



**CERAMIC FUEL CELLS LIMITED**

*Clean power for your home*

17 October 2008

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

**UPDATE ON INVESTMENT PORTFOLIO**

Ceramic Fuel Cells Limited (AIM / ASX: CFU), a world leading developer of high efficiency and low emission microgeneration products for homes, today provides an update to investors on the Company's holdings of cash and investments.

In the FY08 accounts released to the market on 29 September 2008, the Company noted that at 30 June 2008 it held total cash and investments of A\$43.3 million / £20.3 million, comprising A\$12.7 million / £6.1 million in cash and A\$30.6 million / £14.8 million in investments.

CFCL's investment portfolio comprises a mix of asset backed securities, mortgage backed securities and credit linked notes. When the accounts were released all investments retained their original investment ratings of A or better (other than one investment, for which the Company took an impairment charge in the Preliminary results released to the market on 28 August 2008).

The Company has now been advised by its external treasury and investment advisor that another of the securities is likely to be impaired. The security is a Euro-denominated credit linked note. The investment currently retains its original AA rating but the Company has been advised that due to recent defaults among many financial firms, the investment is now on negative watch by Standard & Poors and the value of the investment is likely to be impacted.

Based on this advice it is likely that in its accounts for the half year to 31 December 2008 the Company will take an impairment charge on the investment of up to A\$13.1 million / £5.2 million (comprising A\$9.5 million / £3.8 million in the reported investment value in the FY08 balance sheet plus A\$3.6 million / £1.4 million transferred from the equity reserves in the FY08 accounts).

As at 30 September 2008 the Company held A\$8.4 million / £3.3 million in cash and A\$22.1 million / £8.8 million in investments, after deducting the full amount of this potential impairment charge.

The Company continues to receive interest payments on all investments, including the two impaired investments.

Management and the Board are continuing to monitor the status of the portfolio with advice from the Company's external treasury and investment advisors in the context of the severe deterioration and uncertain outlook in the financial markets.

The Company has instructed its advisors to identify future financing options. Management and the Board are also investigating alternative ways of optimising shareholder value from existing assets, including pursuing a range of strategic options for the Company's Powder Plant operation in the UK, which is capable of making a range of high quality advanced ceramic powders using a proprietary and patented process. The Company will keep shareholders informed over the next few months.

The Company continues to make strong progress in developing highly efficient micro combined heat and power (mCHP) products with leading utility customers and appliance partners for large markets in Germany, France, the United Kingdom, The Netherlands and Japan. The Company

currently has six units operating with partners in Europe, and one unit being installed in Japan. The Company is on track to deploy fully integrated mCHP units with European partners in early 2009, and complete its volume manufacturing plant in Germany in June 2009. The Company has recently achieved a key target for commercial mCHP products by exporting power to the grid at 50% electrical efficiency, higher than any other mCHP product and higher than the current electricity grid.

**For further information please contact:**

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**Note 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 SOFC products for micro combined heat and power (mCHP) and distributed generation units that generate electricity and heat for homes.

CFCL is developing mCHP products with leading appliance partners and utility customers in Germany (EWE and Bruns Heiztechnik), France (Gaz de France and De Dietrich Thermique), the United Kingdom (E.On UK Ltd and Gledhill Water Storage Ltd), 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](http://www.cfcl.com.au)