which requires that 25 percent of Germany's electricity generation comes from combined heat and power (small and large scale) by 2020.

Netherlands

The Company's first BlueGen distributor in The Netherlands, BlueGeneration, is actively marketing BlueGen to small commercial and Government customers. In September 2011 BlueGeneration placed an order for 100 units for delivery over 12 months. The units will be installed and maintained by the service company of the large Dutch energy company Eneco.

During the quarter BlueGeneration received their first customer order, and the first three BlueGen units were delivered and installed.

BlueGeneration is also working with several large Dutch energy companies on larger scale projects for BlueGen deployment.

United Kingdom

In the United Kingdom the Company is working with E.ON, one of the UK's largest energy retailers. In this partnership, CFCL and E.ON are working to launch integrated power and heating products for the UK market. In November 2011 E.ON placed an order for 105 units. Of these, 40 BlueGen generators will be deployed under the European Union Fuel Cell and Hydrogen Joint Undertaking's Joint Technology Initiative ("JTI") fuel cell demonstration programme. A further five BlueGen units will be deployed by E.ON in demonstration and commercial customer sites outside of this programme. CFCL and the UK heating company Ideal Boilers ("Ideal") will also develop up to 60 integrated mCHP units to be installed in homes in the UK, Benelux and Germany under the JTI project from late 2012.

As at 23 April, 30 BlueGen units have been delivered to E.ON. The remaining 15 BlueGen units are planned to be delivered during the June quarter.

In February 2012 the UK Government proposed an increase in the feed in tariff for mCHP products, including BlueGen. The Government plans to increase the mCHP feed in tariff from October 2012, from a maximum of 14.2 pence to 15.7 pence, comprising a generation tariff, increased from 11 pence to 12.5 pence for every kilowatt hour of electricity generated on-site, plus an export tariff of 3.2 pence for every kilowatt hour of electricity exported to the grid.

In April the Company finalised the installation of the first BlueGen unit in a low energy new build home in the UK. The BlueGen installation, in a home built by Crest Nicholson to very high efficiency standards, provides the power, hot water and heating requirements for the property and was specifically designed for low energy homes. This installation represents a significant step towards the achievement of Zero Carbon Homes in the UK, a level which will be required for all new homes in the UK from 2016. Historically the new home market in the UK has totalled between 100,000 and 200,000 dwellings per year.

Australia

During the quarter five BlueGen units were installed at the 'Quins' commercial building redevelopment in Port Adelaide. These units are now operating and generating low emission power for the building.

In April the Company sold two BlueGen units to an energy and mining services company based in Brisbane which provides consulting and project services to clients in the fast growing coal seam gas (CSG) sector.

Twenty five BlueGen units are installed and operating in homes in Newcastle, New South Wales, as part of the 'Smart Grid, Smart City' project led by Ausgrid.

In the Victorian Government Office of Housing project, 30 BlueGen units are installed in homes in Victoria (20 in Melbourne and 10 in Shepparton). Twenty-four units are operating, generating low emission power and hot water for the social housing tenants. The six other sites are awaiting final formalities of tenants signing up with Origin Energy as the energy retailer for the project, and the local electricity distribution company providing the appropriate electricity metering.

In Australia there is currently no feed in tariff for fuel cell units. In January 2012 the Victorian Government announced a Victorian Competition and Efficiency Commission (VCEC) review of feed in tariffs. In its submission to this review, which is available at www.vcec.vic.gov.au, the Company has argued that:

- Feed in tariffs are an effective and necessary policy tool to enable homeowners, businesses and community groups to sell excess electricity into the energy market – regardless of whether or not there is a price on carbon emissions.
- Ceramic Fuel Cells believes the current Victorian standard feed in tariff regime should be extended to require electricity retailers to offer a fair and reasonable tariff to any distributed generator which is small scale (100kW or less) and less emissions intensive than the current power grid.
- We believe a fair and reasonable rate is the retail price for electricity less an allowance of 20 percent for the retailer's costs and margin.
- Low emission distributed generation products like BlueGen can help meet the increasing demand for electricity whilst taking the pressure of the electricity distribution network, and minimising network upgrade costs. The large investment required to upgrade the power network is one of the main reasons why electricity prices are rising sharply.

