



November 10, 2009

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

BRIDGEPORT, Conn., Nov 10, 2009 (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 third quarter ended September 30, 2009 and its outlook for the immediate future.

### Business Overview

- \* Third quarter 2009 revenues were \$253,000 as compared to \$1.58 million for the third quarter of 2008, a decrease of 84%. Revenues for the first three quarters of 2009 were \$974,000 compared to \$6.8 million for the same period in 2008, a decrease of 85.7%. During the third quarter, product sales contributed 88.9% and license fees and royalties contributed 11.1% to total sales. Revenue reflects declines in product sales as well as licensing fees and royalties.
- \* Sales declined in the third quarter of 2009 compared to the same period the prior year, primarily as a result of the lower demand for the Clean Diesel's Purifier systems, due to the completion of phase one of the London Low Emission Zone in 2008; the decline also reflects 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 continued to reduce the company's net losses. The third quarter of 2009 net loss was \$1.90 million (\$0.23 per share) compared to a net loss of \$2.38 million (\$0.29 per share) for the same 2008 period. The net loss for the first nine months of 2009 was \$5.45 million (\$0.67 per share) versus \$6.11 million (\$0.75 per share) for the comparable period in 2008.
- \* In support of its new strategic focus on increasing revenues as a system supplier and development partner for the expanding global retrofit market, Clean Diesel continues new product development and the requisite environmental agency verifications in several markets worldwide. The company reported the following developments related to its effort to promote wider use of its Platinum Plus and Purifier product technologies within the United Kingdom (UK) and the London Low Emission Zone (LEZ):
  - A supply agreement with Hug Engineering to provide Diesel Particulate Filter (DPF) substrates and related technology to the UK bus market.
  - Successful completion of the Millbrook London Transport Bus cycle testing, resulting in Clean Diesel's Purifier technology being

accepted for use for London's bus vehicles.

- Receipt of reduced pollution certification for Clean Diesel's Purifier system featuring Hug's filter technology.
- Selection of Clean Diesel's Purifier technology by Metroline for integration into their London fleet beginning November 2009. The contract is valued at approximately \$528,000.
- \* Organizationally, Mr. Mungo Park was elected as the new Chairman of the Board of Directors, enhancing the company's ability to address business and environmental challenges as well as capitalize on future opportunities; Derek Gray, the outgoing Chairman of the Board, remains a member of the Board and Chairman of the Audit Committee.
- \* On October 1, 2009, Clean Diesel Directors Michael Asmussen and Derek Gray purchased 10,000 and 25,684 shares, respectively, of the company's common stock.

## Management's Comments

Michael Asmussen, Clean Diesel's CEO and President, stated, "While the continued losses are disappointing, I am encouraged by the early results of our new business strategy. The progress we're seeing in obtaining verifications and contracts demonstrates that our new strategy is working. We believe that the Metroline contract is a harbinger of future successes."

Mr. Asmussen concluded, "I'm also encouraged by the operational discipline we have established this year. Despite the loss of revenue, we have succeeded in significantly reducing the year over year operating loss and the company is now positioned for future positive cash flow and profitability."

## Financial Results

Total revenue for the third quarter of 2009 was \$253,000 as compared to \$1.58 million for the third quarter of 2008. The 2008 period included the successful completion of the London Low Emission Zone July 2008 compliance deadline as well as postponements in the implementation of other programs for which our customers apply our technologies.

Net loss for the third quarter of 2009 was \$1.90 million (\$0.23 per share) compared to a net loss of \$2.38 million (\$0.29 per share) for the third quarter of 2008. Operating expenses for the third quarter of 2009 were \$2.17 million compared to \$3.80 million for the third quarter of 2008, a decrease of \$1.6 million or 42.9%, and included \$161,000 non-cash stock-based compensation charges compared to \$262,000 in the prior year. Selling, general and administrative expenses were \$1.32 million for the third quarter of 2009 compared to \$2.40 million in the comparable 2008 period, a decrease of \$1.08 million, or 44.9%.

Finally, 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 third quarter of 2009 of \$24,000.

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.

