



18 December 2008

## **CERAMIC FUEL CELLS LIMITED ("CFCL" or "the Company")**

### **COMPANY UPDATE**

Ceramic Fuel Cells Limited (ASX / AIM: CFU), a global leader in fuel cell development, provides an update to shareholders.

#### **Fully Integrated New Generation Boilers - Another Step Closer to Commercialisation**

CFCL has recently produced its first fully integrated New Generation Boiler unit in preparation for European product deployment in 2009, having successfully operated semi-integrated units for some time. The unit has been completed on time and is currently operating at CFCL's facilities in Melbourne. From Q1 2009 CFCL will ship Gennex fuel cell modules to its European appliance partners for integration into new generation boiler units – which produce highly efficient power as well as heat for homes.

CFCL has identified a potential revenue opportunity of c.€1bn p.a. from sales of micro CHP units in its initial target markets of the UK, Germany, Holland, France and Japan. This is achievable on market penetration assumptions of only 5%.

CFCL has received one forward volume order from Nuon, for 50,000 units based on agreed targets, and is in discussions to obtain further orders from other customers.

#### **Technological Advances Approaching or Exceeding Commercial Targets**

CFCL's technology is rapidly approaching and in many cases exceeding commercial targets.

CFCL continues to set industry benchmarks for electrical efficiency, moving from the 50% efficiency announced in September 2008 to now achieving 55% electrical efficiency whilst exporting 1.5 kW to the local power grid. This exceeds CFCL's commercial targets and is far higher than the electrical efficiency of the current grid as well as other microgeneration technologies.

Fuel cell stack life has improved more than 80% in the last 12 months. CFCL is now achieving a degradation rate of less than 0.2% per 1,000 hours, on a stack that has been producing 1kW of power for 7,000 hours in a test station. The Company is on track to repeat these results in a complete system during 2009 to achieve a key commercial target of a projected stack life of 4-5 years (40,000 hours).

#### **Finances**

The Company and its financial advisors are continuing to pursue several options to raise additional cash, including equity funding. The Company has also been looking to liquidate some of its financial investments, subject to market conditions and pricing.

The Company has recently sold one of its investments for A\$2.4m / £1.1m cash. This investment was sold at a discount of 50%, representing an impairment of \$2.4m to its face value.

In October the Company announced that it was likely to take an impairment charge of up to \$13m for one of its investments. The Company is exploring several options to realise value from this investment which would reduce the amount of this impairment charge.

The Company is currently in discussions with several existing institutional investors about a potential equity fundraising. The Company expects to make an announcement about the outcome of these discussions, and give a further update on its finances, shortly.

The Company is looking at taking legal action to recover losses suffered in relation to its investments and has received an offer to fund the costs of this litigation. The Company will provide a further update if and when it accepts this offer.

### **Manufacturing Plant**

In order to reduce future cash outflow the Company is deferring some of the planned expenditure on the volume manufacturing plant in Germany. Working with its contractors and suppliers, CFCL has revised the project plan to reduce spending from January to May 2009 by \$4.9m / £2.2m and the plant is now scheduled for completion in October 2009. The total project cost is expected to be less than the €12.4m budget announced in February 2008.

The impact on CFCL's commercialisation schedule is minimal, with the Company having sufficient manufacturing capacity in Melbourne to continue to supply fuel cell modules to its partners throughout 2009.

**Ends**

### **Notes to editors:**

**Ceramic Fuel Cells Limited** is a world leader in developing solid oxide fuel cell (SOFC) technology to provide highly efficient and low-emission electricity from widely available natural gas and renewable fuels. CFCL is developing micro combined heat and power (m-CHP) products with leading appliance partners and utility customers in Germany (EWE and Bruns Heiztechnik), France (GdF/Suez and De Dietrich Thermique), the United Kingdom (E.ON UK and Gledhill), Holland (Nuon and Remeha), and Japan (Paloma). CFCL's partners give the Company a clear path into these large markets, in which approximately 6 million home boilers are sold each year. CFCL is listed on the London Stock Exchange AIM market and the Australian Securities Exchange (code CFU). [www.cfcl.com.au](http://www.cfcl.com.au)

### **For further information please contact:**

#### **Ceramic Fuel Cells**

Andrew Neilson

Tel: +61 419 950 771

Email: [investor@cfcl.com.au](mailto:investor@cfcl.com.au)

#### **Nomura Code Securities (Nominated Adviser to CFCL)**

Juliet Thompson / Chris Golden

Tel: +44 (0) 207 776 1200

#### **Hogarth Partnership (PR for CFCL)**

Nick Denton / Ian Payne / Vicky Watkins

Tel: +44 (0) 20 7357 9477