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**For immediate release** **8th April 2008**

**Clean Air Power Limited**

**("Clean Air Power" or "the Company")**

**Preliminary 2007 Results**

Clean Air Power Limited (AIM:CAP) the developer of Dual-Fuel™ combustion technology for heavy-duty diesel engines today announces its results for the 12 month period ended 31 December 2007.

**Financial Highlights**

- **16% increase in Group revenue to £4.70m, up from £4.07m in 2006.**
- **74% increase in revenue from core Dual-Fuel™ technology to £3.04m, up from £1.74m in 2006.**
- **Gross profit increased by 15% to £2.03m, up from £1.76m in 2006.**
- **Net loss reduced by £0.83m to £2.90m (2006: £3.73m).**
- **Financing package worth up to £5.00m agreed in April 2008.**

**Operational Highlights**

- **Development of demonstration Dual-Fuel™ vehicle in cooperation with Volvo.**
- **Establishment of Australian subsidiary operation delivered 153% revenue increase within the region.**
- **Commencement of delivery of £1.50m vehicle system order in Australia for Mitchell Corp Pty Ltd.**
- **Follow up £0.90m order placed by Mitchells for delivery in 2008.**
- **£0.30m Wiseman Dairies order for Genesis vehicle system in the UK demonstrates increased momentum.**
- **Order book in January 2008 stood at £2.70m, equating to 57% of 2007 Group revenue.**

**Results**

| | **Year Ended 31 December 2007 £'000** | **Year Ended 31 December 2006 £'000** |
|---|---:|---:|
| Group Revenue | 4,704 | 4,072 |
| Operating Loss | (3,067) | (3,690) |
| Loss after tax | (2,900) | (3,729) |
| Basic and diluted loss per share | (10.8p) | (14.8p) |

**Commenting on Clean Air Power's full year results and looking at Group prospects, John Pettitt, CEO said:**

"In 2007, Clean Air Power increased revenues from the core Dual-Fuel™ vehicle division by 74%, with sales of the Genesis product in the UK and considerable sales traction being generated in Australia.

We continued to make good progress towards our goal of OEM cooperation and were delighted to see a Volvo truck with Clean Air Power technology being exhibited at a number of trade shows and conferences during the year. Clean Air Power's technology delivers proven reductions in carbon emissions along with significant fuel cost savings to truck operators. With the current environmental focus and with fuel costs increasing Clean Air Power is perfectly positioned to assist major corporations and governments to deliver on their environmental commitments while at the same time reducing transport overheads."

For further details please contact


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**Notes to Editors:**

## About Clean Air Power

Clean Air Power is the developer and provider of Dual-Fuel™ combustion technology for heavy duty diesel engines. Dual-Fuel™ engines substantially cut fuel costs and carbon emissions without sacrificing the original engine's characteristic efficiency or reliability. Clean Air Power is well positioned to assist corporations and governments to deliver on their environmental commitments while at the same time reducing transport operators overheads.

Initially founded in the USA in 1991, around £40m has been invested in developing the technology with the result that 63 patents are currently held or pending. The holding company of the Group is based in Bermuda with operational subsidiaries in the UK, the USA and Australia. The Group was admitted to the AIM market of the London Stock Exchange in February 2006.

Further information on Clean Air Power is available at www.cleanairpower.com

## Chairman's Statement

This year has seen a material increase in sales momentum for our flagship Dual-Fuel™ technology and some exciting developments in our discussions with manufacturers.

We believe that our progress with manufacturers has been driven by the commercial success in 2007 of our Dual-Fuel™ vehicle technology. Sales from our Dual-Fuel™ vehicle division increased by 74% to £3.04m in 2007 compared with £1.74m in 2006.

In April 2008 the Company agreed a financing package to provide up to £5.00m gross proceeds for the Company between April 2008 and June 2009. The funds raised will be used to further advance in-house product development, provide working capital to support existing operations and to provide resources for potential manufacturer cooperation activity.

## Financial Results

The Group has enjoyed a good year in terms of progress with manufacturers with regard to future revenues, and has also seen revenue growth from its existing Dual-Fuel™ products. During the year, Group revenue was 16% higher than the previous year at £4.70m (2006: £4.07m). This growth in revenue was generated principally by Dual-Fuel™ vehicle conversions in Australia.

