



MEDIA ANNOUNCEMENT

25 July 2007

AFC Energy plc
("AFC Energy" or "the Company")

Unaudited Interim results to 30 April 2007

AFC Energy, the low-cost alkaline fuel cell company with a clear route to commercialisation, is pleased to announce its unaudited interim results for the six months ended 30 April 2007.

HIGHLIGHTS

- Successful admission to AIM, raising net proceeds of £2.4 million
- Received contractual purchase order from Akzo Nobel Base Chemicals B.V. ("Akzo Nobel") for the supply of fuel cells
- Shareholders' funds of £3.909 million

Post-period events

- First technological milestone achieved with the operation for 500 hours of a small-scale single cell unit, within the projected timescale described in the Admission Document
- Intended delivery of fuel cells to Akzo Nobel on schedule
- Signed a Memorandum of understanding to supply fuel cells to the Indonesian government

Gerard Sauer, Chief Executive, AFC Energy said:

"The successful admission of AFC Energy to AIM has significantly increased our visibility among potential customers and given us the capital we need to take our fuel cell through to commercialisation.

"The applications for AFC Energy's technology continue to grow as we identify more locations with hydrogen sources combined with a need for lower cost, clean energy.

"Our project with the Indonesian government is an excellent example of where clean energy can be produced cost effectively and we look forward to working closely with our partners in Asia.

"As we continue to drive down the cost of our components and streamline our manufacturing processes for mass scale production, we will capitalise on the increasing demand for commercially viable clean energy."

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

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CHAIRMAN'S STATEMENT

I am pleased to welcome all new AFC Energy shareholders and to introduce our interim report for the six months ended 30 April 2007 – the first report since the Company became quoted on AIM.

AIM listing

In April 2007 the Company's shares were successfully admitted to trading on the London Stock Exchange's Alternative Investment Market ("AIM") to secure the working capital necessary to continue preparing for commercialisation of its low-cost alkaline fuel cells. This generated a net funding inflow of £2.4 million.

Company strategy

AFC Energy is engaged in the design and development of alkaline fuel cells and improving the processes and reducing the costs and number of components required for their manufacture.

AFC Energy has identified industries that produce hydrogen as waste or by-product as the markets with the most immediate potential for our technology.

The Company's proprietary technology, which has been under development for over six years, has already achieved some important milestones in its development, including the proof of concept on the operation of its electrode.

Akzo Nobel contract

The company signed its first contract with Akzo Nobel in March 2007 to supply alkaline fuel cells to its chlor-alkali (chlorine production) business. Akzo Nobel is the fourth-largest chlorine producer in Europe.

AFC Energy will receive payments for the supply of its technology and it is intended that delivery of AFC Energy's first fuel cells to Akzo Nobel will begin during the first quarter of 2008.



MEDIA ANNOUNCEMENT

Following successful installation and trialing of these initial 10kW units at Akzo Nobel's Bitterfeld site in Germany, a system expansion study towards developing a 200kW system is due to be completed by the second quarter of 2009 in collaboration with Akzo Nobel personnel. The Directors of AFC Energy anticipate entering into further collaboration agreements with Akzo Nobel, for larger systems, as the project moves forward.

The excess hydrogen produced by Akzo Nobel will support several Megawatts of green electricity and the Directors anticipate that the AFC Energy business model will offer a capital payback within three years with effective zero cost electricity thereafter.

Post-period events – since 1 May 2007

Successful performance of single cell unit

The company achieved its first technological milestone, the operation for 500 hours of a small-scale single cell unit, within the projected timescale described in the Admission Document.

The cell was tested successfully under specific high corrosion conditions, designed to demonstrate operation and corrosion resistance of the system. The trial demonstrated a consistent output with minimum degradation and little evidence of corrosion.

The successful test of the single cell unit is an important part of the continued progress towards AFC Energy's goal of delivery of functional systems during 2008 in preparation for full commercialisation during 2009. The next expected milestone is the operation of the first scaled single cell scheduled for August 2007.

