

25 February 2016

Ceres Power Holdings plc

Interim results for the six months ended 31 December 2015

Ceres Power Holdings plc ("Ceres", "Ceres Power", "the Company" or "the Group") (AIM: CWR.L) announces its interim results for the six months ended 31 December 2015.

Key Highlights:

- New Joint Development Agreement with Honda R&D signed following on from successful two year period of working together
- First Evaluation Agreement signed for multi kW application with new Global OEM
- High speed print line commissioned at Horsham showing reduction in key process step time by a factor of 10
- Growing number of early stage customer technology evaluations with systems on test in South Korea and Japan
- Formal release of latest V3 cell technology to customers with degradation enabling 7 year product life and more than 50% net electrical efficiency for residential applications
- First proof of concept for multi kW system built demonstrating more than 55% net efficiency which enables new power-only market applications
- Expansion of Commercial team with Tony Cochrane appointed as Chief Commercial Officer based in North America and opening of South Korean office

Key Financial Results:

	Six months ended 31 December 2015 (unaudited) £'000	Six months ended 31 December 2014 (unaudited) £'000
Total revenue and other operating income, comprising	453	427
Revenue	235	133
Other operating income	218	294
Operating loss	(6,235)	(5,314)
Equity free cash flow ¹	(5,431)	(4,528)
Cash and short term investments	12,753	22,735

Phil Caldwell, CEO, commented:

"The Honda agreement is the first of several key commercial partnerships we expect to sign in 2016 against our stated aim of securing five leading OEMs within the next two years. We expect further commercial partners for new applications and markets based on the recent improvements in efficiency and power density of the Steel Cell technology."

1. equity free cash outflow (EFCF) is the net decrease in cash and cash equivalents in the year less net cash generated from financing activities less the movement in short term investments

About Ceres Power

Ceres Power (<http://www.cerespower.com/>) is a world leader in low cost, next generation fuel cell technology for use in distributed power products that reduce operating costs, lower CO₂, SO_x and NO_x emissions, increase efficiency and improve energy security. The Ceres unique patented Steel Cell technology generates power from widely available fuels at high efficiency and is manufactured using standard processing equipment and conventional materials such as steel, meaning that it can be mass produced at an affordable price for domestic and business use.

Ceres offer its partners the opportunity to develop power systems and products using its unique Steel Cell technology and know-how, combined with the opportunity to supply the Steel Cell in volume through its manufacturing partners.

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Chairman's statement

We have strategically positioned Ceres Power to be capable of attracting and working with the world's leading power system companies and we indicated last year that we expected to convert a number of opportunities into commercial agreements. The recent announcement of our collaboration with Honda is the first of these agreements and the strongest validation of the Ceres team and Steel Cell technology to date following two years of working together. Over the past few years we have invested in the core capability and the team at Ceres Power and it is very satisfying to see this now coming through with some exciting commercial progress for the business.

Our vision is to be able to provide a fuel cell for every home and business. Since its foundation Ceres has been focused on micro CHP, which are key markets in Japan, Korea and Europe in providing increased energy efficiency and low carbon heat for the home. However we are now also able to address the business side of this vision with a growing number of power-only applications. This has been made possible by the significant progress delivered in the latest technology release by the technical team in targeting high efficiency, higher power applications.

Despite the recent uncertainty in the economic climate, the need for cleaner affordable power generation continues to grow as emphasised by the recent progress made in the Paris COP21 agreement between almost 200 countries in taking steps to reduce emissions to meet the growing challenge of climate change. The shift towards cleaner distributed power generation continues to grow globally and this is reflected in the customer pipeline at Ceres with an increasing number of early stage evaluations targeting the business sectors with interest in commercial/light industrial applications.

I'm pleased to say that we now have a number of customer engagements underway which can create significant additional value for the company in addition to the considerable opportunity that already exists for Ceres in the residential applications.

Working with companies such as Honda continues to drive focus and maturity in the business in delivering to cost, quality and at the high volumes that customers require and our recent installation of a high speed print line in the UK is a key step in demonstrating to our customers and potential manufacturing partners that we can also scale the business to meet customer demands in different regions globally.

