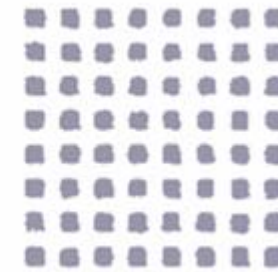


CeresPower



Fuel cell products for global energy markets

**Fuel Cell CHP Demonstration, Site Visit
and 2007 Preliminary Results**

September 2007

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Highlights in 2007

Technology

- Close-coupled Fuel Cell Module demonstrated
- Industry-leading integrated wall-mountable CHP Unit demonstrated

Operations

- New Product Facility secured and fitted-out
- Machinery for manufacturing scale-up installed and being commissioned
- Supply chain established for key balance of plant with global volume manufacturers





Commercial

- All milestones met on British Gas CHP programme
- New funded contract secured with EDF Energy Networks

Financial

- 43% increase in income from contracts to £1.1m
- £11.1m cash at bank

Financial Results (FY to 30 June 2007)

	<u>£000's</u>		<u>Δ</u>
Total income	1,665		21%
Income from contracts	1,068		43%
Adjusted loss after tax ¹	(3,696)		16%
Net cash outflow	(2,879)		(5%)
Cash deposits with banks	11,142		

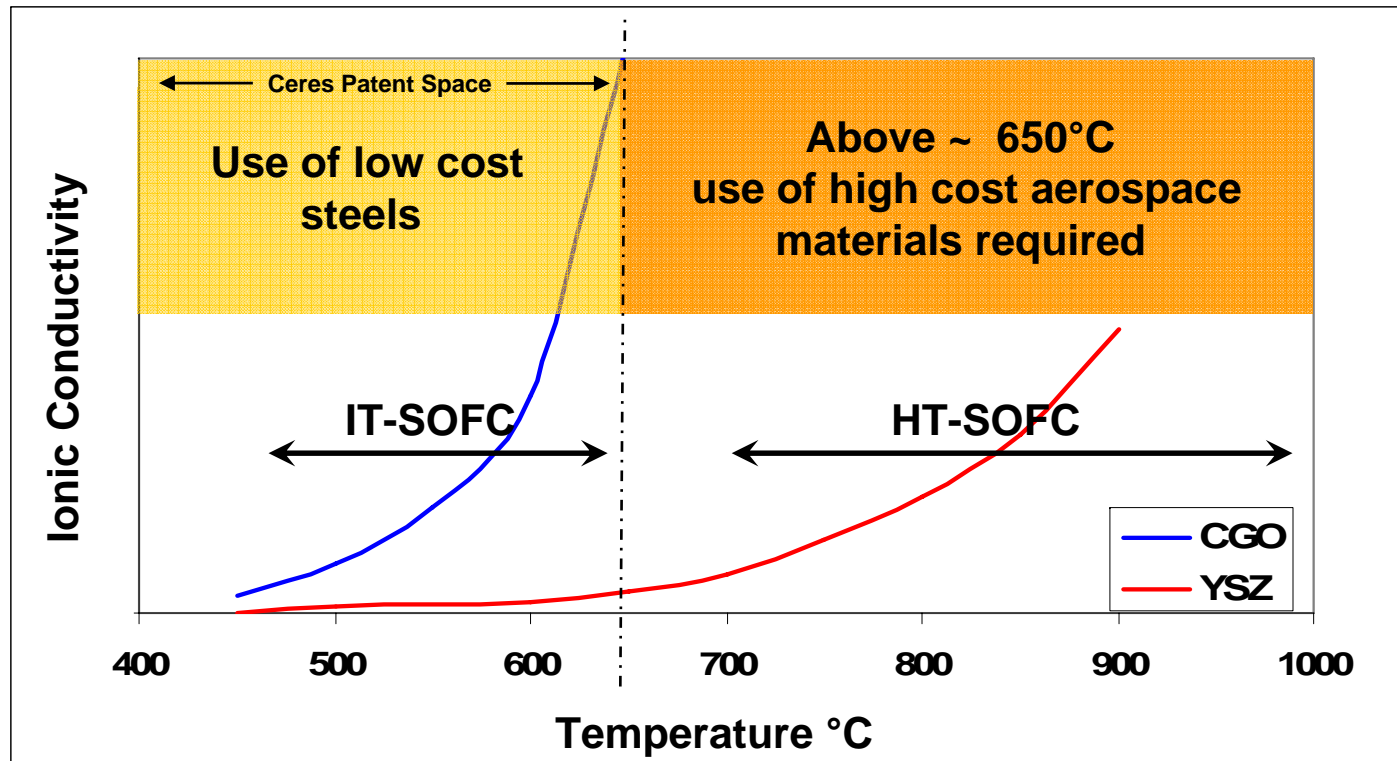
- ✓ Strong income growth from contracts
- ✓ Continued investment in operations capability

