



**NEWS RELEASE for 11 May 2006 at 2:30 AM EST and 7:30 AM GMT**

**Clean Diesel Technologies Reports 2006 First Quarter 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 2006 first quarter. Clean Diesel achieved a 40% increase in revenue compared with the same quarter in the previous year. Platinum Plus fuel borne catalyst (FBC) sales and other revenue, including a market assessment project, increased in the first quarter of 2006. Clean Diesel has won several new customers in Europe and the US, and also is seeing strong additive growth from the U.S. mining sector.

Revenue for the first quarter 2006 was \$269,000 with a net loss of \$1,584,000 (\$0.06 loss per share), compared to revenue of \$192,000 in the first quarter of 2005 with a net loss of \$1,184,000 (\$0.07 loss per share).

Dr. Bernhard Steiner, President and CEO, commented: "The Company continues to see a growing demand for its technologies. Recent interest in alternative energy, pending emission reduction requirements in the United States, Europe and Asia, and growing environmental activity, are providing Clean Diesel with global opportunities. Clean Diesel is now operating on four continents and rapidly expanding its partner and customer base to address demand."

Dr. Steiner added: "With the looming 2007 – 2010 emission reduction requirements for NOx and particulate matter, Clean Diesel's technologies have gained substantial interest and acceptance with original equipment manufacturers and Tier one suppliers. As a result, Clean Diesel is now in testing programs and negotiations with most leading engine manufacturers or suppliers."

Expenses in the first quarter of 2006 increased in comparison to the first quarter of 2005 as a result of one-time expenses and new accounting rules. Included in the first quarter 2006 general and administration expense is \$357,000 of severance charges. Also included in the first quarter 2006 expenses is \$53,000 of non-cash compensation expense relating to stock options granted prior to January 1, 2006. As now required under the United States Financial Accounting Standard 123R, the fair value of options granted must be calculated and the expense recognized over the vesting term of the option.

Research and development expense also increased as a result of the timing of projects in the first quarter 2006 versus the 2005 first quarter. Clean Diesel performed additional testing on its recently acquired wire mesh diesel particulate filter technology and new patented bio-diesel formulations.

Dr. Steiner noted: “The global interest in bio-diesel fuel is expanding rapidly. Clean Diesel has developed proprietary bio-diesel formulations that eliminates the NOx increase associated with most bio-diesel blends and provides additional particulate reduction and fuel economy improvement. Clean Diesel’s low emission bio-fuels research is intended to expand the potential bio-diesel and renewable fuels market. Clean Diesel is actively working with bio-diesel suppliers and blenders to incorporate our low emission bio-diesel formulation into their commercial products.”

Full financial information is included in the Company’s Form 10-Q filed with the Securities and Exchange Commission ([www.SEC.gov](http://www.SEC.gov)).

#### **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<sup>®</sup> fuel-borne catalysts (FBC), the Platinum Plus Purifier System, catalyzed wire mesh diesel particulate filter technologies and the ARIS<sup>®</sup> 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](http://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.

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TABLES FOLLOW

**CLEAN DIESEL TECHNOLOGIES, INC.**  
**STATEMENT OF OPERATIONS**

(Unaudited)

(in thousands, except share data)

	<b>Three Months Ended March 31</b>	
	<b>2006 \$</b>	<b>2005 \$</b>
<b>Revenue:</b>		
Additive revenue	150	\$95
Hardware revenue	45	92
License, royalty and other revenue	74	5
Total revenue	<u>269</u>	<u>192</u>
<b>Costs and expenses:</b>		
Cost of revenue	116	110
General and administrative	1,529	1,165
Research and development	218	59
Patent amortization and other expense	<u>43</u>	<u>39</u>
<b>Loss from operations</b>	<b>(1,637)</b>	<b>(1,181)</b>
Foreign currency exchange gain (loss)	14	(19)
Interest income	27	9
Miscellaneous income	<u>12</u>	<u>0</u>
<b>Net Loss</b>	<b><u>(1,584)</u></b>	<b><u>(1,191)</u></b>
Basic and diluted loss per common share	<u>(0.06)</u>	<u>(0.07)</u>
Weighted average number of common shares outstanding	<u>26,085</u>	<u>17,166</u>

**CLEAN DIESEL TECHNOLOGIES, INC.**  
**BALANCE SHEETS**

(in thousands, except share data)

	<b>March 31, 2006 \$ (Unaudited)</b>	December 31, 2005 \$
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	3,895	4,513
Accounts receivable, net	166	125
Inventories	263	285
Other current assets	111	94
Subscription receivable, net	<u>0</u>	<u>488</u>
<b>Total current assets</b>	<b>4,435</b>	<b>5,505</b>
Patents, net	576	567
Fixed assets, net	150	175
Other assets	<u>27</u>	<u>27</u>
<b>Total assets</b>	<b>5,188</b>	<b>6,274</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities</b>		
Deferred revenue	11	9
Accounts payable and accrued expenses	<u>909</u>	<u>487</u>
<b>Total current liabilities</b>	<b>920</b>	<b>496</b>
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	1,304	1,268
Common stock, par value \$0.05 per share, subscribed and to be issued; 705,113 shares in 2005	--	35
Additional paid-in capital	44,141	44,068
Accumulated deficit	<u>(41,177)</u>	<u>(39,593)</u>
<b>Total stockholders' equity</b>	<b>4,268</b>	<b>5,778</b>
<b>Total liabilities and stockholders' equity</b>	<b>5,188</b>	<b>6,274</b>