We have made a strong start to this year and the company is now at an exciting stage of its development as we look forward to securing more key commercial partnerships and building Ceres Power to be one of the leading companies in this sector.

Alan Aubrey

Chairman

1. 'Global Distributed Generation Deployment Forecast', Navigant Research, 2014.
2. 'Fuel Cells Annual Report 2014', Navigant Research

Chief Executive's statement

We've had a strong start to 2016 commercially following excellent technical and commercial progress in the past 6 months. This has enabled us to focus on securing new commercial partners in new markets. The Honda agreement is the first of several key commercial partnerships we expect to sign in 2016 against our stated aim of securing five leading OEMs within the next two years.

Our technology continues to advance with the release of the V3 Steel Cell offering increased power density and efficiency and we are on track to release our latest V4 technology to customers in the summer of 2016.

The increases in performance that we announced in December 2015 enable us to target applications beyond our established residential micro CHP offering into power only for commercial/light industrial applications and it places the Company's technology firmly into the higher power application space. We are seeing a high level of interest in these applications and we recently signed our first evaluation for this technology for a multi-kW application.

On the operations side we have recently commissioned our new high speed print line which is a key enabler in manufacturing the Steel Cell at scale.

Commercial Progress

Following two years of extensive testing and development we are delighted to have signed a new two-year JDA with Honda R&D. Not only is this an exciting partner for Ceres to work with as they are clearly consistent with our strategy of targeting the leaders in power system products globally, but also Honda's requirements for quality and performance push our engineering team to deliver to the highest standards in the industry. Our success to date in growing this relationship with Honda is a huge endorsement of our team's dedication and ability and has generated further interest with a growing pipeline of companies looking at the Steel Cell technology. Under this new JDA the companies will jointly develop Solid Oxide Fuel Cell stacks using Ceres Power's unique metal supported Steel Cell technology for a range of potential power equipment applications.

The Ceres Power and Honda joint development will also include a third party manufacturer who will consider the future mass production scale-up of the Steel Cell technology based on Ceres Power's manufacturing processes. This represents an important advancement in the relationship and is consistent with our strategy of being able to scale production of the Steel Cell as required with key partners in target geographies.

I am also pleased with recent progress in the technology, which has enabled us to target new market applications and we recently signed a new OEM Evaluation agreement and commissioned a complete Steel Cell system for a period of rigorous testing at a new customer site. If the testing proves successful the two parties intend to enter into a Joint Development of a multi kW system later this year.

The Steel Cell technology is attractive for a number of applications as a superior alternative to diesel generator sets and gas engines because it produces close to zero SOx and NOx emissions which will be key to ensuring cleaner cities, whilst also lowering CO₂ and energy bills by around a third.

Our existing commercial relationship with KD Navien continues to progress and we have met all of the performance requirement to date in this engagement and hope to advance this further this year.

In the past 6 months I decided to strengthen the commercial team and was delighted to be able to recruit Tony Cochrane as Chief Commercial Officer bringing considerable experience and leadership in the fuel cell sector from his time in Ballard Power Systems. Tony is based in North America, further boosting access to this market segment and this adds to our offices in Japan and South Korea. Our experience to date in Japan of committing resource to key target markets has paid off in growing our pipeline and reputation in the world's most advanced fuel cell market. We will continue to grow the commercial team with localised representation as we go after key target markets and applications.

I am very pleased that the hard work in building our commercial pipeline is now coming through into customer contracts and I expect this to translate into increasing revenues for the rest of the year. Our ambition remains to work with the leaders in each market sector we target and have five significant partnerships in place within two years and we are delivering against this strategy.

Technology

We now have a well-established R&D roadmap with which we are making great progress in the performance of the technology ahead of a rigorous planned annual release of our platforms to customers.

In November we released our V3 technology to customers following extensive internal testing and validation proving durability as well as lifetime. Looking forward, our V4 release to customers is on track for mid-2016 and serves two primary purposes: preparing the technology for scale-up, as well as improving performance and reducing cost further.

