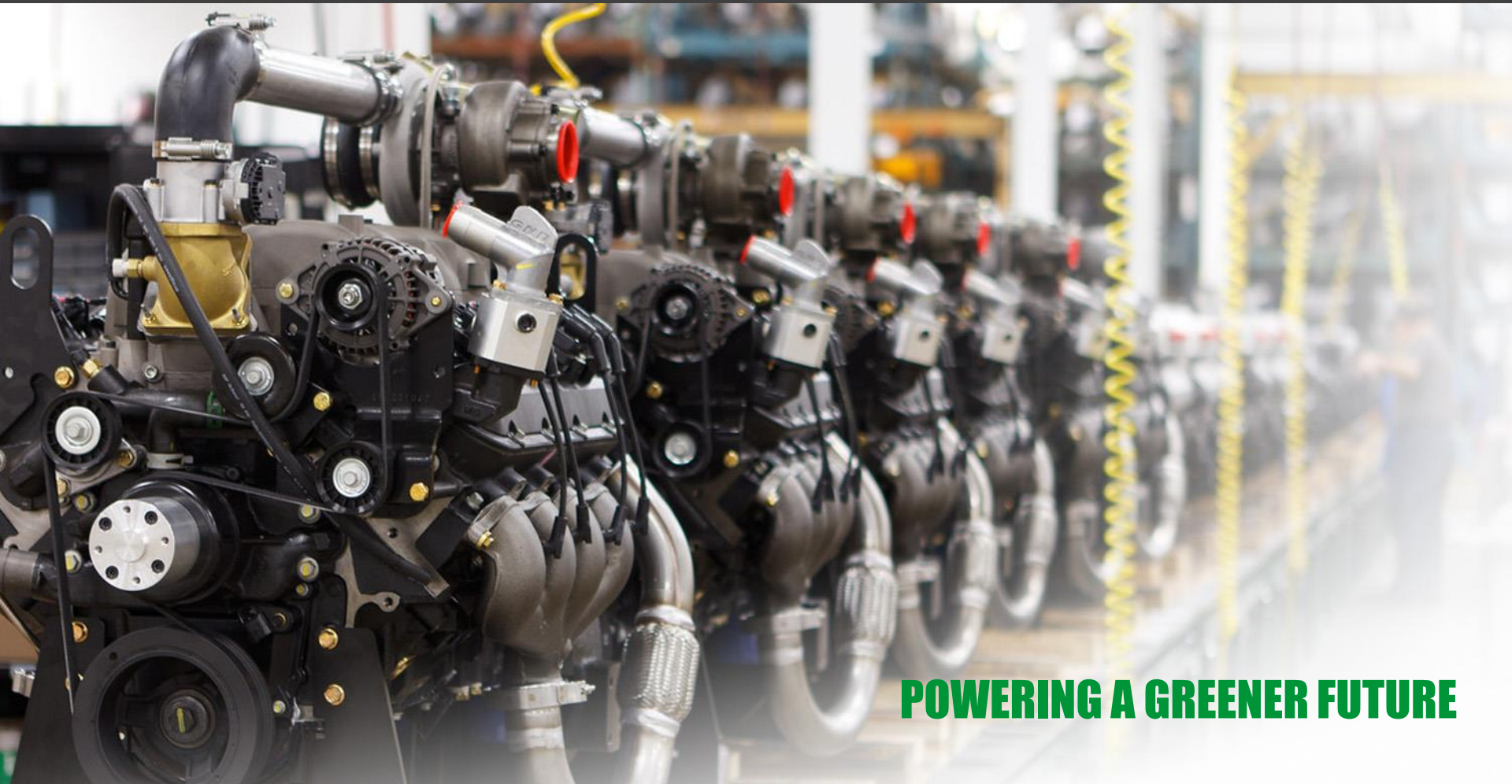




**POWER SOLUTIONS  
INTERNATIONAL**

**INVESTOR  
PRESENTATION**

**Third Quarter 2014**



**POWERING A GREENER FUTURE**

# 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, 2013, 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.

# THE PURE-PLAY ALTERNATIVE-FUEL OPPORTUNITY

PSI has become the largest alternative fuel engine supplier in the world, with clean-running products powered by natural gas, propane, flare and wellhead gas, and biofuels.



**POWERING A GREENER FUTURE**

**PSI**



# WE POWER PRODUCTIVITY

The world's largest range of certified and alternatively-fueled engines.

