

Press Release

7 September 2006

Ceres secures regional support to help drive manufacturing scale-up

Ceres Power, the AIM-quoted fuel cell group, today announces that it has secured a Grant for Research & Development from the South East England Development Agency (SEEDA), funding one third of a £600,000 programme to support the scale-up of key processes for the manufacturing of its unique fuel cells.

Ceres will work with supply chain partners to apply and integrate technology suitable for high volume production of the metal supported cells. The production process will include fully automated techniques with parts handled robotically to maximise throughput, minimise costs and ensure quality.

The fuel cells themselves are suitable for multiple market applications by virtue of their performance, durability and costs. The programme will therefore help to deliver production capability for multiple Ceres products, from domestic combined heat and power (CHP) units, through off-grid generators to vehicle auxiliary power systems.

The programme is part of a comprehensive set of measures being put in place by Ceres to ensure production and assembly methods deliver consistent, low cost, high quality output, as the Company targets both niche and mass market opportunities. These measures are designed to allow manufacturing capacity to scale in line with anticipated demand for Ceres products.

Peter Bance, Chief Executive of Ceres Power, commented:

“We are delighted to be working with SEEDA for the first time and to have been awarded a Grant for Research & Development which will enable us to significantly scale up our automated production techniques. We very much look forward to working with SEEDA over the coming months and years as we continue to develop our engineering and manufacturing capabilities.”

SEEDA's Executive Director of Business & International, Jeff Alexander, added:

“We are very excited about this opportunity to support a leading company with its growth plans in the alternative energy sector, which we believe has truly global potential and represents a chance for the UK to take a leadership role on the international stage. As a key element of its commercialisation plans, Ceres is focussed on ensuring the route to volume manufacture of its products is well established. As the Company continues to expand both its own operations and its channels to market, we are looking forward to it becoming a significant force in our region and beyond.”

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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. 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, 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 world-beating 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.