

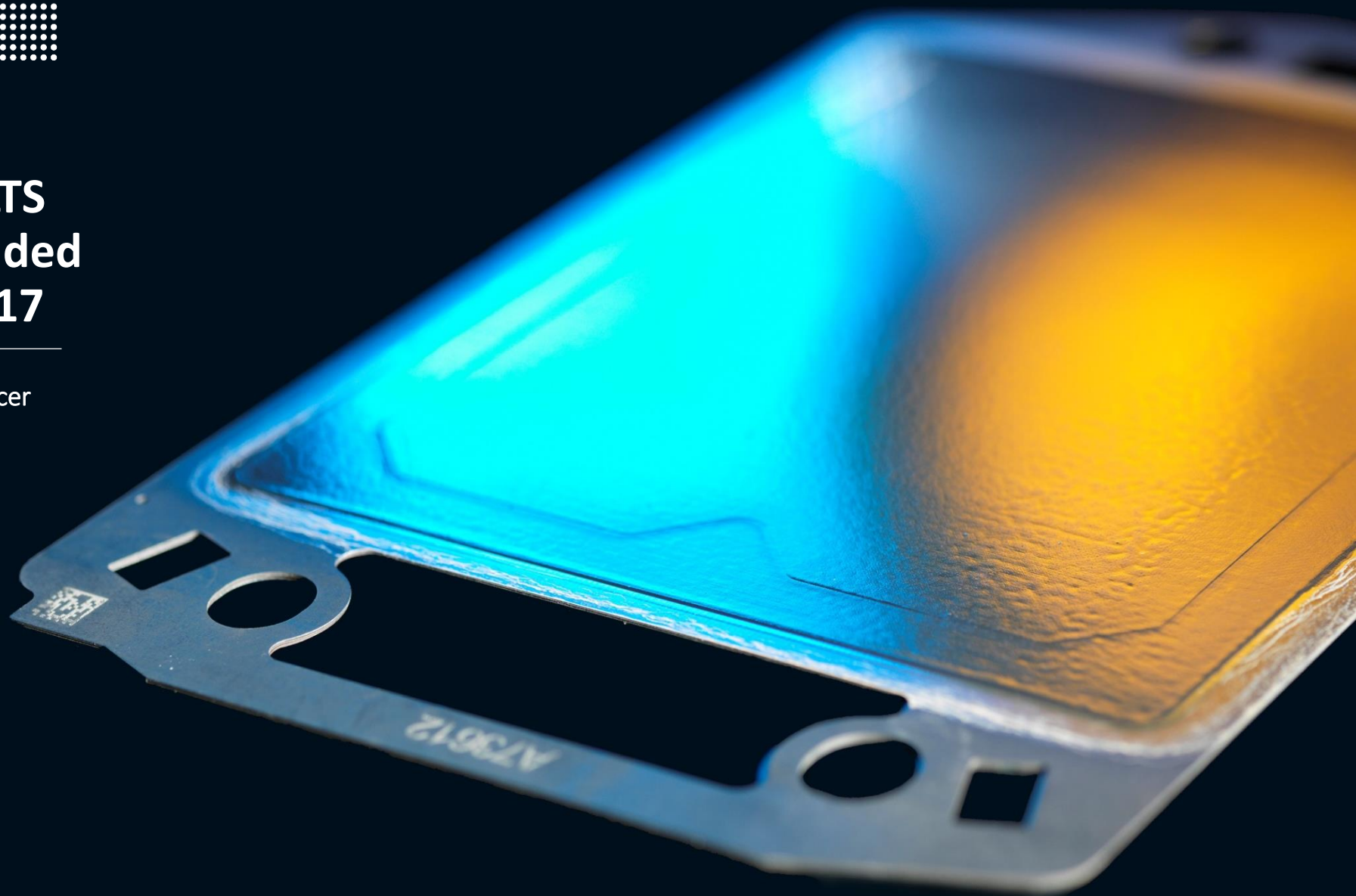


**HALF-YEAR RESULTS  
for the 6 months ended  
31<sup>st</sup> December 2017**

---

Phil Caldwell, Chief Executive Officer

Our next generation  
**SteelCell®**



***“A world leading developer of low cost, next generation  
Solid Oxide Fuel Cell (SteelCell<sup>®</sup>) technology”***

