30 September 2021

Ceres Power Holdings plc

Half-yearly results for the six months ended 30 June 2021

COMMERCIAL PARTNERSHIPS DELIVER STRONG FIRST HALF GROWTH

Ceres Power Holdings plc (“Ceres Power”, “Ceres”, the “Company” or the “Group”) (AIM: CWR.L), a global leader in fuel cell and electrochemical technology, announces its half-yearly results for the six months ended 30 June 2021.

Financial highlights

- Revenue and other income up 96% to £17.4m (H1 2020: £8.9m), reflecting strong progress of commercial partnerships
- Increased gross profit of £12.2m (H1 2020: £7.1m) at sector-leading gross margin of 72% (H1 2020: 79%)
- Successfully raised net proceeds of £179m in March through an equity fundraising of 17.1 million new ordinary shares to support growth into electrolysis for green hydrogen and further SOFC applications. Weichai (20%) and Bosch (18%) fully supportive of the fundraising and strategy
- Group had £263m of cash and investments at 30 June 2021
- Order book* of £42.0m and pipeline* of £43.8m as at 30 June 2021

Commercial highlights

- New joint development programme for a 30kW stationary power system with Weichai, increasing the commercial scope of the agreement alongside transportation
- Discussions progressing well with Weichai on the JV and wider strategic relationship. No further update at this time
- First-of-a-kind solid oxide electrolyser (SOEC) 1MW-scale demonstrator to become operational in 2022. Strong commercial interest and discussions now in progress with several commercial partners
- Bosch to invest €400m into its solid oxide fuel cell (SOFC) business between now and 2024. It plans to put up to 100 small-scale stationary fuel cell power plants into operation this year
- AVL List strategic collaboration progressing well, with three early-stage projects and a strong pipeline
- Doosan signed a memorandum of understanding with the shipbuilding division of Hyundai Heavy Industries, to develop a marine system based on Ceres' proprietary SOFC stack technology

Current Trading and Outlook

- On track to achieve revenue in line with consensus estimates of £31.5 million for the 12 months ending 30 December 2021, subject to no significant constraints on our operations
- Doosan announced that it has completed development of its 10kW SOFC system using Ceres’ technology. Soft commercial launch is planned for 2022
- Successful in two separate projects awarded UK grant funding as part of the Clean Maritime Demonstration Competition to explore the use of our technology in marine applications
- Caroline Hargrove joining the Executive team as Chief Technology Officer and Mark Selby appointed to a new role as Chief Innovation Officer, both with effect from 25th October 2021
- Plan to move up to the London Stock Exchange Main Market Premium Listing is on track for mid-2022

Phil Caldwell, chief executive of Ceres commented: *“We are pleased to report a strong performance for the Company in the first half of 2021, including a notable increase in our revenues at sector-leading gross margins. The outlook for clean technology innovation and hydrogen remains strong, buoyed by growth in strategies, regulation and green investment. Our partners continue to announce significant developments in the scale and application of our technology and the high level of interest and early engagement around its use for electrolysis to produce green hydrogen is very promising.”*

*Order book refers to confirmed contracted revenue and other income while pipeline is contracted revenue and other income which management estimate is contingent upon options not under the control of Ceres.

Financial Summary:	Six months ended 30 June 2021 Unaudited £'000	Six months ended 30 June 2020 Unaudited £'000	18 months ended 31 December 2020 Audited £'000
Total revenue and other operating income, comprising:	**17,436**	**8,900**	**32,987**
Licence fees	10,682	3,035	10,519
Engineering services revenue	2,669	3,104	10,866
Provision of technology hardware	3,759	2,747	10,297
Other operating income	326	14	1,305
Gross margin %	**72%**	**79%**	**67%**
Adjusted EBITDA loss[1] – SOFC[2]	**(371)**	**(4,332)**	**(9,063)**
Adjusted EBITDA loss[1] – SOEC[2]	**(4,144)**	**(656)**	**(2,305)**
Adjusted EBITDA loss[1] – total Group	**(4,515)**	**(4,988)**	**(11,368)**
Operating loss	**(7,602)**	**(7,172)**	**(17,634)**
Net cash used in operating activities	**(13,170)**	**(1,862)**	**(5,824)**
Net cash and investments	**262,889**	**107,981**	**110,186**

1 Adjusted EBITDA loss is an alternative performance measure, as defined and reconciled to operating loss in the non-GAAP section at the end of this report.

2 Following the Group's decision to invest more heavily into solid oxide electrolysis cell (SOEC) technology, the separate disclosure of SOEC Adjusted EBITDA in addition to the Group's historical solid oxide fuel cell (SOFC) technology Adjusted EBITDA is considered to provide additional useful information to allow readers of the interim results to more fully understand the Group's performance. Adjusted EBITDA by segment is reconciled to operating loss in Note 3.

Analyst presentation

Ceres Power Holdings plc will be hosting a live webcast for analysts and investors on 30 September 2021 at 09.30 BST. To register your interest in participating, please go to: https://www.investormeetcompany.com/ceres-power-holdings-plc/register-investor

For further information please visit www.ceres.tech or contact:

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About Ceres Power

Ceres is a world-leading developer of solid oxide electrochemical technology for applications in fuel cells and hydrogen that enables its partners to deliver clean energy at scale and speed. Its asset-light, licensing model has seen it embed its technology in some of the world's most progressive companies – such as Weichai in China, Bosch in Germany, Miura in Japan, and Doosan in South Korea – to develop systems and products that address climate change and air quality challenges for power generation, transportation and industrial applications. Ceres is listed on the AIM market of the London Stock Exchange ("LSE") (AIM: CWR.L) and was awarded the Green Economy Mark by the LSE, which recognises listed companies that derive more than 50% of their revenues from the green economy.

Chief Executive's Statement

We are pleased to report that Ceres has continued to develop at pace in the first half of 2021.

Firstly, we have focused on building resilient operations, on delivering new and existing product initiatives and programmes and a solid set of financial results. Partner contracts converted to revenue during the period delivered growth of 96% in revenue and other operating income up to £17.4 million (H1 2020: £8.9m). We have also invested strongly in the business, expanding research, development, test and manufacturing capacity across our two sites.

Secondly, the Board and management have expanded the Company's strategy to ensure we continue to drive sustainability and innovation, enhancing the competitiveness and relevance of our technology across the clean energy market and delivering future value for our shareholders.

To support this strategy, we successfully raised a further net £179 million in March through an equity fundraise, which will principally be used to accelerate our investment in the development and potential commercialisation of our technology in electrolysis to produce green hydrogen. It is a market predicted by McKinsey and the Hydrogen Council to be worth as much as US$2.5 trillion for hydrogen gas and electrolysis equipment to meet 2050 targets and we were pleased to secure the full support of our strategic investors, Bosch and Weichai Power, for our fundraise.

