Press Release **28 September 2012**

Proton Power Systems plc

("Proton Power" or the "Group")

Interim Results

Proton Power Systems plc (AIM:PPS), the designer, developer and producer of fuel cells and fuel cell electric hybrid systems, today announces its unaudited interim results for the six months ended 30 June 2012.

Highlights:

- Turnover increased 46% to £561,732 (2011: £384,814)
- Loss for the period reduced to £1,921,621 (2011: £3,898,000)
- Secured new funding with a total value of €2,200,000 via loans from Roundstone Properties Limited
- Received €357,583 from the German Government for product development
- Launched the Smiths Electric Vehicles Newton truck with a 7kW Range Extender at the Hannover Industrial Fair in April 2012
- First installation of a 5kW stationary system has been completed and testing is underway for a large German utility company

John Wall, Chairman of Proton Power, commented: "I am pleased to report that the Group has made good progress in the past six months, particularly the launch of the Newton truck together with Smith Electric Vehicles in April this year. Initial testing has shown excellent results in terms of efficiency, and development of a new range extender with a performance of 20kW is underway. We also continue to see positive developments in the market for fuel cell technology for maritime applications, as demand for emission free operation is growing and the technology is shown to be reliable.

"Our financial position has been strengthened by a significant increase in revenue with a corresponding reduction in operating loss. Financial support from the Government in Germany will help Proton Power to continue its product development and address the increasing commercial opportunity for fuel cell technology."

- Ends -

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Chairman's and CEO's statement

We are pleased to report the Group's unaudited interim results for the half year ended 30 June 2012.

Business development

A. Mobility Sector:

1. Light Duty Vehicles

Proton Power presented the Smiths Electric Vehicles ("SEV") Newton with a 7kW Range Extender to the public at the Hannover Industrial Fair in April 2012. Presentations and customer test drives have since taken place in various locations in Germany and technical testing continues. The technical targets for the project have been achieved and the operating range doubled, when compared to a pure battery solution.

Together with SEV, the Group is now in discussions with customers to benefit from the German Hydrogen and Fuel Cell Technology Organisation's NOW funding program to introduce the first twenty hydrogen, fuel cell and battery-electric drive vehicles into the German market.

Within the same programme, discussions are continuing with Magna Group to introduce the Range Extender concept to other light duty vehicle applications.

The development of a Range Extender with a performance of 20kW is underway and the Group will seek additional funding from the NOW program to complement the product range with this new system.

2. Buses and Heavy Duty Vehicles

Discussions with major bus and heavy duty vehicle manufacturers, as well as system suppliers for the bus and truck industry continue.

Proton Power is currently working on a packaging study to equip an electric battery powered bus with a Range Extender system which will allow the bus to operate under normal conditions with two shift operation and full air conditioning.

B. Maritime Sector:

Proton Power's Alsterwasser tourist boat in Hamburg is in continuous day-to-day operation and based on the success of that project, the Group has received a number of enquiries relating to Tug Boats, Coast Guard vessels and Tourist craft.

The Group expects a breakthrough in the market for fuel cell technology for maritime applications, as demand for emission free operations are growing and the technology has shown reliability in day-to-day use. Also, cost will reduce significantly based on the Group's modular concept by using similar systems for different applications, allowing increased manufacturing volume.

C. Stationary Sector:

Proton Power has signed a cooperation agreement with Modl to address the market for stationary systems in the low and high power range for back-up power applications as well as grid reserve. The first installation, a small 5kW application, specifically designed to provide power for long back-up times, has been completed and is currently under testing for a large German utility company.

The Group is also working on a project for the German Government to build mobile phone stations with fuel cell back up power for the German police.

Proton Power is also in discussions with German utility companies for wind power applications, which will produce hydrogen from wind or solar power, store this hydrogen and use it to produce electricity at times of high demand from the grid.

Finance

The turnover for the half year was £561,732 and the loss for the half year was £1,921,621.

The Group secured new funding in the first half of 2012 from loans with a total value of €2,200,000 from the major shareholder, Roundstone Properties Limited and received €357,583 from the German government to develop the Range Extender system and for the development of a new stack generation.

In addition to the above the Group received €33,320 from the service contract with ATG, the operator of the Zemship in Hamburg.

