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## Clean Diesel Technologies Reports 2009 Results

BRIDGEPORT, Conn., Mar 25, 2010 (GlobeNewswire via COMTEX News Network) -- Clean Diesel Technologies, Inc. (Nasdaq:CDTI), the cleantech emissions reduction company providing sustainable solutions to reduce emissions, increase energy efficiency and lower the carbon intensity of on- and off-road engine applications, today announced its operating results for the fourth quarter and year ended December 31, 2009.

### Business Highlights

- Total revenue for 2009 was \$1.2 million compared to \$7.5 million for the year 2008. The net loss for 2009 was \$6.7 million, or \$0.83 per share, compared to a loss of \$9.4 million, or \$1.15 per share for 2008.
- Total revenue for the fourth quarter of 2009 was \$0.2 million compared to \$0.7 million for the same quarter in 2008. Net loss for the fourth quarter of 2009 was \$1.3 million, or \$0.16 per share, compared to \$3.3 million, or \$0.40 per share, in the comparable period in 2008.
- Severance charges of approximately \$1.0 million were incurred by the Company in 2009 reflecting the resignation of the former President and CEO in the first quarter and reductions in force made in the third quarter. The company-wide reduction, while difficult, was necessary to position the business for long term, profitable growth.
- The Company's work for the California Showcase is ongoing along with certain supplemental environmental programs sponsored by California Air Resources Board ("CARB") and resulted in \$130,000 revenue in 2009.
- Clean Diesel received a diesel emissions reduction technology development grant under the New Technology Research and Development (NTRD) program from the Houston Advanced Research Center (HARC). This award totaled \$960,971 of which \$29,000 is included in 2009 revenue. The project's goal is to develop and verify, with the U.S. Environmental Protection Agency (EPA), a nitrogen oxide-particulate matter (NOx-PM) reduction retrofit system for on- and off-road engines.
- The Company received an order from Metroline, a leading London bus operator, valued at approximately \$528,000, which amount will be included in first half 2010 revenue upon fulfillment of the order. Metroline confirmed that Clean Diesel Technologies' Platinum Plus(R) and Purifier particulate filter technologies were the most efficient and effective solution for Metroline's inner city operating conditions. In addition, Metroline gained added benefits of greater longevity of particulate filtration components and a significant maintenance and operating cost reduction due to Clean Diesel's Platinum Plus fuel-borne catalyst.

### Comments on 2009

"Much of 2009 was spent building a strong foundation and infrastructure upon which Clean Diesel's future will be built. While that work was time and resource intensive, we believe the Company's long-term prospects have been enhanced, and we remain committed to a strategic course change that is focused on the global retrofit market," said Michael L. Asmussen, President and Chief Executive Officer of Clean Diesel Technologies. "We made progress in 2009 as evidenced by several of the highlights mentioned above."

"Given that there are over 63 million diesel engines on the roads today and over 11 million new engines going into service annually, diesel will continue to play a major role in on-road markets. As the call for worldwide regulatory emission controls

grows and current legislation such as the U.S. EPA 2010 limits and California's Off-Road Equipment Rule take effect, our market will continue to expand. Further, if the global economy continues to recover and financial markets continue toward normalcy, we should be operating in an environment that is more stable and conducive to growth."

## Financial Results

Total revenue for the year ended December 31, 2009, was \$1.2 million compared to \$7.5 million for the same period in 2008 with the 84% decline primarily due to completion of retrofit activity to meet 2008 deadlines for the London Low Emission Zone. 2009 revenue consisted of approximately 85.3% in product sales, 12.3% in technology licensing fees and royalties, and 2.4% in grant revenue compared to 2008 operating revenue with 94.0% from product sales and 6.0% from technology licensing fees and royalties. Total revenue for the fourth quarter of 2009 was \$0.2 million compared to \$0.7 million for the same quarter in 2008.

Despite lower revenue, the Company's net loss declined in 2009 to \$6.7 million, or \$0.83 per share, compared to \$9.4 million, or \$1.15 per share, in 2008. Net loss for the fourth quarter of 2009 was \$1.3 million, or \$0.16 per share, compared to \$3.3 million, or \$0.40 per share, in the comparable period in 2008.

The Company's total gross profit as a percentage of revenue was 34.4% and 23.5% in 2009 and 2008, respectively, with the increase attributable to the mix of higher margin product sales.

Selling, general and administrative expenses were \$6.1 million in 2009 compared to \$10.0 million in 2008, a decrease of \$3.9 million, or 39%, primarily attributable to lower professional services, particularly investor relations and financial advisory services, lower compensation and benefits, travel, marketing and bad debts. The Company made a concerted effort in 2009 to contain its costs and eliminate those costs that were redundant or deemed unnecessary.

