



**POWER SOLUTIONS
INTERNATIONAL**

ROTH New Industrials Corporate Access Day

SAFE HARBOR AND OTHER CAUTIONARY NOTES

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PSI OVERVIEW

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



**POWER
GENERATION**



**MOBILE
INDUSTRIAL**



ON-ROAD



PSI OVERVIEW

Applications

Top Customers

Strengths



STATIONARY
MOBILE
PACKAGING
COGEN/CHP
MICROGRID
DATA CENTER
TELECOM
OIL & GAS

Kohler
Cummins
Taylor
Caterpillar
Exxon Mobil
Briggs & Stratton
JP Morgan Chase
IBM
GE

- Broad portfolio of engine architectures
- Custom engineering solutions for complex needs
- Emissions platforms to meet local requirements



FORKLIFT
AERIAL LIFT
SWEEPER
GROUND SUPPORT
MATERIAL HANDLING
ARBOR PRODUCT

Hyster/Yale
Hyundai
Clark
HELI
Hangcha
Doosan
Tennant
Mitsubishi Caterpillar
JLG
John Deere
Morbark
Bandit

- Leader in the adoption of non-diesel products
- Large engine family covers wide range of market
- High-volume manufacturing capable of covering 100% of market demand
- US, China and Korea facilities provide optimal customer support

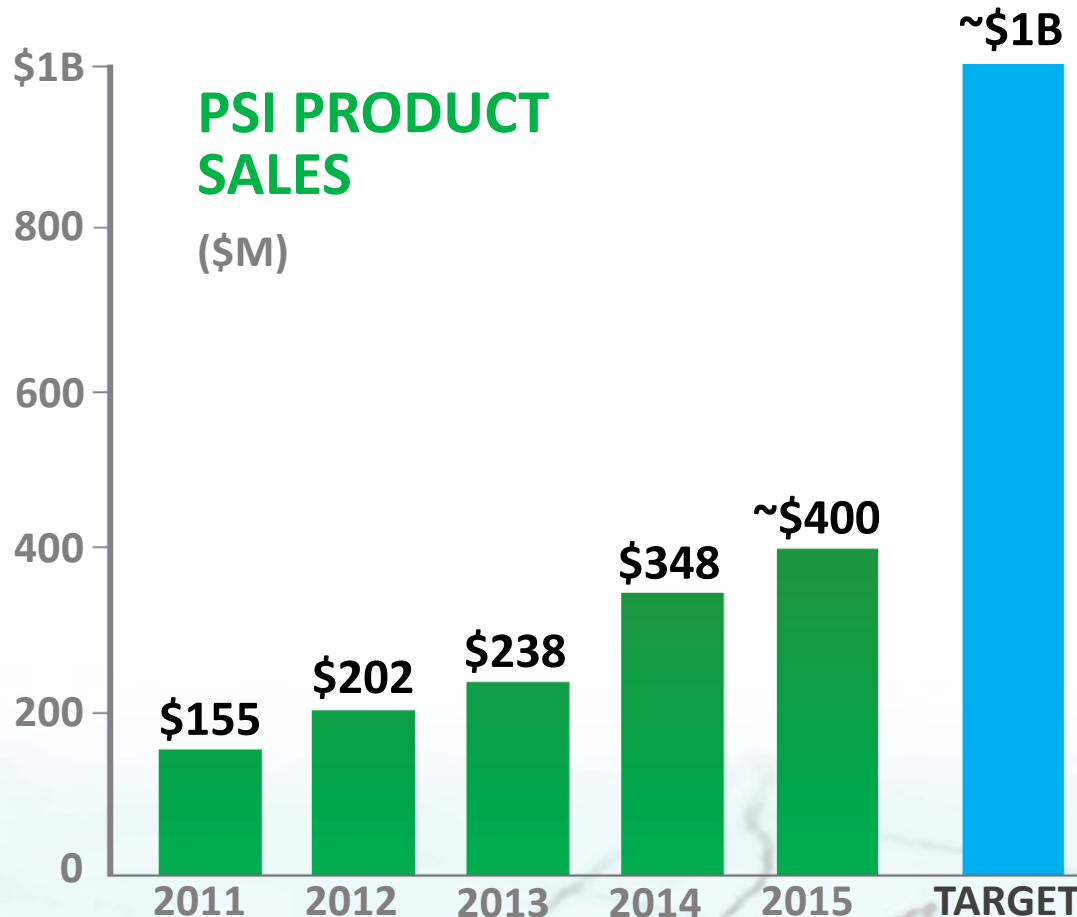


SCHOOL/TRANSIT BUS
MEDIUM-DUTY
VOCATIONAL TRUCK
RV
CAB-OVER / CHASSIS
TOW/UTILITY

Navistar
Freightliner
Capacity
Yutong
King Long
JAC Motors

- Non-diesel apps for clean-energy adopters
- Power/weight advantages for improved efficiency
- Custom application engineering for package efficiency