¹ Before FRS 20 option charge

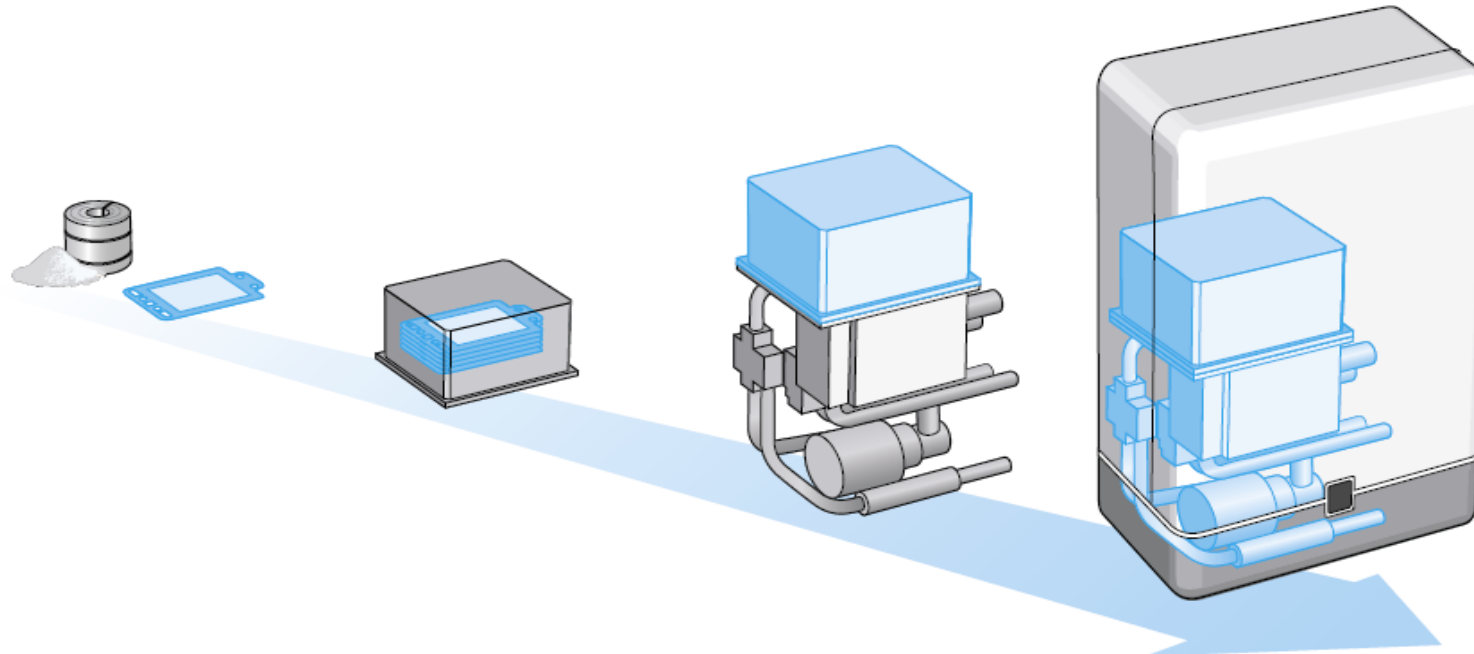
Ceres Unique Technology

Use of CGO electrolyte has enabled

- Development of unique IT-SOFC technology
- Use of low cost materials for fuel cell stack and product BOP
- Compact lightweight stack design
- Robust construction (mechanical & thermal shock)



CHP Product Architecture



Fuel Cell

- Unique patented technology & design
- Materials formulation kept as trade secrets
- In-house manufacture
- Functional core of stack

Fuel Cell Stack

- Ceres' own patented design
- Well-proven welded stack sealing techniques – durable
- In-house manufacture
- Functional core of fuel cell module (FCM)

