



August 16, 2010

Clean Diesel Technologies, Inc. Reports Second Quarter 2010 Results

BRIDGEPORT, Conn., Aug 16, 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 second quarter ended June 30, 2010.

Second Quarter Business Highlights

- Total revenue in the three months ended June 30, 2010 was \$411,000 compared to \$375,000 in the three months ended June 30, 2009, an increase of \$36,000, or 9.6%. Net loss for the second quarter of 2010 was \$1.4 million versus \$1.2 million for the same period in 2009.
- The increase in revenues reflects improved traction in the Company's attempt to establish itself in the global retrofit market for on- and off-road vehicles, marine and locomotive applications, and stationary applications, such as power generation.
- The Company generated increases in both of its primary revenue streams--product sales and technology licensing fees and royalties.
- In May, Clean Diesel Technologies reported its intention 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. Catalytic Solutions will become a wholly-owned subsidiary of Clean Diesel upon completion of the merger. (Please refer to CDTI press release dated May 14, 2010 for additional information.)

First Half Business Highlights

- Total revenue for the first half of 2010 was \$1,056,000 compared to \$721,000 in the first half of 2009, an increase of \$335,000, or 46.5%, reflecting an increase in product sales as well as licensing fees and royalties. Net loss for the first half of 2010 was \$2.3 million versus \$3.7 million for the same period in 2009.

Management's Comments

Clean Diesel's CEO and President Michael L. Asmussen stated, "The second quarter of 2010 saw Clean Diesel continue to make progress in its strategic effort to concentrate on the global retrofit market, which we believe offers the Company a significant long-term business opportunity.

"In addition to emphasis on the global retrofit market, 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.

"We view results in the second quarter as well as the first half of 2010 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 to key world markets."

Second Quarter Financial Results

Revenue for the June 2010 quarter consisted of approximately 90.0% in product sales (91.2% in the June 2009 quarter) and 10.0% in technology licensing fees and royalties (8.8% in the June 2009 quarter).

The increase in product sales--\$370,000 in the second quarter of 2010 compared to \$342,000 in the year-ago quarter--was attributable primarily to higher demand for Platinum Plus(R) Purifier Systems, a product comprising a diesel particulate filter along with Clean Diesel's Platinum Plus(R) fuel-borne catalyst. Sales of purifier systems provide the Company with recurring revenue from use of our Platinum Plus fuel-borne catalyst, which enables the regeneration of the diesel particulate filter.

Technology licensing fees and royalties were slightly higher in 2010--\$41,000 in the three months ended June 30, 2010 compared to \$33,000 in the same quarter of 2009--primarily owing to royalties related to Clean Diesel's ARIS(R) technologies. While the Company has not executed new technology license agreements in 2010, we continue our efforts to consummate technology license agreements with manufacturers and component suppliers for the use of ARIS technologies for control of oxides of nitrogen (NOx).

The total cost of revenue was \$220,000 in the three-month period ended June 30, 2010, compared to \$217,000 in the 2009 period. The increase in the cost of sales was due to higher product sales volume. Gross profit as a percentage of revenue was 46.5% and 42.1% for the quarters ended June 30, 2010 and 2009, respectively.

Selling, general and administrative expenses were \$1.51 million in the June quarter of 2010 compared to \$1.56 million in the comparable 2009 period, a decrease of \$49,000, or 3.1%. The decrease in these costs is primarily attributable to lower compensation and benefits, travel, rent and related occupancy expenses. These cost reductions were substantially offset by increased professional fees incurred in connection with Clean Diesel's proposed merger with Catalytic Solutions, Inc.

Reimbursement of expenses under grant program of \$77,000 in the second quarter of 2010 represented amounts reimbursed under a \$961,000 diesel emissions reduction technology development grant from the Houston Advanced Research Center (HARC). The project goal is to develop and verify a Nitrogen Oxide-Particulate Matter (NOx-PM) reduction retrofit system for on- and off-road engines, including those used in Class 8 type diesel fleets. The program is administered by HARC on behalf of the Texas Environmental Research Consortium utilizing funding provided by the State of Texas. The Company anticipates completing the HARC program by the first quarter of 2011.

First Half Financial Results

Total revenue for the first half of 2010 was \$1,056,000 compared to \$721,000 in the first half of 2009, an increase of \$335,000, or 46.5%, reflecting an increase in product sales as well as licensing fees and royalties. Operating revenue in the six months ended June 30, 2010 consisted of approximately 93.0% in product sales and 7.0% in technology licensing fees and royalties.

Product sales in the six months ended June 30, 2010, were \$982,000 compared to \$654,000 in the same prior year period, an increase of \$328,000 or 50.2%. The increase in product sales was attributable primarily to higher demand for the Company's Platinum Plus Purifier Systems, a product comprising a diesel particulate filter along with our Platinum Plus fuel-borne catalyst. Technology licensing fees and royalties included fees upon execution of new agreements and royalties from existing licensees, primarily for use of our ARIS technologies. Clean Diesel did not execute new technology licensing agreements in the first half of 2010 or 2009.

