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("AFC Energy" or "the Company")

Interim Results

AFC Energy plc (AIM: AFC), the low-cost alkaline fuel cell company that generates clean electricity from by-product hydrogen announces its interim results for the six months ended 30 April 2008

Highlights

- All milestones achieved on time and future development costs in line with budget
- Cash at bank and in hand at 30 April 2008: £0.95 million (30 April 2007: £3.25 million)
- Successful 500-hour operation of AFC Energy's prototype fuel cell in line with the Company's expectations
- Further cost savings of fuel cell through development of replaceable and recyclable electrode
- Trend towards use of sub-stations in chlorine industry leading to increased locations of waste hydrogen
- Plastic moulding suppliers and partners identified for outsourced manufacturing
- Gaskatel in Germany confirmed as third-party testing and validation partner
- Delivery of the first systems to Akzo Nobel is on schedule for August 2008
- Blueprint for 50kW system under development

Post-period events

- £4.4 million (gross) raised via placing
- Size of the offer was increased owing to strong demand from institutional investors

Gerard Sauer, Chief Executive, AFC Energy plc, commented:

"AFC Energy has passed an important part of its development. The imminent delivery of the systems to its first customer, the continued driving down of the costs of the fuel cells and the scaling up of production processes reflect the significant progress made over the past six months.

"The recent fund raising, which attracted a number of new institutional and existing investors, provides the Company with the necessary capital for its commercialisation phase.

“Changes to the infrastructure in the chlorine industry provide further confidence that the Company’s strategy of using by-product hydrogen and taking the fuel cell to the H2 source is the correct one.

“The Company is also looking at opportunities in the energy-from-waste sector. Using fuel cells to produce clean energy from gasified waste is especially attractive to potential customers in the UK because it would enable them to qualify for double Renewables Obligation Certificates.

“Other opportunities reflect the increasing pressure on industries to maximise their energy efficiency. AFC Energy is well positioned to provide a solution to this growing trend.”

For further information please visit www.afcenergy.com or contact:

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Chairman's statement

I am pleased to report the interim results for the six months ended 30 April 2008 and update shareholders on progress.

The Company is focused on developing fuel cells for industrial companies that produce hydrogen as a by-product from their activities. The hydrogen is currently vented off and released into the atmosphere.

The directors of AFC Energy estimate that the global chlorine industry produces approximately 1.6 million tonnes of hydrogen every year or approximately 3,000 MW per annum of potential generating capacity.

Fuel cell development

AFC Energy is involved in the cost engineering of an existing technology with the objective of producing alkaline fuel cells at a commercial price point. In addition, the product needs to be easy to operate and easily maintained.

It is very encouraging that all of the technology milestones to date have been met on time and that the Company now has a fully functioning prototype.

The development of a replaceable and recyclable electrode has enabled the Company to produce simple ‘plug and play’ fuel cells. This has the benefit of allowing our service partner Gaskatel in Germany to maintain high and efficient levels of customer service.

AFC Energy will continue to work on reducing the cost of the electrode and the number of components the fuel cell requires. Both have the effect of increasing the cost effectiveness of the fuel cell system.

Commercialisation and market opportunities

We are in discussions with a number of large companies in the chlorine industry. Chlorine production is a highly energy-intensive process and companies in the sector are keen to identify methods of reducing this significant cost.

By taking AFC Energy’s fuel cells to the hydrogen source, an immediate cost saving can be generated by re-using the hydrogen that would otherwise be vented off and lost into the atmosphere.

The chlorine industry is currently adjusting how it supplies its customers, principally by moving towards smaller sub-stations which are closer to their own customer base.

This medium-term development presents further opportunities for AFC Energy as it significantly increases the number of locations in which we can install our fuel cells.

The directors are looking at a growing market in the energy-from-waste sector. Waste can be gasified by passing hot steam over it. This produces a hydrogen-rich gas which would be used by the AFC Energy fuel cell to generate clean electricity. The advantage of using fuel cells in this process is that the customers in the UK would qualify for double Renewables Obligation Certificates, reducing the payback time on the system.

