



Press Release

3 April 2007

**Clean Diesel Technologies, Inc.
Reports Fourth Quarter and Year End 2006 Results**

Stamford, CT...Clean Diesel Technologies, Inc. ("Clean Diesel Technologies" or "the Company") (OTC-BB: CDTI, AIM: CDT/CDTS & XETRA: CDI), a developer of technological solutions to reduce harmful engine emissions, today announces its Results for the fourth quarter and year ended December 31, 2006.

Clean Diesel Technologies reported total revenue increased 38.3% (US\$311,000) in 2006 to US\$1,123,000 compared to US\$812,000 in 2005. The 2006 increase in revenue was due to additive revenue, license and royalty revenue and consulting projects completed in 2006. Revenue for the fourth quarter of 2006 increased 26.9% to US\$236,000 compared to US\$186,000 in the fourth quarter of 2005. The increase in revenue in the fourth quarter of 2006 was primarily attributable to additive and hardware revenue. Net loss for the year ended December 31, 2006 was US\$5,384,000, or US\$0.21 loss per share, compared to the 2005 net loss of US\$5,426,000, or US\$0.30 loss per share. Net loss for the fourth quarter of 2006 was US\$1,496,000, or US\$0.06 loss per share, as compared to the fourth quarter of 2005 net loss of US\$1,460,000, or US\$0.07 loss per share.

The Company's total operating costs and expenses for the year ended December 31, 2006 were US\$6,681,000 compared to US\$6,043,000 in 2005, an increase of US\$638,000, or 10.6%, and included US\$304,000 of non-cash charges for the fair value of stock options granted (in accordance with SFAS No. 123R which the Company adopted in January 2006). Excluding the stock option charge, the total operating costs and expenses increased 5.5% in relation to the prior year. Also included in 2006 operating costs and expenses are severance charges of US\$357,475 (due to the departure of the Company's former president and chief operating officer who had been released from employment in January 2006) and the full year effect of the Company's executive vice president, North American operations and chief technology officer who was hired in August 2005.

Commenting on the results, Dr. Bernhard Steiner, President and CEO, said: "2006 was a significant year for Clean Diesel Technologies' development with a strong focus on moving the sales and marketing activities forward, a key component of which was expanding our distribution partners in North and South America, Europe and Asia. The net loss from operations reflects this increased investment in sales and marketing. Clean Diesel Technologies finished the year with US\$5.3 million in cash and the expectation of collecting another US\$4.3 million (net of expenses) from subscriptions. I am pleased that we successfully completed a private placement in December 2006. For that, we are grateful to our supportive stockholders."

Dr. Steiner continued, "The combination of increasingly stringent legislation and expanding financial incentives in the global emissions market, underpinned by strengthening demand for environmental best practice and dramatic cuts in greenhouse gas emissions, is expected to drive the market in 2007 and throughout the rest of the decade. The escalating need for clean air and energy efficiency provides significant opportunities for Clean Diesel Technologies' existing range of products and solutions also for its future innovations."

"Our expanded distribution network, additional patents, technology developments and investment in sales and marketing should all provide the Company with enhanced revenue opportunities in 2007 and beyond. We are now well positioned for the next stage of growth and look forward to 2007 with confidence."

For further information:

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Clean Diesel Technologies, Inc. is a clean energy and environmental technology company supplying proprietary pollution control systems technologies to reduce harmful emissions from internal combustion engines while improving fuel economy, resulting in “cleaner air” and reduced “greenhouse gas” emissions. The Company has four main technology areas: Platinum Plus® fuel-borne catalysts for emission control and fuel economy improvement in diesel engines; ARIS® selective catalytic reduction (SCR) technology for control of nitrogen oxide (NOx) emissions from diesel engines; catalyzed wire mesh diesel particulate filters to reduce particulate matter and other regulated engine emissions; and biofuels technology, which includes the low emission Biodiesel Plus™ formula. For additional information, you may review our Annual Report on Form 10-K as filed with the Securities and Exchange Commission.

