

**For immediate release****07 August 2007****Clean Air Power Ltd**

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

**Trading Update**

Clean Air Power plc (AIM:CAP) the developer of Dual-Fuel™ combustion technology that enables heavy-duty diesel engines to run on a combination of both diesel and natural gas provides an update on its 2007 activity.

**Dual-Fuel™ Technology**

Clean Air Power is pleased to announce the completion of its new engine management system project. Completed in July 2007 and developed with engineering support from Ricardo Plc, this new software will allow Clean Air Power's Dual-Fuel™ technology to integrate with the latest heavy duty diesel engine technology on the market today. The integration of the software into an engine is already under way and it will be used in all future Clean Air Power Dual-Fuel™ products, whether developed in conjunction with an OEM or solely by the company.

Entering into a cooperation agreement with a major truck or engine manufacturer remains the number one priority for Clean Air Power. However, the Company has made progress in its development of its Dual-Fuel™ technology leading it to believe that a Euro V solution may well now be possible without a formal OEM agreement.

Clean Air Power's activities with truck manufacturers in Europe continue with the Board being confident of developing cooperation during the coming year.

In Australia, the Company has strengthened its commercial and engineering team to facilitate the continued development of the Dual-Fuel™ technology. An important engineering development project has been taking place in Australia in recent months, mainly funded by the truck operators and Australia Greenhouse Office (AGO), a government body. This project has resulted in many improvements to the Company's Australian software.

January 2007 saw the announcement of a major contract when Mitchell Corp Australia Pty Ltd, a bulk logistics solutions provider, ordered 50 systems worth a total of approximately £1.5m. Prior to placing this order, Mitchell took delivery in 2006 of 14 Clean Air Power Dual-Fuel vehicles which had been converted by a third party. These have proved to be unreliable and have required reworking to meet the Clean Air Power specification as confirmed by the development project. This has resulted in delays to the installation programme and a lack of confidence within Mitchell Corp. Clean Air Power has now taken control of the whole installation process and will ensure adherence to the exact specification set down in the recent development project.

The company's largest Australian customer, Murray Goulburn, is in the process of having an additional 10 Clean Air Power systems installed and installations have also started on the £0.25m order from Kleenheat Gas Pty Ltd which was announced in May.

However, delays resulting from the development programme and issues with Mitchell means that year end sales projections are significantly below market expectations.

The Australian truck market is one of the most demanding in the world with very heavy gross vehicle weights and extreme ambient temperatures. The company has recently completed the development of an optional secondary intercooler to deal with these extreme temperatures. The Company continues to view Australia as an important market with strong product awareness and strong financial benefits for the operators.

In the UK sales of the Genesis product to date have been significantly below expectations. While a number of blue chip organisations have trialled the products, decision making and due diligence within these organisations continues to be a long drawn out process.

A number of these trials have the potential to generate sales in the remainder of the year. However, due to the low year to date sales UK Genesis revenue for the whole of 2007 is expected to be significantly below expectations.

### **Components Business**

Clean Air Power manufactures some of the components incorporated in the company's Dual-Fuel™ technology. A number of these components are also used in spark ignited gas engines, hydraulic gearboxes and certain other applications.

With sales mainly in Europe and the USA, growth in demand for gas engine components during 2007 continues to be strong. Revenue for this division remains in line with expectations.

### **Emissions Reduction Business**

This area of the business provides solutions to large stationary diesel engines such as those used in pumping stations. The current market is mainly in the US and we provide a service whereby the emissions from new installations are treated to meet local legislation.

Although revenue to date is below expectations the Company anticipates the confirmation of a major contract shortly which should produce year end revenues in line with expectations.

### **Summary**

Clean Air Power is well placed to take advantage of the growing momentum for reduced climate change emissions, whilst also delivering considerable cost reductions. The company expects demand to develop in the coming year.

As highlighted above, Company sales have been lower in key regions, which leads the Board to anticipate that results for the full year will be well below expectations.



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The slower than anticipated increase in sales of the Dual-Fuel™ products has led to a greater than expected cash burn. As a result the company will be considering its options for raising further funds during the remainder of the current year in order to fund the development of a Euro V solution and to progress activity with manufacturers.

John Pettitt, CEO, says "With increasing fuel costs and increasing awareness of carbon emissions the drivers for operators to invest in Clean Air Power's technology continue to grow stronger. Early adoption has proved much slower than anticipated but the fundamentals of the technology remain very persuasive. The Board remains confident that discussions with truck manufacturers and large fleet operators will lead to good progress during 2008 and 2009".

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