Business models

AFC Energy has developed two contract models which provide potential customers with alternative ways of entering into an agreement with us.

The first is a straight “install-and-maintain” model – the basis on which we are working with Akzo Nobel, our first customer - whereby AFC Energy sells systems to the customer and receives additional revenues via an ongoing maintenance contract.

The second is a leasing agreement whereby we install our systems but maintain ownership of them. The customer supplies its hydrogen under a fixed-term contract, which AFC Energy then converts to clean electricity. This electricity is sold back to the customer at a pre-determined price, or to the grid at a premium price.

Akzo Nobel

AFC Energy has received payments from Akzo Nobel as part of the development of the new system that is to be shipped to Akzo Nobel in Bitterfeld in Germany in August 2008.

The 500-hour testing of the prototype in February provided important information that will help ensure the successful integration of the Company’s products with Akzo Nobel’s own operating and safety systems.

As part of our ongoing collaboration with Akzo Nobel we are making good progress with the Product Design Specification of the 50kW system and will shortly move towards the final system design.

Manufacturing

AFC Energy will outsource the manufacture of our fuel cells. Our core skills lie in developing technological improvements – we maintain intellectual property rights at all times through various patents. Selecting the right suppliers of key components, particularly the plastic mouldings which house the fuel cells, is vital. In addition a third party will be used to assemble the final product.

Financials

During the six months to 30 April 2008, post-tax losses were £1.14 million (30 April 2007: £0.52 million), reflecting the planned increase in the development of the fuel cell, particularly the electrode, catalyst and balance of plant design.

The Company continues to build its scientific and technical teams with 24 full-time staff at the half-year end. Staff costs account for about 50 per cent of the Company's cost base.

The Company's investment in its production facility in Dunsfold has been within budget. Some further expansion is anticipated during the current financial year.

During the period, the Company benefited from increased interest on its cash deposits producing £43,000 in interest receivable, compared with £16,000 for the same period last year.

Immediately following the May placing the Company held cash of £4.7 million (30 April 2008: £0.95 million; 30 April 2007: £3.24 million).

The Board is not recommending payment of a dividend, in accordance with the dividend policy stated at the time of the flotation.

Fund raising

On 21 May 2008 the Company announced that it had raised £4.4 million (before expenses) via a placing of 40 million new ordinary shares, representing 31.3% of the Company's enlarged issued share capital.

The placing attracted a number of new and existing shareholders and the size of the offer was increased owing to strong demand from institutional investors.

Part of the proceeds from the placing will be used to provide operating capital for the completion and installation of AFC Energy systems at Akzo Nobel's Bitterfeld site in Germany, and for the development of our 50kW system.

Proceeds will also be used for the establishment of manufacturing processes and supply chains with third parties with the opening up of additional sales opportunities.

Outlook

AFC Energy is at an exciting time of its development and the support shown from investors is very encouraging. The Company is now in a strong position to take advantage of the opportunities created by hydrogen-producing industries that are looking to drive down their energy costs.

With a strong management team, a proven technology and growing opportunities for AFC Energy's fuel cells, the Board views the outlook as very promising.

Tim Yeo MP, Chairman

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Income statement	Note	Six months to 30 April 2008 £ Unaudited	Six months to 30 April 2007 £ Unaudited	Year to 31 October 2007 £ Audited
Revenue		-	-	-
Cost of sales	**2**	(90,492)	(32,785)	(116,228)
Gross loss		(90,492)	(32,785)	(116,228)
Administrative expenses		(1,231,670)	(566,173)	(1,840,802)
Operating loss		(1,322,162)	(598,958)	(1,957,030)
Financial income		43,741	16,280	90,158
Loss before taxation		(1,278,421)	(582,678)	(1,866,872)
Taxation	**3**	137,068	58,667	155,294
Loss for the period attributable to equity shareholders		(1,141,353)	(524,011)	(1,711,578)
Basic and diluted loss per share	**4**	(1.3)p	(0.7)p	(2.1)p

All amounts relate to continuing operations.

