



22 January 2010

Ceramic Fuel Cells Limited

Quarterly Cashflow Report and Trading Update

Ceramic Fuel Cells Limited (AIM / ASX: CFU) a leading developer of high efficiency and low emission power products for homes, today released its quarterly cashflow report for the period ended 31 December 2009.

Operational Review

Integrated mCHP

During the December quarter the Company achieved its target of installing complete integrated power and heating (mCHP) units. The first integrated units were installed with appliance partners in Germany, the United Kingdom and France before Christmas. This follows the successful completion of field trials of semi-integrated units in 2008-09.

In these partnerships Ceramic Fuel Cells supplies its Gennex fuel cell modules to appliance partners, which integrate them with high efficiency boilers into single units which convert natural gas into power, hot water and space heating for homes. These units are highly efficient and have low emissions.

The functionality and performance of the integrated units will be tested to the requirements of a commercial product. The Company plans to build and deploy an increasing number of units with its partners during 2010-11.

BlueGen

In parallel with the integrated mCHP product, the Company has developed a modular product called BlueGen. BlueGen uses the same Gennex fuel cell module to generate power and heat for hot water. It is ideal for customers and markets that do not need space heating, or already have an adequate space heating solution. One BlueGen unit can provide about double the power the average home needs – excess power can be exported to the grid – plus hot water for an average family's needs.

During the quarter the Company received its first orders for BlueGen units.

VicUrban, the Victorian Government's sustainable urban development agency, will install three BlueGen units in high profile housing development sites in Melbourne. The first unit was installed before Christmas at VicUrban's 'Aurora' development in Melbourne's north. The Company is currently finalising safety approvals and arrangements to connect the unit to the power grid and begin generating and exporting power from the unit. Origin Energy, one of the largest energy retailers in Australia, has also joined in the demonstration project as VicUrban's selected energy retailer. Origin Energy will buy back excess electricity generated by the VicUrban BlueGen units.

Another leading energy retailer, Energy Australia, has also ordered a BlueGen unit for a showcase sustainability house in the Sydney suburb of Newington. The Company expects to deliver the BlueGen unit to Energy Australia by the end of March.

In November the Company appointed Neco, one of Australia's leading green retailers, to distribute BlueGen units in Australia. The non-exclusive agreement gives Neco the right to market, sell, install and service BlueGen units throughout Australia. Neco is currently preparing its BlueGen product

offering and a range of purchase options. The Company is also working with Neco to establish the BlueGen product service and support infrastructure.

In November the Company also received an order for a BlueGen unit from Paloma in Japan. Paloma is a leading global home heating manufacturer and owner of the Rheem, Solahart and Raypak brands. The BlueGen unit will be installed in Paloma's warehouse and sales office in Sapporo, Japan, by the end of March.

The Company expects to receive European 'CE' product certification for BlueGen by the end of March. Local approvals in Australia and other markets will follow the 'CE' approval.

The Company has received very strong interest from prospective BlueGen customers and sales partners in many markets around the world. The Company's current focus is to sell BlueGen products in markets where it already operates or has experience - mainly Europe, Australia, and Japan. As the BlueGen product matures, the Company will expand into other large global markets..

German manufacturing plant

In early October the Company officially opened its high volume manufacturing plant, one of the first in the world for the volume production of solid oxide fuel cell stacks. The manufacturing plant is located in an existing 4,200m² building in the Industriepark Oberbruch, 40 minutes' drive from Dusseldorf in the North Rhine-Westphalia region of Germany.

The plant was officially opened by Dr Jens Baganz, State Secretary for the Ministry of Economic Affairs and Energy of the State of North Rhine-Westphalia, before more than 100 guests, including Government representatives and key customers, suppliers, investors and media.

At the opening of the plant the equipment, including state-of-the-art robotic assembly machines, was commissioned and operational. During the quarter the Company continued a detailed 'technology transfer' process, to ensure the German manufacturing equipment and processes match the specific fuel cell stack design requirements of the Melbourne development team. The German plant is producing early fuel cell stacks to validate this technology transfer process, before ramping up production to meet expected orders in the next few months.

Financial Review

Underlying net operating cash outflow for the December quarter was A\$3.7m (£2m) which is in line with last quarter. In December the Company received a regional development grant of A\$2.2m (£1.2m) from the Government of North Rhine Westphalia in Germany, bringing the final net operating cash outflow for the quarter down to A\$1.5m (£0.84m).

