



August 11, 2009

## Clean Diesel Technologies, Inc. (CDTi) Reports Second Quarter 2009 Results

BRIDGEPORT, Conn., Aug 11, 2009 (GlobeNewswire via COMTEX News Network) -- Clean Diesel Technologies, Inc. (Nasdaq:CDTi), the clean-tech 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 second quarter ended June 30, 2009 and its outlook for the immediate future.

### Business Overview

- \* Second quarter 2009 revenues were \$375,000 as compared to \$2.6 million for the second quarter of 2008, a decrease of 85.7%. Revenues for the first half of 2009 were \$721,000 compared to \$5.22 million for the first half of 2008, a decrease of 86.2%. Product sales contributed about 92% and license fees and royalties contributed 8% to total sales; both revenue sources declined compared to the prior year periods.
- \* Sales declined in the second quarter of 2009 compared to the same period the prior year, primarily as a result of the completion of phase one of the London Low emission zone in 2008, and also as a result of the economic downturn's impact on the automotive and general transportation industries to which the company markets emission control products and technologies. Additionally, there were delays and suspensions in certain emission control compliance deadlines as well as delays in obtaining new verifications for products and technologies.
- \* Aggressive cost control measures implemented earlier this year are taking effect: the second quarter of 2009 net loss amounted to \$1.076 million (\$0.13 per share) compared to a net loss of \$2.143 million (\$0.26 per share) for the same 2008 period. The net loss for the first half of 2009 was \$3.549 million (\$0.44 per share) versus \$3.733 million (\$0.46 per share) for the comparable period in 2008. Furthermore, additional cost containment measures have been identified and adopted since the end of the second quarter; when complete, they will reduce the company's annual compensation expense about 41% and result in a reduction of 44% of the company's workforce.
- \* In support of its new strategic focus on the expanding Global Retrofit Market, the company is pursuing new product development and the requisite environmental agency verifications in several markets, worldwide. Clean Diesel's diverse intellectual property portfolio combined with its considerable retrofit expertise, positions the company for success in this segment. Through this strategic course change, the company will be better able to generate revenues as a system supplier and development partner. Advances made in the off-road markets for fuel economy and emissions reduction suggest that the approach is working. Increased penetration into the regional rail, marine and mining sectors has generated several new customers. While customers are as yet small in size, the successful trials with them reinforce the

product's effectiveness and facilitate Clean Diesel's strategy to add key distribution partners to increase the company's market penetration.

## Management's Comments

Michael Asmussen, Clean Diesel's CEO and President, stated, "We continue to incur significant losses in 2009 due to the absence of a next deadline for London Low Emissions Zone compliance; the economic downturn that has impacted many of the industries to which we market our emission control products and technologies, and the resultant delay or suspension of certain emission control compliance deadlines. Further, we have experienced delays in obtaining new verifications for our products and technologies. While these factors have reduced our revenues, we are focused on a strategy of increasing existing and new revenue streams by overcoming gaps in our technology and product portfolios.

"Simultaneously, we continue to focus on cost control. On August 4, 2009 the Board of Directors adopted a plan that, when complete, is intended to substantially reduce the company's annual cash burn. The plan aligns the organization's cost structure with its revenue generation through both spending cuts and a significant reduction in the company's workforce.

"Looking forward, the Global Retrofit Market will become the core of our business, as it represents our greatest revenue opportunity. In some cases, we are late to the market and the resulting barriers to entry require substantial product development, careful planning and market positioning. We continue to leverage our success in the London Low Emission Zone project to build our brand of emission reduction systems worldwide."

Mr. Asmussen concluded, "Clean Diesel is making the necessary strategic decisions to concentrate on those business areas likely to produce growing revenue streams for the future. As we progress, we are also minimizing operational costs to position us for future positive cash-flow and profitability."

## Financial Results

Total revenue for the second quarter of 2009 was \$375,000 compared to \$2.6 million in the second quarter of 2008. The 2008 period 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 second quarter of 2009 was \$1.076 million (\$0.13 per share) compared to a net loss of \$2.14 million (\$0.26 per share) for the second quarter of 2008. Operating expenses for the second quarter of 2009 were \$1.9 million compared to \$4.8 million for the second quarter of 2008, a decrease of \$2.9 million or 59.9%, and included \$212,000 non-cash stock-based compensation charges compared to \$241,000 in the prior year. The company recorded a gain on the fair value of its investment in auction rate securities which was offset, in part, by a loss recognized for the fair value of the auction rate securities right to receive par value for the securities from June 30, 2010, resulting in a net gain to operations in the second quarter of 2009 of \$233,000.

Additional information about the company's financial results is available in its Quarterly Report on Form 10-Q which was recently 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 10:00 AM Eastern Daylight Time (EDT) on Tuesday, August 11, 2009. During the call, Michael Asmussen, CEO and President, and Ms. Ann Ruple, CFO and Vice President, will review results for the second quarter of this year which ended on June 30, 2009.

