



November 10, 2011

Clean Diesel Technologies, Inc. Reports Third Quarter 2011 Financial Results

VENTURA, Calif., Nov. 10, 2011 /PRNewswire/ -- Clean Diesel Technologies, Inc. (NASDAQ: CDTI) ("Clean Diesel"), a cleantech emissions reduction company, announced today its financial results for the third quarter and nine months ended September 30, 2011. The highlights are as follows:

- Total third quarter 2011 revenue was \$15.0 million, up 36.9% compared to the same period in the prior year.
- Third quarter 2011 revenue for Clean Diesel's Heavy Duty Diesel Systems division increased \$4.2 million, or 59.2% compared to the same period in the prior year.
- Gross margin was 28.5% for the third quarter of 2011 compared to 23.1% for the same period in the prior year.

"We are very pleased with our solid overall performance in the third quarter; total revenue grew more than 36%," said Charles F. Call, Chief Executive Officer of Clean Diesel. "Sales in our Heavy Duty Diesel Systems division surged 59% over the prior year quarter. This was led by strong sales in the London Low Emission Zone, North America retrofit market and the European mining sector. Meanwhile, external sales for our Catalyst division were essentially flat when compared to the prior-year quarter; however, intercompany catalyst sales increased substantially, which improves our gross margins.

"Our 28.5% gross margin percentage was a significant improvement over the third quarter of 2010. This increase in gross margin from the prior year third quarter was primarily the result of improved product mix and higher intercompany catalyst sales. In general, we anticipate modest sequential improvement in our gross margin percentage as sales improve.

"Our Heavy Duty Diesel Systems division is having a great year in 2011. In addition, we expect growth in 2012 due to the anticipated ramp up of sales in California. That's why we have been making strategic investments in our business, including expanded product verification, supplier accreditation and enhanced technical and sales capabilities, to position Clean Diesel for continued success throughout and well beyond 2012. And while expanding our investment in sales and technology resources remains a priority, we will continue to carefully manage operating expenses."

Third Quarter 2011 vs. Third Quarter 2010

The October 15, 2010 business combination with Catalytic Solutions, Inc. (or "CSI"), which Clean Diesel refers to as the "Merger" was accounted for as a reverse acquisition. Accordingly, Clean Diesel's (the legal acquirer's) consolidated financial statements are now those of CSI (the accounting acquirer), with the assets and liabilities and revenues and expenses of legacy Clean Diesel being included in CSI's financial statements effective from October 15, 2010, the closing date of the Merger. As such, the amounts discussed below for periods prior to the Merger are those of CSI and its consolidated subsidiaries, with amounts of legacy Clean Diesel operations included from the date of the Merger.

Total revenue for the third quarter of 2011 was \$15.0 million, an increase of \$4.1 million, or 36.9%, from \$10.9 million for the same quarter in 2010. Total revenue includes \$0.3 million from legacy Clean Diesel business as a result of the Merger, all of which is included in Clean Diesel's Heavy Duty Diesel Systems division.

Revenue for Clean Diesel's Heavy Duty Diesel Systems division for the quarter ended September 30, 2011 increased \$4.2 million, or 59.2%, to \$11.1 million from \$6.9 million for the quarter ended September 30, 2010. Clean Diesel expects sales in this division to be higher in the fourth quarter of 2011 compared to the same quarter in 2010, as well as higher than the third quarter of 2011, as anticipated London Low Emission Zone ("LEZ") sales are expected to continue to gain momentum.

Revenue, excluding intercompany sales, of \$3.9 million for Clean Diesel's Catalyst division for the quarter ended September 30, 2011 was essentially unchanged year-over-year. Intercompany sales to its Heavy Duty Diesel Systems division increased by \$2.0 million for the quarter ended September 30, 2011. Clean Diesel anticipates sales to a major automaker customer to stabilize in the fourth quarter of 2011 following the disruption in the second quarter resulting from the effects of the March 2011 earthquake and tsunami in Japan, and the subsequent recovery in the third quarter. However, while this automaker customer has announced that they intend to increase production to make up for lost sales, they have also announced that due to the recent floods in Thailand, production will be curtailed in their North American plants in the fourth quarter. Accordingly, while Clean Diesel currently expects external sales in its Catalyst division in the fourth quarter of 2011 to be consistent with the same quarter of 2010 and third quarter of 2011, the effect that this automaker's recent actions will have on Clean Diesel's sales in

the fourth quarter of 2011 is uncertain at this time.

