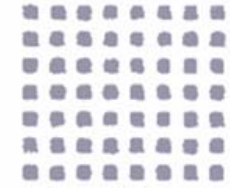


# CeresPower



**Alternative energy products for global markets**

**Financial Year 2007/8 Preliminary Results**

**September 2008**

CONFIDENTIAL

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# Highlights

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## Financial

- Sales revenue from customers £0.7m
- Free cash outflow £3.9m
- Strong balance sheet with £27.5m in net cash

## Commercial

- £5m funded CHP development & trialling programme with British Gas
- Volume forward order for CHP products secured with British Gas

## CHP Product







- Performance of core technology confirmed
- CHP Alpha design phase with British Gas completed
- Fuel Cell Module built & tested delivering Q3 '08 target
- 1kW Fuel Cell Module Alpha performance targets achieved
- CHP programme on track for Alpha CHP Product build in Q4 '08

## Operations

- Fuel cell manufacture from scalable volume processes
- Shortlist of Mother Plant sites identified for final selection
- Volume suppliers selected for key balance of plant components

## Financial Results (FY to 30 June 2008)

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	<u>£ 000's</u>		<u>Δ</u>
<b>Revenue from customers</b>	<b>722</b>		<b>636%</b>
Other income	845		(13%)
Loss for the year	(4,990)		2%
Capex	(1,095)		90%
Free cash outflow	(3,907)		(16%)
<b>Net Cash</b>	<b>27,476</b>		<b>146%</b>

- ✓ **Growth in revenue from customers**
- ✓ **Investment in capability**
- ✓ **Strong balance sheet**

# Financial Results

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## **Revenue from customers - £0.7m**

- £1m cash received from British Gas recognised as revenue over the duration of the Alpha phase (2008/9)
- Other contract revenue (e.g. EDF) recognised on successful delivery of contract milestones

## **Other income - £0.8m**

- Successful completion of major public sector contracts
- Shift to commercial revenues

## **Capex - £1m**

- Investment in Product Facility, test facilities & analytical equipment

## **Strong balance sheet - £27.5m**

- Cash held in AAA rated Money Market Funds
- Funds are IMMFA recognised
- 1 week LIBID yield with same day access

## **Secured industry-leading contract with British Gas**

- Funded development & trialling programme (£5 million)
- Significant operational resources committed by British Gas for CHP trialling & product launch (e.g. marketing, logistics, procurement, service, maintenance)
- Volume forward order (37,500 units minimum over first 4 years)
- Equity investment (~£20 million cash by Centrica for ~10% of Ceres Power)

## **Route to market for volume uptake of CHP established**

- Ideal market channel partner for UK CHP
- Agreement covers residential market in England, Scotland, Wales
- British Gas is UK's largest residential energy supplier (16 million customer accounts) and largest installation & maintenance force for domestic central heating (> 9,000 engineers)

# CHP Market Proposition

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## Addresses key energy policy drivers

- Reduces energy bills to the consumer and helps to address fuel poverty
- Cuts CO<sub>2</sub> footprint of residential housing to help address climate change
- Provides a high-tech engineering opportunity for sustainable economic growth

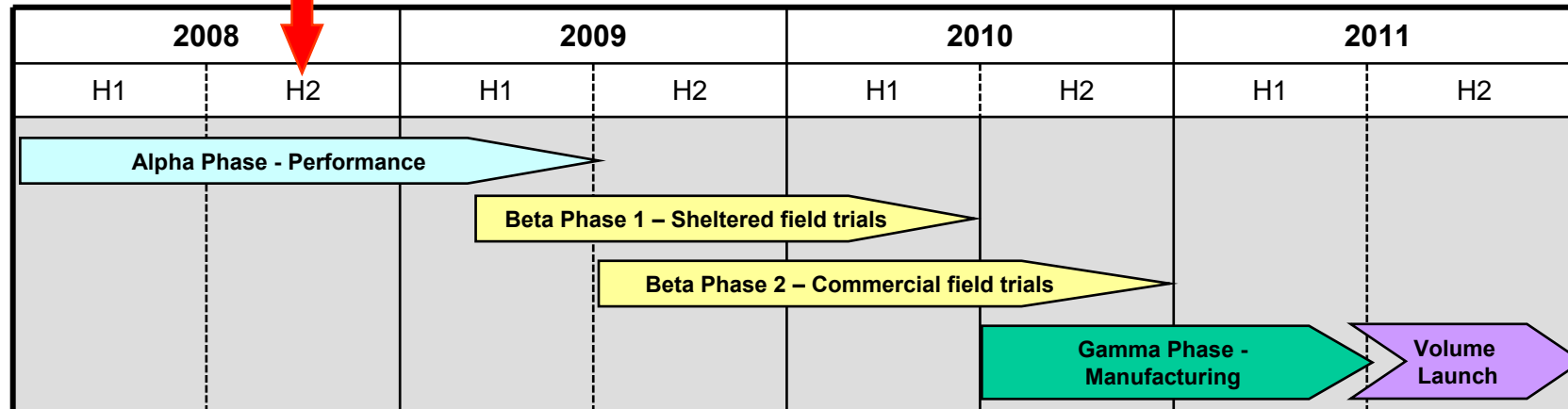
## Represents a major market opportunity

