



**POWER SOLUTIONS
INTERNATIONAL**

INVESTOR PRESENTATION

MARCH 2015

POWERING A GREENER FUTURE

CAUTIONARY NOTES

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LEADING GLOBAL ALTERNATIVE-FUEL ENGINE COMPANY

Largest worldwide manufacturer of natural gas, propane,
gasoline and other alternative-fueled engines



**POWER
GENERATION**



**MATERIAL
HANDLING**



**TRUCK
& BUS**



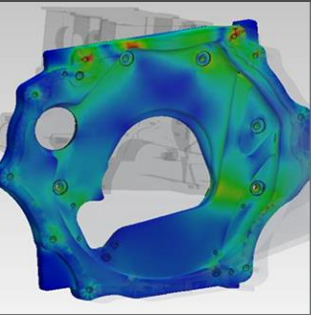
**OIL
& GAS**



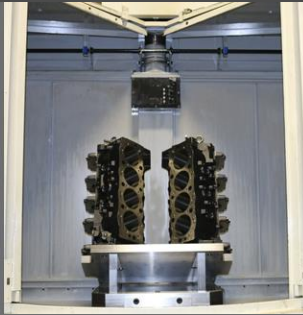
EVOLVING CLEAN TECHNOLOGIES FOR THE ALTERNATIVE-FUEL FUTURE

Powering industrial and on-highway applications

DESIGN &
ENGINEERING



SPECIALIZED
MACHINING



ADVANCED
MANUFACTURING



POWERTRAIN
ASSEMBLY



TESTING &
VALIDATION



APPLICATION
INTEGRATION



Innovative Technologies

PSI Proprietary On-Highway
Engine Controls
Partnered with Delphi

Certified, Low-Emission Solutions
(EPA, CARB Certifications)