Outlook

The Group's current discussions with major OEM partners have highlighted that there is now a realistic opportunity for the breakthrough of fuel cell technology into the commercial domain. The range extender project with SEV is, for example, an excellent opportunity to enter a volume market. Stationary applications will also develop.

Given Proton Power's modular concept, each success story will help the development of other products because the main components used are similar and cost reductions will be achieved as the Group cooperates with our suppliers and contract manufacturers.

On behalf of the Board we would like to take this opportunity to thank the Proton Power team and our advisors for their hard work and effort as well as our customers and suppliers for their confidence and support throughout the year.

John Wall FCA	**Dr Faiz Nahab**
Chairman	CEO

Consolidated income statement

	Note	**Unaudited 6 months to 30 June 2012**	Unaudited 6 months to 30 June 2011	**Audited Year to 31 December 2011**
		£'000	£'000	**£'000**
Continuing operations				
Revenue		**562**	385	**875**
Cost of sales		**(1,664)**	(1,651)	**(3,600)**
Gross loss		**(1,102)**	(1,266)	**(2,725)**
Fair value (loss) / gain on embedded derivatives		**(14)**	(1,059)	**3,735**
Other operating income		**5**	111	**145**
Administrative expenses	*2*	**(710)**	(1,008)	**(1,502)**
Operating loss		**(1,821)**	(3,222)	**(347)**
Finance income		**-**	-	**2**
Finance costs		**(101)**	(676)	**(1,247)**
Loss for the period attributable to equity holders of the parent		**(1,922)**	(3,898)	**(1,592)**
Loss per share (expressed as pence per share)				
Basic	*4*	**(0.3)**	(2.1)	**(0.3)**
Diluted	*4*	**(0.3)**	(2.1)	**(0.3)**

Consolidated statement of comprehensive income

	Unaudited 6 months to 30 June 2012	Unaudited 6 months to 30 June 2011	**Audited Year to 31 December 2011**
	£'000	£'000	**£'000**
Loss for the period	**(1,922)**	(3,898)	**(1,592)**
Other comprehensive income			
Exchange differences on translating foreign operations	**279**	75	**1**
Other comprehensive income	**279**	75	**1**
Total comprehensive income for the period	**(1,643)**	(3,823)	**(1,591)**
Attributable to equity holders of the parent	**(1,643)**	(3,823)	**(1,591)**

Consolidated balance sheet

	Unaudited At 30 June 2012 £'000	Unaudited At 30 June 2011 £'000	Audited At 31 December 2011 £'000
Assets			
Non-current assets			
Intangible assets	**55**	205	**146**
Property, plant and equipment	**648**	646	**657**
	703	851	**803**
Current assets			
Inventories	**243**	203	**149**
Trade and other receivables	**373**	535	**149**
Cash and cash equivalents	**123**	362	**293**
	739	1,100	**591**
Total assets	**1,442**	1,951	**1,394**
Liabilities			
Current liabilities			
Trade and other payables	**548**	611	**511**
Borrowings	**2,360**	8,880	**1,999**
Embedded derivatives on convertible loans	**65**	8,350	**-**
Total Liabilities	**2,973**	17,841	**2,510**
Net liabilities	**(1,531)**	(15,890)	**(1,116)**
Equity			
Equity attributable to equity holders of the parent company			
Share capital	**9,672**	5,100	**9,479**
Share premium account	**18,210**	8,474	**17,243**
Merger reserve	**15,656**	15,656	**15,656**
Reverse acquisition reserve	**(13,862)**	(13,862)	**(13,862)**
Share based payment reserve	**536**	399	**469**
Foreign translation reserve	**5,045**	4,245	**4,252**
Capital contributions	**1,096**	1,222	**1,140**
Retained earnings	**(37,884)**	(37,124)	**(35,493)**
Total equity	**(1,531)**	(15,890)	**(1,116)**