- Approximately 1.5 million boilers installed per year in the UK across private, public and new build housing
- UK installed base of boilers dominated by low efficiency systems (e.g. 17 million non-condensing, 5 million condensing – 2008 est.)
- Significant global opportunities exist around different fuels, products and geographies

Typical Savings*	Compared to a high efficiency condensing boiler + grid	Compared to a low efficiency non-condensing boiler + grid
Annual reduction of CO <sub>2</sub> emissions	1 – 1.5tonnes	2 – 2.5tonnes
Annual savings of total energy bill	£274	£396

\* Based on 2007 UK energy prices and a typical British Gas customer with annual electrical demand of 4,080kWh

# CHP Roadmap

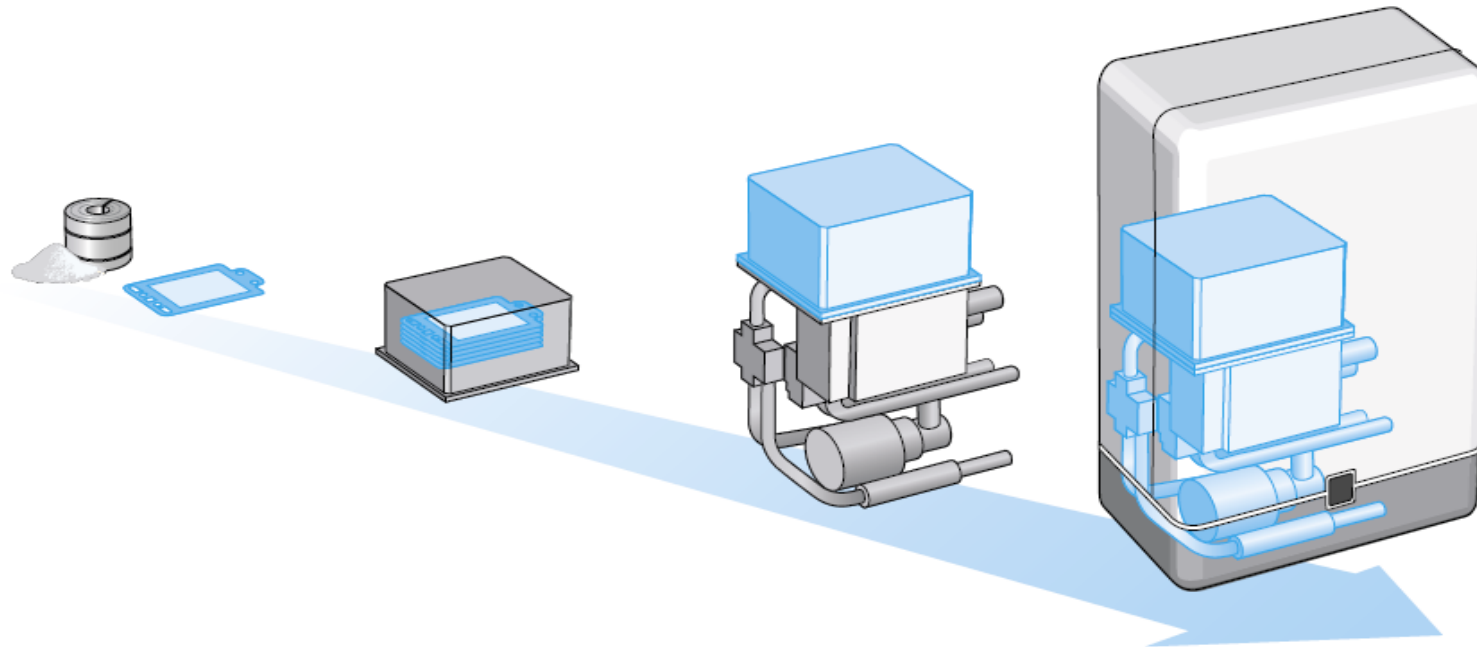


ALPHA Performance Validation
<ul style="list-style-type: none"> <li>• Product specification fixed for target market including installation, service and maintenance requirements</li> <li>• Value Engineering delivers target performance and fixes product cost</li> <li>• Parts manufactured from scalable processes</li> <li>• In-house product and component testing demonstrating target performance</li> <li>• In-house installation &amp; service trials with certified engineers and training packs prepared</li> </ul>

BETA Reliability Testing
<ul style="list-style-type: none"> <li>• Design refinements for product reliability and volume manufacture</li> <li>• All parts from volume manufacturing processes</li> <li>• Product design, supply chain, costs confirmed</li> <li>• Units certified for field trials by notified body to satisfy regulatory requirements</li> <li>• Field trials in selected homes to demonstrate performance and reliability</li> <li>• Installer training for Gamma field trials</li> </ul>

GAMMA Mass Production
<ul style="list-style-type: none"> <li>• Manufacturing process optimisation to achieve 'run at rate' targets</li> <li>• Operational sign off and regulatory certification of production line for mass manufacture of CHP product</li> <li>• Early adopter consumer trials in a wide range of homes</li> <li>• Supply chain, logistics, installation and service trials in preparation for volume product launch</li> </ul>

# CHP Product Architecture & Status



## Fuel Cell

- Manufactured from scaleable processes

## Fuel Cell Stack

- Independent confirmation of core technology performance by AEA Energy & Environment

## Fuel Cell Module

- 1kW Fuel Cell Module built and tested meeting Alpha performance, size & weight targets