Fuel-Flexible Systems: Natural Gas,
Propane, Gasoline

Ongoing Patent Applications



Leading Talent

Advanced Engineering
Disciplines

Industry-Leading Application
Knowledge

Strategic Partnerships & JV

Highly Skilled Manufacturing

750+ Employees



Advanced Facilities

Dedicated R & D
& Engineering Facility

Automotive Grade High-Volume
Production Lines

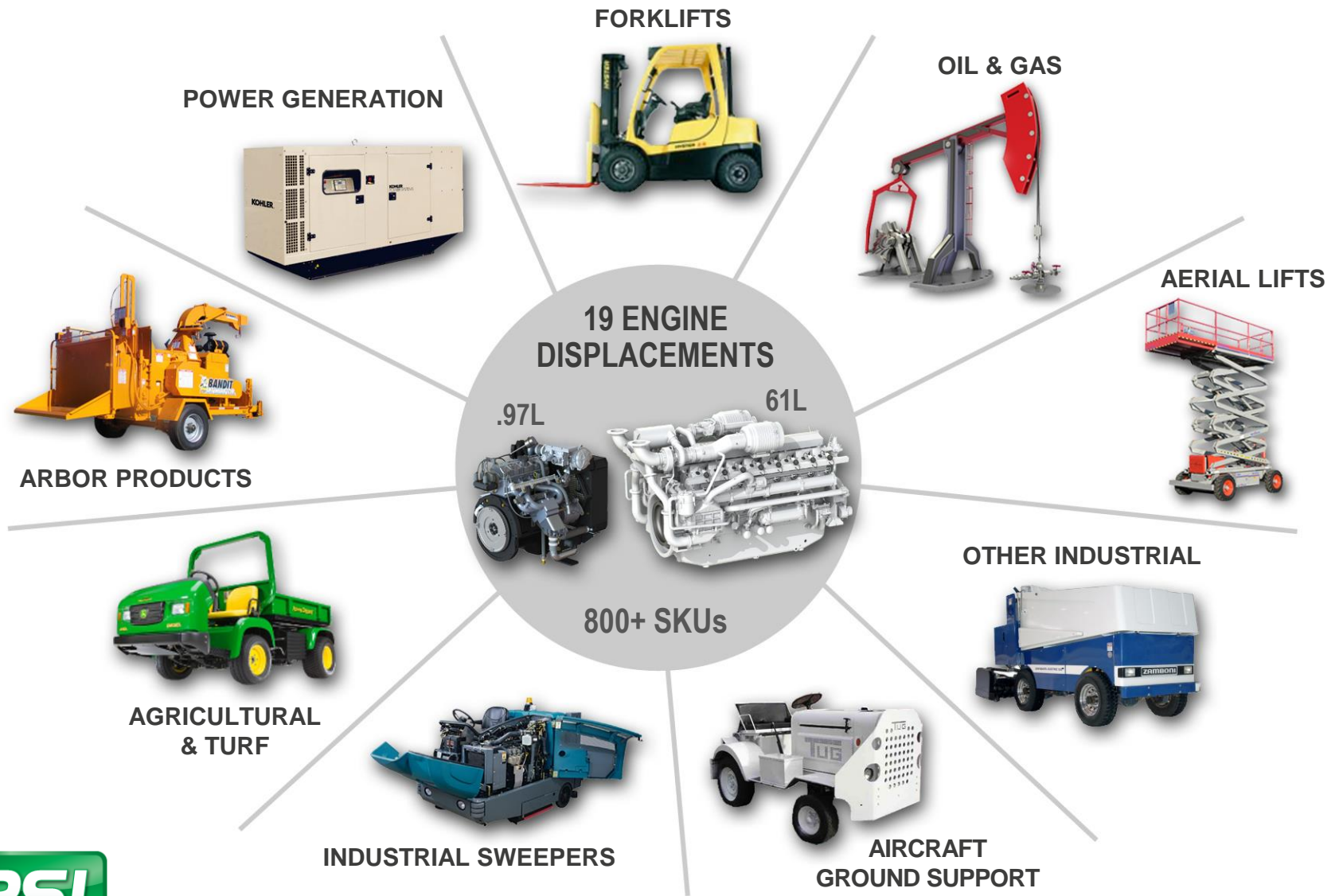
State-of-the-Art Machining Center

Advanced Testing Laboratory

Expanded Asian & Korean Facilities

Over 800,000 SQFT

PSI INDUSTRIAL



INDUSTRIAL MARKETS

A global shift to alternative fuels



POWER GENERATION

Genset Total Revenue: \$198B (2018)
Installations to Reach 82 GW/Year by 2018



FORKLIFTS

Americas Market: 242,000 Units/Year
Asian Market: 394,000 Units/Year