# Macro Drivers

## Air Quality

- Rise of Mega Cities
- Pollution from combustion engine vehicles
- Power generation using coal



## Climate Change

- Challenge to decarbonise energy system
- Balance renewables growth and centralized generation

# Solution to global challenge: SteelCell® offers an alternative to conventional combustion engines and power generation

## Combustion Engines

- Poor air quality
- High pollutants SOx/NOx
- Regulations to ban diesel and petrol engines



## Electrification

- Batteries and fuel cells key technologies
- Zero emission/Low carbon
- Reinforce grid for local charging infrastructure

## Centralised Power

- Low efficiency 30-40%
- High emissions SOx/NOx
- High carbon
- Poor air quality
- Ageing, expensive infrastructure

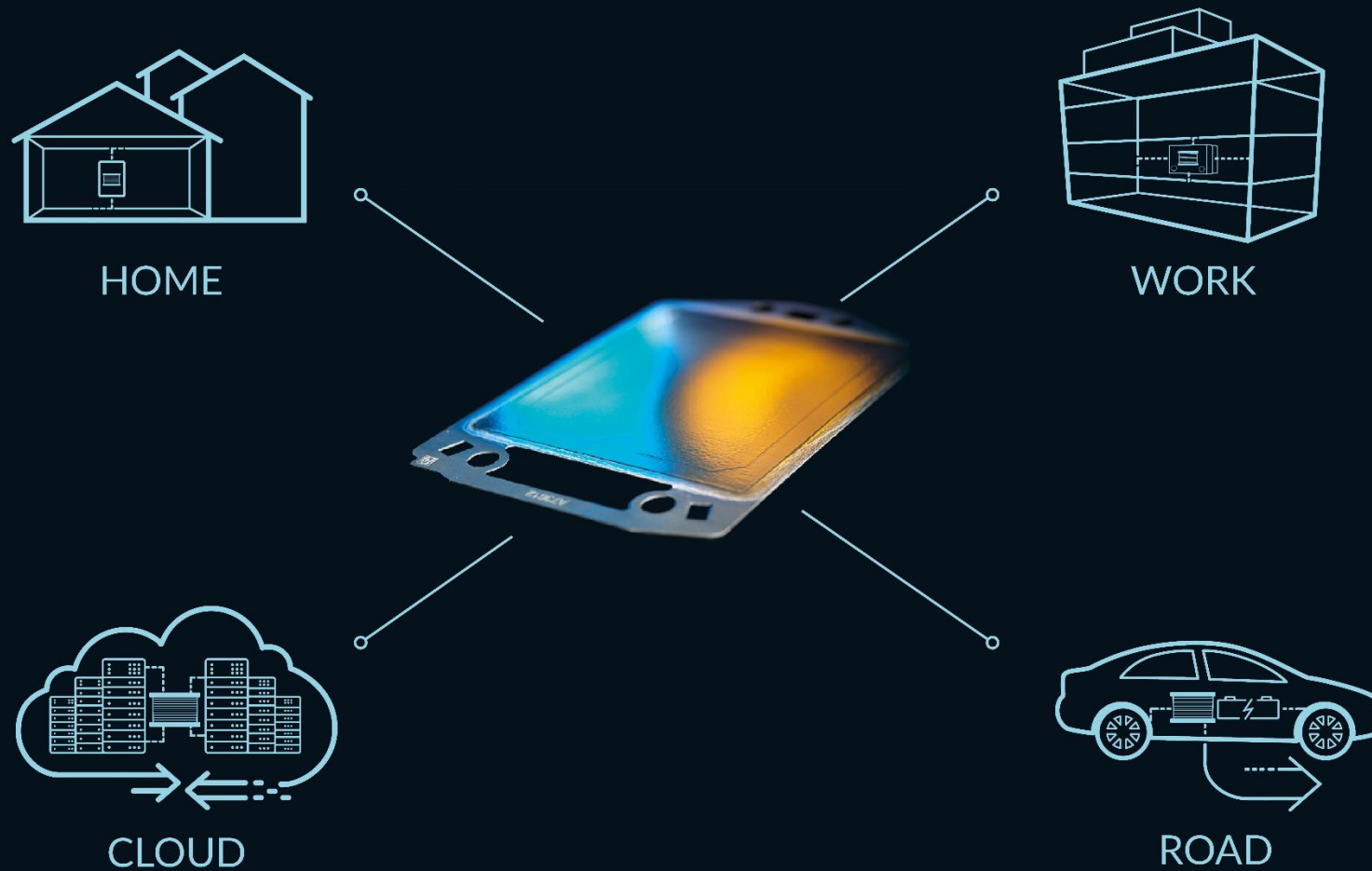


## Distributed Power

- High Efficiency Power > 50% + heat 90%
- Generation in home or business
- Cheaper energy bills 30%
- Low carbon + Zero emission SOx/NOx
- Grid reinforcement and balancing



## Applications for the SteelCell®



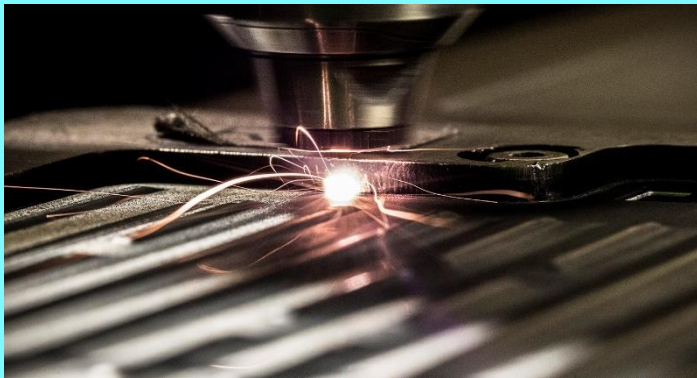
# COMMERCIAL HIGHLIGHTS

Continued commercial progress: new partners and repeat business driving revenue growth

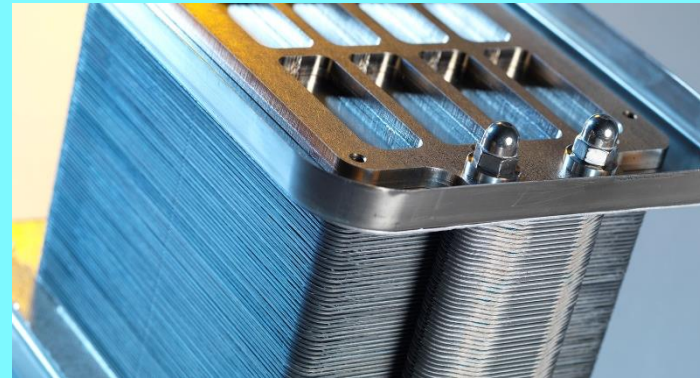
- Revenue and other operating income for first half year doubled to £3.1 million;
- Fifth partner signed with major European manufacturer achieving key company milestone, adding to partners including Cummins, Honda & Nissan;