Fuel Cell Module

- Electro-chemical engine, source of heat & power
- Unique low cost, compact, patented design capable of volume manufacture
- BOP sourced from established volume suppliers
- Common product platform

Wall-Mountable CHP Unit

- Ceres' own product design
- Innovative patented thermal management and system integration
- Standard boiler components connected to unique FCM
- Partnership for volume assembly

CHP Product Overview

Core Technology Characteristics

- 1kW electrical output from stack
- Operation on natural gas (LPG compatible)
- >80% overall efficiency with upside to ~90%
- 100% stack sealing integrity during repeated thermal cycling
- ~£300/yr and ~2.5t CO₂/yr* savings for typical British Gas customer
(based on real home energy demand profiles)

Product Characteristics

- Single integrated unit delivering CH, HW, electricity (no need for separate boiler)
- Wall-mountable, similar in size to existing boilers
- Standard boiler connections, easy to install
- Suitable for both replacement and new build boiler markets

* Source British Gas/Reuters 2007

CHP Product Demonstration

CHP Unit operating on test providing

- Heat for a standard hot water tank
- Electricity

'Cut-away' demonstration CHP Unit

- Complete unit showing key sub-systems
- All internal BOP components visible

Model of next generation CHP

- Demonstrates next generation product format

Existing condensing boiler as size comparison

Examples of CHP sub-elements

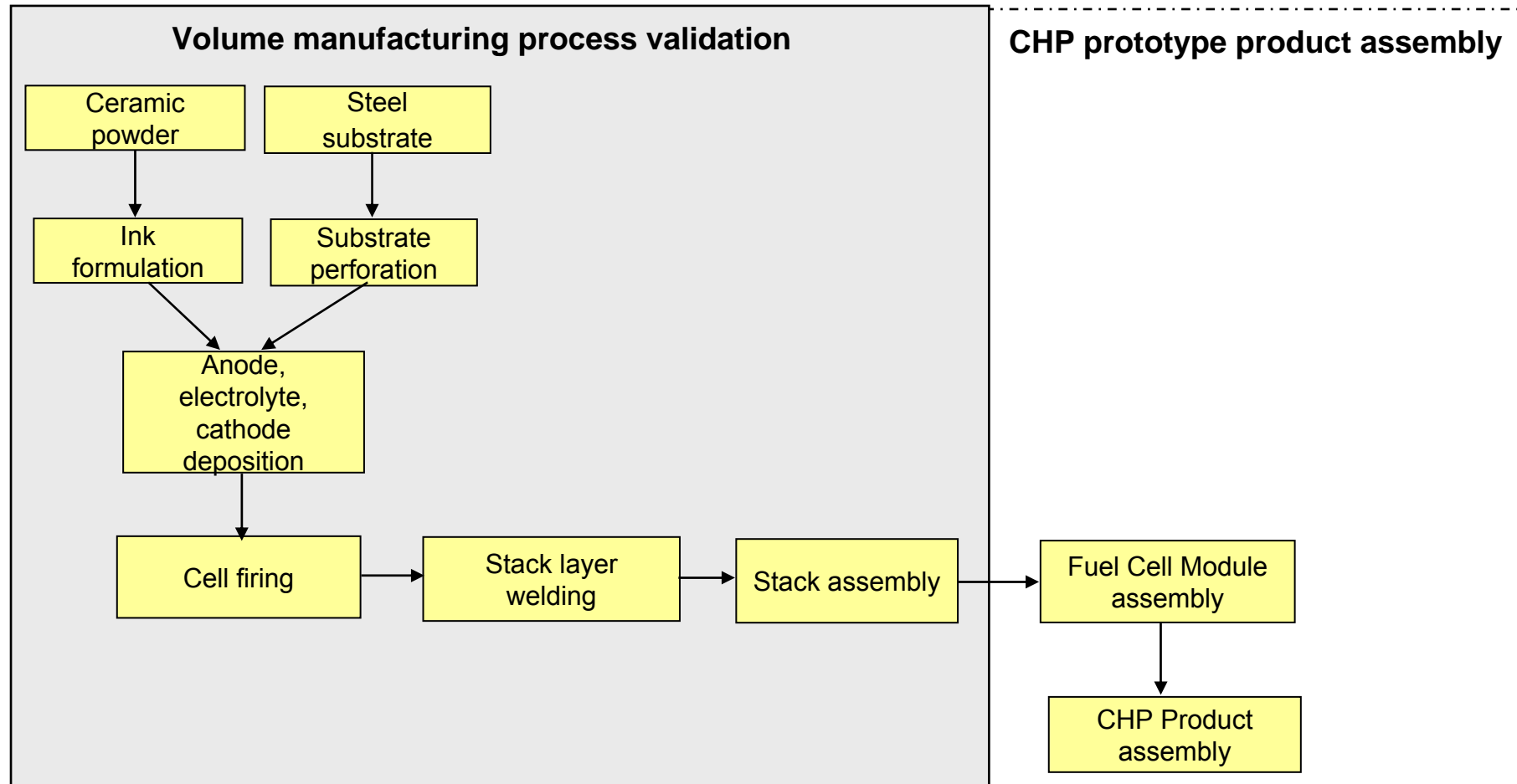
- Materials
- Fuel cell
- Fuel cell stack
- Fuel cell module



