

28 July 2011

Ceres Power Holdings plc
(“Ceres”, “Ceres Power”, or “the Company”)

Significant progress achieved in resolving issues from field trials

Ceres Power reports that it has made significant progress in resolving the reliability and durability issues identified from the field trials. The current status of each of the issues is as follows:

- The boiler tuning/calibration issue, causing boiler ignition to lock-out, has been resolved and was reported by the Company to investors on 1 June 2011;
- An engineered solution that avoids fuel cell module shutdowns due to water management issues has been tested and validated on the Company’s CHP unit durability test stands. The solution compliant with the CE safety requirements has been installed on the field trial units;
- Analysis of fuel cell modules from the field trial units showed evidence of debris from the fuel cell module insulation being ingested by the air delivery system into the fuel cell stack. An engineered solution resolving this issue is now undergoing extended validation in the Company’s CHP durability test facility. The Company expects to complete the validation process and confirm this issue has been satisfactorily resolved by September 2011;
- Following extensive analysis and testing, the Company has confirmed that certain aspects of the then operating strategy of the fuel cell module could lead to accelerated degradation of the fuel cell stack. The Company has now identified several improvements and has developed a revised operating strategy. In parallel, work is on-going with supply chain partners to develop and test modifications to sensor and flow control components to further improve control of the CHP unit;
- Analysis of fuel cell stack interconnects as used in the field trial units had shown increased levels of corrosion, leading to elevated levels of degradation in the fuel cell module. The root cause has been traced to variability of the quality of the surface protective coating on the stack interconnects owing to insufficient temperature control during the surface treatment process. This process variability has now been resolved using the existing manufacturing process equipment. Interconnects with improved oxidation resistant coatings showing significantly reduced corrosion are currently undergoing extended validation in Ceres test facilities;

- The Company has developed and is testing refinements significantly reducing cell layer bonding issues. Accelerated testing is being used to validate these improvements and initial results are encouraging. In parallel, process improvements have been developed and implemented that further reduce fuel cell manufacturing and performance variability.

The Company will give a full technical update at the presentation of its Preliminary Results in September 2011.

For further information please contact.

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