

Clean Diesel Technologies, Inc.

Reports 2007 First Quarter Results

Stamford, CT, Clean Diesel Technologies, Inc. ("Clean Diesel Technologies" or "the Company") (EBB: CDTI, AIM: CDT/CDTS & XETRA: CDI), an innovation leader for clean energy and environmental technologies to reduce harmful engine emissions, reported results for its first quarter ended March 31, 2007. Total revenue for the quarter was US\$216,000 with a net loss of US\$1.8 million, or US\$0.06 loss per share, versus revenue of US\$269,000 for the comparable quarter of 2006 with a net loss of US\$1.6 million, or US\$0.06 loss per share. The higher revenue last year was due primarily to a market assessment consulting project that generated US\$73,000 in the 2006 quarter.

During the first quarter of 2007, the Company made substantial progress in its ongoing initiative to achieve technology license agreements with significant manufacturers and component suppliers. Clean Diesel Technologies will announce its achievements as agreements are signed and its licensees have consented to the contents of the announcements.

"We are confident this will be a landmark year for Clean Diesel," said Dr. Bernhard Steiner, President and CEO. "The quarter's numbers don't tell the interesting part of the story, but it is worth emphasizing that with our cash on hand and the potential for additional financing from the exercise of our outstanding warrants, we will have enough staying power to achieve our strategic goals. As of today, we are poised for growth through OEM and Tier-One supply and licensing agreements, some of which have been in test and negotiation for many years. The progress we have made in our license negotiations is leading to exciting new opportunities for the Company and its partners."

Dr. Walter Copan, Executive VP and Chief Technology Officer, said, "The growing concern over the effects of air pollution has resulted in substantially more demanding requirements to control oxides of nitrogen, particulate matter and carbon dioxide emissions, while also reducing fossil fuel consumption. Our patented platform technologies have worldwide application in precisely these areas."

Dr. Steiner added that the strength of the worldwide movement toward more environmentally friendly technology promises to benefit Clean Diesel in the coming months because of the Company's focus

on expanding application of technologies and solutions designed to improve fuel efficiency and reduce harmful engine emissions.

“Over the course of the Company’s existence, we have performed extensive and rigorous testing at best-in-class reference sites, collecting significant data that have enabled us to gain the respect of regulators and the interest of major manufacturers worldwide. We are proud that our technologies can clean up vehicles already on the road as well as those from the OEM market, along with stationary engines for such applications as power generation – but perhaps more importantly, we believe our technologies can provide keys to producing ultra-low emission vehicles in the future. The upside is that our technologies also provide significant fuel savings so that implementation ‘pays for itself,’” Steiner said.

Additive revenue in the three months ended March 31, 2007 was US\$122,000 compared to US\$150,000 in the prior year quarter, a decrease of US\$28,000, or 18.7%, due to a shift in order placement resulting from a transition of supply chain to distribution partners. Hardware revenue was US\$83,000 in the 2007 first quarter compared to US\$45,000 in the same 2006 period, an increase of US\$38,000, or 84.4%, due to increased sales of our ARIS advanced reagent injector and dosing systems for selective catalytic reduction. License fees and royalty revenue was US\$11,000 in the three months ended March 31, 2007 compared to US\$1,000 in the three months ended March 31, 2006, an increase of US\$10,000 primarily due to royalty payments related to the Company’s ARIS technology.

Operating costs and expenses were US\$2,058,000 in the three month ended March 31, 2007 compared to US\$1,906,000 in the comparable 2006 period, an increase of US\$152,000, or 8.0%, reflecting higher selling, general and administrative expenses and higher patent-related costs, partially offset by lower research and development expenses. Selling, general and administrative expenses included US\$551,000 of non-cash charges for the fair value of stock options compared to US\$53,000 in non-cash share-based compensation expense in the three months ended March 31, 2006 in accordance with SFAS No. 123R, which the Company adopted in January 2006. The 2006 period also included US\$357,475 of severance charges for the former president and chief operating officer who had been released from employment in January 2006. Research and development expenses were US\$176,000 lower than the same prior year period because the 2006 period included significant special costs on a project that was then substantially completed. Patent-related costs were higher in the 2007 period due to additional costs associated with the protection of the CDT patents.

Clean Diesel's CFO Ann Ruple noted that at March 31, 2007, the Company had cash and cash equivalents of US\$6,298,000 and working capital of US\$6,725,000. In the three months ended March 31, 2007, the Company's operating activities used US\$2,050,000 of cash (primarily to fund the 2007 net loss) and its investing activities used US\$40,000 (predominantly for investments in the Company's patents). Cash provided by financing activities was US\$3,074,000 in the three months ended March 31, 2007, due primarily to proceeds from collection of subscriptions receivable from the 2006 private placement.

Full financial information is included in the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission (www.SEC.gov).

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About Clean Diesel Technologies, Inc.