- Strong pipeline with two new significant OEMs signed at Technology Assessment Agreement stage.

## How we work with Partners

- Joint Product Development
  - License and Technology Transfer of System Design
- SteelCell® stack supply through manufacturing partners



- Product development
- Engineering Services



- SteelCell® Technology Transfer & Licensing



- SteelCell® Supply
- Manufacturing/partners

# DEVELOPMENT PARTNERS

**HONDA**

**NISSAN**



U. S. DEPARTMENT OF  
**ENERGY**

**CONFIDENTIAL PARTNER 1**

**CONFIDENTIAL PARTNER 2**

- Honda Power Systems – several applications
- SOFC Stack to Extend Range of Electric Vehicles
- Data Centre & Commercial Scale Opportunity
- Commercial Scale CHP Development with aim to market launch
- European-based Global OEM co-developing multi-kW prototype for multiple applications



# COMMERCIAL HIGHLIGHTS

## Delivery of key customer contract milestones

- Completed technology transfer with confidential customer to develop a multi-kW CHP product;
- Achieved major technical milestone with first development of larger format SteelCell® for Cummins and US Dept. of Energy;
- Secured follow-on agreements with Nissan following delivery of major milestones on the Electric Vehicle Range Extender programme;
- Completed UK field trials supported by the European wide ene.field programme which confirmed the efficiency, flexibility and reliability of the SteelCell® in real-world conditions.

