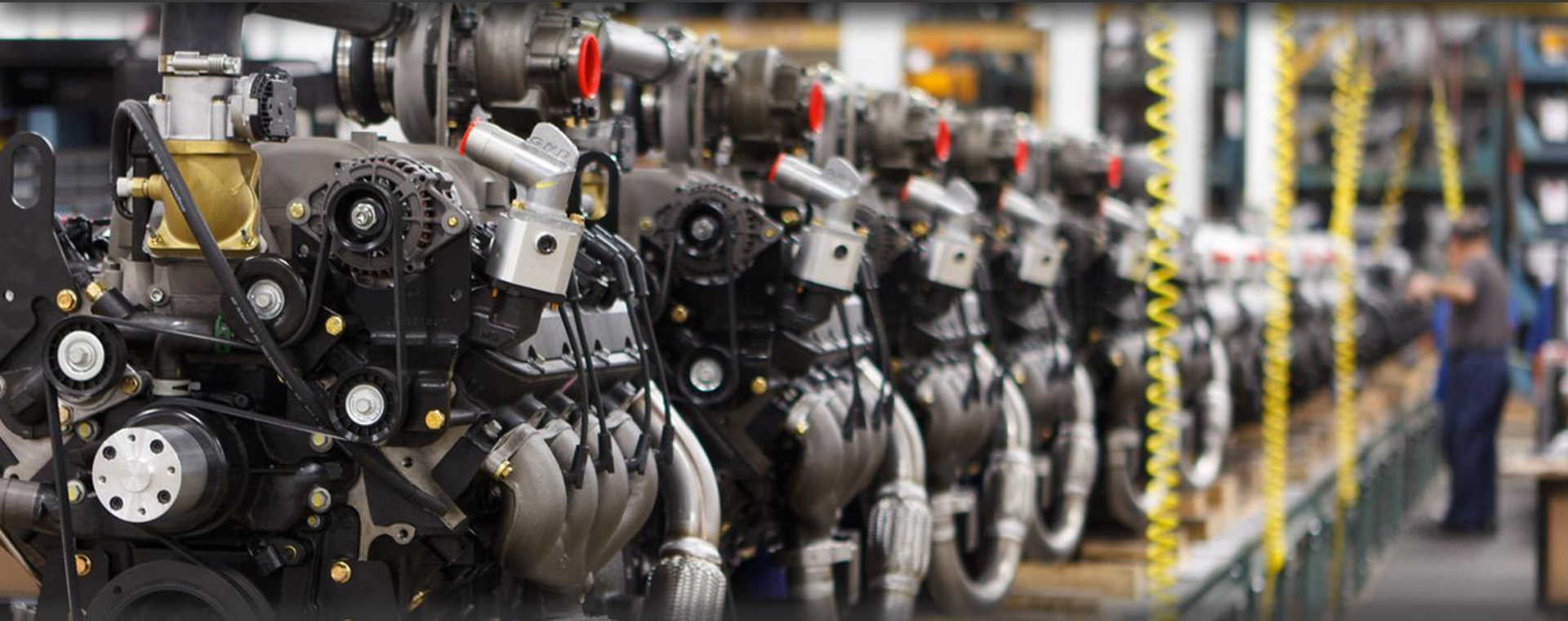




**POWER SOLUTIONS  
INTERNATIONAL**



**POWERING A GREENER FUTURE**

**JEFFERIES INDUSTRIAL CONFERENCE**

# CAUTIONARY NOTES

This presentation has been prepared by Power Solutions International, Inc. (PSI) for investors, solely for informational purposes. The information contained in this presentation does not purport to be all-inclusive or to contain all of the information a prospective or existing investor may desire. All of the financial information and other information regarding PSI contained in this presentation (including any oral statements transmitted to the recipients of this presentation) is qualified in its entirety by PSI's filings with the Securities and Exchange Commission (SEC), including the financial statements and other financial disclosure contained in those filings. PSI makes no representation or warranty as to the accuracy or completeness of the information contained in this presentation (including any oral statements transmitted to the recipients of this presentation).