Balance sheet	Note	30 April 2008	30 April 2007	31 October 2007
		£	£	£
		Unaudited	Unaudited	Audited
Non-current assets				
Intangible assets	5	292,285	303,132	298,874
Property, plant and equipment	6	514,231	255,680	472,601
		806,516	558,812	771,475
Current assets				
Trade and other receivables	7	523,957	349,083	461,567
Cash and cash equivalents		952,442	3,245,129	2,128,350
		1,476,399	3,594,212	2,589,917
Total assets		2,282,915	4,153,024	3,361,392
Equity and liabilities				
Equity attributable to shareholders				
Share capital	8	87,683	87,683	87,683
Share premium		4,825,189	4,821,412	4,825,189
Other reserves		425,050	66,602	290,050
Retained loss		(3,395,424)	(1,066,504)	(2,254,071)
Total equity		1,942,498	3,909,193	2,948,851
Current liabilities				
Trade and other payables	9	340,417	243,831	412,541
Total equity and liabilities		2,282,915	4,153,024	3,361,392

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Cash flow statement	Six months to 30 April 2008	Six months to 30 April 2007	Year to 31 October 2007
	£	£	£
	Unaudited	Unaudited	Audited
Cash flows from operating activities			
Loss before tax for the period	(1,278,421)	(582,678)	(1,866,872)
Adjustments for:			
Depreciation of property, plant and equipment	125,289	43,673	132,175
Amortisation of intangible assets	8,119	5,085	13,100
Interest receivable	(43,741)	(16,280)	(90,158)
Equity-settled share-based payment expenses	135,000	55,056	278,504
Cash flows from operating activities before changes in working capital and provisions	(1,053,754)	(495,144)	(1,533,251)
Decrease/(increase) in trade and other receivables	74,678	(175,681)	(191,538)
(Decrease)/increase in trade and other payables	(72,124)	167,605	336,315
Cash absorbed by operating activities	(1,051,200)	(503,220)	(1,388,474)
Cash flows from investing activities			
Acquisition of patents	(1,530)	(21,166)	(24,923)
Acquisition of property, plant and equipment	(166,919)	(147,169)	(452,592)
Net cash flow from investing activities	(168,449)	(168,335)	(477,515)
Cash flows from financing activities			
Proceeds from the issue of share capital	-	4,035,558	4,033,414
Share issue costs	-	(531,398)	(525,477)
Interest received	43,741	16,280	90,158
Net cash flow from financing activities	43,741	3,520,440	3,598,095
Net (decrease)/increase in cash and cash equivalents	(1,175,908)	2,848,885	1,732,106
Cash and cash equivalents at the beginning of the period	2,128,350	396,244	396,244
Cash and cash equivalents at the end of the period	952,442	3,245,129	2,128,350

Statement of Changes in Equity

	Share capital	Share premium	Other reserve	Retained loss	Total
	£ Audited	£ Audited	£ Audited	£ Audited	£ Audited
Balance at 1 November 2006	70,000	1,334,935	11,546	(542,493)	873,988
Loss after tax for the year ended 31 October 2007	-	-	-	(1,711,578)	(1,711,578)
Total recognised income and expense for the period	-	-	-	(1,711,578)	(1,711,578)
Issue of equity shares	17,683	4,015,731	-	-	4,033,414
Share issue expenses	-	(525,477)	-	-	(525,477)
Equity-settled share-based payments	-	-	278,504	-	278,504
Balance at 31 October 2007	87,683	4,825,189	290,050	(2,254,071)	2,948,851

	Share capital	Share premium	Other reserve	Retained loss	Total
	£ Unaudited	£ Unaudited	£ Unaudited	£ Unaudited	£ Unaudited
Balance at 1 November 2007	87,683	4,825,189	290,050	(2,254,071)	2,948,851
Loss after tax for the six months ended 30 April 2008	-	-	-	(1,141,353)	(1,141,353)
Total recognised income and expense for the period	-	-	-	(1,141,353)	(1,141,353)
Equity-settled share-based payments	-	-	135,000	-	135,000
Balance at 30 April 2008	87,683	4,825,189	425,050	(3,395,424)	1,942,498

Share capital is the amount subscribed for shares at their nominal value.