Consolidated statement of changes in equity

	Share Capital	Share Premium	Merger Reserve	Reverse Acquisition Reserve	Share Based Payment Reserve	Translation Reserve	Capital Contribution Reserve	Retained Earnings	Total Equity
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 January 2011	**5,100**	**8,474**	**15,656**	**(13,862)**	**385**	**3,359**	**1,165**	**(30,876)**	**(10,599)**
Share based payments debit	-	-	-	-	14	-	-	-	14
Deemed distribution	-	-	-	-	-	-	-	(1,482)	(1,482)
Transactions with owners	**-**	**-**	**-**	**-**	**14**	**-**	**-**	**(1,482)**	**(1,468)**
Loss for the period	-	-	-	-	-	-	-	(3,898)	(3,898)
Other comprehensive income:									
Currency translation differences	-	-	-	-	-	886	57	(868)	75
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**886**	**57**	**(4,766)**	**(3,823)**
Balance at 30 June 2011	**5,100**	**8,474**	**15,656**	**(13,862)**	**399**	**4,245**	**1,222**	**(37,124)**	**(15,890)**
Balance at 1 July 2011	**5,100**	**8,474**	**15,656**	**(13,862)**	**399**	**4,245**	**1,222**	**(37,124)**	**(15,890)**
Share based payments debit	-	-	-	-	70	-	-	-	70
Proceeds from share issues	4,379	8,769	-	-	-	-	-	-	13,148
Deemed distribution	-	-	-	-	-	-	-	(676)	(676)
Transactions with owners	**4,379**	**8,769**	**-**	**-**	**70**	**-**	**-**	**(676)**	**12,542**
Profit for the period	-	-	-	-	-	-	-	2,306	2,306
Other comprehensive income:									
Currency translation differences	-	-	-	-	-	7	(82)	1	(74)
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**7**	**(82)**	**2,307**	**2,232**
Balance at 31 December 2011	**9,479**	**17,243**	**15,656**	**(13,862)**	**469**	**4,252**	**1,140**	**(35,493)**	**(1,116)**
Balance at 1 January 2012	**9,479**	**17,243**	**15,656**	**(13,862)**	**469**	**4,252**	**1,140**	**(35,493)**	**(1,116)**
Share based payments credit	-	-	-	-	67	-	-	-	67
Proceeds from share issues	193	967	-	-	-	-	-	-	1,160
Transactions with owners	**193**	**967**	**-**	**-**	**67**	**-**	**-**	**-**	**1,227**

Loss for the period	-	-	-	-	-	-	-	(1,922)	(1,922)
Other comprehensive income:									
Currency translation differences	-	-	-	-	-	793	(44)	(469)	280
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**793**	**(44)**	**(2,391)**	**(1,642)**
Balance at 30 June 2012	**9,672**	**18,210**	**15,656**	**(13,862)**	**536**	**5,045**	**1,096**	**(37,884)**	**(1,531)**

Share premium account

Costs directly associated with the issue of the new shares have been set off against the premium generated on issue of new shares.

Merger reserve

The merger reserve of £15,656,000 arises as a result of the acquisition of Proton Motor Fuel Cell GmbH during 2006. The merger reserve represents the difference between the nominal value of the share capital issued by the Company and their fair value at 31 October 2006, the date of the acquisition.

Reverse acquisition reserve

The reverse acquisition reserve arises as a result of the method of accounting for the acquisition of Proton Motor Fuel Cell GmbH by the Company. In accordance with IFRS 3 the acquisition has been accounted for as a reverse acquisition.

Share option reserve

The Group operates an equity settled share-based compensation scheme. The fair value of the employee services received for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference fair value of the options granted. At each balance sheet date the Company revises its estimate of the number of options that are expected to vest. The original expense and revisions of the original estimates are reflected in the income statement with a corresponding adjustment to equity. The share option reserve represents the balance of that equity.

