

11 September 2007

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

Fuel Cell CHP Demonstration and Facilities Showcase

Ceres Power, the AIM-quoted fuel cell group, today demonstrates an integrated, wall-mountable combined heat and power unit (‘CHP Unit’). The successful design, construction and testing of this natural gas-fed unit represents an important milestone in the Company’s residential CHP programme with British Gas and highlights the commercial potential of the product. The compact and wall-mountable design will enable access to both the boiler replacement and new build residential mass markets in the UK and overseas.

As part of an ongoing testing programme, the integrated wall-mountable CHP Unit has already demonstrated the capability of generating electricity and all of the central heating and hot water requirements of a typical home, avoiding the need for a separate boiler. The compact CHP Unit uses the same natural gas, water and electricity connections as a boiler, and is thus easy to install.

Key balance of plant components within the CHP programme have been developed in partnership with well-established volume manufacturers in Europe and the USA from industries including automotive and white goods. The operating temperature (500-600°C) of the unique Ceres Power fuel cell technology has enabled the use of widely available and cost-effective raw materials, components and manufacturing equipment.

Facilities – The fit-out of the recently secured Product Facility has been completed, with the focus shifting to validating performance of the core manufacturing processes through statistical process trials. All of the key volume production equipment has now been installed on-site and includes machines for: steel substrate perforation, ceramic layer deposition, fuel cell drying and firing, stack layer welding, and associated quality control. Initial process trials have been conducted, with further work helping to finalise the planned investment in scaling-up to the Company’s first volume production facility (‘Mother Plant’).

In parallel, detailed planning for the Mother Plant is also proceeding to plan with final specification expected by end 2007. The initial footprint of the facility should have a rated capacity of ~1million cells per annum, with the ability to be expanded through more intense shift patterns and additional equipment. The plant will also be designed for low-volume complete product assembly to service early market uptake and to help transfer to volume assembly partners in-country for mass market deployment. The Company is planning a facility with floor space in the region of 50,000 ft² with short-listed location options focusing on UK sites to minimize logistics costs and facilitate knowledge transfer from the Company’s existing operations.

Peter Bance, Chief Executive of Ceres Power, commented:

“The demonstration of an integrated wall-mountable CHP Unit is not only a significant step forward in the commercialisation of our unique technology but also represents an industry-leading position. We are now focusing on value engineering of the CHP Unit and the scale-up of core manufacturing processes to meet expected customer demand.”



Following today's event, the Company will be holding a series of shareholder visits to its Crawley headquarters and will also present its CHP hardware at the London Stock Exchange on Friday September 14th.

A presentation summarizing the CHP demonstration and facilities showcase is available on Ceres Power website through the following link:
<http://www.cerespower.com/investor/press.htm>.

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About Ceres Power

Ceres is a successful AIM-listed fuel cell business developing a range of global market applications including residential combined heat and power, on-site / back-up generators and auxiliary power units for transport. The technology is based on commercially available materials for low cost manufacture and, unlike many fuel cells, the Ceres cell operates on widely available fuels like natural gas and LPG, as well as on hydrogen.

Ceres has developed a new generation of Solid Oxide Fuel Cell (SOFC) technology which operates in the temperature range of 500-600°C enabled by the use of CGO (Cerium Gadolinium Oxide) as the electrolyte material. This is substantially lower than the temperatures at which conventional SOFC materials operate, typically 750-1000°C for YSZ (Yttria Stabilised Zirconia).

The inherently lower operating temperature of the Ceres CGO-based SOFC technology enables thin ceramic layers to be supported by metal substrates, which, in turn, provides the basis of cell and stack designs manufactured from commercially available grades of stainless steel, providing excellent sealing integrity, mechanical robustness, and thermal shock resistance.

Fuel and air are supplied to a stack of fuel cell layers to produce electricity and heat via a solid state electrochemical process, similar to a battery. Unlike combustion in an engine or with a burner, this solid state process is highly efficient, environmentally friendly, and quiet.

The uniqueness of the Ceres metal supported SOFC technology and its operating temperature range provide the basis for a range of attractive commercial applications in terms of: fuel efficiency, with associated economic savings and reduction in carbon emissions; heat-to-power ratio ideally suited for domestic CHP applications and well matched to seasonal variations in electrical and heat demand; the ability to operate on a range of commercially available fuels including natural gas and LPG; low temperature of operation enabling use of commercially available materials resulting in reduced product costs.

In conjunction with the Ceres stack programme, the Company has been developing the non-fuel cell elements within the complete product, known as the balance of plant ('BOP'), as part of its systems integration activities aimed at delivering products for specific customers. Because of the unique attributes of the technology, Ceres has been able to dramatically reduce the time and cost of BOP development and systems integration by utilising mature component supply chains and ordinary, low cost materials. Unlike other fuel cell designs which operate at more extreme temperatures, time-consuming and expensive bespoke solutions for BOP components are not required.