## INDUSTRIAL



.97L



2.0L/2.4L



3.0L



4.3L



5.0L/5.7L



8.8L

## ON-HIGHWAY



4.8L



6.0L



8.8L



11L-15L



Transmissions



## HEAVY-DUTY



8.1L



11.1L



14.6L



18.3L



21.9L



23L-61L



# PSI INDUSTRIAL MARKET

Power Generation



Material Handling



Aerial Lifts



Arbor Products



Aircraft Ground Support



**PSI**

**INDUSTRIAL**

.97L



61L



19 Engine  
Displacements  
800 SKUs

Agricultural & Turf



Oil & Gas



Other Industrial

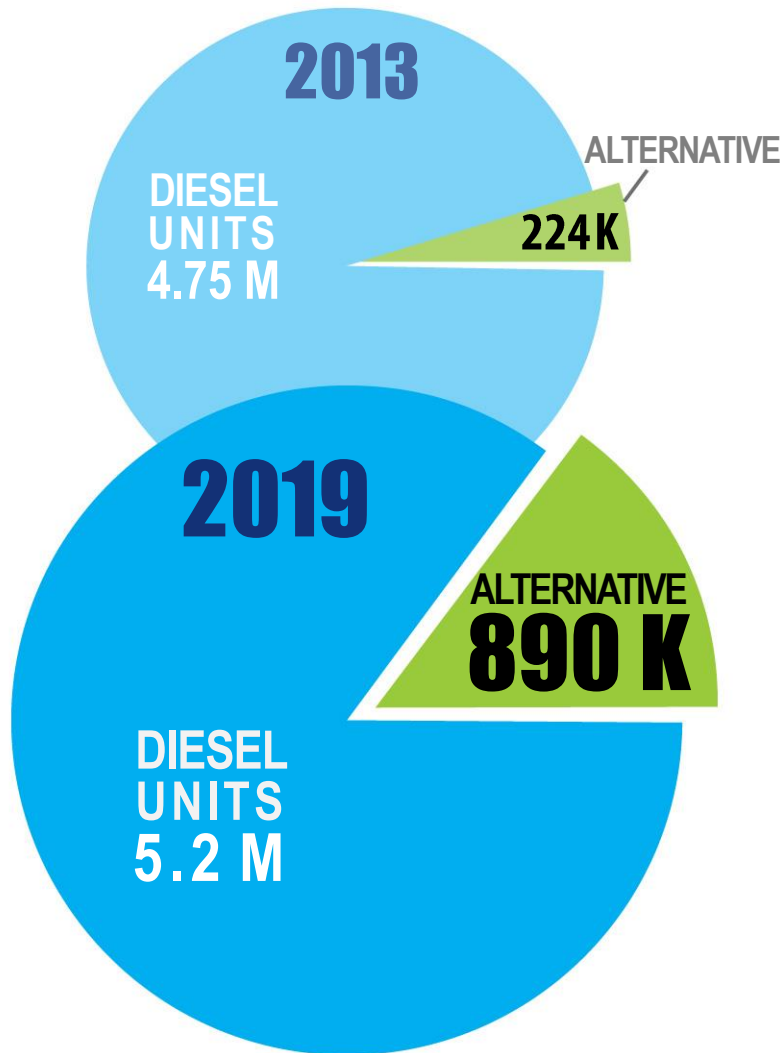


Industrial Sweepers



**PSI**

## GLOBAL INDUSTRIAL ENGINE MARKET 2013 & 2019



Sources: Power Systems Research (total global engine market above 1-liter);  
PSI adjustment for forecasted 15% shift to alternative fuels by 2019.