This presentation (including any oral statements transmitted to the recipients of this presentation) contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding PSI's current expectations about its future operating results, prospects and opportunities. PSI has tried to identify these forward looking statements by using words such as "expect," "anticipate," "estimate," "plan," "will," "would," "should," "believe" or similar expressions, but these words are not the exclusive means for identifying such statements. PSI cautions that a number of risks, uncertainties and other important factors could cause PSI's actual results, prospects and opportunities to differ materially from those expressed in, or implied by, the forward-looking statements, including, without limitation, the development of the market for alternative-fuel systems, technological and other risks relating to PSI's development of its new 8.8 liter engine, introduction of other new products and entry into on-road markets (including the risk that these initiatives may not be successful), changes in environmental and regulatory policies, significant competition, PSI's dependence on key suppliers and general economic conditions. For a detailed discussion of factors that could affect PSI's future operating results, prospects and opportunities, please see PSI's Form 10-K for the year ended December 31, 2012, as filed with the SEC, and PSI's other SEC filings, including the disclosures under "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements" in the SEC filings. You should not place undue reliance on any forward-looking statements. Except as expressly required by the federal securities laws, PSI undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, changed circumstances or future events or for any other reason.

# COMPANY SNAPSHOT

## MARKETS

Integrated, turnkey **alternative-fuel power systems for industrial and on-highway** equipment and vehicle manufacturers.

## POSITIONING

The **leading cleantech engine manufacturer** in North America with the largest range of certified and alternative-fuel engines.

## OPPORTUNITY

**Expansion in industrial and on-highway** growth markets to capitalize on the **global shift to alternative-fuels**.



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# THIS PRESENTATION

**WHAT WE DO**

**STRENGTHS**

**MARKET TRENDS**

**GROWTH INITIATIVES**

**FINANCIALS**



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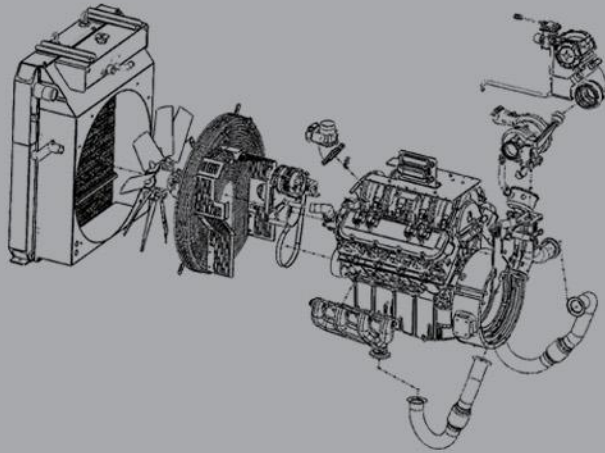


# WHAT WE DO



# WE BUILD POWER SYSTEMS

From design to application, we provide complete drop-in power solutions.



Design & Engineering  
Advanced Manufacturing  
Global Sourcing & Procurement



Assembly & Production  
Testing & Certification  
Quality Controls



Vehicle Integration  
Aftermarket Service & Support  
Equipment Monitoring



WHAT WE DO

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# WE ARE CLEAN TECHNOLOGY

PSI's fuel-flexible, emission-certified power systems are built to meet the growing global demand for alternatively-fueled engines.

**69%**

**US EPA & CARB  
Emission Certified**

Regulation  
drives  
non-certified  
customers to  
certified  
products

12%  
Certified  
Diesel

**57%**  
Certified  
Alternative

**89%**

**Alternative  
Fuels**

Natural Gas, Propane  
& Biofuel  
Capability

# WE POWER PRODUCTIVITY

The largest range of certified and alternatively-fueled engines in the world.

## INDUSTRIAL



.97L



2.0L/2.4L



3.0L



4.3L



5.0/5.7L



8.8L

## ON-HIGHWAY



4.8L



6.0L



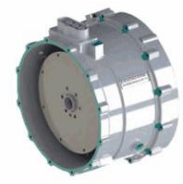
8.8L



11-15L



Transmission



Hybrid

## HEAVY-DUTY



8.1L



11.1L



14.6L



18.3L



21.9L



HHP



WHAT WE DO STRENGTHS MARKET TRENDS GROWTH INITIATIVES FINANCIALS



# WE POWER PRODUCTIVITY

Our systems power homes, lift containers, move dirt, chip trees, pump oil—and much more.