With the UK due to host the COP26 climate talks in the coming weeks, the focus is squarely on the ambition of countries for decarbonisation and hydrogen technologies. Ceres aims to play a central role in the global energy transition to affordable clean power, supported by our strategic partnerships with some of the world's most progressive companies in those markets leading the global charge on climate change.

Commercial progress and partnerships

As at 30 June 2021 our order book stood at £42.0 million and we had a further £43.8 million in the pipeline, being a combination of staged licensing payments and engineering services. The high proportion of licence fees continues to support healthy gross margins, which at 71.6% is consistent with the prior 18-month period and differentiated from our peers.

Bosch

In its annual update in March, Bosch published significant positive progress on its programme for SOFC development in partnership with Ceres, reiterating its aim for a production capacity of approximately 200MW output per year by 2024. This is the culmination of over two years of work, with the Ceres team supporting technology transfer and initial manufacturing under licence at Bosch's site in Bamberg, Germany.

Once scaled, production will be focused on series manufacturing of decentralised power plants, the equivalent of supplying around 400,000 people with household electricity. Bosch has stated that it will invest €400 million into its SOFC business, including manufacturing capacity, between now and 2024. It plans to put up to 100 small-scale fuel cell power stations into operation this year, which will generate electricity for data centres, industrial firms and residential neighbourhoods.

In the period, Bosch also continued to support its corporate relationship with Ceres by maintaining its equity holding at 18%, contributing an additional £38.7 million as part of the equity fundraise in in March 2021.

Doosan

In September 2021, Doosan announced that it has completed the development of its 10kW SOFC system, the product of a joint collaboration with Ceres signed in July 2019. Doosan is planning a soft commercial launch of the product in 2022. The combined heat and power (CHP) system, uses two of Ceres' 5kW SOFC stacks and has delivered 40% higher power generation efficiency when compared with Doosan's existing PEM based technology. The 10kW system for use in commercial and residential buildings is similar in size to existing 5kW SOFC products on the market in Korea, saving 50% on installation space and maintaining the equivalent power generation efficiency.

In Korea, the fuel cell power generation market for commercial and residential properties is expanding because of a combination of zero-energy building certification, public institutions' mandatory renewable energy policies, and the local governments' mandatory private building renewable energy policy. Doosan estimates the compound annual growth rate in the Korean market for stationary fuel cells is 24%. Doosan is expanding manufacturing capacity to meet market demand and is targeting 50MW annual capacity of Ceres SteelCell® fuel cell stacks by 2024. We believe this could still increase further, given Doosan's plans to develop utility-scale SOFC power stations and marine applications using Ceres' technology.

In March, Doosan announced the signing of a memorandum of understanding with Korea Shipbuilding & Offshore Engineering, a division of the world's largest shipbuilding company Hyundai Heavy Industries, for the joint development of a megawatt class SOFC system for clean energy marine propulsion and power generation. The agreement continues the expansion of Doosan's business into the marine market and reflects the growing interest in Ceres' technology as a differentiated solution to support the decarbonisation of the global shipping industry.

Weichai

In March, Weichai Power supported the Ceres equity fundraising investing a further £43.5 million to maintain its shareholding in Ceres at 20%. Positive discussions are progressing on the wider strategic relationship including the establishment of a joint venture in late 2021, to produce Ceres SteelCell® SOFC systems.

The pandemic has created challenges in remote working practices and so the commencement of a new programme for a 30kW stationary power module is a welcome development, expanding the scope of our collaboration alongside transportation. We are making good progress with discussions and technology field trials and we will provide further updates to the market in due course.

AVL List

The strategic collaboration with engineering consultancy AVL is progressing well. Formed at the end of 2020, the partnership brings important strategic benefits combining AVL's applications expertise and market presence with Ceres' IP and systems know-how, enabling us to reach into more end-market applications than we could on our own.

Ceres and AVL are working together on customer acquisition and to identify and exploit the growing interest in SOFC technology in new applications and regions. Three early-stage pieces of work have commenced, each in new and different regions, covering both stationary and mobile applications and span a range of ratings up to 250kW. We also have a strong pipeline of future opportunities capitalising on AVL's experience and expertise in large-scale marine and distributed power systems.

SOEC

Work is going well on our first-of-a-kind solid oxide electrolyser (SOEC) 1MW-scale demonstrator to be operational in 2022. Whilst still early days, we have already seen strong interest from commercial partners, seeking to unlock green hydrogen opportunities for close integration with industrial and energy generation processes. We are engaging with a number of global majors across the oil and gas, industrial and clean energy sectors to demonstrate and commercialise our technology.

Deployment of first commercial SOEC plants is expected from 2025. Ceres is targeting a levelised cost of hydrogen production at <$1.50 per kilogram, which enables green hydrogen production to be competitive with blue fossil fuel based hydrogen in time to meet a market projected to more than double in size every decade from 2030 to 2050. Importantly, access to royalty streams in SOEC will be additive and complementary to royalties already enabled in our SOFC business.

Progress in the high-volume manufacturing of Ceres' core SteelCell® should support economies of scale and enable bringing both our fuel cell and electrolysis technology to the mass market. We see significant opportunities to further our commercial relationships and the scope of our existing partnerships.

Operations

During 2020 we achieved manufacturing capacity of 2MW at our pilot manufacturing production facility in Redhill in the UK. We also continue to support our manufacturing partners Bosch and Doosan in their progress towards mass market launch. Doosan is targeting annual production capacity of 50MW in 2024 and Bosch is now preparing to scale up to mass manufacture in 2024, targeting annual production capacity of 200MW.

We will continue to supply systems licensees with stacks until our manufacturing partners come onstream and we can migrate them across to this supply. As such, Ceres' initial manufacturing capacity is now being increased to 3MW through the installation of additional equipment to support production of our 1kW and 5kW stacks, which will supply our partners for their testing and trials as well as meeting the demand for our internal R&D activities for both SOFC and SOEC.

In general, electrolysis systems are much larger, going to MW or even GW-scale, versus fuel cell systems running to 100kWs to low MWs. In both use cases, partners are seeking to take our technology into larger arrays, and we are focusing on our 5kW fuel stack as a core module to support this development. Part of the net proceeds of the March fundraise will be used for general working capital purposes, to cover the increased operating cost base of what will be a larger business addressing both SOFC and SOEC uses of our technology, as well as capital to enhance test capability and infrastructure and further expand pilot production.

Technology

Ceres' technology and competencies span applications essential for the energy transition; from fuel cells that deliver energy conversion through storage and the production of green hydrogen and other chemicals utilising solid oxide electrolysis.