## Wall-Mountable CHP Unit

- CHP Alpha design phase with British Gas completed
- Alpha CHP product build – Q4 2008



✓ Q3

**On track for Q4**

# CHP Product – Fuel Cell Module Architecture

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## Fuel Cell Module

- Electro-chemical engine, efficient source of heat & electricity
- Common platform for different markets/products
- Integrated close-coupled design
- Fuel cell stack integrated with fuel processing and heat exchange balance of plant (BoP) elements

## Design for manufacture

- Integration of different functions & components
- Pre-assembled BoP sub-assemblies from volume suppliers
- BoP component part count significantly reduced from 7 to 3
- Reduced number of interfaces employing simpler assembly methods

# CHP Product – Fuel Cell Module Built & Tested

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## Fuel Cell Module Q3 2008 milestone delivered

- Built and tested meeting CHP Alpha target requirements
  - Electrical output = 1kW
  - Stack heat : power better than 1:1
  - Size: 305mm x 305mm x 205mm
  - Weight < 25kg (including thermal insulation)
- Operated on three fuel types
  - Mains natural gas, methane, propane
- Operated over a broad range of power outputs demonstrating controllability and efficiency
- Fuel cells manufactured using scaleable manufacturing processes

# British Gas CHP Contract – Alpha Phase

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## Key activities

- ✓ Fuel cell and key BoP component performance achieved
- ✓ Alpha design for fully integrated, wall-mountable CHP product completed
- ✓ Supply chain partners selected and FCM parts procured
- ✓ Build & test Fuel Cell Module (FCM)
- ✓ Alpha CHP product components tested
- Build & test Alpha CHP product
- Independently validate/audit Alpha CHP product performance

## Alpha CHP Product

- On track to build Alpha CHP product in Q4 2008
- Alpha CHP product testing through Q1 2009
- Independent validation & £2m payable by British Gas in Q2 2009

## Commercial – Energy Security Programme

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### **Funded contract secured Mar 2007 with EDF Energy Networks**

- Development of appliance to provide back-up electricity for the home
- Ceres fuel cell technology combined with battery storage in a hybrid system
- Innovative product format designed to be rapidly deployed when needed

### **Key milestones achieved**

- Prototype demonstrator unit built
- Testing scheduled for completion in H1 2009