WHAT WE DO

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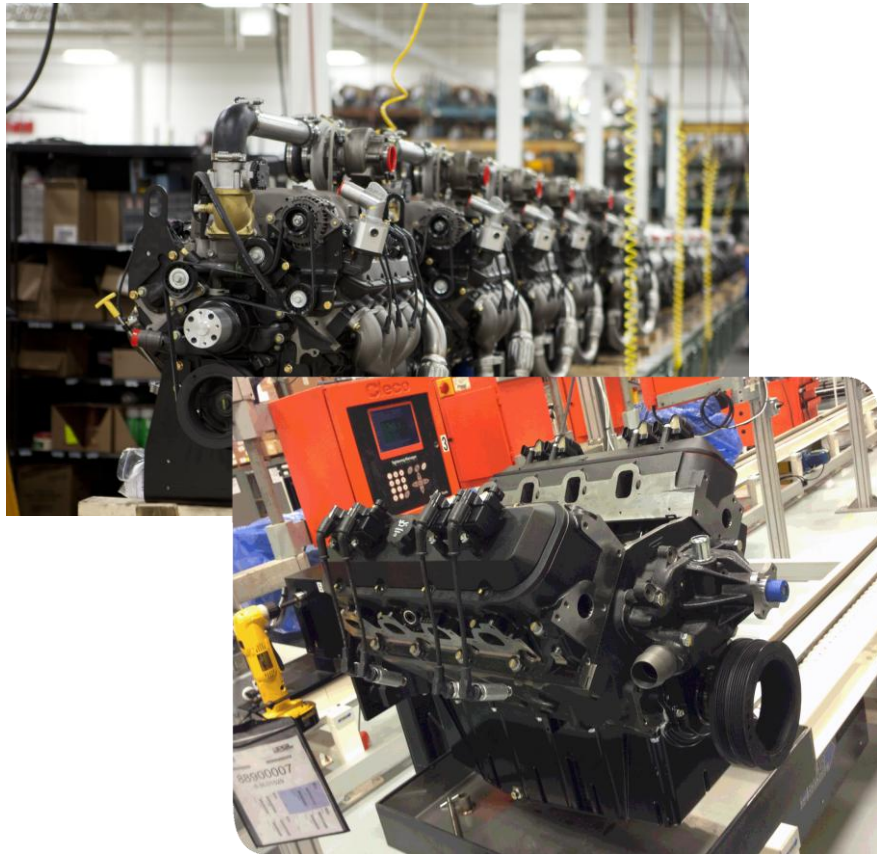
FINANCIALS

# STRENGTHS



# GLOBAL STATE-OF-THE-ART MANUFACTURING & DESIGN

PSI's facilities incorporate lean manufacturing and stringent quality controls to deliver solutions at a low cost, on-time and on-spec.



- **Flexible assembly lines** and multi-shift production easily adapt to changes in demand
- **Sophisticated design** software, process automation, wire guided racking, and interactive 3-D assembly line schematics ensure quality
- **Six Sigma, ISO 9001:2008**, and 5S guide management of 400,000+ sq. ft. engineering, assembly and distribution space
- **Joint venture with MAT in China** to develop and expand PSI power systems in Asian market
- **Ample Capacity** for future expansion at Wood Dale, IL manufacturing facility
- **3-D modeling, rapid prototyping** and in house test facilities enable OEMs to completely outsource engine development to PSI



# CERTIFIED EMISSION COMPLIANCE

Comprehensive emission expertise creates a barrier to entry for competitors and relieves customers of an onerous burden.



- **Complexity and cost of compliance** drives OEMs to outsource services that PSI provides
- PSI is **Manufacturer of Record (MOR)** for alternatively-fueled engines
- Twenty years experience meeting emission control needs, with **numerous US EPA and CARB emission certificates\***
- **Wide selection of engines** certified for mobile, stationary and on-highway applications across multiple fuel types