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 US 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 Follow --

CLEAN DIESEL TECHNOLOGIES, INC.
Statement of Operations

(in thousands, except per share data)

	Three Months Ended December 31,		Years Ended December 31,	
	2006	2005	2006	2005
	US\$	US\$	US\$	US\$
Revenue:				
Additive revenue	134	128	591	411
Hardware revenue	78	35	269	349
License and royalty revenue	24	23	74	47
Consulting and other	—	—	189	5
Total revenue	<u>236</u>	<u>186</u>	<u>1,123</u>	<u>812</u>
Costs and expenses:				
Cost of revenue	180	99	658	471
General and administrative	1,405	1,328	5,278	4,963
Research and development	63	69	510	439
Patent amortization and other expense	<u>89</u>	<u>45</u>	<u>235</u>	<u>170</u>
Loss from operations	<u>(1,501)</u>	<u>(1,355)</u>	<u>(5,558)</u>	<u>(5,231)</u>
Foreign currency exchange gain (loss)	3	(115)	104	(221)
Interest income	2	10	58	26
Other	—	—	12	—
Net income (loss)	<u>(1,496)</u>	<u>(1,460)</u>	<u>(5,384)</u>	<u>(5,426)</u>
Basic and diluted loss per common share	<u>(0.06)</u>	<u>(0.07)</u>	<u>(0.21)</u>	<u>(0.30)</u>
Basic and diluted weighted-average number of common shares outstanding	26,276	22,027	26,059	18,389

CLEAN DIESEL TECHNOLOGIES, INC.
Consolidated Balance Sheets

(in thousands, except share data)

	December 31,	
	2006	2005
	US\$	US\$
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	5,314	4,513
Accounts receivable, net of allowance of \$34 and \$11, respectively	100	125
Inventories, net	365	285
Other current assets	96	94
Subscription receivable, net	<u>2,412</u>	<u>488</u>
Total current assets	8,287	5,505
Patents, net	603	567
Fixed assets, net of accumulated depreciation of \$350 and \$259, respectively	91	175
Other assets	37	27
Total assets	<u>9,018</u>	<u>6,274</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	30	170
Accrued expenses	740	317
Deferred revenue	—	9
Total current liabilities	<u>1,070</u>	<u>496</u>
Commitments		
STOCKHOLDERS' EQUITY:		
Preferred stock, par value \$0.05 per share, authorized 100,000; no shares issued and outstanding	—	—
Common stock, par value \$0.05 per share: authorized 45,000,000 and 30,000,000 shares, respectively; issued and outstanding 29,822,468 and 25,369,358 shares, respectively	1,491	1,269
subscribed and to be issued 3,339,994 and 705,113 shares, respectively	167	35
Additional paid-in capital, net of subscriptions receivable of \$1,901 at December 31, 2006	51,263	44,067
Accumulated other comprehensive income	4	—
Accumulated deficit	<u>(44,977)</u>	<u>(39,593)</u>
Total stockholders' equity	<u>7,948</u>	<u>5,778</u>
Total liabilities and stockholders' equity	<u>9,018</u>	<u>6,274</u>

CLEAN DIESEL TECHNOLOGIES, INC.
Consolidated Statements of Cash Flow

(in thousands)	For the years ended December 31,		
	2006	2005	2004
	US\$	US\$	US\$
Operating activities			
Net loss	(5,384)	(5,426)	(4,143)
Adjustments to reconcile net loss to cash used in operating			
Depreciation and amortization	138	163	132
Provision for inventory	27	43	—
Provision for doubtful accounts, net	23	12	—
Compensation expense for stock options	304	—	88
Loss on disposition/abandonment of fixed assets/patents	23	33	19
Changes in operating assets and liabilities:			
Accounts receivable	2	7	(40)
Inventories	(107)	59	(76)
Other current assets and other assets	(12)	(23)	(7)
Deferred compensation and pension benefits	—	—	(306)
Accounts payable and accrued expense	678	167	21
Deferred revenue	(9)	9	—
Net cash used for operating activities	<u>(4,317)</u>	<u>(4,956)</u>	<u>(4,312)</u>
Investing activities			
Patent costs	(94)	(235)	(186)
Purchase of fixed assets	(20)	(85)	(164)
Net cash used for investing activities	<u>(114)</u>	<u>(320)</u>	<u>(350)</u>
Financing activities			
Proceeds from issuance of common stock, net	5,214	5,522	2,408
Proceeds from exercise of stock options	14	2	1
Proceeds from broker fee credit	—	—	3
Net cash provided by financing activities	<u>5,228</u>	<u>5,524</u>	<u>2,412</u>
Effect of exchange rate changes on cash	4	—	—
Net increase (decrease) in cash and cash equivalents	801	248	(2,250)
Cash and cash equivalents at beginning of the year	<u>4,513</u>	<u>4,265</u>	<u>6,515</u>
Cash and cash equivalents at end of the year	<u>5,314</u>	<u>4,513</u>	<u>4,265</u>
Supplemental non-cash activities:			
Common stock subscribed, net	4,313	488	—
Payment of accrued directors' fees in common stock	94	70	57
Stock issued as payment for deferred compensation	—	—	135

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