



March 24, 2004

## Clean Diesel Technologies reports 2003 Fourth-Quarter and Year-End Results

STAMFORD, CT (March 24, 2004) ... Clean Diesel Technologies, Inc. (CDT) (EBB:CDTI & AIM:CDT/CDTS) today reported an increase in product revenue for the fourth quarter of 2003 and year-to-date over prior year periods. Total revenue for the fourth quarter, including lower license and royalty revenue, was \$89,000 with a net loss of \$1,089,000, or \$0.08 loss per share. This compares to total revenue of \$300,000 and a net loss of \$403,000, or \$0.04 loss per share, for the same period in 2002. For the year ended December 31, 2003, total revenue was \$567,000 with a net loss of \$3,245,000 or \$0.26 loss per share. In the comparable 2002 period, revenue was \$441,000 with a net loss of \$2,642,000 or \$0.23 loss per share.

The rise in product revenue is attributable to increased sales of the Platinum Plus(R) fuel-borne catalyst (FBC), partially offset by decreased ARIS(R) license and royalty income which included a large one-time license fee in December of 2002. The increased loss reflects higher development costs resulting from verification expenses.

President and Chief Operating Officer James M. Valentine commented, "The fourth quarter marked a milestone for CDT with the announcement that its Platinum Plus Purifier System was verified by the Environmental Protection Agency (EPA) under the rigorous Environmental Technology Verification (ETV) program. The system was verified for 41 percent (on normal No. 2 diesel fuel) to 50 percent (on ultra-low sulfur fuel) reduction in particulate-matter (PM) emissions on the retrofit of 1988-1993 diesel engines. The Platinum Plus Purifier System uses a lightly catalyzed diesel-oxidation catalyst (DOC) and the Company's patented FBC to deliver twice as much PM reduction as a traditional DOC."

Valentine went on to say, "EPA and California Air Resource Board (CARB) verifications are critical to future revenue opportunities due to the growing requirement for end users to purchase only verified retro-fit emission-reduction systems. Our EPA-verified Platinum Plus Purifier System is being marketed to local delivery fleets, school buses, refuse trucks, construction vehicles and municipal fleets with older engines. The lower capital cost of the system allows up to five vehicles to be retrofitted for the same cost as one vehicle retrofit for a traditional, heavily-catalyzed diesel-particulate filter. Programs to extend the verification to newer engines and with CARB are underway.

The Company received its first orders for the Platinum Plus Purifier system for retrofit of several dozen beverage delivery vehicles and off-road vehicles in the fourth quarter. Early customer feedback is encouraging and CDT expects to receive further orders over the coming months.

In addition to the Purifier verification, the Company recently announced completion of testing for a second EPA verification of its FBC and a catalyzed wire-mesh filter (CWMF) from PUREarth Inc., a subsidiary of Mitsui Inc. of Japan. CDT previously announced test results showing greater than 65 percent particulate reduction from the FBC/CWMF system. The FBC/CWMF system is listed on the EPA's verified technology website at [www.epa.gov/otag/retrofit/retroverifiedlist.htm](http://www.epa.gov/otag/retrofit/retroverifiedlist.htm), where the final verified reduction percentages are expected to be posted in the near future. CDT has also submitted a preliminary application to CARB for verification of the FBC/CWMF system. Research and development costs increased significantly in the fourth quarter as a result of the verification expenses.

Also during the fourth quarter the Company completed an additional private placement of \$3.6 million of its common stock with several new and existing shareholders. This fundraising, along with the \$3.9 million raised in September of 2003, is expected to allow CDT to complete the EPA and CARB verification and extension programs, as well as pursue its commercialization opportunities aggressively.

As part of the commercialization phase of its strategy, CDT strengthened its sales and marketing team in the fourth quarter. This included the appointment of Tim Rogers, Vice-President International, based in the UK, responsible for developing opportunities and partners for the Company's verified technologies and FBC fuel economy applications in Europe and Asia. In the US the company is actively seeking partners to strengthen its distribution and customer service capabilities.

Jeremy Peter-Hoblyn, CDT's Chief Executive, commented, "Following the progress made in 2003 and the encouraging response from the industry we have had since receiving our first EPA verification, we are confident that Platinum Plus has an excellent commercial future. The planned increase in funding for the "Clean School Bus USA Program" and the EPA's SmartWay Transport Program combined with new state and local grant programs should significantly increase retrofit installations in 2004. CARB verification should put CDT in a strong position for the mandated market in California for 1.2 million vehicles. However, our strategy recognizes that the development of our target market will take time. The programs and the

regulations supporting them are new and cost-effective technology is only recently available. Funding is now gradually being put in place and we expect revenue growth for 2004 to be weighted towards the second half of the year. In the meantime, we are in a strong financial position and look forward to making further progress."