The market for electrolysis enables growth for Ceres by building on our fuel cell capability and technology. It is the same core cell and stack technology platform, the same IP portfolio covering SOFC and SOEC, the same manufacturing process and supply chain and continuing the partnering model to deliver scale.

Importantly, electrolysis is a cornerstone technology for decarbonising hard-to-abate sectors, such as steel, ammonia, methanol and shipping. SOEC has an intrinsic thermodynamic advantage over low-temperature electrolysis and, when coupled with industrial heat reclamation, can deliver efficiencies up to 90% thereby unlocking green hydrogen opportunities for close integration with industrial and energy generation processes. Our MW-scale SOEC demonstrator set to be delivered in 2022 will pave the way for commercialisation of the technology.

In addition to the £100 million earmarked for development of SOEC, part of the net proceeds of the March fundraise will be used to invest in the core business to accelerate innovation and to maintain technology leadership across both SOFC and SOEC. In addition to expanding research and development, engineering and advanced manufacturing capabilities, the proceeds provide further capital for IP generation and acquisition together with the addition of new team members.

We recruited an additional c.100 employees in the first six months of 2021, around half of whom are scientists and engineers. We also strengthened our industry–academia research collaboration, announcing Professor Stephen Skinner as the Ceres Royal Academy of Engineering Research Chair in Electrochemical Devices for a Zero Carbon Economy, with the intention to establish a world-leading research group in the field of materials engineering.

Financial Review

During the six months to 30 June 2021, the Group reported revenue and other income from the fuel cell business of £17.4 million. Licence fee income drove the Group's revenue to grow 93% when compared to the same period in 2020, with a slightly reduced gross margin of 71.6% (H1 2020: 79.5%) reflecting the change in revenue mix. The higher proportion of higher-margin licence fees was offset by a period of lower output of stacks as extra equipment was installed and commissioned to facilitate an increase in plant capacity, which is now largely in place. Consequentially, in the period to 30 June 2021, the absolute gross profit increased 73.4% to £12.2 million (H1 2020: £7.1 million). As we have stated previously, gross margin percentage will vary period on period based on timing and quantum of licence revenue recognition and revenue mix.

From this period onwards, we will disclose the key financial metrics of our nascent electrolysis business separate from the core fuel cell business, in line with internal reporting, in order to help show progress and where we are making investment into the business.

Investing in the future: people and technology

We continued to invest in building the business for the opportunities we see ahead. Operating costs for the business in the six-month period were £20.2 million (H1 2020: £14.2 million), the bulk of the increase being additional R&D investment. Throughout the period we increased the team size as planned, employing 432 people as at 30 June 2021 (325 as at 31 December 2020). We have added people across all aspects of the business, including in manufacturing and mechanical engineering and the testing teams to support existing and expected commercial projects, as well as in core Energy Materials to continue to drive innovation.

As a result of an increased gross profit, the SOFC (or Power) part of the business reduced its adjusted EBITDA loss from £4.3 million in the 6 months to 30 June 2020 to £0.4 million. Due to the impact of the continued investment across the business as described above and depending on revenue mix and progress, we expect the SOFC part of the business to remain adjusted EBITDA loss-making in the short term.

Our SOEC (or Hydrogen) business showed an adjusted EBITDA loss of £4.1 million (H1 2020: £0.7 million), reflecting the initial set up, focus on activities and the initial investment there.

Solid financial position: the foundation for continued progressive growth

The Group ends the period with a strong position of £263 million in cash and investments as at 30 June 2021 (31 December 2020: £110 million) as a result of the equity fundraising in the period, and we have begun to put these funds to good use already, as shown by our equity free cash outflow in the period increasing to £18.7 million from £6.1m in the six months ended 30 June 2020.

We invested £3.6 million in property, plant and equipment in the period (H1 2020: £3.0 million) on manufacturing improvement and capacity expansion, as well as the start of building out our test infrastructure to accommodate new products including the Green Hydrogen electrolysis programme. We capitalised £1.6 million of eligible development and related costs in the period (H1 2020: £1.5 million), with £5.9 million capitalised to date (31 December 2020: £4.9 million).

The other significant movements in the balance sheet included the recognition of net contract assets of £1.9 million at the period end, compared with net contract liabilities of £6.6m as at 31 December 2020, reflecting timing differences between invoicing customers and recognising revenue on contracts. Finally, trade and other payables reduced to £2.5 million (31 December 2020: £9.1 million) reflecting the payment of receipts received in December 2020 which related to the exercise of certain share options.

Board and Management Changes

During the first six months of the year we welcomed two new Non-executive Directors to the plc Board – namely Tudor Brown, formerly of ARM Holdings, and Professor Dame Julia King, Baroness Brown of Cambridge. We welcome their perspective and their depth of knowledge and experience as we continue to grow and diversify.

At the executive level, we recently announced that Caroline Hargrove has been appointed as CTO and that Mark Selby, the current Chief Technology Officer (CTO), will move to a newly created position as Chief Innovation Officer (CIO), both effective from 25th October 2021. Caroline will step down from her current position as a non-executive Director of Ceres to take up this full time executive position and her unique skills and experience in leading digitalisation and managing high-growth technology teams will be invaluable for the next chapter of Ceres' development. The new CIO role provides the opportunity for Mark to use his considerable knowledge to focus on establishing future innovative technology for Ceres.

Outlook

Ceres is committed to clean energy innovation in everything it does. We have an established and growing business in fuel cell power and through the successful equity fundraising we are now addressing the potentially even greater market for electrolysis for green hydrogen. Above all, it is consistent with Ceres's purpose of embedding our unique technology in the products of world-class companies to address climate change and to create significant shareholder value.

I would like to thank our shareholders, partners and suppliers for their continued interest and support for the business and all our employees for their dedicated commitment and hard work through this exciting period in the Company's growth.

Philip Caldwell
Chief Executive Officer

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2021

	Note	Six months ended 30 June 2021 Unaudited £'000	Six months ended 30 June 2020 Unaudited £'000	18 months ended 31 December 2020 Audited £'000
Revenue	2	17,110	8,886	31,682
Cost of sales		(4,866)	(1,825)	(10,355)
Gross profit		**12,244**	**7,061**	**21,327**
Other operating income[1]		326	14	1,305
Operating costs	4	(20,172)	(14,247)	(40,266)
Operating loss		**(7,602)**	**(7,172)**	**(17,634)**
Finance income	5	243	556	989
Finance expense	5	(352)	(287)	(664)
Loss before taxation		**(7,711)**	**(6,903)**	**(17,309)**
Taxation credit	6	1,166	1,278	2,493
Loss for the financial period and total comprehensive loss		**(6,545)**	**(5,625)**	**(14,816)**
Loss per £0.10 ordinary share expressed in pence per share:				
Basic and diluted loss per share	7	(3.62)p	(3.47)p	(9.12)p