# WHAT DRIVES PSI'S GROWTH? A GLOBAL SHIFT TO ALTERNATIVE FUELS



**ECONOMICS**



**REGULATION**

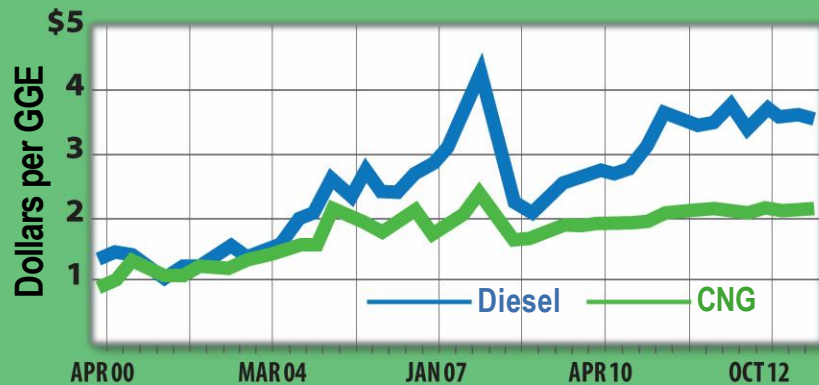


**ENVIRONMENT**



# TRENDING TOWARD ALTERNATIVE FUELS

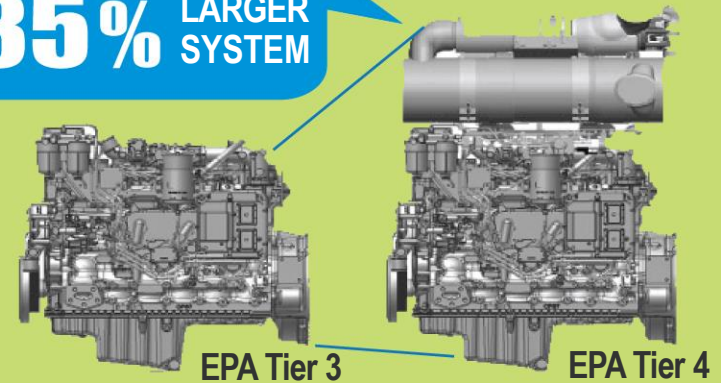
## RISING DIESEL FUEL COSTS



Source: Clean Cities Alternative Fuel Price Reports.  
Fuel volumes measured in gasoline-gallon equivalents (GGEs).

UP TO  
**100%** MORE  
COSTLY  
UP TO  
**35%** LARGER  
SYSTEM

## COST OF EMISSION COMPLIANCE



## INCREASING PRODUCTION INCREASING REGULATION

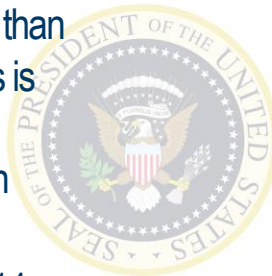
2013 FLARE GAS RULES



## NATIONAL ENERGY GOALS

“America is closer to energy independence than we’ve been in decades. One of the reasons is natural gas ... it’s the bridge fuel that can power our economy with less of the carbon pollution that causes climate change.”

– President Obama, State of the Union, 2014





# OIL & GAS MARKET

**65 %** U.S. ENERGY PROJECTION

**560 K** OIL WELLS

**482 K** NATURAL GAS WELLS



“FREE” NATURAL GAS VS. DIESEL

**\$14B**

INDUSTRY-WIDE DIESEL FUEL COST PER YR (estimated)



DIESEL \$5/GAL

NG

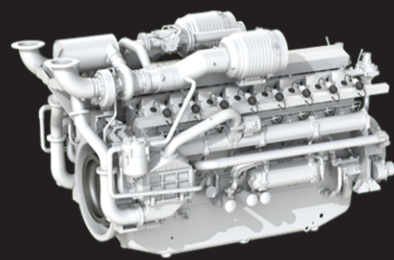
FLARE GAS REGULATION

**290 K** WELLS FLARE OR VENT NOW

**JAN'15** EPA RULES GO INTO EFFECT



# PSI STRATEGY



- Product Extension to 61-Liter/1.2 MW
- Flare/Wellhead Gas Fueling Strategy
- Perkins Caterpillar 4000 Series Centre of Excellence
- Professional Power Products, Inc. (PPPI) Acquisition

# PSI GROWTH

OIL & GAS SALES GROWTH

**70% CAGR**





# GLOBAL FORKLIFT MARKET

## PSI Products



2.0L- & 2.4L



4.3L

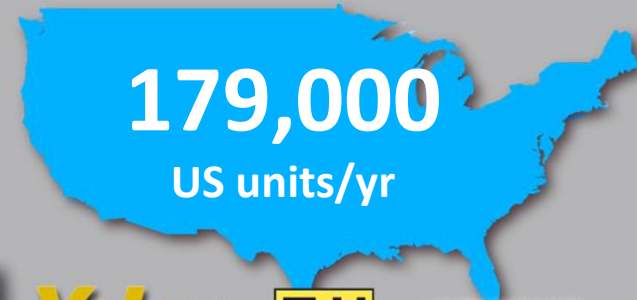


5.7L



8.8L

## Key Markets



Yale



CROWN



CLARK



MITSUBISHI  
FORKLIFT TRUCKS

HELI

HYUNDAI  
HEAVY INDUSTRIES CO., LTD.