REVENUE DEVELOPMENT

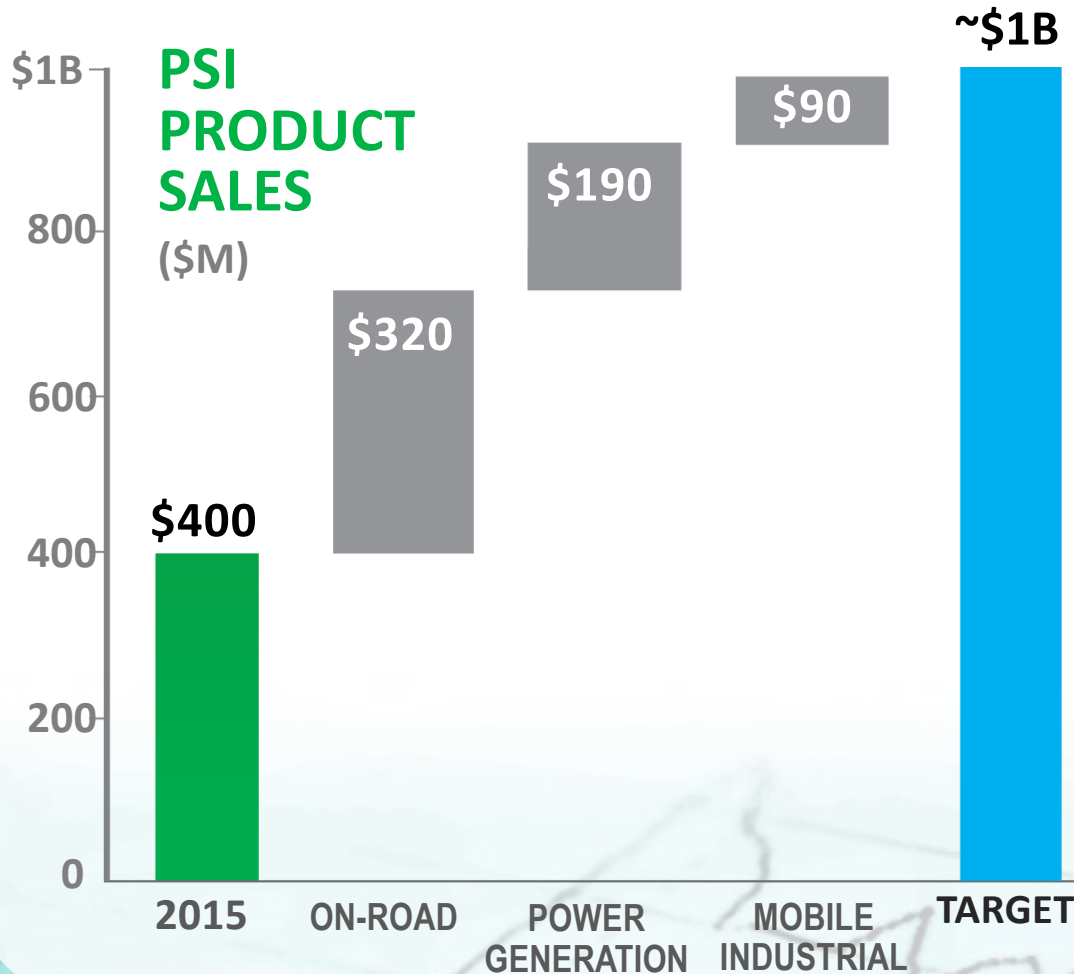


Assumptions

- Certain end markets recover/expand
- Reduced volatility in the Oil & Gas industry/pricing
- Regulatory environment continues to pressure improved emissions standards



PATH TO TARGET



Assumptions

- Certain end markets recover/expand
- Reduced volatility in the Oil & Gas industry/pricing
- Regulatory environment continues to pressure improved emissions standards



MANUFACTURING FOOTPRINT



**PSI Corp. HQ &
Engine Dress Facility**

201 Mittel Dr.
Wood Dale, IL

261,000 sq.ft.



**PSI Machining &
Engine Build Facility**

101 Mittel Dr.
Wood Dale, IL

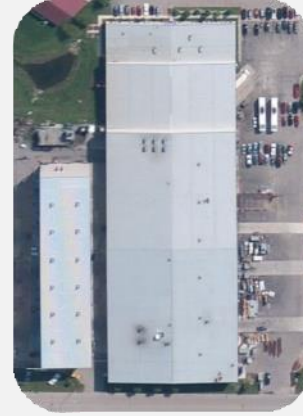
105,000 sq.ft.



**PSI R+D, Engineering
& HD Assembly Facility**

1465 Hamilton Pkwy.
Itasca, IL

198,000 sq.ft.



**3Pi Corp. HQ &
Production Facility**

448 W. Madison St.
Darien, WI

200,000 sq.ft.



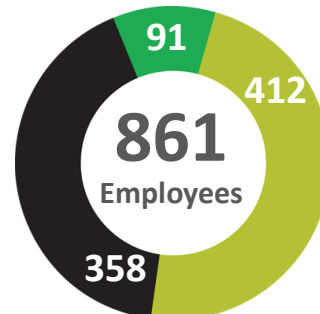
**Buck's Production
Facility**

515 I-27 N
Lubbock, TX

23,000 sq.ft.



Total Company

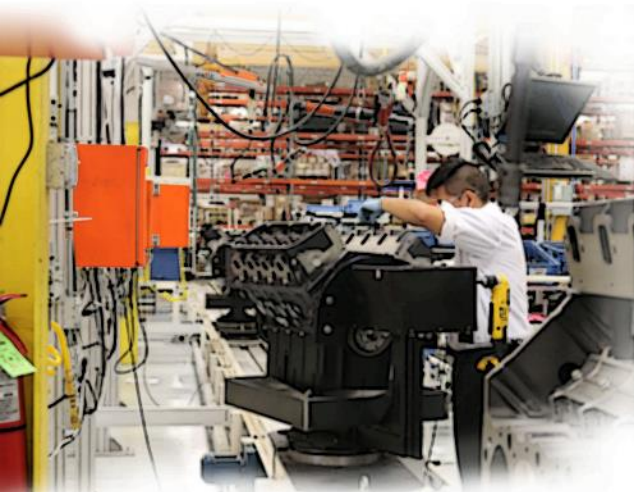


Administrative Engineering Labor



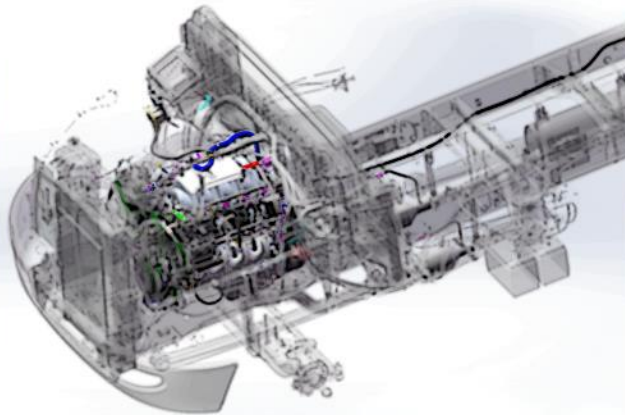
ADVANCED CLEAN TECHNOLOGY & MANUFACTURING CAPABILITIES

Powering alternative fuels for industrial and on-road



Innovative Technologies

- Proprietary on-highway engine controls
- EPA & CARB-certified, low-emission solutions
- Fuel-flexible systems: natural gas, propane, gasoline
- Ongoing patent applications



Leading Talent

- Advanced engineering disciplines
- Industry-leading application knowledge
- Strategic partnerships & JVs
- Highly skilled manufacturing



Advanced Facilities

- Dedicated R&D & engineering facility
- Automotive grade high-volume production lines
- State-of-the-art machining center
- Advanced testing laboratory
- Expanded Asian facilities



INDUSTRIAL SHIFT TO NON-DIESELS

Market drivers sparking faster growth for alt-fueled engines



NEW REGULATION

Tighter flare gas & Tier 4 standards



COST & COMPLEXITY OF EMISSION COMPLIANCE

Tier 4: up to 100% more costly;
up to 35% larger system



PRICE VOLATILITY

Diesel fuel swings vs. low-cost alternatives



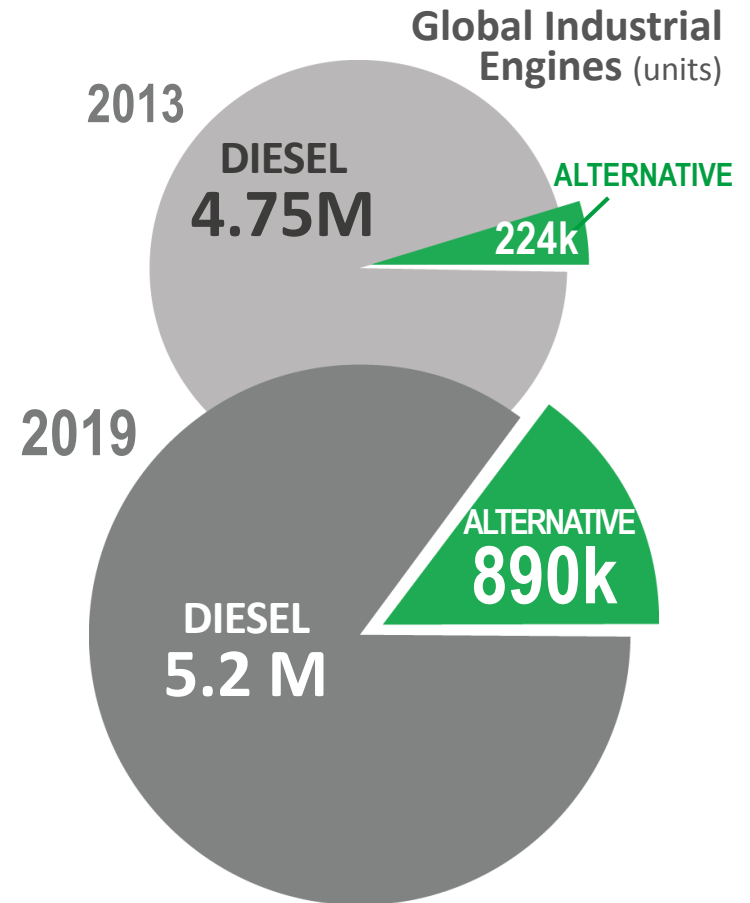
NATIONAL ENERGY GOALS

Energy independence & security



LEGISLATIVE INCENTIVES

Green grants & tax credits



Sources: Power Systems Research; Internal forecast 15% shift to alternative by 2019.