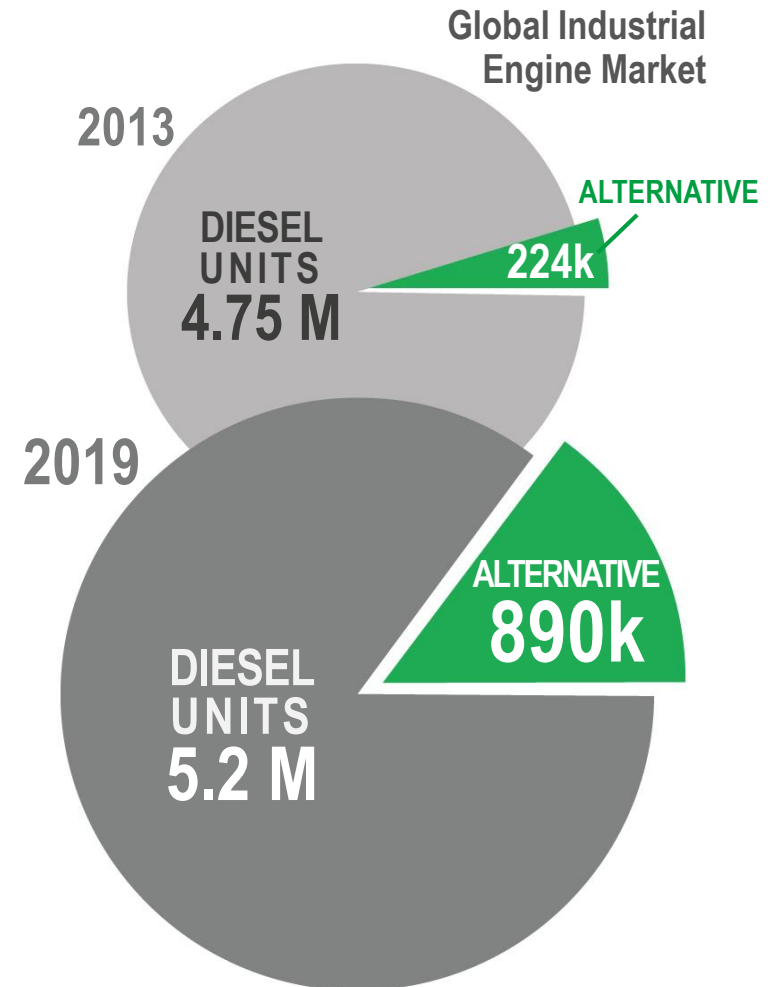
OIL & GAS

1 Million US Wells in Production
95% Still Diesel-Powered



OTHER INDUSTRIALS

Over 20 Niche Market Opportunities



INDUSTRIAL MARKET DRIVERS

Powering the adoption of diesel alternatives

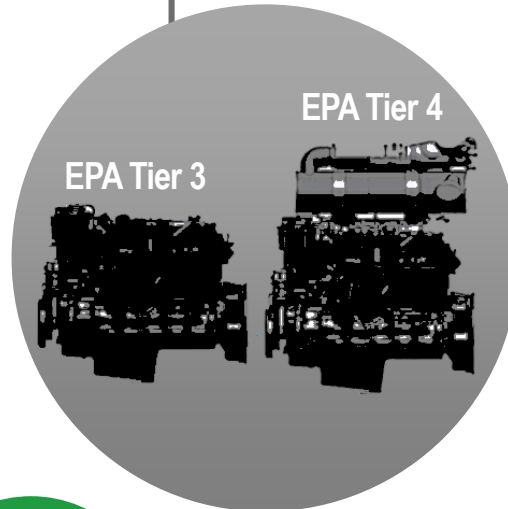
PRICE VOLATILITY

Diesel Fuel Swings



COST & COMPLEXITY OF EMISSION COMPLIANCE

Up to 100% More Costly
Up to 35% Larger System



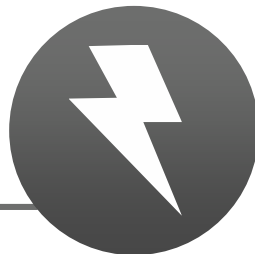
NEW REGULATION

Industrial: Tighter Flare
Gas & Tier 4 Emissions



NATIONAL ENERGY GOALS

Energy Independence &
Security



LEGISLATIVE INCENTIVES

Green Grants & Tax Credits



FORKLIFT STRATEGY

MARKET DRIVERS

\$ 36%
Less Acquisition
Cost than
Electric

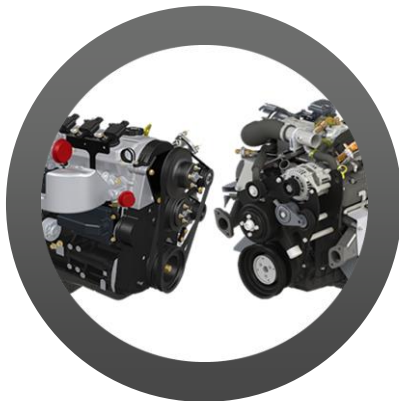
\$6700
Fuel Savings
Over Diesel
Per Year