HANGCHA  
FORKLIFT TRUCK

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



# 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



# PSI ON-HIGHWAY MARKET

Delivery Fleets



Vocational Trucks



Recreational Vehicles



School Buses



## U.S. ON-HIGHWAY MARKET



Chassis



Long Haul



**CLASS 3**  
**190,000**  
UNITS

**CLASS 4-7**  
**130,000**  
UNITS

**CLASS 8**  
**170,000**  
UNITS

Tow & Utility



Transit Buses



Heavy-Duty Construction





## CITY BUSES



## WORK TRUCKS



DFM



FOTON

**JAC**  
MOTORS

## REFUSE TRUCKS



**ZOOMLION**

## NATURAL GAS VEHICLE MARKET IN CHINA

NG VEHICLES IN CHINA  
BY UNITS



Sources: International Association for Natural Gas Vehicles; ClimateWire



# FINANCIALS



# PSI FINANCIAL SUMMARY

Strong revenue and profit growth

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

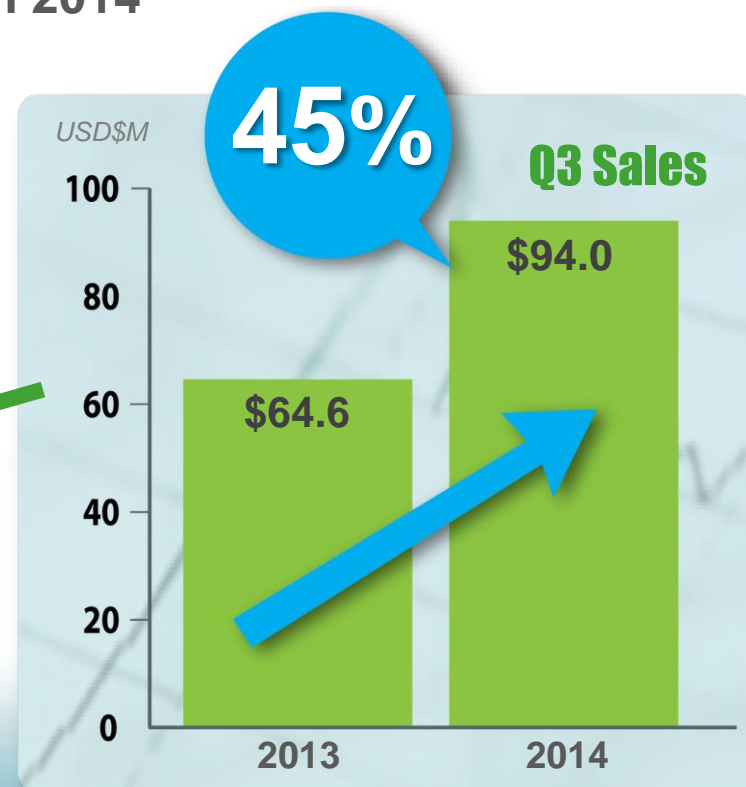




# PSI FINANCIAL SUMMARY

Third Quarter update: Continued growth in 2014

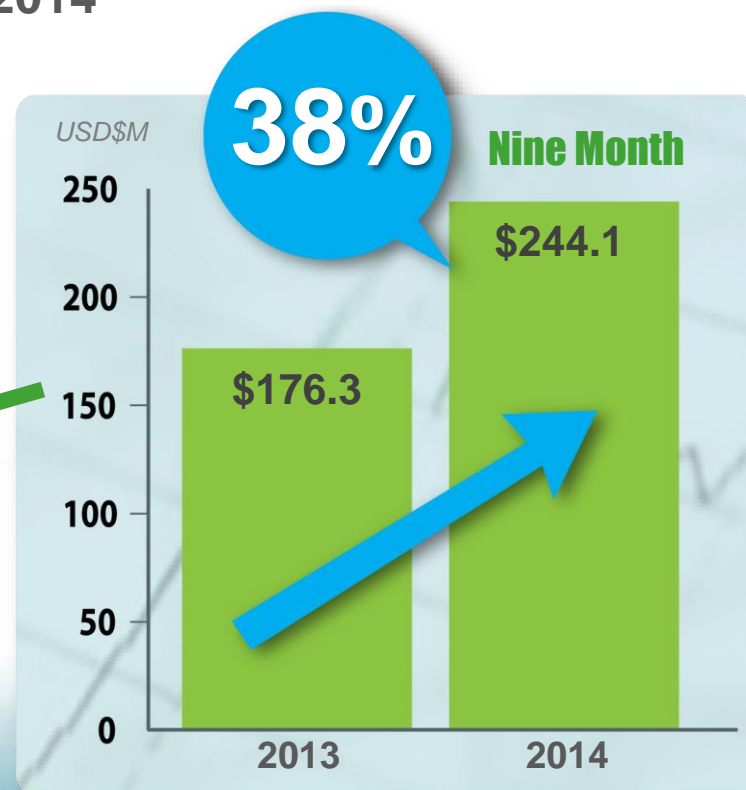
<i>USD \$000's Except per Share Amount</i>	Q3 2014	Q3 2013
<b>Sales</b>	\$93,972	\$64,628
<b>Operating Income</b>	\$ 7,519	\$ 4,122
<b>Net Income (Loss)</b>	\$ 8,431	(\$ 9,981)
<b>Adjusted Net Income</b>	\$ 4,365	\$ 2,624
<b>Adjusted EPS</b>	\$ 0.39	\$ 0.24



# PSI FINANCIAL SUMMARY

Nine month update: Continued growth in 2014

<i>USD \$000's Except per Share Amount</i>	Nine months ended 2014	Nine months ended 2013
<b>Sales</b>	\$244,085	\$176,342
<b>Operating Income</b>	\$16,933	\$ 11,042
<b>Net Income (Loss)</b>	\$14,917	(\$15,008)
<b>Adjusted Net Income</b>	\$10,432	\$ 6,812
<b>Adjusted EPS</b>	\$ 0.94	\$ 0.68



# BALANCE SHEET & OTHER INFORMATION

## BALANCE SHEET as of September 30, 2014

Cash	\$ 7.6M
Total Assets	\$236.1 M
Line of Credit	\$ 74.0 M
Total Liabilities	\$153.9 M
Shareholders' Equity	\$ 82.2 M

## CASH FLOW DATA Projected 2014

Depreciation & Amortization	\$4.4 M
Capital Expenditures	\$6.8 M

## SHARES OUTSTANDING as of September 30, 2014

Common Shares	10.8M
Other Dilutive Securities	<u>0.4 M</u>
