6th July 2009

AFC Energy PLC

('AFC Energy' or the 'Company')

Interim Results for the six months ended 30 April 2009

AFC Energy, the low cost fuel cell company, today announces its interim results for the six months ended 30 April 2009.

Highlights

- Completion of technical review focusing on low cost development of system.

- Successful delivery to AkzoNobel and subsequent to period end, installation and generation of electricity using standard electrodes and industrially produced hydrogen taken directly from a chlor-alkali plant without pre-treatment.

- Confirmation of installation and integration methodology.

- Significant investment in upgrading of technical facilities to enable development of the company's proprietary low cost electrodes.

- Agreement signed with Waste2tricity for integrating AFC's fuel cells into its Plasma gasification process for the conversion of Municipal Solid Waste ("MSW") to energy.

- Strengthening of Board with the appointment of Dr Gene Lewis as Technical Director and David Marson as Finance Director.

- Cash in bank as of 30 April 2009 £2,549,040.

Outlook

- Short term focus on chlor-alkali industry with opportunities to install further systems and broaden customer base.

- Increased focus on Energy Supply Company (ESCO) model for revenue generation.

- Technical focus on:

- Completing development of the proprietary low cost electrodes for first generation product

- Completing the upgrade to facilities to enable in-house production of non-precious metal electrodes.

- Continue development of 25 KW plus fuel cell system, the building block of multi-mega watt systems.

Ian Balchin, AFC Energy’s Managing Director, said:

"We have made significant progress since the start of the year on moving towards our first product. Demonstrating our fuel cell system operating in a chlor alkali plant is a notable achievement.

The next significant phase is to bring the fuel cell system to full commercial operation at AkzoNobel’s Bitterfeld site. We will install AFC Energy's proprietary low cost electrodes, and then deliver additional fully operational systems. Work will continue both at AFC Energy's headquarters and on site at Bitterfeld to ensure progressive improvements to system performance so as to achieve full design specification. In particular, AFC Energy's work will be concentrating on optimising its proprietary low cost electrodes on an iterative basis.

Alkaline fuel cells are a proven technology, AFC Energy is re-engineering alkaline fuel cells to massively reduce costs by simplifying design and applying low cost technologies and processes already developed for other industries”

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

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CHAIRMAN’S STATEMENT

The Company has made significant progress towards achieving its goal of developing a truly commercial low cost fuel cell system. The completion of a technical review, strengthening of board and progress with AkzoNobel gives the company a strong base from which to move forward.

AKZONOBEL

The Company has continued to work closely with its first commercial customer AkzoNobel. On 16 April 2009, the company announced that AkzoNobel had taken delivery of the 3.5kW fuel cell system at its Bitterfeld site in Germany and was in the process of being installed. On 22 June 2009, following complete installation, the fuel cell system successfully demonstrated production of electricity using industrially produced hydrogen. This first installation has enabled the company to fully test its installation methodology and system integration. The results have been extremely encouraging and clearly endorse the progress made.

The next significant phase is to bring the fuel cell system to full commercial operation at Akzo Nobel’s Bitterfeld site, by installing AFC Energy's proprietary low cost electrodes, and then deliver further fully operational systems. Work will continue both at AFC Energy's headquarters and on site at Bitterfeld to ensure progressive improvements to system performance so as to achieve full design specification. In particular, AFC Energy's work will be concentrating on optimising its proprietary low cost electrodes on an iterative basis.

Having successful demonstrated the fuel cell system using industrially produced hydrogen, the company is now in discussions with other Chlor Alkali companies about installing further systems.

TECHNICAL REVIEW AND PROGRESS

Following the extensive technical review that was commenced in November 2008 and overseen by Dr Gene Lewis, the Company has improved processes, simplified the design and reduced the number of components required to manufacture the fuel cell system. The system now utilizes a design capable of manufacture with low-cost injected-moulded plastics and a cartridge system, both of which overcome the significant technical hurdles that other fuel cell developers face in terms of cost, hydrogen sealing, maintainability and heat management.

AFC Energy has invested in its technical infrastructure to accelerate the electrode development and test cycle, improve electrode quality and output power and increase the electrode fabrication capacity to in excess of 1000 electrodes per day. In addition to development, the Company intends to use its own facilities to directly support the beta-test fuel cell systems and the initial commercial requirements for electrodes.

The company expects to be carrying out extended beta-testing of its proprietary electrodes during the fourth quarter of this calendar year in anticipation of the first product launch.

WASTE2TRICITY

On 4th February 2009, the Company announced it had signed an agreement with Waste2Tricity Ltd (“W2T”) to supply AFC fuel cells to W2T for integration into its system for the conversation of Municipal Solid Waste (“MSW”) to energy.