AFC Energy's Proposed Technological "Milestones"

The new milestones that the Company is aiming to achieve, and to have independently verified by the team at Surrey University, are as follows:



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<i>Milestone</i>	<i>Description</i>	<i>Target Completion</i>
1	Small scale single cell 500 hours operation	May 2007 - <u>ACHIEVED</u>
2	First scaled single cell operation	August 2007
3	Scaled single cell 500 hours operation	October 2007
4	First prototype system operation	January 2008
5	System operation 500 hours	February 2008
6	Delivery of multiple systems to customer	August 2008

Source: AFC Energy development programme.

MOU with the government of Indonesia

In June 2007 AFC Energy entered into a Memorandum of Understanding ("M.O.U.") with the Government of Indonesia, and specifically with the State Ministry for Development of Disadvantaged Areas of the Republic of Indonesia.

The M.O.U. relates to the CIUP (Community Integrated Utility Program) project that aims to provide 32 million households with the ability to produce electricity and potable drinking water over the next ten years. AFC Energy has been appointed as the exclusive fuel cell supplier to this program, whether with AFC Energy proprietary fuel cells or as an agent for third-party fuel cells.

The M.O.U. contains an initial order totalling US\$13.5 million for three thousand 3.5kW systems at US\$4,500 per system. Supplies are scheduled to begin around the fourth quarter of 2008. The primary trial of 3,000 units will be in the Nabire-Papua region.

The M.O.U. also confirms that both parties undertake to enter into a joint venture to establish, within 18 months, a manufacturing facility in partnership with a number of interested Indonesian corporations. The intention is that over the following 8 – 10 years up to six million 5kW units could be manufactured.



MEDIA ANNOUNCEMENT

Financial highlights to 30th April 2007

The Company incurred costs of £599,000 in the period, as it built up a team of technical experts and support staff tasked with the development and testing of the company's products and their commercialisation.

Monthly payments are being received on account from Akzo Nobel, our first customer, and we are delighted to have met the various milestones agreed with Akzo at the outset of the project.

As the relationship with Akzo Nobel develops, AFC Energy will be committing further capital as detailed in the Admission Document to develop manufacturing processes and the overall scaling up of the project.

The Company's net assets and shareholder funds at the April balance sheet date were £3.909 million.

Tim Yeo, Chairman



MEDIA ANNOUNCEMENT

Interim financial statements for the six months to 30 April 2007

Income statement

	Note	Six months to 30 April 2007	9 January 2006 to 31 October 2006
		£ Unaudited	£ Audited
Revenue		-	-
Cost of sales		(32,785)	-
Gross loss		<u>(32,785)</u>	-
Administrative expenses		(566,173)	(617,158)
Operating loss		<u>(598,958)</u>	(617,158)
Financial income		16,280	14,013
Financial expenses		-	(27)
Net financing costs		<u>16,280</u>	<u>13,986</u>
Loss before tax		(582,678)	(603,172)
Taxation	2	58,667	60,679
Loss for the period attributable to equity shareholders		<u>(524,011)</u>	<u>(542,493)</u>
Basic loss per share	3	<u>(0.7p)</u>	<u>(1.2p)</u>

All amounts relate to continuing operations.



MEDIA ANNOUNCEMENT

Balance sheet	Note	30 April 2007 £ Unaudited	31 October 2006 £ Audited
Non-current assets			
Intangible assets	4	303,132	287,051
Property, plant and equipment	5	255,680	152,184
		558,812	439,235
Current assets			
Trade and other receivables	6	349,083	114,735
Cash and cash equivalents		3,245,129	396,244
		3,594,212	510,979
Total assets		4,153,024	950,214
Equity and liabilities			
Equity attributable to shareholders			
Share capital	7	87,683	70,000
Share premium		4,821,412	1,334,935
Other reserves		66,602	11,546
Retained earnings		(1,066,504)	(542,493)
Total equity		3,909,193	873,988
Current liabilities			
Trade and other payables	8	243,831	76,226
Total equity and liabilities		4,153,024	950,214



