



**POWER SOLUTIONS
INTERNATIONAL**

CORPORATE PRESENTATION



POWERING A GREENER FUTURE

**J.P. Morgan
Third Quarter 2013**

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COMPANY SNAPSHOT

MARKETS

Alternative-fuel powertrains for industrial and on-highway applications.

POSITIONING

The leading cleantech engine manufacturer in the world.

OPPORTUNITY

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

THIS PRESENTATION

WHAT WE DO

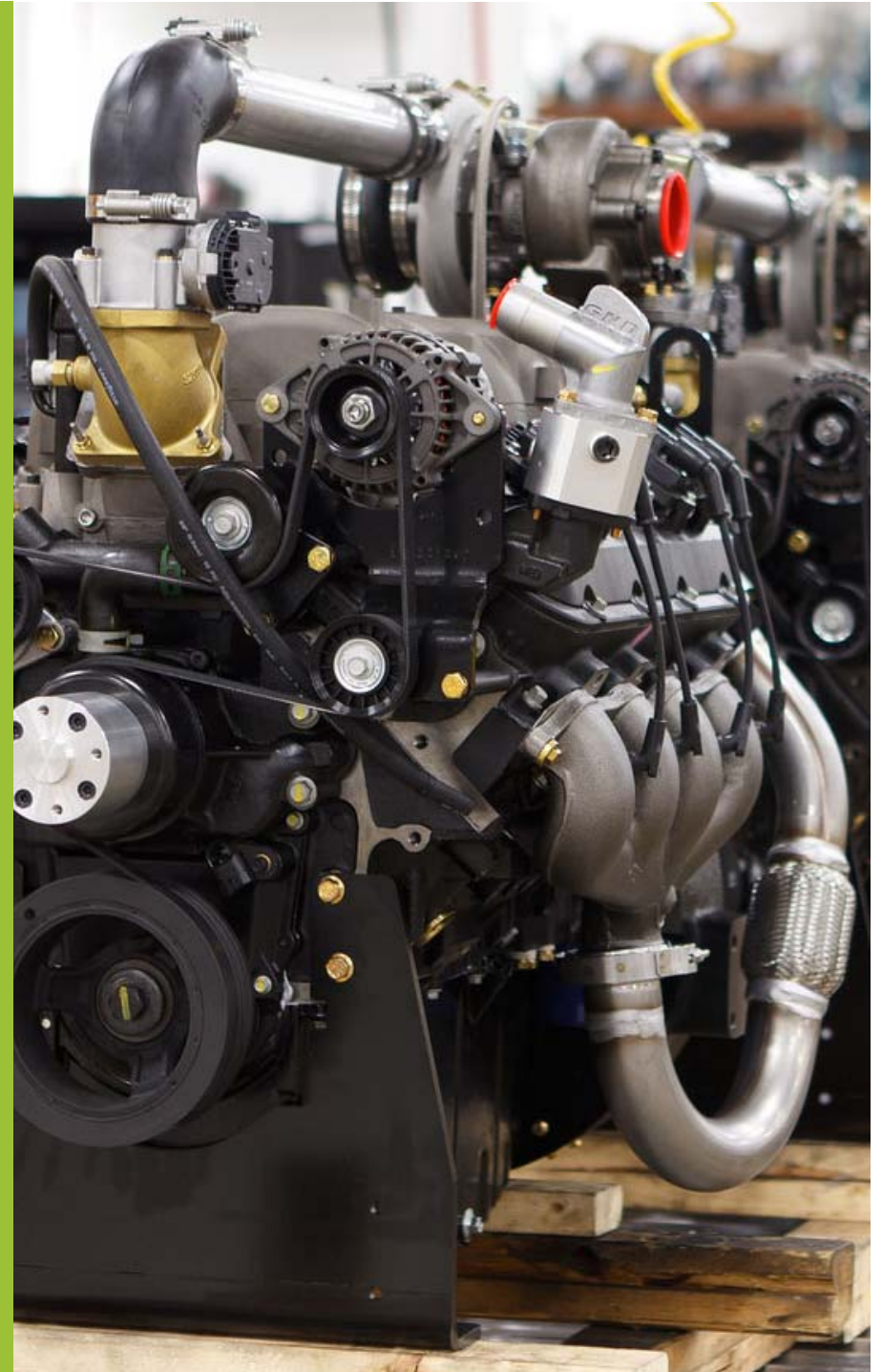
STRENGTHS

MARKET TRENDS

GROWTH INITIATIVES

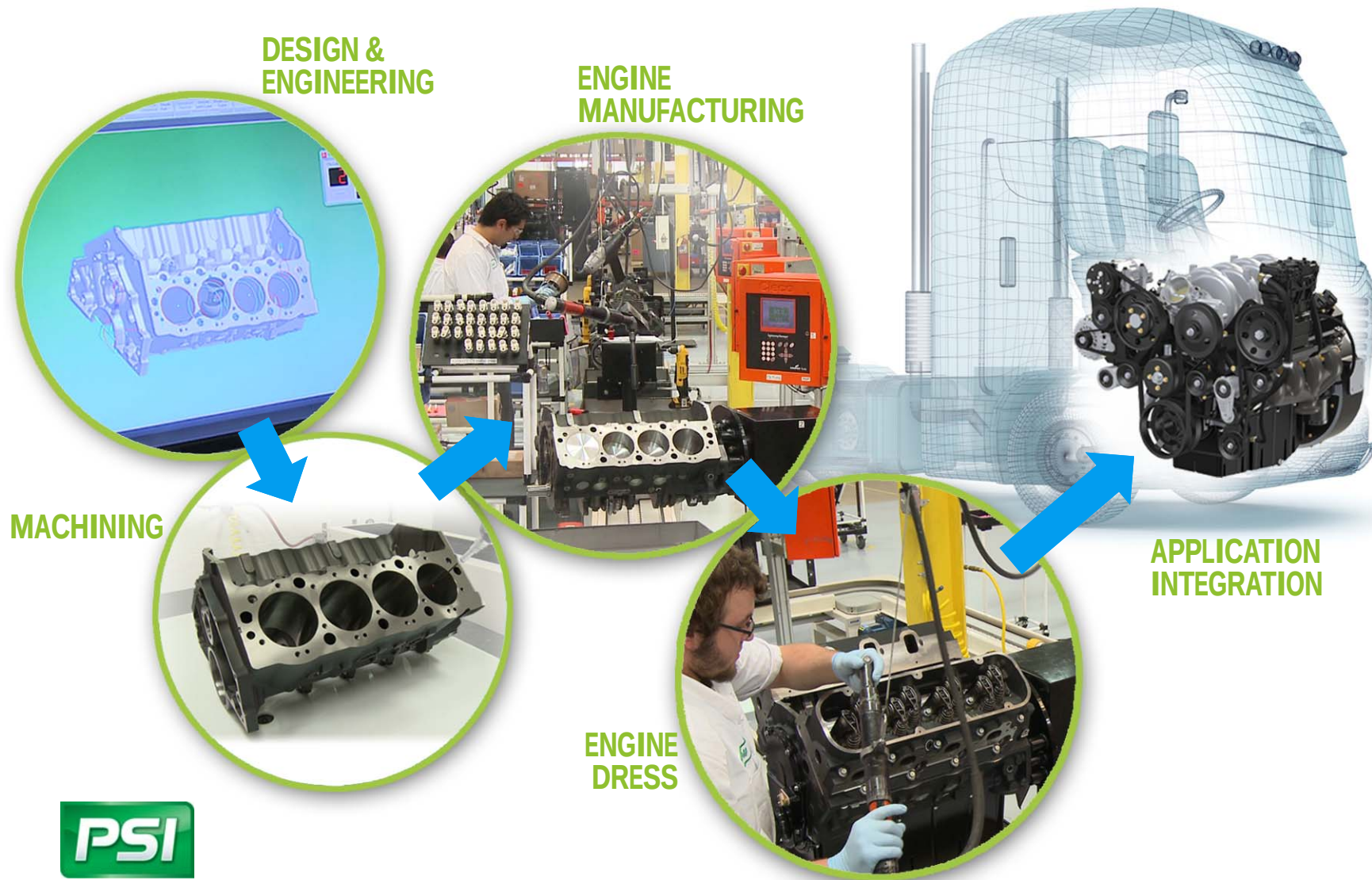
FINANCIALS

WHAT WE DO



WE BUILD POWER SYSTEMS

Complete drop-in power solutions from design to application.