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

1 Other operating income relates to grant income.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2021

	Note	30 June 2021 Unaudited £'000	30 June 2020 Unaudited £'000	31 December 2020 Audited £'000
Assets				
Non-current assets				
Property, plant and equipment	8	16,688	12,970	14,979
Right-of-use assets	9	2,714	4,232	3,971
Intangible assets	10	5,939	3,800	4,909
Long-term investments	14	2,000	–	8,000
Other receivables	12	741	741	741
Total non-current assets		**28,082**	**21,743**	**32,600**
Current assets				
Inventories	11	2,988	2,055	2,107
Contract assets	2	5,626	1,821	864
Other current assets	13	975	987	1,002
Derivative financial instruments	17	845	2	59
Current tax receivable		4,659	2,450	3,124
Trade and other receivables	12	7,159	4,643	5,570
Short-term investments	14	95,733	90,782	69,231
Cash and cash equivalents	14	165,156	17,199	32,955
Total current assets		**283,141**	**119,939**	**114,912**
Liabilities				
Current liabilities				
Trade and other payables	15	(2,502)	(2,560)	(9,112)
Contract liabilities	2	(3,773)	(1,014)	(7,505)
Other current liabilities	16	(3,959)	(3,667)	(2,675)
Derivative financial instruments		–	(1)	(43)
Lease liabilities	18	(622)	(1,026)	(823)
Provisions	19	(1,112)	(308)	(612)
Total current liabilities		**(11,968)**	**(8,576)**	**(20,770)**
Net current assets		**271,173**	**111,363**	**94,142**
Non-current liabilities				
Lease liabilities	18	(2,616)	(3,823)	(3,622)
Provisions	19	(1,642)	(1,117)	(1,610)
Total non-current liabilities		**(4,258)**	**(4,940)**	**(5,232)**
Net assets		**294,997**	**128,166**	**121,510**
Equity attributable to the owners of the parent				
Share capital	20	19,041	17,082	17,217
Share premium		404,788	227,430	227,682
Capital redemption reserve		3,449	3,449	3,449
Merger reserve		7,463	7,463	7,463
Accumulated losses		(139,744)	(127,258)	(134,301)
Total equity		**294,997**	**128,166**	**121,510**

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

CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 June 2021

	Note	Six months ended 30 June 2021 Unaudited £'000	Six months ended 30 June 2020 Unaudited £'000	18 months ended 31 December 2020 Audited £'000
Cash flows from operating activities				
Loss before taxation		(7,711)	(6,903)	(17,309)
Adjustments for:				
Finance income		(243)	(556)	(989)
Finance expense		352	287	664
Depreciation of property, plant and equipment		1,930	1,433	3,820
Depreciation of right-of-use assets		265	256	776
Amortisation of intangible assets		556	55	208
Net foreign exchange losses/(gains)		63	(64)	139
Net change in fair value of financial instruments		(829)	66	(55)
Share-based payments charge		1,102	437	1,378
Operating cash flows before movements in working capital		**(4,515)**	**(4,989)**	**(11,368)**
(Increase)/decrease in trade and other receivables		(1,944)	629	(2,338)
Increase in inventories		(881)	(411)	(704)
Increase in trade and other payables		2,164	3,181	752
(Increase)/decrease in contract assets		(4,762)	1,541	(142)
(Decrease)/increase in contract liabilities		(3,732)	(4,350)	4,444
Increase in provisions		500	77	1,072
Net cash used in operations		**(13,170)**	**(4,322)**	**(8,284)**
Taxation received		–	2,460	2,460
Net cash used in operating activities		**(13,170)**	**(1,862)**	**(5,824)**
Investing activities				
Purchase of property, plant and equipment		(3,639)	(2,954)	(9,256)
Capitalised development expenditure		(1,586)	(1,457)	(3,795)
Decrease/(increase) in long-term investments		6,000	–	(8,000)
Increase in short-term investments		(52,502)	(82,782)	(74,380)
Repayment of short-term investments		26,000	32,000	68,849
Finance income received		243	289	1,123
Net cash used in investing activities		**(25,484)**	**(54,904)**	**(25,459)**
Financing activities				
Proceeds from issuance of ordinary shares		181,502	49,860	50,851
Net expenses from issuance of ordinary shares		(2,572)	(344)	(344)
Cash (paid)/received on behalf of employees on the sale of share options		(7,490)	–	7,490
Repayment of lease liabilities		(207)	–	(523)
Interest paid		(315)	(221)	(664)
Net cash generated from financing activities		**170,918**	**49,295**	**56,810**
Net increase/(decrease) in cash and cash equivalents		**132,264**	**(7,471)**	**25,527**
Exchange (losses)/gains on cash and cash equivalents		(63)	64	(139)
Cash and cash equivalents at beginning of period		32,955	24,606	7,567
Cash and cash equivalents at end of period	14	**165,156**	**17,199**	**32,955**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2021

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Accumulated losses £'000	Total £'000
At 1 July 2019 (audited)	**15,277**	**179,116**	**3,449**	**7,463**	**(120,863)**	**84,442**
Comprehensive income						
Loss for the financial period	–	–	–	–	(14,816)	**(14,816)**
Total comprehensive loss					(14,816)	**(14,816)**
Transactions with owners						
Issue of shares, net of costs	1,940	48,566	–	–	–	**50,506**
Share-based payments charge	–	–	–	–	1,378	**1,378**
Total transactions with owners	1,940	48,566	–	–	1,378	**51,884**
At 31 December 2020 (audited)	**17,217**	**227,682**	**3,449**	**7,463**	**(134,301)**	**121,510**
Comprehensive income						
Loss for the financial period	–	–	–	–	(6,545)	**(6,545)**
Total comprehensive loss					(6,545)	**(6,545)**
Transactions with owners						
Issue of shares, net of costs	1,824	177,106	–	–	–	**178,930**
Share-based payments charge	–	–	–	–	1,102	**1,102**
Total transactions with owners	**1,824**	**177,106**	–	–	**1,102**	**180,032**
At 30 June 2021 (unaudited)	**19,041**	**404,788**	**3,449**	**7,463**	**(139,744)**	**294,997**

Comparatives for the six months ended 30 June 2020 are provided separately below:

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Accumulated losses £'000	Total £'000
At 1 January 2020 (audited)	**15,277**	**179,601**	**3,449**	**7,463**	**(122,072)**	**83,836**
Comprehensive income						
Loss for the financial period	–	–	–	–	(5,623)	**(5,623)**
Total comprehensive loss					(5,623)	**(5,623)**
Transactions with owners						
Issue of shares, net of costs	1,687	47,829	–	–	–	**49,516**
Share-based payments charge	–	–	–	–	437	**437**
Total transactions with owners	1,687	47,829	–	–	437	**49,953**
At 30 June 2020 (unaudited)	**17,082**	**227,430**	**3,449**	**7,463**	**(127,258)**	**128,166**

Notes to the financial statements for the six months ended 30 June 2021

1. Basis of preparation

The condensed interim financial statements have been prepared in accordance with the requirements of the AIM Rules for Companies. They do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements for the 18 months ended 31 December 2020 which were prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The interim financial statements have been prepared on a historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and financial instruments classified as fair value through the profit or loss.