Conditional upon W2T successfully raising initial funding, AFC Energy will receive a £1m licence fee in return for granting W2T exclusivity for its fuel cells in the UK waste to energy market.

Once AFC Energy’s fuel cells are integrated in W2T’s gasification system, AFC Energy will also receive follow-on royalty payments.

Waste2Tricity has recently entered an expression of interest for a 250,000 tonnes of waste per year site in the London Waste and Recycling Board auction.

BOARD

The Company’s Board has also been strengthened by the appointment of Dr Gene Lewis as Technical Director and David Marson as Finance Director. Gene joined the Company in November 2008 as Chief Technical Officer, having previously worked at Ceres Power where he was instrumental in the development of their solid oxide fuel cell technology. Gene's leadership skills and his background in fuel cell material science and engineering have significantly strengthened the technical team.

David Marson has been working with the Company since November 2008 as financial management consultant helping to improve its financial systems and business processes. He has an extensive track record in the financial and operational management of small and medium sized technology based businesses, having worked at AEA Technology plc where he held various senior roles as a divisional General Manager and as divisional Finance Director.

OUTLOOK

The Company is focused on being an Energy Supply Company (“ESCO”) whereby a customer supplies AFC Energy with hydrogen and AFC Energy sells electricity back to the customer or to the grid. The Company intends to initiate commercial discussions with interested parties for the joint development of ESCO models within the chlor-alkali industry where favourable subsidies in Europe and rising electricity prices are enabling the construction of business models with the potential for rapid payback of capital.

The Chlor-alkali industry provides significant levels of near term commercial opportunity, however there are other industries, such as waste to energy and wind power where the AFC Energy fuel cell system will be able to significantly increase energy output.

I am grateful to all the Company's employees for their continued efforts on behalf of shareholders and customers alike.

FINANCIAL REVIEW

During the six months to 30 April 2009, post-tax losses were £1.04 million (30 April 2008: £1.14 million), reflecting the success of the company in reducing overall costs despite maintaining a team of 24 staff to successfully deliver a working fuel cell system to Akzo Nobel.

The company strengthened its processes for evaluating capital investment and continued its investment in the facilities necessary for rapid evaluation of electrode materials and production of electrodes. During the period this included the acquisition of a scanning electron microscope. The net cash outflow in the six months to 30 April 2009 was £1.06 million (30 April 2008: £1.18 million). The cash balance as at 30 April 2009 was £2,549,040.

Further investment in capabilities is anticipated during the current financial year.

On 16 April 2009 the Board of AFC Energy agreed to grant options over a total of 6,600,000 ordinary shares in the Company, and to grant warrants over a total of 4,750,000 ordinary shares in the Company. The purpose of the options and warrants is to incentivize employees and directors during a key phase in the development of the company during which many will not receive pay increases.

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

AFC Energy PLC
Interim financial statements for the six months to 30 April 2009

Income statement	Note	Six months to 30 April 2009 £ Unaudited	Six months to 30 April 2008 £ Unaudited	Year to 31 October 2008 £ Audited
Revenue		-	-	-
Cost of sales		-	(90,492)	(303,035)
Gross loss		-	(90,492)	(303,035)
Administrative expenses		(1,233,748)	(1,231,670)	(2,807,480)
Operating loss		(1,233,748)	(1,322,162)	(3,110,515)
Financial income		56,158	43,741	150,320
Loss before taxation		(1,177,590)	(1,278,421)	(2,960,195)
Taxation	3	133,359	137,068	308,427
Loss for the period attributable to equity shareholders		(1,044,231)	(1,141,353)	(2,651,768)
Basic loss per share	4	(0.8)p	(1.3)p	(2.5)p

All amounts relate to continuing operations.

Balance sheet	Note	30 April 2009	30 April 2008	31 October 2008
Non-current assets		**£**	**£**	**£**
		Unaudited	Unaudited	Audited
Intangible assets	**5**	309,683	292,285	307,852
Property, plant and equipment	**6**	385,811	514,231	504,458
		695,494	806,516	812,310
Current assets				
Work in progress		123,740	-	123,740
Trade and other receivables	**7**	693,475	523,957	592,055
Cash and cash equivalents		2,549,040	952,442	3,610,204
		3,366,255	1,476,399	4,325,999
Total assets		4,061,749	2,282,915	5,138,309
Equity and liabilities				
Equity attributable to shareholders				
Share capital	**8**	127,683	87,683	127,683
Share premium		8,940,379	4,825,189	8,940,379
Other reserves		568,763	425,050	537,388
Retained loss		(5,950,070)	(3,395,424)	(4,905,839)
Total equity		3,686,755	1,942,498	4,699,611
Current liabilities				
Trade and other payables	**9**	374,994	340,417	438,698
Total equity and liabilities		4,061,749	2,282,915	5,138,309