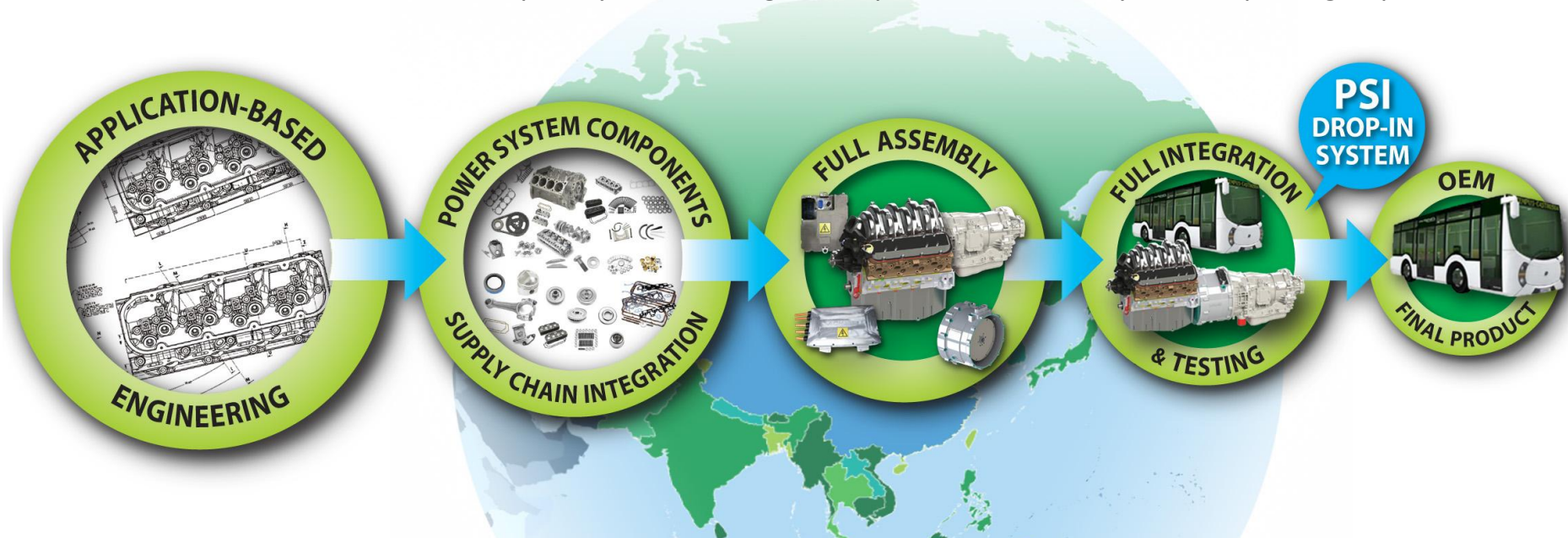
\* “EPA” is Environmental Protection Agency, “CARB” is California Air Resources Board.



# CONSOLIDATION & DROP-IN INTEGRATION

PSI's global sourcing, supply chain consolidation, and complete system integration reduce cost and complexity for customers.

- **Aggregation of components** across PSI products creates purchasing power
- Fuel- and platform-agnostic engineering enables PSI to be a full-service, **sole-source supplier** across an OEM's entire product range
- **In-house** engineering, assembly, integration and testing consolidates a complex system of stages and parts into one fully-built & packaged product



# AFTERMARKET SERVICE & SUPPORT

PSI has comprehensive aftermarket sales, product service and support expertise.



- **Packaging solutions** from wood crating to returnable metal racking to part kitting
- Sophisticated **aftermarket parts, service** and **online warranty** programs for OEMs
- Specialized scheduling and release systems help customers achieve **inventory-reduction goals**
- Proprietary components drive strong **high-margin sales**—aftermarket parts sales represent consistent, growing revenue stream of roughly 10% of total revenues

# CUSTOMER-FOCUSED PRODUCT LEADERSHIP

Several strengths combine to set us apart from competitors.



# MARKET TRENDS





# FAVORABLE MARKET TRENDS

Government regulation, changes in the fuel market and environmental consciousness are shifting economics in favor of alternative-fuel engines.

## GOVERNMENTAL

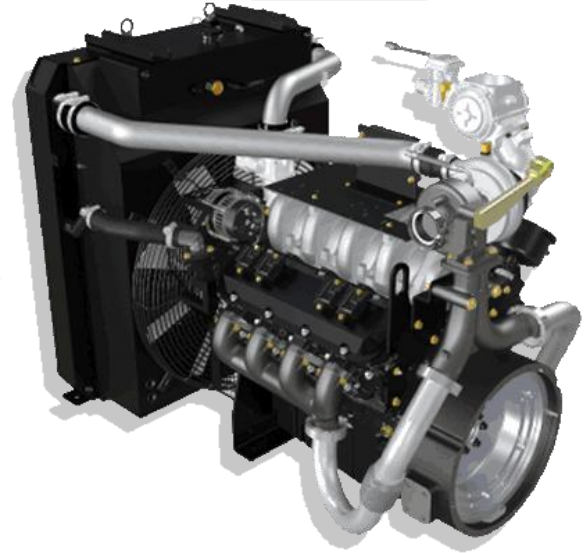
- **Increasing emission regulation**—EPA Tier 4, 99% diesel emission reduction
- **CAFE fuel economy standards** created a gap in medium- to heavy-duty truck & industrial applications
- Desire for **domestic energy independence** drives Natural Gas production
- **Subsidies, tax credits and grants** for alternative-fuels and green fleets

