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

Ceres secures new ‘product facility’ for assembly of complete products and also plans a ‘mother plant’ for volume manufacturing of its core fuel cell components

Ceres Power, the AIM-quoted fuel cell group, today announces that it has secured a new ‘product facility’ to design, build and test complete products. The Company is already working closely with partners providing key routes to market, and is now establishing an assembly capability for both large scale trials with these channel partners, as well as direct sales into niche markets.

The new facility is anticipated to be operational by mid-2007 and represents a 70% increase in available space for Ceres Power. It will take output from the cell ‘pilot plant’ already commissioned at the Company’s Crawley headquarters, and integrate these into complete systems. The facility will also accommodate an expanded design engineering capability for our targeted range of market applications. It will also enable us to validate manufacturing processes and assembly methods ahead of transfer for volume manufacture.

Over time, it is planned that a range of products for specific clients will be developed in the new facility across the company’s target applications of residential combined heat and power (CHP), off-grid generation, and auxiliary power units (APU) for transport.

Ceres is also planning a much larger facility (‘mother plant’) for the volume production of its core fuel cell components in preparation for mass market uptake, based on the demonstrated technical performance and significant interest from channel partners. The company will be evaluating potential locations for the plant in terms of supply chain logistics, locally available skills and regional support.

The strategic review of alternatives for the mother plant, including a detailed plan of operations, is expected to be completed by mid-2007. It is anticipated that the plant could begin operations in the second half of 2008, thereafter building output for a number of applications and markets.

Peter Bance, Chief Executive of Ceres Power, commented:

“As a result of the commercial traction we have now established and the strong technical performance we have demonstrated, we are delighted to be in a position to accelerate our growth plans. This progress reflects our technical readiness, focus on operational excellence and our strategy of de-risking early on the path to mass market uptake.”

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About Ceres Power

Ceres is a successful AIM-quoted 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. Critically, the technology uses low cost materials and existing mass-production techniques. And unlike many fuel cells, the Ceres cell can run on widely available fuels like natural gas, Liquefied Petroleum Gas (LPG) and biofuels as well as on hydrogen.

Since its formation in 2001, the Company has received major recognition for its technology and business credentials.

Ceres won the prestigious 2003 Carbon Trust Innovation Award for the UK's green technology with the best commercial potential.

More recently, Ceres secured a top industrial accolade by winning the Institute of Materials, Minerals and Mining's Gold Medal for 2005.

In January 2006, Ceres Power was selected as the only fuel cell company in the government's new Energy Research Partnership, contributing directly to national energy policy.

Ceres Power has raised over £25 million of funding through two rounds of private equity and its AIM IPO in November 2004. The company enjoys the support of many blue chip City institutions as financial backers including Fidelity, Morley and JP Morgan.

About Ceres Power's Technology

Ceres fuel cell stacks are comprised of multiple fuel cells layered on top of one another, each made from stainless steel with tiny amounts of ceramic coating. The cells combine fuel and air to create electricity and heat via a quiet, solid state electrochemical process similar to a battery. As this process does not involve combustion, unlike an engine or burner, it is highly efficient and environmentally friendly.

Ceres has developed a unique adaptation of Solid Oxide Fuel Cell (SOFC) technology, able to operate at temperatures substantially lower than conventional designs which run at 800 – 1000 degrees C. By using a new generation of ceramic materials known as CGO (cerium gadolinium oxide) instead of the industry standard YSZ (yttria stabilised zirconia), operation at 500 - 600 degrees becomes possible. This in turn allows use of conventional stainless steel as the cell substrate, separating the functions of mechanical support from electrochemistry.

The electrochemical layers can then be made extremely thin and optimised for maximum performance, resulting in industry-leading power density levels, whilst the stack material costs are radically reduced. The efficiency of converting fuel into electricity and heat is therefore very high and this efficiency is maintained across a wide part-load range. In addition, the heat-to-power ratio is approximately one-to-one making the technology ideal for applications such as CHP, where levels of electrical output need to be maintained even where heat demand is modest.

In contrast to totally ceramic cells, these metal-supported cells are mechanically highly robust and can be easily sealed (e.g. through welding) and have thermal expansion coefficients well matched to their ceramic coatings. This allows great resistance to thermal shock, permitting rapid start-up times and the potential for thousands of ON / OFF cycles for everyday usability. In addition, the technology retains the fuel flexibility of SOFC, and has proven ability to run highly efficiently on commercially available fuels such as natural gas, LPG and biofuels.

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 Power 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.