



August 12, 2008

Clean Diesel Technologies Announces 111 Percent Increase in Sales for the Second Quarter of 2008

STAMFORD, Conn., Aug 12, 2008 (PrimeNewswire via COMTEX News Network) -- Clean Diesel Technologies, Inc. (Nasdaq:CDTI) (XETRA:CDIA) (AIM:CDT), the cleantech emissions reduction company, today announced financial results for the second quarter and six months ended June 30, 2008.

Recent Highlights:

- Total revenue of \$2.6 million in the second quarter of 2008 compared to \$1.2 million in the second quarter of 2007, driven by strong sales of Purifier(tm) System particulate matter emission control solutions
- Second successive quarter in which product sales exceed full year 2007 product sales
- Total revenue of \$5.2 million for the six months ended June 30, 2008 exceeded total revenue of \$4.9 million for all of 2007
- Entered strategic license agreement with Hilite International, Inc., a leading supplier of automotive powertrain components
- Phase-in of London Low Emission Zone compliance deadlines driving demand for Clean Diesel; most recent compliance deadline-July 2008

Dr. Bernhard Steiner, President and CEO of Clean Diesel Technologies, commented, "We are pleased to see continued international demand for Clean Diesel's technologies and solutions as compliance requirements become increasingly stringent worldwide and low emission zones (LEZs) are enacted in major cities. In London, we have seen exceptional pickup for our technologies in light of the LEZ. Furthermore, our recent licensing agreement with Hilite International, Inc., is clear evidence we have been aggressively working to expand our global market position through strategic partners. We have also been pursuing additional verification and approvals of our OEM and retrofit applications, such as the recent approval of our technologies to supply the Scottish Government Emissions Reduction Register program. Additionally, we have been enhancing our global sales organization with the appointment of key personnel to support our anticipated growth, as well as a number of new initiatives on the marketing front, including the launch of our new corporate website: www.cdti.com.

"Our strategic license agreement with Hilite International, a leading supplier of automotive powertrain components, represents an important new distribution partner with deep penetration into the heavy-, medium- and light-duty commercial vehicle and passenger car markets. The license enables Hilite to utilize our ARIS(r) airless injection technology and the patented combination of selective catalytic reduction (SCR) with exhaust gas recirculation (EGR), to reduce oxides of nitrogen (NOx) emissions and to optimize fuel economy. This agreement comes on the heels of our agreements with Bosch and Tenneco, and provides further validation of our global licensing strategy and intellectual property strength."

Dr. Steiner continued, "We have experienced strong product sales and revenue growth directly related to London's LEZ legislation. The most recent compliance deadline for vehicles greater than 3.5 metric tons occurred in July 2008 and Clean Diesel is now one of the leading suppliers of emission control technologies for the London LEZ. Although direct product sales are more capital intensive than licensing our technology, our strategic decision to obtain certification and supply product for the LEZ program has proven an effective means of seeding the market as evidenced by the credibility we have gained both in Europe and globally. We believe this strategy has opened the door to additional markets for the technology, as we pursue our longer-term strategy of licensing the technology through our global distribution partners. This licensing strategy will help reduce our costs considerably in the next 18 months.

"With over 63 million diesel engines on the road today, and over 11 million new engines going into service annually, diesel will continue to play an important role in on-road, as well as off-road markets. Moreover, we believe that Clean Diesel will support and enhance that growth through our fuel efficient, emission-reduction technology," concluded Dr. Steiner.

Second Quarter 2008 Financial Results

Total revenue for the second quarter of 2008 was \$2.6 million compared to \$1.2 million in the second quarter of 2007. The increase in the second quarter was primarily due to sales of the company's Purifier(tm) System as an emission reduction solution to meet standards mandated for the London Low Emission Zone. Net loss for the second quarter of 2008 was \$2.1 million or \$0.26 per share compared to \$519,000 or \$0.08 per share in the comparable period in 2007. Net loss for the quarter included \$238,000 of non-cash charges for the fair value of stock options compared to \$91,000 in non-cash stock option compensation expense in the three months ended June 30, 2007. The company also recorded an unrealized loss of \$164,000 for the second quarter of 2008 that reduced the value of its investments in auction rate securities with a corresponding reduction in stockholders' equity.

Total revenue for the six months ended June 30, 2008 was \$5.2 million compared to \$1.5 million for the same period in 2007. Net loss for the six months ended June 30, 2008 was \$3.7 million or \$0.46 per share compared to \$2.3 million or \$0.37 per share in the comparable period in 2007. Net loss for the six months ended June 30, 2008 included \$538,000 of non-cash charges for the fair value of stock options compared to \$642,000 in non-cash stock option compensation expense in the six months ended June 30, 2007. The company also recorded an unrealized loss of \$750,000 for the six months ended June 30, 2008 that reduced the value of its investments in auction rate securities with a corresponding reduction in stockholders' equity.

The Company said that its investment holdings of \$11.7 million par value of auction rate securities were through UBS Financial Services, Inc. The Company understands from public statements that an agreement in principle has been reached between UBS and certain regulatory bodies that may apply to these holdings, but has not yet determined what the effect on the Company may be.

Additional information about the Company's financial results is available on its Form 10-Q filed with the Securities & Exchange Commission: <http://www.sec.gov>.