## FUEL MARKET

- Dramatic improvements in **alternative fuel infrastructure**
- **Low, stable cost of alternative-fuels** due to abundant domestic supply
- **Rising cost & volatility in diesel & gasoline fuel markets**

## ENVIRONMENTAL

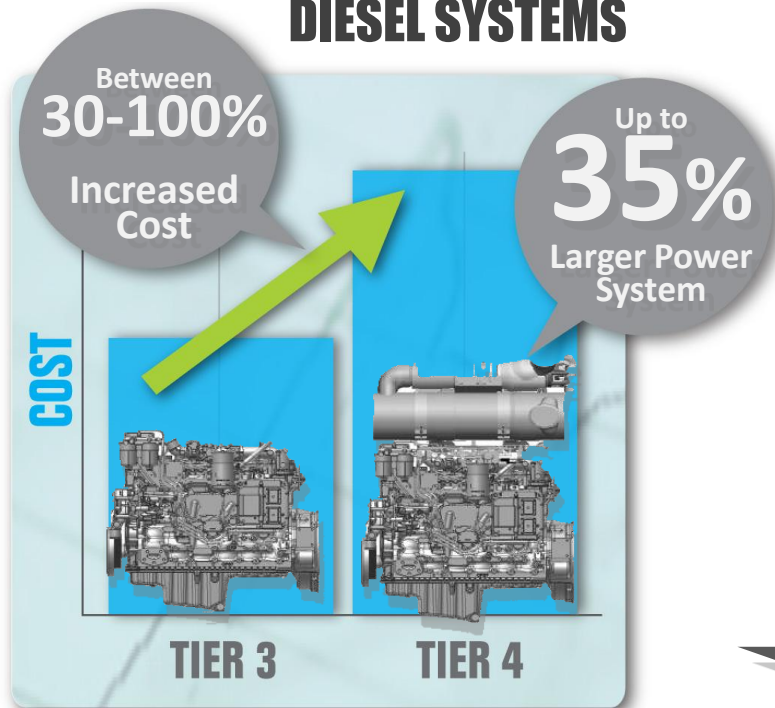
- Public **eco-consciousness & health concerns** about diesel fuel
- **Corporate sustainability demands** up & down supply chain
- **PR benefits** for companies going green
- **Widespread availability of alternative fuels.**



# RISING DISADVANTAGES FOR DIESEL SYSTEMS

Increasing costs and complexity are pushing OEMs away from diesel systems and engine manufacturers out of certain markets, creating opportunities.

## EMISSION COMPLIANT DIESEL SYSTEMS



- **High costs** for EPA Tier 4 **emission-compliant** systems: after-treatment components, application redesign, training & service costs
- **Complexity** of meeting new regulations
- **Increased weight and bulk** of compliant diesel systems
- **Operational disadvantages** of after-treatment technologies
- **Rising cost & volatility** of diesel fuel
- **Health concerns**—diesel labeled carcinogenic

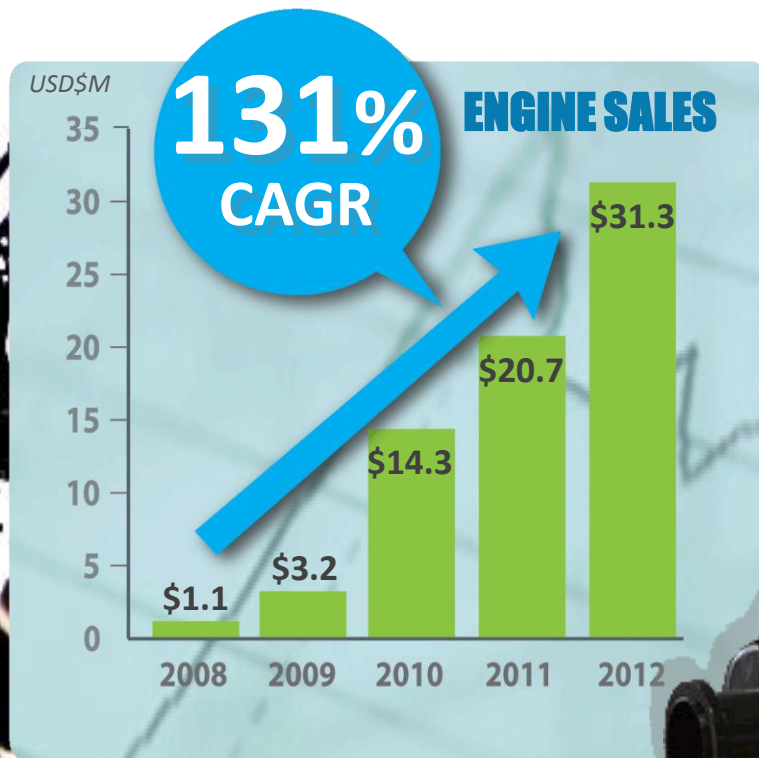
# GROWTH INITIATIVES



# PSI HEAVY-DUTY ENGINES

PSI created the Heavy-Duty line in 2008 to target a need in industrial markets for large, certified alternative-fuel engines.