A final report from the VCEC review is due in June 2012.

Australia Clean Energy Finance Corporation

On 17 April 2012 the Australian Federal Government released the report of the Expert Review Panel into the Clean Energy Finance Corporation (**CEFC**). The CEFC will be a AUD 10 billion fund dedicated to investing in clean energy, as part of the Federal Government's *Clean Energy Future Plan*.

Ceramic Fuel Cells welcomes the report by the Expert Review Panel, and the confirmation by the Federal Government that it supports all the recommendations of the report. Ceramic Fuel Cells made a submission to the Expert Review Panel and met with panel members and Government advisors during the consultation process.

Ceramic Fuel Cells believe a large scale deployment of the company's BlueGen product ideally matches the CEFC's objectives and funding guidelines. The report provides clear support for low-emission distributed generation technologies, specifically citing fuel cells as an eligible technology.

The CEFC will focus its investments in renewable energy, low-emissions and energy efficiency technologies that are principally located in Australia, in order to "*assist the development of the Australian industry to transition our economy towards cleaner energy and expand real options for Australia's energy future.*"

CEFC will have funding of AUD 2 billion per year for five years, beginning in July 2013. These funds will be allocated to two streams: 50 per cent or more of funds to a renewable energy stream and up to 50 per cent to a low-emissions and energy efficiency stream. (Although investing 50 per cent or more in the renewable energy stream is a goal rather than a binding constraint.)

We are pleased that the CEFC will adopt Ceramic Fuel Cells' recommendation, and set the eligibility threshold for *low-emissions* technology at 50 per cent of the emissions intensity of electricity generation in Australia. This threshold is currently 0.416 tonnes of carbon dioxide equivalent per megawatt hour of electricity generated. Ceramic Fuel Cells' products are below this threshold and are therefore eligible.

Commenting on this threshold, the report notes:

*This threshold is substantially less than the current intensity of the grid and represents a fair and appropriate cut off for low-emissions technology. The rationale for setting the threshold at 50 per cent is to encompass **fuel cells**, distributed electricity generation, cogeneration and trigeneration using gas. Where distributed generation produces both heat and power (cogeneration and trigeneration) an allowance will be made for the usable heat that is produced when calculating the emissions intensity. Alternatively, these could be funded as an energy efficiency project. [Expert Review Panel report, page 7, emphasis added]*

We also welcome the confirmation that the CEFC will focus on projects and technologies at the later stages of development: "*not at the research and development stage where significant grant funding is focused, but those projects ready for commercialisation and deployment. At these later stages of development, the technology should have a track record of technical performance and projects should have the capacity to generate a financial return.*"

The report also comments specifically on feed in tariffs for residential distributed generation:

Distributed low-emissions generation, such as cogeneration and trigeneration, has the potential to reduce peak demand on the grid because it is located near to energy users and its power output can be controlled by the owner of the unit. To deliver this outcome distributed generation must be able to export to the grid. The electrical capability of the grid and the lack of appropriate feed-in tariffs for distributed generation are inhibitors to the generation of electricity from these sources.

The Garnaut Climate Change Review –Update 2011 observed that 'when the network company can profit from investing less rather than more, then it will seek ways to foster distributed generation and to set economically efficient tariffs.'

Without the ability to export to the grid, smaller scale distributed low-emissions generation is limited to owners of buildings and businesses that can use the heat and power that these units generate on their own premises. The CEFC will be open to proposals from these parties.