To participate in the conference call, please use the following U.S. toll free number five minutes before 10:00 AM (EDT): 1-877-874-1589. To participate in the conference call using an international phone number, use: 1-719-325-488

You also may participate via the web at: <http://investor.cdti.com/eventdetail.cfm?eventid=71592>. 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)

	June 30, 2009	December 31, 2008
	-----	-----
	(unaudited)	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 4,487	\$ 3,976
Investments	11,701	6,413
Accounts receivable, net of allowance of \$292 and \$359, respectively	347	637
Inventories, net	923	974
Other current assets	183	219
	-----	-----
Total current assets	17,641	12,219
Investments	--	5,127
Patents, net	1,035	1,027
Fixed assets, net of accumulated depreciation of \$576 and \$505, respectively	357	296
Other assets	61	78
	-----	-----
Total assets	\$ 19,094	\$ 18,747
	=====	=====
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 312	\$ 501
Accrued expenses	745	534
Short-term debt	6,433	3,013
Customer deposits	--	8
	-----	-----

Total current liabilities	7,490	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	74,318	73,901
Accumulated other comprehensive loss	(362)	(406)
Accumulated deficit	(62,434)	(58,885)
	-----	-----
Total stockholders' equity	11,604	14,691
	-----	-----
Total liabilities and stockholders' equity	\$ 19,094	\$ 18,747
	=====	=====

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2009	2008	2009	2008
	-----	-----	-----	-----
Revenue:				
Product sales	\$ 342	\$ 2,490	\$ 654	\$ 5,017
Technology licensing fees and royalties	33	129	67	203
	-----	-----	-----	-----
Total revenue	375	2,619	721	5,220
Costs and expenses:				
Cost of product sales	217	1,993	451	4,058
Cost of licensing fees and royalties	--	--	--	--
Selling, general and administrative	1,561	2,722	3,513	5,044
Severance charge	--	--	510	--
Research and development	127	89	186	154
Patent amortization and other expense	37	42	72	78
	-----	-----	-----	-----
Operating costs and expenses	1,942	4,846	4,732	9,334
Loss from operations	(1,567)	(2,227)	(4,011)	(4,114)
Other income (expense):				
Interest income	49	113	141	356
Other income (expense), net	442	(29)	321	25
	-----	-----	-----	-----
Net loss	\$ (1,076)	\$ (2,143)	\$ (3,549)	\$ (3,733)
	=====	=====	=====	=====

Basic and diluted loss per

common share	\$ (0.13)	\$ (0.26)	\$ (0.44)	\$ (0.46)
	=====	=====	=====	=====
Basic and diluted weighted- average number of common shares outstanding	8,138	8,138	8,138	8,137
	=====	=====	=====	=====

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

	Six Months Ended	
	June 30,	
	2009	2008
	-----	-----
Operating activities		
Net loss	\$ (3,549)	\$ (3,733)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	93	68
(Recovery) provision for doubtful accounts, net	(134)	241
Compensation expense for equity instruments	418	771
Gain on investment, net	(161)	--
Abandonment of patents	13	--
Changes in operating assets and liabilities:		
Accounts receivable	424	(1,644)
Inventories	51	55
Other current assets and other assets	53	(4)
Accounts payable, accrued expenses and other liabilities	14	281
	-----	-----
Net cash used for operating activities	(2,778)	(3,965)
	-----	-----
Investing activities		
Sale of investments	--	7,100
Patent costs	(48)	(161)
Purchase of fixed assets	(127)	(51)
	-----	-----
Net cash (used for) provided by investing activities	(175)	6,888
	-----	-----
Financing activities		
Proceeds from short-term debt	3,471	--
Repayment of short-term debt	(51)	--
Proceeds from exercise of stock options	--	24
	-----	-----
Net cash provided by financing activities	3,420	24
	-----	-----
Effect of exchange rate changes on cash	44	21
Net increase in cash and cash equivalents	\$ 511	\$ 2,968
Cash and cash equivalents at beginning of the period	3,976	1,517
	-----	-----
Cash and cash equivalents at end of the period	\$ 4,487	\$ 4,485
	=====	=====

Supplemental non-cash activities:

Unrealized loss on available-for-sale securities	\$	--	\$	750
--	----	----	----	-----

Supplemental disclosures:

Cash paid for interest	\$	29	\$	--
------------------------	----	----	----	----

This news release was distributed by GlobeNewswire, [www.globenewswire.com](http://www.globenewswire.com)

SOURCE: Clean Diesel Technologies, Inc.

Target 3 Communications

Jerry Cahn, President

+1-646-290-7664

[jerry@target3.com](mailto:jerry@target3.com)

Clean Diesel Technologies, Inc

Ann Ruple, CFO, VP & Treasurer

+1-203-416-5290

[aruple@cdti.com](mailto:aruple@cdti.com)

(C) Copyright 2009 GlobeNewswire, Inc. All rights reserved.

News Provided by COMTEX