



Tuesday 30 October 2012

Cashflow Report for the September Quarter

Ceramic Fuel Cells Limited (AIM / ASX: CFU) a leading developer of small generators that use fuel cell technology to convert natural gas into electricity and heat for homes and other buildings, today released its quarterly cashflow report for the period ended 30 September 2012.

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

Highlights

Sales

| Unit sales booked to revenue | | | |
|------------------------------|----------------|----------------|---------------|
| | Quarter | Qtr unit sales | FY unit sales |
| FY10 | | | 9 |
| FY11 | | | 61 |
| FY12 | September 2011 | 8 | 169 |
| | December 2011 | 59 | |
| | March 2012 | 26 | |
| | June 2012 | 76 | |
| FY13 | September 2012 | 47 | 47 |

Sales of 47 units were booked to revenue for the September quarter.

On 26 October the German State of North-Rhine Westphalia announced a subsidy scheme for micro combined heat and power products (mCHP). Under the new scheme the North-Rhine Westphalia Government will pay a capital subsidy to commercial customers and Energy Service Companies who install highly efficient mCHP products of less than 50 kilowatts, like Ceramic Fuel Cells' BlueGen and integrated mCHP products.

Based on discussions with the relevant Government bodies, the Company believes that its BlueGen and integrated mCHP products will be classed as highly innovative cogeneration systems, and therefore eligible for a subsidy of 45 percent of the extra cost of the product compared to a conventional reference product. The subsidy is increased by another 10 to 20 percent for small and medium sized businesses.

While the precise subsidy amount will be determined by the relevant Government department, and may vary between customers, the Company believes its products are likely to be eligible for an initial subsidy of approximately 10,000 Euros per unit.

The subsidy program begins immediately and is due to run until the end of 2017. The subsidy is part of a North-Rhine Westphalia Government funding program of up to EUR 250 million to support CHP deployment. The North-Rhine Westphalia subsidy is in addition to the German Federal Government subsidy of 1,650 Euros per BlueGen, plus the Federal Government feed-in tariff for mCHP products.

On 2nd October, Ceramic Fuel Cells announced that 25 of its BlueGen gas-to-electricity units are being used to power Germany's first commercial, virtual fuel cell power plant. The virtual power plant was officially opened by Mr Peter Altmaier, Germany's Federal Minister for the Environment, Mr Johannes Remmel, Minister for the Environment in the state of North Rhine-Westphalia, together with Mr Bernd Wilmert, Chairman of the Board of the municipal utility network Trianel, and Sven Becker, CEO of Trianel.

The Trianel network will offer BlueGen units to end customers as part of its EnergieBlock® micro combined heat and power offering.

Ceramic Fuel Cells and its local distributor sanevo blue energy have delivered the 25 BlueGen units to Trianel. So far 15 municipal utilities in Germany as well as the Energie Kompetenz Zentrum Rhein-Erft-Kreis GmbH are involved in the project. The municipal utilities are installing the BlueGen units in their customer centres and with selected customers.

Ceramic Fuel Cells is continuing to invest in measures to quickly increase sales in Germany. Mr Andreas Ballhausen has joined Ceramic Fuel Cells' European management team as Commercial Director. Mr Ballhausen will be responsible for leading our business development, sales and customer service activities in Germany. Mr Ballhausen joins Ceramic Fuel Cells from leading German energy utility EWE, where he has held various senior management positions since 1996. Most recently Mr Ballhausen was in charge of establishing and running EWE's business unit selling energy services and contracting solutions for households, industry and communities.

Ceramic Fuel Cells is also continuing to make progress in the United Kingdom market, presenting and exhibiting at several industry conferences in collaboration with iPower Energy Ltd, a UK social enterprise developing low carbon projects for the social housing market as an energy services company.

Ceramic Fuel Cells is marketing BlueGen units to customers across the UK through specialised installation, sales and service partners. To date these comprise:

- Be Green Systems for London and the South East;
- Ace Energy for the South Coast and South West;
- Green Buy Energy for Yorkshire and the North Midlands;
- Richard Irvin Sustainable Energy for Scotland; and
- World Heat and Power for the North West and North Wales.

Ceramic Fuel Cells is also continuing to work with E.ON on the deployment of its BlueGen and integrated mCHP products, both as part of the previously announced JTI programme and to promote to some of E.ON's commercial customers. E.ON is making good progress deploying the 45 BlueGen units previously delivered to them.

In October the Company realigned its corporate structure and operational activities to reduce overhead costs and to focus resources on the German, UK and the Benelux markets. In the short term the Company is reducing its direct sales investment in Australia, Japan and North America, and transferring some corporate activities to Europe. In the Australian market, the Company has agreed to terminate its BlueGen distribution agreement with Harvey Norman Commercial but will continue to market BlueGen units to commercial and Government customers through its distributor Hills Industries.

Financial

Net operating cash outflow for the September quarter was AUD 4.5m (GBP 2.9m). This is AUD 2.8m (GBP 1.8m) lower than the June quarter due largely to cost reductions.

