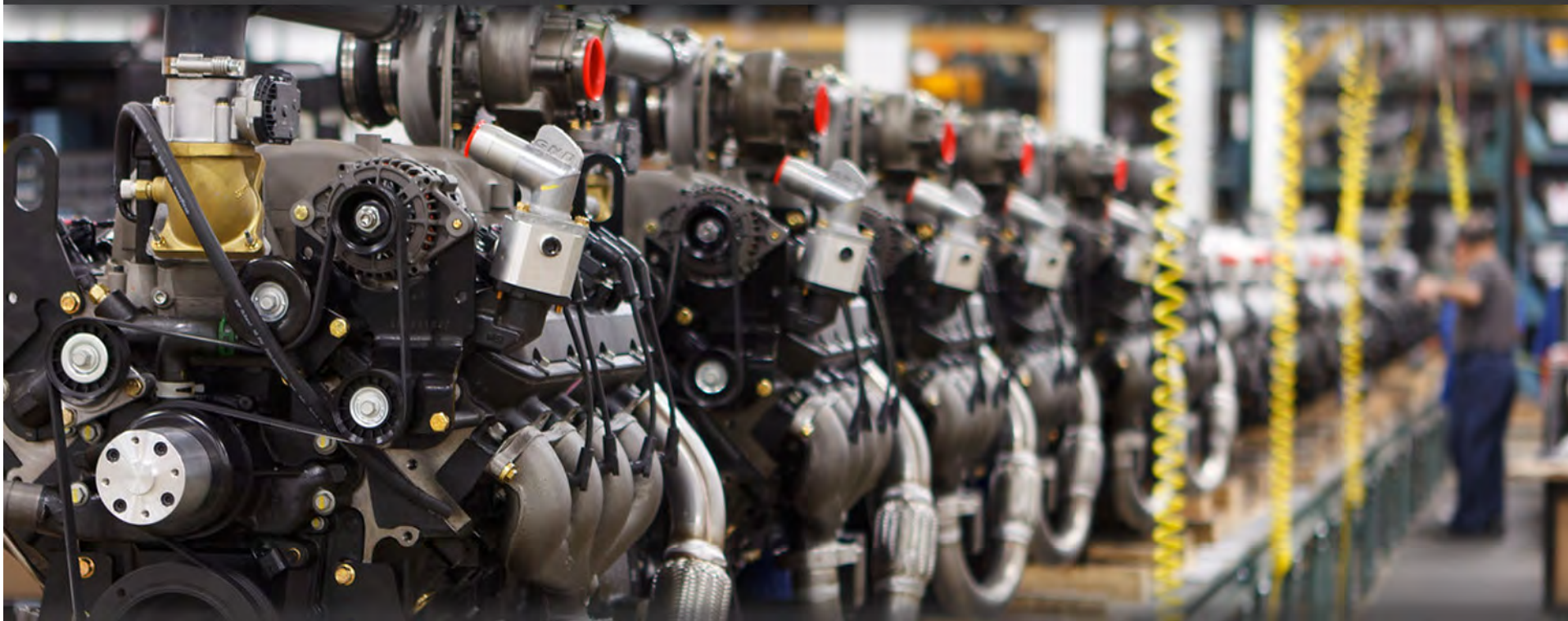




**POWER SOLUTIONS  
INTERNATIONAL**

March 2013



**POWERING A GREENER FUTURE**

**INVESTOR PRESENTATION**

Gary Winemaster, CEO



# CAUTIONARY NOTES

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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 that capitalize on the **global shift to alternative-fuels**.