Fully-Diluted Shares	11.2 M



# RECONCILIATION OF NET INCOME & EPS

Fiscal Year Ended	Three Months Ended Sept. 30			
<i>(Dollar amounts in thousands, except per share amounts)</i>	2013	2012	2014	2013

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

Net Income (Loss)	(\$18,760)	\$6,702	\$8,431	(\$9,981)
Non-cash (income) expense from warrant revaluation	28,031	448	(858)	12,605
Non-Cash (income) expense from contingent consideration revaluation	-	-	(3,208)	-
Facility consolidation and debt extinguishment costs	162	305	-	-
Adjusted net income	\$9,433	\$7,455	\$4,365	\$2,624

## Reconciliation of diluted EPS to adjusted diluted EPS:

Earnings (loss) per diluted common share	(\$1.92)	\$0.74	\$0.68	(\$0.97)
Non-cash (income) expense from warrant revaluation	2.82	0.04	-	1.21
Non-Cash (income) expense from contingent consideration revaluation	-	-	(0.29)	-
Facility consolidation and debt extinguishment costs	0.02	0.03	-	-
Adjusted earnings per diluted common share	\$0.92	\$0.81	\$0.39	\$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 also include adjustments to remove the non-cash impact related to the change in the estimated fair value of the contingent consideration recorded in connection with the acquisition of Professional Power Products, Inc., debt extinguishment costs and costs incurred in connection with the Company's relocation of production, warehousing and administrative offices into new facilities. The Company believes these costs similar to the warrant related expense, are not indicative of the Company's core operating results or future performance. These cost 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.





**POWER SOLUTIONS  
INTERNATIONAL**

A photograph of a long line of industrial engines, likely diesel, in a factory setting. The engines are arranged in a row, receding into the background. They are complex mechanical units with various pipes, hoses, and components. The background is slightly blurred, showing industrial equipment and yellow safety railings.

**THANK YOU**

**POWERING A GREENER FUTURE**