For the residential market we have developed the Steel Gen platform, a 1kW class power system that uses the V3 technology, to achieve 50% net electrical efficiency in one of the most compact fuel cell system design available. This platform is now available to OEM partners, allowing fuel cell power systems running on natural gas and based on Ceres Power's Steel Cell technology to achieve significant power-only efficiencies in the home or business which are higher than the best state-of-the-art centralised generating plants and overall efficiency up to 90% when also capturing the heat.

A new focus over the past year has been to develop the technology to be able to access the very significant business/commercial markets. These require higher power system outputs so we have developed a modular stack concept for the first time, which has achieved more than 55% net electrical efficiency. This is hugely important as 50% is the tipping point when the technology becomes viable for commercial and light industrial scale applications. This new workstream will continue to develop the technology specifically for multi kW applications.

In addition to the above we have a number of advanced engineering programmes that are set to deliver some exciting new developments later this year in our stack and system architecture, which should benefit all potential applications.

As a technology company we will continuously improve the core technology against our targets for performance, robustness and cost to provide strong economic benefit for the end user at an affordable price point and serve to strengthen our USP and competitive position.

Operations and Manufacturing

Over the past six months under the leadership of James Falla, our COO, we have made significant progress on our production scale-up projects, which are designed to demonstrate and validate that the production process is suitable for high-volume fuel cell manufacture at market cost-points. We are on track for delivery this year through the V4 programme.

A good example of this is the recently announced successful commissioning of our high-speed print line in Horsham part-funded by a £700k grant from Innovate UK.

The print line is the first of its kind in the UK that can print very thin ceramic layers at high speed on steel fuel cell substrates. Jointly developed with ASM Alternative Energy it combines ASM's high-speed photovoltaic manufacturing processes solutions with Ceres' own existing manufacturing capabilities. This has achieved a 10-fold increase in processing speed, reducing print-cycle time from 30 seconds to just 3 seconds and demonstrates that Ceres' processes are consistent with low cost, high volume fuel cell manufacturing.

Looking ahead, we are in discussions with several manufacturing partners to scale the business in line with OEM demand, with a particular focus on Asia as a first market.

Financial

During the period equity free cash outflow (EFCF)¹ was £5.4m (2014: £4.5m). This planned increase was driven by both the Company's continued development of its technology, incurring 'cash operating costs'² of £5.4m (2014: £4.6m), and by additions to the Group's test and manufacturing infrastructure as it incurred £1.0m capital expenditure (2014: £0.8m). The business is now investing on expanding its multi-kW capability at all levels, as well as continuing the core 1kW development.

Revenue and other operating income, which was predominantly income from grants, was £0.45m (2014: £0.43m) with an increased amount of revenue primarily generated from customer evaluation and joint development agreements of £0.2m (2014: £0.1m). This doesn't yet reflect commercial progress that has been made in the last few months with the signing of several new customer agreements, and we expect revenue in the full year to be significantly higher than last year.

The Company ends the period with £12.8m in cash and cash equivalents and short-term investments (2014: £22.7m) and we have a good expectation of raising further funding before the end of 2016, which is required in order to continue our activities and to fund the growing opportunity we see in the higher power markets, and supplements income from customers and government grants.

An important form of funding to the business continues to come in the form of R&D tax credits. The company received £0.8m of tax credit relating to the year ended 30 June 2015 in the period (2014: £0.2m) and expects to receive the remaining balance (£0.7m) in the coming months.

The Company's loss for the financial period rose from £4.7m in 2014 to £5.5m, in line with internal expectations and as a result of the continued investment in test, validation and engineering

1 Equity free cash outflow (EFCF) is the net change in cash and cash equivalents in the year less net cash generated from financing activities less the movement in short term investments.

2 Cash operating costs being operating costs less depreciation and share based payments charge.

capability as we grow the business.

Outlook

Our vision is a fuel cell for every home and business and to realise this ambition we are targeting working with the leading power systems companies globally across a range of geographies and applications.