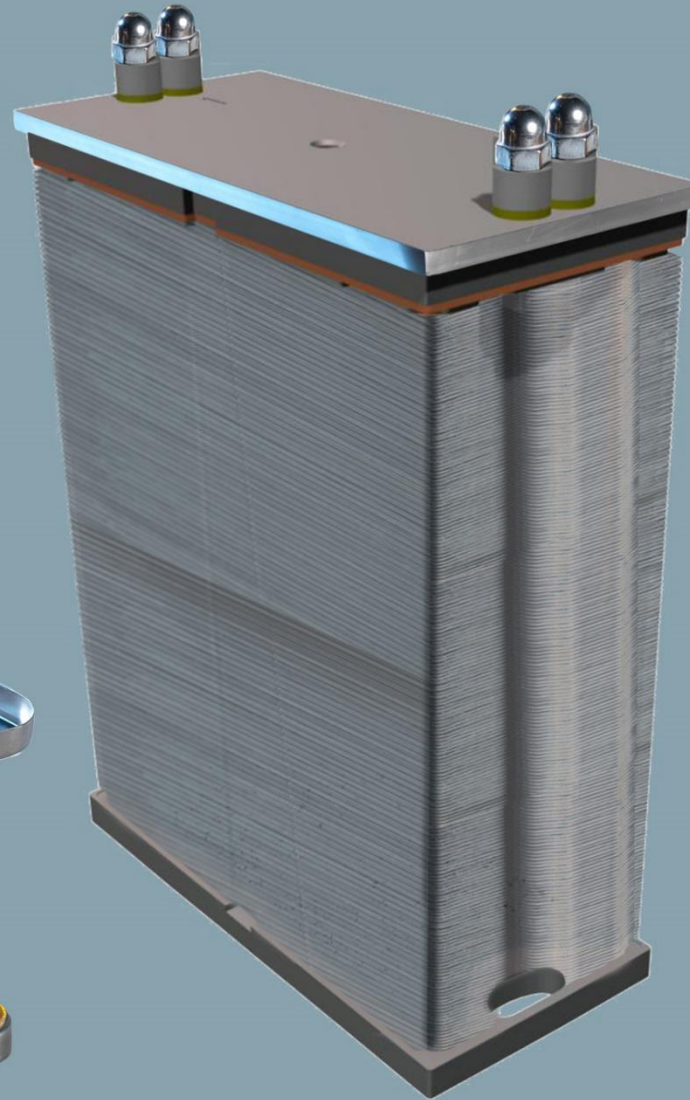
# TECHNICAL HIGHLIGHTS

## Maintaining our technology leadership position

- V5 SteelCell<sup>®</sup> development results show world-leading degradation rates;
- New higher power 5kW stack platform development underway to address new high volume markets such as the data centre and automotive applications.