Share premium represents the excess of the amount subscribed for share capital over the nominal value of these shares net of share issue expenses.

Other reserve represents the credit to equity in respect of equity-settled share-based payments.

Retained loss represents the cumulative loss of the Company attributable to equity shareholders.

Notes forming part of the interim financial statements

1 ***Significant accounting policies***

The unaudited interim results presented in this interim announcement for the six month period ended 30 April 2008 have been prepared on the basis of the accounting policies adopted within the financial statements for the year ended 31 October 2007. The financial statements for the year ended 31 October 2007 were prepared in accordance with International Financial Reporting Standards (IFRSs).

Details of the significant accounting policies are set out below:

a ***Basis of preparation***
The interim results for the six months ended 30 April 2008 are unaudited. The interim results have been drawn up using accounting policies and presentation consistent with those disclosed and applied in the annual report and accounts for the year ended 31 October 2007. The comparative information contained in this report does not constitute the accounts within the meaning of S240 of the Companies Act 1985 and section 435 of the Companies Act 2006.The accounting policies used in the interim statement are consistent with those used in the financial statements for the year ended 31 October 2007 and are in accordance with International Financial Reporting Standards.

b ***Intangible assets***
Patents are valued at cost less accumulated amortisation and impairment charges. Amortisation is provided to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Patents	5% per annum straight-line

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

c ***Research and development costs***
Research costs are expensed as incurred. Development expenditure on an individual project is recognised as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

d ***Property, plant and equipment***
Property, plant and equipment are stated at cost less accumulated depreciation and impairment charges. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Leasehold improvements	Over the life of the lease
Fixtures, fittings and equipment	Over one to three years on a straight-line basis

e ***Leases***
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

f ***Deferred taxation***

Deferred tax is accounted for using the liability method and as such all timing differences between the Company's profit chargeable to tax and its results disclosed in the financial statements are recognised. These timing differences arise from the inclusion of gains and losses for tax purposes in different periods to those in which they are recognised in the financial statements. Deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which any temporary differences can be utilised. Deferred tax is measured on a non-discounted basis at rates of tax expected to apply in the periods in which the timing differences are expected to reverse.

g ***Equity-settled share-based payments***

The Company issues equity-settled share-based payments to certain employees which are measured at fair value and recognised as an expense in the income statement with a corresponding increase in equity. The fair values of these payments are measured at the date of grant using option-pricing models, taking into account the terms and conditions upon which the awards are granted. The fair value of the awards is recognised as an expense over the period during which employees become unconditionally entitled to the awards, subject to the Company's estimate of the number of awards which will lapse, due to employees leaving the Company prior to vesting. The total amount recognised in the income statement as an expense is adjusted to reflect the number of awards that vest.

2 Segmental analysis

The Company operated in the period in one segment, the development of fuel cells, and in one geographic area, the United Kingdom.

3 Taxation	**Six months to 30 April 2008**	**Six months to 30 April 2007**	**Year to 31 October 2007**
	£	**£**	**£**
Recognised in the income statement:			
Research and development tax credit	137,068	58,667	155,294
Reconciliation of effective tax rates The reasons for the difference between the actual tax credit for the period and the rate of 30% applied to the loss for the period are as follows:			
Loss before tax	(1,278,421)	(582,678)	(1,866,872)
Tax using domestic rates of corporation tax of 30%	(383,526)	(174,803)	(560,062)
Effect of:			
Expenses not deductible for tax purposes	6,133	5,787	89,561
Research and development allowance	(66,465)	(110,000)	(97,058)
Research and development tax credit	130,583	36,667	155,294
Depreciation in excess of capital allowances	(35,000)	(4,272)	(24,536)
Losses surrendered for research and development	244,843	-	291,176
Losses carried forward	240,500	305,288	300,919
	137,068	58,667	155,294

