HALF-YEAR RESULTS
for the 6 months ended 31st December 2017

Phil Caldwell, Chief Executive Officer
“A world leading developer of low cost, next generation Solid Oxide Fuel Cell (SteelCell®) 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

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

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

License / Joint Venture to manufacturing partner
To license / technology transfer OEM* by application

SteelCell™ stack
Core material
Cell
Stack
System
FINANCIAL HIGHLIGHTS

Strong commercial progress has driven improved financial performance

• Revenue¹ 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

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

- More customers in joint development drive revenue increase
- Margin expected and impacted by one customer
### Financial highlights – income statement

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

- Invested extra gross margin into people and development of 5kW platform and capacity CapEx
## Financial highlights – cash flow

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

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

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<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