The Honda agreement is the first of several key commercial partnerships we expect to sign this year against our stated aim of securing five leading OEMs within the next two years. We expect to secure further commercial partners for both residential products and, with increasing focus, new applications and markets based on the recent and continuing advancements in performance of the Steel Cell.

We expect the commercial progress we have made will provide an uplift in revenue in the second half of FY 2015/16 and into FY 2016/17.

Our roadmap continues on track and we are due to release our latest V4 technology to customers during the summer and as stated earlier, we anticipate delivering exciting new developments later in the year. We continue to work on scaling up our manufacturing capability at Horsham and also engage with manufacturing partners for key territories to support our commercial efforts.

We have a strong and dedicated team at Ceres Power who I would like to thank for the continued dedication and hard work and we are all looking forward to seeing this effort result in further commercial progress in the year ahead.

Philip Caldwell

Chief Executive Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 31 December 2015

	Note	Six months ended 31 December 2015 (Unaudited) £'000	Six months ended 31 December 2014 (Unaudited) £'000	Year ended 30 June 2015 (Audited) £'000
Revenue		235	133	324
Cost of sales		(123)	(136)	(191)
Gross profit/(loss)		112	(3)	133
Operating costs	2	(6,565)	(5,605)	(12,476)
Other operating income		218	294	621
Operating loss		(6,235)	(5,314)	(11,722)
Interest receivable		49	58	110
Loss before income tax		(6,186)	(5,256)	(11,612)
Income tax credit		698	550	1,571
Loss for the financial period / year and total comprehensive loss		(5,488)	(4,706)	(10,041)
Losses per £0.01 ordinary share expressed in pence per share:				
Basic and diluted loss per share	3	(0.71)p	(0.64)p	(1.33)p

All activities relate to the Group's continuing operations and the loss for the financial period is fully attributable to the owners of the Parent.

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2015

	Note	31 December 2015 (Unaudited) £'000	31 December 2014 (Unaudited) £'000	30 June 2015 (Audited) £'000
Assets				
Non-current assets				
Property, plant and equipment		2,559	1,998	2,080
Other receivables		-	53	-
Total non-current assets		2,559	2,051	2,080
Current assets				
Trade and other receivables		755	885	982
Current tax receivable		1,378	1,550	1,519
Short-term investments	6	7,000	12,000	6,000
Cash and cash equivalents	6	5,753	10,735	12,184
Total current assets		14,886	25,170	20,685
Liabilities				
Current liabilities				
Trade and other payables		(2,663)	(1,317)	(1,708)
Provisions for other liabilities and charges		(77)	(326)	(305)
Total current liabilities		(2,740)	(1,643)	(2,013)
Net current assets		12,146	23,527	18,672
Non-current liabilities				
Other payables		(58)	(1,146)	(1,121)
Provisions for other liabilities and charges		(865)	(966)	(950)
Total non-current liabilities		(923)	(2,112)	(2,071)
Net assets		13,782	23,466	18,681
Equity				
Share capital	4	7,725	7,725	7,725
Share premium account		90,120	90,115	90,120
Capital redemption reserve		3,449	3,449	3,449
Other reserve		7,463	7,463	7,463
Profit and loss account (deficit)		(94,975)	(85,286)	(90,076)
Total equity		13,782	23,466	18,681

The accompanying notes are an integral part of these financial statements.

The interim financial statements were approved by the Board of Directors on 24 February 2016 and were signed on its behalf by:

