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British Gas CHP update

Key technical milestone achieved on contract with British Gas and independent confirmation of core CHP technology performance

Ceres Power is today hosting a presentation for analysts updating them on the recent progress on its CHP technology, achievements on the residential CHP contract with British Gas and providing a roadmap of its development programme through to mass market roll-out.

Since the demonstration of the Company's CHP unit in September 2007, the core fuel cell module has achieved its size and weight reduction targets. In addition, we have completed the Alpha design phase of an integrated wall-mountable CHP unit with British Gas. This design meets our agreed go-to-market specification and satisfies the requirements for mass market uptake including installation, service and maintenance in a UK home.

The performance of the core fuel cell technology has been independently confirmed by AEA Energy and Environment (part of AEA Technology plc), which states that: "On the basis of the activities and testing witnessed and the data presented, we can confirm the following statements:

- Ceres Power has developed and demonstrated a fuel processing capability to efficiently steam reform natural gas in its compact fuel processor unit.
- Ceres Power has achieved a target heat to power ratio of 1:1 from its stack technology operating on reformed natural gas.
- The Ceres Power CHP system Alpha target efficiency can be achieved from its Alpha design"

Ceres Power is confident that it can meet the targets and timescale for mass market roll-out of the CHP product in 2011 using scaleable volume manufacturing processes and volume supply chain partners. The Company expects to have built and tested the Alpha CHP product in Q4 2008 and Q1 2009 respectively, secured a mother plant site in Q4 2008 and signed-off the Alpha deliverables as trigger for payment of £2m from British Gas during Q2 2009.

Peter Bance, Chief Executive Officer of Ceres Power, commented:

"We are delighted to have achieved this important milestone and now have a CHP design which satisfies the requirements for mass market uptake. The performance of the core technology has been independently confirmed by AEA Energy & Environment and we have today laid out a clear roadmap to the commercial launch of our residential CHP product."

Gearoid Lane, Director of British Gas New Energy, commented:

"We are pleased with the recent progress under our new contract with Ceres Power. The programme is on track to deliver as planned and we are pleased to have contributed to the Alpha design that will satisfy mass market requirements."

Further details are contained in the management's presentation that is available on the Company's website: www.cerespower.com

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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. The technology is based on commercially available materials for low cost manufacture and, unlike many fuel cells, the Ceres cell operates on widely available fuels like natural gas and LPG, as well as on hydrogen.

Ceres has developed a new generation of Solid Oxide Fuel Cell (SOFC) technology which operates in the temperature range of 500-600°C enabled by the use of CGO (Cerium Gadolinium Oxide) as the electrolyte material. This is substantially lower than the temperatures at which conventional SOFC materials operate, typically 750-1000°C for YSZ (Yttria Stabilised Zirconia).

The inherently lower operating temperature of the Ceres CGO-based SOFC technology enables thin ceramic layers to be supported by metal substrates, which, in turn, provides the basis of cell and stack designs manufactured from commercially available grades of stainless steel, providing excellent sealing integrity, mechanical robustness, and thermal shock resistance.

Fuel and air are supplied to a stack of fuel cell layers to produce

electricity and heat via a solid state electrochemical process. Unlike combustion in an engine or with a burner, this process is highly efficient, environmentally friendly, and quiet.

The uniqueness of the Ceres metal supported SOFC technology and its operating temperature range provide the basis for a range of attractive commercial applications in terms of: fuel efficiency, with associated economic savings and reduction in carbon emissions; heat-to-power ratio ideally suited for domestic CHP applications and well matched to seasonal variations in electrical and heat demand; the ability to operate on a range of commercially available fuels including natural gas and LPG; low temperature of operation enabling use of commercially available materials resulting in reduced product costs.

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 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.

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