
*INVESTING IN HYDROGEN
TECHNOLOGIES*

REPORT FROM THE FRONT LINES

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EXCITING TIMES AHEAD

- There will be huge investment opportunities in hydrogen
 - » Hydrogen Production
 - » Hydrogen Storage
 - » Fuel Cells and Direct Combustion
 - » Infrastructure
- The Hydrogen Economy is coming -- the question is, When?

EXCITING TIMES AHEAD...

- As in every other “big thing” -- from radio, automobiles and aircraft, to computers, telecom and internet -- there will be
 - » **A few winners**, and
 - » **Many losers**in the Hydrogen Technology space.

HYDROGEN TECHNOLOGY INVESTMENTS ARE VERY CHALLENGING

- The technology and market entry hurdles are high
- So getting to the goal line usually
 - » Takes **a lot of capital** (often \$100M plus)
 - » And **a very long time** (frequently 7-10 years)
 - and sometimes the goal line moves
- Virtually none of the big name energy tech companies that got public in the 1999-2000 frenzy have yet made money -- so investors are very cautious

WE'VE BEEN ON THE FRONT LINES FOR A LONG TIME (1985-2005)

- 6 Aretê Funds
 - » 4 Utech Funds ('85-'91)
 - » Climate Challenge Fund ('94)
 - » Micro-Generation Technology Fund ('97)
- And 5 Affiliations
 - » SAM Private Equity Fund (Zurich)
 - » Nth Power
 - » Commons Capital
 - » Atrium/Honda Ventures
 - » Alternative Energy Capital

AND WE'VE DONE A LOT OF ENERGY TECH DEALS, INCLUDING SEVERAL IN THE HYDROGEN SPACE

- Hydrogen Production
 - » Proton Energy Systems (now DESC)
 - » H2Gen Innovations
- Fuel Cells
 - » Ballard Power
 - » Hydrogenics
 - » Angstrom Power
 - » CellTech Power

PICKING WINNERS

- Experienced investors look for three key things when they are considering a venture deal
 - » A huge **market opportunity** in the long term -- with addressable entry niches in the short term
 - » A projectable and sustainable **technology advantage**
 - » A talented and experienced **management team**
- As you look at the companies presenting today, keep these criteria in mind

EXAMPLE -- H2GEN INNOVATIONS

- Meets the tests with high marks
 - » Novel and protected 2000 scf/hr SMR and imbedded PSA
 - » Accessing distributed industrial hydrogen markets first -- then huge transportation markets over time
 - » Superb management team: Rush, Thomas, Lomax
 - But even with all these plusses
 - » Raising capital has not been easy
 - » And as in most deals
 - It has taken longer (>4 years so far)
 - And cost more (~\$20M to date)
- than expected at the outset

EXAMPLE -- H2GEN INNOVATIONS...

- But, with machines going into real field applications -- and the resurging enthusiasm in the public markets, particularly in Europe -- prospects look very encouraging for H2Gen Innovations.

AS YOU LOOK AT HYDROGEN INVESTMENTS, TODAY AND IN THE FUTURE...

- We wish you **GOOD LUCK**, and
- We urge you to **BE CAUTIOUS**