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Clean Air Power Limited

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

Preliminary Announcement of Results for the year ended 31 December 2011

Clean Air Power Limited (AIM:CAP) the developer of Dual-Fuel™ combustion technology for heavy-duty diesel engines today announces its Preliminary Results for the 12 month period ended 31 December 2011.

Financial Highlights

- Revenue from Dual-Fuel™ increased by 20% to £3.30m, (2010: £2.76m)
- Gross profit margin improved to 56%, (2010: 52%), driven by Dual-Fuel™ systems and development revenue
- Group revenue was £4.59m, (2010: £5.79m)
- £2.42m in cash at 31 December 2011, (£2.41m as at 31 December 2010)
- £3.13m (before expenses) successfully raised during the year through equity issues

Operational Highlights

- Launch of Major European Manufacturer's interfaced product incorporating Clean Air Power Dual-Fuel™ technology
- Deliverables under Navistar Concept Development Agreement successfully achieved
- Order delivered for eleven Dual-Fuel™ systems to a European OEM Bus Corporation
- Order delivered for ten Genesis EDGE Dual-Fuel™ systems to ARLA foods
- Genesis EDGE Dual-Fuel™ Euro 5 product successfully launched in Australia
- Order received for fifteen Dual-Fuel™ systems in Australia
- Order received for sixteen Dual-Fuel™ systems in the US for Bestway Express

Post Period End

- Good progress has continued, an excellent start to 2012
- Production commenced of Volvo FM13 MethaneDiesel truck incorporating Clean Air Power Dual-Fuel™ technology
- Order received to deliver twenty seven Genesis EDGE Dual-Fuel™ systems for a major logistics organisation in the UK
- Order received to deliver fourteen Genesis EDGE Dual-Fuel™ systems to Sainsbury's

Financial Headline Results

	Year Ended 31 December 2011 £'000	Year Ended 31 December 2010 £'000
Group Revenue	4,585	5,788
Operating Loss	(2,245)	(1,837)
Loss after tax	(2,240)	(1,820)
Basic and diluted loss per share	(2.13p)	(3.00p)

Commenting on Clean Air Power's full year results, John Pettitt, CEO said:

"Production with our European OEM (Original Equipment Manufacturer) partner and the progress towards a Navistar agreement represent major achievements for the Company. These achievements demonstrate the success of the strategy to target global truck manufacturers set out by Clean Air Power at its admission to AIM in 2006.

The Dual-Fuel™ division's sales increased by 20% during 2011, which was helped partly by revenue from the European OEM relating to product development activity and early OEM trial sales. The Company also benefited from the increasing demand and interest in our Genesis EDGE Dual-Fuel™ products following sales to ARLA Foods and HAM Criogenica S.L. during 2011. Strong margins have been maintained despite difficult trading conditions."

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Notes to Editors:

About Clean Air Power

Clean Air Power is a developer and supplier of Dual-Fuel™ combustion technology for heavy duty diesel engines. Dual-Fuel™ engines enable heavy duty trucks to run primarily on natural gas, which provides many benefits to an operator. Due to the lower cost of natural gas Dual-Fuel™ engines significantly cut fuel expenses. Furthermore, by burning up to 85% natural gas, carbon emissions produced by heavy goods and commercial vehicles are substantially reduced. This is done without sacrificing the original diesel engine's characteristic efficiency or reliability. Rising oil prices and an increasing availability of natural gas in many markets have positioned Clean Air Power well for the future. These factors enable Clean Air Power to assist corporations and governments to deliver on their environmental commitments, while still reducing overheads.

Almost £50m has been invested in the Company to develop the technology since 1991 with the result that 66 patents are currently held or pending. The Company operates from facilities in the UK, US and Australia with the holding Company of the Group based in Bermuda. 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

Clean Air Power is a supplier of market leading technology that delivers proven reductions in carbon emissions, along with significant fuel cost savings to operators of trucks and other vehicles.