Philip Caldwell

Richard Preston

Director

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 31 December 2015

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other reserve £'000	Profit and loss account (deficit) £'000	Total £'000
At 1 July 2014	5,369	72,907	3,449	7,463	(81,115)	8,073
Comprehensive loss						
Loss for the period	-	-	-	-	(4,706)	(4,706)
Total comprehensive loss	-	-	-	-	(4,706)	(4,706)
Transactions with owners						
Issue of shares, net of costs	2,356	17,208	-	-	-	19,564
Share-based payments charge	-	-	-	-	535	535
Total transactions with owners	2,356	17,208	-	-	535	20,099
At 31 December 2014	7,725	90,115	3,449	7,463	(85,286)	23,466
Comprehensive loss						
Loss for the period	-	-	-	-	(5,335)	(5,335)
Total comprehensive loss	-	-	-	-	(5,335)	(5,335)
Transactions with owners						
Issue of shares, net of costs	-	5	-	-	-	5
Share-based payments charge	-	-	-	-	545	545
Total transactions with owners	-	5	-	-	545	550
At 30 June 2015	7,725	90,120	3,449	7,463	(90,076)	18,681
Comprehensive loss						
Loss for the period	-	-	-	-	(5,488)	(5,488)
Total comprehensive loss	-	-	-	-	(5,488)	(5,488)
Transactions with owners						
Share-based payments charge	-	-	-	-	589	589
Total transactions with owners	-	-	-	-	589	589
At 31 December 2015	7,725	90,120	3,449	7,463	(94,975)	13,782

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 31 December 2015

	Note	Six months ended 31 December 2015 (Unaudited) £'000	Six months ended 31 December 2014 (Unaudited) £'000	Year ended 30 June 2015 (Audited) £'000
Cash flows from operating activities				
Cash used in operations	5	(5,310)	(3,917)	(9,182)
Income tax received		839	166	1,218
Net cash used in operating activities		(4,471)	(3,751)	(7,964)
Cash flows from investing activities				
Purchase of property, plant and equipment		(1,013)	(848)	(1,243)
Movement in short-term investments		(1,000)	(12,000)	(6,000)
Finance income received		49	53	110
Net cash generated used in investing activities		(1,964)	(12,795)	(7,133)
Cash flows from financing activities				
Proceeds from issuance of ordinary shares		-	20,035	20,035
Net expenses of shares issued		-	(471)	(466)
Net cash generated from financing activities		-	19,564	19,569
Net (decrease)/ increase in cash and cash equivalents		(6,435)	3,018	4,472
Exchange gains on cash and cash equivalents		4	18	13
		(6,431)	3,036	4,485
Cash and cash equivalents at beginning of period		12,184	7,699	7,699
Cash and cash equivalents at end of period		5,753	10,735	12,184
Reconciliation to net funds				
Opening net funds		18,184	7,699	7,699
Net (decrease)/ increase in cash and cash equivalents		(6,431)	3,036	4,485
Increase in short-term investments		1,000	12,000	6,000
Closing net funds (note 6)		12,753	22,735	18,184

The accompanying notes are an integral part of these financial statements.

Notes to the financial statements for the six months ended 31 December 2015

1. Basis of preparation

This condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

The annual financial statements of the group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the company's published consolidated financial statements for the year ended 30 June 2015.

This interim report, which comprises the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes, is unaudited and does not constitute audited accounts within the meaning of the Companies Act 2006. The accounts for the year ended 30 June 2015, on which the auditors gave an unqualified audit opinion, have been filed with the Registrar of Companies.

The accounting policies adopted are consistent with those of the financial statements for the year ended 30 June 2015, as described in those financial statements. As at the date of signing the interim financial statements, there are no new Standards likely to affect the financial statements for the year ending 30 June 2016.

The Company is continuing to develop and commercialise its core Steel Cell fuel cell system technology. The Company raises finance to part-fund its activities in discrete tranches and further funding will be raised as and when required.

The directors prepare annual budgets and cash flow projections that extend beyond 12 months from the date of this report. These projections include the proceeds of future fundraising to be secured within the calendar year to meet the Group's planned expenditures and to maintain the Group as a going concern. Although the Group has been successful in raising finance in the past, there is no assurance that it will obtain adequate finance in the future and, as such, there remains a material uncertainty about the Group's ability to trade as a going concern. However, because of the Group's relationships with certain shareholders, the directors have a good expectation that they will secure the additional funding when required to continue meeting the Group's funding requirements for the foreseeable future and therefore believe that the going concern basis is appropriate for the preparation of the financial statements. The financial information does not include the adjustments that would result if the Group was unable to continue as a going concern.