Ruggedized parts grafted onto hefty blocks for maximum performance and reliability in demanding applications.



**PSI Heavy-Duty  
Sales Growth**



WHAT WE DO

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# GLOBAL FORKLIFT MARKET

## FORKLIFT CLASSES

**1.5-4  
TON**



**4.5-7  
TON**



**8-10  
TON**



## PSI PRODUCTS



**2.0-Liter**  
1.5–2 ton  
**2.4-Liter**  
2–4 ton

**4.3-Liter**  
4.5–7 ton



**5.7-Liter**  
8–10 ton

**8.8-Liter**  
10 ton +



## MARKETS



**USA**  
**179,000**  
Units/Year

**Yale**



**China**  
**261,000**  
Units/Year

**CLARK**

**MITSUBISHI**  
FORKLIFT TRUCKS

**HEU**

**HANGCHA**  
FORKLIFT TRUCK

**HYUNDAI**  
HEAVY INDUSTRIES CO., LTD.

Sources: Industrial Truck Association (ITA); Vertical Edge Limited, *Global and China Forklift Industry & Construction and Equipment Industry in China* reports



WHAT WE DO

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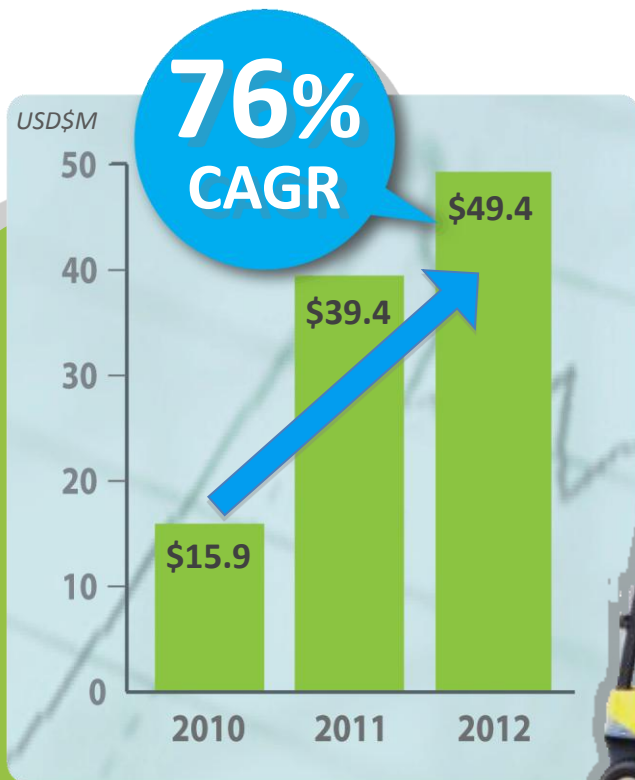
GROWTH INITIATIVES

FINANCIALS

# GLOBAL FORKLIFT MARKET EXPANSION

PSI is increasing sales in the large Asian forklift market with a low-cost, high-performance engine line backed by an exclusive supply agreement.

New **joint venture with MAT** in China to develop engine systems and expand with existing Asian forklift OEMs.



# POWERING A GREENER FUTURE

New systems to deliver packages, tow cars, haul refuse and transport people.

- Internally designed and manufactured 8.8-liter fuel flexible engine
- Multi-year supply agreement with General Motors for 4.8-liter and 6.0-liter alternative fuel engines



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# U.S. ON-HIGHWAY TRUCK MARKET

## CLASS 3

190,000 / Year



## CLASS 4-7

130,000 / Year



## CLASS 8

170,000 / Year



ISUZU



NAVISTAR



Thomas  
BUILT BUSES



FREIGHTLINER  
Custom Chassis  
Driven By You



PSI 4.8L



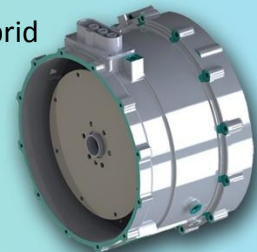
PSI 6.0L



PSI 8.8L



PSI Hybrid



GM 6L90E



Allison 1000/2000



Allison 3000

Source: 2012 Vehicle Technologies Report, Oak Ridge National Laboratory: estimated 2011 production



