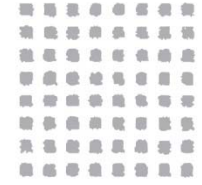


CeresPower



Fuel cell products for global energy markets

**Interim Results for 6 months ending
31 December 2008**

23 March 2009

CONFIDENTIAL

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Highlights

Financial (6 months to Dec '08)

- Sales revenue from customers up 73% to £0.5m
- Free cash outflow £3.1m
- Strong balance sheet with £24.4m in net cash

Commercial

- Secured new £2.5m funded CHP development & trialling programme with Calor Gas
- Volume call-off order for residential LPG CHP products for UK market






CHP Programme

- British Gas Alpha phase deliverables achieved on schedule
- 1kW Alpha CHP products built as planned in Q4 '08
- Testing of grid-connected 1kW Alpha CHP products commenced in Q1 '09
- CHP Alpha phase on track for British Gas sign-off in Q2 '09

Operations

- 50,000 sq. ft Mother Plant facility secured for fuel cell mass manufacture, fuel cell module assembly and CHP product testing
- Fit-out of Mother Plant and procurement of equipment underway
- On track to commence initial manufacturing operations in H2 '09

Financial Results (FY to 30 Dec 2008)

	<u>£000's</u>		<u>Δ</u>
Revenue from customers	482		73%
Other income	113		(74%)
Loss for the period	(3,302)		9%
Capex	(647)		36%
Free cash outflow	(3,115)		75%
Net Cash	24,361		

- ✓ **Robust balance sheet**
- ✓ **Strong growth in commercial revenue**
- ✓ **Investment in manufacturing scale-up**

Financial Results

Revenue from customers - £0.5m

- £1m cash received from British Gas in Q1 '08, being recognised as revenue over the duration of the Alpha phase to Q2 '09
- Commercial revenues from delivering technical milestones & Alpha units

Technology spend - £3.2m

- Investment in manufacturing, product development & supply chain
- Cost of product ('COGS') for commercial contracts (inc. British Gas)

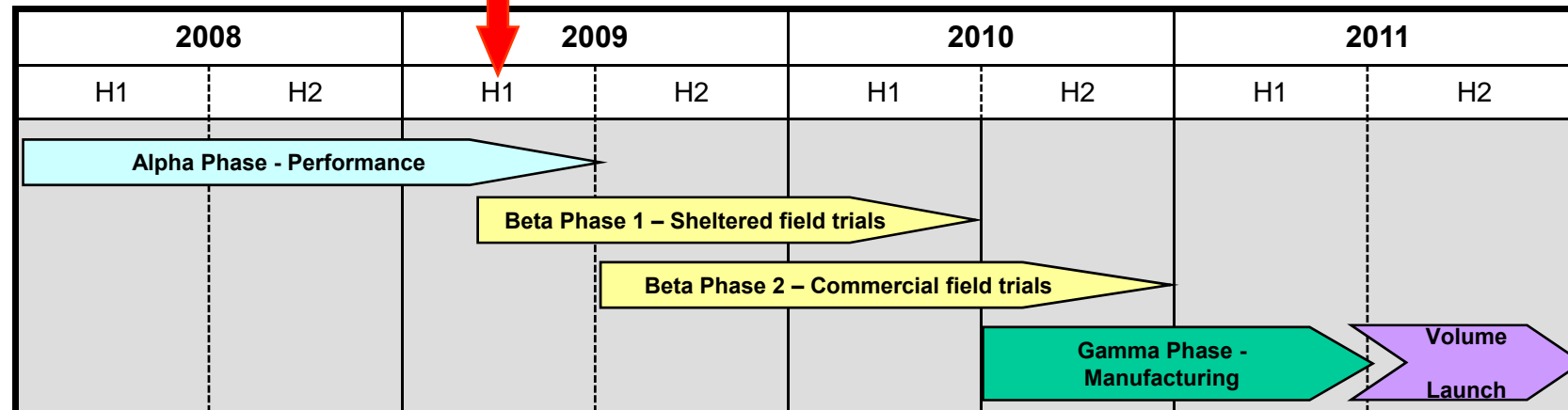
Capex - £0.6m

- Investment in test infrastructure for CHP product and BoP validation

Strong balance sheet - £24.4m

- £10m in Dec '09 UK Government Gilts
- £14m cash held in three 'AAA' - rated Money Market Funds
- Funds are IMMFA recognised
- 1 week LIBID yield with same day access