Gross profit for the year was £2.03m compared to £1.76m in the prior year. The gross margin for the year was 43% (2006: 43%).

Operating losses for the year were down to £3.07m (2006: £3.69m).

The retained loss for the year after interest and taxation was £2.90m (2006: £3.73m).

The basic and diluted loss per share was 10.8 pence (2006: 14.8 pence).

Cash on hand at 31 December 2007 was £1.81m demonstrating lower than expected cash burn for the year.

The net assets of the Group at the year end totalled £3.74m (2006: £6.47m). Net current assets at the year end amounted to £2.75m (2006: £5.93m) of which £1.81m relates to cash balances (2006: £5.62m).

## Business Review

In 2007 Clean Air Power increased revenues by 16% and reduced net loss by 22% thanks to a growth in sales of the company's Dual-Fuel™ products. The last quarter of 2007 saw a considerable acceleration in sales in both the UK and Australia. Most importantly, significant progress has been made as a result of our marketing efforts with a view to reaching a cooperation agreement with a major manufacturer.

Clean Air Power has 3 commercial divisions; Dual-Fuel™ vehicles systems, Components and Emissions Reduction systems.

**1) Dual-Fuel™ vehicles systems**

The core technology of the Group gives rise to Clean Air Power's patented Dual-Fuel™ system which allows a heavy duty diesel truck engine to run on a combination of both diesel and natural gas, thereby generating significant reductions in NOx, particulate and $CO_2$ emissions as well as generating cost savings for the operator.

2007 was a very successful year for this division with sales increasing by 74%.

The technology is currently available in two main variants; the interfaced product currently marketed in Australia and the Genesis product marketed in Europe.

**a) Interfaced vehicle system**

In this solution Clean Air Power's technology is interfaced with the manufacturer's electronic engine management system. It requires the cooperation of the manufacturer and maximises the benefits in terms of carbon emissions and fuel cost savings. The current product offering is certified to EPA 02 and it can be fitted as an after-market solution to vehicles in the Australian and South American markets along with markets of a number of developing countries.

In order to access the important US and European markets with an interfaced product Clean Air Power will need to produce a new variant of this product which complies with the latest engine emission regulations. The current strategy envisages this new product being delivered under a cooperation agreement with a major manufacturer although potentially the company could develop and market its own engine to address opportunities in these key markets.

Demand for the solution is growing, driven by the desire to reduce greenhouse emissions and the fuel cost savings available to operators. 31 units were sold in the last quarter of 2007. During 2007 a further order from Mitchell Corp Pty Ltd in Australia for £0.90m followed their 2006 order for £1.50m.

**b) Genesis vehicle system**

The 'Genesis' system was developed specifically to be a retro fitted product which can be installed without the need for formal cooperation of the engine manufacturers. The solution does not interface directly with the vehicles own engine management system and the emissions and fuel savings are therefore lower than would be expected on a fully interfaced system, but still considerable. However, the demonstrated reductions in carbon emissions and fuel costs have proved the product to be commercially attractive.

To date Clean Air Power has developed the Genesis solution for both DAF and Mercedes Euro III vehicles. Clean Air Power is targeting major supermarket chains, logistics companies, parcel carriers and local authorities for its 'Genesis' product. We believe these types of organisation will appreciate the financial benefits of converting their vehicles to gas whilst also understanding that they will be reducing emissions of $CO_2$. Following an initial purchase of two vehicles, the Company was very pleased to receive an order for 20 units worth £0.30m from Robert Wiseman Dairies, one of the country's leading dairy product suppliers. These 22 vehicles are expected to generate fuel savings of £220,000 per year and around 260 tonnes of $C0_2$ per annum for Robert Wiseman Dairies.

In 2008 Clean Air Power continues to sell the Euro III Genesis solution. The Company is in the process of developing a Genesis solution that can be fitted to Euro V emission compliant trucks and plans for its implementation in 2008 are in place.