100%
Consistent
Load Over
Electric

50%
Longer Operation
Time Over
Electric

\$ 50%
Less Costly than
Tier 4 Diesel

PSI STRATEGY



New 2.0L, 2.4L & 4.3 Engines
Cover 80% Forklift Market
1.5-Ton – 8-Ton



High-Volume Manufacturing
Capability to Cover
100% Market Demand



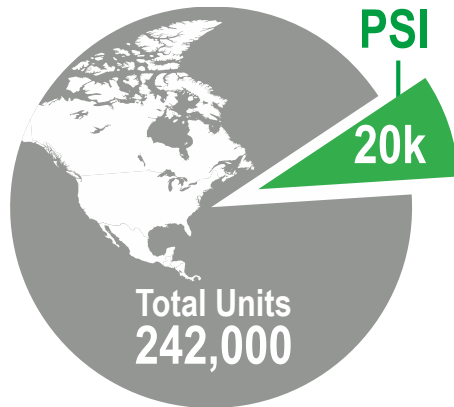
USA, China & Korea
Facilities



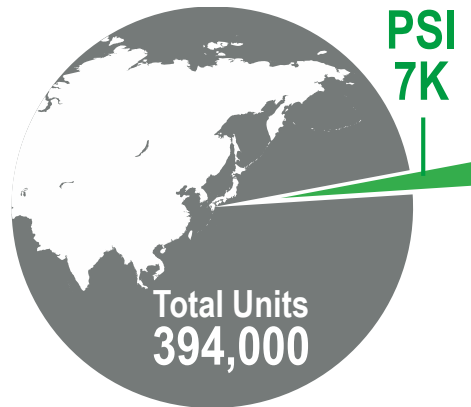
FORKLIFT MARKET & GROWTH

2014

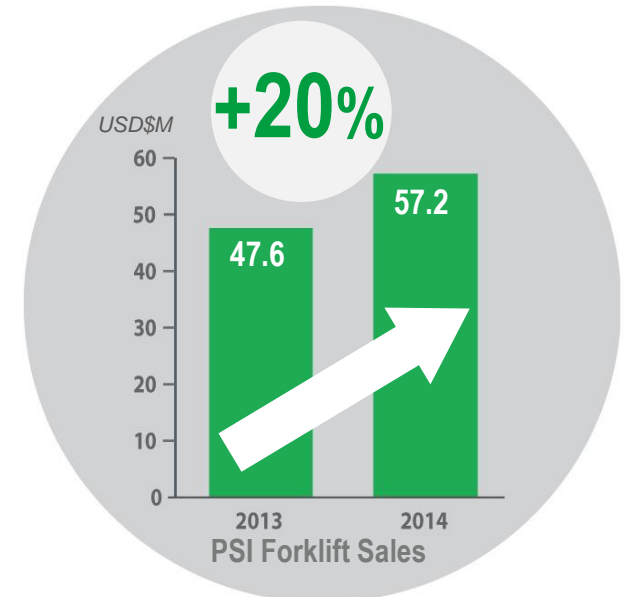
AMERICAS



ASIA



Global forklift market forecast growth: +8% CAGR



PSI GROWTH

20% Growth

2014 Sales: \$57.2M



OIL & GAS MARKET OPPORTUNITIES

TIGHTENING REGULATIONS

Flare Gas & Diesel Emissions
Regulations Continue to
Tighten



ASIA & GLOBAL

Large Untapped
Opportunity
Still in Early Stage

Doosan-PSI JV

NDRC Natural Gas
Price Reform



EXPLORATION VS. PRODUCTION

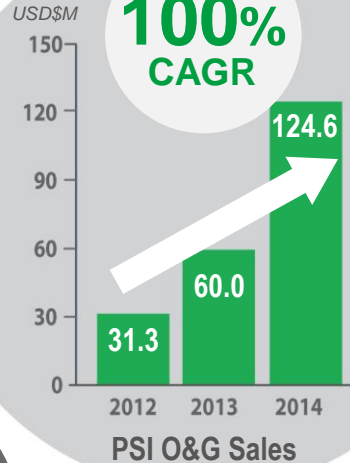
Exploration Down, But Large-Scale
Production Continues



1 MILLION

Total US Wells
in Production

95% Still Use
Diesel Generators



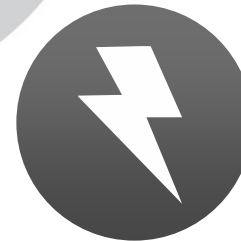
100% CAGR

2014 Sales: \$124.6M

10,000

PSI'S Lifetime US
Genset Sales for
Large Engines

70% Multi-Unit Rentals



OIL & GAS STRATEGY



Diesel

35¢
/kWh

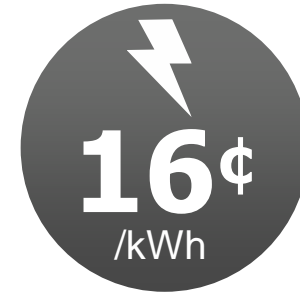
Price Volatility
Problems With
Trucking In Fuel