The Company's cost of revenue was \$685,000 in the first half of 2010 compared to \$451,000 in the same period of 2009. The increase was due to an increase in sales volume. Clean Diesel's gross profit as a percentage of revenue was 35.1% and 37.4% for six-month periods ended June 30, 2010 and 2009, respectively, with the decrease largely attributable to the mix of revenues during the periods.

Selling, general and administrative expenses were \$2.73 million in the six months ended June 30, 2010, compared to \$3.51 million in the comparable 2009 period, a decrease of \$780,000, or 22.2%. The decrease is primarily attributable to lower compensation and occupancy expenses, partially offset by an increase in professional services.

Reimbursement of expenses under grant program in 2010 of \$115,000 represented amounts reimbursed under the diesel emissions reduction technology development grant from HARC. (Please see second quarter financial results for more information.)

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 over 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.

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.
 Unaudited Condensed Consolidated Balance Sheets Data
 (In thousands, except share data)

	June 30, 2010	December 31, 2009
	-----	-----
		(Restated)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 8,106	\$ 2,772
Investments	--	11,725
Accounts receivable, net of allowance of \$214 and \$232, respectively	218	148
Inventories, net	822	1,059
Other current assets	108	294
	-----	-----
Total current assets	9,254	15,998
Patents, net	957	898
Fixed assets, net of accumulated depreciation of \$425 and \$369, respectively		
	239	294
Other assets	55	57
	-----	-----

Total assets	\$ 10,505	\$ 17,247
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 454	\$ 301
Accrued expenses	567	675
Short-term debt	3,243	7,693
	-----	-----
Total current liabilities	4,264	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	74,751	74,694
Accumulated other comprehensive loss	(449)	(381)
Accumulated deficit	(68,143)	(65,817)
	-----	-----
Total stockholders' equity	6,241	8,578
	-----	-----
Total liabilities and stockholders' equity	\$ 10,505	\$ 17,247
	=====	=====

CLEAN DIESEL TECHNOLOGIES, INC.

Unaudited Condensed Consolidated Statements of Operations Data

(In thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
		(Restated)		(Restated)
Revenue:				
Product sales	\$ 370	\$ 342	\$ 982	\$ 654
Technology licensing fees and royalties	41	33	74	67
	-----	-----	-----	-----
Total revenue	411	375	1,056	721
Costs and expenses:				
Cost of product sales	220	217	685	451
Cost of licensing fees and royalties	--	--	--	--
Selling, general and				

administrative	1,512	1,561	2,733	3,513
Reimbursement of expenses under grant program	(77)	--	(115)	--
Severance charge	(60)	--	(163)	510
Research and development	136	127	189	186
Patent amortization and other expense	28	140	77	209
	-----	-----	-----	-----
Operating costs and expenses	1,759	2,045	3,406	4,869
Loss from operations	(1,348)	(1,670)	(2,350)	(4,148)
Other income (expense):				
Interest income	31	49	91	141
Other income (expense), net	(34)	442	(67)	321
	-----	-----	-----	-----
Net loss	\$ (1,351)	\$ (1,179)	\$ (2,326)	\$ (3,686)
	=====	=====	=====	=====
Basic and diluted loss per common share	\$ (0.17)	\$ (0.14)	\$ (0.28)	\$ (0.45)
	=====	=====	=====	=====
Basic and diluted weighted-average number of common shares outstanding	8,187	8,138	8,184	8,138
	=====	=====	=====	=====

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

	Six Months Ended June 30,	
	2010	2009
	-----	-----
		(Restated)
Operating activities		
Net loss	\$ (2,326)	\$ (3,686)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	94	93
Compensation expense for options, warrants and stock awards	57	418
Recovery for doubtful accounts, net	--	(134)
Unrealized gain on investments, net	--	(161)
Loss on abandonment of patents	3	150
Changes in operating assets and liabilities:		
Accounts receivable	(70)	424
Inventories, net	237	51
Other current assets and other assets	188	53
Accounts payable, accrued expenses and other liabilities	45	14
	-----	-----
Net cash used for operating		

activities	(1,772)	(2,778)
	-----	-----
Investing activities		
Sale of investments	11,725	--
Patent costs	(95)	(48)
Purchase of fixed assets	(9)	(127)
	-----	-----
Net cash provided by (used for) investing activities	11,621	(175)
	-----	-----
Financing activities		
Proceeds from short-term debt	2,161	3,471
Repayment of short-term debt	(6,611)	(51)
	-----	-----
Net cash (used for) provided by financing activities	(4,450)	3,420
	-----	-----
Effect of exchange rate changes on cash	(65)	44
Net increase in cash and cash equivalents	\$ 5,334	\$ 511
Cash and cash equivalents at beginning of the period	2,772	3,976
	-----	-----
Cash and cash equivalents at end of the period	\$ 8,106	\$ 4,487
	=====	=====
Supplemental non-cash activities:		
Accumulated amortization of abandoned assets	\$ 2	\$ 4
Supplemental disclosures:		
Cash paid for interest	\$ 46	\$ 29

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