

Press Release

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Ceres Power announces wall-mountable system design under British Gas CHP programme

Ceres Power, the AIM-quoted fuel cell group, today announces that it has successfully achieved a significant milestone in the design of its Combined Heat and Power (CHP) product as part of the £2.7 million programme with Centrica (trading as British Gas). Design work by Ceres engineers has established that the complete CHP system will be sufficiently compact and lightweight to be wall-mountable. This feature is a pre-requisite for installation into the majority of new or existing UK homes as a replacement for standard gas boilers.

Achievement of this system innovation has been enabled by the compact, lightweight 1kW Ceres fuel cell stack, announced in March 2006, which is the fundamental building block of Ceres' micropower generation products.

Under the contract with British Gas, Ceres is designing, building and evaluating fuel cell CHP units capable of delivering electricity, heating and hot water for the home, substantially reducing domestic energy costs and CO₂ emissions. Today's announcement represents the achievement of a major objective under the programme, and progresses plans with British Gas to introduce Ceres' fuel cells into UK homes.

As well as size and weight, a key factor for mass market take-up is production cost. Ceres anticipates an attractive bill of materials cost for the entire system, based on the Company's evaluation of key system components including control electronics, air and fuel delivery hardware, in its test facility. By virtue of its unique technology operating at lower temperatures, Ceres is able to use standard, low cost materials for its fuel cell and balance of plant.

Peter Bance, CEO of Ceres Power, comments:

"We are very pleased with the rapid progress made in this joint programme with British Gas, indicating that our technology is able to meet the requirements of the mass market. In particular, the fact that our system design is similar in size to conventional wall-mounted boilers is a significant differentiator, making our product highly applicable not just to the UK market, but to other key geographies such as Europe and Japan."

For further information contact:

Peter Bance, Chief Executive, Ceres Power: +44 (0) 1293 400 404

Patrick d'Ancona / Charlotte Kirkham +44 (0) 207 153 1531
M: Communications

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.