



Clean Diesel Technologies, Inc.

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Clean Diesel Technologies Reports 2005 Fourth-Quarter and Year-End Results

Stamford, CT...Clean Diesel Technologies, Inc. ("Clean Diesel" or "The Company") (EBB: 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 31 December 2005.

Clean Diesel reported an increase in its Platinum Plus® additive revenue for the year and the quarter. Total revenue for the fourth quarter 2005 was \$186,000 with a net loss of \$1,460,000 or \$0.07 loss per share versus \$194,000 of revenue in the fourth quarter of 2004 with a net loss of \$1,207,000 or \$0.07 loss per share. For the year ended 31 December 2005 total revenue was \$812,000 with a net loss of \$5,426,000 or \$0.30 loss per share. In the comparable 2004 period, revenue was \$722,000 with a net loss of \$4,143,000 or \$0.26 loss per share.

Dr Bernhard Steiner, President and CEO, commented that "2005 was a significant year for Clean Diesel's development with a strong focus on moving the sales and marketing activities forward, a key component of which was expanding our distribution partners in the US, Europe and Asia. The net loss from operations reflects our increased investment in sales and marketing. Growing awareness and global legislation for emission reduction as well as increasing incentives worldwide continue to provide tremendous potential for our technologies and products. We are now well positioned for the next stage of growth and look forward with confidence."

Clean Diesel's increase in additive sales for the fourth quarter and the year can be attributed to growth from its key beverage delivery, mining and marine customers. In addition, Clean Diesel saw increased international shipments of its Platinum Plus Fuel Borne Catalyst (FBC), primarily for use with diesel particulate filters. With rising fuel prices, Clean Diesel is also seeing a growing interest in the fuel economy improvements provided by using the FBC, both in the US and Europe. The combined market forces of increased fuel costs, higher demand for environmentally sound technologies, together with stricter regulations are expected to create a strong demand for Clean Diesel's products.

In September 2005, the Company announced a significant new distribution partner for the manufacturing and distribution of its Platinum Plus products. 2005 also saw several key patents

granted relating to the Company's ARIS® and related SCR technologies. In addition, Clean Diesel acquired the patents and other intellectual property patent rights to a catalyzed wire mesh diesel particulate filter technology. Clean Diesel recently announced the availability of Europe's first commercial airless SCR urea system. As a result Clean Diesel is actively discussing license and distribution arrangements for the ARIS and related SCR/EGR technologies with companies in Europe, Asia and the US.

Expenses in the fourth quarter of 2005 were comparable to the fourth quarter of 2004 as lower R&D was offset by increased administrative expense. For 2005 expenses increased by \$1 million as the Company invested in additional sales and marketing as well as incurred additional EPA testing expense. Included in the 2005 administrative expense is the addition of a Chief Technology Officer as well as the full year impact of several additional sales and marketing staff and related expense.

The previously announced additional testing requested by the EPA required significant time and management resources and resulted in substantial delay in Platinum Plus and hardware revenue opportunities in 2005. The Company issued a press release (21 November 2005) summarizing the work completed on behalf of the EPA which confirmed that FBC-related platinum emissions do not pose an allergenic risk.

Dr. Steiner added that "the need for clean air and energy efficiency provides Clean Diesel with great opportunities for our existing products and future technologies. Clean Diesel's expanded distribution, additional patents and technologies and investment in sales and marketing should provide the Company with enhanced revenue opportunities in 2006. Furthermore, increased funding and incentives globally for emission reduction is expected to drive the market in 2006 and throughout the rest of the decade."

- ENDS -

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About Clean Diesel Technologies, Inc.

Clean Diesel Technologies, Inc. and its UK representative office, Clean Diesel International LLC, is a developer of technological solutions to reduce harmful engine emissions. Clean Diesel Technologies has patented products that reduce emissions from combustion engines while simultaneously improving fuel economy and power. Products include Platinum Plus[®] fuel-borne catalysts (FBC), the Platinum Plus Purifier System, catalyzed wire mesh diesel particulate filter technologies and the ARIS[®] 2000 urea-injection systems for selective catalytic reduction of NOx. Platinum Plus and ARIS are registered trademarks of Clean Diesel Technologies, Inc. For more information, visit CDT at www.cdti.com or contact the Company directly.

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 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 REPORTS 2005 YEAR-END RESULTS

Page 4-4-4

CLEAN DIESEL TECHNOLOGIES, INC.
STATEMENTS OF OPERATIONS

(in thousands except per share data)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2005	2004	2005	2004
Revenue:				
Additive revenue	\$ 129	\$ 100	\$ 411	\$ 299
Hardware revenue	35	89	349	369
License and royalty revenue	<u>22</u>	<u>5</u>	<u>52</u>	<u>54</u>
Total revenue	<u>186</u>	<u>194</u>	<u>812</u>	<u>722</u>
Costs and expenses:				
Cost of revenue	99	121	471	455
General and administrative	1,328	1,201	4,963	3,962
Research and development	69	162	439	506
Patent amortization and other expense	<u>45</u>	<u>29</u>	<u>170</u>	<u>90</u>
Loss from operations	(1,355)	(1,319)	(5,231)	(4,291)
Foreign currency exchange gain (loss)	(115)	101	(221)	101
Interest income	<u>10</u>	<u>11</u>	<u>26</u>	<u>47</u>
Net loss	<u>\$ (1,460)</u>	<u>\$ (1,207)</u>	<u>\$ (5,426)</u>	<u>\$ (4,143)</u>
Basic and diluted loss per common share	<u>\$ (0.07)</u>	<u>\$ (0.07)</u>	<u>\$ (0.30)</u>	<u>\$ (0.26)</u>
Weighted average number of common shares outstanding	<u>22,027</u>	<u>17,128</u>	<u>18,389</u>	<u>16,071</u>

CLEAN DIESEL REPORTS 2005 YEAR-END RESULTS

Page 5-5-5

CLEAN DIESEL TECHNOLOGIES, INC.
BALANCE SHEETS

(in thousands except share data)

	December 31, <u>2005</u>	December 31, <u>2004</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,513	\$ 4,265
Accounts receivable, net	125	145
Inventories	285	387
Other current assets	94	71
Subscription receivable, net	<u>488</u>	<u>--</u>
Total current assets	5,505	4,868
Patents, net	567	418
Fixed Assets, net	175	200
Other assets	<u>27</u>	<u>27</u>
Total assets	<u>\$ 6,274</u>	<u>\$ 5,513</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Deferred revenue	9	--
Accounts payable and accrued expenses	<u>487</u>	<u>391</u>
Total current liabilities	496	391
Stockholders' equity:		
Preferred stock, par value \$0.05 per share, authorized 100,000 shares, no shares issued and outstanding	--	--
Common stock, par value \$0.05 per share, authorized 30,000,000 shares, issued and outstanding 25,369,358 and 17,165,868 shares, respectively	1,268	858
Common stock, par value \$0.05 per share, subscribed And to be issued; 705,113 shares in 2005	35	--
Additional paid-in capital	44,068	38,431
Accumulated deficit	<u>(39,593)</u>	<u>(34,167)</u>
Total stockholders' equity	<u>5,778</u>	<u>5,122</u>
Total liabilities and stockholders' equity	<u>\$ 6,274</u>	<u>\$ 5,513</u>