



November 13, 2012

CDTi Reports Third Quarter 2012 Financial Results

VENTURA, Calif., Nov. 13, 2012 (GLOBE NEWSWIRE) -- Clean Diesel Technologies, Inc. (Nasdaq:CDTI) ("CDTi"), a cleantech emissions control company, announced today its financial results for the third quarter and nine months ended September 30, 2012. Highlights were as follows:

- Third quarter revenue of \$14.4 million, down 3.8% year over year
 - Retrofit sales in California weaker than expected
 - Continued strength in Catalyst sales to Honda
- Net loss of \$0.24 per diluted share compared to net loss of \$0.29 for third quarter last year
- Cash provided by operating activities of \$1.6 million in the third quarter versus \$8.4 million used for the same period last year
 - Year to date cash provided by operating activities of \$0.8 million versus \$13.5 million used for the same period last year

Third Quarter 2012 Financial Results

Total revenue for the third quarter of 2012 was \$14.4 million, a decrease of \$0.6 million, or 3.8%, from \$15.0 million for the prior year third quarter. Revenue, excluding intercompany sales, for CDTi's Catalyst division for the quarter ended September 30, 2012 increased \$1.8 million, or 46.7%, to \$5.7 million from \$3.9 million for the same prior-year quarter. Catalyst division sales included \$1.0 million related to the completion of a contract to provide support services to CDTi's partner, TKK, for the establishment of its operations in China. Excluding the revenue from this contract, external sales of the Catalyst Division grew 21% compared to last year. Revenue for CDTi's Heavy Duty Diesel Systems division for the quarter ended September 30, 2012 decreased \$2.4 million, or 21.6%, to \$8.7 million from \$11.1 million for the same prior year quarter.

Total operating expenses for the third quarter of 2012 were \$5.1 million, compared to \$5.5 million in the prior year third quarter.

Gross margin was 26.9%, compared to 28.5% in the prior year period.

Net loss for the third quarter of 2012 was \$1.8 million, or \$0.24 per share, compared to net loss of \$2.0 million, or \$0.29 per share, in the prior year third quarter. Weighted average common shares outstanding were 7,229,000 in the current quarter compared to 7,035,000 in the same quarter a year ago.

At September 30, 2012 and December 31, 2011, CDTi had cash and cash equivalents of \$7.6 million and \$3.5 million, respectively.

"Our third quarter results were highlighted by strong sales in our Catalyst division, driven by growth in our Honda business and completion of the TKK contract," said Craig Breese, Chief Executive Officer of CDTi. "However, total revenue for the third quarter came in below expectations, primarily due to the slower than anticipated ramp up in our Heavy Duty Diesel ("HDD") Systems division sales pertaining to the California retrofit program.

"HDD revenue for the third quarter was \$8.7 million. While we saw good activity under the New Jersey retrofit program, we were unable to offset the weakness associated with the California retrofit program. Sales under this program were below expectations due to slower than expected adoption by truck owners resulting in lower industry sales of diesel particulate filters in the market. Another factor negatively impacting our HDD revenue in California was a delay in receiving regulatory approval on one of our most advanced Purifilter® emission control solutions. The unique and proprietary nature of our Purifilter® EGR product has resulted in a longer than usual review time by CARB; however, we believe approval will be granted in the near future. This product will represent an important addition to our portfolio and will address a significant number of HDD trucks that are currently subject to the mandate. In the fourth quarter we continue to experience weaker than expected order activity, and while there are no assurances, we are optimistic that momentum will pick up in 2013. While we believe that the regulatory drivers for diesel retrofit remain intact, we are cautious about both the rate of adoption and the industry projections pertaining to the overall market opportunity in California. We will continue to prudently manage our cash, operating expenses and

investments in line with operating conditions.

"Third quarter catalyst revenue continued to benefit from increased shipments for the new 2013 North American model of the Honda Accord. This new model, which is winning industry recognition and gaining market share in the growing North American automotive market, is utilizing our palladium-only catalyst that significantly reduces precious metal content. In addition to supplying catalysts for the 4-cylinder Accord, we are now shipping catalysts for a 6-cylinder model that meets one of the strictest emissions regulations in the world. We expect momentum to build into 2013 as production ramps up and we are successful at winning additional programs with Honda.