**c) OEM Developments**

Our main strategic goal is to work with vehicle and engine manufacturers to reach an agreement whereby the Dual-Fuel™ technology is incorporated on their vehicle as a standard option and develop it further with their full cooperation. In this way the benefits of our technology can be maximised. The Group has been actively pursuing this route to market with a number of such organisations.

An important and exciting event in 2007 was the development of a Dual-Fuel™ demonstration vehicle in conjunction with the Volvo Group. Volvo is one of a number of manufacturers with whom Clean Air Power had been holding preliminary discussions. The heavy duty Euro V diesel truck uses an improved version of Clean Air Power's Genesis retrofit technology installed onto a Volvo 9 litre diesel engine. This was developed without direct access to the ECU software, but uses Controller Area Network (CAN) communication protocol that was jointly developed to more closely integrate the Dual-Fuel™ controls with the truck's existing systems.

The Volvo demonstration truck was displayed by the Volvo Group in a presentation in Stockholm before going on to a similar demonstration in Brussels and trade shows in northern Europe. The vehicle was exhibited by Volvo in October at the RAI show in Amsterdam, the largest truck show in Europe.

In early March 2008 Clean Air Power produced another Dual-Fuel™ demonstration vehicle for the Volvo Group. A 13 litre heavy duty Mack truck was converted and exhibited by Volvo Group at WIREC 2008 (Washington International Renewable Energy Conference). Mack Trucks Inc. is owned by Volvo Group.

Clean Air Power believes that its technology could provide Volvo, and other manufacturers, with solutions applicable to a number of different types of vehicles on a global basis. The Volvo Group truck brands include Renault, Mack, Nissan Diesel and Volvo. In addition to trucks the Volvo Group product range includes marine applications, buses, and construction equipment.

Clean Air Power has submitted proposals to Volvo for the further development and commercialisation of its technology. The Company understands the decision making lead times involved in such discussions with manufacturers but remains optimistic that the proven environmental and economic benefits of its technology will prove compelling.

**2) Components Division**

Clean Air Power manufactures a number of the components that are used in the Group's Dual-Fuel™ technology. The Group also sells these components for spark ignited gas engines and certain other applications. Global demand for these engines is increasing as part of the overall shift towards alternative fuels. With sales mainly in Europe and the USA, strong margins and a customer base including international OEMs, this is an important contributor to the overall Clean Air Power business.

2007 sales grew from £1.43m in 2006 to £1.48m. In 2007 marketing efforts have been increased for this division and we expect to strengthen marketing activity further in 2008 in order to improve awareness of our product offering. This business tends to operate with long initial order lead times but thereafter receives regular ongoing revenues once customers have specified one of our products into their engines. Repeat orders can then be expected, often for the life of the vehicles. Late 2007 saw increased interest in this product area with new business being gained which is expected to continue into 2008. Growth in the Components division will also coincide with anticipated growth of the Group's Dual-Fuel™ vehicle conversion sales.

**3) Emissions Reduction Division**

This area of our business provides solutions to very large stationary diesel engines such as those used in pumping stations. Our current market is mainly in the USA and we provide a solution whereby the emissions from large stationary diesel engines are reduced, using Selective Catalytic Reduction technology and diesel particulate filtering, usually in response to the requirements of local legislation.

The business is mainly project based with a few large scale contracts generating the majority of the revenue, although a strategy is in place to develop revenue from smaller, more regular contracts.

2007 was a rather lean year for the division with sales of £0.19m being 79% below the 2006 level of £0.90m. This reduction was due to a single large project being delivered in 2006 but no similar type of project being available in 2007. However, in January 2008 Clean Air Power announced a £0.50m order for this division due to be delivered in the first half of the year.

## Outlook

The sales growth generated during the last quarter of 2007 has been very encouraging and sales in the first quarter of 2008 continue to be strong. We have significantly strengthened our Australian team throughout 2007 and early 2008. We believe that this demonstration of commitment to the market has been well received and will help us build on the sales increase delivered in Australia during 2007.

The Company plans to continue to market its existing Dual-Fuel™ solutions in the UK and Australia in the coming year. In 2008 Clean Air Power plans to develop a Dual-Fuel™ solution for the UK and European market that can be fitted to a Euro V emissions compliant vehicle, a vehicle which has to meet the latest EU Emissions Regulations. Additionally in late 2008, the Company plans to launch a US04 emissions compliant product for Australia. Development of these products is already underway.

