



FOR IMMEDIATE RELEASE

CLEAN DIESEL TECHNOLOGIES, INC. (CDTI) REPORTS 2008 RESULTS

BRIDGEPORT, CT - March 17, 2009 - Clean Diesel Technologies, Inc. (Nasdaq: CDTI), the cleantech emissions reduction company, today announced its operating results for the fourth quarter and year ended December 31, 2008.

Business Highlights

- Michael L. Asmussen replaced Dr. Bernhard Steiner as President, Chief Executive Officer and Director early in 2009 primarily to increase focus on commercialization of Clean Diesel's patented technologies both internationally and in the Americas.
- While below forecasted targets for the year 2008, total revenue was \$7.5 million compared to \$4.9 million for the year 2007. Net loss for 2008 was \$9.4 million, or \$1.15 per share, compared to \$4.5 million, or \$0.66 per share, for 2007.
- Sales of the Company's retrofit solution to the London Low Emission Zone provided the bulk of Clean Diesel's 2008 sales; the results proved a major success and enhanced the Company's position as a key player in the developing Low Emission Zone (LEZ) market.
- During 2008, Clean Diesel completed licenses to Headway Machine Co., Ltd., the largest engine exhaust company in China, and both Eaton Corporation and Hilite International, Inc. in the U.S. These license agreements extend Clean Diesel's global reach and continue the Company's policy of granting non-exclusive licenses.

Management's Comments

"While far from content with the overall results, increased revenues during 2008 reflect the evolution of the marketplace and indicate continued adaptation of emission reduction strategies which can be met by our technologies. Indeed, we are well placed to take advantage of profitable growth opportunities in the future," stated the new CEO of Clean Diesel Technologies, Michael Asmussen.

"During the past year, we saw increased international demand for Clean Diesel's technologies and solutions as compliance requirements become increasingly stringent worldwide and LEZs are enacted in major cities. By using our intellectual property to

create products which demonstrate how our retrofit expertise can meet the needs of LEZs, we've been able to move from license fees to products."

"There are over 63 million diesel engines on the roads today and over 11 million new engines going into service annually, so diesel will continue to play a major role in on-road markets. As the call for worldwide regulatory emission controls grows, and current legislation such as the U.S. EPA 2010 limits and California's Off-Road Equipment Rule takes effect, our market will continue to expand."

"Inevitably, we have been impacted by the current economic climate and downturn in the automotive industry. Recognizing this, we are taking a "building block" approach to transforming the Company. Decisions will be data-driven and we will build a process orientation. We are making structural changes for greater operational efficiency. We are implementing a formal strategic planning process and instituting greater management performance accountability. We will focus sharply on those opportunities with the greatest revenue potential in order to achieve earlier profitability."

"In sum, our market window appears to be moving closer and we need to focus on those technologies best suited for that window. With the tightening regulatory environment now creating a near-term need for emission reduction products based on our intellectual property estate, our revitalized business model and corporate structure should enable us to capitalize on appropriate business opportunities and enable greatest shareholder value to be earned for Clean Diesel," concluded Mr. Asmussen.

Financial Results

Total revenue for the fourth quarter of 2008 was \$0.7 million compared to \$1.0 million in the same quarter in 2007. As expected, the decrease corresponded with the successful completion of the London Low Emission Zone July 2008 compliance deadline. Net loss for the fourth quarter of 2008 was \$3.3 million, or \$0.40 per share, compared to \$2.9 million, or \$0.38 per share, in the comparable period in 2007. Net loss for the fourth quarter of 2008 included \$0.4 million non-cash charges for the fair value of stock options compared to \$1.5 million in the fourth quarter of 2007. The Company recorded a loss on the fair value of its investment in auction rate securities which was offset, in part, by a gain 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 \$0.2 million, net charge to operations.

Total revenue for the year ended December 31, 2008 was \$7.5 million compared to \$4.9 million for the same period in 2007. Net loss for the year ended December 31, 2008 was \$9.4 million, or \$1.15 per share, compared to \$4.5 million, or \$0.66 per share, in the comparable period in 2007. Net loss for the 12 months ended December 31, 2008

included \$1.4 million of non-cash charges for the fair value of stock options compared to \$2.2 million in non-cash stock option compensation expense in the year ended December 31, 2007. The Company also recorded a loss on the fair value of its investment in auction rate securities which was offset, in part, by a gain 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 charge to operations of \$0.2 million.

Additional information about the Company's financial results is available in its Annual Report on Form 10-K filed with the U.S. Securities & Exchange Commission: <http://www.sec.gov>. A copy of the 10-K 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, March 17, 2009. Mr. Michael Asmussen, CEO and President, and Ms. Ann Ruple, CFO and Vice President, will host the call to discuss the Company's operating results for the fiscal year which ended on December 31, 2008.

In the U.S. and internationally, you can attend the conference call via the web at: <http://investor.cdti.com/events.cfm>.

To participate in the conference call, please use the following U.S. toll free number five minutes before 10:00 AM (EDT): 1-877-675-4753. To participate in the conference call using an international phone number, use: 1-719-325-4850.

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, NO₂), including particulate matter (PM), nitrogen oxides (NO_x), 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® selective catalytic reduction (SCR); the patented combination of SCR and exhaust gas recirculation (EGR); hydrocarbon injection for emissions control applications; Platinum Plus® 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 Bridgeport, Connecticut. A wholly-owned subsidiary, Clean Diesel International, LLC is based in London, England. For more information, please visit www.cdti.com.