## 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 thirday 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)

	Sept. 30, 2009	Dec. 31, 2008
	-----	-----
	(Unaudited)	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 4,224	\$ 3,976
Investments	11,725	6,413
Accounts receivable, net of allowance of \$263 and \$359, respectively	163	637
Inventories, net	901	974
Other current assets	124	219
	-----	-----
Total current assets	17,137	12,219
Investments	--	5,127
Patents, net	1,062	1,027
Fixed assets, net of accumulated depreciation of \$338 and \$505, respectively	322	296
Other assets	61	78
	-----	-----
Total assets	\$ 18,582	\$ 18,747
	=====	=====
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 184	\$ 501
Accrued expenses	900	534
Short-term debt	7,697	3,013
Customer deposits	--	8
	-----	-----
Total current liabilities	8,781	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	74,479	73,901
Accumulated other comprehensive loss	(426)	(406)
Accumulated deficit	(64,334)	(58,885)
	-----	-----
Total stockholders' equity	9,801	14,691
	-----	-----
Total liabilities and stockholders' equity	\$ 18,582	\$ 18,747
	=====	=====

CLEAN DIESEL TECHNOLOGIES, INC.

Condensed Consolidated Statements of Operations

(in thousands, except per share amounts) (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
	-----	-----	-----	-----
Revenue:				
Product sales	\$ 225	\$ 1,415	\$ 879	\$ 6,432
Technology licensing fees and royalties	28	165	95	368
	-----	-----	-----	-----
Total revenue	253	1,580	974	6,800
Costs and expenses:				
Cost of product sales	217	1,174	668	5,232
Cost of licensing fees and royalties	--	--	--	--
Selling, general and administrative	1,324	2,403	4,837	7,447
Severance charge	448	--	958	--
Research and development	128	162	314	316
Patent amortization and other expense	56	65	128	143
	-----	-----	-----	-----
Operating costs and expenses	2,173	3,804	6,905	13,138
Loss from operations	(1,920)	(2,224)	(5,931)	(6,338)
Other income (expense):				
Interest income	46	125	187	481
Other income				

(expense), net	(26)	(282)	295	(257)
	-----	-----	-----	-----
Net loss	\$ (1,900)	\$ (2,381)	\$ (5,449)	\$ (6,114)
	=====	=====	=====	=====
Basic and diluted loss per common share	\$ (0.23)	\$ (0.29)	\$ (0.67)	\$ (0.75)
	=====	=====	=====	=====
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)

	Nine Months Ended September 30,	
	2009	2008
	-----	-----
Operating activities		
Net loss	\$ (5,449)	\$ (6,114)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	139	110
(Recovery) provision for doubtful accounts, net	(148)	499
Compensation expense for equity instruments	579	1,033
Gain on investment, net	(185)	--
Abandonment of patents and equipment	16	--
Changes in operating assets and liabilities:		
Accounts receivable	622	335
Inventories, net	73	262
Other current assets and other assets	112	68
Accounts payable, accrued expenses and other liabilities	41	(640)
	-----	-----
Net cash used for operating activities	(4,200)	(4,447)
	-----	-----
Investing activities		
Sale of investments	--	7,100
Patent costs	(88)	(220)
Purchase of fixed assets	(121)	(110)
	-----	-----
Net cash (used for) provided by investing activities	(209)	6,770
	-----	-----
Financing activities		
Proceeds from short-term debt	4,735	3,000
Repayment of short-term debt	(51)	--
Stockholder-related charges	--	(14)
Proceeds from exercise of stock options	--	24

Net cash provided by financing activities	----- 4,684 -----	----- 3,010 -----
Effect of exchange rate changes on cash	(27)	(159)
Net increase in cash and cash equivalents	\$ 248	\$ 5,174
Cash and cash equivalents at beginning of the period	3,976	1,517
Cash and cash equivalents at end of the period	----- \$ 4,224 =====	----- \$ 6,691 =====
Supplemental non-cash activities:		
Unrealized loss on available-for-sale securities	\$ --	\$ 750
Accumulated depreciation of abandoned assets	\$ 270	\$ --
Supplemental disclosures:		
Cash paid for interest	\$ 55	\$ 14

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