# **THIS PRESENTATION**

**WHAT WE DO**

**STRENGTHS**

**MARKET TRENDS**

**GROWTH INITIATIVES**

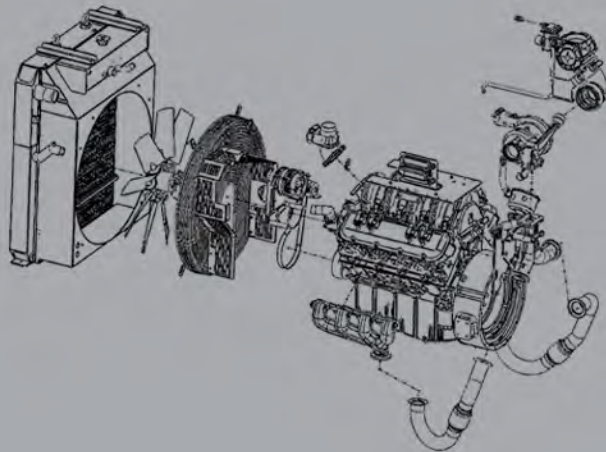
**FINANCIALS**

# 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



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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.

**71%**

**US EPA & CARB  
Emission Certified**

Regulation  
drives  
non-certified  
customers to  
certified products

11%  
Certified  
Diesel

**60%**  
Certified  
Alternative

**89%**

**Alternatively  
Fueled**

Natural Gas, Propane  
& Biofuel  
Capability



**WHAT WE DO**

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# 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



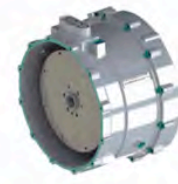
8.8L



11-15L



Transmission



Hybrid

## HEAVY-DUTY



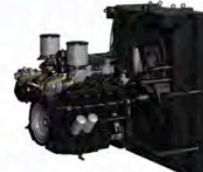
8.1L



11.1L



14.6L



18.3L



21.9L



HHP



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# WE POWER PRODUCTIVITY

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



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# STRENGTHS

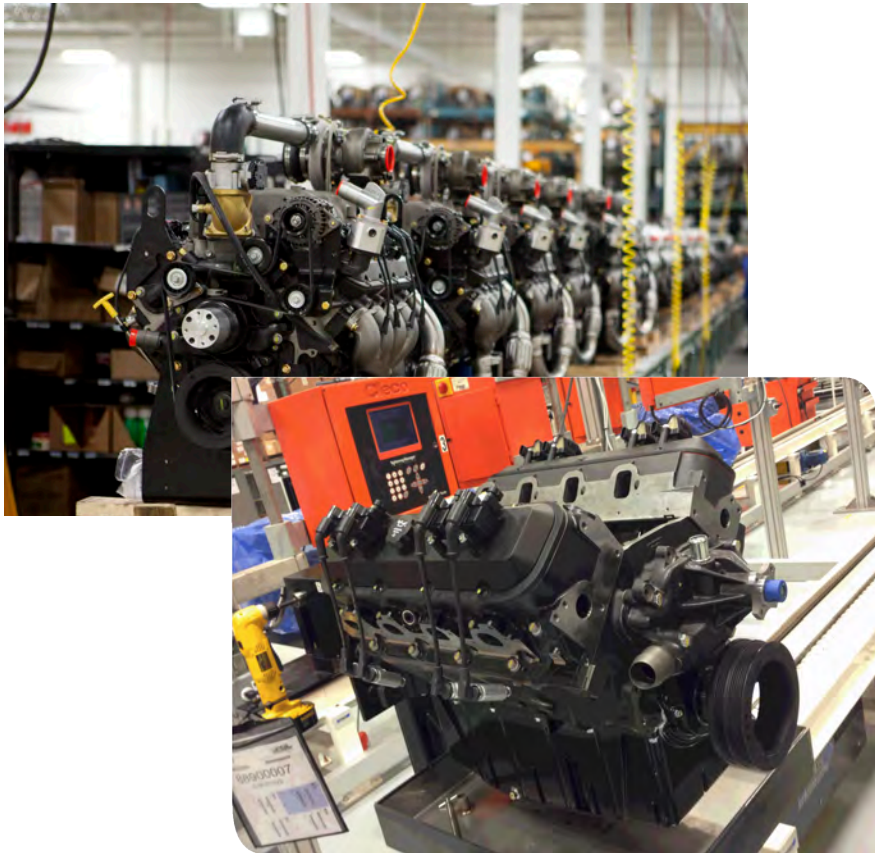


- **In-house, multi-disciplinary design and engineering** transforms engines into ruggedized drop-in power systems for end-application use
- **3-D modeling, rapid prototyping** and efficient inline test cells enable OEMs to completely outsource engine development to PSI
- **Open-architecture methodology** integrates the latest innovations and provides flexibility for adaptations, enhancements and scalability



# GLOBAL STATE-OF-THE-ART MANUFACTURING

PSI's facilities incorporate lean manufacturing and stringent quality controls to deliver performance at the lowest cost, on-time and on-spec.



