



August 9, 2012

Clean Diesel Technologies, Inc. Reports Second Quarter 2012 Financial Results

VENTURA, Calif., Aug. 9, 2012 (GLOBE NEWSWIRE) -- Clean Diesel Technologies, Inc. (Nasdaq:CDTI) ("CDTi"), a cleantech emissions control company, announced today its financial results for the second quarter and six months ended June 30, 2012. Highlights were as follows:

- Second quarter revenue of \$16.7 million, up 45% year over year
- Second quarter net loss of \$0.31 per diluted share compared to net loss of \$0.89 for second quarter last year
- Year to date cash used in operating activities of \$0.8 million versus \$5.0 million used for the same period last year

Second Quarter 2012 Financial Results

Total revenue for the second quarter of 2012 was \$16.7 million, an increase of \$5.2 million, or 45.0%, from \$11.5 million for the prior year second quarter. Revenue for CDTi's Heavy Duty Diesel Systems division for the quarter ended June 30, 2012 increased \$1.4 million, or 15.0%, to \$11.0 million from \$9.6 million for the same prior year quarter. Revenue, excluding intercompany sales, for CDTi's Catalyst division for the quarter ended June 30, 2012 increased \$3.8 million, or 191.8%, to \$5.7 million from \$1.9 million for the same prior year quarter. Intercompany sales to its Heavy Duty Diesel Systems division were \$0.7 million for the quarter ended June 30, 2012 compared to \$1.9 million for the same prior year quarter.

Total operating expenses for the second quarter of 2012 were \$6.1 million, compared to \$6.9 million in the prior year second quarter.

Net loss for the second quarter of 2012 was \$2.3 million, or \$0.31 per share, compared to net loss of \$3.6 million, or \$0.89 per share, in the prior year second quarter. Net loss for the second quarter of 2012 included a charge for severance expense of \$0.3 million. Net loss also included non-cash expense of approximately \$0.1 million related to stock based compensation expense and \$0.4 million related to depreciation and amortization of intangible assets, for a total of approximately \$0.5 million compared to \$0.9 million and \$0.4 million, respectively, for a total of approximately \$1.3 million in the net loss for the same period in 2011. Weighted average common shares outstanding were 7,221,000 in the current quarter compared to 4,009,000 in the same quarter a year ago, with the increase in the number of shares due principally to the public offering completed on July 5, 2011.

At June 30, 2012 and December 31, 2011, CDTi had cash and cash equivalents of \$3.4 million and \$3.5 million, respectively.

"We are encouraged by our revenue performance in the second quarter and first half of the year, growing more than 45% and 33%, respectively," said Craig Breese, Chief Executive Officer of CDTi. "Our results benefitted from improved execution on increased sales volumes, and from our continued focus on reducing costs and maximizing SG&A leverage. We continue to take steps toward optimizing our cost structure and expect to see additional gross and operating margin improvements going forward.

"The investments and changes we have made over the past few years to expand our product portfolio, particularly in the Heavy Duty Diesel Systems division, has expanded our market opportunities and broadened our customer diversity beyond diesel retrofit for trucks, buses and other on-road applications. This dynamic is reflected in our organic revenue growth through the first half of 2012 from product applications sold on an OEM and aftermarket basis for the reduction of exhaust emissions of off-road and stationary diesel, gasoline and alternative fuel engines, including propane and natural gas. We remain keenly focused on winning on-road diesel retrofit business throughout North America and we were pleased to be awarded new orders in the second quarter in New Jersey and Texas. Sales under the mandatory California Truck and Bus Regulation were slightly higher than the first quarter and we continue to expect that sales under this program will be weighted to the back half of 2012 as operators make their decisions regarding retrofit options.

"Looking to the balance of 2012, we remain optimistic about our business opportunities and the progress we are making in growing our Catalyst division business with existing customers while selectively adding new OEM customers. Our recent Honda award to supply our catalysts for next-generation four- and six-cylinder Honda Accord models, and the potential for additional model programs in 2013, is a clear indicator of our technology leadership. We are pleased that our Heavy Duty Diesel Systems division maintained momentum in the second quarter despite the wind down of the London Low Emission Zone program. We remain confident in the major opportunities ahead in late 2012 and over the next several years. We are encouraged by the

positive impact our cost management initiatives have had on our results thus far and on our prospects for continued improvements going forward. Our focus remains on accelerating revenue growth, further expanding operating margins and continuing to invest in sustainable growth through new products, technologies and applications. This focus reflects our confidence in CDTi's fundamental strengths and position, as well as our commitment to enhancing shareholder value."

First Six Months 2012 Financial Results

Total revenue for the first six months of 2012 was \$33.7 million, an increase of \$8.4 million, or 33.2%, from \$25.3 million for the same prior year period. Revenue for CDTi's Heavy Duty Diesel Systems division for the first six months of 2012 increased \$4.6 million, or 24.0%, to \$23.6 million from \$19.0 million for the same prior year period. Revenue, excluding intercompany sales, for CDTi's Catalyst division for the first six months of 2012 increased \$3.8 million, or 61.0%, to \$10.1 million from \$6.3 million for the same prior year period. Intercompany sales to its Heavy Duty Diesel Systems division were \$2.4 million for the first six months of 2012 compared to \$2.3 million for the same prior year period.

Total operating expenses for the first six months of 2012 were \$12.4 million, compared to \$12.9 million in the same prior year period.

