



March 18, 2008

Clean Diesel Technologies, Inc. Reports Full Year and Fourth Quarter 2007 Results

STAMFORD, Conn., Mar 18, 2008 (BUSINESS WIRE) -- Clean Diesel Technologies, Inc. (NASDAQ:CDTI; XETRA:CDIA; AIM:CDT), the cleantech emissions reduction company, today announces financial results for the year and fourth quarter ended December 31, 2007.

Financial highlights for the full year 2007 include:

- Total revenue of \$4.9 million, up 339% compared to \$1.1 million in 2006.
- Revenue mix was 30% in product sales and 70% in technology licensing fees and royalties compared to the 2006 revenue mix of 77% in product sales, 6% in technology licensing fees and royalties and 17% in consulting fees and other.
- Total gross profit as a percentage of revenue was 77% and 41% for the years ended December 31, 2007 and 2006, respectively, due to the change in revenue mix.
- Net loss lowered to \$4.5 million compared to 2006 net loss of \$5.4 million. 2007 includes \$2.2 million in non-cash stock option and warrant fair value charges compared to \$304,000 of such charges in 2006.
- Clean Diesel netted \$15.2 million upon warrant exercises, and received \$4.3 million for subscribed shares, resulting in a cash and investment position of about \$20.3 million at December 31, 2007.

Significant developments

- Granted a worldwide nonexclusive license for Clean Diesel's patented ARIS(R) technologies for control of oxides of nitrogen (NOx) using selective catalytic reduction to Robert Bosch GmbH.
- Granted a similar worldwide nonexclusive license for the ARIS technologies to Tenneco Automotive.
- In October, received the London Low Emission Zone (LEZ) certification for Purifier(TM), Clean Diesel's particulate matter emission control technology. LEZ sales to date have exceeded initial expectations.
- In October, CDTI common shares began trading on the NASDAQ Capital Market.

"The past year has been our most successful, with worldwide licensing agreements, a NASDAQ listing and significant revenue growth," said Dr. Bernhard Steiner, President and CEO of Clean Diesel Technologies. "The licensing agreements with Bosch and Tenneco for our ARIS selective catalytic reduction technologies indicate industry acceptance of our NOx reducing technologies as effective solutions to the worldwide regulatory standards for air quality. Combined with this, our certification for the London Low Emission Zone program has resulted in substantial orders. We are now in a good position to sign further licensing deals and obtain business in low emission zones planned throughout Europe."

"We are broadening our sales by building our marketing and distribution channels. We will continue to focus on supplying market needs in various industries to bring environmental benefits, fuel economy improvements, and practical, lower-cost emission control solutions," said Dr. Steiner.

Full Year Financial Results

Total revenue was \$4.9 million in 2007 compared to \$1.1 million in 2006, an increase of \$3.8 million, or 339%, reflecting increases in product sales and technology licensing fees and royalties.

In 2007, the Company made progress in the execution of technology license agreements with manufacturers and component suppliers, including new and amended licensing agreements for the use of ARIS technologies for control of oxides of nitrogen (NOx) using our selective catalytic reduction (SCR) emission control; the combination of exhaust gas recirculation (EGR) with SCR technologies; and hydrocarbon injection for lean NOx traps, NOx catalysts and diesel particulate filter regeneration.

Technology license fees and royalties were \$3,459,000 in 2007, compared to \$74,000 in 2006, and were primarily attributable to the license fees and royalties from new and amended licenses.

Product sales were \$1,466,000 in 2007 compared to \$860,000 in 2006, an increase of \$606,000, or 70.5%. The Company's 2007 product sales exceeded 2006 total revenue of \$1.1 million. The increase in product sales is attributable primarily to higher demand for Purifier filter systems. The Purifier line is a range of products comprising an emission control device, such as ceramic diesel particulate filter or wire mesh particulate filter, together with the Company's Platinum Plus fuel-borne catalyst dosed into the fuel to enable filter regeneration.

Selling, general and administrative expenses were \$8,041,000 for the year ended December 31, 2007, an increase of 52.3% compared to \$5,278,000 in 2006. The increase is mainly due to higher non-cash charges for the fair value of stock options and warrants (in accordance with SFAS No. 123R which the Company adopted in January 2006). Aggregate non-cash charges for the fair value of stock options and warrants in 2007 operating expenses were approximately \$2.2 million, or \$0.32 per share, compared to \$304,000 (\$0.06 per share) in 2006.

Fourth Quarter 2007 Results

Total revenue for the fourth quarter was \$1.0 million, an increase of 326% compared to \$236,000 in the fourth quarter of 2006. The increase in fourth quarter revenue is primarily due to higher product sales for the London LEZ. Net loss for the fourth quarter of 2007 was approximately \$2.9 million (\$0.38 per share) compared to \$1.5 million (\$0.30 per share) in the same 2006 quarter. 2007 fourth quarter operating expenses include non-cash stock option and warrant fair value charges of approximately \$1.5 million.

About Clean Diesel Technologies, Inc.

Clean Diesel Technologies, Inc. is a cleantech company that provides innovative solutions to reduce harmful engine emissions and conserve energy. Clean Diesel's patented technologies, products and solutions enable cost-effective reduction of harmful emissions from internal combustion engines while also improving fuel economy and power. Products include Platinum Plus(R) fuel-borne catalysts, Purifier(TM) particulate filter systems, the ARIS(R) urea injection systems for selective catalytic reduction of NOx, diesel particulate filter and biofuel formulation technologies. Our products are in commercial use around the world. Platinum Plus and ARIS are registered trademarks of Clean Diesel Technologies, Inc. You may visit Clean Diesel at www.cdti.com or contact the Company directly. For additional information, you may review our Annual Report on Form 10-K as filed with the Securities and Exchange Commission at www.sec.gov.

