

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

Clean Diesel Technologies Reports 2006 Second 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 second quarter. Clean Diesel's Platinum Plus fuel borne catalyst (FBC) revenue increased 60% in the second quarter 2006 and 60% for the six months year to date, versus the comparable 2005 periods. The Company is expanding its customer and distributor base particularly in the UK and Europe. Overall revenue is up slightly for the quarter as the increase in revenue from additives and other revenue including a market assessment project was mostly offset by a decrease in hardware revenue. For the first half of 2006 overall revenue increased 19% as compared to 2005.

Dr. Bernhard Steiner, President and CEO, commented: "Clean Diesel's investment in international sales and marketing is beginning to generate the anticipated revenue increase. As a result of this growing European demand for the Platinum Plus Fuel Borne Catalyst, the Company has upgraded its UK Representative office to a UK Branch office which will continue to operate as Clean Diesel International LLC. In addition, Clean Diesel has established a local UK-based blending and warehousing facility to better service our expanding customer and distributor base".

Revenue for the second quarter 2006 was \$279,000 with a net loss of \$1,190,000 (\$0.05 loss per share), compared to revenue of \$268,000 in the second quarter of 2005 with a net loss of \$1,286,000 (\$0.07 loss per share). For the six months ended June 30, 2006, revenue was \$548,000 with a net loss of \$2,774,000 (\$0.11 loss per share), compared to \$460,000 of revenue and a net loss of \$2,477,000 (\$0.14 loss per share) in 2005.

Expenses in the second quarter of 2006 were up slightly in comparison to 2005 as a result of higher patent costs, increased European professional expenses, increased R&D and non-cash compensation expense (\$53,000) for stock options, partially offset by the lower compensation expense relating to the first quarter severance charge for the departure of the former President and Chief Operating Officer.

For the first six months of 2006, expenses are up versus 2005 due to: higher R&D related to increased testing of the Mitsui acquired wire-mesh filter technology, non-cash compensation expense (\$106,000) for stock options; and severance recognized in the first quarter of 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.

Dr. Steiner also noted: “Clean Diesel’s Selective Catalytic Reduction and related technologies continue to generate substantial interest for both new vehicle and retrofit applications. The Company expects to announce the first of several original equipment manufacturer license agreements for its ARIS Selective Catalytic Reduction technology in the near future.”

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About Clean Diesel Technologies, Inc.

Clean Diesel Technologies, Inc. and its UK Branch 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[®] 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

STATEMENT OF OPERATIONS (Unaudited)

(in thousands, except share data)

	Three Months Ended June 30		Six Months Ended June 30	
	2006 \$	2005 \$	2006 \$	2005 \$
Revenue:				
Additive revenue	145	91	296	186
Hardware revenue	73	166	117	258
License, royalty and other revenue	61	11	135	16
Total revenue	<u>279</u>	<u>268</u>	<u>548</u>	<u>460</u>
Costs and expenses:				
Cost of revenue	156	161	272	271
General and administrative	1,186	1,210	2,715	2,375
Research and development	177	88	395	147
Patent amortization and other patent expense	50	25	93	64
	<u>1,569</u>	<u>1,484</u>	<u>3,475</u>	<u>2,857</u>
Loss from operations	(1,290)	(1,216)	(2,927)	(2,397)
Other income (expense):				
Foreign currency exchange gain (loss)	79	(75)	93	(94)
Interest income	21	5	48	14
Miscellaneous income	0	0	12	0
	<u>99</u>	<u>(70)</u>	<u>153</u>	<u>(80)</u>
Net Loss	(1,190)	(1,286)	(2,774)	(2,477)
Basic and diluted loss per common share	<u>(0.05)</u>	<u>(0.07)</u>	<u>(0.11)</u>	<u>(0.14)</u>
Weighted average number of common shares outstanding	<u>26,111</u>	<u>17,171</u>	<u>26,098</u>	<u>17,168</u>

BALANCE SHEETS

(in thousands, except share data)

	June 30, 2006 \$ (Unaudited)	December 31, 2005 \$
Assets		
Current Assets		
Cash and cash equivalents	2,501	4,513
Accounts receivable, net of allowance of \$18 and \$11 in 2006 and 2005, respectively	172	125
Inventories	452	285
Other current assets	128	94
Subscription receivable, net	0	488
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Total current assets	3,253	5,505
Patents, net	593	567
Fixed assets, net of accumulate depreciation of \$307 and \$259 in 2006 and 2005, respectively	118	175
Other assets	37	27
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Total assets	4,001	6,274
Liabilities and Stockholders' Equity		
Current Liabilities		
Deferred revenue	0	9
Accounts payable and accrued expenses	775	487
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Total current liabilities	775	496
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 26,162,459 and 25,369,358 shares respectively	1,308	1,268
Common stock, par value \$0.05 per share, subscribed And to be issued; 705,113 shares in 2005	0	35
Additional paid-in capital	44,285	44,068
Accumulated deficit	(42,367)	(39,593)
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Total stockholders' equity	3,226	5,778
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Total liabilities and stockholders' equity	4,001	6,274

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