Cash flow statement	Six months to 30 April 2009	Six months to 30 April 2008	Year to 31 October 2008
Cash flows from operating activities	**£**	**£**	**£**
	Unaudited	Unaudited	Audited
Loss before tax for the period	(1,177,590)	(1,278,421)	(2,960,195)
Adjustments for:			
Depreciation of property, plant and equipment	185,295	125,289	293,473
Amortisation of intangible assets	9033	8,119	
Equity-settled share-based payment expenses	31,375	135,000	247,338
Interest receivable	(56,158)	(43,741)	(150,320)
Cash flows from operating activities before changes in working capital and provisions	(1,008,045)	(1,053,754)	(2,261,277)
Decrease/(increase) in trade and other receivables	31,940	74,678	54,198
(Decrease)/increase in trade and other payables	(63,704)	(72,124)	26,157
Cash absorbed by operating activities	(1,039,809)	(1,051,200)	(2,489,349)
Cash flows from investing activities			
Acquisition of property, plant and equipment	(66,649)	(166,919)	(308,829)
Acquisition of patents	(10,864)	(1,530)	(25,478)
Net cash flow from investing activities	(77,513)	(168,449)	(334,307)
Cash flows from financing activities			
Proceeds from the issue of share capital	-	-	4,400,000
Share issue costs	-	-	(244,810)
Interest received	56,158	43,741	150,320
Net cash flow from financing activities	56,158	43,741	4,305,510
Net (decrease)/increase in cash and cash equivalents	(1,061,164)	(1,175,908)	1,481,854
Cash and cash equivalents at the beginning of the period	3,610,204	2,128,350	2,128,350
Cash and cash equivalents at the end of the period	2,549,040	952,442	3,610,204

Statement of Changes in Equity

	Share capital	Share premium	Other reserve	Retained loss	Total
	£	£	£	£	£
	Audited	Audited	Audited	Audited	Audited
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	Share premium	Other reserve	Retained loss	Total
	£	£	£	£	£
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Balance at 1 November 2008	127,683	8,940,379	537,388	(4,905,839)	4,699,611
Loss after tax for the six months ended 30 April 2009	-	-	-	(1,044,231)	(1,044,231)
Total recognised income and expense for the period	-	-	-	(1,044,231)	(1,044,231)
Equity-settled share-based payments	-	-	31,375	-	31,375
Balance at 30 April 2009	127,683	8,940,379	568,763	(5,950,070)	3,686,755

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***

Details of the significant accounting policies are set out below:

a ***Basis of preparation***
The interim results for the six months ended 30 April 2009 are unaudited. The interim results have been drawn up using the accounting policies and presentation consistent with those disclosed and applied in the annual report and accounts for the year ended 31 October 2008. The comparative information contained in the 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 2008 and are in accordance with International Financial Reporting Standards.

b ***Development costs***
Development expenditure does not meet the strict criteria for capitalisation under IAS38 and has been recognised as an expense.

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 capitalized development costs, are not capitalized and expenditure is reflected in profit and loss in the period in which the expenditure is incurred.

c ***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
Vehicles	Over three to four years on a straight line basis

d ***Leases***
Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in profit or loss. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term. Operating lease rentals are charged to income in equal annual amounts over the lease term.

e ***Deferred Taxation***

Deferred tax assets are not recognised due to the uncertainty of the period over which they will be recovered

f ***Equity-settled share-based payments***
The Company awards share options and warrants to certain Directors and employees to acquire shares of the Company. The fair value of options and warrants granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the Directors and employees become unconditionally entitled to the options or warrants. The fair value of the options and warrants granted is measured using a binomial option valuation model, taking into account the terms

and conditions upon which the options and warrants were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options and warrants that vest only where vesting is dependent upon the satisfaction of service and non-market vesting conditions or where the vesting periods themselves are amended by the introduction of new schemes and the absorption of earlier schemes by agreement between the Company and the relevant Directors and employees. Where options or warrants granted are cancelled, all future charges arising in respect of the grant are charged to the income statement on the date of cancellation.

g ***Financial Assets***

All of the company's financial assets are loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets and comprise trade and other receivables and cash and cash equivalents.

