

31 January 2014

## Cashflow Report for the December Quarter

Ceramic Fuel Cells Limited (AIM/ASX: CFU), today released its quarterly cashflow report for the period ended 31 December 2013.

### Highlights

- Agreement signed with Baltic Distributor for 1,000 BlueGENs on a take-or-pay basis over CY2014 and CY2015 worth in excess of A\$30M (£17M).
- Sales volume – 75 units sold this quarter, 124 units sold year-to-date.
- Assets of powder plant sold for circa A\$1.9M (£1.2M).
- Share Purchase Plan and Overseas Offer raised A\$5.8M (£3.3M) before expenses. Of the amount raised, A\$4.2M (£2.4M) was received in December 2013 and A\$1.6M (£0.9M) in early January 2014.
- Research and development taxation refund of A\$4.02M (£2.3M) received.
- Cash position at 31 December 2013 A\$9.0M (£5.3M)

### 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 28 November 2013, CFU entered into an exclusive distribution agreement with Synergy International OÜ (SI) for the Baltic States and Scandinavia. Under this agreement, a minimum of 1,000 BlueGEN m-CHP units, valued in excess of A\$30M (£17M), will be sold to SI over the next two calendar years. The agreement has the option to be extended for a third year.

SI will be responsible for arranging the distribution and servicing of CFU's BlueGEN units across its distribution region. Under the agreement SI will purchase from CFU, on a take-or-pay basis, 500 BlueGEN units in CY2014 and a further minimum 500 units in CY2015. The first 100 systems are scheduled to be delivered in the first quarter of CY2014. CFU is working with SI to receive the upfront payment as soon as the necessary banking formalities are complete. Further payments will be received quarterly in advance for units to be delivered during the forthcoming quarter.

On 13 November 2013 the Company announced it had received an order for 45 BlueGENs to be installed on the Dutch island of Ameland. The first 5 BlueGENs were despatched in December with the remainder to be installed by the end of June 2014.

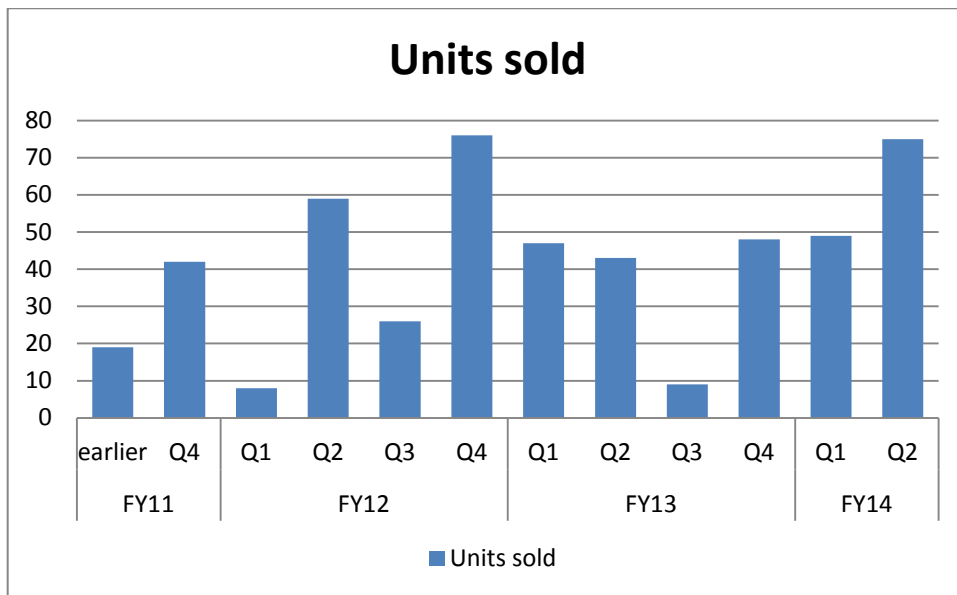
In the same announcement, CFU advised it had formed a partnership with National Grid Affordable Warmth Solutions (National Grid AWS) for the delivery of ten BlueGEN m-CHP systems for installation at social housing partners in the UK over this financial year. Under the agreement, National Grid AWS will gift

BlueGEN units to Housing Provider partners on the basis of receiving feed in tariff payments, which will fund future projects aimed at reducing fuel costs for social housing tenants. In return, the Housing Providers and their residents will benefit from the low cost electricity generated by the BlueGENs.

