



November 11, 2008

## Clean Diesel Technologies Announces Financial Results for the Third Quarter of 2008

STAMFORD, Conn., Nov 11, 2008 (GlobeNewswire 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 third quarter and nine months ended September 30, 2008.

### Recent Developments:

- \* Revenue for the third quarter was \$1.6 million compared to \$2.5 million in the third quarter of 2007, with the decline mainly attributable to large upfront licensing fees in the third quarter of 2007
- \* Revenue totaled \$6.8 million for the nine months ended September 30, 2008 compared to \$3.9 million for the nine months ended September 30, 2007
- \* Clean Diesel, EnBW Regional AG and H. Daugbjerg SA unveiled a diesel retrofit emissions control system at the IAA Commercial Vehicles 2008 trade show in Hannover, Germany in September
- \* Michael Asmussen hired as Vice President of Sales, Americas, to lead domestic sales efforts

Dr. Bernhard Steiner, President and CEO of Clean Diesel Technologies, commented, "Clean Diesel has not been immune to the external macro events resulting in a global economic slowdown and the subsequent downturn in the automotive industry. Revenue for the quarter was \$1.6 million compared with \$2.5 million in the third quarter of last year, although it should be noted that last year's third quarter included significant upfront licensing fees which comprised much of our revenue for that period. Revenue also declined, as we expected, upon completion of the second of four compliance deadlines of the London Low Emission Zone (LEZ) in July 2008."

"Now with more than 300 patents and patents pending, the value of and demand for our portfolio of emission reduction technologies remains strong," continued Dr. Steiner. "Even though global events are driving an economic downturn, powerful forces are driving the demand for energy efficient solutions, and we see no signs of regulatory clean air mandates abating in the U.S. or abroad. This situation actually increases the competitive position and overall value of our unique technology portfolio. We believe the need for energy efficient emissions solutions is resulting in a new industry standard, embraced by engine manufacturers, for the combined use of Exhaust Gas Recirculation (EGR) and Selective Catalytic Reduction (SCR). Clean Diesel holds exclusive patents on the combined use of these technologies."

Dr. Steiner concluded, "Highlights in the third quarter include signing an important new license agreement with one of the leading companies in the industry. The brand awareness, know-how and value generated from participating in the London LEZ continues to create new opportunities, including participation with EnBW Regional AG, one of the largest German power network operators, and H. Daugbjerg SA, a Danish filter specialist, for a diesel retrofit emissions control system for the German market based on Clean Diesel's Purifier(tm) e4 technology. Our European LEZ experience is directly applicable in the Americas as we progress with verification by the California Air Resources Board for the Purifier e4 and participate in the California Off-Road Showcase and Supplemental Environmental Programs in Los Angeles and Oakland. These activities and developments underscore our global focus and market leadership."

### Third Quarter 2008 Financial Results

Total revenue for the third quarter of 2008 was \$1.6 million compared to \$2.5 million in the third quarter of 2007. The decrease in the third quarter was primarily due to significant up-front license fees recognized in the prior year third quarter. Net loss for the third quarter of 2008 was \$2.4 million or \$0.29 per share compared to the Company's only profitable quarter to date with a net profit of \$651,000 or \$0.09 per share in the comparable period in 2007. Net loss for the quarter included \$262,000 of non-cash stock-based compensation charges, compared to \$91,000 in non-cash stock-based compensation charges in the three

months ended September 30, 2007.

Total revenue for the nine months ended September 30, 2008 was \$6.8 million, an increase of 74%, compared to \$3.9 million for the same period in 2007. Net loss for the nine months ended September 30, 2008 was \$6.1 million or \$0.75 per share compared to \$1.7 million or \$0.25 per share in the comparable period in 2007. Net loss for the nine months ended September 30, 2008 included \$1.0 million of non-cash stock-based compensation charges compared to \$733,000 of non-cash stock-based compensation charges in the nine months ended September 30, 2007. The company also recorded an unrealized loss of \$750,000 for the nine months ended September 30, 2008 that reduced the value of its investments in auction rate securities (ARS) with a corresponding reduction in stockholders' equity.

The Company disclosed that in October 2008, it received an offer from UBS AG for a put right permitting the Company to sell to UBS at par value the \$11.7 million investment in ARS, previously purchased from UBS, at a future date (any time during a two-year period beginning June 30, 2010). The Offer also includes a commitment to loan the Company 75% of the UBS-determined value of the ARS at any time until the put is exercised. The Company accepted the UBS Offer on November 6, 2008.