- **Flexible assembly lines** and multi-shift production easily adapt to unexpected 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



# 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.



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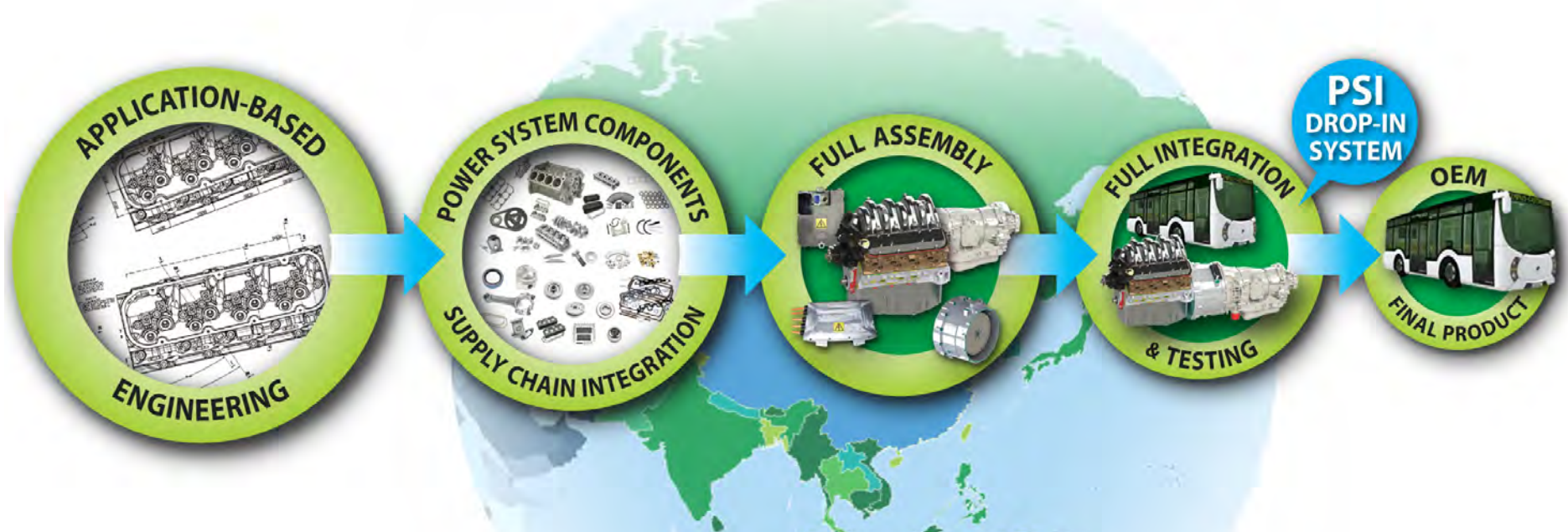
GROWTH INITIATIVES

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# 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



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# AFTERMARKET SERVICE & SUPPORT

PSI's comprehensive aftermarket sales, product service and support are unmatched.



- **Packaging solutions** from wood crating to returnable metal racking to part kitting make PSI a full-service logistics provider
- Sophisticated **aftermarket parts, service** and integrated **online warranty** programs for OEMs
- Specialized scheduling and release systems help customers achieve **inventory-reduction** goals of 40% and higher
- 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.