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted international accounting standards, with future changes being subject to endorsement by the UK Endorsement Board. Ceres Power Holdings plc transitioned to UK-adopted international accounting standards in its consolidated financial statements on 1 January 2021. There was no impact or changes in accounting policies from the transition.

The interim financial information has been prepared in accordance with the recognition and measurement requirements of UK adopted international accounting standards and applicable law and regulations. This report is not prepared in accordance with IAS 34.

The principal accounting policies adopted in the preparation of the interim financial statements are unchanged from those applied in the Group's financial statements for the 18 months ended 31 December 2020. The accounting policies applied are consistent with those expected to be applied in the financial statements for the year ended 31 December 2021.

The financial information contained in the condensed interim financial statements is unaudited and does not constitute statutory financial statements as defined by in Section 434 of the Companies Act 2006. The financial statements for the 18 months ended 31 December 2020, on which the auditors gave an unqualified audit opinion, and did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006, have been filed with the Registrar of Companies.

The consolidated interim financial information for the six months ended 30 June 2021 has been reviewed by the Company's Auditor, BDO LLP in accordance with International Standard of Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

Going Concern

The Group has reported a loss after tax for the six-month period ended 30 June 2021 of £6.5m and net cash used in operating activities of £13.2m. At 30 June 2021, following the receipt of c.£179m of funds from the equity placement in March 2021, it held cash and cash equivalents and investments of £263m. The directors have prepared annual budgets and cash flow projections that extend 14 months from the date of approval of this report. These projections were supported by stress testing forecast cash flows considering the impact of different scenarios including the Group's expectation of the ongoing impact of Covid-19 on the business. In each case the projections demonstrated that the Group would have sufficient cash reserves to meet its liabilities as they fall due and to continue as a going concern. For the above reasons, the directors continue to adopt the going concern basis in preparing the financial statements.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

In preparing the interim condensed consolidated financial statements, the areas where judgement has been exercised remain consistent with these applied to the annual report and accounts for the period ended 31 December 2020.

New standards and amendments applicable for the reporting period

The Group has adopted all standards, interpretations amended or newly issued by the IASB that were effective in the period. Their adoption has not had any material effect on the condensed consolidated financial statements

2. Revenue

The Group's revenue is disaggregated by geographical market, major product/service lines, and timing of revenue recognition:

Geographical market

	Six months ended 30 June 2021 Unaudited £'000	Six months ended 30 June 2020 Unaudited £'000	18 months ended 31 December 2020 Audited £'000
Europe	**3,855**	4,284	14,228
Asia	**12,995**	4,501	16,613
North America	**20**	101	841
Rest of World	**240**	–	–
	17,110	8,886	31,682

For the six months ended 30 June 2021, the Group has identified two major customers (defined as customers that individually contributed more than 10% of the Group's total revenue) that accounted for approximately 65% and 23% of the Group's total revenue recognised in the period (six months ended 30 June 2020: three customers that accounted for approximately 51%, 19% and 17% of the Group's total revenue for that period).

Major product/service lines

	Six months ended 30 June 2021 Unaudited £'000	Six months ended 30 June 2020 Unaudited £'000	18 months ended 31 December 2020 Audited £'000
Engineering services	**2,669**	3,104	10,866
Provision of technology hardware	**3,759**	2,747	10,297
Licenses	**10,682**	3,035	10,519
	17,110	8,886	31,682

Timing of transfer of goods and services

	Six months ended 30 June 2021 Unaudited £'000	Six months ended 30 June 2020 Unaudited £'000	18 months ended 31 December 2020 Audited £'000
Products and services transferred at a point in time	**11,732**	4,305	15,280
Products and services transferred over time	**5,378**	4,581	16,402
	17,110	8,886	31,682

Amounts transferred at a point in time during the current period mostly related to the recognition of license income for a major contract.

The contract-related assets and liabilities are as follows:

		30 June 2021 Unaudited £'000	30 June 2020 Unaudited £'000	31 December 2020 Audited £'000
Trade receivables	12	**3,618**	3,787	3,328
Contract assets – accrued income		**5,626**	1,559	837
Contract assets – deferred costs		**–**	262	27
Total contract assets		**5,626**	1,821	864
Contract liabilities – deferred income		**(3,773)**	(1,014)	(7,505)

3. Segmental analysis

In accordance with IFRS 8 the method applied to identify reporting segments is based on internal management reporting information that is regularly reviewed by the chief operating decision maker, which the Group considers to be the Executive team.

Historically the Group has reported its performance in a single segment, primarily reflecting the Group's solid oxide fuel cell (SOFC) technology. For the current period, following increased investment in and development of the Group's solid oxide electrolysis cell (SOEC) technology over the past six months, the Group has introduced segmental reporting internally that separately discloses the results of the two segments, down to adjusted EBITDA level, to the Executive team.

Following the change of segmental reporting in the period, comparatives for the six months ended 30 June 2020 have been restated accordingly.

Six months ended 30 June 2021 (unaudited)	**SOFC £'000**	**SOEC £'000**	**Consolidated £'000**
Revenue	17,110	-	17,110
Cost of sales	(4,866)	-	(4,866)
Gross profit	**12,244**	**-**	**12,244**
Other operating income	326	-	326
Operating costs (excluding adjusting items)	(12,941)	(4,144)	(17,085)
Adjusted EBITDA[1]	**(371)**	**(4,144)**	**(4,515)**
Adjusting items:			
Depreciation & amortisation			(2,751)
Share-based payment charge			(1,102)
Unrealised foreign exchange losses			(63)
Fair value adjustment			829
Operating loss			**(7,602)**
Finance income			243
Finance expense			(352)
Loss before taxation			**(7,711)**
Taxation credit			1,166
Loss for the financial period			**(6,545)**

Six months ended 30 June 2020 (unaudited)	**SOFC £'000**	**SOEC £'000**	**Consolidated £'000**
Revenue	8,886	-	8,886
Cost of sales	(1,825)	-	(1,825)
Gross profit	**7,061**	**-**	**7,061**
Other operating income	14	-	14
Operating costs (excluding adjusting items)	(11,407)	(656)	(12,063)
Adjusted EBITDA[1]	**(4,332)**	**(656)**	**(4,988)**
Adjusting items:			
Depreciation & amortisation			(1,745)
Share-based payment charge			(437)
Unrealised foreign exchange losses			64
Fair value adjustment			(66)
Operating loss			**(7,172)**
Finance income			556
Finance expense			(287)
Loss before taxation			**(6,903)**
Taxation credit			1,278
Loss for the financial period			**(5,625)**