In November 2007 the Company announced that significant progress had been made with a major manufacturer concerning possible adoption of Clean Air Power's Dual-Fuel™ technology into their engines. These discussions are ongoing and the Company believes that the flexible nature of its technology offers potential solutions for a range of vehicles including heavy duty trucks, mid range trucks, buses but also for generators and, in theory, any diesel engine application.

In January 2008 Clean Air Power won a £0.50m order for our emissions division based in Houston, Texas and the Company's overall order book was strong, with orders of £2.70m being received in January 2008.

In April 2008 the Company agreed a financing package to provide up to £5.00m gross proceeds for the Company between April 2008 and June 2009. Endeavor, Capital Management LLC, a longstanding and major shareholder in the Company, currently holding 18.5% of the Company's shares, has conditionally agreed to provide up to £4.65m of the new funds. The remaining funds will be provided by another institutional investor which has agreed to invest approximately £0.25m and the Company's management which is investing a further £0.10m. The funds raised will be used to further advance in-house product development, provide working capital to support existing operations and to provide resources for potential manufacturer cooperation activity.

Looking ahead the company aims to finalise a cooperation agreement with a major manufacturer during the coming year. Discussions are currently ongoing, and although progress has been somewhat slow in formalising such an agreement, we are encouraged by the recent progress that has been made to date.

# CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

| | **Year ended 31 December 2007** | Year ended 31 December 2006 |
|---|---|---|
| | **£'000** | £'000 |
| ***Revenue*** | **4,704** | 4,072 |
| Cost of Sales | **(2,677)** | (2,314) |
| ***Gross profit*** | **2,027** | 1,758 |
| Administrative expenses | **(4,933)** | (4,689) |
| Share-based payments charge | **(161)** | (759) |
| ***Operating loss*** | **(3,067)** | (3,690) |
| Reorganisation expenses | **-** | (196) |
| ***Loss on ordinary activities before net finance revenue and taxation*** | **(3,067)** | (3,886) |
| Finance revenue | **171** | 274 |
| Finance costs | **(4)** | (117) |
| ***Loss on ordinary activities before taxation*** | **(2,900)** | (3,729) |
| Tax expense | **-** | - |
| ***Loss for the financial period*** | **(2,900)** | (3,729) |
| Basic and diluted loss per share | **10.8p** | 14.8p |

All items dealt with in arriving at operating loss above relate to continuing operations.

# CONSOLIDATED BALANCE SHEET

At 31 December 2007

| | **31 December 2007** | 31 December 2006 |
|---|---|---|
| | **£'000** | £'000 |
| ***Assets*** | | |
| ***Non-current assets*** | | |
| Plant and equipment | **284** | 116 |
| Intangible assets | **715** | 426 |
| | **999** | 542 |
| ***Current assets*** | | |
| Inventories | **1,488** | 1,090 |
| Trade and other receivables | **1,635** | 1,159 |
| Cash and cash equivalents | **1,814** | 5,617 |
| | **4,937** | 7,866 |
| **TOTAL ASSETS** | **5,936** | 8,408 |
| **Equity and liabilities** | | |
| Equity attributable to equity holders of the parent | | |
| Ordinary share capital | **15** | 15 |
| Accumulated loss | **(39,151)** | (36,412) |
| Other reserves | **33,504** | 33,410 |
| Share premium | **8,982** | 8,982 |
| Translation reserve | **391** | 476 |
| **Total equity** | **3,741** | 6,471 |
| ***Non current liabilities*** | | |
| Other payables | **7** | - |
| | **7** | - |
| ***Current liabilities*** | | |
| Trade and other payables | **1,750** | 1,130 |
| Provisions | **438** | 807 |
| | **2,188** | 1,937 |
| **TOTAL LIABILITIES** | **2,195** | 1,937 |
| **TOTAL EQUITY AND LIABILITIES** | **5,936** | 8,408 |