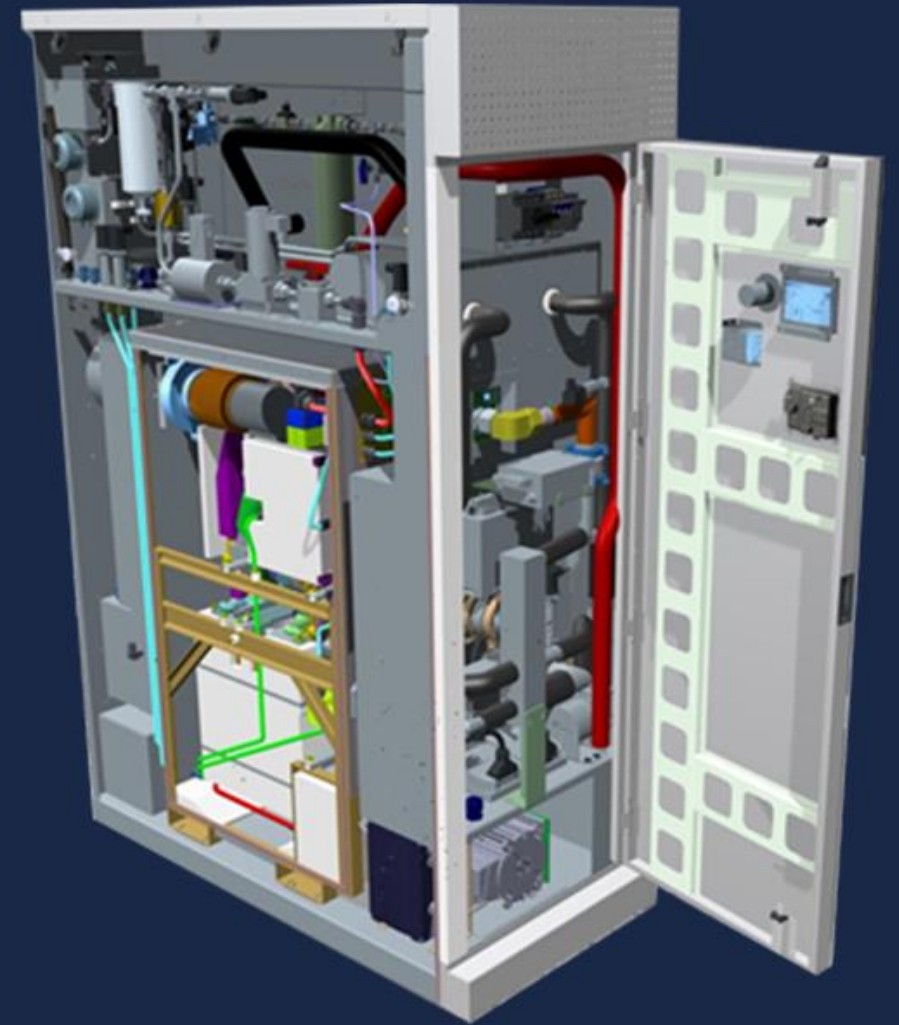
# Increasing demand for increasing power.