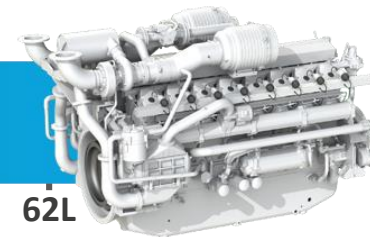
PSI POWER GENERATION



STATIONARY / MOBILE AND CUSTOM DESIGNED SOLUTIONS



25 ENGINE DISPLACEMENTS



POWER GENERATION MARKET

OEMs shifting toward alternatives to diesel

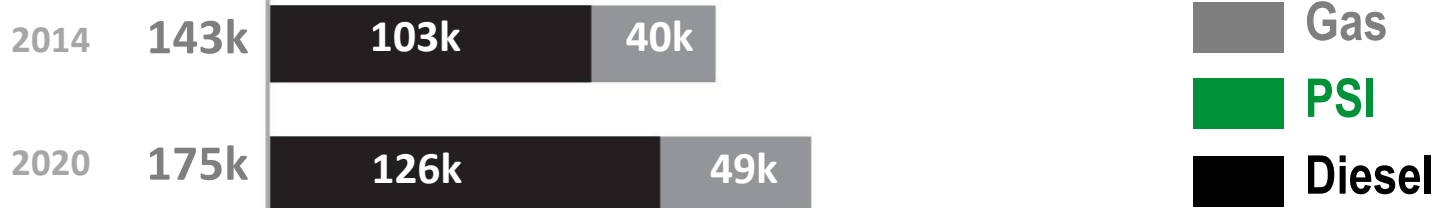
GLOBAL (units)



N. AMERICA (\$)



N. AMERICA (units)



Gas

PSI

Diesel

Sources: Frost & Sullivan, Power Systems Research.



POWER GENERATION 1kW–1MW

APPLICATIONS

- Auxiliary Power Units
- Compressors/Pumps
- Generators:
 - Portable, Standby
 - Prime, Emergency
- Co-generation/CHP
- Demand Response
- Peak Shaving
- Microgrids
- Mobile Power

MARKET TRENDS

- Cost, complexity & packaging for diesel emissions makes gas engines more attractive
- Cost of diesel vs. natural gas
- Emergency Standby growth requires NFPA-rated application

PSI ADVANTAGES

- Product range of .97L–29L and 20kw–1MW gives customers expanded solutions
- Doosan PSI JV
- Fuel-flexible
- True Emergency Standby: NFPA 110.1 compliant
- 50z and 60z products
- UL2200 compliant
- Standby, Prime & Continuous



POWER GENERATION 1MW+



APPLICATIONS

- Co-generation
- Combined Heat & Power
- Microgrids
- Prime Power
- Emergency Standby/Healthcare
- Data Centers/Telecom
- Oil & Gas
- Specialty Power
- Mobile Power

MARKET TRENDS

- Cloud computing for Tier 1 companies on rise
- CHP capacity in NA to grow from 93.5k now to 116k MW by 2020¹
- Small-scale CHP plants under 10MW (PSI's target market) growing at 200 MW/year rate
- Global microgrid market to grow at 20.7% CAGR (2014-2020)²

PSI ADVANTAGES

- 3PI acquisition
- Custom engineering capability
- Vertically integrated manufacturing and testing
- Packaging 1MW+ leverages PSI's larger engine packaging into the market
- Publicly traded, trusted partner of blue chip companies for large, critical power generation equipment
- 30+ years delivering complex solutions for multiple applications and markets
- Equally leveraged engine and packaging opportunities

Sources: ¹GlobalData; ²Navigant.



PSI MOBILE INDUSTRIAL



FORKLIFTS



AERIAL LIFTS



**ARBOR
PRODUCTS**



**INDUSTRIAL
SWEEPERS**



**AGRICULTURAL
& TURF**



**AIRCRAFT
GROUND SUPPORT**

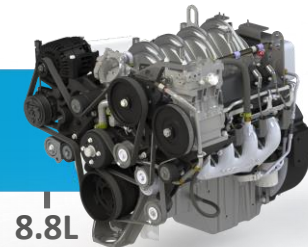


OTHER INDUSTRIAL



.97L

17 ENGINE DISPLACEMENTS



8.8L

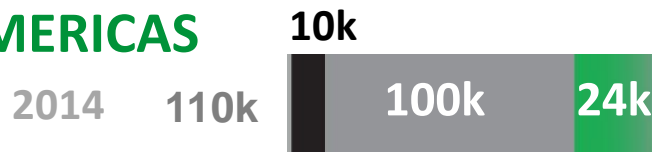


MATERIAL HANDLING MARKET

Opportunities for intrinsic NA growth and new Asian gas market

Internal Combustion Forklifts

AMERICAS



All growth is in gas market (34%)



ASIA*



Untapped market for PSI with 54% growth



*Excludes Japan

Sources: Power Systems Research; ITA; WITS; Industrial Truck Institution, CCMA.



FORKLIFT STRATEGY



APPLICATIONS

- Class 4
 - 1T – 8T
 - Forklifts
- Class 5
 - 1T – 52T
 - Container Handlers
 - Large Forklifts
 - Reach Stackers

MARKET DRIVERS

- \$6,700 fuel savings/yr vs. diesel
- Propane systems 50% less costly than Tier 4-compliant diesel systems
- 36% lower acquisition cost than electric
- 50% longer operation time over electric
- 100% consistent load over electric

PSI ADVANTAGES

- New 2.0L, 2.4L & 4.3 engines cover 80% of market: 1.5– 8-ton
- USA, China & Korea facilities
- High-volume manufacturing capability covers 100% market demand



