

30 October 2013

Cashflow Report for the September Quarter

Ceramic Fuel Cells Limited (AIM/ASX: CFU), today released its quarterly cashflow report for the period ended 30 September 2013.

Highlights

- Sales volume – 49 units sold this quarter
- Increased number of German states providing subsidies
- Direct sales team generating greater volumes of sales leads in Germany and the UK
- Cash position at 30 September 2013 AUD 4.1m (GBP 2.5m)

Operational Review

Introduction

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 commercialised its technology into products and is now focused on selling these products to commercial customers in Europe.

Market Developments and Sales

As announced on 10 October 2013, The Government in the German state of Hesse has announced a funding program to support micro combined heat and power (mCHP) installations. The level of subsidy per unit is comparable to that of the North Rhine Westphalia programme at circa €13,000 per installed mCHP unit.

The Company is also pleased to announce that The Government in the German state of Saxony has announced a €3m (AUD 4.3m, GBP 2.6m) funding programme for fuel cell products. Under the programme up to 75% of the product and installation costs will be funded. The programme will be in place until the end of 2014.

CFU remains confident that other German states will soon be announcing programmes to support clean energy. These subsidies are in addition to the German Federal Government feed-in tariff for mCHP products.

As a result (and as previously announced to the market), in response to the opportunities these subsidies provide, the Company has expanded its direct sales channels in both Germany and the UK. These direct sales teams are generating a greater volume of sales leads and product interest and the Company is confident that these will translate into an increasing number of sales.

On 10 October 2013 the Company announced that the second tranche of 40 mCHP units under the Soft-Pac project will be installed in the third quarter of this financial year. The Company is pleased with the interest shown in its "BlueGEN for free" sales initiatives and is in the process of finalising arrangements with a financier.

CFU is pleased to advise that it was awarded a tender to supply 10 BlueGENs and 2 mCHP units to the Local Gas and Heating Institute's "Innovation City Ruhr". These units will be installed in the city of Bottrop, in North Rhine Westphalia, over the coming months.

The Company believes that these orders are the initial signs of the impact of both subsidies becoming available and the investment that the Company has made in its sales resource gaining traction.

Sales volume during the first quarter of the year was 49 units. This compared to 48 units in the previous quarter and 47 units in the same quarter last year.

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

Unit sales booked to revenue			
	<i>Quarter</i>	<i>Qtr unit sales</i>	<i>FY unit sales</i>
FY11			61
FY12			169
FY13	September 2012	47	147
	December 2012	43	
	March 2013	9	
	June 2013	48	
FY14	September 2013	49	49

Financial Review

September Quarter Cash Flows

Net operating cash outflow for the September quarter was AUD 5.8m (GBP 3.5m). This compares to the previous quarter's pre-tax receipt, net operating cash outflow of AUD 6.2m (GBP 3.7m) and AUD 6.6m (GBP 4.0m) in the third quarter of FY 2013.

The Company lodged its tax return for FY2013 in early October 2013 which included circa \$4m (GBP 2.4m) of research and development activities for which it expects to receive a tax credit and resultant refund. Indications are that it will receive this refund in November. This is the second tax refund for research and development activities claimed by the Company following on from the receipt of AUD 5.2m (GBP 3.1m) in June 2013. It is anticipated that going forward claims will be made annually in early October subject to Australian taxation legislation remaining the same.

Net investing cash flows for the quarter were an outflow of AUD 0.3m (GBP 0.2m).

Net financing cash flows for the quarter were an inflow of AUD 0.06m (GBP 0.04m).

Cash on hand at 30 June was AUD 4.1m (GBP 2.5m).

In its Annual Report, the Company advised shareholders that it would maintain a focus on fundraising and strong cash management. It also stated that in order to meet its sales targets and to continue with its research and product development programme, a capital raising will be necessary.

For more information please contact:

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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 and is developing fully integrated power and heating products with leading energy companies E.ON UK in the United Kingdom 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 2013

Consolidated statement of cash flows

	Current quarter	Year to date (3 months)
	\$A'000	\$A'000
Cash flows related to operating activities		
1.1 Receipts from customers	908	908
1.2 Payments for		
(a) staff costs ¹	(3,193)	(3,193)
(b) advertising and marketing ²	(75)	(75)
(c) research and product development ³	(1,202)	(1,202)
(d) leased assets	-	-
(e) other working capital	(3,365)	(3,365)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest paid	-	-
1.6 Income taxes	-	-
1.7 Other		
- Net GST/VAT received/(paid)	954	954
- Government grants received/(repaid)	(28)	(28)
- Sundry income received	167	167
Net operating cash flows	(5,834)	(5,834)

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 2013, 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	Year to date (3 months)
		\$A'000	\$A'000
1.8	Net operating cash flows (carried forward)	(5,834)	(5,834)
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	(318)	(318)
	(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)	-	-
	Net investing cash flows	(318)	(318)
1.14	Total operating and investing cash flows	(6,152)	(6,152)
Cash flows related to financing activities			
1.15	Proceeds from issues of shares	-	-
1.16	Proceeds from sale of forfeited shares	-	-
1.17	Proceeds from borrowings – convertible loan notes	339	339
1.18	Repayment of borrowings – finance lease	(80)	(80)
1.19	Dividends paid	-	-
1.20	Other - Financial assets: Net proceeds/(Net payments) ¹	-	-
	Other - Share issue costs	-	-
	Other - Convertible loan note issue costs	(59)	(59)
	Other - Interest received	19	19
	Other - Interest paid on borrowings (convertible notes)	(138)	(138)
	Other - Interest paid on borrowings (finance lease)	(17)	(17)
	Net financing cash flows	64	64
	Net increase (decrease) in cash held	(6,088)	(6,088)
1.21	Cash at beginning of quarter/year to date	10,010	10,010
1.22	Exchange rate adjustments on foreign currency cash balances	146	146
1.23	Cash at end of quarter	4,068	4,068

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	81
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	4,068	10,010
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 (item 1.23)	4,068	10,010

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

- 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] October 2013

Print name: Alasdair Locke
 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.