



CERAMIC FUEL CELLS LIMITED

Clean power for your home



2 February 2009

E.ON and Ceramic Fuel Cells (CFCL) extend microgeneration collaboration

Funded product development Proposed volume order for commercial products

Ceramic Fuel Cells (Europe) Limited, a subsidiary of Ceramic Fuel Cells Limited (ASX / AIM: CFU), a global leader in fuel cell development, and E.ON, have extended their exclusive agreement to further develop and deploy fuel cell micro combined heat and power (mCHP) units in Great Britain .

Under the terms of the new agreement, E.ON and CFCL will collaborate on a joint development project to commercialise mCHP units designed specifically for the Great Britain market, based on CFCL's GENNEX fuel cell module. The commercialisation project is currently scheduled to run from 2009 to 2012 in a number of stages subject to performance criteria, with the Great Britain market launch expected to follow thereafter.

Subject to CFCL's achievement of agreed price and performance targets, E.ON and CFCL have agreed a potential future order profile, which would secure E.ON's exclusive distribution rights for CFCL micro CHP units within Great Britain. A minimum order of 100,000 units over six years from 2012 would be required for E.ON to continue to retain exclusivity.

Charles Bradshaw-Smith, Head of Innovation at E.ON, said:

"The agreement with CFCL reflects two years' hard work to achieve a unit with a technical performance that has met all our targets. We are now pleased to commit funding and resources, subject to the attainment of agreed milestones, to roll out a commercial unit, building on CFCL's market-leading technology. This technology signals that cleaner, more cost-effective energy in the UK home is closer than ever before."

Commenting, Brendan Dow, Managing Director of Ceramic Fuel Cells, said:

"We are delighted that E.ON, one of the leading energy companies in Europe, has chosen to extend their agreement with CFCL. This is a key endorsement and represents significant progress. This provides us with additional funding to develop commercial products, as well as strong support for future market launch and development. This reinforces CFCL as the market leader in solid oxide fuel cells with a clear path to commercialisation. CFCL continues to work with utility partners across Europe to roll out commercial units to all their customers."

CFCL and E.ON expect that the highly efficient new mCHP units would be able to power a wide range of homes and help to reduce carbon emissions in Great Britain.

This agreement follows the successful completion of the first phase of the partners' product development, in which an 'Alpha' prototype unit, comprising a CFCL NetGenPlus unit integrated with a supplementary boiler, was installed and operated.

The Alpha unit successfully met all of E.ON's performance and lifetime requirements, exporting just under 1kW of power to the local UK grid at high efficiency and generating enough heat for an average UK home's hot water needs. The unit was installed in June 2008 and has been continuously running (on the same fuel cell stack) at the Blackpool facilities of CFCL's appliance partner ever since.



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BACKGROUND TO UK MARKET

The UK Government is strongly supportive of microgeneration. Energy industry leaders and Government Ministers have agreed that CHP must play a more prominent role in the United Kingdom's transition to a low-carbon economy. The Energy Act 2008 will introduce a Feed-in-Tariff for small-scale, low-carbon electricity production including conventional gas-fired CHP units with an electrical capacity of 5MW or less.

The UK has the largest boiler market in the EU with 1.6 million gas boilers sold in the UK each year. (Source: BSRIA October 2008)

The UK renewable obligation will be £1 billion by 2010 and by 2016 all new UK homes should be zero or low carbon. There are currently about 100,000 microgeneration installations in the UK, up from 82,000 in 2004. If no additional policies are implemented, about 500,000 microgeneration units would be installed by 2015 and 2-3 million by 2020. But, with the right incentives, up to 9 million microgeneration systems could be installed by 2020, producing as much energy as 5 nuclear power stations (Source: BERR Report June 2008)

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, Holland (Nuon and Remeha), and Japan (Paloma). CFCL is listed on the London Stock Exchange AIM market and the Australian Securities Exchange (code CFU). www.cfcl.com.au

E.ON Engineering Ltd

E.ON is one of the UK's leading power and gas companies – generating and distributing electricity, and retailing power and gas – and is part of the E.ON group, the world's largest investor-owned power and gas company.

E.ON employs around 18,000 people in the UK. E.ON's retail business is a leading energy supplier in the UK with around 5.5 million electricity and gas customers, covering domestic, SME and industrial. E.ON also offers central heating and boiler care. E.ON's distribution business, branded Central Networks, provides a reliable supply to 9.4m people in central England through 133,000km of underground and overhead cables – enough to go round the Earth more than three times – and via almost 97,000 substations.

E.ON covers an area from the Peak District in the north to parts of Bristol in the south, and from the Welsh Borders to the Lincolnshire Coast. E.ON is sponsoring The FA Cup, which is known as The FA Cup sponsored by E.ON. E.ON's generation business produces enough electricity to cater for the needs of around eight million homes from a portfolio of world-class gas-, coal- and oil-fired power stations. www.eon-uk.com



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