Aggregate non-cash charges for the fair value of stock options, warrants and stock awards included in operating expenses in 2009 were \$0.7 million compared to \$1.4 million in 2008. Excluding the non-cash stock-based charges, compensation and benefit expenses were \$3.5 million in 2009 compared to \$4.4 million in 2008 primarily due to a reduction in workforce in 2009.

Total severance charges in 2009 were \$1.0 million reflecting a company-wide restructuring in the third quarter related to the reduction of approximately 44% of the company's workforce and severance for the former CEO recorded in the first quarter.

Foreign currency transaction gains, net of losses, were \$0.1 million in 2009 compared to net transaction losses of \$0.8 million in 2008. Interest income was \$0.2 million in 2009 compared to \$0.6 million in 2008 due to lower invested balances and rates of return during 2009. Interest expense was \$0.1 million in each of 2009 and 2008. The Company recognized a \$0.2 million net unrealized gain on investments in 2009 compared to a \$0.2 million net unrealized loss on investments in 2008.

At December 31, 2009 and 2008, respectively, the Company had cash and cash equivalents of \$2.8 million and \$4.0 million. Working capital was \$7.3 million at December 31, 2009 compared to \$8.2 million at December 31, 2008. Net cash used for operating activities was \$5.7 million in 2009 and was used primarily to fund the net loss of \$6.7 million, adjusted for non-cash items. The Company has a put right to receive par value for its investments, net of the related debt, starting June 30, 2010, of approximately \$4.0 million.

Additional information about the Company's financial results is available in its Annual Report on Form 10-K filed with the U.S. Securities & Exchange Commission: <http://www.sec.gov>. A copy of the 10-K is posted on the Company's website.

## About Clean Diesel Technologies, Inc.

Clean Diesel Technologies is a cleantech company providing sustainable solutions to reduce emissions, increase energy efficiency and lower the carbon intensity of on- and off-road engine applications. Clean Diesel's patented technologies and products allow manufacturers and operators to comply with increasingly strict regulatory emissions and air quality standards, while also improving fuel economy and power.

The Company's solutions significantly reduce emissions formed by the combustion of fossil fuels and biofuels, including particulate matter (PM), nitrogen oxides (NOx), carbon monoxide (CO) and hydrocarbons (HC)--without increasing secondary emissions, such as nitrogen dioxide (NO<sub>2</sub>). As a result, they are effective for: OEMs, Tier 1 suppliers and retrofit providers; businesses seeking solutions and expertise upon entering the emissions control market; operators requiring compliant emissions solutions; fuel, biofuel and additive suppliers seeking low emissions and energy efficient products; and regulators creating public policy. Clean Diesel's solutions, therefore, are ideal for on-road vehicles and applications in a wide range of industries, including construction, mining, agriculture, port/freight handling, locomotive, marine and power generation.

Clean Diesel develops and manages intellectual property from original concept to full-scale commercial deployment. Building on almost 200 granted and pending patents, its offerings include ARIS(R) selective catalytic reduction (SCR); the patented

combination of SCR and exhaust gas recirculation (EGR); hydrocarbon injection for emissions control applications; Platinum Plus(R) Fuel-Borne Catalyst (FBC); the Purifier(TM) family of particulate filter systems; and its wire mesh particulate filter technologies. The Company was founded in 1995 and is headquartered in Bridgeport, Connecticut. A wholly-owned subsidiary, Clean Diesel International, LLC is based in London.

For more information, please visit [www.cdti.com](http://www.cdti.com).

The Clean Diesel Technologies, Inc. logo is available at <http://www.globenewswire.com/newsroom/prs/?pkgid=5742>

#### Safe Harbor

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 Balance  
Sheets  
(in thousands, except  
share data)

	December 31,	
	2009	2008
-----		
Assets		
Current assets:		
Cash and cash equivalents	\$2,772	\$3,976
Accounts receivable, net of allowance of \$232 and \$359, respectively	148	637
Investments	11,725	6,413
Inventories, net	1,059	974
Other current assets	294	219
	-----	-----
Total current assets	15,998	12,219
Investments	--	5,127
Patents, net	1,083	1,027
Fixed assets, net of accumulated depreciation of \$369 and \$505, respectively	294	296
Other assets	57	78
	-----	-----
Total assets	\$17,432	\$18,747
	=====	=====
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$301	\$501
Accrued expenses	675	534
Short-term debt	7,693	3,013