PSI ON-ROAD



**DELIVERY
FLEETS**



BUSES



CAB-OVERS



RVS



TRANSIT BUSES



TOW TRUCKS



**UTILITY
TRUCKS**



CHASSIS



4.8L



6.0L

305K

C3-5

95K

C6-7

196K

C8

US ON-ROAD MARKET



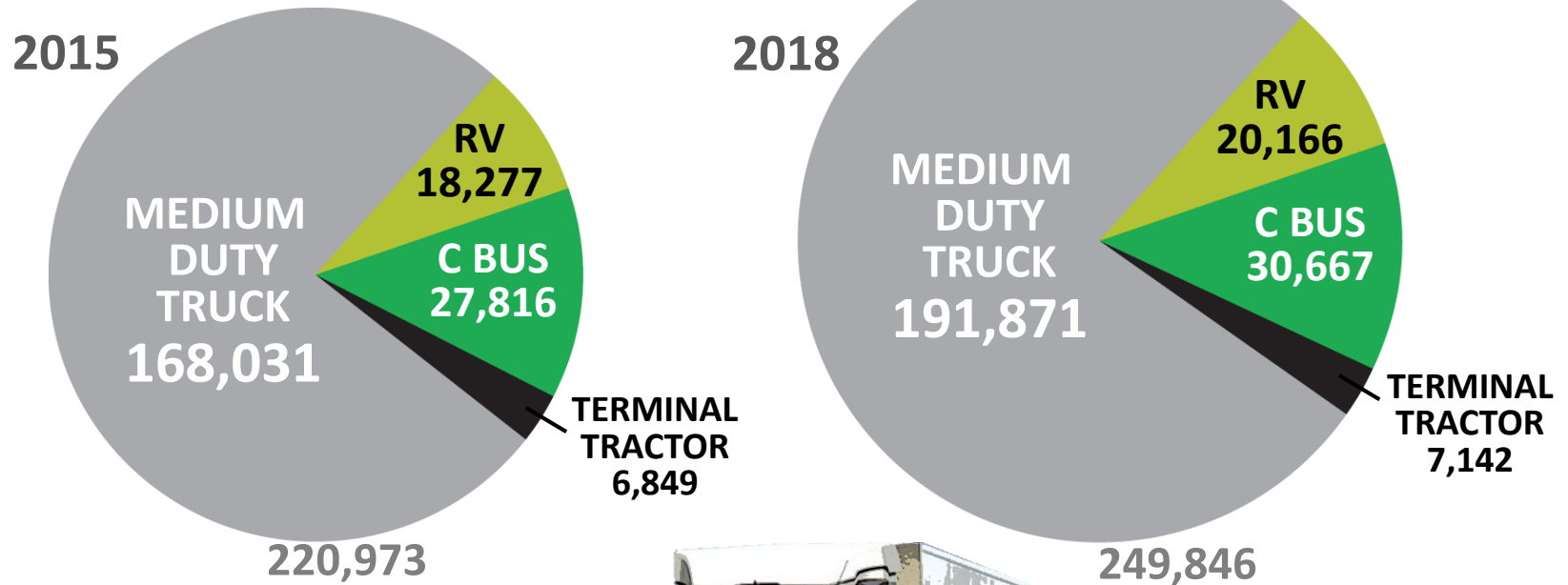
8.8L

Source: Wards Communication.



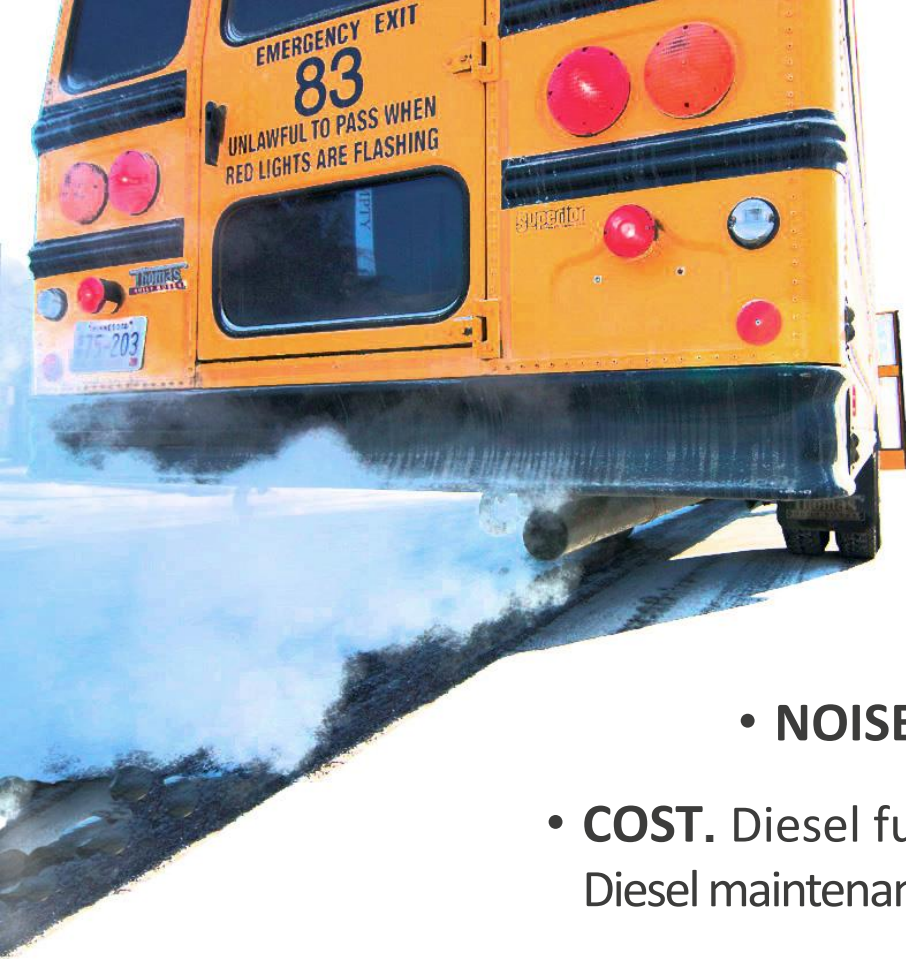
PSI ON-ROAD MARKETS

Sizable North American market with continuing units sold growth



Source: IHF Global; PSR, Internal estimates.





SCHOOL BUSES SHIFTING TO **ALTERNATIVE FUELS**

- **HEALTH.** Diesel particulate matter is carcinogenic, and buses often idle.¹
- **NOISE.** Propane vehicles are 50% quieter.
- **COST.** Diesel fuel is 45% more per mile than propane. Diesel maintenance is 67+% per mile more costly than propane.²
- **ENVIRONMENT.** Propane vehicles can reduce lifecycle GHG emissions by up to 15%.³
- **INCENTIVES.** Current LP fuel cost: \$1.11/gal; 50¢/gal. LP fuel credit makes net LP cost 61¢/gal.⁴

Sources: ¹ WHO; ^{2&3} DOE/Clean Cities; ⁴Clean Fuel USA.

