



May 12, 2009

## Clean Diesel Technologies, Inc. Reports First Quarter 2009 Results

BRIDGEPORT, Conn., May 12, 2009 (GlobeNewswire via COMTEX News Network) -- Clean Diesel Technologies, Inc. (Nasdaq:CDTI), the cleantech emissions reduction company, today announced its operating results for the first quarter ended March 31, 2009.

### Business Highlights

- \* Sales declined in the first quarter as a result of several factors including project delays in some key retrofit opportunities and the overall economic downturn which continued to decimate the automotive industry and the transportation industry in general. First quarter 2009 revenues were \$346,000 as compared to \$2.6 million for the first quarter of 2008. Net losses were \$2.47 million versus \$1.59 million for the respective periods.
- \* Frost & Sullivan gave CDTI its Excellence in Technology Award in Class 6-8 Truck Emission Reduction Technologies for developing and making available a comprehensive portfolio of EGR/SGR solutions that help diesel commercial trucks deliver peak efficiency and meet EPA emissions regulations.
- \* CDTI's new focus on the off-road markets for fuel economy and emissions reduction continues to gain traction. Increased penetration into the regional rail, marine and mining sectors is a direct result of the Company's structural changes and a more strategic approach to the business via CDTI's new Systems Group.

### Management's Comments

Clean Diesel's CEO and President Michael Asmussen stated, "The world-wide economic downturn in combination with delays in key retrofit projects produced disappointing first quarter results. While disappointed, we are by no means discouraged as we believe that the extensive strategic and structural changes we made in the first quarter will be the foundation for long-term success. We received positive endorsement of our actions in the form of the Frost & Sullivan Excellence in Technology Award for Emission Reduction Technologies. As we continue the process of restructuring and refocusing our Company, the new strategies, focus and process-based tools now at our disposal will help grow and diversify our business so that we are better able to withstand future economic downturns and capitalize on opportunities when the markets rebound.

"In similar fashion, recent public policy events indicate that our decision to more actively pursue the retrofit market is sound. Increasing awareness of the negative environmental impact of CO2 and black carbon bode well for future retrofit market growth. The EPA has added black carbon to its list of dangerous pollutants, noting that it is dangerous to human health and is the second most important global warming agent after CO2. Congress, in turn, instructed the EPA to study its effect and identify reduction technologies. The fact that more than 40 million diesel engines exist in this country is key to this movement as diesel engine emissions are responsible for 50% of U.S. black carbon production." Mr. Asmussen concluded, "In sum, as the core market drivers increase demand for products based on our intellectual property, we believe our revitalized business model and corporate structure should enable us to capitalize on appropriate business opportunities and increase shareholder value for Clean Diesel."

### Financial Results

Total revenue for the first quarter of 2009 was \$346,000 compared to \$2.6 million in the first quarter of 2008. The comparative

period in 2008 corresponded with the successful completion of the London Low Emission Zone July 2008 compliance deadline and postponements in the implementation of other programs for which our customers apply our technologies. Net loss for the first quarter of 2009 was \$2.47 million, or \$0.30 per share, compared to \$1.59 million, or \$0.20 per share for the first quarter of 2008. Operating expenses for the first quarter of 2009 included severance charges totaling \$510,000 to be paid in monthly installments until September 2010 and \$206,000 non-cash charges for the fair value of stock options compared to \$530,000 non-cash charges in the first quarter of 2008.

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

#### Conference Call

Clean Diesel Technologies will host an investor conference call at 10:30 AM Eastern Daylight Time (EDT) on Wednesday, May 13, 2009 from the Annual Meeting of Stockholders at The Bridgeport Holiday Inn, 1070 Main Street, Bridgeport, Connecticut 06604, U.S.A. During the call, Michael Asmussen, CEO and President, and Ms. Ann Ruple, CFO and Vice President, will review results for the year ended 2008 and the first quarter of this year which ended on March 31, 2009.

To participate in the conference call, please use the following U.S. toll free number five minutes before 10:30 AM (EDT): 1-877-718-5111. To participate in the conference call using an international phone number, use: 1-719-325-4754.

You also may attend the conference call via the web at: <http://investor.cdti.com/events.cfm>. The teleconference will be archived at that location for future reference.