3. Segmental analysis (continued)

18 months ended 31 December 2020 (audited)	**SOFC** **£'000**	**SOEC** **£'000**	**Consolidated** **£'000**
Revenue	31,682	-	31,682
Cost of sales	(10,355)	-	(10,355)
Gross profit	**21,327**	**-**	**21,327**
Other operating income	1,305	-	1,305
Operating costs (excluding adjusting items)	(31,695)	(2,305)	(34,000)
Adjusted EBITDA[1]	**(9,063)**	**(2,305)**	**(11,368)**
Adjusting items:			
Depreciation & amortisation			(4,804)
Share-based payment charge			(1,378)
Unrealised foreign exchange losses			(139)
Fair value adjustment			55
Operating loss			**(17,634)**
Finance income			989
Finance expense			(664)
Loss before taxation			**(17,309)**
Taxation credit			2,493
Loss for the financial period			**(14,816)**

[1]**Adjusted EBITDA** is an alternative performance measure, as defined in the Non-GAAP section at the end of this report.

4. Operating costs

Operating costs can be analysed as follows:

	Six months ended 30 June 2021 Unaudited £'000	Six months ended 30 June 2020 Unaudited £'000	18 months ended 31 December 2020 Audited £'000
Research and development costs	**14,402**	10,002	27,820
Administrative expenses	**4,775**	3,638	10,060
Commercial	**995**	607	2,386
	20,172	14,247	40,266

5. Finance income and expenses

	Six months ended 30 June 2021 Unaudited £'000	Six months ended 30 June 2020 Unaudited £'000	18 months ended 31 December 2020 Audited £'000
Interest received	**243**	356	989
Foreign exchange gain on cash, cash equivalents and short-term deposits	**–**	200	–
Finance income	**243**	556	989
Interest on lease liability	**(204)**	(221)	(664)
Unwinding of provisions	**(32)**	–	–
Impairment of investment	**(5)**	(66)	–
Foreign exchange loss on cash, cash equivalents and short-term deposits	**(111)**	–	–
Interest expense	**(352)**	(287)	(664)

6. Taxation

No corporation tax liability has arisen during the year (period ending 31 December 2020: £nil) due to the losses incurred. A tax credit has arisen as a result of the tax losses being surrendered in respect of research and development expenditure.

	Six months ended 30 June 2021 Unaudited £'000	Six months ended 30 June 2020 Unaudited £'000	18 months ended 31 December 2020 Audited £'000
UK corporation tax	**(1,535)**	(1,111)	(3,124)
Foreign tax suffered	**369**	–	798
Adjustment in respect of prior periods	**–**	(167)	(167)
	(1,166)	(1,278)	(2,493)

7. Loss per share

	Six months ended 30 June 2021 Unaudited £'000	Six months ended 30 June 2020 Unaudited £'000	18 months ended 31 December 2020 Audited £'000
Loss for the financial period attributable to shareholders	**(6,545)**	(5,625)	(14,816)
Weighted average number of shares in issue	**180,783,345**	162,059,660	162,474,146
Loss per £0.10 ordinary share (basic and diluted)	**(3.62)p**	(3.47)p	(9.12)p

8. Property, plant and equipment

	Leasehold improvements £'000	Plant and machinery £'000	Computer equipment £'000	Fixtures and fittings £'000	Assets under construction £'000	Motor vehicles £'000	Total £'000
Cost							
At 1 July 2019	2,222	10,846	1,458	69	6,803	12	21,410
Additions	708	5,904	603	35	1,780	–	9,030
Transfers	2,958	4,659	–	210	(7,827)	–	–
Disposals	(5)	–	–	–	–	–	(5)
At 31 December 2020	5,883	21,409	2,061	314	756	12	30,435
Additions	863	1,466	316	28	966	–	3,639
Transfers	–	572	–	–	(572)	–	–
At 30 June 2021	**6,746**	**23,447**	**2,377**	**342**	**1,150**	**12**	**34,074**
Accumulated depreciation							
At 1 July 2019	2,096	8,478	998	69	–	–	11,641
Charge for the period	621	2,718	400	80	–	1	3,820
Disposals	(5)	–	–	–	–	–	(5)
At 31 December 2020	2,712	11,196	1,398	149	–	1	15,456
Charge for the period	268	1,444	169	46	–	3	1,930
At 30 June 2021	**2,980**	**12,640**	**1,567**	**195**	–	**4**	**17,386**
Net book value							
At 30 June 2021	**3,766**	**10,807**	**810**	**147**	**1,150**	**8**	**16,688**
At 31 December 2020	3,171	10,213	663	165	756	11	14,979

'Assets under construction' represents the cost of purchasing, constructing and installing property, plant and equipment ahead of their productive use. The category is temporary, pending completion of the assets and their transfer to the appropriate and permanent category of property, plant and equipment. As such, no depreciation is charged on assets under construction.

Assets under construction consist entirely of plant and machinery that will be used in the manufacturing, development and testing of fuel cells.

8. Property, plant and equipment (continued)

Comparatives for the six months ended 30 June 2020 are provided separately below:

	Leasehold improvements £'000	Plant and machinery £'000	Computer equipment £'000	Fixtures and fittings £'000	Assets under construction £'000	Motor vehicles £'000	Total £'000
Cost							
At 1 January 2020	5,091	12,311	1,499	69	5,159	12	24,141
Additions	361	1,853	279	34	110	–	2,637
Transfers	270	4,659	–	210	(5,139)	–	–
Disposals	(5)	–	–	–	–	–	(5)
At 30 June 2020	5,717	18,823	1,778	313	130	12	26,773
Accumulated depreciation							
At 1 January 2020	2,214	8,985	1,105	69	–	1	12,374
Charge for the period	257	1,013	120	42	–	2	1,434
Disposals	(5)	–	–	–	–	–	(5)
At 30 June 2020	2,466	9,998	1,225	111	–	3	13,803
Net book value							
At 30 June 2020	**3,251**	**8,825**	**553**	**202**	**130**	**9**	**12,970**

9. Right of use assets

	Land and Buildings £'000	Computer equipment £'000	Total £'000
Cost			
At 1 July 2019	–	–	–
Additions on adoption of IFRS16	4,729	18	4,747
At 31 December 2020	4,729	18	4,747
Additions	–	43	43
Adjustment of lease term	(1,035)	–	(1,035)
Disposals	–	(18)	(18)
At 30 June 2021	**3,694**	**43**	**3,737**
Accumulated depreciation			
At 1 July 2019	–	–	–
Charge for the period	766	10	776
At 31 December 2020	766	10	776
Charge for the period	254	11	265
Disposals	–	(18)	(18)
At 30 June 2021	**1,020**	**3**	**1,023**
Net book value			
At 30 June 2021	**2,674**	**40**	**2,714**
At 31 December 2020	3,963	8	3,971

9. Right of use assets (continued)

During the period, the Group revised the expected term on one of its property leases, recognising an adjustment of £1,035,000 to reduce the right of use asset.