Customer deposits	--	8
	-----	-----
Total current liabilities	8,669	4,056
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; issued and outstanding 8,213,988 and 8,138,304 shares, respectively	82	81
Additional paid-in capital	74,694	73,901
Accumulated other comprehensive loss	(381)	(406)
Accumulated deficit	(65,632)	(58,885)
	-----	-----
Total stockholders' equity	8,763	14,691
	-----	-----
Total liabilities and stockholders' equity	\$17,432	\$18,747
	=====	=====

CLEAN DIESEL TECHNOLOGIES, INC.  
Consolidated Statements of  
Operations  
(in thousands, except per share  
amounts)

	For the years ended December 31,		
	2009	2008	2007
	-----	-----	-----
Revenue:			
Product sales	\$1,042	\$7,024	\$1,466
Technology licensing fees and royalties	150	451	3,459
Consulting and other	29	--	--
	-----	-----	-----
Total revenue	1,221	7,475	4,925
	-----	-----	-----
Costs and expenses:			
Cost of product sales	801	5,717	1,126

Cost of licensing fees and royalties	--	--	--
Cost of consulting and other revenue	--	--	--
Selling, general and administrative	6,073	9,992	8,041
Severance charge	958	--	--
Research and development	386	430	428
Patent amortization and other expense	207	227	364
	-----	-----	-----
Operating costs and expenses	8,425	16,366	9,959
	-----	-----	-----
Loss from operations	(7,204)	(8,891)	(5,034)
Other income (expense):			
Foreign currency exchange gain (loss)	112	(845)	(11)
Interest income	245	602	509
Change in fair value of investments and interest expense	100	(239)	1
	-----	-----	-----
Net loss	<u>\$ (6,747)</u>	<u>\$ (9,373)</u>	<u>\$ (4,535)</u>
Basic and diluted loss per common share	<u>\$ (0.83)</u>	<u>\$ (1.15)</u>	<u>\$ (0.66)</u>
Basic and diluted weighted-average number of common shares outstanding	<u>8,147</u>	<u>8,138</u>	<u>6,886</u>

Consolidated Statements of  
Comprehensive Loss  
(in thousands)

For the years ended December  
31,

	2009	2008	2007
	-----	-----	-----
Net loss	\$ (6,747)	\$ (9,373)	\$ (4,535)
Other comprehensive income (loss):			
Foreign currency translation adjustment	25	(390)	(20)
	-----	-----	-----
Comprehensive loss	<u>\$ (6,722)</u>	<u>\$ (9,763)</u>	<u>\$ (4,555)</u>

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

For the years ended December

	2009	2008	2007
Operating activities			
Net loss	\$(6,747)	\$(9,373)	\$(4,535)
Adjustments to reconcile net loss to cash used in operating activities:			
Depreciation and amortization	184	142	112
(Recovery)/provision for doubtful accounts, net	(157)	629	28
Compensation expense for options, warrants and stock awards	735	1,444	2,208
Loss on disposition/abandonment of fixed assets/patents	16	38	58
Unrealized (gain)/loss on investments, net	(185)	185	--
Changes in operating assets and liabilities:			
Accounts receivable	646	661	(1,855)
Inventories, net	(85)	119	(728)
Other current assets and other assets	(54)	12	(177)
Accounts payable and accrued expenses	(59)	(572)	677
Other liabilities	(8)	(48)	56
Net cash used for operating activities	(5,714)	(6,763)	(4,156)
Investing activities			
Sale (purchase) of investments, net	--	7,100	(18,825)
Patent costs	(123)	(299)	(313)
Purchase of fixed assets	(124)	(212)	(154)
Net cash (used for) provided by investing activities	(247)	6,589	(19,292)
Financing activities			
Proceeds from short-term debt	4,735	3,013	--
Repayment of short-term debt	(55)	--	--
Proceeds from issuance of common stock, net	59	--	4,313
Proceeds from exercise of warrants	--	--	15,173
Proceeds from exercise of stock options	--	24	353
Stockholder-related charges	--	(14)	(168)
Net cash provided by financing activities	4,739	3,023	19,671
Effect of exchange rate changes on cash	18	(390)	(20)
Net (decrease) increase in cash and cash equivalents	\$(1,204)	\$2,459	\$(3,797)
Cash and cash equivalents at beginning of the year	3,976	1,517	5,314
Cash and cash equivalents at end of the year	\$2,772	\$3,976	\$1,517

	=====	=====	=====
Supplemental non-cash activities:			
Accumulated depreciation of abandoned assets	\$270	\$ --	\$ --
Payment of accrued directors' fees in common stock	--	--	140
Supplemental disclosures:			
Cash paid for interest	\$85	\$32	\$ --

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