The January 2012 commencement of production of the major European OEM product which integrates Clean Air Power's Dual-Fuel™ technology within its engine represents a great success for Clean Air Power and validates the Company's clear OEM focused strategy.

It also marks a significant milestone for Clean Air Power following three years of close cooperation with the manufacturer and provides Clean Air Power with its first new OEM product since the Company's relaunch in 2006.

Having successfully entered the European market with an OEM partnership and a Euro 5 emissions compliant product, the next priority is to access the important North American market by applying the same business model. North America has abundant domestic natural gas resources and powerful economic, environmental and energy security drivers.

Significant good progress was made with Navistar, a US Manufacturer, during 2011. In December 2010, Clean Air Power announced the successful completion of the objectives under a phase 1 Concept Development program with Navistar, one of the largest truck manufacturers in North America. Navistar has exhibited the Dual-Fuel™ demonstration truck at two major truck shows in North America; negotiations are currently ongoing with regard to a product development agreement with Navistar.

Our Dual-Fuel™ division made good overall progress during the period. However, revenue from the Components and Emissions divisions reduced due to the anticipated loss of a major Components customer and production delays experienced by an important OEM customer in our Emissions division during 2011.

Equity raised during the year demonstrated continuing investor confidence in our technology and commercial progress; we raised a further £3.13m before expenses.

We have made an excellent start to 2012. While 2011 did not yield the financial results we were initially expecting, much of the work done during 2011 on our product development activity with manufacturers is starting to result in orders and provides the opportunity for growth in future revenues.

Factory production of our European OEM product has commenced. We have received significant orders for forty-six Euro 5 Genesis EDGE Dual-Fuel™ installations and we have made good progress with other potential Genesis EDGE customers. Our system is primarily used by major, blue chip logistics companies. In the US we have made significant strides towards a US product with the recent Navistar progress.

While many opportunities exist for our technology the core strategy of the Company is to continue to focus on progressing its cooperation relationships with major OEM manufacturers.

I would like to thank John Pettitt and the team for making 2011 such a successful year in achieving the OEM support and contracts to generate significant future growth opportunities for Clean Air Power.

Financial Results

The Group made good progress in the year towards its long-term objective to secure future revenue streams from global manufacturers and the European OEM product is now in production.

The Company benefited from a stronger performance from our flagship Dual-Fuel™ division, following increased sales of vehicle systems and revenue from product development. However, overall 2011 group revenue was disappointing, held back to £4.59m (2010: £5.79m) due largely to deficits in the sales of our Components and Emissions Divisions.

The gross profit margin for the Group for the year improved to 56% (2010: 52%) whilst gross profit reduced to £2.56m (2010: £3.03m) following reduction in sales.

Operating losses for the year increased to £2.24m (2010: £1.84m).

Loss per share reduced to 2.13p (2010: 3.00p), following the issue of new capital.

Cash on hand at 31 December 2011 was £2.42m (2010: £2.41m). This reflects the proceeds of the Placing of new ordinary shares in May and November which raised approximately 3.13m before expenses. The net assets of the Group at the year end totalled £6.22m (2010: £5.35m). Net current assets at the year end amounted to £2.20m (2010: £2.84m) of which £2.42m relates to cash balances (2010: £2.41m).

Business Review

Clean Air Power has three commercial divisions: Dual-Fuel™ vehicle systems, Components and Emissions Reduction systems and operates from locations in the UK, the USA and in Australia.

Dual-Fuel™ Division

There are three revenue streams derived from this division: sales of Dual Fuel™ systems to manufacturers for installation on their production lines, complete conversions of customers' vehicles on a retro fit basis carried out by Clean Air Power and revenue from engineering services provided to manufacturers or third parties.

2011 was a successful year for the division as revenues increased to £3.30m compared with £2.76m in 2010. This 20% increase is due mainly to revenue from engineering development activity from our OEM partners and increased Dual-Fuel™ vehicle systems sales.