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

## ENVIRONMENTAL

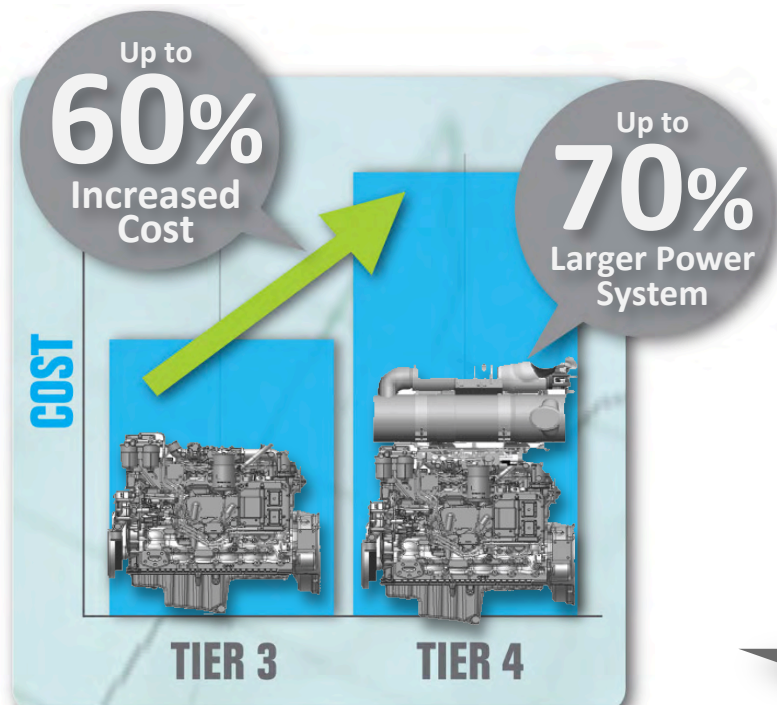
- Public **eco-consciousness & health concerns** about diesel fuel
- **Corporate sustainability demands** up & down supply chain
- **PR benefits** for companies going green
- **Fracking** creates abundant sustainable alternative-fuel supply