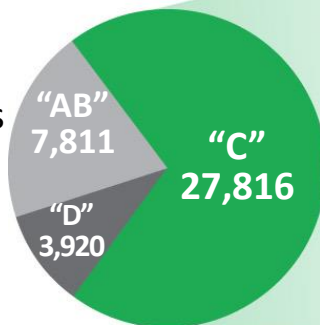


SCHOOL BUS MARKET

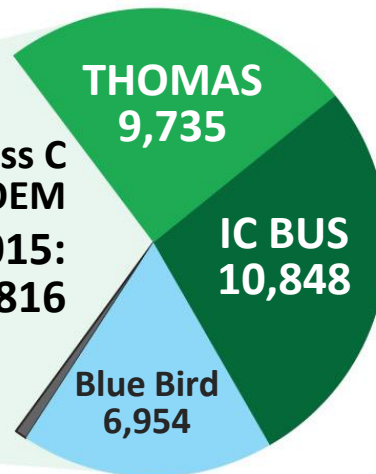
Strong propane & gasoline growth, industry-leading customers, **\$700M engine market opportunity**

NORTH AMERICA BUS SALES (units)

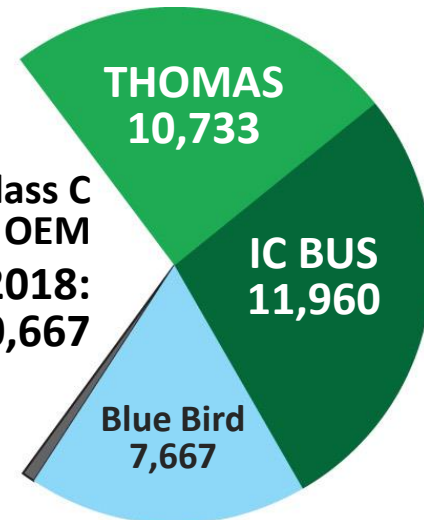
By Class
2015:
39,547



Class C
by OEM
2015:
27,816



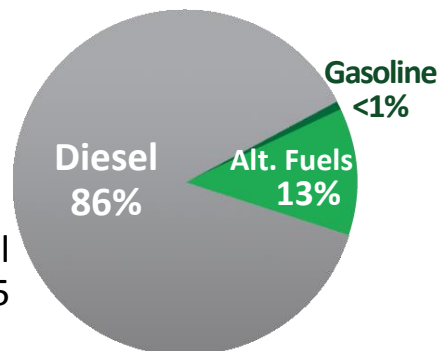
Class C
by OEM
2018:
30,667



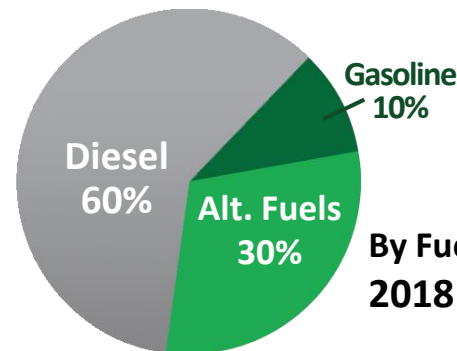
PSI Customers



By Fuel
2015



By Fuel
2018



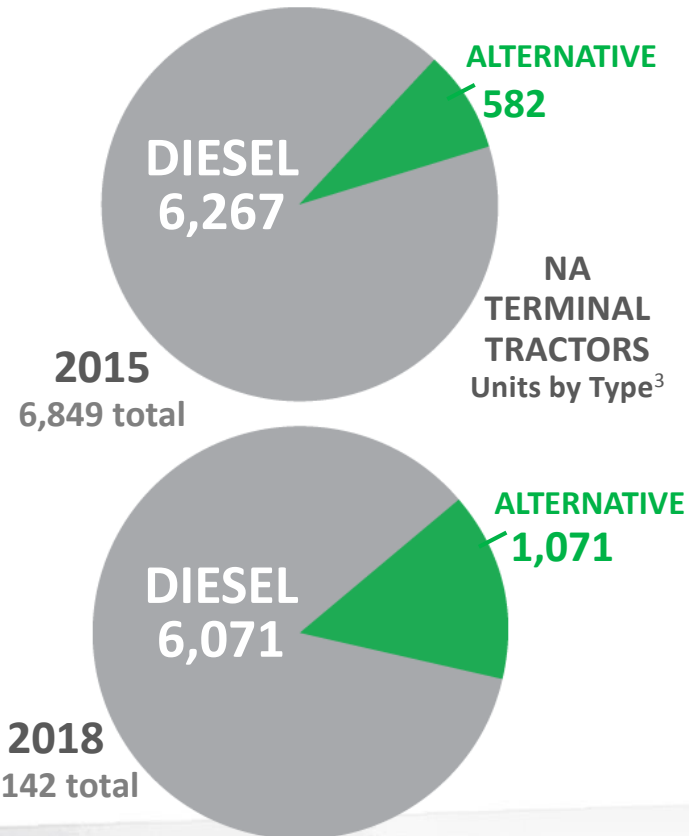
Sources: School Bus Fleet, Internal estimates.



TERMINAL TRACTOR MARKET

Working with three top NA OEMs in a \$22M total engine market

- **EMISSIONS.** 18M people living near freight hubs at risk of diesel pollution exposure.¹
- **HEALTH.** Cancer risk from diesel pollution 60% higher near ports of LA & Long Beach than elsewhere in region.²
- **GOVERNMENT.** Clean Air Action Plan (CAAP), Clean Truck Program (CTP), EPA Diesel Emissions Reduction Act (DERA).



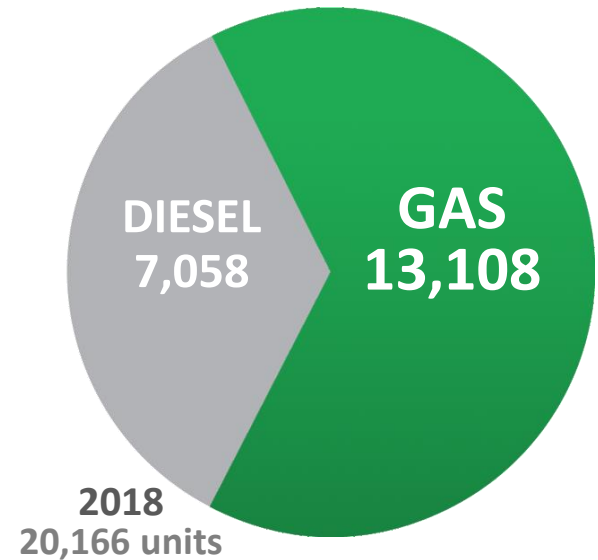
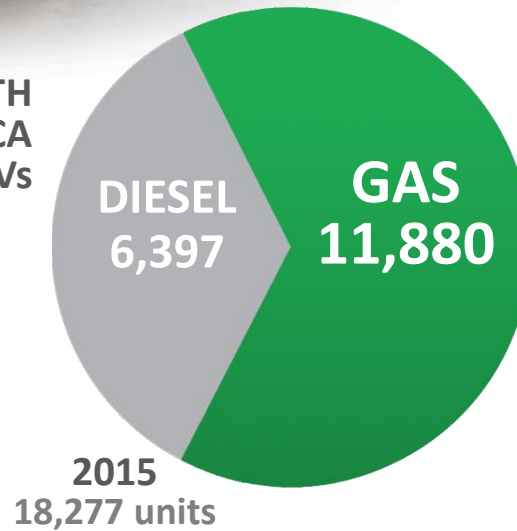
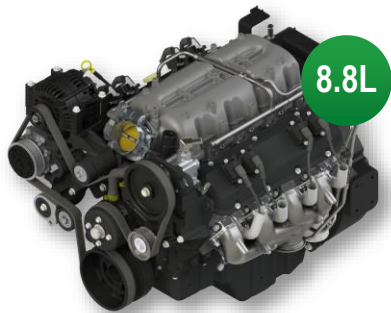
Sources: ¹Environmental Defense Fund, ²NRDC; ³PSR.