Certain statements in this news release constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known or unknown risks, including those detailed in the Company's filings with the U.S. Securities and Exchange Commission, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

CLEAN DIESEL TECHNOLOGIES, INC.

Consolidated Statements of Operations

(in thousands, except per share amounts)

	Three Months Ended December 31,		Years Ended December 31,	
	2007	2006	2007	2006
Revenue:				
Product sales	\$ 899	\$ 212	\$ 1,466	\$ 860
Technology licensing fees and royalties	107	24	3,459	74
Consulting and other	-	-	-	189
Total revenue	1,006	236	4,925	1,123
Costs and expenses:				
Cost of revenue - product sales	738	180	1,126	612

Cost of revenue - licensing fees and royalties	-	-	-	-
Cost of revenue - consulting and other	-	-	-	46
Selling, general and administrative	a 3,084	a 1,405	a 8,041	a 5,278
Research and development	136	63	428	510
Patent amortization and other expense	102	89	364	235
Operating costs and expenses	4,060	1,737	9,959	6,681
Loss from operations	(3,054)	(1,501)	(5,034)	(5,558)
Other income (expense):				
Foreign currency exchange gain (loss)	(10)	3	(11)	104
Interest income	211	2	509	58
Other	1	-	1	12
Net loss	\$(2,852)	\$(1,496)	\$(4,535)	\$(5,384)
Basic and diluted loss per common share	\$ (0.38)	\$ (0.30)	\$ (0.66)	\$ (1.03)
Basic and diluted weighted-average number of common shares outstanding	7,421	5,255	6,886	5,212

Notes:

a Includes non-cash stock option and warrant fair value charges of \$1.5 million and \$2.2 million, respectively.

CLEAN DIESEL TECHNOLOGIES, INC.
Consolidated Balance Sheets
(in thousands, except share data)

	December 31,	
	2007	2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,517	\$ 5,314
Accounts receivable, net of allowance of \$49 and \$34, respectively	1,927	100
Investments	7,100	-
Inventories, net	1,093	365
Other current assets	234	96
Subscriptions receivable, net	-	2,412
Total current assets	11,871	8,287
Investments	11,725	-
Patents, net	817	603
Fixed assets, net of accumulated depreciation of		

\$421 and \$350, respectively	175	91
Other assets	75	37
	-----	-----
Total assets	\$ 24,663	\$ 9,018
	=====	=====
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 757	\$ 330
Accrued expenses	850	740
Customer deposits	56	-
	-----	-----
Total current liabilities	1,663	1,070
Commitments		
Stockholders' equity:		
Preferred stock, par value \$0.01 per share; authorized 100,000; no shares issued and outstanding	-	-
Common stock, par value \$0.01 per share: authorized 12,000,000 and 9,000,000 shares, respectively; issued and outstanding 8,124,056 and 5,964,493 shares, respectively	81	60
subscribed and to be issued 667,998 shares at December 31, 2006	-	7
Additional paid-in capital, net of subscriptions receivable of \$1,901 at December 31, 2006	72,447	52,854
Accumulated other comprehensive income (loss)	(16)	4
Accumulated deficit	(49,512)	(44,977)
	-----	-----
Total stockholders' equity	23,000	7,948
	-----	-----
Total liabilities and stockholders' equity	\$ 24,663	\$ 9,018
	=====	=====

CLEAN DIESEL TECHNOLOGIES, INC.
Consolidated Statements of Cash Flow
(in thousands)

	For the years ended	
	December 31,	
	-----	-----
	2007	2006
	-----	-----
Operating activities		
Net loss	\$ (4,535)	\$ (5,384)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	112	138
Provision for inventory	22	27
Provision for doubtful accounts, net	28	23
Compensation expense for stock options and warrants	2,208	304
Loss on disposition/abandonment of fixed assets/patents	58	23
Changes in operating assets and liabilities:		
Accounts receivable	(1,855)	2
Inventories	(750)	(107)
Other current assets and other assets	(177)	(12)

Accounts payable and accrued expense	677	678
Other liabilities	56	(9)
	-----	-----
Net cash used for operating activities	(4,156)	(4,317)
	-----	-----
Investing activities		
Purchase of investments	(18,825)	-
Patent costs	(313)	(94)
Purchase of fixed assets	(154)	(20)
	-----	-----
Net cash used for investing activities	(19,292)	(114)
	-----	-----
Financing activities		
Proceeds from issuance of common stock, net	4,313	5,214
Proceeds from exercise of warrants	15,173	-
Proceeds from exercise of stock options	353	14
Stockholder-related charges	(168)	-
	-----	-----
Net cash provided by financing activities	19,671	5,228
	-----	-----
Effect of exchange rate changes on cash	(20)	4
Net (decrease) increase in cash and cash equivalents	\$ (3,797)	\$ 801
Cash and cash equivalents at beginning of the year	5,314	4,513
	-----	-----
Cash and cash equivalents at end of the year	\$ 1,517	\$ 5,314
	=====	=====
Supplemental non-cash activities:		
Common stock subscribed, net	\$ -	\$ 4,313
Payment of accrued directors' fees in common stock	140	94

SOURCE: Clean Diesel Technologies, Inc.

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