



May 14, 2010

## Clean Diesel Technologies, Inc. Reports First Quarter 2010 Results

BRIDGEPORT, Conn., May 14, 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 first quarter ended March 31, 2010.

### Business Highlights

- Total revenue increased 97% to \$683,000 in the three months ended March 31, 2010, compared with total revenues of \$346,000 in same period of 2009. The increase reflected improved traction as the Company establishes itself in the retrofit segment of the global diesel emissions control market. Net losses for the first quarter of 2010 were \$1.0 million versus \$2.5 million for the 2009 period.
- The increase in revenue was attributable primarily to higher demand for the Company's Platinum Plus(R) Purifier System, a product comprised of a diesel particulate filter along with the Company's Platinum Plus(R) fuel-borne catalyst. In particular, sales of the Company's purifier systems for compliance with the requirements of the London Low Emission Zone (LEZ) continued to provide recurring revenue.
- The Company also announced today that it had entered into an agreement to merge its operations with Catalytic Solutions, Inc., a vertically integrated global manufacturer and distributor of emissions control systems and products focused on the heavy-duty diesel and light-duty vehicle markets. (Please refer to a separate press release for additional information.)

### Management's Comments

Clean Diesel's CEO and President Michael L. Asmussen stated, "Over the past year, we repositioned Clean Diesel to focus on the global retrofit market, which we believe offers the Company a significant business opportunity. Prospects for emission system retrofits number in the tens of millions worldwide, and range in application from on- and off-road vehicles to marine and locomotives to stationary applications, such as power generation.

"In addition, we continued to focus on emission reduction and fuel economy opportunities in the U.S. in non-road sectors, including rail, marine, mining and construction. Our Platinum Plus(R) fuel-borne catalyst is effective with regular sulfur diesel, ultra-low sulfur diesel, Arctic diesel (kerosene) and biodiesel. When used with blends of biodiesel and ultra-low sulfur diesel, Platinum Plus prevents the normal increase in nitrogen oxides associated with biodiesel, as well as offering particulate matter reduction and reduced fuel consumption.

"In light of our efforts, we view these results as progress and remain committed to the development of differentiated products based on proven intellectual property. Looking forward, we continue to pursue opportunities to aggressively broaden our product portfolio and gain access into key world markets. As a means to that end, I am pleased to announce that we have entered into a definitive merger agreement with Catalytic Solutions Inc., a global manufacturer and distributor of emissions control systems and products, focused in the heavy duty-diesel and light-duty vehicle markets. The Clean Diesel Board of Directors feels that this merger is in the best interest of CDTI and its Stockholders and represents a compelling strategic opportunity to expand our product offerings, customer base, and operational scale, thereby strengthening the Company's position in the emissions control industry."

### Financial Results

Total revenue in the three months ended March 31, 2010 was \$683,000 compared to \$346,000 in the three months ended March 31, 2009, an increase of \$337,000, or 97.4%, reflecting increased traction in the Company's attempt to establish itself in the retrofit space. Operating revenue for the three months ended March 31, 2010 consisted of approximately 89.6% in product sales, 4.8% in technology licensing fees and royalties, and 5.6% in grant revenue. Of the Company's operating revenue for the three months ended March 31, 2009, approximately 90.2% was from product sales and 9.8% was from technology licensing fees and royalties.

Product sales were \$612,000 in the first quarter of 2010 compared to \$312,000 in the same quarter of 2009, an increase of \$300,000. Technology licensing fees and royalties, primarily attributable to royalties related to the Company's ARIS(R) technologies, were essentially flat year over year, totaling \$33,000 in the three months ended March 31, 2010, compared to \$34,000 in the same quarter of 2009.

Selling, general and administrative expenses were \$1.22 million in the three months ended March 31, 2010 compared to \$1.95 million in the comparable 2009 period, a decrease of 37.4%. The reduction is primarily attributable to lower compensation and benefits, travel, rent and related occupancy expenses. The Company's initiatives to strictly control spending are ongoing and improvements are apparent in current operating costs.