Flare/Well head*

0-3¢
/kWh

Gas Often Free
Guaranteed
Uptime



Utility

16¢
/kWh

\$100k/Mile
CAPEX to
Run Line
Down Time



Savings per well

\$350k
/year

Flare/Wellhead
Gas Vs. Diesel
\$14B Savings Industry-
Wide

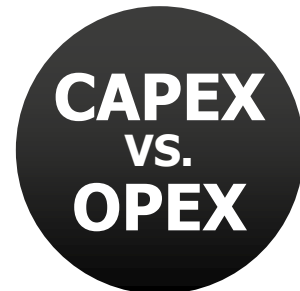


Strategy

Perkins 4000 Series
Product Extension

3PI Acquisition

Doosan PSI JV:
Global Market



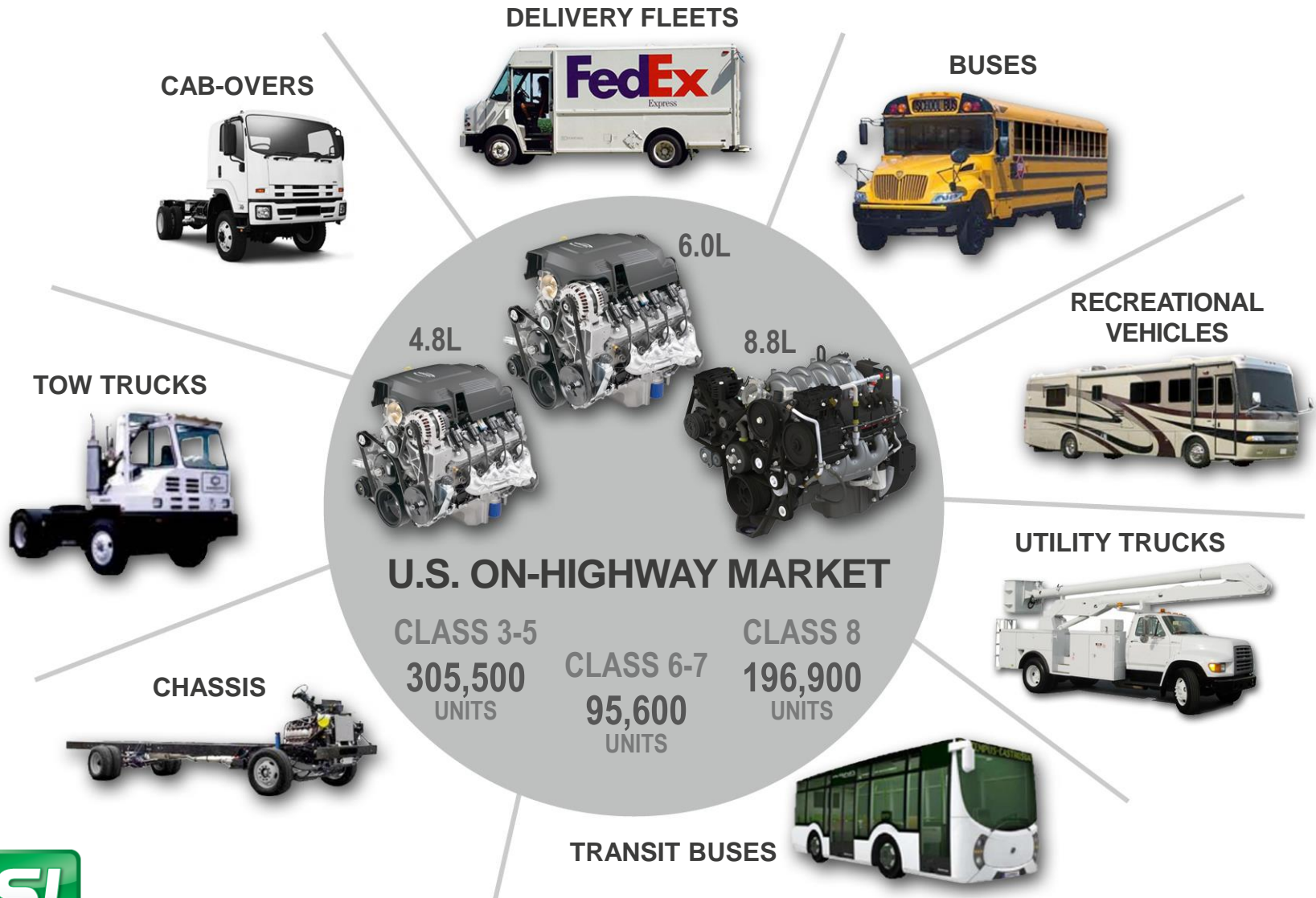
Rentals

70% Are
Multi-Use
Rentals



*3¢ number based on \$5 MCF royalty in some areas

PSI ON-HIGHWAY



Source: Wards Communication.