Receipts from customers was up by AUD 1.1m (GBP 0.7m) from the previous quarter.

In September the Company raised a total of AUD 11.6 million (GBP 7.5 million) from a rights issue and overseas offer to existing investors, and a subscription of AUD 6 million from Chaozhou Three-Circle (Group) Co., Ltd ("**CCTC**"). CCTC, based in Guangdong province, China, is a leading manufacturer of electronic components and advanced ceramics and is one of the Company's key suppliers.

Unrestricted cash on hand at 30 September was AUD 13.6m (GBP 8.7m).

To underline the Company's focus on quickly increasing sales, we have realigned the structure of our headquarters in Melbourne to more effectively support our European markets. The changes, along with outsourcing of cell production are expected to result in annualised ongoing cost savings of approximately AUD 5 million and a reduction in headcount since 1st July this year of 56 staff.

For more information please contact:

Ceramic Fuel Cells Limited

Andrew Neilson

Tel. : +61 (3) 9554 2300

Email : investor@cfcl.com.au

Nomura Code Securities (AIM Nomad)

Chris Golden

Tel. : +44 (0) 207 776 1200

Australian media enquiries

Richard Allen

Tel. : +61 (0) 3 9915 6341

Oxygen Financial Public Relations

Email : richard@oxygenpr.com.au

UK media enquiries

Mark Way

Tel. : +44 (0) 7786 116 991

MW Research PR

Email : mark.w@harvardamerica.com

German media enquiries

Alex Seiler

Tel. : +49 (0) 69 9218 7454

Hering Schuppener Consulting

Email : aseiler@heringschuppener.com

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

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 SEPTEMBER 2012

Consolidated statement of cash flows

| Cash flows related to operating activities | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| 1.1 Receipts from customers | 1,745 | 1,745 |
| 1.2 Payments for | | |
| (a) staff costs ¹ | (3,127) | (3,127) |
| (b) advertising and marketing ² | (186) | (186) |
| (c) research and product development ³ | (821) | (821) |
| (d) leased assets | - | - |
| (e) other working capital | (2,565) | (2,565) |
| 1.3 Dividends received | - | - |
| 1.4 Interest and other items of a similar nature received | - | - |
| 1.5 Interest and other costs of finance paid | (18) | (18) |
| 1.6 Income taxes paid | - | - |
| 1.7 Other | | |
| - Government grant received | - | - |
| - Net GST/VAT received/(paid) | 461 | 461 |
| - Sundry income received | 7 | 7 |
| Net operating cash flows | (4,504) | (4,504) |

Notes

1. '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.
2. 'Advertising and marketing' excludes all S&M staff costs (as per note 1 above).
3. '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 2012, 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 (3 months) \$A'000 |
|---|--|----------------------------|---------------------------------------|
| 1.8 | Net operating cash flows (carried forward) | (4,504) | (4,504) |
| 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 | (127) | (127) |
| | (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) | 47 | 47 |
| | Net investing cash flows | (80) | (80) |
| 1.14 | Total operating and investing cash flows | (4,584) | (4,584) |
| Cash flows related to financing activities | | | |
| 1.15 | Proceeds from issues of shares | 11,625 | 11,625 |
| 1.16 | Proceeds from sale of forfeited shares | - | - |
| 1.17 | Proceeds from borrowings | - | - |
| 1.18 | Repayment of borrowings | (65) | (65) |
| 1.19 | Dividends paid | - | - |
| 1.20 | Other - Financial assets: Net proceeds/(Net payments) ¹ | - | - |
| | Other - Share issue costs | (49) | (49) |
| | Other - Interest received | 12 | 12 |
| | Net financing cash flows | 11,523 | 11,523 |
| | Net increase (decrease) in cash held | 6,939 | 6,939 |
| 1.21 | Cash at beginning of quarter/year to date | 6,622 | 6,622 |
| 1.22 | Exchange rate adjustments on foreign currency cash balances | 23 | 23 |
| 1.23 | Cash at end of quarter ² | 13,584 | 13,584 |

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' as at 30 September 2012 now excludes Restricted Cash Equivalents of A\$2,224,144 pledged as security for bank guarantees (and so 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 | 104 |
| 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 | 13,584 | 6,622 |
| 4.2 Bank term deposits: | | |
| - up to 3 months duration | - | - |
| - between 3 and 12 months duration | - | - |
| 4.3 Bank overdraft | - | - |
| 4.4 Other | - | - |
| Total: cash at end of quarter ¹ (item 1.23) | 13,584 | 6,622 |

1. 'Cash at end of quarter' as at 30 September 2012 now excludes Restricted Cash Equivalents of A\$2,224,144 pledged as security for bank guarantees (and so unavailable for use by the Group).

Acquisitions and disposals of business entities

| | Acquisitions <i>(Item 1.9(a))</i> | Disposals <i>(Item 1.10(a))</i> |
|---|--------------------------------------|------------------------------------|
| 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: [] October 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.