However, for those parties that require the ability to export to the grid to make their projects economically viable, a price for this generation would need to be secured as economic viability is a prerequisite for CEFC funding. [Expert Review Panel report, page 34, emphasis added]

Importantly, the CEFC Board will operate and make its investment decisions independently of the Government of the day.

The full report and submissions to the Expert Review panel, including Ceramic Fuel Cells' submission, are available at www.cefcexpertreview.gov.au.

Marketing

Ceramic Fuel Cells continues to increase its sales and marketing activities in many global markets, including at the following industry events:

E-world, Germany, February 2012

Ceramic Fuel Cells displayed a demonstration BlueGen unit at E-world 2012, held in Essen, Germany. E-world is the largest specialist energy trade fair in Germany, with more than 20,000 visitors. The BlueGen demonstration unit was retrofitted with a window which displayed the Gennex module, the heart of the BlueGen product.

FC Expo, Japan, March 2012

With more than 300 exhibitors and 120,000 industry professionals, FC Expo is the world's largest business to business exhibition and conference on fuel cells. As part of the technical conference, Ceramic Fuel Cells' Chief Technology Officer Dr. Karl Föger gave a presentation on the Company's technology and progress in Europe.

Green Cities, Australia, March 2012

Ceramic Fuel Cells exhibited BlueGen for the first time at Green Cities in Sydney, the largest green building conference in Asia-Pacific. During this exhibition visitors included small and large construction companies, local councils, leading architects and sustainability consultants/engineers.

Ecobuild, UK, March 2012

Ceramic Fuel Cells showcased a BlueGen unit at the E.ON stand at Ecobuild in London, with many visitors showing considerable interest in BlueGen's role as the backbone of a community energy scheme. As part of the conference Mr Paddy Thompson, General Manager Business Development, delivered a presentation on *Power led applications for domestic, commercial or community installations*. A copy of this presentation is available at www.cfcl.com.au.

Cleantech Forum, USA, March 2012

Ceramic Fuel Cells participated in the 10th annual Cleantech Forum as part of an Australian delegation, covering the themes of strategic partnerships across several industries including; utilities, energy efficiency and smart grids. BlueGen was included in these discussions as a component of modernising the energy industry towards a low carbon future.

H2FC 2012, UK, March 2012

The 8th international conference, *Smart Hydrogen & Fuel Cell Power - Hydrogen & Fuel Cell Products for a Low Carbon Future*, is the UK's premier showcase for the latest in hydrogen and fuel cell products. Ceramic Fuel Cells showcased a BlueGen at this exhibition in Birmingham.

Hannover Messe, Germany, April 2012

The Hannover Messe is one of the world's most important technology events, showcasing groundbreaking innovations at eight international flagship fairs. 2012 also sees the premiere of IndustrialGreenTec, the new trade fair for environmental technology. Ceramic Fuel Cells will be exhibiting within the Group Exhibit Hydrogen + Fuel Cells 2012 in Hall 27 alongside companies such as E.ON Ruhrgas, EWE and EnBW.

In February the Company's BlueGen product was featured on the first episode of the new UK Channel 4 series, Home of the Future. This five-part Channel 4 series, co-funded by one of the UK's leading energy companies E.ON and produced by Twofour, transforms the lives of a family, filling their home from top-to-bottom with futuristic technology and gadgets.

The Company is confident that these sales and marketing initiatives will continue to raise the profile of the Company's world leading clean energy products, and maintain the momentum in sales growth.

Manufacturing

The Company continues to manufacture fuel cell stacks and complete BlueGen units at its manufacturing plant in Heinsberg, Germany. During the quarter the Company recruited additional staff to continue to increase production volumes. The Company and its supplier are also continuing work to increase production volumes of the large furnaces at the site. This work is expected to be completed in the June quarter. In the meantime the smaller furnaces at the site continue to meet our requirements for fuel cell stacks.

