



Press Release

15 August 2007

**Clean Diesel Technologies, Inc.
Reports 2007 Half Year and Second Quarter Results**

Stamford, CT...Clean Diesel Technologies, Inc. ("Clean Diesel Technologies" or the "Company") (OTC-BB: CLDS, AIM: CDT/CDTS & XETRA: CDI), an innovative leader for clean energy and environmental technologies to reduce harmful engine emissions, today announces its results for the three and six months ended 30 June 2007.

Highlights

- First half year revenue increased by 166% to US\$1,459,000 (2006: US\$548,000)
- Further improvement in bottom line compared to prior year periods (2007: US\$0.37 loss per share; 2006: US\$0.54 loss per share)
- Cash and cash equivalents at 30 June 2007 were US\$10.8 million
- Substantial new technology licensing agreements executed with global industry leaders such as Robert Bosch GmbH
- Continued investment in technologies and favorable external market drivers
- Application for listing on NASDAQ Capital Market filed in June

Dr. Bernhard Steiner, President and CEO, commented, "We are pleased to report a step change in the Company's prospects during the first half of 2007. Not only has revenue increased by 166% compared to the first half of 2006 but many years of investment in our IP portfolio is now paying off through significant licensing agreements with leaders in the global automotive equipment supply chain. Indeed, we are already experiencing increased order enquiries due to the reassurance and visibility of these agreements. Furthermore, the license revenue has helped us to further enhance Clean Diesel's market position and enables us to exploit ever-increasing emissions regulation at an even faster pace. In 2007, we will continue to focus on securing additional license agreements and the rollout of our Low Emission Zone initiative."

Clean Diesel reported total revenue for the first half of 2007 increased US\$911,000, or 166.2%, to US\$1,459,000 from US\$548,000 in the first half of 2006. Total revenue in the three months ended 30 June 2007 was US\$1,243,000 compared to US\$279,000 in the three months ended 30 June 2006, an increase of US\$964,000, or 345.5%; both increases are due to higher technology licensing fees and royalties. Net loss for the six months ended 30 June 2007 was US\$2,334,000 compared to a net loss of US\$2,774,000.

During the six months ended 30 June 2007, the Company made substantial progress with its ongoing initiative to consummate technology license agreements with significant manufacturers and component suppliers. In the second quarter, Clean Diesel entered into a worldwide non-exclusive licensing agreement with Stuttgart, Germany-based Robert Bosch GmbH (a leading global supplier in the areas of automotive and industrial technology, customer goods and building technology) as well as a non-exclusive license agreement with privately held, Monroe, CT-based Combustion Components Associates (a provider of air pollution control technologies for the power generation and transportation industries).

Product sales in the six months ended 30 June 2007 were US\$344,000 compared to US\$413,000 in the same prior year period, a decrease of US\$69,000, or 16.7% and product sales in the three months ended 30 June 2007 was US\$139,000 compared to US\$218,000 in the three months ended 30 June 2006, a decrease of US\$79,000, or 36.2%. The declines are attributable to timing of projects, order pattern shifts in customer and distributor product sales and the Company's focus during the period on developing other revenue sources. The 2007 product sales comprise US\$261,000 in fuel-borne catalysts and US\$83,000 in hardware sales compared to US\$296,000 in fuel-borne catalysts and US\$117,000 in hardware sales in 2006.

Operating costs and expenses were US\$3,887,000 in the six months ended June 30, 2007 compared to US\$3,475,000 in the same 2006 period, an increase of US\$412,000, or 11.9%, reflecting higher selling, general and administrative expenses and higher patent-related costs. Selling, general and administrative expenses in 2007 included US\$642,000 of non-cash charges for the fair value of stock options compared to US\$106,000 in 2006 in non-cash stock option compensation charges in accordance with SFAS No. 123R, which the Company adopted in January 2006. The 2006 period also included approximately US\$357,000 of severance charges for the former president and chief operating officer who had been released from employment in January 2006.

At 30 June 2007 and 31 December 2006, Clean Diesel had cash and cash equivalents of US\$10,778,000 and US\$5,314,000, respectively, an increase of US\$5,464,000 primarily due to the collection of subscription receivables from its December 2006 private placement and the cash infusion upon exercise of warrants. Clean Diesel's working capital was US\$11,890,000 at 30 June 2007 compared to US\$7,217,000 at 31 December 2006, an increase of US\$4,673,000.

On 29 June 2007, Clean Diesel submitted an application for listing of its common stock on the NASDAQ Capital Market. In connection with submission of that application, the Company paid an initial fee of US\$5,000 which was charged to additional paid-in capital. If Clean Diesel is approved for listing on the NASDAQ Capital Market, additional listing fees will be required. In addition, the Company filed a Registration Statement on Form S-1 with the US Securities and Exchange Commission in June covering securities sold in the December 2006 private placement.

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

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About Clean Diesel Technologies, Inc.