2012 sales are currently on target following the start of production with our European OEM partner, and recent order wins for both our Genesis EDGE product in the UK and our legacy

Caterpillar product in the US. There are positive signs from the markets in the UK, US and Australia.

Components Division

In 2011 sales reduced by 52% to £1.00m from £2.11m in 2010, which was in line with expectations. 2012 has begun positively and the combination of 2012 sales and forward orders in hand already totals approximately £0.54m

Emissions Reduction Division

In 2011 revenues decreased by 70% with sales of £0.28m compared with £0.92m in the previous year, following the initial success of the 7.6L Natural Gas Engine to which Clean Air Power's catalyst is fitted on a tier 2 basis. However, production delays within the OEM customer meant that volumes of the OEM engine were dramatically reduced. These issues were unrelated to Clean Air Power but had a significant adverse effect on our sales. This no longer being the case, in 2012 we expect an uplift in sales. During the year, the production for the Division was relocated from Houston in Texas to the Company's US production facility in San Diego, California.

Outlook

Our key objective in 2011 was to ensure factory production with our European OEM partner was initiated and this has now been achieved.

A key objective for 2012 will be to deliver a Product Development Agreement with a US OEM and discussions aimed at achieving that goal have commenced.

We have a strong team with excellent experience that ensures that the Company is well placed to deliver on these projects and capitalise on other opportunities for the year ahead.

While we are delighted to have made such good progress with our European OEM partner, we continue to discuss cooperation opportunities with other potential partners and engine developers. A second key objective will be to develop a solution in partnership with an OEM that is compliant with the future Euro 6 emissions regulations.

In addition to the activity with manufacturers, Clean Air Power also derives revenue from sales of our proprietary 'Genesis EDGE' system, a retro-fit version of the Dual-Fuel™ technology. This revenue stream provides a useful complement to the income from initially limited OEM production levels.

We have already been successful in 2012 in addressing market demand for Dual-Fuel™ systems. Following orders received in January and February 2012 the Company will deliver 27 Dual-Fuel™ Genesis EDGE systems to a major logistics company and 14 Dual-Fuel™ Genesis EDGE systems to Sainsbury's.

Our focus remains very clearly on delivering high quality product, service and expertise to our OEM customers in order that they are well placed to capitalise on the exciting growth in the markets for natural gas vehicles.

CONSOLIDATED INCOME STATEMENT

	Notes	**Year ended 31 December 2011**	Year ended 31 December 2010
		£'000	£'000
Revenue	1	**4,585**	5,788
Cost of Sales		**(2,022)**	(2,754)
Gross profit		**2,563**	3,034
Administrative expenses		**(4,668)**	(4,761)
Share-based payments charge		**(140)**	(110)
Operating loss		**(2,245)**	(1,837)
Loss on ordinary activities before finance revenue and taxation		**(2,245)**	(1,837)
Finance revenue		**5**	17
Loss on ordinary activities before taxation		**(2,240)**	(1,820)
Tax expense		**-**	-
Loss for the period		**(2,240)**	(1,820)
Basic and diluted loss per share	2	**(2.13p)**	(3.00p)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December 2011	Year ended 31 December 2010
	£'000	£'000
Loss for the period	**(2,240)**	(1,820)
Exchange differences on translation of foreign operations	**(9)**	101
Total comprehensive loss for the period	**(2,249)**	(1,719)
Attributable to:		
Equity holders of the parent	**(2,249)**	(1,719)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Year ended 31 December 2011	Year ended 31 December 2010
	£'000	£'000
Assets		
Non-current assets		
Plant and equipment	**190**	269
Intangible assets	**3,839**	2,241
	4,029	2,510
Current assets		
Inventories	**670**	839
Trade and other receivables	**816**	1,342
Cash and cash equivalents	**2,422**	2,410
	3,908	4,591
TOTAL ASSETS	**7,937**	7,101
Equity and liabilities		
Equity attributable to equity holders of the parent		
Ordinary share capital	**83**	44
Share premium	**19,160**	16,219
Translation reserve	**1,075**	1,084
Other reserves	**33,504**	33,504
Accumulated loss	**(47,599)**	(45,499)
Total equity	**6,223**	5,352
Current liabilities		
Trade and other payables	**1,027**	1,132
Provisions	**393**	460
Deferred revenue	**294**	157
	1,714	1,749
TOTAL LIABILITIES	**1,714**	1,749
TOTAL EQUITY AND LIABILITIES	**7,937**	7,101