4 Loss per share	Six months to 30 April 2008	Six months to 30 April 2007	Year to 31 October 2007
The calculation of the basic loss per share is based on the net loss after tax attributable to the ordinary shareholders of £1,141,353 (30 April 2007: loss of £524,011; 31 October 2007: loss of £1,711,578) and a weighted average number of shares in issue for the period 1 November 2007 to 30 April 2008 of 87,682,854 (six months to 31 October 2007: 72,077,825; year to 31 October 2007: 80,067,752).			
Loss per share	(1.3)p	(0.7)p	(2.1)p

Diluted loss per share

The diluted loss per share is the same as the basic loss per share, as the loss for the six months ended 30 April 2008 has an anti-dilutive effect.

5 Intangible assets	Patents £
Cost	
At 1 November 2006	299,182
Additions	21,166
At 30 April 2007	320,348
Additions	3,757
At 31 October 2007	324,105
Additions	1,530
At 30 April 2008	325,635
Amortisation	
At 1 November 2006	12,131
Charge for the period	5,085
At 30 April 2007	17,216
Charge for the period	8,015
At 31 October 2007	25,231
Charge for the period	8,119
At 30 April 2008	33,350
Net book value	
At 30 April 2008	292,285
At 30 April 2007	303,132
At 31 October 2007	298,874

6 Property, plant and equipment	Leasehold improvements	Fixtures, fittings and equipment	Total
	£	£	£
Cost			
At 1 November 2006	62,208	121,999	184,207
Additions	83,450	63,719	147,169
At 30 April 2007	145,658	185,718	331,376
Additions	-	305,423	305,423
Transfer	(19,066)	19,066	-
At 31 October 2007	126,592	510,207	636,799
Additions	-	166,919	166,919
Transfer	(62,207)	62,207	-
At 30 April 2008	64,385	739,333	803,718
Depreciation			
At 1 November 2006	9,090	22,933	32,023
Charge for the period	1,439	42,234	43,673
At 30 April 2007	10,529	65,167	75,696
Charge for the period	39,646	48,856	88,502
At 31 October 2007	50,175	114,023	164,198
Charge for the period	1,505	123,784	125,289
At 30 April 2008	51,680	237,807	289,487
Net book value			
At 30 April 2008	12,705	501,526	514,231
At 30 April 2007	135,129	120,551	255,680
At 31 October 2007	76,417	396,184	472,601

7 Trade and other receivables	30 April 2008	30 April 2007	31 October 2007
	£	£	£
Other receivables	523,957	349,083	461.567

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8	**Share capital**	**30 April 2008**	**30 April 2007**	**31 October 2007**
		£	£	£
	Authorised			
	700,000,000 Ordinary shares of 0.1p each	700,000	700,000	700,000
	Issued			
	87,682,854 Ordinary shares of 0.1p each	87,683	87,683	87,683

9	**Trade and other payables**	**30 April 2008**	**30 April 2007**	**31 October 2007**
		£	£	£
	Trade payables	148,977	98,089	207,615
	Taxation and social security payable	28,614	37,515	27,613
	Accruals	162,826	108,227	177,313
		340,417	243,831	412,541

10 Post-balance sheet events

In May 2008 the Company raised £4.4 million, before expenses, from the placing of 40 million new ordinary shares at an issue price of 11p each.

Publication of non-statutory accounts

The financial information contained in this interim statement does not constitute accounts as defined by section 240 of the Companies Act 1985 and section 435 of the Companies Act 2006. The financial information for the preceding period is based on the statutory accounts for the year ended 31 October 2007. Those accounts, upon which the auditors issued an unqualified opinion, have been delivered to the Registrar of Companies.

Copies of the interim statement may be obtained from the Company Secretary, AFC Energy PLC, Unit 71.4 Dunsfold Park, Cranleigh, Surrey GU6 8TB, and can be accessed from the company's website at www.afcenergy.com.

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