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, which are in commercial use worldwide, significantly reduce emissions formed by the combustion of fossil fuels and biofuels, including particulate matter (PM), nitrogen oxides (NOx), carbon monoxide and hydrocarbons. Clean Diesel solutions also reduce carbon dioxide (CO2) emissions, a key greenhouse gas associated with global climate change.

Clean Diesel develops and manages intellectual property from original concept to full-scale commercial deployment. Its offerings include ARIS(r) Selective Catalytic Reduction (SCR); the patented combination of SCR and Exhaust Gas Recirculation; 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 Stamford, Connecticut. A wholly owned subsidiary, Clean Diesel International, LLC, is based in London, England. For more information, please visit www.cdti.com.

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.

Please visit us on the World Wide Web at: www.cdti.com

CLEAN DIESEL TECHNOLOGIES, INC.
Condensed Consolidated Balance Sheets
(in thousands, except share data)

June 30, Dec. 31,
2008 2007

(Unaudited)

Assets
Current assets:

Cash and cash equivalents	\$ 4,485	\$ 1,517
Accounts receivable, net of allowance of \$290 and \$49, respectively	3,330	1,927
Investments	--	7,100
Inventories, net	1,038	1,093
Other current assets	242	234
	-----	-----
Total current assets	9,095	11,871
Investments	10,975	11,725
Patents, net	950	817
Fixed assets, net of accumulated depreciation of \$461 and \$421, respectively	186	175
Other assets	71	75
	-----	-----
Total assets	\$ 21,277	\$ 24,663
	=====	=====
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,006	\$ 757
Accrued expenses	867	850
Customer deposits	71	56
	-----	-----
Total current liabilities	1,944	1,663
Commitments		
Stockholders' equity:		
Preferred stock, par value \$0.01 per share: authorized 100,000 shares; no shares issued and outstanding	--	--
Common stock, par value \$0.01 per share: authorized 12,000,000 shares; issued and outstanding 8,139,302 and 8,124,056 shares, respectively	81	81
Additional paid-in capital	73,242	72,447
Accumulated other comprehensive loss	(745)	(16)
Accumulated deficit	(53,245)	(49,512)
	-----	-----
Total stockholders' equity	19,333	23,000
	-----	-----
Total liabilities and stockholders' equity	\$ 21,277	\$ 24,663
	=====	=====

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2008	2007	2008	2007
	-----	-----	-----	-----
Revenue:				
Product sales	\$ 2,490	\$ 139	\$ 5,017	\$ 344
Technology licensing fees and royalties	129	1,104	203	1,115
Consulting and other	--	--	--	--
	-----	-----	-----	-----

Total revenue	2,619	1,243	5,220	1,459
Costs and expenses:				
Cost of revenue - product sales	1,993	105	4,058	221
Cost of revenue - licensing fees and royalties	--	--	--	--
Cost of revenue - consulting and other	--	--	--	--
Selling, general and administrative	2,722	1,495	5,044	3,298
Research and development	89	150	154	192
Patent amortization and other expense	42	79	78	176
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Operating costs and expenses	4,846	1,829	9,334	3,887
Loss from operations	(2,227)	(586)	(4,114)	(2,428)
Other income (expense):				
Interest income	113	67	356	94
Other income (expense), net	(29)	--	25	--
	-----	-----	-----	-----
Net loss	\$(2,143)	\$ (519)	\$(3,733)	\$(2,334)
	=====	=====	=====	=====
Basic and diluted loss per common share	\$ (0.26)	\$ (0.08)	\$ (0.46)	\$ (0.37)
	=====	=====	=====	=====
Basic and diluted weighted -average number of common shares outstanding	8,138	6,550	8,137	6,333
	=====	=====	=====	=====

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

	Six Months Ended	
	June 30,	
	2008	2007
	-----	-----
Operating activities		
Net loss	\$ (3,733)	\$ (2,334)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	68	68
Provision for doubtful accounts, net	241	30
Compensation expense for stock options and warrants	771	642
Changes in operating assets and liabilities:		
Accounts receivable	(1,644)	(961)
Inventories	55	(244)
Other current assets and other assets	(4)	(7)
Accounts payable, accrued expenses and other liabilities	281	(298)
	-----	-----

Net cash used for operating activities	(3,965)	(3,104)
	-----	-----
Investing activities		
Sales of investments	7,100	--
Patent costs	(161)	(68)
Purchases of fixed assets	(51)	(18)
	-----	-----
Net cash provided by (used for) investing activities	6,888	(86)
	-----	-----
Financing activities		
Proceeds from issuance of common stock, net	--	4,313
Proceeds from issuance of warrants, net	--	4,346
Stockholder-related charges	--	(45)
Proceeds from exercise of stock options	24	40
	-----	-----
Net cash provided by financing activities	24	8,654
	-----	-----
Effect of exchange rate changes on cash	21	--
Net increase in cash and cash equivalents	\$ 2,968	\$ 5,464
Cash and cash equivalents at beginning of the period	1,517	5,314
	-----	-----
Cash and cash equivalents at end of the period	\$ 4,485	\$ 10,778
	=====	=====
Supplemental non-cash activities:		
Payment of accrued directors' fees in common stock	\$ --	\$ 140
Unrealized loss on available-for-sale securities	\$ 750	\$ --

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