As previously announced, to assist in moving into higher volume production and to further reduce unit costs, in November 2011 the Company entered into a memorandum of understanding with Jabil Circuit Inc (Jabil). Jabil is a global electronic manufacturing service provider with 55 factories in 22 countries and annual turnover of USD 16 billion. The first phase of co-operation is for CFCL to source selected components from Jabil's manufacturing operations. Jabil is actively working on the supply of the first components as part of this collaboration. We are also working with Jabil on improvements to component design in order to reduce costs.

Financial Review

Quarterly Cashflow

Net operating cash outflow for the March quarter was AUD 4.9m (GBP 3.2m) which was lower than last quarter principally due to higher receipts.

Receipts from customers for the March quarter were AUD 2.7m (GBP 1.8m) which was up by AUD 1.2m (GBP 0.8m) from the December quarter. The Group also received a government grant of AUD 0.7m (GBP 0.5m) in relation to work to be undertaken for the E.ON UK led JTI project discussed above.

The overall net cashflow for the March quarter after investing and financing activities was an outflow of AUD 5.7m (GBP 3.7m). This included AUD 0.6m (GBP 0.4m) for capital expenditure payments in relation to work on the large scale furnaces in Germany.

Cash at 31 March 2012 was AUD 17.0 m (GBP 11.0m).

The quarterly report is also available on the Company's website at www.cfcl.com.au

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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 also developing fully integrated power and heating products with leading energy companies E.ON UK in the United Kingdom, GdF Suez in France and EWE in Germany.

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

www.cfcl.com.au

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")

31 MARCH 2012

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from customers	2,690	5,388
1.2 Payments for		
(a) staff costs ¹	(2,808)	(8,417)
(b) advertising and marketing ²	(193)	(867)
(c) research and product development ³	(1,046)	(3,568)
(d) leased assets	-	-
(e) other working capital	(4,506)	(11,277)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other costs of finance paid	(21)	(69)
1.6 Income taxes paid	-	-
1.7 Other		
- Government grant received	736	736
- Net GST/VAT received/(paid)	149	554
- Sundry income received	103	206
Net operating cash flows	(4,896)	(17,314)

Notes

- 'Staff costs' includes all labour and associated headcount costs, and therefore incorporates all Research & Product Development (R&PD) 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 Financial Statements for the year ended 30 June 2011, but excludes all R&PD staff costs (as per note 1 above).

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

	Current quarter \$A'000	Year to date (9 months) \$A'000
1.8 Net operating cash flows (carried forward)	(4,896)	(17,314)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	(556)	(1,026)
(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	-	-
(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)	(2)	2
Net investing cash flows	(558)	(1,024)
1.14 Total operating and investing cash flows	(5,454)	(18,338)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares	-	16,988
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	(66)	(192)
1.19 Dividends paid	-	-
1.20 Other - Financial assets: Net proceeds/(Net payments) ¹	-	-
Other - Share issue costs	(277)	(585)
Other - Interest received	94	241
Net financing cash flows	(249)	16,452
Net increase (decrease) in cash held	(5,703)	(1,886)
1.21 Cash at beginning of quarter/year to date	22,528	19,057
1.22 Exchange rate adjustments on foreign currency cash balances	128	(218)
1.23 Cash at end of quarter ²	16,953	16,953

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

2. 'Cash at end of quarter' includes A\$2,311,248 pledged as security for bank guarantees, and so is unavailable for use by the Group.

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	114
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.	

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	13,369	12,461
4.2	Bank term deposits:		
	- up to 3 months duration	1,273	6,773
	- between 3 and 12 months duration	2,311	3,294
4.3	Bank overdraft	-	-
4.4	Other	-	-
Total: cash at end of quarter ¹ (item 1.23)		16,953	22,528

1. 'Cash at end of quarter' as at 31 March 2012 includes A\$2,311,248 pledged as security for a bank guarantee, and so is unavailable for use by the Group.

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

- 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.
- This statement does give a true and fair view of the matters disclosed.

Sign here:

Date: [] April 2012

Print name: Janine Hoey
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.