WHAT WE DO

WE POWER PRODUCTIVITY

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

- Over 800 unique SKUs.

INDUSTRIAL



.97L



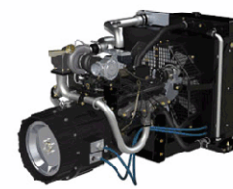
2.0L/2.4L



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

WHAT WE DO



WE POWER PRODUCTIVITY

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



WHAT WE DO



STRENGTHS



CUSTOMER-FOCUSED PRODUCT LEADERSHIP

Several strengths combine to set us apart from competitors.

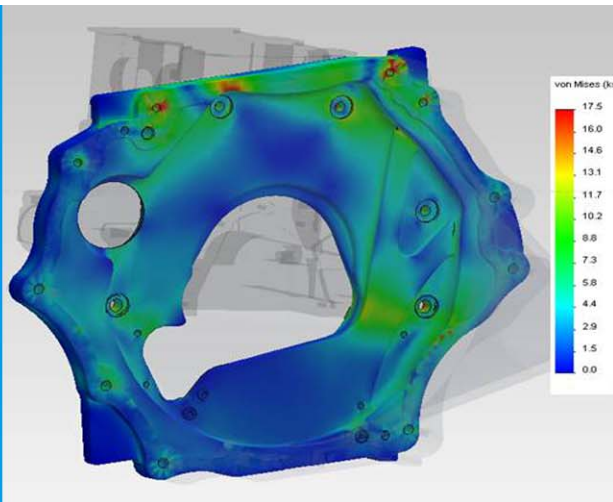


GLOBAL MANUFACTURING, DESIGN & SERVICE

State-of-the-art facilities incorporate lean manufacturing and stringent quality controls to deliver solutions at a low cost, on-time and on-spec.

- **Advanced engineering, rapid prototyping** and **in-house test facilities** enable OEMs to completely outsource engine development to PSI
- **Joint venture with MAT in China** to expand PSI power systems in Asian market
- Proprietary components drive strong **high-margin sales**—aftermarket parts sales represent consistent, growing revenue stream of roughly 10% of total revenue

STRENGTHS



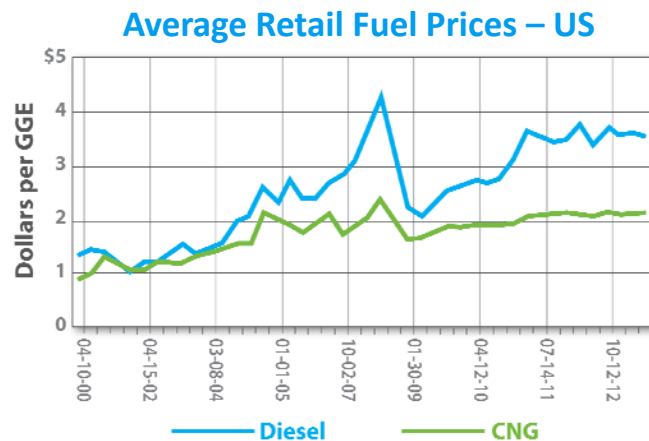
MARKET TRENDS



FAVORABLE MARKET TRENDS

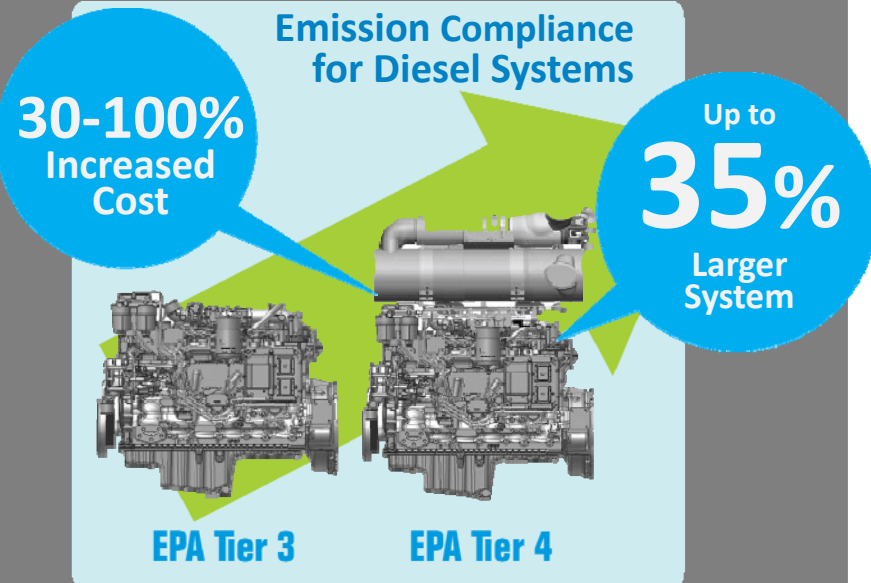
Fuel trends and energy policy are shifting in favor of alt-fuel engines.