MEDIA ANNOUNCEMENT

Cash flow statement	Six months to 30 April 2007 £ Unaudited	9 January 2006 to 31 October 2006 £ Audited
Cash flows from operating activities		
Loss before tax for the period	(582,678)	(603,172)
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	43,673	32,023
Amortisation of intangible assets	5,085	12,131
Equity-settled share-based payment expenses	55,056	11,546
Interest paid	-	27
Interest received	(16,280)	(14,013)
Cash flows from operating activities before changes in working capital and provisions	(495,144)	(561,458)
Increase in trade and other receivables	(175,681)	(54,056)
Increase in trade and other payables	167,605	76,226
Cash generated absorbed by operating activities	(503,220)	(539,288)
Cash flows from investing activities		
Acquisition of patents	(21,166)	(299,182)
Acquisition of property, plant and equipment	(147,169)	(184,207)
Net cash from investing activities	(168,335)	(483,389)
Cash flows from financing activities		
Proceeds from the issue of share capital	4,035,558	1,404,935
Share issue costs	(531,398)	-
Interest paid	-	(27)
Interest received	16,280	14,013
Net cash from financing activities	3,520,440	1,418,921
Net increase in cash and cash equivalents	2,848,885	396,244
Cash and cash equivalents at 1 November 2006	396,244	-
Cash and cash equivalents at 30 April 2007	3,245,129	396,224

Statement of Changes in Equity

	Share Capital £	Share Premium £	Other Reserve £	Retained Earnings £	Total £
	Audited	Audited	Audited	Audited	Audited
Balance at 9 January 2006	-	-	-	-	-
Loss after tax for the period	-	-	-	(542,493)	(542,493)
Total recognised income and expense for the period	-	-	-	(542,493)	(542,493)
Equity-settled share-based payments	-	-	11,546	-	11,546
Issue of equity shares	7,000	1,397,935	-	-	1,404,935
Bonus issue of shares	63,000	(63,000)	-	-	-
Balance at 31 October 2006	70,000	1,334,935	11,546	(542,493)	873,988
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Balance at 1 November 2006	70,000	1,334,935	11,546	(542,493)	873,988
Loss after tax for the period	-	-	-	(524,011)	(524,011)
Total recognised income and expense for the period	-	-	-	(524,011)	(524,011)
Equity-settled share-based payments	-	-	55,056	-	55,056
Issue of equity shares	17,683	4,017,875	-	-	4,035,558
Share issue costs	-	(531,398)	-	-	(531,398)
Balance at 30 April 2007	87,683	4,821,412	66,602	(1,066,504)	3,909,193

Share capital is the amount subscribed for shares at 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 reserves represent amounts credited to revenue reserves in respect of share-based payments charged to the income statement. This reserve is a realised profit and is distributable.

Retained earnings represent the cumulative loss of the Company attributable to the equity shareholders.

Notes forming part of the interim financial statements

1 Significant accounting policies

a. Basis of accounting

The financial statements for the six month period ended 30 April 2007 were prepared on the basis of the accounting policies adopted within the financial statements of the Company for the period ended 31 October 2006. The financial statements of the Company for the period ended 31 October 2006 were prepared in accordance with International Financial Reporting Standards (IFRSs).

The accounting policies set out below have, unless otherwise stated, been applied consistently in these financial statements.

b. Measurement convention

The financial statements are prepared on the historical cost basis.

c. 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
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d. Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and impairment charges. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each assets 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 profits chargeable to tax and its results shown 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 Taxation	Six months to 30 April 2007 £	9 January to 31 October 2006 £
Recognised in the income statement	Unaudited	Audited
Research and development tax credit	58,667	60,679
Reconciliation of effective tax rates	£	£
The reasons for the difference between the actual tax charge for the period and the rate of 30% applied to the loss for the period are as follows:		
Loss before tax	(582,678)	(603,172)
Tax using domestic rates of corporation tax of 30%	174,803	180,952
<i>Effect of:</i>		
Effect of expenses not deductible for tax purposes	(5,787)	(8,667)
Research and development allowance	110,000	37,924
Research and development tax credit	(36,667)	(53,095)
Depreciation in excess of capital allowances	(4,272)	6,248
Losses carried forward	(179,410)	(102,683)
	58,667	60,679