Ceres Facilities

<p>‘Laboratory’ U18 (2002)</p>	<p>‘Development Facility’ U17 (2004)</p>	<p>‘Product Facility’ U16 (2007)</p>
<ul style="list-style-type: none"> ➤ Research & development ➤ Testing - cell, stack, FCM and products ➤ Quality control / quality assurance ➤ 7,000 ft² 	<ul style="list-style-type: none"> ➤ Process development ➤ Materials processing and electronics ➤ Commercial / IP / Legal / HR / Finance ➤ 5,000 ft² 	<ul style="list-style-type: none"> ➤ Manufacturing scale-up validation ➤ Pilot scale CHP product assembly ➤ Product engineering (CAE, BOP, ...) ➤ 8,000 ft²

Product Facility - Manufacturing



Outlook

Product

- Value engineer CHP Unit
- Optimise CHP design for manufacture

Supply chain

- Deliver part count reduction and value engineering
- Design assembly and testing processes

Manufacturing

- Validate mass manufacturing processes
- Secure and fit-out mother plant

Commercial

- Secure further contracts to get products to markets
- Build further CHP units for testing

Product

Industry-leading position established

- Single integrated wall-mountable CHP Unit
- Innovative thermal management
- Capable of volume manufacture

Outlook - Product engineering objectives for 2008

- Optimise thermal management and efficiency
 - Close-couple thermal sub-systems components
 - e.g. '3 in 1' fuel processing, water handling, heat exchange (Q1 2008)
- Improve overall product ergonomics
 - Reduce size and weight by ~ 20% (e.g. 60cm width)
 - e.g. Part count reduction
 - e.g. Simplified design and reduced instrumentation and control
- Design for manufacture
 - Optimise CHP design for automated volume assembly
- Build and test units under existing contracts

Supply Chain

Supply chain in place

- Materials, components and equipment
- Volume capable, cost effective
- Global companies
- Security of supply throughout

Balance of plant

- CHP Unit built using BOP sourced from volume partners
- Ceres' low temperature of operation allows
 - Use of low cost materials & processes for bespoke components (e.g. heat exchanger)
 - Use of standard, low cost catalogue components
- Product design controlled by Ceres
- Significant IP captured by Ceres

Outlook

- Deliver BOP refinements and product value engineering in conjunction with existing supply chain

Volume Assembly

Engineering capability established for complete products

- Designed and assembled integrated CHP Units
- Partnerships in place developing volume assembly and end-of-line testing

Benefits:

- Control by Ceres
- Product level revenues
- Minimise capex through partnering for volume assembly
- Avoid margin erosion in existing logistics chain
- Scalable, flexible solutions going forward

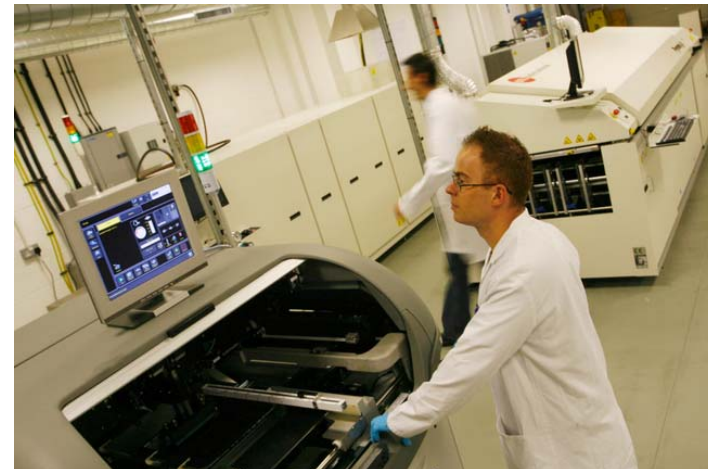
Outlook

- Develop automated stack assembly process
- Develop end-of-line testing
- Develop volume product assembly process