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.

TABLES TO FOLLOW

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CLEAN DIESEL TECHNOLOGIES, INC.
Consolidated Balance Sheets

(in thousands, except share data)

	December 31,	
	2008	2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,976	\$ 1,517
Accounts receivable, net of allowance of \$359 and \$49, respectively	637	1,927
Investments	6,413	7,100
Inventories, net	974	1,093
Other current assets	219	234
Total current assets	12,219	11,871
Investments	5,127	11,725
Patents, net	1,027	817
Fixed assets, net of accumulated depreciation of \$505 and \$421, respectively	296	175
Other assets	78	75
Total assets	\$ 18,747	\$ 24,663
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 501	\$ 757
Accrued expenses	534	850
Short-term debt	3,013	—
Customer deposits	8	56
Total current liabilities	4,056	1,663
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 8,138,304 and 8,124,056 shares, respectively	81	81
Additional paid-in capital	73,901	72,447
Accumulated other comprehensive loss	(406)	(16)
Accumulated deficit	(58,885)	(49,512)
Total stockholders' equity	14,691	23,000
Total liabilities and stockholders' equity	\$ 18,747	\$ 24,663

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

	For the years ended December 31,		
	2008	2007	2006
Revenue:			
Product sales	\$ 7,024	\$ 1,466	\$ 860
Technology licensing fees and royalties	451	3,459	74
Consulting and other	—	—	189
Total revenue	<u>7,475</u>	<u>4,925</u>	<u>1,123</u>
Costs and expenses:			
Cost of product sales	5,717	1,126	612
Cost of licensing fees and royalties	—	—	—
Cost of consulting and other revenue	—	—	46
Selling, general and administrative	9,992	8,041	5,278
Research and development	430	428	510
Patent amortization and other expense	227	364	235
Operating costs and expenses	<u>16,366</u>	<u>9,959</u>	<u>6,681</u>
Loss from operations	(8,891)	(5,034)	(5,558)
Other income (expense):			
Foreign currency exchange (loss) gain	(845)	(11)	104
Interest income	602	509	58
Other	(239)	1	12
Net loss	<u>\$ (9,373)</u>	<u>\$ (4,535)</u>	<u>\$ (5,384)</u>
Basic and diluted loss per common share	<u>\$ (1.15)</u>	<u>\$ (0.66)</u>	<u>\$ (1.03)</u>
Basic and diluted weighted-average number of common shares outstanding	<u>8,138</u>	<u>6,886</u>	<u>5,212</u>

Consolidated Statements of Comprehensive Loss
(in thousands)

	For the years ended December 31,		
	2008	2007	2006
Net loss	\$ (9,373)	\$ (4,535)	\$ (5,384)
Other comprehensive income (loss):			
Foreign currency translation adjustment	(390)	(20)	4
Comprehensive loss	<u>\$ (9,763)</u>	<u>\$ (4,555)</u>	<u>\$ (5,380)</u>

CLEAN DIESEL TECHNOLOGIES, INC.
Consolidated Statements of Cash Flow

(in thousands)

	For the years ended December 31,		
	2008	2007	2006
Operating activities			
Net loss	\$ (9,373)	\$ (4,535)	\$ (5,384)
Adjustments to reconcile net loss to cash used in operating activities:			
Depreciation and amortization	142	112	138
Provision for inventory	—	22	27
Provision for doubtful accounts, net	629	28	23
Compensation expense for stock options and warrants	1,444	2,208	304
Loss on disposition/abandonment of fixed assets/patents	38	58	23
Loss on investments, net	185	—	—
Changes in operating assets and liabilities:			
Accounts receivable	661	(1,855)	2
Inventories	119	(750)	(107)
Other current assets and other assets	12	(177)	(12)
Accounts payable and accrued expenses	(572)	677	678
Other liabilities	(48)	56	(9)
Net cash used for operating activities	<u>(6,763)</u>	<u>(4,156)</u>	<u>(4,317)</u>
Investing activities			
Sale (purchase) of investments, net	7,100	(18,825)	—
Patent costs	(299)	(313)	(94)
Purchase of fixed assets	(212)	(154)	(20)
Net cash provided by (used for) investing activities	<u>6,589</u>	<u>(19,292)</u>	<u>(114)</u>
Financing activities			
Proceeds from short-term debt	3,013	—	—
Proceeds from issuance of common stock, net	—	4,313	5,214
Proceeds from exercise of warrants	—	15,173	—
Proceeds from exercise of stock options	24	353	14
Stockholder-related charges	(14)	(168)	—
Net cash provided by financing activities	<u>3,023</u>	<u>19,671</u>	<u>5,228</u>
Effect of exchange rate changes on cash	(390)	(20)	4
Net increase (decrease) in cash and cash equivalents	\$ 2,459	\$ (3,797)	\$ 801
Cash and cash equivalents at beginning of the year	<u>1,517</u>	<u>5,314</u>	<u>4,513</u>
Cash and cash equivalents at end of the year	<u>\$ 3,976</u>	<u>\$ 1,517</u>	<u>\$ 5,314</u>
Supplemental non-cash activities:			
Common stock subscribed, net	\$ —	\$ —	\$ 4,313
Payment of accrued directors' fees in common stock	—	140	94