"Our operational and cost management initiatives have gained traction, resulting in enhanced operating expense leverage and a second consecutive quarter of both year over year and sequential improvement. We are encouraged by the progress and we remain focused on leveraging additional operating improvement opportunities. Our continued focus on working capital management has resulted in positive cash flow from operations in the third quarter of \$1.6 million. During the quarter, we executed a loan agreement for \$3.0 million with an existing long-term shareholder, and this, together with positive cash flow, has strengthened our balance sheet and will enable us to more efficiently deploy capital and execute our growth initiatives."

First Nine Months 2012 Financial Results

Total revenue for the first nine months of 2012 was \$48.1 million, an increase of \$7.8 million, or 19.4%, from \$40.3 million for the same prior year period. Revenue for CDTi's Heavy Duty Diesel Systems division for the first nine months of 2012 increased \$2.2 million, or 7.2%, to \$32.3 million from \$30.1 million for the same prior year period. Revenue, excluding intercompany sales, for CDTi's Catalyst division for the first nine months of 2012 increased \$5.6 million, or 55.5%, to \$15.8 million from \$10.2 million for the same prior year period. Total operating expenses for the first nine months of 2012 were \$17.5 million, compared to \$18.4 million in the same prior year period.

Net loss for the first nine months of 2012 was \$6.9 million, or \$0.95 per share, compared to net loss of \$7.8 million, or \$1.55 per share, in the same prior year period. Weighted average common shares outstanding were 7,223,000 for the first nine months of 2012 compared to 5,021,000 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 59676278. 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 CDTi 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 business momentum, impact of operational and cost management initiatives, award of additional OEM business, timing and volume of sales under the California-mandated Truck and Bus Regulation or other retrofit initiatives and expected timing, receipt and impact of new product verifications 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.

Clean Diesel Technologies, Inc.
Summary Income Statements (unaudited)
(\$ millions)

	3 Months Ended		9 Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Revenues	\$ 14.4	\$ 15.0	\$ 48.1	\$ 40.3
Gross profit	3.9	4.3	12.0	11.7
<i>Gross margin</i>	26.9%	28.5%	24.9%	29.1%
 Operating expenses:				
Selling, general and administrative	3.5	3.9	11.6	13.0
Research and development	\$ 1.6	\$ 1.6	\$ 5.5	\$ 5.4
Severance expense	—	—	0.4	—
Total operating expenses	5.1	5.5	17.5	18.4
 Loss from operations				
	\$ (1.2)	\$ (1.2)	\$ (5.5)	\$ (6.7)
Other (expense) income	(0.9)	(0.1)	(1.8)	0.1
Loss from continuing operations before income tax	(2.1)	(1.3)	(7.3)	(6.6)
Income tax expense (benefit) from continuing operations	(0.1)	0.6	(0.3)	1.0
Net loss from continuing operations	(2.0)	(1.9)	(7.0)	(7.6)
Discontinued operations	0.2	(0.1)	0.1	(0.2)
Net loss	\$ (1.8)	\$ (2.0)	\$ (6.9)	\$ (7.8)
 Basic and diluted EPS				
	\$ (0.24)	\$ (0.29)	\$ (0.95)	\$ (1.55)
Weighted shares outstanding (in thousands)	7,229	7,035	7,223	5,021

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

	3 Months Ended		9 Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Revenue				
Heavy Duty Diesel Systems	\$ 8.7	\$ 11.1	\$ 32.3	\$ 30.1
Catalyst	6.7	6.4	19.2	15.0
Eliminations	(1.0)	(2.5)	(3.4)	(4.8)
Total	<u>\$ 14.4</u>	<u>\$ 15.0</u>	<u>\$ 48.1</u>	<u>\$ 40.3</u>
 Income (loss) from operations				
Heavy Duty Diesel Systems	\$ (0.3)	\$ 0.5	\$ (0.5)	\$ 0.1
Catalyst	0.3	(0.2)	(0.8)	(1.1)
Corporate	(1.2)	(1.4)	(4.3)	(5.5)
Eliminations	—	(0.1)	0.1	(0.2)
Total	<u>\$ (1.2)</u>	<u>\$ (1.2)</u>	<u>\$ (5.5)</u>	<u>\$ (6.7)</u>

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

	As of	
	September 30,	December 31,
	2012	2011
Total current assets	\$ 24.5	\$ 27.1
Total assets	\$ 37.9	\$ 41.1
Total current liabilities	\$ 19.8	\$ 15.8
Total long-term liabilities	\$ 3.9	\$ 5.4
Stockholders' equity	\$ 14.2	\$ 19.9
Short-term debt	\$ 9.7	\$ 4.5
Long-term debt	\$ 2.9	\$ 4.5

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Source: Clean Diesel Technologies, Inc.

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