WHAT WE DO

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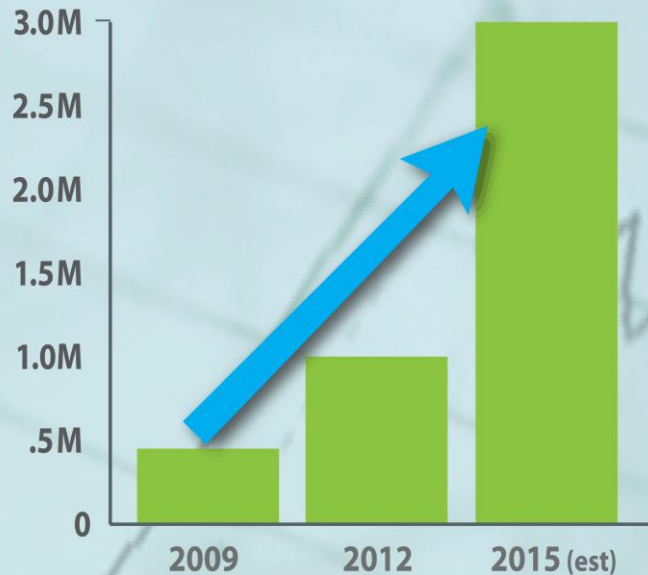
GROWTH INITIATIVES

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# NATURAL GAS VEHICLE MARKET – CHINA

Total Natural Gas Vehicles in China



Sources: International Association for Natural Gas Vehicles; ClimateWire

## CITY BUSES



## WORK TRUCKS



## REFUSE TRUCKS



# ON-HIGHWAY MARKET EXPANSION

Extension of PSI's turnkey solutions to the bus, delivery truck, city fleet and RV markets offers significant growth potential.

Clean, fuel-flexible, high-performance systems to meet the rigors of Class-4 to Class-7 on-highway applications.



## Recent Pilot Programs

Peapod



Castrosua



WHAT WE DO

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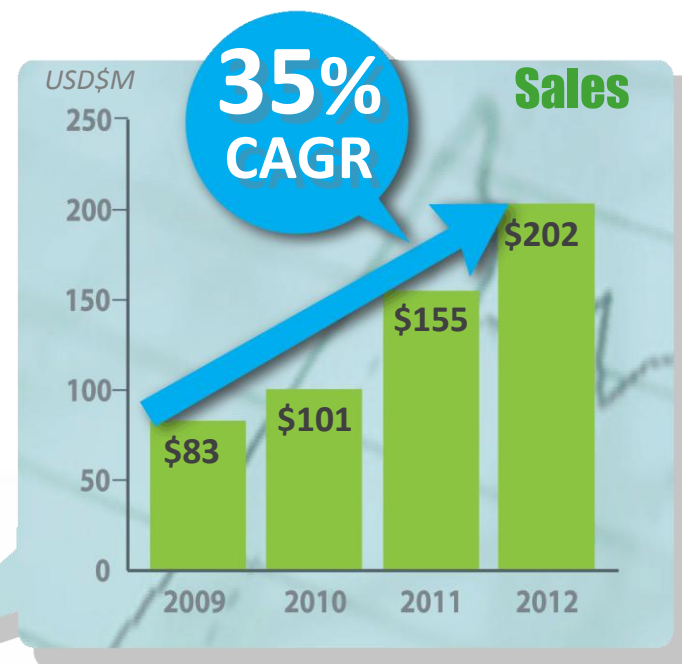
# FINANCIALS



# PSI FINANCIAL SUMMARY

Strong Revenue and Profit  
Growth During 2012

| USD \$000's<br>Except per Share Amount | 2010      | 2011      | 2012      |
|--|-----------|-----------|-----------|
| <b>Sales</b>                           | \$100,521 | \$154,969 | \$202,342 |
| <b>Operating Income</b>                | \$4,066   | \$9,805   | \$12,316  |
| <b>Net Income</b>                      | \$1,569   | \$4,061   | \$6,702   |
| <b>Adjusted Net Income</b>             | \$1,569   | \$4,443   | \$7,455   |
| <b>Adjusted EPS</b>                    | \$0.19    | \$0.48    | \$0.81    |