RV MARKET NORTH AMERICA

Large gasoline market with engine power gaps that PSI is poised to fill,
total engine market of \$400M

NORTH
AMERICA
RVs



Source: RVIA.



CHINA IS SEARCHING FOR **ALTERNATIVES TO DIESEL**

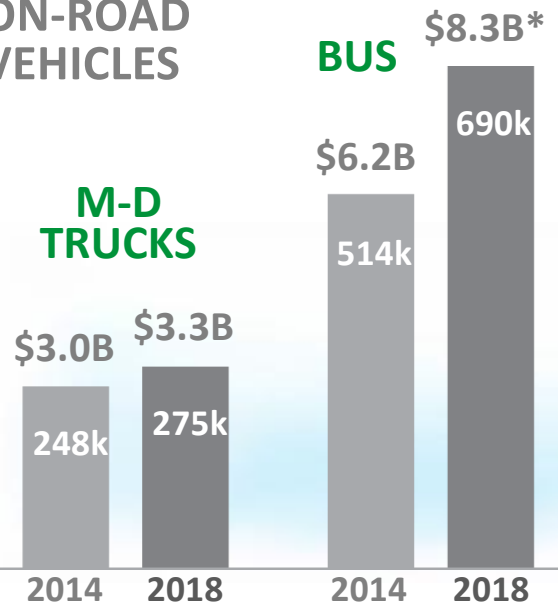
- **EMISSIONS.** Record air pollution levels have reached 56 times the WHO's allowable "safe" level.¹
- **HEALTH.** 1.2M premature deaths were caused in China by air pollution-related illnesses in 2010.²
- **OPPORTUNITY.** China's NDRC has reformed natural gas prices due to the low-cost oil environment.
- **VW SCANDAL.** More scrutiny of diesel emissions by authorities will likely affect purchasing decisions for trucks and buses.

Sources: ¹ WHO; ² NRDC.



ON-ROAD MARKETS CHINA

ON-ROAD VEHICLES



* Engine market opportunity

Gasoline is a new alternative
in shift away from diesel

- Now partnering with 4 top gasoline bus and truck OEMs
- NG bus market also growing: tripled from 2009 to 2015



Sources: LMC Automotive; SinoMarketInsight.



RECENT ACQUISITIONS



3Pi. Professional Power Products, Inc., leading global designer and manufacturer of large, custom-engineered integrated electrical power generation systems.



BUCK'S ENGINES, LP. Manufacturer of alternatively fueled engines for industrial markets, product line of United Engines, LLC.



POWERTRAIN INTEGRATION. Madison Heights, MI-based, on-road power system manufacturer.



BI-PHASE. Electronic fuel-injection system manufacturer, privately held by regional food company.



ACQUISITIONS > 3Pi

Leading designer & manufacturer of large, custom engineered power generation systems enables PSI to enter very large generator market



- Serves global diesel & natural gas markets up to 10MW
- Recent surge in natural gas quotes (historically 5%, now over 33%)
- Global footprint with a focus on emerging markets
- Leverage supply chain (\$1M cost reduction)
- Leverage OEM customer bases of GE, CAT, Cummins, Taylor and Perkins network



PSI 3PI Recovery Plan

STRATEGY

- **Highly selective participation in legacy standby power & prime power enclosure segment**
- **Diversify sales into profitable markets & applications**

IN PROCESS/SHORT TERM

- Improved estimating and PM processes, price increases for unprofitable mix & customers, 'cherry pick'
- Sales focus on complex applications (data centers) & high level customers where lower-end packages struggle to compete
- Continued promotion of CHP packaged solutions thru Gen Dealer network
- Joint development of PSI-engine based DR package
- 1.5 MW+ gas Gensets for data center applications
- 1.5 MW oil field gas-powered integrated genset package

MID-LONGER TERM

- Product development and innovative packaging to meet increasing demand in market for lower-cost, EPA Tier 4-Compliant standby & mobile power packages
- CHP Partnerships for expanded scope & direct channel to market
- Continued development of large packaging specs for oil field power generation
- High kW power packages using larger sized PSI Gas Engines



PSI 3PI Recovery Plan

STRATEGY

- **Reduce labor costs & improve business efficiencies**
- **Other cost reduction activities**

IN PROCESS/SHORT TERM

- Sales focus on multi-unit builds for improved labor productivity, reduced engineering cost & volume purchase discounts
- Right-size direct labor to reduce overtime & outsourced labor costs
- Continued improvements in workplace environment and employee morale to reduce turnover costs
- Engage employees in cost reduction
- Selective outsourcing
- Improved metrics, visual management
- Monthly overhead cost reviews/reductions
- Continued safety improvements to reduce Work-Comp expenses
- Investigate/implement freight cost reductions

MID-LONGER TERM

- Continued design for cost reductions
- Additional purchase components cost out, improved supplier metrics and performance
- Plant layout review to optimize flow, drive efficiencies



ACQUISITIONS > **BUCK'S IRRIGATION**

Manufacturer of alternative-fuel engines for industrial markets

INDUSTRIAL MARKET OEM

- MOR engine manufacturer of EPA-certified engines: range 22-277 hp
- Loose engines and custom packaging of GM and industrial engines
- Prime power generator sets, irrigation units, oil & gas, agriculture, and mine industry units



ACQUISITIONS > **POWERTRAIN INTEGRATION**

Significant on-road experience, expertise and customer relationships

EXPERIENCE

- Brings 10+ years of added on-road experience & application knowledge
- Increased OEM support & technical expertise

CUSTOMERS

- UPS Propane Truck
- Thomas-Built School Bus
- Freightliner S2G Medium-Duty Truck

EMERGING MARKETS

- GM relationship strengthens as PSI becomes only on-road integrator for 4.8L & 6.0L
- RV Market demand for high horsepower gasoline and smaller gasoline powertrains
- Powertrain options for delivery, beverage, utility & bobtail trucks
- \$700M school bus engine opportunity
- Existing customers represent 70% of school bus market share

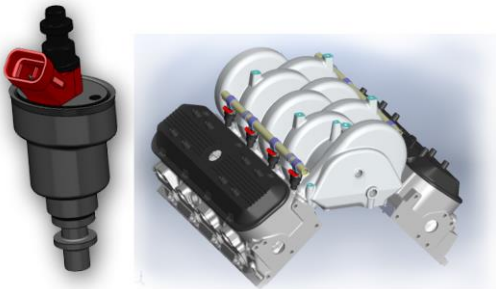


ACQUISITIONS > BI-PHASE

Patented fuel injection system enables gas engines to be fueled by LP

PATENTED DESIGN

- Leak-free multi-port system
- EPA/CARB-certified for PSI 6.0L & 8.8L engines



BI-PHASE

CURRENT SYSTEMS

- GMC 6.0L & Isuzu 6.0L
- 70% of Schwan's (former owner) fleet of 4,500 trucks fueled by propane



ISUZU

PSI-LAUNCHED PROGRAMS



SCHOOL BUS
NAVISTAR IC CE BUS



PORT & UTILITY TRACTOR
CAPACITY TJ5000



STRIP CHASSIS
ALKANE TRUCK



GROWING PRESENCE **IN ASIA**

- **MAT HOLDINGS JV.** China-based JV established in 2012 with MATS to expand 2.0L & 2.4L engine markets in Asia.
- **T&G YONGJIN.** PSI Service Center created in 2013 to support regional forklift customer service needs.
- **DOOSAN PSI, LLC.** JV established in 2014 with worldwide construction and utility OEM Doosan Infracore, based in South Korea.