Clean Diesel Technologies, Inc., together with its wholly-owned subsidiary, Clean Diesel International, LLC, is a clean energy and environmental technology company that provides innovative solutions to reduce harmful engine emissions and conserve energy. Clean Diesel Technologies' patented technologies, products and solutions enable cost-effective reduction of harmful emissions from internal combustion engines while improving fuel economy and power. Products include Platinum Plus® fuel-borne catalysts, the Platinum Plus Purifier Systems, the ARIS® urea injection system for selective catalytic reduction of NOx, diesel particulate filter and biofuels technologies. The products are in commercial use around the world. 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.

-- Tables Follow --

Condensed Consolidated Statements of Operations
(Unaudited; in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
	US\$	US\$	US\$	US\$
Revenue:				
Product sales	139	218	344	413
Technology licensing fees and royalties	1,104	1	1,115	2
Consulting and other	—	60	—	133
Total revenue	<u>1,243</u>	<u>279</u>	<u>1,459</u>	<u>548</u>
Costs and expenses:				
Cost of revenue	105	156	221	272
Selling, general and administrative	1,495	1,186	3,298	2,715
Research and development	150	177	192	395
Patent amortization and other expense	79	50	176	93
Operating costs and expenses	<u>1,829</u>	<u>1,569</u>	<u>3,887</u>	<u>3,475</u>
Loss from operations	(586)	(1,290)	(2,428)	(2,927)
Other income (expense):				
Interest income	67	21	94	48
Other income (expense)	—	79	—	105
Net loss	<u>(519)</u>	<u>(1,190)</u>	<u>(2,334)</u>	<u>(2,774)</u>
Basic and diluted loss per common share	<u>(0.08)</u>	<u>(0.23)</u>	<u>(0.37)</u>	<u>(0.54)</u>
Basic and diluted weighted-average number of common shares outstanding	<u>6,550</u>	<u>5,222</u>	<u>6,333</u>	<u>5,179</u>

*On June 15, 2007, the Company effected a five-for-one reverse split of its common stock. All historical share numbers and per share amounts in these financial statements have been adjusted to give effect to this reverse split.

CLEAN DIESEL TECHNOLOGIES, INC.
Condensed Consolidated Balance Sheets
(in thousands, except share data)

	June 30, 2007	December 31, 2006
	US\$	US\$
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	10,778	5,314
Accounts receivable, net of allowance of \$63 and \$34, respectively	1,031	100
Inventories, net	609	365
Other current assets	103	96
Subscription receivable, net	—	2,412
Total current assets	12,521	8,287
Patents, net	638	603
Fixed assets, net of accumulated depreciation of \$385 and \$350, respectively	74	91
Other assets	37	37
Total assets	13,270	9,018
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	174	330
Accrued expenses	457	740
Total current liabilities	631	1,070
Stockholders' equity:		
Preferred Stock, par value \$0.01 per share; authorized 100,000 shares; no shares issued and outstanding	—	—
Common Stock, par value \$0.01 per share: authorized 12,000,000 shares; issued 7,115,232 and 5,964,493 shares, respectively subscribed and to be issued 0 and 667,998 shares, respectively	71	60
Additional paid-in capital, net of subscriptions receivable of \$0 and \$1,901, respectively	59,875	52,854
Treasury stock, 86 and 0 shares, respectively, of common stock, at cost	(1)	—
Accumulated other comprehensive income	5	4
Accumulated deficit	(47,311)	(44,977)
Total stockholders' equity	12,639	7,948
Total liabilities and stockholders' equity	13,270	9,018

CLEAN DIESEL TECHNOLOGIES, INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited; in thousands)

	Six Months Ended	
	June 30,	
	2007	2006
	US\$	US\$
Operating activities		
Net loss	(2,334)	(2,774)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	68	79
Provision for doubtful accounts, net	30	18
Compensation expense for stock options	642	106
Changes in operating assets and liabilities:		
Accounts receivable	(961)	(57)
Inventories	(244)	(161)
Other current assets and other assets	(7)	(44)
Accounts payable and accrued expenses	(298)	381
Net cash used for operating activities	<u>(3,104)</u>	<u>(2,452)</u>
Investing activities		
Patent costs	(68)	(62)
Purchase of fixed assets	(18)	—
Net cash used for investing activities	<u>(86)</u>	<u>(62)</u>
Financing activities		
Proceeds from issuance of common stock, net	4,313	488
Proceeds from exercise of warrants, net	4,346	—
Proceeds from exercise of stock options	40	14
Stockholder-related charges	(45)	—
Net cash provided by financing activities	<u>8,654</u>	<u>502</u>
Net increase (decrease) in cash and cash equivalents		
	5,464	(2,012)
Cash and cash equivalents at beginning of the period	5,314	4,513
Cash and cash equivalents at end of the period	<u>10,778</u>	<u>2,501</u>
Supplemental non-cash activities:		
Payment of accrued directors' fees in common stock	140	94

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