ALT-FUEL BENEFITS



- **Low, stable cost** & abundant domestic supply of natural gas
- **Subsidies, tax credits and grants** for alternative fuels and green fleets
- Promotion of **domestic energy independence**

EMISSION COMPLIANCE



- Compliance with diesel emission regulation increases costs & complexity
- Growing litigation against diesel



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

GLOBAL SHIFT TO ALTERNATIVE-FUEL FLEETS

FedEx CEO: Truck Fleets to Shift to Natural Gas From Diesel

Wall Street Journal

"UPS set a new alternative fuel goal. By 2017, we will reach one billion miles driven by alternative fuel/advanced technology vehicles – more than double the previous 400 million mile goal."

— David Abney, UPS Chief Operating Officer

"Coca-Cola is committed to investing in alternative fuel vehicles and innovative fleet technologies."

— Steven Saltzgiver, Director of Fleet Operations, Coca-Cola Refreshments

Port of L.A. Launches Alt-Fuel Truck Incentive Program

Government Fleet

"In 2012, natural gas vehicles will represent 80 percent of our annual new truck purchases and continue for the next five years."

— Eric Woods, VP of Fleet & Logistics, Waste Management

AT&T ORDERS 1,200 CNG VANS

AutoblogGreen

"The alternative-fuel space is dynamic and we're positioning our green fleet to grow and evolve along with technological advancements."