3Q 2015 RESULTS

- **MACRO ENVIRONMENT SLUGGISH**

- Many industrial markets challenged with slow growth
- US GDP (advanced estimates): Q3 = +1.5%; Q2 = +3.9%

- **Q3 2015 FINANCIAL PERFORMANCE**

- Sequential and year-over-year sales growth
- Higher costs associated with manufacturing and supply chain issues, lower margin business at 3PI
- Net Income of \$9.0M (includes benefit of warrant revaluation)
- Adjusted Net income of \$487k

- **STRONG WORKING CAPITAL IMPROVEMENT**

- Reduced DSO to 78 days from 81
- Reduced Inventory to 96 days from 142



3Q vs 2Q 2015

Reduction in gross margin primarily due to inefficiencies

	Q3	2015 ^{a/} Q2	Q3 B/(W)
Net Sales	\$ 112.00	\$ 94.60	\$ 17.40
Gross Margin %	13.7%	18.4%	(470) bps
Operating Expense %	12.4%	13.6%	(121) bps
Adjusted EBITDA	\$ 4.2	\$ 6.8	\$ (2.6)
Net Income	9.1	4.9	4.2
Adjusted Net Income	0.5	2.2	(1.7)
Capital Expenditures	3.2	2.6	(0.6)

^{a/} Please refer to the definitions of non-GAAP financial measures in the appendix.

Net Sales

Increased volumes, little mix impact

Gross Margin

Inefficiencies related to manufacturing and supply base issues

Lower margin business at 3PI

Operating Expense

Leverage cost structure in higher volume environment

Adjusted EBITDA

Primarily due to lower gross margin

Net Income

Includes the benefits of lower warrant revaluation

Adjusted Net Income

Primarily due to gross margin reduction partially offset by improvements in operating expenses

Capital Expenditures

Increased investment primarily in support of customer programs



2015 vs 2014

Reduction in gross margin primarily due to inefficiencies

	Q3 ^{a/}		
	2015	2014	2015 B/(W)
Net Sales	\$ 112.0	\$ 94.0	\$ 18.0
Gross Margin %	13.7%	19.8%	(616) bps
Operating Expense %	12.4%	11.8%	(61) bps
Adjusted EBITDA	\$ 4.2	\$ 8.9	\$ (4.7)
Net Income	9.1	7.1	2.0
Adjusted Net Income	0.5	4.4	(3.9)
Capital Expenditures	3.2	2.3	(0.9)

^{a/} Please refer to the definitions of non-GAAP financial measures in the appendix.

Net Sales

Increased volumes and mix shift

Gross Margin

Mix deterioration vs. exceptional prior year—2nd H 2014 gross margin highest in company history

Inefficiencies related to manufacturing and supply base issues

Lower margin business roll-off at a recent acquisition

Operating Expense

Increased

Adjusted EBITDA

Primarily due to gross margin

Net Income

Includes the benefits of lower warrant revaluation

Adjusted Net Income

Primarily due to gross margin reduction partially offset by improvements in operating expenses

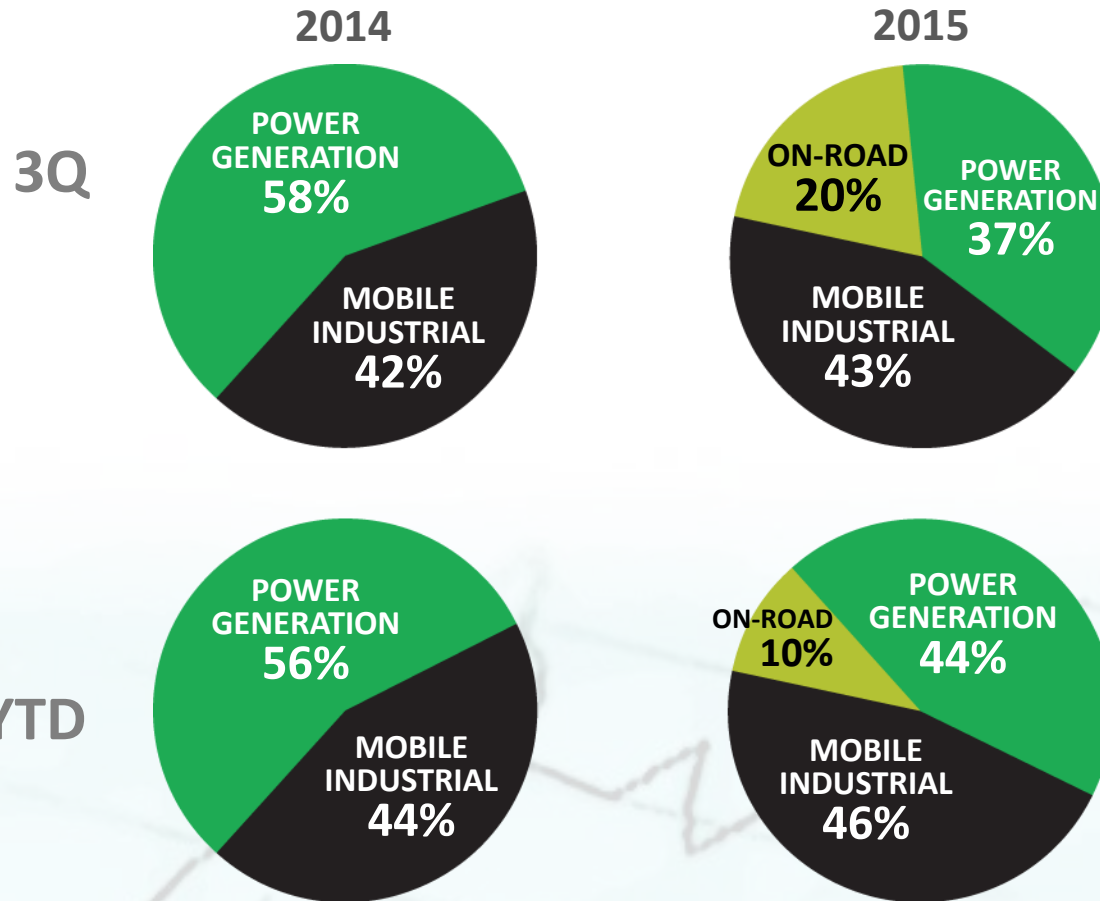
Capital Expenditures

Increased investment primarily in support of customer programs



NET SALES 2014 vs 2015

Introduction of on-road supports revenue diversification



CHANGE IN GUIDANCE

- **Weak near-term expectations in capital investment weigh on industrials**
 - Companies with Oil & Gas Exposure fared the worst
 - Recent earnings calls focused on elements management can control – Cost
- **Investors/businesses viewing 2H 16 as earliest energy prices may return to normalized levels**
 - Gap between diesel and alternatives continues to be relatively small
 - Perceived operating benefit marginalized
- **PSIX Revenue Guidance reduced given sluggish views on capital expenditures**
 - Base business steady
 - Exposure to Oil & Gas – “guilty by association”
- **Re-focus on revenue diversification opportunities with alternative-fuel mindset**
 - Gasoline is increasingly sought after

CHANGE IN GUIDANCE – **CHANGE IN DRIVERS**

Reduction in guidance reflection of delay of growth in oil & gas



POWER GENERATION

- Moderating Oil & Gas demand – assumed approximately \$100M increase in prior guidance. Remains solid business.