3 Loss per share

The calculation of the loss per share is based upon the net loss after tax attributable to the ordinary shareholders of £524,011 (31 October 2006: a loss of £542,493) and a weighted average number of shares in issue, for the period 1 November 2006 to 30 April 2007 of 72,077,825 (9 January 2006 to 31 October 2006: 45,144,125).

	Six months to 30 April 2007	9 January 2006 to 31 October 2006
	Unaudited	Audited
Loss per share	(0.7p)	(1.2p)

Diluted loss per share

No diluted loss per share has been presented as the Company is loss making.

4 Intangible assets

	Patents £
Cost	
Balance at 9 January 2006	-
Additions	319,986
Amount attributed to tangible non-current assets	(20,804)
Balance at 31 October 2006	299,182
Additions	21,166
Balance at 30 April 2007	320,348



MEDIA ANNOUNCEMENT

Amortisation

Balance at 9 January 2006	-
Charge for the period	12,131
Balance at 31 October 2006	12,131
Charge for the period	5,085
Balance at 30 April 2007	17,216

Net book value

At 30 April 2007	303,132
At 31 October 2006	287,051

5 Property, plant and equipment

	Leasehold Improvements	Fixtures, fittings and equipment	Total
	£	£	£
Cost			
Balance at 9 January 2006	-	-	-
Acquisitions (note 4)	-	20,804	20,804
Additions	62,208	101,195	163,403
Balance at 31 October 2006	62,208	121,999	184,207
Additions	83,450	63,719	147,169
Balance at 30 April 2007	145,658	185,718	331,376
Cost			
Balance at 9 January 2006	-	-	-
Charge for the period	9,090	22,933	32,023
Balance at 31 October 2006	9,090	22,933	32,023
Charge for the period	1,439	42,234	43,673
Balance at 30 April 2007	10,529	65,167	75,696
Net book value			
At 30 April 2007	135,129	120,551	255,680
At 31 October 2006	53,118	99,066	152,184

6 Trade and other receivables

	30 April 2007	31 October 2006
	£	£
	Unaudited	Audited
Other receivables	349,083	114,735

7 Share capital

	Authorised share capital £
Authorised	
At 31 October 2006 - 70,000,000 Ordinary shares of 1p each ¹	700,000
At 30 April 2007 – 700,000,000 Ordinary shares of 0.01p each ¹	700,000

¹ On 23 March 2007 the authorised share capital of the Company was changed from 70,000,000 ordinary shares of 1p to 700,000,000 ordinary shares of 0.01p.



MEDIA ANNOUNCEMENT

	Issued share capital Number	Issued share capital £
Issued		
At 31 October 2007 – ordinary shares of 1p each	7,000,000	70,000
Issued on 13 February 2007 – ordinary shares of 1p each	449,982	4,500
Total at 23 March 2007 pre-conversion	7,449,982	74,500
Converted to ordinary shares of 0.01p each on 23 March 2007	74,499,820	74,500
Issued on 24 April 2007 ²	13,183,034	13,183
At 30 April 2007	87,682,854	87,683

² Issued pursuant to a placing arrangement and the listing of all of the Company's ordinary shares on the Alternative Investment Market of the London Stock Exchange.

8 Trade and other payables

	30 April 2007 £ Unaudited	31 October 2006 £ Audited
Trade payables	98,089	40,976
Taxation and social security payable	37,515	12,333
Accruals	108,227	22,917
	243,831	76,226

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. The financial information for the preceding period is based on the statutory accounts for the financial period ended 31 October 2006. 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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