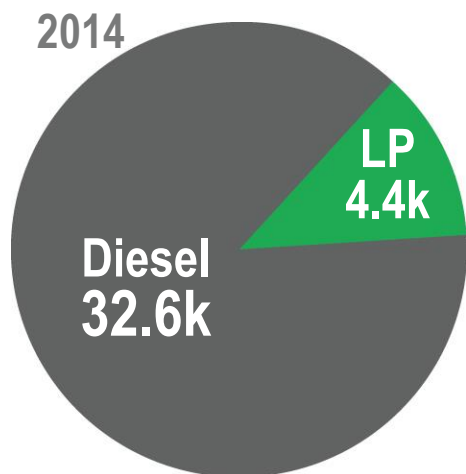
ON-HIGHWAY MARKETS



SCHOOL BUS

472,000 US Buses
2014 Sales: 37,000
12% LP-fueled

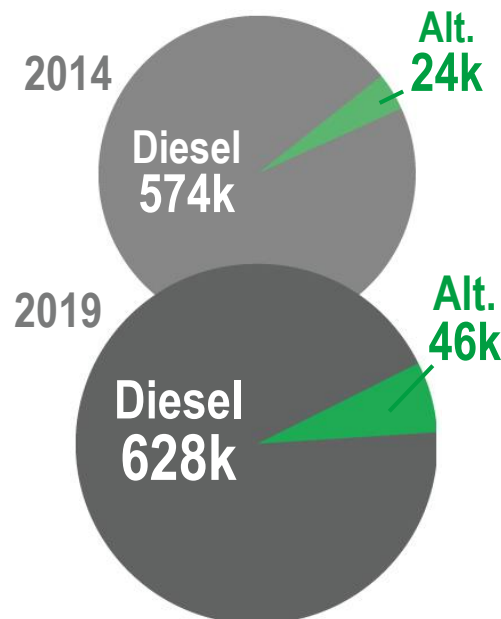
School Bus Sales



WORK TRUCK

2014 Sales: 598,000
2014 Alt-Fuel: 24,000
2019 Sales: 674,000
2019 Alt-Fuel: 46,000

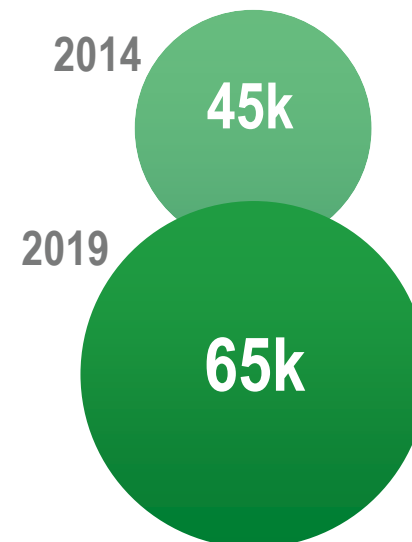
Work Truck Sales



RV

2014 Sales: 45,000
2019 Sales: 65,000

RV Sales



PSI PERFORMANCE

Meeting market demands with diesel-like power: low-RPM, high torque



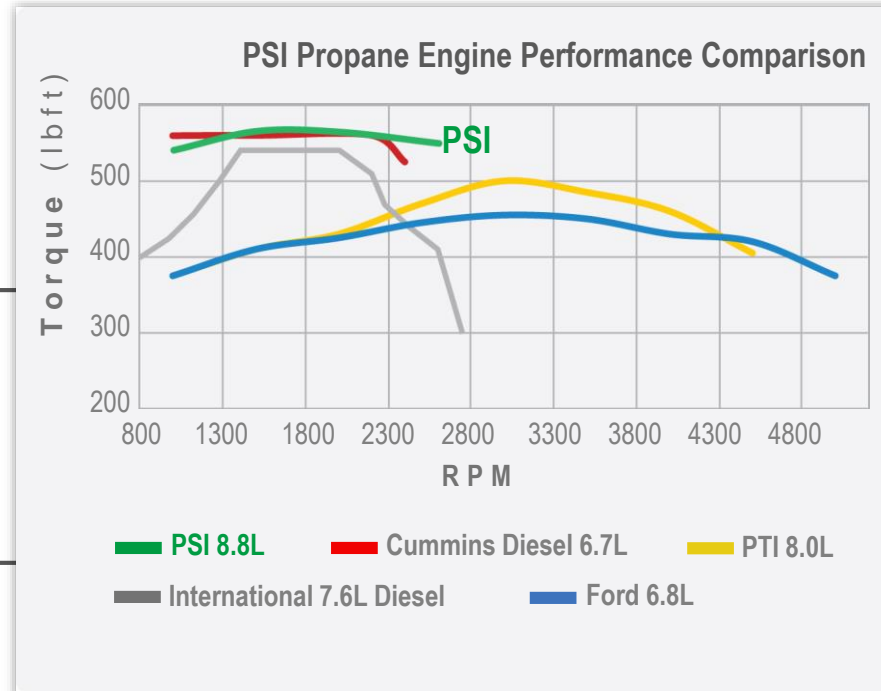
Regulation

2017 GHG/CAFE
Diesel 2010
50¢/Gallon Alt. Fuel Credit



Fuel Flexibility

Propane,
Natural Gas
& Gasoline
Wide Infrastructure



Lower Fuel Costs

Diesel Volatility



Lower Maintenance Costs

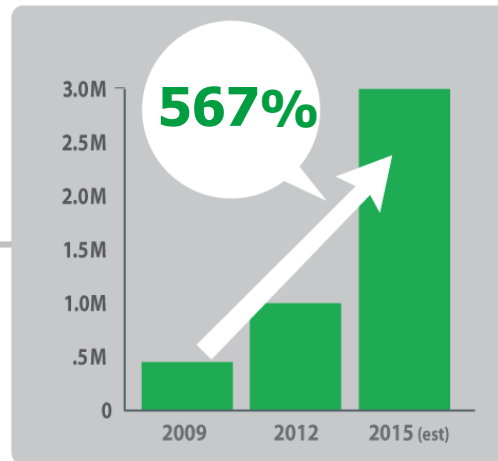
LP=11¢/mile
Diesel=.48¢/mile



Green Initiatives

Eliminate Diesel Carcinogens
Lower Tailpipe Emissions