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 2009	Six months to 30 April 2008	Year to 31 October 2008
	£	£	£
Recognised in the income statement:	Unaudited	Unaudited	Audited
Research and development tax credit – current year	133,258	137,068	301,942
Research and development credit – additional receipt	101	-	6,485
Total Tax Credit	133,359	137,068	308,427
Reconciliation of effective tax rates			
Loss before tax	(1,105,348)	(1,278,421)	(2,960,195)
Domestic rate of corporation tax	28%	30%	30%
Tax using domestic rates of corporation tax	309,497	383,526	888,058
Effect of:			
Expenses not deductible for tax purposes	8,785	6,133	76,295
Research and development allowance	(74,625)	(66,465)	(217,214)
Research and development tax credit	133,258	130,583	301,942
Depreciation in excess of capital allowances	10,947	(35,000)	23,174
Losses surrendered for research and development	233,201	244,843	592,164
Other adjustments	-	-	4,060
Unutilised losses carried forward	131,189	240,500	409,579
	133,258	137,068	301,942

4	Loss per share	Six months to 30 April	Six months to 30 April	Year to 31 October
		2009	2008	2008
		Unaudited	Unaudited	Audited
	The calculation of the basic loss per share is based on the net loss after tax attributable to the ordinary shareholders of £1,044,231 (30 April 2008: loss of £1,141,353; 31 October 2008: loss of £2,651,768) and a weighted average number of shares in issue for the period 1 November 2008 to 30 April 2009 of 127,682,854 (six months to 31 October 2008: 87,682,854; year to 31 October 2008: 105,545,868).			
	Loss per share	(0.82)p	(1.3)p)	(2.51)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 2009 has an anti-dilutive effect.

5	Intangible assets	Patents
		£
	Cost	
	At 1 November 2007	324,105
	Additions	1,530
	At 30 April 2008	325,635
	Additions	23,948
	At 31 October 2008	349,583
	Additions	10,864
	At 30 April 2009	360,447
	Amortisation	
	At 1 November 2007	25,231
	Charge for the period	8,119
	At 30 April 2008	33,350
	Charge for the period	8,381
	At 31 October 2008	41,731
	Charge for the period	9,033
	At 30 April 2009	50,764
	Net book value	
	At 30 April 2009	309,683
	At 30 April 2008	292,285
	At 31 October 2008	307,852

6 Property, plant and equipment

	Leasehold improvements	Fixtures, fittings and equipment	Total
	£	£	£
Cost			
At 31 October 2007	126,592	510,207	636,799
Additions	-	166,919	166,919
At 30 April 2008	126,592	677,126	803,718
Additions	20,400	121,510	141,910
Disposals		(61,000)	(61,000)
At 31 October 2008	146,992	737,636	884,628
Additions	3,160	63,489	66,649
Disposals	-	(100,289)	(100,289)
At 30 April 2009	150,152	700,836	850,988
Depreciation			
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
Charge for the period	42,465	109,218	151,683
Disposals		(61,000)	(61,000)
At 31 October 2008	94,145	286,025	380,170
Charge for the period	24,339	160,956	185,295
Disposals		(100,289)	(100,289)
At 30 April 2009	118,484	346,692	465,176
Net book value			
At 30 April 2009	31,668	354,143	385,811
At 30 April 2008	12,705	501,526	514,231
At 31 October 2008	52,847	451,611	504,458

7 Trade and other receivables

	30 April 2009	30 April 2008	31 October 2008
	£	£	£
	Unaudited	Unaudited	Audited
Trade receivables	-	-	-
Other receivables	622,485	463,953	524,917
Prepayments	70,990	60,004	67,138
	693,475	523,957	592,055

8	Share capital	30 April 2009	30 April 2008	31 October 2008
		£	£	£
	Authorised	Unaudited	Unaudited	Audited
	Ordinary shares of 0.1p each	700,000	700,000	700,000
	Issued			
	Ordinary shares of 0.1p each	127,683	87,683	127,683

9	Trade and other payables	30 April 2009	30 April 2008	31 October 2008
		£	£	£
		Unaudited	Unaudited	Audited
	Trade payables	180,691	148,977	151,511
	Deferred income	123,740	-	123,740
	Other payables	33,976	28,614	38,461
	Accruals	36,587	162,826	124,986
		374,994	340,417	438,698

Related Party Transactions

During the six months ended 30 April 2009, £22,338 (plus VAT) was invoiced by FD Solutions, the trading name of DFM Ltd (a company registered in England & Wales) for services including Simon Walters as a Director of AFC Energy plc.
Mr Walters is also a Director and shareholder of DFM Ltd.

During the six months ended 30 April 2009, AFC Energy plc provided Waste2Tricity (a company registered in England and Wales) with an interest bearing loan of £150,000 repayable in full by December 2010, under the terms of an agreement to supply AFC fuel cells to W2T for integration into its system for the conversion of Municipal Solid Waste. In addition, AFC incurred costs of £1,835 on behalf of W2T for which it was reimbursed. Tim Yeo and Terry Walsh joined the board of W2T in December 2008, when AFC Energy was exploring collaborative opportunities with W2T in the UK waste to energy market. Both directors also serve on the board of AFC Energy. In addition, shareholders in W2T include Howard White, whose family trust is a substantial shareholder in AFC Energy.

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 year ended 31 October 2008. 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.