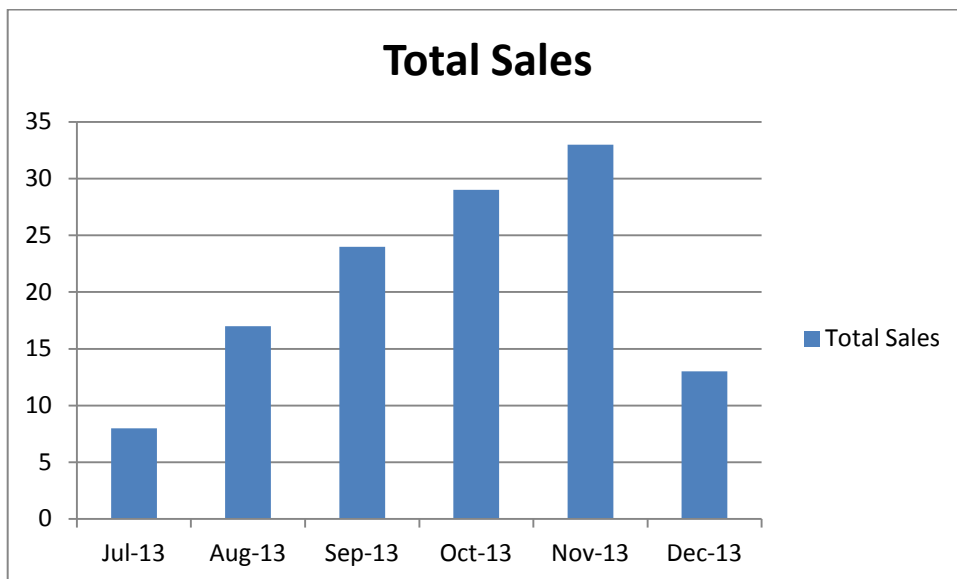
CFU also received an order for 5 BlueGENs from Liander, in the Netherlands, and these were despatched in December 2013.

On 18 December 2013 the Company announced that it had sold its powder plant assets to a subsidiary of ICL-PP Europe. A change in production process had resulted in CFU no longer utilising the powder from the plant, hence, the Company realised a surplus asset for circa A\$1.9M (£1.2M) which will have no detrimental production or financial effect on the Company. These assets were fully impaired. The cash proceeds arising from this sale were received in December 2013.

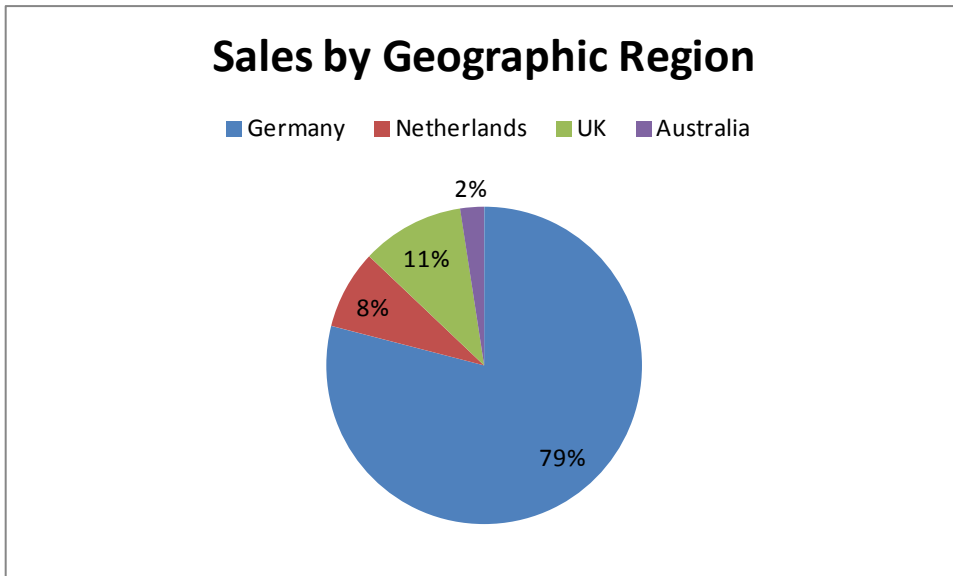
A summary of the Company's sales performance since FY11 is as follows:



Monthly sales for the 6 months to 31/12/13 were as follows:



Sales by geographical region for the six months to 31 December 2013 were as follows:



During the December quarter the major customers were: EWE (23 units); "Innovation City Ruhr" in NRW (12 units); National Grid AWS (10 units); Jurgen Hohnen (7 units); Cool Endeavour BV (Dutch Island of Ameland) (5 units); and Liander (5 units).

## Financial Review

### December Quarter Cash Flows

Net operating cash outflow for the December quarter was A\$1.22M (£0.7M). This compares to the previous quarter's net operating cash outflow of A\$6.0M (£3.5M) and the June 2013 quarter's pre-tax outflow of A\$6.2M (£3.6M). The Company received a tax refund of A\$4.02M (£2.3M) for its research and development expenditure for FY2013 in November, hence the operating cash outflow before the tax receipt was A\$5.24M (£3.0M).