Net loss for the first six months of 2012 was \$5.1 million, or \$0.70 per share, compared to net loss of \$5.7 million, or \$1.44 per share, in the same prior year period. Net loss included non-cash expense of approximately \$0.2 million related to stock based compensation expense, \$0.7 million related to depreciation and amortization of intangible assets, for a total of approximately \$0.9 million compared to \$1.2 million and \$0.9 million, respectively, for a total of approximately \$2.1 million in the net loss for the same period in 2011. Weighted average common shares outstanding were 7,220,000 for the first six months of 2012 compared to 3,997,000 in the same period a year ago, with the increase in the number of shares due principally to the public offering completed on July 5, 2011.

Conference Call and Webcast Information

CDTi will host a conference call and simultaneous webcast over the Internet beginning at 8:00 a.m. Pacific Time today to discuss its financial results and its business outlook. This conference call will contain forward-looking information. To participate in the conference call, dial +1 (877) 303-9240 and use confirmation code 14738943. International participants should dial +1 (760) 666-3571 and use the same confirmation code. The conference call will be webcast live on the CDTi website at www.cdti.com under the "Investor Relations" section. To listen to the live webcast, participants should visit the site at least 15 minutes prior to the conference to download any required streaming media software. An archived recording of the conference call will be available on the CDTi website for 30 days.

About CDTi

CDTi is a vertically integrated global manufacturer and distributor of emissions control systems and products, focused on the heavy duty diesel and light duty vehicle markets. CDTi utilizes its proprietary patented Mixed Phase Catalyst (MPC®) technology, as well as its ARIS® selective catalytic reduction, Platinum Plus® fuel-borne catalyst, and other technologies to provide high-value sustainable solutions to reduce emissions, increase energy efficiency and lower the carbon intensity of on- and off-road engine applications. CDTi is headquartered in Ventura, California and currently has operations in the U.S., Canada, U.K., France, Japan and Sweden. For more information, please visit www.cdti.com.

The Clean Diesel Technologies, Inc. logo is available at <http://www.globenewswire.com/newsroom/prs/?pkgid=5742>

Forward-Looking Statements Safe Harbor

Certain statements in this news release, such as statements regarding CDTi's expected growth and timing of sales under the California mandated Truck and Bus regulation, introduction and timing of new products, award of additional OEM business and expected improvement in margins 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 CDTi's filings with the U.S. Securities and Exchange Commission, uncertainties and other factors that may cause the actual results, performance or achievements of CDTi 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. CDTi assumes no obligation to update the forward-looking information contained in this release.

(\$ millions)

	3 Months Ended June 30,		6 Months Ended June 30,	
	2012	2011	2012	2011
Revenues	\$16.7	\$11.5	\$33.7	\$25.3
Gross profit	4.2	3.4	8.1	7.4
Gross margin	25.0%	29.8%	24.1%	29.4%
Operating expenses:				
Selling, general and administrative	3.8	4.7	8.2	9.1
Research and development	\$2.0	\$2.2	\$3.9	\$3.8
Severance expense	0.3	—	0.3	—
Total operating expenses	6.1	6.9	12.4	12.9
Loss from operations	\$ (1.9)	\$ (3.5)	\$ (4.3)	\$ (5.5)
Other (expense) income	(0.2)	0.2	(0.9)	0.2
Loss from continuing operations before income tax	(2.1)	(3.3)	(5.2)	(5.3)
Income tax expense (benefit) from continuing operations	0.1	0.2	(0.2)	0.4
Net loss from continuing operations	(2.2)	(3.5)	(5.0)	(5.7)
Discontinued operations	(0.1)	(0.1)	(0.1)	—
Net loss	(2.3)	(3.6)	(5.1)	(5.7)
Basic and diluted EPS	\$ (0.31)	\$ (0.89)	\$ (0.70)	\$ (1.44)
Weighted shares outstanding (in thousands)	7,221	4,009	7,220	3,997

Clean Diesel Technologies, Inc.
Segment Information (unaudited)
(\$ millions)

	3 Months Ended June 30,		6 Months Ended June 30,	
	2012	2011	2012	2011
Revenue				
Heavy Duty Diesel Systems	\$11.0	\$9.6	\$23.6	\$19.0
Catalyst	6.4	3.8	12.5	8.6
Eliminations	(0.7)	(1.9)	(2.4)	(2.3)
Total	\$16.7	\$11.5	\$33.7	\$25.3
Income (loss) from operations				
Heavy Duty Diesel Systems	\$0.1	\$ (0.6)	\$ (0.3)	\$ (0.3)
Catalyst	(0.7)	(0.5)	(1.0)	(0.9)
Corporate	(1.4)	(2.3)	(3.0)	(4.2)
Eliminations	0.1	(0.1)	—	(0.1)
Total	(1.9)	(3.5)	(4.3)	(5.5)

Clean Diesel Technologies, Inc.
Summary Balance Sheets (unaudited)
(\$ millions)

	<u>As of</u>	
	<u>June 30,</u>	<u>December 31,</u>
	<u>2012</u>	<u>2011</u>
Total current assets	\$22.2	\$27.1
Total assets	\$35.5	\$41.1
Total current liabilities	\$19.6	\$15.8
Total long-term liabilities	\$1.0	\$5.4
Stockholders' equity	\$14.9	\$19.9
Short-term debt	\$9.9	\$4.5
Long-term debt	\$—	\$4.5

CONTACT: Kristi Cushing, Investor Relations Manager

Tel: +1 (805) 639-9458



Source: Clean Diesel Technologies, Inc.

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