# 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.

## DIESEL SYSTEMS



- **High costs** for 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

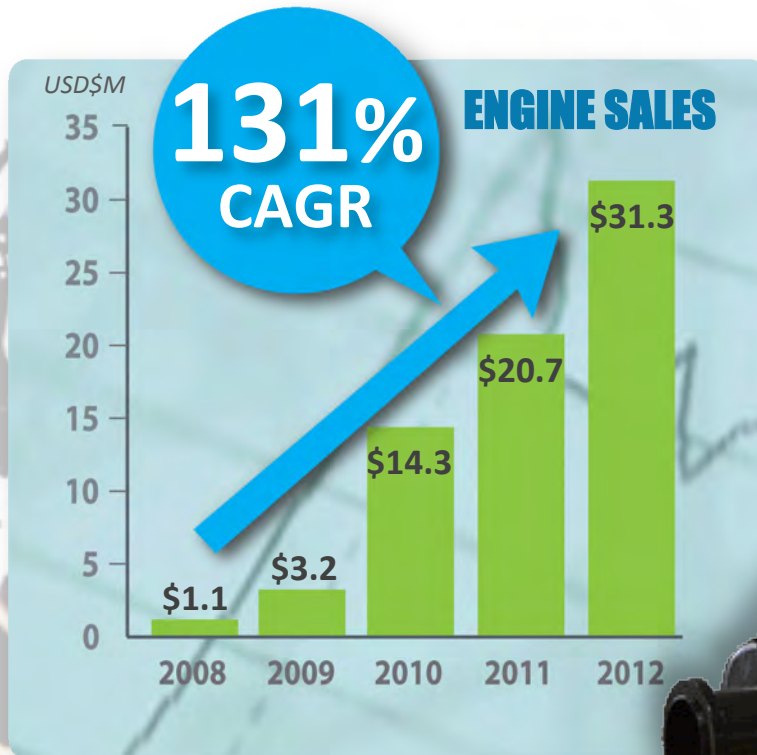




# PSI HEAVY-DUTY ENGINES

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



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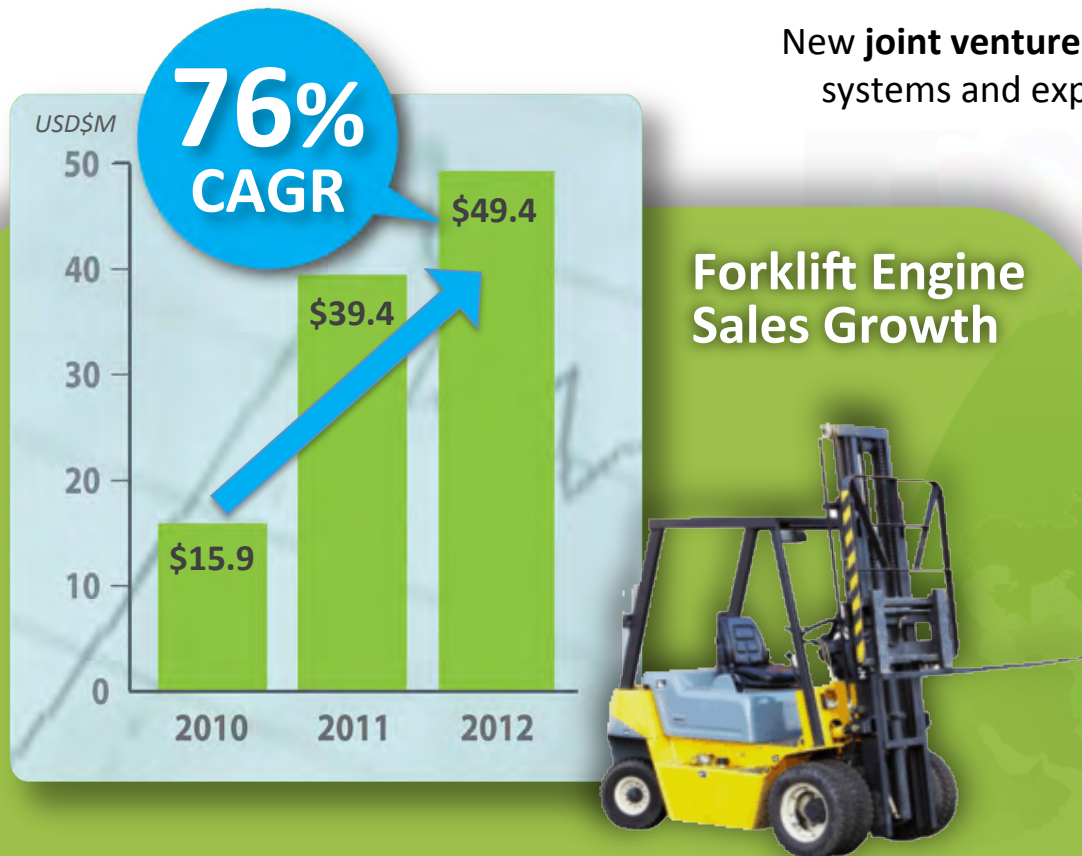
**GROWTH INITIATIVES**

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# 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.



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# POWERING A GREENER FUTURE

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



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# 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-3 to Class-7 on-highway applications.