# CONSOLIDATED CASH FLOW STATEMENT

For the Year Ended 31 December 2007

| *Consolidated cash flow statement* | **Year ended 31 December 2007** | Year ended 31 December 2006 |
|---|---|---|
| | **£’000** | £’000 |
| **Cash flows from operating activities** | | |
| **Loss before taxation** | **(2,900)** | (3,729) |
| Adjustments for: | | |
| Net finance income | **(167)** | (157) |
| Depreciation of plant and equipment | **55** | 161 |
| Amortisation of intangibles | **311** | 140 |
| Share-based payments | **161** | 759 |
| Increase in trade and other receivables | **(334)** | (496) |
| Increase/(decrease) in trade and other payables | **503** | (465) |
| Increase in inventories | **(398)** | (95) |
| Decrease in provisions | **(369)** | (45) |
| Other non-cash movements | **12** | 6 |
| **Net cash outflow from operating activities** | **(3,126)** | (3,921) |
| **Investing activities** | | |
| Interest received | **171** | 274 |
| Sale of plant and equipment | **-** | 2 |
| Payments to acquire plant and equipment | **(226)** | (94) |
| Payments to acquire intangible assets | **(600)** | (535) |
| **Net cash outflow from investing activities** | **(655)** | (353) |
| **Financing activities** | | |
| Interest paid | **(4)** | (78) |
| Proceeds from the issue of ordinary share capital | **-** | 10,587 |
| Share issue costs | **-** | (1,599) |
| Payment of loan notes | **-** | (182) |
| **Net cash (outflow)/inflow from financing activities** | **(4)** | 8,728 |
| Net(decrease)/increase in cash and cash equivalents | **(3,785)** | 4,454 |
| Net foreign exchange differences | **(18)** | - |
| Cash and cash equivalents at 1 January | **5,617** | 1,163 |
| **Cash and cash equivalents at 31 December** | **1,814** | 5,617 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2007

| | Issued capital | Share premium | Translation reserve | Other reserves | Retained earnings | Total equity |
|---|---|---|---|---|---|---|
| | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| **Balance at 1 January 2006** | **7** | **-** | **-** | **26,734** | **(33,442)** | **(6,701)** |
| Translation movements | - | - | 476 | - | - | 476 |
| Total income and expense for the year recognised directly in equity | - | - | 476 | - | - | 476 |
| Loss for the year | **-** | **-** | **-** | **-** | (3,729) | (3,729) |
| Total income and expense for the year | - | - | 476 | - | (3,729) | (3,253) |
| Share-based payments | - | - | - | - | 759 | 759 |
| On cancellation of shares and loan notes | - | - | - | 6,997 | - | 6,997 |
| On issue of new shares | 8 | 10,581 | - | (321) | - | 10,268 |
| Share issuance costs | - | (1,599) | - | - | - | (1,599) |
| | | | | | | |
| **Balance at 31 December 2006** | **15** | **8,982** | **476** | **33,410** | **(36,412)** | **6,471** |
| Translation movements | **-** | **-** | **(85)** | **-** | **-** | **(85)** |
| Foreign Exchange Movements | **-** | **-** | **-** | **94** | **-** | **94** |
| Total income and expense for the year recognised directly in equity | **-** | **-** | **(85)** | **94** | - | **9** |
| Loss for the year | **-** | **-** | **-** | **-** | **(2,900)** | **(2,900)** |
| Total income and expense for the year | **-** | **-** | **(85)** | **94** | **(2,900)** | **(2,891)** |
| Share-based payments | - | - | - | - | **161** | **161** |
| | | | | | | |
| **Balance at 31 December 2007** | **15** | **8,982** | **391** | **33,504** | **(39,151)** | **3,741** |

# NOTES :

### 1. Segment information

The Board believes the Group has three distinct business classes, Vehicle Conversions, Components and Emissions Reduction.