Manufacturing – Product Facility

Outlook

- Fully commission key manufacturing equipment (end 2007)
- Conduct statistical process trials (H1 2008)
- Embed quality systems and achieve formal certification (e.g. ISO)
- Identify and develop automated handling solutions for mother plant
- Build on existing mother plant team



Manufacturing - Mother Plant

Outline specification

- Rated initial capacity = 1 million fuel cells per annum
 - Initial production units for mass trials off 'hard tools'
 - Shift pattern moves from 8/5 to 24/7
- Initial capex cost ~ £5m
 - Fuel cell manufacturing equipment ~ £2m
 - Fit out, handling/assembly & test QA/QC equipment ~ £3m
- Facility ~ 50,000 sq ft
- Location – UK (logistics, skills transfer)
- Volume production of fuel cells and initial assembly of complete products

Outlook

- Planning and design completed end 2007
- Site secured and fitted-out 2008
- Operations commence during 2009
- Ramp up production thereafter

Commercial - CHP Programme

All technical & commercial milestones delivered on time

- Wall-mountable integrated CHP system designed, built and tested
- Attractive techno-economic business case demonstrated
- Market entry model developed

Outlook

- Secure next phase contract to get product to market
- Optimise integrated close-coupled Fuel Cell Module
- Value engineer design with key component suppliers
- Build and test further CHP performance demonstrators

CHP Commercial Model

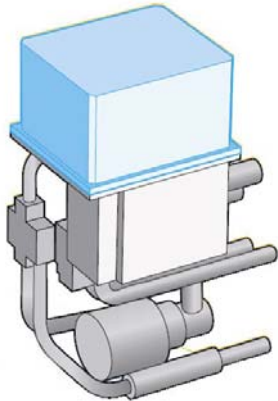
Ceres unique technology underpins commercial model

- Electricity cost displacement
- Cost effective carbon reduction
- Compatible with existing installations (e.g. size, connections)
- Consumer product

Market Entry	Decision drivers	Value drivers	Who gains?
Direct sale	Payback / Green	Electricity savings	Consumer
Bundled (Leased)	Consumer capex avoidance / Utility push	Margin growth & Costs of churn	Utility & Consumer
Social Housing	Fuel poverty / Carbon footprint	Electricity savings & CO ₂ reduction	Local authority & Tenant
New Build	Stamp duty / Planning permission / Regs	Electricity savings & CO ₂ reduction	House builder & Owner

Commercial - Market Entry Roadmap

Fuel Cell Module (FCM)



Heating system integration

Battery hybridisation

Multiple fuels

Residential CHP

- Energy efficiency
- Demand reduction
- Consumer product / generation asset

Residential energy security

- Energy continuity
- Consumer product / network asset

Closely related applications

- International CHP
- Integrated, add-on, tri-gen product variants
- Generation asset - load shedding
- Remote power

- ✓ Common platform across wide range of related market applications
- ✓ Residential CHP focus with readily addressable markets

Commercial - Home Energy Security Programme

New £1.2m contract with EDF Energy Networks

- £0.6m revenue to Ceres
- Products to deliver reliable back-up electricity
- All IP retained by Ceres

Prototypes based on

- Core Ceres technology platform (Fuel Cell Module)
- Running on packaged fuels (e.g. LPG)
- Battery hybridisation and UPS control systems

Initial phase completed

- Confirmed market opportunity
- Completed technical feasibility (e.g. Fuel Cell Module operation on LPG)
- System concept design finalised

2 year overall programme

- Initial fuel cell UPS systems integrated H2 2008
- Testing completed in H1 2009

Summary

Demonstrated industry-leading integrated wall-mountable CHP Unit

- Delivered key British Gas milestone
- Basis for commercially viable product
- Building operational capability for mass production





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