

23 January 2012

**Ceres Power Holdings plc**

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

**Company Update and Board Changes**

Ceres Power today provides an update to shareholders on the significant technology progress made since the Preliminary Results announcement in October 2011 together with changes to the organisation that strengthens and repositions the business to deliver the Company’s commercialisation plan. In addition, the Company announces changes to the Board.

**Key Points**

- Significant improvements demonstrated in durability of core fuel cell module technology
- Successful testing of CHP product engineering improvements
- CHP programme on schedule to commence in-home field trials later this year
- New appointments to senior management team
- Retirements of two non-executive directors
- £18.6m in net cash at 31 December 2011

David Pummell, Chief Executive, commented: “I am delighted with the excellent progress that we have made both in core fuel cell module technology and CHP product engineering improvements. The new appointments that I have made to my senior management team and the other organisational changes underway will help us deliver on our commitment to commence the next phase of in-home field trials later this year and underpin the launch of our CHP product in the UK with British Gas.”

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## **Chief Executive Update**

Following my appointment as Chief Executive in September 2011, I set out the plan to launch our first generation CHP product with British Gas in the UK market in H1 2014. To achieve this objective and to make Ceres a high performing company focused on commercial delivery, I have restructured the business operations, refocusing all of our resources on delivering the core CHP programme and meeting the key business milestones.

The Company's current operational focus is to complete a programme of rigorous internal testing to assure complete validation of the CHP product's reliability and durability prior to commencing the next phase of in-home field trials later this year. In parallel, we are continuing to improve the durability of the technology to meet the requirements of our go-to-market CHP product.

## **CHP Programme**

### **Core Technology Progress**

Since October 2011, the Company has delivered impressive advancements in the Ceres core fuel cell and stack technology. The enhanced cell interconnect coatings and processing of the cell interconnect component for current collection have resulted in substantial reductions in contact resistance and corrosion degradation. Cell degradation performance of less than 1% per 1000hrs has been delivered in stacks running for more than 4500hrs, and reductions in cell contact resistance of up to 50% have been achieved, leading to further improvements in the overall power of the fuel cell module. The baseline core cell technology is capable of achieving degradation rates in line with the requirements for our CHP product.

The improved cell design has been subjected to a number of accelerated stress tests designed to simulate in-field lifetime degradation mechanisms. Fuel cell stacks, operating under nominal power conditions, were subjected to more than 100 thermal cycles and 2,000 fuel interruption (redox) events, and have shown no signs of accelerated degradation. We believe that the results of these accelerated stress tests are indicative of operating start-stop regimes in excess of a 5 year period. This represents a substantial improvement in cell durability and resolves the power degradation issues witnessed in the in-home trials last year.

Taken together, these improvements in performance and durability of the core fuel cell technology underpin our confidence in the successful completion of the next phase of in-home field trials to be commenced later this year.

### **CHP System Engineering**

We continue our long term test programme and this has demonstrated successful validation of the engineering solutions implemented to resolve the issues identified in the in-home field trials last year. These solutions are being tested over an extended period of time and under a variety of operating conditions to ensure that the field trials will commence on time and will be successfully completed, demonstrating reliability and durability in occupied homes in the field.

We are now finalising design modifications to the balance of plant components that improve thermal management of the fuel cell module and further optimise the flow control of fuel and water into the fuel cell stack. These engineering enhancements are required to incorporate the improved fuel cells we have installed within the CHP product.

Further refinements to the CHP product software and control strategies have been developed and we continue validation testing in CHP products in preparation for in-home field trials.

The CHP programme remains on schedule to commence the planned in-home field trials in H2 2012, underpinning a final set of field trials in 2013 ahead of the CHP product launch in H1 2014.

### **Changes to the Ceres Power Organisation**

I have restructured the business operations to ensure that we have the right internal capabilities and processes to deliver the CHP programme and leverage the product engineering competencies of our supply chain partners in order to de-risk the CHP programme.

In implementing these changes my focus has been to achieve a step change in the effectiveness of the organisation, increasing our development productivity and pace, to deliver the key business milestones that will underpin a successful launch of our CHP product in the UK, namely; demonstrate we have a reliable and durable product that will enable us to deliver our commitment to commence successful field trials later this year.

I am pleased to announce the following new appointments to my senior management team:

- David Jackson joined Ceres in November 2011 as Product Director to manage the CHP product delivery programme. David reports to me and is responsible for delivering the CHP product into production. He previously held senior positions at BAE Systems, where he managed multi-year product programmes and successfully launched a number of technically complex leading-edge products.
- Ricardo Espinosa will join as Engineering Director with effect from 20 February 2012. Ricardo will report to me and will lead the engineering team responsible for product design, development and prototype testing. He brings exceptional engineering management experience and a track record of delivering new technologies to manufacturing. He joins from Azure Dynamics where he led the development and launch of hybrid drive systems with major partners such as Ford.

David and Ricardo both fill newly created posts within the organisation but will not involve an increase in headcount. Their proven experience in delivering new technologies will considerably strengthen our management focus in the areas of programme delivery and product design and development engineering.

Phil Whalen as Technology Director retains full accountability to develop the core technology for the CHP product and other applications in the future.

## **Summary**

The Company has risen to the challenges of the past year and has in place the senior management team, organisational structure and necessary experience to provide the operational focus and rigour that will deliver the CHP programme, including in-home field trials later this year.

I look forward to updating investors on our progress over the next few months.

## **Changes to the Ceres Power Board**

The Company has commenced a search to appoint one new non-executive director with relevant experience of developing and commercialising new technology consumer products, preferably gained within an advanced engineering company.

The Company announces that Sir David Brown, senior independent non-executive director, and Alan Wood, non-executive director, will retire on 29 February 2012. Following the appointment of the new non-executive director, the Board will consist of the non-executive chairman, three executive directors and two non-executive directors.

Brian Count, Chairman, commented: "The Board would like to thank Sir David and Alan for their valuable support and contributions to the Company since their appointments in February 2008."

## **Notes to editors:**

Ceres Power is a leading developer of clean, efficient, cost-effective decentralised energy products that reduce operating costs, lower CO<sub>2</sub> emissions and improve energy security. These products use the Company's mass manufacture technology platform, the Fuel Cell Module, based on the Company's unique patented solid oxide fuel cell ('SOFC') technology and operating on mains natural gas or packaged fuels, such as LPG.

The Ceres Power fuel cell Combined Heat and Power ('CHP') product operates on mains natural gas and generates all of the heating and hot water and the majority of the electricity needs of a typical UK home. The wall-mounted unit is designed to replace a conventional central heating boiler and uses the same gas, water and electricity connections. With its low heat to power ratio and unique load-following ability, a Ceres Power CHP product can operate all year round thereby maximizing the energy savings for the household and cutting carbon emissions.

Significant market opportunities exist for the Group's residential CHP products globally including Europe, Asia and North America. New products and market opportunities also exist in the longer term including remote industrial power and auxiliary power for transport applications.

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