## ON-HIGHWAY

### Recent Pilot Programs

Peapod



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# FINANCIALS



# PSI FINANCIAL SUMMARY

Continuing growth in 2012,  
building on a strong 2011

USD \$000's 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





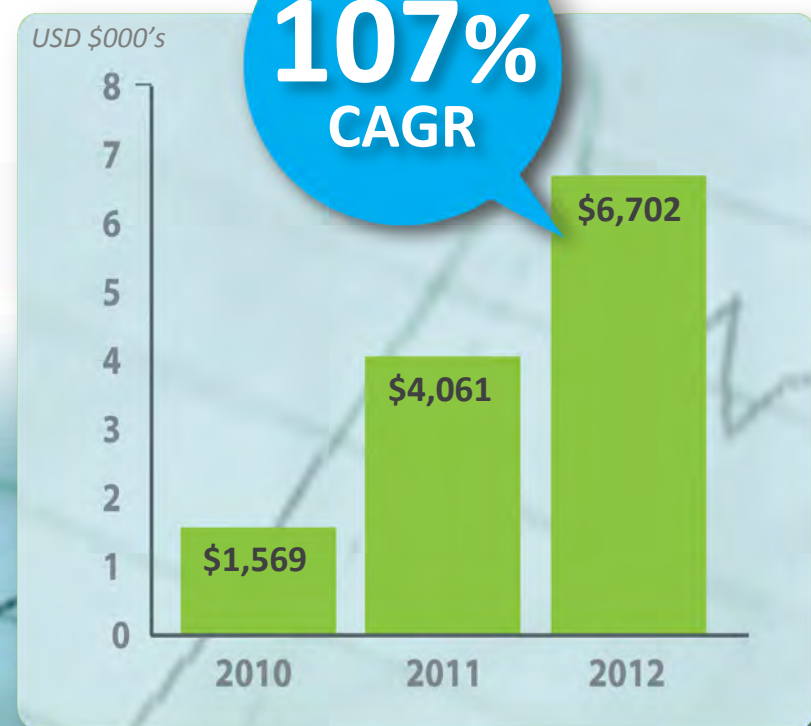
# PSI FINANCIAL SUMMARY

Continuing growth in 2012, building on a strong 2011

## Operating Income



## Net Income



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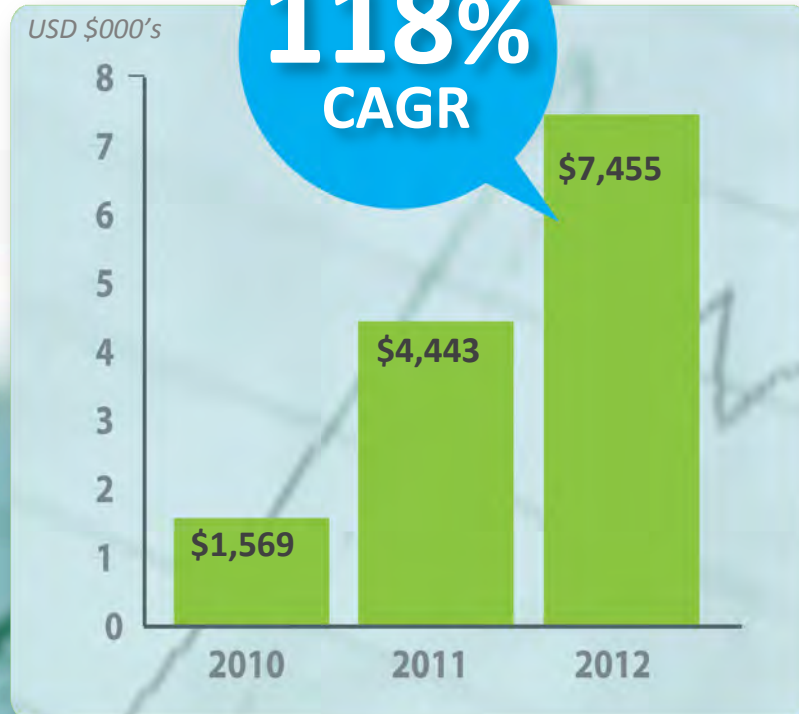
GROWTH INITIATIVES

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# PSI FINANCIAL SUMMARY

Continuing growth in 2012, building on a strong 2011

## Adjusted Net Income



## Adjusted EPS



# PSI FINANCIAL SUMMARY

Continuing growth in 2012, building on a strong 2011

## BALANCE SHEET As of December 31, 2012

Total Assets	\$90.8M
Total Liabilities	\$68.0M
Line of Credit	\$30.9M
Shareholders' Equity	\$22.8M

## OTHER INFORMATION Estimated 2013

Depreciation & Amortization	\$2.3M
Capital Expenditures	\$6.0M
Effective Income Tax Rate <small>(Excluding warrant impact)</small>	37%





# 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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**POWER SOLUTIONS  
INTERNATIONAL**

# **SUMMARY**

**Alternative-  
Fuel Product  
Leader**

**Strong  
Cleantech  
Market  
Trends**

**Proven  
Market  
Strategy**

**Experienced  
Management**