### **Substantial potential market opportunity**

- EDF Energy Networks wish to support vulnerable customers for whom dependable home power supply in the event of grid interruption is extremely important
  - There are 100,000+ such customers on EDF Energy Networks' register (~0.5m for all UK)
- Energy security is also a valued feature which can be combined with CHP
  - Forecasts identify a potential market of roughly 52 million homes for residential backup generation equipment in US alone<sup>1</sup>



1. Source: Energy Insights, an IDC Company

# Operations

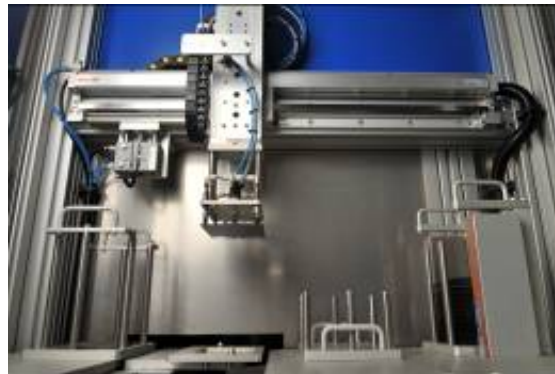
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## Fuel cell manufacture

- Core technology performance confirmed on cells from scalable processes
- Development work has focussed on migrating to mass manufacturing solutions
- Further gains achieved in processing speeds
- Development & implementation of automated handling systems underway

## Balance of plant (BoP)

- Key components and sub-assemblies co-developed & sourced from cost-effective volume suppliers
- Transition of existing relationships to volume supply agreements underway



# Operations

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## **Mother plant**

- Shortlist of possible sites agreed
- South East England prioritised for ease of technology transfer
- Volume fuel cell manufacturing & assembly of fuel cell module
  - Meets requirements for Beta & Gamma field trials & volume product launch
  - Potential for additional product test facilities
- Operations begin in 2009

## **Continued investment in operational capabilities**

- People
  - Manufacturing operations head & engineering team recruited
  - Supply chain & quality management teams in place
  - Headcount to rise ~40% over coming year
- Equipment
  - Manufacturing scale-up
  - Testing, QA/QC

# Board Evolution

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## **Board strengthened during year**

- Brian Count, former Innogy plc CEO and Eskom Non-Executive Director, appointed as Non-Executive Chairman
- Sir David Brown, former Motorola UK Chairman, appointed as Non-Executive Director
- Alan Wood, Siemens UK Chairman, appointed as Non-Executive Director

## **Board committees**

- Audit, Remuneration and Nomination & Governance
- Chaired and run by Non-Executive Directors

## Ceres FY 2008/09 CHP Outlook

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<b>Time</b>	<b>Product / Technology</b>	<b>Manufacturing</b>
<b>Q3 2008</b>	✓ <b>Milestone achieved</b>	✓ <b>Milestone achieved</b>
<b>Q4 2008</b>	<ul style="list-style-type: none"><li>• <b>Build Alpha CHP product</b> using fuel cells from scaleable manufacturing processes</li></ul>	<ul style="list-style-type: none"><li>• <b>Secure Mother Plant site</b></li><li>• Stack assembly automation concept proven</li></ul>
<b>Q1 2009</b>	<ul style="list-style-type: none"><li>• <b>Test Alpha CHP Product performance</b></li><li>• Commence Beta Phase</li></ul>	<ul style="list-style-type: none"><li>• Mother Plant site fit-out begins</li></ul>
<b>Q2 2009</b>	<ul style="list-style-type: none"><li>• <b>Sign-off of Alpha deliverables as trigger for £2m payment from British Gas</b></li></ul>	<ul style="list-style-type: none"><li>• Mother plant equipment procurement and production preparation</li></ul>

# Summary

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## **CHP programme with British Gas on track**

- Alpha CHP design phase completed in Q2 2008
- Fuel Cell Module built & tested in Q3 2008
- Alpha CHP build in Q4 2008

## **Operational delivery on track**

- Shortlist of mother plant sites identified - secure in Q4 2008
- Continued investment in migration to mass manufacturing solutions
- Fuel cell manufacturing using production-intent machines & processes

## **Commercial programme on track**

- Funded trialling CHP programme & volume forward order secured with British Gas
- Growth opportunities in new markets & products

## **Robust financial position**

- £27.5m in net cash
- Delivering growth in customer revenues & investment in operational capability



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