MOBILE INDUSTRIAL

- Up slightly on large sales base

ON-ROAD

- Customer delays in 2016 of approximately (\$30M)
- Lifetime volumes still achievable as demand for non-diesel continues to grow beyond 2016

ADJUSTED EBITDA

Base margins improving

\$M	2011	2012	2013	2014	LTM 9/30
Net Income	\$ 4.1	\$ 6.7	\$ (18.8)	\$ 23.7	\$ 22.9
Interest expense, net	1.3	1.0	0.7	1.3	3.4
Provision for income taxes	2.8	4.1	4.8	10.8	5.5
Depreciation & amortization	0.8	1.1	1.6	4.7	8.1
Warrant revaluation exp. (inc.)	0.4	0.4	28.0	(6.2)	(13.0)
Contingent consideration	—	—	—	(3.8)	(0.1)
Transaction costs	—	—	—	0.8	0.7
Adjusted EBITDA	\$9.4	\$13.3	\$16.3	\$31.3	\$27.5
As % of Revenue	6.1%	6.6%	6.9%	9.0%	6.9%

Average Period 2014 & LTM 9/30

8.0%

Average Period 2011 – 2013

6.5%

Improved Adjusted EBITDA

150 bps

^{a/} Transaction costs include only those costs related to acquisition transactions.
Please refer to the definitions of non-GAAP financial measures in the appendix.



TRADE WORKING CAPITAL

Positive trend

\$M	2015 – LTM				
	2014	Q1	Q2	Q3	Avg
Accounts Receivable	\$ 81.7	\$ 75.3	\$ 85.2	\$ 96.9	\$ 84.8
Inventory	93.9	118.1	121.6	102.8	109.1
Total A/R Inventory	\$ 175.6	\$ 193.4	\$ 206.8	\$ 199.7	\$ 193.9
Accounts Payable	60.9	57.1	40.7	43.9	50.7
Working Capital	\$ 114.7	\$136.3	\$ 166.1	\$ 155.8	\$ 143.2
As % of Revenue	33.0%	37.1%	43.9%	39.3%	38.3%

Working Capital requirements decreasing

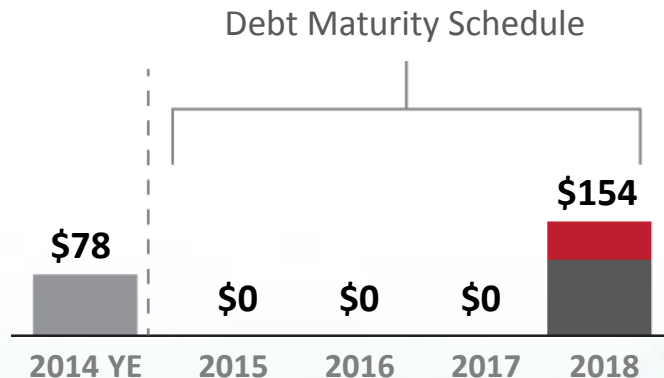
- Peak in 2Q as percentage of Sales
- All Time Buys in 2nd quarter rolling off

^{a/} Trade Working Capital defined as Accounts Receivables plus Inventories less Accounts Payables.

DEBT OVERVIEW

No significant near-term debt maturities

Debt Summary (\$M)



- **\$55 Million Unsecured Notes**

- Completed April 29, 2015
- Coupon of 5.5%
- Maturity – 3 years with option to re-purchase in March 2017
- No covenants
- Junior to revolving line of credit

- **Revolving Line of Credit**

- Facility increased to \$125M from \$100M February 2015
- Expires in June 2018
- Fixed Charge to Adjusted EBITDA coverage ratio of 1 to 1

SUMMARY

Penetrating New Markets

- PSIX business extends beyond Oil & Gas
 - Exposure to production segment, not exploration; continued education of benefits
- On-Road has significant demand

Product Offering Continues to Increase

- As markets move to alternative fuels, continue to provide solutions

Growth Potential with Acquisitions

- Power Integration growth with on-road
- 3PI growth in Cogen, CHP

Base Fundamentals Still In-Tact

- Improvement in margin is key opportunity
- No near-term debt maturities



Non-GAAP Financial Measures and Reconciliations

Reconciliation of GAAP "Net Income" to non-GAAP "Adjusted Net Income" (Dollar amounts in thousands)

As used herein, "GAAP" refers to generally accepted accounting principles in the United States. The Company uses certain numerical measures in this presentation which are or may be considered "Non-GAAP financial measures" under Regulation G. 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. The Company has provided below for your reference supplemental financial disclosure for these measures, including the most directly comparable GAAP measures and associated reconciliations.

	Three months ended September 30, 2015	Three months ended September 30, 2014	Three months ended June 30, 2015
Net income	\$ 9,109	\$ 7,148	\$ 4,921
Non-cash (income) from warrant revaluation	(8,750)	(858)	(2,904)
Non-cash (income) from contingent consideration revaluation, net of tax	(30)	(1,925)	(-)
Transaction costs, net of tax	158	-	148
Adjusted net income	<u>\$ 487</u>	<u>\$ 4,365</u>	<u>\$ 2,165</u>

Non-GAAP Financial Measures and Reconciliations

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 net income also includes adjustments to remove transaction related costs in the three months ended September 30, 2015 and June 30, 2015 and the revaluation of contingent consideration in the three months ended September 30, 2015 and 2014, respectively, both recorded in association with acquisition activity. 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 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.



Non-GAAP Financial Measures and Reconciliations

GAAP “Net Income” to non-GAAP “Adjusted EBITDA”

Adjusted EBITDA is derived from GAAP results as net income before net interest expense, income taxes, depreciation and amortization. Adjusted EBITDA excludes 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 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 EBITDA includes 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 and the Company’s acquisition of Powertrain Integration which was completed on May 15, 2015. 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 EBITDA also includes an adjustment to remove transaction costs incurred in association with the Company's acquisitions in 2014 and 2015. 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.



Non-GAAP Financial Measures and Reconciliations

Adjusted EBITDA as defined above is used as a supplemental financial measure by our management and by external users of our financial statements such as investors, commercial banks, research analysts and others, to assess:

- the financial performance of our assets without regard to financing methods, capital structure or historical cost basis;
- the ability of our assets to generate cash sufficient to pay interest costs and support our indebtedness;
- our operating performance and return on investment as compared to those of other companies without regard to financing or capital structures; and
- the viability of acquisitions and capital expenditure projects and the overall rates of return on alternative investment opportunities.

Adjusted EBITDA 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. Adjusted EBITDA is not intended to represent cash flow and does not represent the measure of cash available for distribution. 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.



Non-GAAP Financial Measures and Reconciliations

GAAP “Working Capital” to non-GAAP “Trade Working Capital”

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. GAAP Working Capital is generally defined as all current assets minus all current liabilities. Trade Working Capital includes only Accounts Receivables plus Inventories less Accounts Payable.

Trade Working Capital 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.