# PSI FINANCIAL SUMMARY

Second Quarter Update:  
continuing growth in 2013

| USD \$000's<br>Except per Share Amount | Q2 2013   |
|--|-----------|
| Sales                                  | \$59,138  |
| Operating Income                       | \$3,840   |
| Net Income*                            | (\$2,100) |
| Adjusted Net Income                    | \$2,269   |
| Adjusted EPS                           | \$0.23    |

\* Includes \$4.2 million non-cash charge related to the increase in valuation of warrants



# PSI FINANCIAL SUMMARY

## Operating Income



## Adjusted Net Income



# BALANCE SHEET AND OTHER INFORMATION

## BALANCE SHEET As of June 30, 2013

|                      |          |
|----------------------|----------|
| Cash                 | \$1.4M   |
| Total Assets         | \$100.4M |
| Total Liabilities    | \$76.5M  |
| Line of Credit       | \$37.2M  |
| Shareholders' Equity | \$23.9M  |

## CASH FLOW DATA

LTM as 6/30/13

|                       |        |
|-----------------------|--------|
| Depreciation & Amort. | \$1.4M |
| Capital Expenditures  | \$5.2M |

## SHARES OUTSTANDING as of 6/30/13

|                                |             |
|--------------------------------|-------------|
| Common Shares *<br>(Pro-Forma) | 10.3M       |
| Warrants                       | <u>0.5M</u> |
| Fully-Diluted Shares *         | 10.8M       |

\*Includes 1,050,000 common share offering closed in July 2013 and excludes potential share based payment impact.

# INVESTMENT HIGHLIGHTS

## COMPETITIVE ADVANTAGES

Supply chain consolidation, drop-in integration and global sourcing deliver cost savings and convenience to OEMs



## FAVORABLE MARKET TRENDS

Economic, environmental and regulatory factors are driving demand for alternatively-fueled engines



## EXPANDED MARKET PENETRATION

Expansion of Asian forklift engine sales with new products, exclusive OEM partnerships, and Asian facilities



## NEW PRODUCT PIPELINE

Product launches in on-highway cleantech growth markets: bus, delivery truck, city fleet and RV



## CONTINUING REVENUE GROWTH

2012 Sales of \$202M, up 31% over 2011,  
2012 Net Income of \$6.7M, up 65% over 2011







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# SUMMARY

**Alternative-  
Fuel Product  
Leader**

**Strong  
Cleantech  
Market  
Trends**

**Proven  
Market  
Strategy**

**Experienced  
Management**

# RECONCILIATION OF NET INCOME & EPS

## Fiscal Year Ended

(Dollar amounts in thousands, except per share amounts)

2012

2011

2010

### Reconciliation of net income (loss) to adjusted net income:

|  |         |         |         |
|--|---------|---------|---------|
| Net Income (Loss)                                  | \$6,702 | \$4,061 | \$1,569 |
| Non-cash expense (income) from warrant revaluation | 448     | 382     | -       |
| Facility relocation and debt extinguishment costs  | 305     | -       | -       |
| Adjusted net income                                | \$7,455 | \$4,443 | \$1,569 |

### Reconciliation of diluted EPS to adjusted diluted EPS:

|  |        |        |        |
|--|--------|--------|--------|
| Diluted earnings (loss) per common share           | \$0.74 | \$0.44 | \$0.19 |
| Non-cash expense (income) from warrant revaluation | 0.04   | 0.04   | -      |
| Facility relocation and debt extinguishment costs  | 0.03   | -      | -      |
| Adjusted diluted earnings per common share         | \$0.81 | \$0.48 | \$0.19 |

## Three Months Ended June 30

2013

2012

(unaudited)

|           |         |
|-----------|---------|
| (\$2,100) | \$2,961 |
| 4,207     | (1,050) |
| 162       | -       |
| \$2,269   | \$1,911 |

|          |        |
|----------|--------|
| (\$0.23) | \$0.33 |
| 0.44     | (0.12) |
| 0.02     | -      |
| \$0.23   | \$0.21 |

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 and adjusted diluted earnings per common share are 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 and adjusted diluted earnings per common share also exclude debt extinguishment costs and costs incurred in connection with the Company's relocation of production, warehousing and administrative offices into new facilities. The Company excludes these costs because the Company believes that they, similar to the warrants, are not indicative of the Company's core operating results or future performance and are excluded by management in its forecast and evaluation of the Company's operational performance.

Adjusted net income, adjusted diluted earnings per 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.



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