NATURAL GAS VEHICLE MARKET IN CHINA



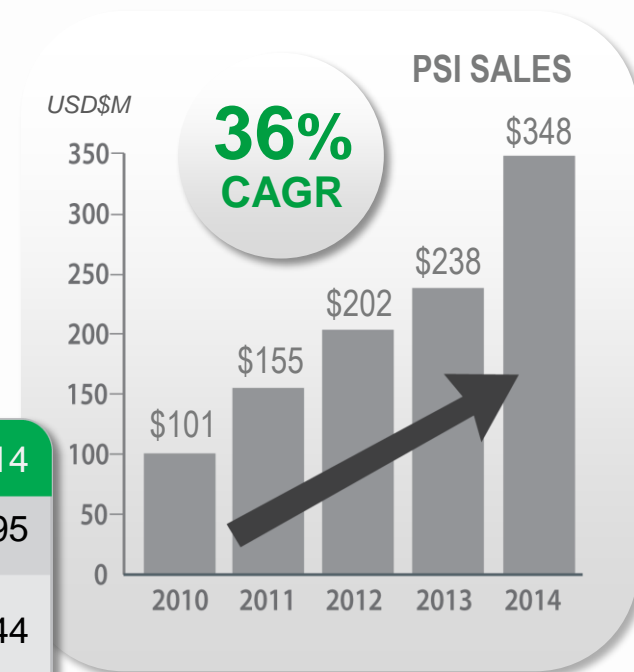
FINANCIALS



PSI FINANCIAL SUMMARY

Strong revenue and profit growth

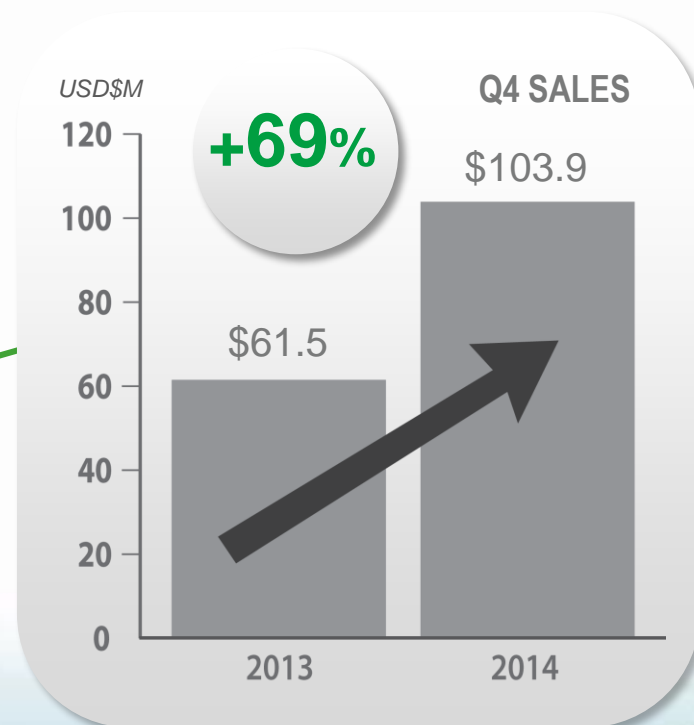
<i>USD \$000's</i> <i>Except per Share Amount</i>	2010	2011	2012	2013	2014
Net Sales	\$100,521	\$154,969	\$202,342	\$237,842	\$347,995
Operating Income	\$4,066	\$9,805	\$12,316	\$14,967	\$26,044
Net Income (Loss)	\$1,569	\$4,061	\$6,702	(\$18,760)	\$23,726
Adjusted Net Income	\$1,569	\$4,443	\$7,455	\$9,433	\$15,739
Adjusted EPS	\$0.19	\$0.48	\$0.81	\$0.92	\$1.41



PSI FINANCIAL SUMMARY

Fourth quarter update: Continued growth in 2014

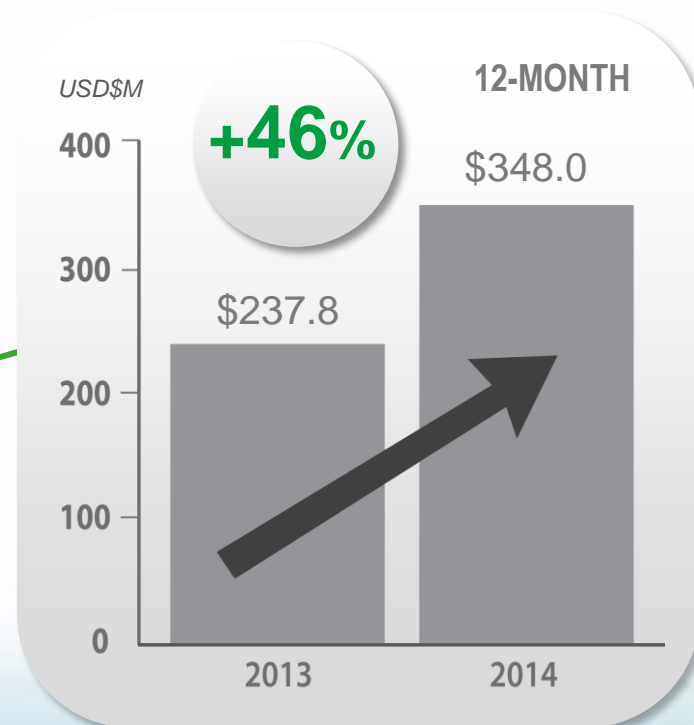
<i>USD \$000's Except per Share Amount</i>	Q4 2014	Q4 2013
Net Sales	\$103,910	\$61,500
Operating Income	\$ 9,111	\$ 3,925
Net Income (Loss)	\$ 10,321	(\$ 3,752)
Adjusted Net Income	\$ 5,307	\$ 2,621
Adjusted EPS	\$ 0.48	\$ 0.24