Net investing cash flow for the quarter was an inflow of A\$1.96M (£1.1M). The inflow was mainly due to the receipt of the proceeds of the sale of the powder plant assets referred to in the operational review above.

Net financing cash flow for the quarter was an inflow of A\$3.93M (£2.3M). On 4 December 2013, the Company announced that it was undertaking a Share Purchase Plan and Overseas Offer which closed on 20 December. The Company raised A\$5.8M (£3.3M) from these offers before expenses. Of the amount raised, A\$4.2M (£2.4M) was received in December, with the remaining A\$1.6M (£0.9M) received in early January 2014.

Cash on hand at 30 September 2013 was A\$4.1M (£2.4M).

Cash on hand at 31 December 2013 was A\$9.03M (£5.3M).

**For more information please contact:**

**Ceramic Fuel Cells Limited**

Clifford Ashby (CFO)	Tel. : +61 (0) 3 9554 2300
	Email : <a href="mailto:investor@cfcl.com.au">investor@cfcl.com.au</a>
Bob Kennett (CEO)	Tel. : +44 776 4200661
	Email : <a href="mailto:investor@cfcl.com.au">investor@cfcl.com.au</a>
Ludmila Fuhrmann	Tel. : +49 (0) 171 1933 611
Corporate Communications	Email : <a href="mailto:Ludmila.Fuhrmann@cfcl.com.au">Ludmila.Fuhrmann@cfcl.com.au</a>

**Arden Partners Plc (AIM Nomad)**

Steve Douglas	Tel. : +44 (0) 12 1423 8900
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**German media enquiries**

Sebastian Mewißen	Tel. : +49 (0) 171 1933 611
Hering Schuppener Consulting	E-Mail : <a href="mailto:smewissen@heringschuppener.com">smewissen@heringschuppener.com</a>

**UK media enquiries**

David Stürken	Tel. : +44 (0) 207 379 5151
Maitland	Email : <a href="mailto:dsturken@maitland.co.uk">dsturken@maitland.co.uk</a>

**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, Benelux and the Baltic States 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](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")

**31 DECEMBER 2013**

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from customers	2,321	3,229
1.2 Payments for		
(a) staff costs <sup>1</sup>	(3,358)	(6,551)
(b) advertising and marketing <sup>2</sup>	(602)	(677)
(c) research and product development <sup>3</sup>	(1,333)	(2,535)
(d) leased assets	-	-
(e) other working capital	(2,793)	(6,358)
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	4,023
1.7 Other		
- Net GST/VAT received/(paid)	278	1,232
- Government grants received/(repaid)	-	(28)
- Sundry income received	246	413
<b>Net operating cash flows</b>	<b>(1,218)</b>	<b>(7,252)</b>

#### 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 (6 months)
		\$A'000	\$A'000
1.8	Net operating cash flows (carried forward)	<b>(1,218)</b>	<b>(7,252)</b>
	<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	(31)	(149)
	(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	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	14
	<b>Net investing cash flows</b>	<b>1,957</b>	<b>1,839</b>
<b>1.14</b>	<b>Total operating and investing cash flows</b>	<b>739</b>	<b>(5,413)</b>
	<b>Cash flows related to financing activities</b>		
1.15	Proceeds from issues of shares	4,197	4,197
1.16	Proceeds from sale of forfeited shares	23	23
1.17	Proceeds from borrowings – convertible loan notes	-	339
1.18	Repayment of borrowings – finance lease	(92)	(172)
1.19	Dividends paid	-	-
1.20	Other - Financial assets: Net proceeds/(Net payments) <sup>1</sup>	-	-
	Other - Share issue costs	(6)	(6)
	Other - Convertible loan note issue costs	(28)	(87)
	Other - Interest received	14	33
	Other - Interest paid on borrowings (convertible notes)	(163)	(301)
	Other - Interest paid on borrowings (finance lease)	(17)	(34)
	<b>Net financing cash flows</b>	<b>3,928</b>	<b>3,992</b>
	<b>Net increase (decrease) in cash held</b>	<b>4,667</b>	<b>(1,421)</b>
1.21	Cash at beginning of quarter/year to date	4,068	10,010
1.22	Exchange rate adjustments on foreign currency cash balances	299	445
1.23	<b>Cash at end of quarter</b>	<b>9,034</b>	<b>9,034</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	74
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: \$69k  
 - Interest paid to A Locke on conversion of loan notes: \$5k

**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	9,034	4,068
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>9,034</b>	<b>4,068</b>

### 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: 31 January 2014

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.