Receipts from customers were up by A\$0.6m (£0.3) reflecting the progress being made on the projects with European utilities and appliance partners to develop integrated m-CHP products. This increase in cash was offset by payments relating to inventory build up in preparation for the manufacture and sale of BlueGen units in 2010.

During the quarter cash outflow from investing activities was A\$2.0m (£1.1m) for payments relating to the Company's manufacturing plant in Germany.

Cash inflows from financing activities during the quarter totalled A\$2.4m (£1.3m). In December the Company concluded a sale-and-leaseback transaction on certain equipment at the Heinsberg plant with the Commerzbank Group. This resulted in a net cash inflow of A\$2.5m (£1.4m).

Cash at the end of the quarter was A\$24.1m (£13.5m).

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

For further information please contact:

Ceramic Fuel Cells

Andrew Neilson

Tel: +613 9554 2300

Email: investor@cfcl.com.au

Nomura Code Securities

Juliet Thompson, Chris Golden

Tel: +44 (0) 207 776 1200

Australia Media enquiries

Richard Allen, Oxygen Financial Public Relations

Tel: +613 9915 6341

About Ceramic Fuel Cells Limited:

Ceramic Fuel Cells Limited is a world leader in developing solid oxide fuel cell technology to provide highly efficient and low-emission electricity from widely available natural gas. The company is developing micro combined heat and power and distributed generation units that generate electricity and heat for homes and other buildings. Ceramic Fuel Cells is developing products with leading appliance partners and utility customers in Germany, France, the United Kingdom and Japan. In 2009 the company launched its BlueGen gas-to-electricity product. Ceramic Fuel Cells is headquartered in Melbourne, and has operations in the UK and 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 DECEMBER 2009

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	659	715
1.2 Payments for		
(a) staff costs ¹	(2,572)	(4,895)
(b) advertising and marketing ²	(145)	(199)
(c) research and product development ³	(993)	(1,539)
(d) leased assets	-	-
(e) other working capital	(719)	(1,584)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other		
- Net GST/VAT Received/(Paid)	89	310
- German (NRW) government grant received	2,221	2,221
- Sundry income received	31	91
Net operating cash flows	(1,429)	(4,880)

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 2009, 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)	(1,429)	(4,880)
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	(2,016)	(3,209)
	(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	(2,016)	(3,209)
1.14	Total operating and investing cash flows	(3,445)	(8,089)
Cash flows related to financing activities			
1.15	Proceeds from issues of shares, options, etc.	-	-
1.16	Proceeds from sale of forfeited shares	-	-
1.17	Proceeds from borrowings	2,450	2,450
1.18	Repayment of borrowings	-	-
1.19	Dividends paid	-	-
1.20	Other - Financial assets: Net proceeds/(Net payments) ¹	28	7,087
	Other - Share issue costs	-	-
	Other - Interest received	53	271
	Other - FX on inter-company loans	(144)	(1,243)
	Net financing cash flows	2,387	8,565
	Net increase (decrease) in cash held	(1,058)	476
1.21	Cash at beginning of quarter/year to date	25,682	25,527
1.22	Exchange rate adjustments on foreign currency cash balances	(518)	(1,897)
1.23	Cash at end of quarter²	24,106	24,106

1. The net proceeds from/(payments for) the disposal and purchase of the company's investments are at item 1.20
2. During the quarter an amount of A\$2.884m (€1.8m) was placed in a CFCL Group bank account that is pledged to support a bank guarantee issued in relation to the government grant received during the current period.

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	102
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

During the period the Group entered into a sale and lease-back transaction in relation to certain plant and equipment located at the new plant in Heinsberg, Germany. Under the transaction, equipment with a cost of €3,057,698 was sold and is being leased back under a 7 year finance lease. The initial upfront lease payment was €1,528,849 which resulted in a net funds inflow into the company of €1,528,849 (A\$2,449,686) which is shown in the line 'Proceeds from borrowings' within the Financing Cashflow section of the above statement.

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	10,501	22,180
4.2 Bank term deposits	13,605	3,502
4.3 Bank overdraft	-	-
4.4 Other	-	-
Total: cash at end of quarter (item 1.23)	24,106	25,682
Financial Assets	-	-
Total Cash and Financial Assets at end of quarter	24,106	25,682

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: 22 January 2010

Print name: John Dempsey
 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.