1kW SteelCell® stack

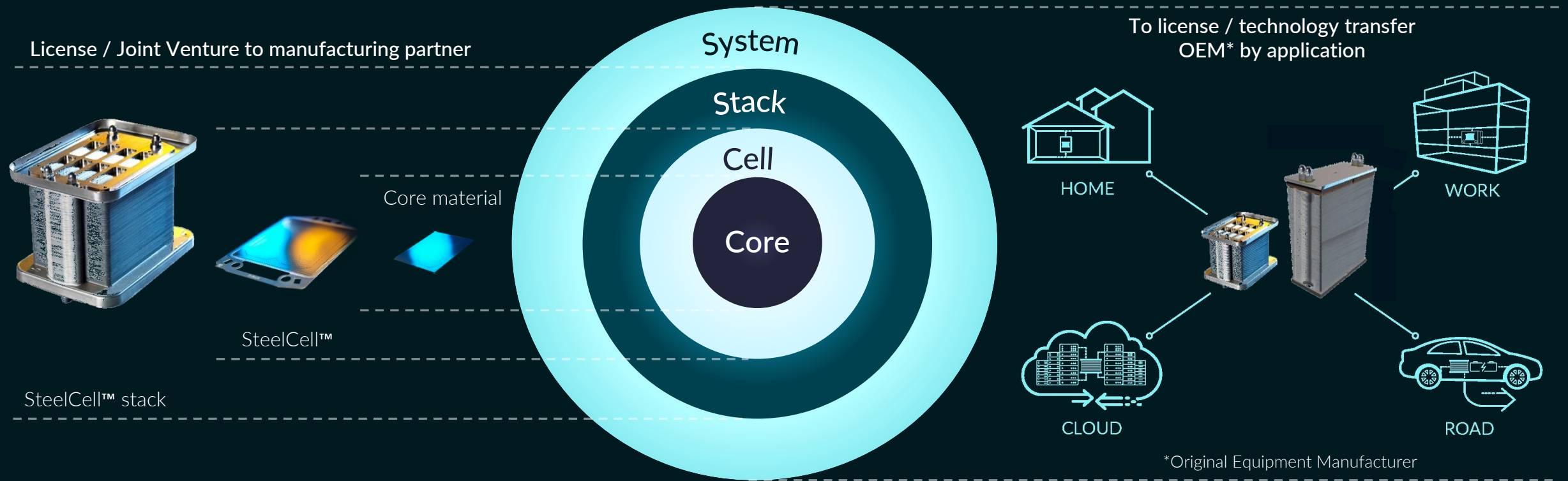


5kW SteelCell® stack  
(under development)

**Modular 10kW  
power systems  
under development  
for Data Centres**



# Licensing strategy





# FINANCIAL HIGHLIGHTS

Strong commercial progress has driven improved financial performance

- Revenue<sup>1</sup> and other operating income up 100% to £3.1m
  - Revenue from customers up from £1m to £2.6m
- Operating loss flat at (£6.2m)
  - Due to increased investment in people, technology and operations to support growth into higher power applications
- Capex up from £0.3m to £0.7m
  - £0.4m investment in manufacturing expansion
- Equity free cash outflow reduced slightly at (£4.1m)
- £13.2m in cash at 31 December 2017

## Financial highlights – income and margin

£m	H1 2018	H1 2017	Change £m	Change %
<b>Revenue and other operating income</b>	<b>3.1</b>	<b>1.6</b>	<b>1.5</b>	<b>99%</b>
- Revenue	2.6	1.0	1.6	156%
- Other operating income	0.5	0.5	0.0	-13%
Gross margin on revenue %	46%	60%		n/a

- More customers in joint development drive revenue increase
- Margin expected and impacted by one customer

## Financial highlights – income statement

£m	H1 2018	H1 2017	Change £m	Change %
<b>Gross margin</b>	<b>1.2</b>	<b>0.6</b>	0.6	95%
Operating costs	(7.8)	(7.4)	(0.5)	6%
- share-based payments	0.5	0.5	(0.0)	-2%
- depreciation	0.7	0.6	0.1	10%
<b>Operating loss</b>	<b>(6.2)</b>	<b>(6.2)</b>	0.1	-1%
Income tax credit	1.0	1.0	(0.1)	-9%
<b>Loss for the financial period</b>	<b>(5.2)</b>	<b>(5.2)</b>	(0.0)	1%

- Invested extra gross margin into people and development of 5kW platform and capacity CapEx

## Financial highlights – cash flow

£m	H1 2018	H1 2017	Change £m	Change %
Operating cash flows	(5.1)	(5.2)	0.1	-2%
Changes in working capital	(0.2)	(0.9)	0.7	-78%
<b>Cash used in operations</b>	<b>(5.3)</b>	<b>(6.1)</b>	<b>0.8</b>	<b>-13%</b>
Capital expenditure	(0.7)	(0.3)	(0.4)	118%
Tax received in the period	1.9	2.2	(0.4)	-16%
Equity-free cash outflow <sup>1</sup>	(4.2)	(4.2)	0.0	0%
<b>Net cash &amp; financial assets</b>	<b>13.2</b>	<b>22.2</b>	<b>(9.0)</b>	<b>-41%</b>

Overall cash outflows flat as contribution from increased revenues invested in increased capex for additional capacity. Also reduced tax receipts

<sup>1</sup> Change in net cash and cash equivalents and short-term investments, excluding cash flows from financing activities

# OUTLOOK

- Maintain the strong performance in revenue growth for the full year
- Field trials of the technology with OEM partner later in 2018;
- Securing a new partner by the end of 2018 committed to future launch programmes
- Release of the latest V5 SteelCell® technology and first 5 kW stacks to customers;
- Investment in additional UK manufacturing capacity to meet near-term customer demand and exploring longer term manufacturing partnerships