Full financial information is included in the Company's Form 10-K filed with the Securities and Exchange Commission ([www.SEC.gov](http://www.SEC.gov)).

CLEAN DIESEL TECHNOLOGIES, INC. STATEMENTS OF OPERATIONS (Unaudited) (in thousands of US\$ except per share data)

|  | Three months ended<br>December 31 |        | Twelve months ended<br>December 31 |         |
|--|-----------------------------------|--------|------------------------------------|---------|
|  | 2003                              | 2002   | 2003                               | 2002    |
| <b>Revenue</b>   |                                   |        |                                    |         |
| Product Revenue  | 82                                | 29     | 373                                | 142     |
| License and Royalty Revenue  | 7                                 | 271    | 194                                | 299     |
| Total Revenue  | 89                                | 300    | 567                                | 441     |
| <b>Costs and Expenses</b>  |                                   |        |                                    |         |
| Cost of Revenue  | 51                                | 13     | 219                                | 86      |
| General and Administrative   | 840                               | 591    | 2,695                              | 2,291   |
| Research and Development   | 266                               | 97     | 855                                | 693     |
| Patent Filing and Maintenance  | 29                                | 9      | 58                                 | 43      |
| Loss from operations   | (1,097)                           | (410)  | (3,260)                            | (2,672) |
| Interest Income/(Expense)  | 8                                 | 7      | 15                                 | 30      |
| Net Loss   | (1,089)                           | (403)  | (3,245)                            | (2,642) |
| Basic and Diluted Loss per Common Share                                  | (0.08)                            | (0.04) | (0.26)                             | (0.23)  |
| Weighted Average Number of Common Shares Outstanding - Basic and Diluted | 12,721                            | 11,419 | 12,721                             | 11,419  |

BALANCE SHEET (in thousands of US\$ except share data)

|   | Dec 31,<br>2003 | December 31,<br>2002 |
|---|-----------------|----------------------|
| <b>ASSETS</b>   |                 |                      |
| <b>Current Assets</b>   |                 |                      |
| Cash and Cash Equivalents   | 6,515           | 2,083                |
| Accounts receivable, net of allowance of 10 and 3 in 2004 and 2003, respectively  | 115             | 284                  |
| Inventories   | 320             | 314                  |
| Other Current Assets  | 73              | 76                   |
| Total Current Assets  | 7,023           | 2,757                |
| Patents, Net  | 274             | 114                  |
| Fixed assets, net of accumulated depreciation of \$131 in 2004 and \$123 in 2003, respectively                          | 126             | 90                   |
| Other Assets  | 18              | 18                   |
| Total Assets  | 7,441           | 2,979                |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                 |                      |
| <b>CURRENT LIABILITIES:</b>   |                 |                      |
| Deferred Compensation and Pension Benefits  | 441             | -                    |
| Accounts Payable and Accrued Expenses   | 427             | 223                  |
| Total Current Liabilities   | 868             | 223                  |
| Deferred compensation and pension benefits  | -               | 418                  |
| Total Long Term Liabilities   | -               | 418                  |
| <b>Stockholders' Equity</b>   |                 |                      |
| Preferred Stock, par value 0.05 per share, authorized 100,000 and 80,000 respectively, no shares issued and outstanding |                 |                      |

|   |          |          |
|---|----------|----------|
| Series A Convertible Preferred Stock, par value 0.05 per share, 500 per share liquidation preference, authorized 0 and 20,000 shares respectively, no shares issued and outstanding |          |          |
| Common Stock, par value 0.05 per share, authorized 30,000,000 shares, issued and outstanding 15,679,337 and 11,968,387 shares respectively  | 784      | 598      |
| Additional Paid-in Capital  | 35,813   | 28,519   |
| Accumulated Deficit   | (30,024) | (26,779) |
| Total Stockholders' Equity  | 6,573    | 2,338    |
| Total Liabilities and Stockholders' Equity  | 7,441    | 2,979    |

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#### About Clean Diesel Technologies, Inc.

Clean Diesel Technologies, Inc. is a specialty chemical company with patented products that reduce emissions from diesel engines while simultaneously improving fuel economy and power. Products include Platinum Plus(R) fuel catalysts, the Platinum Plus Purifier System, and the ARIS(R) 2000 urea injection systems for selective catalytic reduction of NOx. Platinum Plus and ARIS are registered trademarks of Clean Diesel Technologies, Inc. For more information, visit CDT at [www.cdti.com](http://www.cdti.com) or contact the Company directly.

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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 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.

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