Comparatives for the six months ended 30 June 2020 are provided separately below:

	Land and Buildings £'000	Computer equipment £'000	Total £'000
Cost			
At 1 January 2020 and 30 June 2020	4,729	18	4,747
Accumulated depreciation			
At 1 January 2020	255	3	258
Charge for the period	253	4	257
At 30 June 2020	508	7	515
Net book value			
At 30 June 2020	**4,221**	**11**	**4,232**

10. Intangible assets

	Internal developments in relation to manufacturing site £'000	Customer and internal development programmes £'000	Patent costs £'000	Total £'000
Cost				
At 1 July 2019	234	1,101	–	1,335
Additions	177	3,323	295	3,795
At 31 December 2020	411	4,424	295	5,130
Additions	–	1,403	183	1,586
At 30 June 2021	**411**	**5,827**	**478**	**6,716**
Accumulated depreciation				
At 1 July 2019	–	13	–	13
Charge for the period	82	126	–	208
At 31 December 2020	**82**	**139**	–	**221**
Charge for the period	41	515	–	556
At 30 June 2021	**123**	**654**	–	**777**
Net book value				
At 30 June 2021	**288**	**5,173**	**478**	**5,939**
At 31 December 2020	329	4,285	295	4,909

Capitalised intangible assets are amortised over their useful economic lives, as follows:

Capitalised development costs – 2 to 7 years

Capitalised patent costs – 3 to 10 years

10. Intangible assets (continued)

The customer and internal development intangible primarily relates to the design, development and configuration of the Company's core fuel cell and system technology. Amortisation of capitalised development commences once the development is complete and is available for use.

Comparatives for the six months ended 30 June 2020 are provided separately below:

	Internal developments in relation to manufacturing site £'000	Customer and internal development programmes £'000	Total £'000
Cost			
At 1 January 2020	411	2,000	2,411
Additions	–	1,456	1,456
At 30 June 2020	411	3,456	3,867
Accumulated depreciation			
At 1 January 2020	–	13	13
Charge for the period	41	13	54
At 30 June 2020	41	26	67
Net book value			
At 30 June 2020	370	3,430	3,800

11. Inventories

	30 June 2021 Unaudited £'000	30 June 2020 Unaudited £'000	31 December 2020 Audited £'000
Raw materials	**1,162**	554	1,016
Work in progress	**977**	1,410	838
Finished goods	**849**	91	253
Total inventory	**2,988**	2,055	2,107

Inventories have increased in line with the Group's increased manufacturing capacity in the period.

12. Trade and other receivables

	30 June 2021 Unaudited £'000	30 June 2020 Unaudited £'000	31 December 2020 Audited £'000
Current:			
Trade receivables	**3,618**	3,787	3,328
Other receivables	**3,541**	856	2,242
	7,159	4,643	5,570
Non-current:			
Other receivables	**741**	741	741

Included within other current receivables is the research and development tax credit of £1,767,000 (31 December 2020: £1,265,000).

13. Other current assets

	30 June 2021 Unaudited £'000	30 June 2020 Unaudited £'000	31 December 2020 Audited £'000
Prepayments	**651**	548	648
Accrued interest	**232**	261	129
Accrued grant income	**92**	178	225
	975	987	1,002

14. Net cash and cash equivalents, short-term and long-term investments

	30 June 2021 Unaudited £'000	30 June 2020 Unaudited £'000	31 December 2020 Audited £'000
Cash at bank and in hand	**3,424**	5,431	20,684
Money market funds	**161,732**	11,768	12,271
Cash and cash equivalents	**165,156**	17,199	32,955
Short-term investments[1]	**95,733**	90,782	69,231
Long-term investments	**2,000**	–	8,000
Cash and cash equivalents and investments	**262,889**	107,981	110,186

[1] Short-term investments comprise bank deposits with a maturity greater than 3 months but less than 12 months.

The Group typically places surplus funds into pooled money market funds with same day access and bank deposits with durations of up to 24 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-mf (Moody's) and AAAmmf (Fitch) and deposits with banks with minimum long-term rating of A-/A3/A and short-term rating of A-2/P-2/F-1 for banks which the UK Government holds less than 10% ordinary equity.

15. Trade and other payables

Current:	30 June 2021 Unaudited £'000	30 June 2020 Unaudited £'000	31 December 2020 Audited £'000
Trade payables	**2,334**	2,332	1,752
Taxation and social security	**–**	16	713
Other payables	**168**	212	6,647
	2,502	2,560	9,112

As at 31 December 2020, other payables included timing differences on payments relating to the exercise of certain share options in December 2020. These amounts were paid in January 2021.

16. Other current liabilities

	30 June 2021 Unaudited £'000	30 June 2020 Unaudited £'000	31 December 2020 Audited £'000
Accruals	**2,822**	2,546	1,464
Deferred grant income	**1,137**	1,121	1,211
	3,959	3,667	2,675

17. Derivative financial instruments

	30 June 2021 Unaudited £'000	30 June 2020 Unaudited £'000	31 December 2020 Audited £'000
Financial assets measured at fair value through profit or loss			
Forward exchange contracts	**230**	2	55
Non-deliverable forward contracts	**615**	–	–
Currency options	**–**	–	4
Total derivative assets	**845**	2	59

In the previous period the Group entered into a non-deliverable forward (NDF) to hedge its exposure to Korean Won (KRW) with respect to a major customer contract. As at 30 June 2021, the unrealised fair value gain was £615,000 (31 December 2020: loss of £31,000). The Group also had a number of forward exchange contracts in place to hedge expected transactions in other currencies including EUR and CAD, with an unrealised total gain of £230,000 as at 30 June 2021 (31 December 2020: £55,000). All derivative financial instruments are measured using techniques consistent with level 2 of the fair value hierarchy.