Clean Diesel Technologies, Inc., along with its wholly-owned subsidiary, Clean Diesel International, LLC, is a clean energy and environmental technology company that provides innovative solutions for emissions control and energy conservation. Clean Diesel Technologies' patented technologies, products and solutions enable cost-effective reduction of harmful emissions from internal combustion engines while also improving fuel economy and power. Products include Platinum Plus[®] fuel-borne catalysts, the Platinum Plus Purifier Systems, the ARIS[®] urea injection systems for selective catalytic reduction of NOx, diesel particulate filter and biofuels technologies. Their products are now in commercial use around the world. Platinum Plus and ARIS are registered trademarks of Clean Diesel Technologies, Inc. For more information, visit Clean Diesel 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 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.

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CLEAN DIESEL TECHNOLOGIES, INC.
Condensed Consolidated Statements of Operations

(Unaudited; in thousands, except per share amounts)

	Three Months Ended	
	March 31,	
	2007	2006
	<u>US\$</u>	<u>US\$</u>
Revenue:		
Additive revenue	122	150
Hardware revenue	83	45
License and royalty revenue	11	1
Consulting and other	—	73
Total revenue	<u>216</u>	<u>269</u>
Costs and expenses:		
Cost of revenue	116	116
Selling, general and administrative	1,803	1,529
Research and development	42	218
Patent amortization and other expense	97	43
Operating costs and expenses	<u>(2,058)</u>	<u>(1,906)</u>
Loss from operations	(1,842)	(1,637)
Other income (expense):		
Interest income	27	27
Other income (expense)	—	26
Net loss	<u>(1,815)</u>	<u>(1,584)</u>
Basic and diluted loss per common share	<u>(0.06)</u>	<u>(0.06)</u>
Basic and diluted weighted-average number of common shares outstanding	<u>30,573</u>	<u>25,677</u>

CLEAN DIESEL TECHNOLOGIES, INC.
Condensed Consolidated Balance Sheets

(in thousands, except share data)

	March 31, 2007	December 31, 2006
	(Unaudited) US\$	US\$
Assets		
Current Assets:		
Cash and cash equivalents	6,298	5,314
Accounts receivable, net of allowance of US\$63 and US\$34, respectively	151	100
Inventories, net	474	365
Other current assets	72	96
Subscription receivable, net	—	2,412
Total current assets	6,995	8,287
Patents, net	625	603
Fixed assets, net of accumulated depreciation of US\$369 and US\$350, respectively	74	91
Other assets	37	37
Total assets	7,731	9,018
Liabilities And Stockholders' Equity		
Current Liabilities:		
Accounts payable	23	330
Accrued expenses	247	740
Total current liabilities	270	1,070
Stockholders' Equity:		
Preferred Stock, par value US\$0.05 per share; authorized 100,000; no shares issued and outstanding	—	—
Common Stock, par value US\$0.05 per share: authorized 45,000,000 shares; issued and outstanding 32,195,008 and 29,822,468 shares, respectively	1,610	1,491
subscribed and to be issued 1,083,053 and 3,339,994 shares, respectively	54	167
Additional paid-in capital, net of subscriptions receivable of US\$1,389 and US\$1,901, respectively	52,585	51,263
Accumulated other comprehensive income	4	4
Accumulated deficit	(46,792)	(44,977)
Total stockholders' equity	7,461	7,948
Total liabilities and stockholders' equity	7,731	9,018

CLEAN DIESEL TECHNOLOGIES, INC.
Condensed Consolidated Statements of Cash Flows

(Unaudited; in thousands, except per share amounts)

	Three Months Ended March 31	
	2007	2006
	<u>US\$</u>	<u>US\$</u>
Operating activities		
Net loss	(1,815)	(1,584)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	35	42
Provision for doubtful accounts, net	30	17
Compensation expense for stock options	551	53
Changes in operating assets and liabilities:		
Accounts receivable	(81)	(49)
Inventories	(109)	22
Other current assets and other assets	24	(18)
Accounts payable and accrued expenses	(685)	431
Net cash used for operating activities	<u>(2,050)</u>	<u>(1,086)</u>
Investing activities		
Patent costs	(38)	(34)
Purchase of fixed assets	(2)	—
Net cash used for investing activities	<u>(40)</u>	<u>(34)</u>
Financing activities		
Proceeds from issuance of common stock, net	3,047	488
Proceeds from exercise of stock options	27	14
Net cash provided by financing activities	<u>3,074</u>	<u>502</u>
Net increase (decrease) in cash and cash equivalents	984	(618)
Cash and cash equivalents at beginning of the period	<u>5,314</u>	<u>4,513</u>
Cash and cash equivalents at end of the period	<u><u>6,298</u></u>	<u><u>3,895</u></u>
Supplemental non-cash activities:		
Payment of accrued directors' fees in common stock	115	—

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