The following tables present revenue, profit and certain assets and liability information regarding the Group's business segments for the years ended 31 December 2007 and 31 December 2006:

| | Year ended 31 December 2007 £'000 | | | | |
|---|---|---|---|---|---|
| | **Vehicle Conversions** | **Components** | **Emissions Reduction** | **Adjustments and Eliminations** | **Total** |
| **Revenue** | | | | | |
| Third party | 3,039 | 1,476 | 189 | - | 4,704 |
| Inter-segment | 986 | 91 | - | (1,077) | - |
| Total revenue | 4,025 | 1,567 | 189 | (1,077) | 4,704 |
| **Results** | | | | | |
| Depreciation and amortisation | (321) | (34) | (11) | - | (366) |
| **Segment (loss)/profit** | (3,139) | 85 | (260) | 414 | (2,900) |
| **Assets** | | | | | |
| Capital expenditure | 746 | 75 | 5 | - | 826 |
| Operating assets | 4,207 | 729 | 143 | (142) | 4,937 |
| Provisions | 421 | 18 | 40 | (41) | 438 |
| Operating liabilities | 1,873 | 280 | 76 | (41) | 2,188 |

1. Inter-segment revenues are eliminated on consolidation.
2. Capital expenditure consists of additions to plant and equipment and intangible assets.
3. Revenue from one customer amounted to £1,270,080 (2006: nil), arising from sales related to the vehicle conversions segment.
4. Adjustments and eliminations relate to consolidation eliminations and Holding Company items.

| | Year ended 31 December 2006 £'000 | | | | |
|---|---|---|---|---|---|
| | **Vehicle Conversions** | **Components** | **Emissions Reduction** | **Adjustments and eliminations** | **Total** |
| **Revenue** | | | | | |
| Third party | 1,744 | 1,427 | 901 | - | 4,072 |
| Inter-segment | - | 86 | - | (86) | - |
| Total revenue | 1,744 | 1,513 | 901 | (86) | 4,072 |
| **Results** | | | | | |
| Depreciation and amortisation | (175) | (79) | (47) | - | (301) |
| **Segment (loss)/profit** | (3,215) | (433) | (472) | 391 | (3,729) |
| **Assets** | | | | | |
| Capital expenditure | 596 | 21 | 12 | - | 629 |
| Operating assets | 6,671 | 790 | 428 | (23) | 7,866 |
| Provisions | 739 | 24 | 44 | - | 807 |
| Operating liabilities | 1,432 | 298 | 207 | - | 1,937 |

1. Inter-segment revenues are eliminated on consolidation.
2. Capital expenditure consists of additions to plant and equipment and intangible assets.
3. Adjustments and eliminations relate to consolidation eliminations and Holding Company items.

***Geographical Information***

The following table presents revenue information regarding the Group's geographical segments for the years ended 31 December 2007 and 31 December 2006.

| | **Year ended 31 December 2007 £'000** | Year ended 31 December 2006 £'000 |
|---|---|---|
| *Revenues from external customers:* | | |
| **UK** | **947** | 537 |
| **USA** | **1,195** | 2,323 |
| **Australia** | **1,705** | 674 |
| **Rest of Europe** | **658** | 529 |
| **Rest of World** | **199** | 9 |
| | **4,704** | 4,072 |

## 2. Loss per Share

***Basic***

Basic loss per share is calculated by dividing net loss for the year attributable to equity holders of the parent by the weighted average number of Common Shares in issue during the year.

| | **2007** | 2006 |
|---|---|---|
| Loss for the period | **(2,900)** | (3,729) |
| Weighted average number of shares | **26,905,479** | 25,134,312 |
| Basic and diluted loss per share | **(10.8p)** | (14.8p) |

The loss for the period and the weighted average number of ordinary shares for calculating the diluted earnings per share for the period to 31 December 2007 are identical to those used for the basic earnings per share. This is because the outstanding share options would have the effect of reducing the loss per ordinary share and would therefore not be dilutive.

## 3. Dividend Policy

In accordance with the Company's policy as set out in its admission document the Company does not propose to declare a dividend.

## 4. Registered Office

Copies of this statement are available at the registered office of Clean Air Power Limited at;
Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

## 5. Accounting Polices

Prior to 2007 the Group prepared its annual financial statements under UK GAAP. For the year ended 31 December 2007 the Group is required to prepare its annual consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). 2006 has been restated accordingly. Reconciliations between previously reported accounts are included in the June 2007 interim report along with the Group's IFRS accounting policies.

The preliminary results for the year ended 31 December 2007 have been approved by the Directors. Our auditors have issued an unqualified audit report on the results for the year ended 31 December 2007. The financial information set out above does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985.