Consolidated statement of cash flows

	Note	Unaudited 6 months to 30 June 2012 £'000	Unaudited 6 months to 30 June 2011 £'000	Audited Year to 31 December 2011 £'000
Cash flows from operating activities				
Loss for the period		**(1,922)**	(3,898)	**(1,592)**
Adjustments for:				
Depreciation and amortisation		**209**	143	**283**
Interest income including loan waivers		**-**	-	**(2)**
Interest expense		**101**	676	**1,247**
Share based payments		**67**	14	**84**
Movement in inventories		**(94)**	(72)	**(17)**
Movement in trade and other receivables		**(224)**	58	**444**
Movement in trade payables		**37**	175	**74**
Exchange rate movements		**218**	418	**-**
Movement in fair value of derivatives		**14**	1,059	**(3,735)**
Net cash used in operations		**(1,594)**	(1,427)	**(3,214)**
Interest paid		**-**	-	**(2)**
Net cash used in operating activities		**(1,594)**	(1,427)	**(3,216)**
Cash flows from investing activities				
Purchase of intangible assets		**(32)**	(9)	**(24)**
Purchase of property, plant and equipment		**(106)**	(51)	**(185)**
Interest received		**-**	-	**2**
Net cash used in investing activities		**(138)**	(60)	**(207)**
Cash flows from financing activities				
Loan received		**1,573**	1,568	**3,429**
Net cash generated from financing activities		**1,573**	1,568	**3,429**
Net (decrease) / increase in cash and cash equivalents		**(159)**	81	**6**
Effect of foreign exchange rates		**(11)**	13	**19**
Opening cash and cash equivalents		**293**	268	**268**
Closing cash and cash equivalents		**123**	362	**293**

Notes to the interim report

1. Basis of preparation

The 31 December 2011 consolidated financial statements of Proton Power Systems plc were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with those parts of the Companies Act 2006 applicable to those companies under IFRS under the historical cost convention as modified by the valuation of derivatives. The condensed consolidated interim financial statements have been prepared in accordance with the accounting policies adopted in the 2011 statutory financial statements. No new accounting standards have been adopted by the group since preparing its last annual report.

The Group has chosen not to adopt IAS 34 (Interim Financial Statements) in preparing these financial statements therefore the interim financial information is not in full compliance with IFRS.

The financial information for the year ended 31 December 2011 set out in this interim report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 December 2011 have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain statements under Section 498(2) or (3) of the Companies Act 2006.

The consolidated financial information has been prepared under the historical cost convention and on the basis that the Group continues to be a going concern. Until such time as the Group achieves operational cash inflows through becoming a volume producer of its products to a receptive market it will remain dependant on its ability to raise cash to fund its operations from existing and potential shareholders and the debt market.

In preparing the consolidated financial information, Proton Motor Fuel Cell GmbH has been deemed to be the acquirer and the Company, the legal parent, has been deemed to be the acquiree. Under IFRS 3 “Business Combinations”, the acquisition of Proton Motor Fuel Cell GmbH by the Company has been accounted for as a reverse acquisition and the consolidated IFRS financial information of the Company is therefore a continuation of the financial information of Proton Motor Fuel Cell GmbH.

2. Share based payments

The Group has incurred an expense in respect of share options and shares issued to employees as follows:

	Unaudited 6 months to 30 June 2012 £’000	Unaudited 6 months to 30 June 2011 £’000	**Audited Year to 31 December 2011 £’000**
Share options	**67**	14	**84**

3. Taxation

Due to losses within the Group, no expenses for tax on income were required in either the current or prior periods.

4. Loss per share

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares, share options, however these have not been included in the calculation of loss per share because they are anti dilutive for these periods.

	Unaudited 6 months to 30 June 2012		Unaudited 6 months to 30 June 2011		**Audited Year to 31 December 2011**	
	Basic	**Diluted**	Basic	Diluted	**Basic**	**Diluted**
	£'000	**£'000**	£'000	£'000	**£'000**	**£'000**
Loss attributable to equity holders of the	**(1,922)**	**(1,922)**	(3,898)	(3,898)	**(1,592)**	**(1,592)**
Weighted average number of ordinary shares in issue (thousands)	**639,239**	**639,239**	181,991	181,991	**619,895**	**619,895**
Shares issuable (weighted) - share options (thousands)	-	**28,355**	-	7,875	**-**	**9,961**
Adjustment	-	**(28,355)**	-	(7,875)	**-**	**(9,961)**
Adjusted weighted average number of ordinary	**639,239**	**639,239**	181,991	181,991	**619,895**	**619,895**
	Pence per share	**Pence per share**	Pence per share	Pence per share	**Pence per share**	**Pence per share**
Loss per share (pence per share)	**(0.3)**	**(0.3)**	(2.1)	(2.1)	**(0.3)**	**(0.3)**

The adjustment to the weighted average number of shares used in the calculation of diluted loss per share reflects share options in issue where the exercise price exceeds the average market price of shares in the period.

- Ends -