Total operating expenses for the third quarter of 2011 were \$5.5 million, compared to \$4.5 million in the prior year quarter.

Net loss for the third quarter of 2011 was \$2.0 million, or \$0.29 per share, compared to net loss of \$3.3 million, or \$6.07 per share, in the comparable period in 2010. Net loss for the third quarter of 2011 included non-cash expense of approximately \$0.2 million related to stock based compensation expense and \$0.2 million related to amortization of intangible assets, including those acquired in the Merger, for a total of approximately \$0.4 million compared to \$43 thousand and \$0.1 million, respectively, for a total of approximately \$0.1 million in the same period in 2010. Diluted common shares outstanding were 7,035,000 in the current quarter compared to 550,000 in the same quarter a year ago, with the increase in the number of shares due principally to the effect of the Merger and related transactions, subsequent exercise of certain warrants issued in connection with the Merger and public offering completed on July 5, 2011.

At September 30, 2011 and December 31, 2010, Clean Diesel had cash and cash equivalents of \$4.6 million and \$5.0 million, respectively. As previously announced, Clean Diesel completed a public offering on July 5, 2011 in which Clean Diesel sold 3,053,750 shares of common stock resulting in net proceeds of \$10.2 million after deducting underwriting commissions and expenses. On October 7, 2011, Clean Diesel entered into a purchase agreement with Lincoln Park Capital Fund, LLC ("LPC") which provides Clean Diesel with the option, at its sole discretion, to sell to LPC up to \$10.0 million of its common stock, subject to effectiveness of a registration statement which was filed with the Securities and Exchange Commission on October 13, 2011. Net proceeds from the public offering and any net proceeds resulting from sales of stock under the purchase agreement are intended to be used for working capital and general corporate purposes.

First Nine Months 2011 vs. First Nine Months 2010

Total revenue for the first nine months of 2011 was \$40.3 million, an increase of \$4.0 million, or 11.0%, from \$36.3 million for the first nine months in 2010. Total revenue includes \$1.8 million from legacy Clean Diesel business as a result of the Merger, all of which is included in Clean Diesel's Heavy Duty Diesel Systems division.

Revenue for Clean Diesel's Heavy Duty Diesel Systems division for the first nine months of 2011 increased \$7.4 million, or 32.4%, to \$30.1 million from \$22.7 million for the first nine months of 2010.

Revenue, excluding intercompany sales, for Clean Diesel's Catalyst division for the first nine months of 2011 was down \$3.4 million, or 25%, to \$10.2 million from \$13.6 million for the first nine months of 2010. Intercompany sales to its Heavy Duty Diesel Systems division increased \$3.5 million for the first nine months of 2011 compared to the same period in 2010.

Total operating expenses for the first nine months of 2011 were \$18.4 million, compared to \$9.2 million for the first nine months of 2010. Total operating expenses for the nine months ended September 30, 2010 were offset by a \$3.9 million gain, which arose from the sale of specific three-way catalyst technology and intellectual property to Clean Diesel's partner in its Asian investment.

Net loss for the first nine months of 2011 was \$7.8 million, or \$1.55 per share, compared to \$2.7 million, or \$4.89 per share, in the comparable period in 2010. Net loss for the first nine months of 2011 included non-cash expense of approximately \$1.4 million related to stock based compensation expense and \$0.7 million related to amortization of intangible assets, including those acquired in the Merger, for a total of approximately \$2.1 million compared to approximately \$0.1 million and \$0.4 million, respectively, for a total of approximately \$0.5 million in the same period in 2010. The first nine months of 2011 also included \$1.1 million in gains related to the change in fair value of liability classified common stock warrants issued in connection with the Merger. The nine months ended September 30, 2010 include a \$3.9 million gain, which arose from the sale of specific three-way catalyst technology and intellectual property to Clean Diesel's partner in its Asian investment. Diluted common shares outstanding were 5,021,000 for the first nine months of 2011 compared to 550,000 for the first nine months of 2010, with the increase in the number of shares due principally to the effect of the Merger and related transactions, subsequent exercise of certain warrants issued in connection with the Merger and public offering completed on July 5, 2011.

Mr. Call concluded, "We realize the world faces economic uncertainty and risk so a key part of our planning process is to make sure we're prepared if the situation becomes more challenging. Our balance sheet was strengthened by our successful completion of a public offering in early July and we recently announced a discretionary equity commitment with Lincoln Park Capital to provide us with the flexibility we may need to strategically grow the business.