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.

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 (NO2). 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, 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 Data  
(in thousands, except share  
data)

December  
March 31, 31,

	2010	2009
	----- (Unaudited)	----- (Restated)
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,257	\$ 2,772
Investments	10,475	11,725
Accounts receivable, net of allowance of \$218 and \$232, respectively	522	148
Inventories, net	887	1,059
Other current assets	128	294
	-----	-----
Total current assets	14,269	15,998
Patents, net	908	898
Fixed assets, net of accumulated depreciation of \$396 and \$505, respectively	270	294
Other assets	55	57
	-----	-----
Total assets	\$ 15,502	\$ 17,247
	=====	=====
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 405	\$ 301
Accrued expenses	618	675
Short-term debt	6,900	7,693
	-----	-----
Total current liabilities	7,923	8,669
Commitments and contingencies		
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 8,213,988 shares, respectively	82	82
Additional paid-in capital	74,724	74,694
Accumulated other comprehensive loss	(435)	(381)
Accumulated deficit	(66,792)	(65,817)
	-----	-----
Total stockholders' equity	7,579	8,578

Total liabilities and stockholders' equity	\$ 15,502	\$ 17,247
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CLEAN DIESEL TECHNOLOGIES, INC.  
Condensed Consolidated  
Statements of Operations Data  
(in thousands, except per share  
amounts) (Unaudited)

	Three Months Ended March 31,	
	2010	2009
		(Restated)
Revenue:		
Product sales	\$ 612	\$ 312
Technology licensing fees and royalties	33	34
Consulting and other	38	-
Total revenue	683	346
Costs and expenses:		
Cost of product sales	465	234
Cost of licensing fees and royalties	-	-
Cost of consulting and other revenues	-	-
Selling, general and administrative	1,221	1,952
Severance charge	(103)	510
Research and development	53	59
Patent amortization and other expense	49	69
Operating costs and expenses	1,685	2,824
Loss from operations	(1,002)	(2,478)
Other income (expense):		
Interest income	60	92
Other income (expense), net	(33)	(121)
Net loss	\$ (975)	\$ (2,507)
Basic and diluted loss per common share	\$ (0.12)	\$ (0.31)

Basic and diluted		
weighted-average number of		
common shares outstanding	8,181	8,138
	=====	=====

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

	Three Months Ended March 31,	
	2010	2009
	-----	-----
		(Restated)
Operating activities		
Net loss	\$ (975)	\$ (2,507)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	47	47
Compensation expense for options, warrants and stock awards	30	206
Unrealized loss on investments, net	-	72
Loss on abandonment of patents	3	34
Changes in operating assets and liabilities:		
Accounts receivable	(374)	235
Inventories, net	172	11
Other current assets and other assets	168	12
Accounts payable, accrued expenses and other liabilities	47	123
	-----	-----
Net cash used for operating activities	(882)	(1,767)
	-----	-----
Investing activities		
Sale of investments	1,250	-
Patent costs	(29)	(24)
Purchase of fixed assets	(9)	(116)
	-----	-----
Net cash provided by (used for) investing activities	1,212	(140)
	-----	-----
Financing activities		
Proceeds from short-term debt	498	3,471
Repayment of short-term debt	(1,291)	(25)
	-----	-----
Net cash (used for) provided by financing activities	(793)	3,446
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Effect of exchange rate changes on

cash	(52)	(9)
Net (decrease) increase in cash and cash equivalents	\$ (515)	\$ 1,530
Cash and cash equivalents at beginning of the period	2,772	3,976
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Cash and cash equivalents at end of the period	\$ 2,257	\$ 5,506
	=====	=====
Supplemental non-cash activities:		
Accumulated amortization of abandoned assets	\$ 2	\$ 3
Supplemental disclosures:		
Cash paid for interest	\$ 24	\$ 20

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