CHP Roadmap

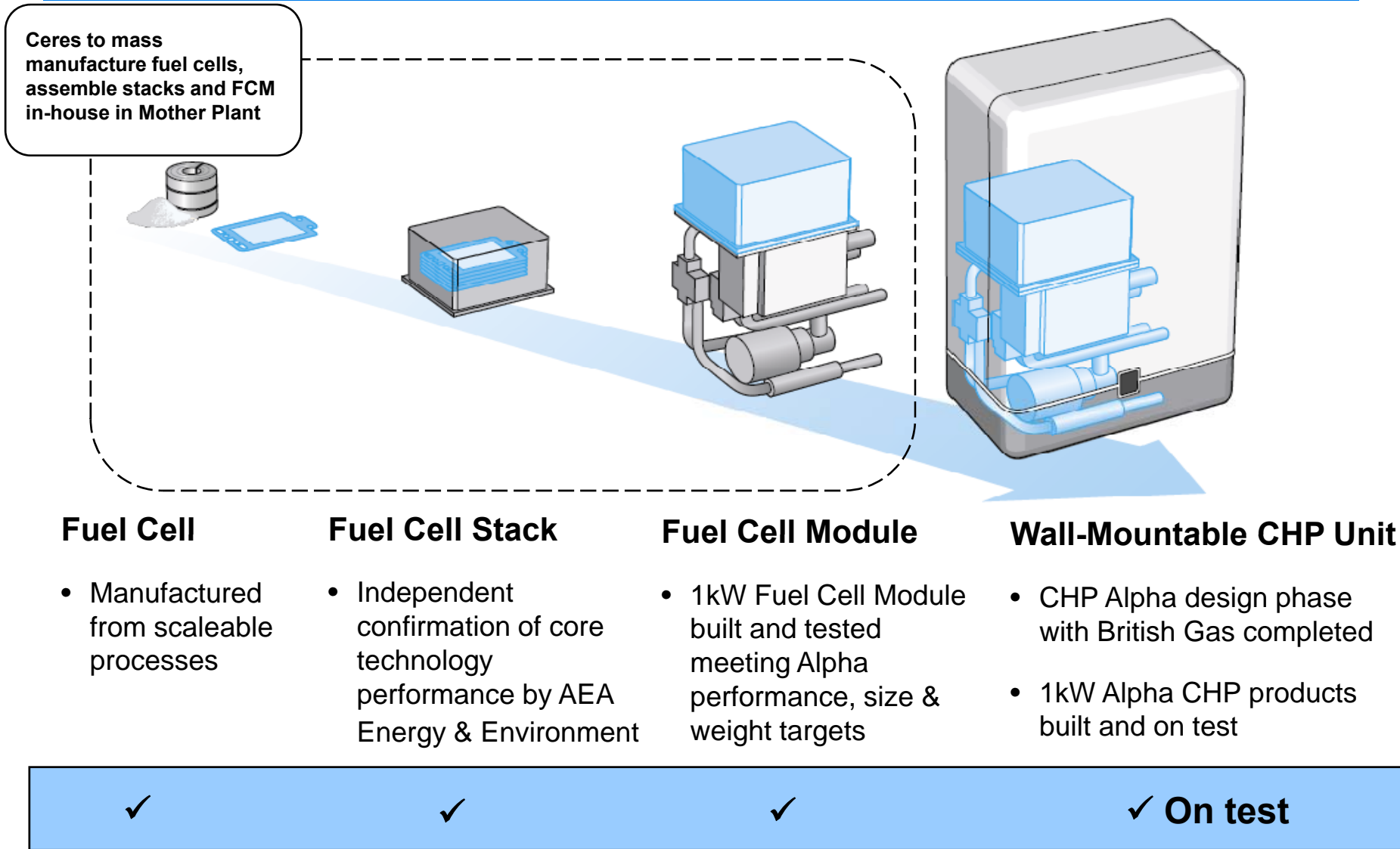


ALPHA Performance Validation
<ul style="list-style-type: none"> • Product specification fixed for target market including installation, service and maintenance requirements • Value Engineering delivers target performance and fixes product cost • Parts manufactured from scalable processes • In-house product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

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

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

CHP Product Architecture & Status



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 Alpha CHP products
- ✓ Grid-connected 1kW Alpha CHP product testing in progress
 - ✓ Beta Phase commenced with design iteration
 - Independently validate/audit Alpha CHP product performance

Alpha CHP Product

- On track to complete Alpha CHP product testing in Q2 '09
- Independent validation by British Gas in Q2 '09 & trigger for £2m payment to Ceres

CHP Products Built & On Test



	Go to market specification	Alpha Unit specification
Electrical rating	1kW	✓
Thermal rating	28kW	✓
CHP Product efficiency	80 - 90%	✓
Fuel Type	Mains Natural Gas	✓
CHP Product width	600mm	✓
Fuel Cell Module weight	25kg	✓
Installation	Wall-mountable	✓
Water, gas and electricity connections	As for condensing boiler	✓
Flue type	Balanced	✓
Certification	CE, GAD, LVD, G83	✓
Service & maintenance	CORGI / Gas Safe	✓

1kW Alpha CHP products on test:

- ✓ Running on mains natural gas
- ✓ Exporting power to the grid
- ✓ Delivering representative residential heating and hot water outputs
- ✓ Automated start-up and operation via integrated product control system

