



Press Release

14 January 2008

Ceres Power Holdings plc
(‘Ceres Power’, ‘Ceres’ or the ‘Company’)

Ceres Power and British Gas enter development, supply and distribution agreement for UK residential CHP

Ceres Power, the AIM-quoted fuel cell group, today announces that it has signed a major new agreement with Centrica (trading as British Gas) including a funded trialling programme and a volume forward order for residential combined heat and power products (‘CHP’). In addition, and subject to the approval of Ceres Power shareholders, Centrica will subscribe for new shares representing 9.999% of the Company’s enlarged issued share capital at a price of 300 pence per share, equivalent to a cash investment of around £20 million.

This agreement follows the successful recent demonstration of Ceres Power’s industry-leading wall-mountable fuel cell CHP unit, which was one of the key milestones of the Company’s current CHP programme with British Gas.

Under the terms of this new agreement, British Gas will pay £5 million to the Company in staged milestone payments over an initial phase (‘Initial Phase’), with the first payment of £1 million to be made following Ceres Power’s shareholder approval and the remainder subject to achievement of certain technical milestones. During the Initial Phase, which is expected to be completed in 2011, Ceres will complete the value engineering of the CHP Product and, together with British Gas, conduct commercial in-field trials with residential customers and commence initial sales. British Gas is committing its operational resources to support the roll-out of CHP Products including training, installation, servicing and logistics.

British Gas has also placed a forward order to purchase in aggregate a minimum of 37,500 CHP Products on an escalating basis over a four-year period. This order is conditional upon the successful completion of the Initial Phase and on the companies agreeing standard commercial terms including the price for supply of the CHP Products. Both Ceres and British Gas have agreed to promote the Ceres CHP Product with the intention of achieving substantially greater levels of annual sales over the four-year period. Approximately 1.5 million boilers are installed each year in the UK and it is forecast by industry and governmental bodies that residential CHP could take 30 per cent of this market by 2015 (see SBGI 2006).

For the duration of the agreement, British Gas has the exclusive right to supply and distribute the Company's CHP Products to the residential UK market subject to British Gas purchasing at least the minimum annual order volumes for each year of the forward order. Ceres Power retains the right to supply and distribute CHP Products anywhere else in the world and the right to exploit its innovative fuel cell technology in other applications globally including in the UK.

Peter Bance, CEO of Ceres Power, said:

"The investment Centrica is making in our business reflects the success of our collaboration over the last two years and the confidence both companies have in Ceres Power's fuel cell technology. We are delighted to continue our close relationship with British Gas and are excited about the prospect of taking our innovative CHP Product to market with the UK's largest boiler installation company."

Sam Laidlaw, CEO of Centrica, said:

"Fuel cell technology has the potential to transform the domestic central heating market, enabling our customers to generate cheap, reliable and low-carbon electricity in their own homes. This agreement with Ceres Power will help us deliver our strategy of investing in low carbon technology development."

The issue of the new shares is subject to the approval of Ceres shareholders at the general meeting of the Company to be held at 10:30am on 1st February 2008. The supply and distribution agreement is conditional upon the allotment of the new shares to Centrica.

The Company will shortly be posting the shareholder circular convening the general meeting to its shareholders. A copy of the shareholder circular, which also contains further details of the transaction, is available at <http://www.cerespower.com/investor/shareholder.htm>

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Notes to Editors:

Today's announcement follows the Company's recent achievement of a major technical milestone: the successful demonstration of an industry-leading fuel cell CHP Unit. Ceres Power's unique wall-mountable CHP Unit is designed to produce electricity and meet all of the hot water and central heating needs of a typical UK home. The CHP Unit is designed to substantially reduce residential energy bills and carbon emissions, by avoiding much of the energy losses in generation and transmission associated with centralised power generation. The technology has the potential to reduce a typical British Gas customer's household CO₂ emissions by up to 2.5 tonnes per year when

replacing a standard boiler, and to lower annual energy costs by several hundred pounds.

Government is also strongly supportive of micropower generation, which represents an industry shift to the production of energy at the point of use rather than relying entirely on centralised generation. The UK Government has estimated that, over time, micropower products have the potential to supply over one-third of Britain's total electricity needs and to help the country improve its energy security, meet its environmental obligations and deliver energy savings to consumers. The UK Government has implemented legislation driving the new build sector towards greener homes and has also put in place fiscal measures including VAT reduction to 5% and capital grants to accelerate the uptake of residential CHP.