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 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](http://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](http://www.cdti.com)

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

	September 30, 2008	December 31, 2007
	-----	-----
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 6,691	\$ 1,517
Accounts receivable, net of allowance of \$516 and \$49, respectively	1,093	1,927
Investments	--	7,100
Inventories, net	831	1,093
Other current assets	170	234
	-----	-----

Total current assets	8,785	11,871
Investments	10,975	11,725
Patents, net	992	817
Fixed assets, net of accumulated depreciation of \$486 and \$421, respectively	220	175
Other assets	71	75
	-----	-----
Total assets	\$ 21,043	\$ 24,663
	=====	=====
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 469	\$ 757
Accrued expenses	476	850
Short-term debt	3,000	--
Customer deposits	78	56
	-----	-----
Total current liabilities	4,023	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 8,138,303 and 8,124,056 shares, respectively	81	81
Additional paid-in capital	73,490	72,447
Accumulated other comprehensive loss	(925)	(16)
Accumulated deficit	(55,626)	(49,512)
	-----	-----
Total stockholders' equity	17,020	23,000
	-----	-----
Total liabilities and stockholders' equity	\$ 21,043	\$ 24,663
	=====	=====

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2008	2007	2008	2007
	-----	-----	-----	-----
Revenue:				
Product sales	\$ 1,415	\$ 223	\$ 6,432	\$ 567
Technology licensing fees and royalties	165	2,237	368	3,352
Consulting and other	--	--	--	--
	-----	-----	-----	-----
Total revenue	1,580	2,460	6,800	3,919
Costs and expenses:				
Cost of revenue - product				

sales	1,174	167	5,232	388
Cost of revenue - licensing fees and royalties	--	--	--	--
Cost of revenue - consulting and other	--	--	--	--
Selling, general and administrative	2,403	1,659	7,447	4,957
Research and development	162	100	316	292
Patent amortization and other expense	65	86	143	262
	-----	-----	-----	-----
Operating costs and expenses	3,804	2,012	13,138	5,899
(Loss) income from operations	(2,224)	448	(6,338)	(1,980)
Other income (expense):				
Interest income	125	204	481	298
Interest expense	(14)	--	(14)	--
Other income (expense), net	(268)	(1)	(243)	(1)
	-----	-----	-----	-----
(Loss) income before provision/benefit for income taxes	(2,381)	651	(6,114)	(1,683)
Provision/benefit for income taxes	--	--	--	--
	-----	-----	-----	-----
Net (loss) income	\$ (2,381)	\$ 651	\$ (6,114)	\$ (1,683)
	=====	=====	=====	=====
(Loss) income per share:				
Basic	\$ (0.29)	\$ 0.09	\$ (0.75)	\$ (0.25)
	=====	=====	=====	=====
Diluted	\$ (0.29)	\$ 0.09	\$ (0.75)	\$ (0.25)
	=====	=====	=====	=====
Weighted-average number of common shares outstanding:				
Basic	8,138	7,377	8,137	6,685
	=====	=====	=====	=====
Diluted	8,138	7,580	8,137	6,685
	=====	=====	=====	=====

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

Nine Months Ended  
September 30,  
2008                      2007

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Operating activities				
Net loss		\$ (6,114)	\$ (1,683)	
Adjustments to reconcile net loss to cash used in operating activities:				

Depreciation and amortization	110	100
Provision for doubtful accounts, net	499	28
Compensation expense for stock options and warrants	1,033	733
Changes in operating assets and liabilities:		
Accounts receivable	335	(1,827)
Inventories	262	(361)
Other current assets and other assets	68	(28)
Accounts payable, accrued expenses and other liabilities	(640)	(47)
	-----	-----
Net cash used for operating activities	(4,447)	(3,085)
	-----	-----
Investing activities		
Sales (purchases) of investments	7,100	(11,825)
Patent costs	(220)	(212)
Purchases of fixed assets	(110)	(71)
	-----	-----
Net cash provided by (used for) investing activities	6,770	(12,108)
	-----	-----
Financing activities		
Proceeds from short-term debt	3,000	--
Proceeds from issuance of common stock, net	--	4,313
Proceeds from issuance of warrants, net	--	6,867
Stockholder-related charges	(14)	(143)
Proceeds from exercise of stock options	24	83
	-----	-----
Net cash provided by financing activities	3,010	11,120
	-----	-----
Effect of exchange rate changes on cash	(159)	10
Net increase (decrease) in cash and cash equivalents	\$ 5,174	\$ (4,063)
Cash and cash equivalents at beginning of the period	1,517	5,314
	-----	-----
Cash and cash equivalents at end of the period	\$ 6,691	\$ 1,251
	=====	=====
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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