	30 June 2021 Unaudited £'000	30 June 2020 Unaudited £'000	31 December 2020 Audited £'000
Financial liabilities measured at fair value through profit or loss			
Forward exchange contracts	**–**	1	10
Non-deliverable forward contracts	**–**	–	31
Currency options	**–**	–	2
Total derivative assets	**–**	1	43

18. Lease liabilities

	30 June 2021 Unaudited £'000	30 June 2020 Unaudited £'000	31 December 2020 Audited £'000
At the start of the period	**4,445**	4,836	–
Leases recognised on adoption of IFRS 16	**–**	–	4,971
New finance leases recognised	**42**	–	–
Lease payments	**(411)**	(208)	(1,190)
Interest expense	**204**	221	664
Early settlement	**(7)**	–	–
Adjustment to lease term	**(1,035)**	–	–
At the end of the period	**3,238**	4,849	4,445
Current	**622**	1,026	823
Non-current	**2,616**	3,823	3,622
Total at the end of the period	**3,238**	4,849	4,445

19. Provisions

	Property Dilapidations £'000	Warranties £'000	Contract Losses £'000	Total £'000
At 1 July 2019	**992**	**93**	**65**	**1,150**
Movements in the Consolidated Statement of Profit and Loss:				
Amounts used	–	–	(65)	(65)
Increase in provision	618	325	194	1,137
At 31 December 2020	**1,610**	**418**	**194**	**2,222**
Movements in the Consolidated Statement of Profit and Loss:				
Unwinding of the discount	32	–	–	32
Amounts used	–	(13)	(75)	(88)
Increase in provision	–	371	217	588
At 30 June 2021	**1,642**	**776**	**336**	**2,754**
Current	–	776	336	1,112
Non-current	1,642	–	–	1,642
At 30 June 2021	**1,642**	**776**	**336**	**2,754**
Current	–	418	194	612
Non-current	1,610	–	–	1,610
At 31 December 2020	1,610	418	194	2,222

19. Provisions (continued)

Comparatives for the six months ended 30 June 2020 are provided separately below:

	Property Dilapidations £'000	Warranties £'000	Contract Losses £'000	Total £'000
At 1 January 2020	1,054	122	171	1,347
Movements in the Consolidated Statement of Profit and Loss:				
Amounts used	–	–	(38)	(38)
Decrease in provision	–	–	(47)	(47)
Increase in provision	63	100	–	163
At 30 June 2020	1,117	222	86	1,425
Current	–	222	86	308
Non-current	1,117	–	–	1,117
At 30 June 2020	1,117	222	86	1,425

20. Share capital

	2021 (unaudited)		2020 (audited)	
	Number of £0.10 Ordinary shares	**£'000**	**Number of £0.10 Ordinary shares**	**£'000**
Allotted and fully paid				
At 1 January 2021 / 1 July 2019	**172,171,527**	**17,217**	152,769,812	15,277
Allotted £0.10 Ordinary shares on exercise of employee share options	**1,172,153**	**117**	4,024,665	402
Allotted £0.10 Ordinary shares on cash placing (see below)	**17,067,580**	**1,707**	15,377,050	1,538
At 30 June 2021 / 31 December 2020	**190,411,260**	**19,041**	172,171,527	17,217

On 17 March 2021 the Group announced a fundraise that would allot 17,067,580 new ordinary shares of £0.10 each in the Company, for a total gross cash consideration of £180,916,340. In conjunction with the placing, 12,967,629 shares were allotted on 17 March 2021 which included Bosch and certain Directors of the Company subscribing for 3,649,150 and 24,376 shares respectively. On 19 May 2021 Weichai subscribed for and were allotted the remaining 4,099,951 shares.

Comparatives for the six months ended 30 June 2020 are provided separately below:

	2020 (unaudited)	
	Number of £0.10 Ordinary shares	**£'000**
Allotted and fully paid		
At 1 January 2020	153,949,521	15,395
Allotted £0.10 Ordinary shares on exercise of employee share options	1,488,871	149
Allotted £0.10 Ordinary shares on cash placing	15,377,050	1,538
At 30 June 2020	170,815,442	17,082

20. Share capital (continued)

Reserves

The Consolidated Statement of Financial Position includes a merger reserve and a capital redemption reserve. The merger reserve represents a reserve arising on consolidation using book value accounting for the acquisition of Ceres Power Limited at 1 July 2004. The reserve represents the difference between the book value and the nominal value of the shares issued by the Company to acquire Ceres Power Limited. The capital redemption reserve was created in the year ended 30 June 2014 when 86,215,662 deferred ordinary shares of £0.04 each were cancelled.

21. Capital commitments

Capital expenditure that has been contracted for but has not been provided for in the financial statements amounts to £1,232,000 as at 30 June 2021 (31 December 2020: £1,142,000), in respect of the acquisition of property, plant and equipment.

22. Related party transactions

As at 30 June 2021 the Group's related parties were its Directors. During the period one Director exercised and retained 8,490 share options under the Company's employee share save scheme. There were no other transactions between the Company and the Directors during the period.

Reconciliation between operating loss and Adjusted EBITDA

Management believes that presenting Adjusted EBITDA loss allows for a more direct comparison of the Group's performance against its peers and provides a better understanding of the underlying performance of the Group by excluding non-recurring, irregular and one-off costs. The Group currently defines Adjusted EBITDA loss as the operating loss for the period excluding depreciation and amortisation charges, share-based payment charges, unrealised losses on forward contracts and exchange gains/losses.

	Six months ended 30 June 2021 £'000	Six months ended 30 June 2020 £'000	18 months ended 31 Dec 2020 £'000
Operating loss	**(7,602)**	**(7,172)**	**(17,634)**
Depreciation and amortisation	2,751	1,745	4,804
Share-based payment charges	1,102	437	1,378
Unrealised losses/(gains) on forward contracts	(829)	(64)	139
Exchange (gains)/losses	63	66	(55)
Adjusted EBITDA	**(4,515)**	**(4,988)**	**(11,368)**

Reconciliation between net cash from operating activities and equity-free cash flow

The Group defines equity-free cash flow as net cash from operating activities plus capital expenditure and adjusted for interest payments and receipts and exchange rate movements. The table below reconciles net cash from operating activities to equity-free cash flow for each period.

	Six months ended 30 June 2021 £'000	Six months ended 30 June 2020 £'000	18 months ended 31 Dec 2020 £'000
Net cash from operating activities	**(13,170)**	**(1,875)**	**(5,824)**
Capital expenditure (total)	(5,225)	(4,411)	(13,051)
Interest and lease payments (net)	(279)	81	(64)
Exchange rate movements	(63)	64	(139)
Equity-free cash flow	**(18,737)**	**(6,141)**	**(19,078)**

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 interim financial report for the six months ended 30 June 2021 which comprises the Consolidated Statement of Profit and Loss and Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity.

We have read the other information contained in the interim 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 interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on AIM which require that the interim report be presented and prepared in a form consistent with that which will be adopted in the Company's annual accounts having regard to the accounting standards applicable to such annual accounts.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim financial report based on our review.

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 Financial Reporting Council 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 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the six months ended 30 June 2021 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on AIM and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability

BDO LLP
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Guildford

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