Notes to the financial statements for the six months ended 31 December 2015

2. Operating costs

Operating costs are split as follows:

	Six months ended 31 December 2015 (Unaudited) £'000	Six months ended 31 December 2014 (Unaudited) £'000	Year ended 30 June 2015 (Audited) £'000
Research and development costs	4,905	3,920	9,146
Administrative expenses	1,660	1,685	3,330
	6,565	5,605	12,476

3. Loss per share

	Six months ended 31 December 2015 (Unaudited) £'000	Six months ended 31 December 2014 (Unaudited) £'000	Year ended 30 June 2015 (Audited) £'000
Loss for the financial period / year attributable to shareholders	(5,488)	(4,706)	(10,041)
Weighted average number of shares in issue	772,537,841	735,388,547	753,164,756
Loss per £0.01 ordinary share (basic & diluted)	(0.71)p	(0.64)p	(1.33)p

4. Share capital

Ceres Power Holdings plc has called-up share capital totalling 772,537,841 £0.01 ordinary shares as at 31 December 2015 (772,537,841 ordinary shares of £0.01 each at 31 December 2014).

During the period ended 31 December 2014 235,705,868 ordinary shares of £0.01 each were issued as a placing on AIM for cash consideration of £20,035,000. Expenses of the issue were £466,000.

Notes to the financial statements for the six months ended 31 December 2015

5. Cash used in operations

	Six months ended 31 December 2015 (Unaudited) £'000	Six months ended 31 December 2014 (Unaudited) £'000	Year ended 30 June 2015 (Audited) £'000
Loss before income tax	(6,186)	(5,256)	(11,612)
Adjustments for:			
Other finance income	(49)	(58)	(110)
Depreciation of property, plant and equipment	534	486	926
Share-based payments charge	589	535	1,080
Operating cash flows before movements in working capital	(5,112)	(4,293)	(9,716)
Decrease in trade and other receivables	227	344	295
(Decrease)/increase in trade and other payables	(112)	148	392
Decrease in provisions	(313)	(116)	(153)
(Increase)/decrease in working capital	(198)	376	534
Cash used in operations	(5,310)	(3,917)	(9,182)

6. Net cash, short-term investments and financial assets

	31 December 2015 (Unaudited) £'000	31 December 2014 (Unaudited) £'000	30 June 2015 (Audited) £'000
Cash at bank and in hand	1,577	1,256	1,135
Short-term bank deposits < 3 months	-	5,029	-
Money market funds	4,176	4,450	11,049
Cash and cash equivalents	5,753	10,735	12,184
Short-term investments (bank deposits > 3 months)	7,000	12,000	6,000
	12,753	22,735	18,184

The Group typically places surplus funds into pooled money market funds and bank deposits with durations of up to 12 months. The Group's treasury policy restricts investments in short-term sterling money market funds to those which carry short-term credit ratings of at least two of AAAM (Standard & Poor's), Aaa/MR1+ (Moody's) and AAA V1+ (Fitch) and deposits with banks with minimum long-term rating of A/A-/A3 and short-term rating of F-1/A-2/P-2 for banks which the UK Government holds less than 25% ordinary equity.

Independent review report to Ceres Power Holdings plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2015, which comprise the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules for Companies which require that the financial information must be presented and prepared in a form consistent with that which will be adopted in the company's annual financial statements.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with the basis of preparation set out in note 1.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the AIM Rules for Companies and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Emphasis of matter – Going concern

In forming our opinion on the condensed set of financial statements, which is not modified, we have considered the adequacy of the disclosure made in Note 1 to the consolidated financial statements concerning the Group's ability to continue as a going concern. The Group incurred a loss for the period ended 31 December 2015 of £5.5 million and plans to raise funds in order to finance the Group's operations and to continue as a going concern for at least the next 12 months. However, there is no assurance that the Group will be able to obtain adequate finance through a fundraising in the future. This condition indicates the existence of a material uncertainty which may cast significant

doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Independent review report to Ceres Power Holdings plc

Conclusion

Apart from the emphasis of matter paragraph above, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 31 December 2015 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the AIM Rules.

James Ledward (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor Chartered Accountants

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24 February 2016