"We expect our positive momentum to continue into the fourth quarter, which is expected to be our largest revenue quarter of the year. We anticipate our Heavy Duty Diesel Systems business will grow as sales accelerate in the London LEZ and as key retrofit programs are implemented in North America. We also expect to see more stable demand from our OEM customers for light duty vehicle catalysts. Overall, we are encouraged by our performance thus far in 2011 and look forward to delivering solid results to conclude the year."

Conference Call and Webcast Information

Clean Diesel 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 25890033. International participants should dial +1 (760) 666-3571 and use the same confirmation code. The conference call will be webcast live on the Clean Diesel 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 Clean Diesel website for 30 days.

About Clean Diesel Technologies, Inc.

Clean Diesel 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. Clean Diesel 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 and lower the carbon intensity of on- and off-road engine applications. Clean Diesel 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.

Forward-Looking Statements Safe Harbor

Certain statements in this news release, such as statements about positive business momentum, increased sales by the Heavy Duty Diesel Systems division and accelerated growth in the London LEZ, the growth of intercompany catalyst sales and margin improvement, sales growth in the North American retrofit market and stabilized demand from automaker customers 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 U.S. Securities and Exchange Commission, uncertainties and other factors that may cause the actual results, performance or achievements of the Company 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. The Company assumes no obligation to update the forward-looking information contained in this release.

Clean Diesel Technologies, Inc.
Summary Income Statements (unaudited)
(\$ millions, except per share and share amounts)

	3 Months Ended September 30,		9 Months Ended September 30,	
	2011	2010	2011	2010
Revenues	\$ 15.0	\$ 10.9	\$ 40.3	\$ 36.3
Gross profit	4.3	2.5	11.7	9.3
Gross margin	28.5%	23.1%	29.1%	25.6%
Operating expenses:				
Selling, general and administrative	3.9	2.6	13.0	8.4
Research and development	1.6	1.1	5.4	3.2
Recapitalization expense	—	0.8	—	1.5
Gain on sale of intellectual property	—	—	—	(3.9)
Total operating expenses	\$ 5.5	\$ 4.5	\$ 18.4	\$ 9.2
(Loss) income from operations	\$ (1.2)	\$ (2.0)	\$ (6.7)	\$ 0.1
Other income (expense)	(0.1)	(2.1)	0.1	(2.9)
Loss from continuing operations before income tax	(1.3)	(4.1)	(6.6)	(2.8)
Income tax expense (benefit) from continuing operations	0.6	(0.1)	1.0	0.5
Net loss from continuing operations	(1.9)	(4.0)	(7.6)	(3.3)
Net (loss) income from discontinued operations	(0.1)	0.7	(0.2)	0.6
Net loss	\$ (2.0)	\$ (3.3)	\$ (7.8)	\$ (2.7)
Basic and diluted EPS	\$ (0.29)	\$ (6.07)	\$ (1.55)	\$ (4.89)
Weighted shares outstanding (in thousands)	7,035	550	5,021	550

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

	3 Months Ended		9 Months Ended	
	September 30,		September 30,	
	2011	2010	2011	2010
Revenue				
Heavy Duty Diesel Systems	\$ 11.1	\$ 6.9	\$ 30.1	\$ 22.7
Catalyst	5.9	4.0	14.0	13.9
Eliminations	(2.0)	—	(3.8)	(0.3)
Total	\$ <u>15.0</u>	\$ <u>10.9</u>	\$ <u>40.3</u>	\$ <u>36.3</u>
Income (loss) from operations				
Heavy Duty Diesel Systems	\$ 0.9	\$ 0.5	\$ 1.1	\$ 2.4
Catalyst	(0.7)	(0.8)	(2.1)	2.3
Corporate	(1.4)	(1.6)	(5.5)	(4.6)
Eliminations	(0.1)	—	(0.2)	—
Total	\$ <u>(1.3)</u>	\$ <u>(2.0)</u>	\$ <u>(6.7)</u>	\$ <u>0.1</u>

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

	As of	
	September 30,	December 31,
	2011	2010
Total current assets	\$ 27.8	\$ 17.6
Total assets	\$ 41.9	\$ 32.7
Total current liabilities	\$ 17.4	\$ 14.8
Total long-term liabilities	\$ 5.6	\$ 2.6
Stockholders' equity	\$ 19.0	\$ 15.4
Short-term debt	\$ 4.2	\$ 2.4
Long-term debt	\$ 4.5	\$ 1.5

SOURCE Clean Diesel Technologies, Inc.

News Provided by Acquire Media