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 December 2011	Year ended 31 December 2010
	£'000	£'000
Cash flows from operating activities		
Loss on ordinary activities before taxation	**(2,240)**	(1,820)
Adjustments for:		
Finance revenue	**(5)**	(17)
Depreciation of plant and equipment	**119**	139
Amortisation of intangibles	**311**	332
Share-based payments	**140**	110
Decrease in trade and other receivables	**526**	197
Decrease in trade and other payables	**(105)**	(46)
Decrease in inventories	**169**	145
(Decrease)/increase in provisions	**(67)**	68
Increase/(decrease) in deferred revenue	**137**	(432)
Other non-cash movements	**4**	(24)
Net cash outflow from operating activities	**(1,011)**	(1,348)
Investing activities		
Interest received	**5**	17
Payments to acquire plant and equipment	**(49)**	(62)
Sale of plant and equipment	**4**	-
Payments to acquire intangible assets	**(1,915)**	(1,397)
Net cash outflow from investing activities	**(1,955)**	(1,442)
Financing activities		
Proceeds from the issue of ordinary share capital	**3,129**	2,285
Share issue costs	**(149)**	(103)
Net cash inflow from financing activities	**2,980**	2,182
Net increase/(decrease) in cash and cash equivalents	**14**	(608)
Net foreign exchange differences	**(2)**	80
Cash and cash equivalents at 1 January	**2,410**	2,938
Cash and cash equivalents at 31 December	**2,422**	2,410

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Ordinary share capital	Share premium	Translation reserve	Other reserves	Accumulated loss	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2010	**33**	**14,048**	**983**	**33,504**	**(43,789)**	**4,779**
Comprehensive loss for the period	-	-	101	-	-	101
Loss for the year	-	-	-	-	(1,820)	(1,820)
Total comprehensive loss for the period	-	-	101	-	(1,820)	(1,719)
Share-based payments	-	-	-	-	110	110
On issue of new shares	11	2,274	-	-	-	2,285
Share issuance costs	-	(103)	-	-	-	(103)
Balance at 31 December 2010	**44**	**16,219**	**1,084**	**33,504**	**(45,499)**	**5,352**
Comprehensive loss for the period	**-**	**-**	**(9)**	**-**	**-**	**(9)**
Loss for the year	**-**	**-**	**-**	**-**	**(2,240)**	**(2,240)**
Total comprehensive loss for the period	**-**	**-**	**(9)**	**-**	**(2,240)**	**(2,249)**
Share-based payments	**-**	**-**	**-**	**-**	**140**	**140**
On issue of new shares	**39**	**3,090**	**-**	**-**	**-**	**3,129**
Share issuance costs	**-**	**(149)**	**-**	**-**	**-**	**(149)**
Balance at 31 December 2011	**83**	**19,160**	**1,075**	**33,504**	**(47,599)**	**6,223**

NOTES :

1. Segment information

For management purposes the Group is organised into business units based on their products and services, and has three reportable segments.