#### About Clean Diesel Technologies

Clean Diesel Technologies (Nasdaq:CDTI) 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 (without increasing secondary emissions such as nitrogen dioxide, NO<sub>2</sub>), including particulate matter (PM), nitrogen oxides (NO<sub>x</sub>), carbon monoxide (CO) and hydrocarbons (HC). As a result, they are effective for: OEMs, Tier 1 suppliers and retrofit providers; businesses entering the emissions control market seeking solutions and expertise; operators requiring compliant emissions solutions; fuel, biofuels and additive suppliers seeking low emissions and energy efficient products; and regulators creating public policy. Clean Diesel's solutions, therefore, are ideal for such markets as: on-road vehicles, 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 its almost 300 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 filter 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, England. 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.  
Condensed Consolidated Balance Sheets  
(in thousands, except share data)

March 31,      Dec. 31,

	2009	2008
	-----	-----
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,506	\$ 3,976
Accounts receivable, net of allowance of \$355 and \$359, respectively	402	637
Investments	6,413	6,413
Inventories, net	963	974
Other current assets	207	219
	-----	-----
Total current assets	13,491	12,219
Investments	5,055	5,127
Patents, net	1,040	1,027
Fixed assets, net of accumulated depreciation of \$541 and \$505, respectively	376	296
Other assets	78	78
	-----	-----
Total assets	\$ 20,040	\$ 18,747
	=====	=====
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 367	\$ 501
Accrued expenses	796	534
Short-term debt	6,459	3,013
Customer deposits	3	8
	-----	-----
Total current liabilities	7,625	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 8,178,304 and 8,138,304 shares, respectively	82	81
Additional paid-in capital	74,107	73,901
Accumulated other comprehensive loss	(416)	(406)
Accumulated deficit	(61,358)	(58,885)
	-----	-----
Total stockholders' equity	12,415	14,691
	-----	-----
Total liabilities and stockholders' equity	\$ 20,040	\$ 18,747
	=====	=====

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

Three Months Ended  
March 31,  
2009      2008  
-----

Revenue:		
Product sales	\$ 312	\$ 2,527
Technology licensing fees and royalties	34	74
	-----	-----
Total revenue	346	2,601
Costs and expenses:		
Cost of product sales	234	2,065
Cost of licensing fees and royalties	--	--
Selling, general and administrative	1,952	2,322
Severance charge	510	--
Research and development	59	65
Patent amortization and other expense	35	36
	-----	-----
Operating costs and expenses	2,790	4,488
Loss from operations	(2,444)	(1,887)
Other income (expense):		
Interest income	92	243
Other	(121)	54
	-----	-----
Net loss	\$ (2,473)	\$ (1,590)
	=====	=====
Basic and diluted loss per common share	\$ (0.30)	\$ (0.20)
	=====	=====
Basic and diluted weighted-average number of common shares outstanding	8,138	8,137
	=====	=====

CLEAN DIESEL TECHNOLOGIES, INC.  
Condensed Consolidated Statements of Cash Flows  
(in thousands) (Unaudited)

	Three Months Ended	
	March 31,	
	2009	2008
	-----	-----
Operating activities		
Net loss	\$ (2,473)	\$ (1,590)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	47	34
Provision for doubtful accounts, net	--	18
Compensation expense for equity instruments	206	530
Loss on investment, net	72	--
Changes in operating assets and liabilities:		
Accounts receivable	235	(1,341)
Inventories	11	281
Other current assets and other assets	12	73
Accounts payable, accrued expenses and other liabilities	123	64
	-----	-----
Net cash used for operating activities	(1,767)	(1,931)
	-----	-----
Investing activities		
Sale of investments	--	7,100
Patent costs	(24)	(52)
Purchase of fixed assets	(116)	(20)

Net cash (used for) provided by investing activities	(140)	7,028
Financing activities		
Proceeds from short-term debt	3,471	--
Repayment of short-term debt	(25)	--
Proceeds from exercise of stock options	--	19
Net cash provided by financing activities	3,446	19
Effect of exchange rate changes on cash	(9)	(12)
Net increase in cash and cash equivalents	1,530	5,104
Cash and cash equivalents at beginning of the period	3,976	1,517
Cash and cash equivalents at end of the period	\$ 5,506	\$ 6,621
Supplemental non-cash activities:		
Unrealized loss on available-for-sale securities	\$ --	\$ 586
Supplemental disclosures:		
Cash paid for interest	\$ 20	\$ --

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