

Press Release

27 March 2007

Ceres secures funded development contract with EDF Energy Networks to design, build and evaluate domestic power products

Ceres Power, ('Ceres', 'Ceres Power' or the 'Company') the AIM-quoted fuel cell group, today announces that it has entered into a programme with EDF Energy Networks to design and build innovative power generation appliances to provide back-up electricity for the home. This new commercial relationship is part of the Company's strategy for providing 'on-site' power generation from cylinder gas, and will help create a new range of products in addition to the Company's existing Combined Heat and Power (CHP) initiatives running on the natural gas network.

EDF Energy Networks is the UK's largest electricity distributor, providing power to a quarter of the UK's population via its distribution networks in London, the South East and the East of England. It is part of the EDF Group, an integrated energy operator present in all sectors of the electricity industry, and also offering natural gas and energy services, with over 40 million customers worldwide.

EDF Energy Networks will be funding the project through Ofgem's Innovation Funding Incentive mechanism, and will be paying over £600,000 to Ceres representing its 50% share of the £1.2 million costs of the first phase of the programme. Ceres will design and build initial prototype products available for evaluation during 2008 and 2009. These products will combine the Company's unique fuel cell technology with batteries in a hybrid format. Initial users are expected to be vulnerable customers for whom the security of a dependable home power supply in the event of grid interruption is extremely important. There are over 100,000 such customers on EDF Energy Networks' register for priority services.

The next phase of the agreed programme covers delivery of production-ready units to EDF Energy Networks, and entry into a volume supply contract.

Similar products can be used for related 'on-site' applications including uninterruptible power supplies (UPS), load-shedding solutions, remote power generation and battery charging. Addressable markets include homes, small and medium sized enterprises (SMEs), leisure, retail and healthcare. The contract with EDF Energy Networks accelerates the introduction of Ceres products into a variety of sectors and geographies, representing a substantial new opportunity for the Company.

Peter Bance, CEO of Ceres Power, comments:

“We are delighted to make this important announcement, and to be working with EDF Energy Networks. The contract underpins Ceres’ ability to address multiple markets using our unique platform technology. We are now moving ahead with funded commercial agreements in this sector, validating our strategy and strengthening our income stream whilst maintaining a keen focus on our core technology that is common to all our target markets.”

Paul Cuttill, Chief Operating Officer, EDF Energy Networks, comments:

“This programme illustrates EDF Energy’s commitment to working towards a sustainable future. The Ceres technology offers an excellent way of doing this. We look forward to working with Ceres to bring these products to our customers.”

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About EDF Energy

EDF Energy is one of the UK’s largest energy companies. We provide power to a quarter of the UK’s population via our electricity distribution networks in London, the South East and the East of England. We supply gas and electricity to over 5 million customers and generate about 5GW of energy from our coal and gas power stations, as well as combined heat and power plants and wind farms. The company is also a key player in national infrastructure projects, including the electrical upgrading of the London Underground, management of private electricity networks serving four London airports and the Channel Tunnel Rail Link, the country’s first new railway in 100 years. We employ nearly 13,000 people at locations across the UK. EDF Energy is a core part of EDF Group, one of the world’s largest power companies.

Sustainable Futures will tackle the big social and environmental challenges facing the industry, issues such as climate change, affordability and security of supply. EDF Energy will continue to develop new products and services for the changing world in which social and environmental concerns are as important as financial ones.”

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 for the cell substrate and throughout the key product components.

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.