	Year ended 31 December 2011 £'000				
	Dual-Fuel™	**Components**	**Emissions Reduction**	**Adjustments and Eliminations**	**Total**
Revenue					
Third party sale of goods (1)(8)	2,474	1,006	275	-	3,755
Third party rendering of services (1)(8)	830	-	-	-	830
Inter-segment (2)	516	-	-	(516)	-
Total revenue	3,820	1,006	275	(516)	4,585
Results					
Depreciation and amortisation (3)	(399)	(33)	(4)	6	(430)
Segment (loss)(4)	(1,717)	(56)	(338)	(134)	(2,245)
Net finance income					5
Loss for the period					**(2,240)**
Assets					
Operating assets (5)	2,306	1,248	397	(43)	3,908
Provisions (6)	216	103	83	(9)	393
Operating liabilities including provisions	1,256	296	171	(9)	1,714
Other disclosures					
Capital expenditure (7)	**1,939**	**23**	**2**	**-**	**1,964**

1. Dual-Fuel™ conversion segment includes revenue arising from development activity
2. Inter-segment revenues are eliminated on consolidation (£516,000)
3. Deprecation eliminated (£6,367) following transfer of intangible assets to Clean Air Power Inc.

4. Elimination of intragroup management charges (£77,000) and intragroup foreign exchange gains and losses (£53,027)
5. Adjustment to profit in inventory (£42,602)
6. Adjustment to provisions of £9,244.
7. Capital expenditure consists of additions to plant and equipment and intangible assets
8. Revenue from one customer amounted to £1,843,953 (2010: £1,167,322), arising from sales related to the Dual-Fuel™ and Components segment.

	Year ended 31 December 2010 £'000				
	Dual-Fuel™	**Components**	**Emissions Reduction**	**Adjustments and eliminations**	**Total**
Revenue					
Third party	1,737	2,108	918	-	4,763
Third party rendering of services	1,025	-	-	-	1,025
Inter-segment (1)	980	-	-	(980)	-
Total revenue	3,742	2,108	918	(980)	5,788
Results					
Depreciation and amortisation	(403)	(72)	(6)	10	(471)
Segment (loss)/profit (4)	(1,219)	(9)	(244)	(365)	(1,837)
Net finance income					17
Loss for the period					**(1,820)**
Assets					
Operating assets	1,796	1,875	949	(29)	4,591
Provisions	139	275	88	(9)	493
Operating liabilities including provisions	767	715	302	(9)	1,775
Other disclosures					
Capital expenditure (2)	1,468	25	13	(47)	1,459

1. Dual-Fuel™ conversion segment includes revenue arising from development activity
2. Inter-segment revenues are eliminated on consolidation (£980,000)
3. Deprecation eliminated (£9,611) following transfer of intangible assets to Clean Air Power Inc.
4. Elimination of intragroup management charges (£223,000) and intragroup foreign exchange gains and losses (£142,000)

Geographical Information

	Year ended 31 December 2011	Year ended 31 December 2010
Revenues from external customers:	**£'000**	£'000
UK	**385**	266
USA	**965**	1,812
Australia	**1,072**	1,074
Rest of Europe	**1,996**	1,754
Rest of World	**167**	882
	4,585	5,788

The revenue information is based on the location of the customer.

Non-current assets

	Year ended 31 December 2011	Year ended 31 December 2010
	£'000	£'000
UK	**1,338**	61
USA	**2,685**	2,443
Australia	**6**	6
	4,029	2,510

Non-current assets for this purpose consist of plant and equipment and intangible assets.

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.

	2011	2010
Loss for the period	**(2,240)**	**(1,820)**
Weighted average number of shares	**104,983,416**	**60,709,907**
Basic and diluted loss per share	**(2.13p)**	**(3.00p)**

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 2011 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. Accounting Polices

The preliminary results have been prepared on the same basis as the Group and Company's annual financial statements which were prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU as they apply to the financial statements of the Group for the year ended 31 December 2011. There have been no changes in accounting policies during the year.

The preliminary results for the year ended 31 December 2011 have been approved by the Directors on 26 March 2012. Our auditors have issued an unqualified audit report on the results for the year ended 31 December 2011.

5. Annual Report and Accounts

Copies of the Annual Report will be posted to shareholders shortly and together with this document will be available on the Company's website, www.cleanairpower.com and from the Company's registered office at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and from the Company's UK office at Aston Way, Leyland, Lancashire, PR26 7UX.