PSI FINANCIAL SUMMARY

Twelve-month update: Strong growth in 2014

<i>USD \$000's Except per Share Amount</i>	12 months ended 2014	12 months ended 2013
Net Sales	\$347,995	\$237,842
Operating Income	\$26,044	\$ 14,967
Net Income (Loss)	\$23,726	(\$18,760)
Adjusted Net Income	\$15,739	\$ 9,433
Adjusted EPS	\$ 1.41	\$ 0.92



PSI FINANCIAL SUMMARY

Balance Sheet and Other Information

BALANCE SHEET as of December 31, 2014

Cash	\$ 6.6M
Total Assets	\$262.6 M
Line of Credit	\$ 78.0 M
Total Liabilities	\$171.8 M
Stockholders' Equity	\$ 90.8 M

CASH FLOW DATA 12 Months Ended 2014

Depreciation & Amortization	\$4.7 M
Capital Expenditures	\$7.2 M

SHARES OUTSTANDING as of December 31, 2014

Common Shares	10.7 M
Other Dilutive Securities	<u>0.5 M</u>
Fully-Diluted Shares	11.2 M



RECONCILIATION OF NET INCOME & EPS

Year Ended			Three Months Ended Dec. 31	
(Dollar amounts in thousands, except per share amounts)	2014	2013	2014	2013
Reconciliation of net income (loss) to adjusted net income:				
Net Income (Loss)	\$23,726	(\$18,760)	\$10,321	(\$3,752)
Non-cash (income) expense from warrant revaluation	(6,169)	28,031	(4,979)	6,373
Non-cash (income) expense from contingent consideration revaluation, net of tax	(2,305)	-	(35)	-
3PI transaction costs and debt extinguishment costs	487	162	-	-
Adjusted net income	\$15,739	\$9,433	\$5,307	\$2,621
Reconciliation of diluted EPS to adjusted diluted EPS:				
Earnings (loss) per diluted common share	\$1.58	(\$1.92)	\$0.48	(\$0.36)
Non-cash (income) expense from warrant revaluation	-	2.82	-	0.60
Non-cash (income) expense from contingent consideration revaluation, net of tax	(0.22)	-	-	-
3PI transaction costs and debt extinguishment costs, net of tax	0.05	0.02	-	-
Adjusted earnings per diluted common share	\$1.41	\$0.92	\$0.48	\$0.24

The Company believes supplementing its consolidated financial statements presented in accordance with GAAP with non-GAAP measures provides investors with useful information regarding the Company's short-term and long-term trends. Adjusted net income is derived from GAAP results by excluding the non-cash impact related to the change in the estimated fair value of the liability associated with the warrants issued in the Company's April 2011 private placement. The Company excludes this non-operating, non-cash impact, as the Company believes it is not indicative of its core operating results or future performance. The warrant revaluation results from facts and circumstances that fluctuate in impact and is excluded by management in its forecast and evaluation of the Company's operational performance. Adjusted earnings per diluted common share is also derived from GAAP results by excluding the non-cash impact, even when antidilutive, related to the change in the estimated fair value of the liability associated with the warrants. Adjusted net income and adjusted earnings per diluted common share for 2014 include an adjustment to remove the revaluation of the contingent consideration liability recorded in connection with the Company's acquisition of 3PI, which was completed on April 1, 2014. The Company believes that this non-cash item, similar to the warrant related impact on earnings, is not indicative of the Company's core operating results or future performance. These costs are excluded by management in its forecast and evaluation of the Company's operational performance. Adjusted net income and adjusted earnings per diluted common share also include an adjustment to remove transaction costs incurred in association with the Company's acquisition of 3PI in 2014 and loss on debt extinguishment associated with a change in the Company's change to a new credit facility in 2013. The Company believes that these costs are not indicative of the Company's core operating results or future performance. These costs are excluded by management in its forecast and evaluation of the Company's operational performance.

Adjusted net income, adjusted earnings per diluted common share and other non-GAAP financial measures used and presented by the Company may be calculated differently from, and therefore may not be comparable to, similarly titled measures used by other companies. Investors should consider non-GAAP measures in addition to, and not as a substitute for, or as superior to, financial performance measures prepared in accordance with GAAP.



THANK YOU