- Major new agreement with Calor to bring Ceres fuel cell residential CHP Product to customers not connected to the mains natural gas (NG) network ('off gas grid')
 - UK's leading LPG supplier, over 70 years experience
 - Part of SHV Gas, world's largest distributor of LPG, operations in 27 countries, annual turnover €5.8 billion
- Funded development and trialling programme
 - £2.5 million in milestone payments to Ceres
 - Including £1 million up-front payment
 - Including £1.5 million in milestone payments
- Covers supply & distribution of product in UK, with call-off order for an initial 20,000 units in the UK only over first 5 years following market entry in 2012
- LPG product variant based on core natural gas CHP product being developed with British Gas



- New LPG product will address homes & small businesses currently using LPG, solid fuel, oil or conventional electric heating
 - >2 million such properties in the UK
 - LPG CHP represents a clean, convenient and cost-competitive energy option (lower carbon than heating oil, with other functional benefits e.g. cooking)
 - Core technology's fuel flexibility makes it future-proof
- Addressable UK target market under current Calor contract
 - Existing LPG users plus other fuels
 - >800k households using heating oil, 600k using electric & 220k using solid fuel
 - Replacing LPG boiler with Ceres LPG CHP delivers economic savings and environmental benefits
 - Ceres LPG CHP replacing heating oil boiler saves up to 50% CO₂ emissions
- Potential European opportunity
 - LPG more widespread than in UK
 - Large number of properties off gas grid (>100 million across Europe)

Commercial – Energy Security Programme

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

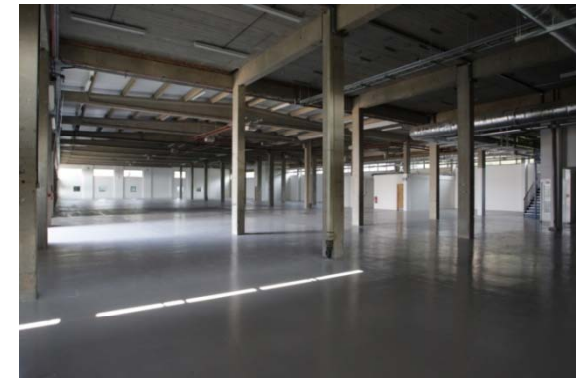
- Prototype demonstrator unit built and tested
- Testing scheduled for completion in Q2 '09



Operations

Mother plant

- 50,000 sq. ft (5,000 m²) manufacturing facility secured
- Located within 10 miles of existing Ceres' facilities - ease of technology transfer
- Volume fuel cell manufacturing & assembly of fuel cell module & CHP product testing



Operations

Mother plant

- Volume fuel cell manufacturing & assembly of fuel cell module
 - Meets requirements for Beta & Gamma field trials & volume product launch
 - Initial rated capacity 1 million fuel cells pa
 - Product testing facility
 - Phased investment to match customer pull through trials to volume launch

- Timeline
 - Select fit-out contractor and procure initial machines in Q1 '09
 - Complete fit-out in Q2 '09
 - Install volume manufacturing equipment in Q2/Q3 '09
 - Commence commissioning & operations in Q3/Q4 '09



People

Board further strengthened since period end

- John Nicholas, former FTSE 100 Group Finance Director, appointed Non-Executive Director and Chairman of Audit Committee
- Sir David Brown appointed as Senior Independent Director ('SID')
- Technology & Operations Risk Committee formed, Chairman Alan Wood

Executive team strengthened

- Jonathan Watkins, formerly of Acument Global Technologies, appointed as Chief Operations Officer
 - Experience in leading global technology-led manufacturing
 - Delivery-focused
 - Global supply chain experience

Ceres FY 2008/09 CHP Outlook

Time	Product / Technology	Manufacturing
Q3 2008	✓ Build Alpha Fuel Cell Module	✓ Confirmation of production intent equipment and processes
Q4 2008	✓ Build Alpha CHP product using fuel cells from scaleable manufacturing processes	✓ Stack assembly automation concept proven
Q1 2009	✓ Testing Alpha CHP Product performance ✓ Commence Beta Phase (design iteration underway)	✓ Secure Mother Plant site ✓ Selection of Mother Plant fit-out contractors and initial machine procurement begins
Q2 2009	• Sign-off of Alpha deliverables as trigger for £2m payment from British Gas	• Complete Mother Plant fit-out and install initial machinery

Summary

Robust financial position

- £24.4m in net cash
- Invested in UK Gilts and 'AAA' – rated Money Market Funds

Operational delivery on track

- 50,000 sq. ft Mother Plant facility secured
- Mother Plant fit-out & equipment procurement underway
- Manufacturing operations to commence in H2 '09

Commercial progress

- Funded LPG CHP programme & volume call-off order secured with Calor
- Targeting new international growth opportunities

CHP programme with British Gas on track

- Alpha CHP product builds completed in Q4 '08
- Alpha CHP product testing in progress Q1 '09
- On track to achieve British Gas Alpha phase sign-off in Q2 '09
- Beta phase commenced with design iteration underway Q1 '09



Ceres Power Limited

Unit 18

Denvale Trade Park

Haslett Avenue East

Crawley

RH10 1SS

United Kingdom

Phone: +44 (0) 1293 400 404

Fax: +44 (0) 1293 400 482

E-Mail: info@cerespower.com

www.cerespower.com