— Brian Heldebrandt, Verizon Fleet Strategy Program Manager

NY GOV. LAUNCHES \$19 MILLION TRUCK VOUCHER INCENTIVE PROGRAM

Environmental Leader

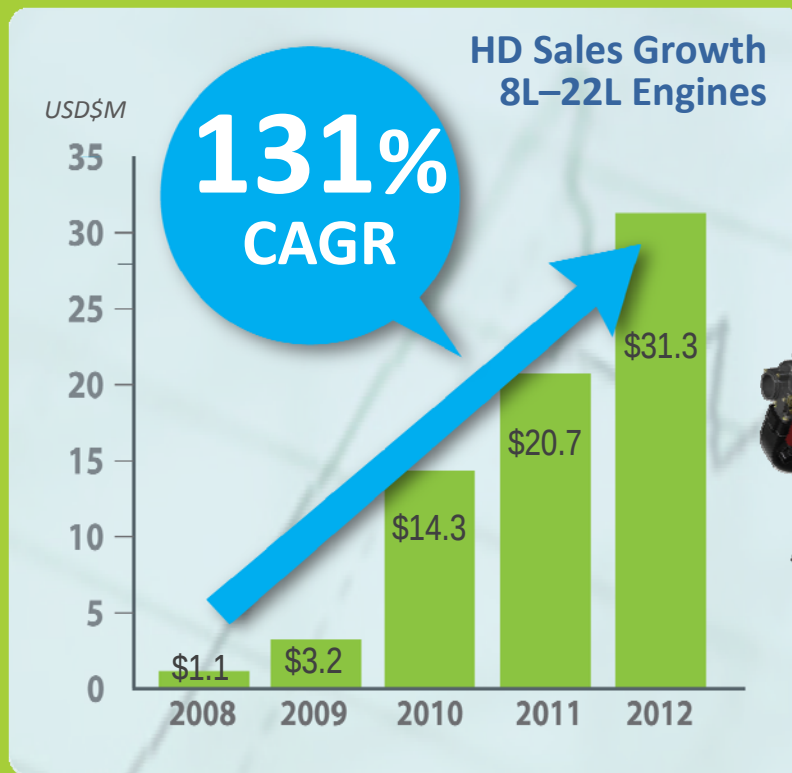


GROWTH INITIATIVES

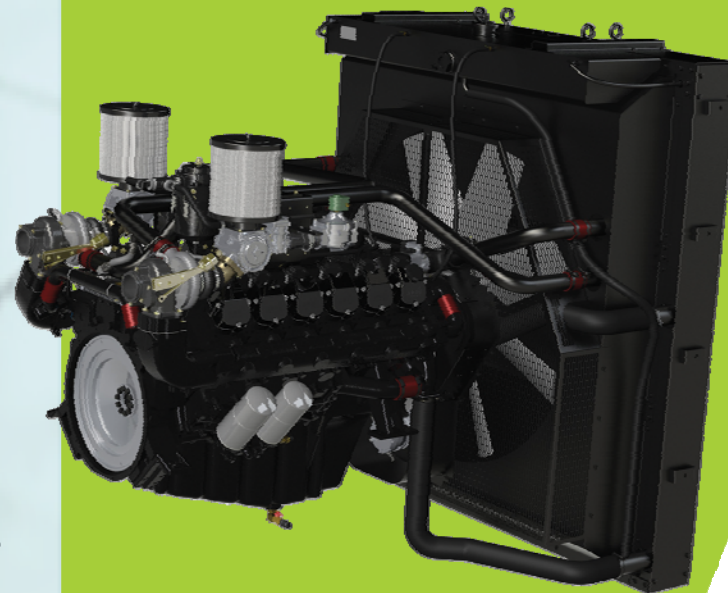


PSI HEAVY-DUTY ENGINES

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



PSI Heavy-Duty



PSI HEAVY-DUTY EXPANSION

PSI is extending the HD line to the 61-Liter/1 MW range to target the power generation, oil & gas, and fracking markets.

- Flare gas regulation — January 1, 2015

HD 23L–61L Engines



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

FORKLIFT MARKET EXPANSION

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

- **Joint venture with MAT** in China to expand with existing forklift OEMs.



POWERING A GREENER FUTURE

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

- Internally designed and manufactured 8.8-Liter fuel flexible engine
- Multi-year supply agreement with GM for 4.8-Liter & 6.0-Liter alternative-fuel engines



U.S. ON-HIGHWAY TRUCK MARKET

CLASS 3

190,000 / Year

CLASS 4–7

130,000 / Year

CLASS 8

170,000 / Year



PSI 4.8L



PSI 6.0L



PSI 8.8L



PSI 13L



GM 6L90E



Allison 1000/2000



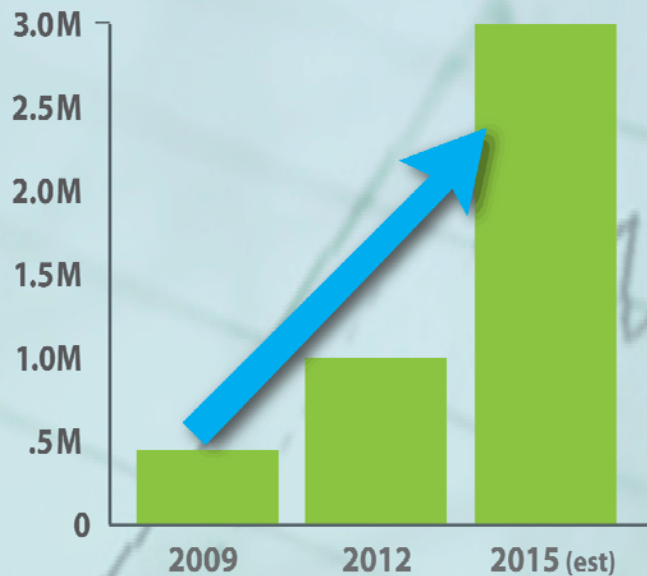
Allison 3000

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



NATURAL GAS VEHICLE MARKET-CHINA

Total Natural Gas Vehicles in China



Sources: International Association for Natural Gas Vehicles; ClimateWire

CITY BUSES



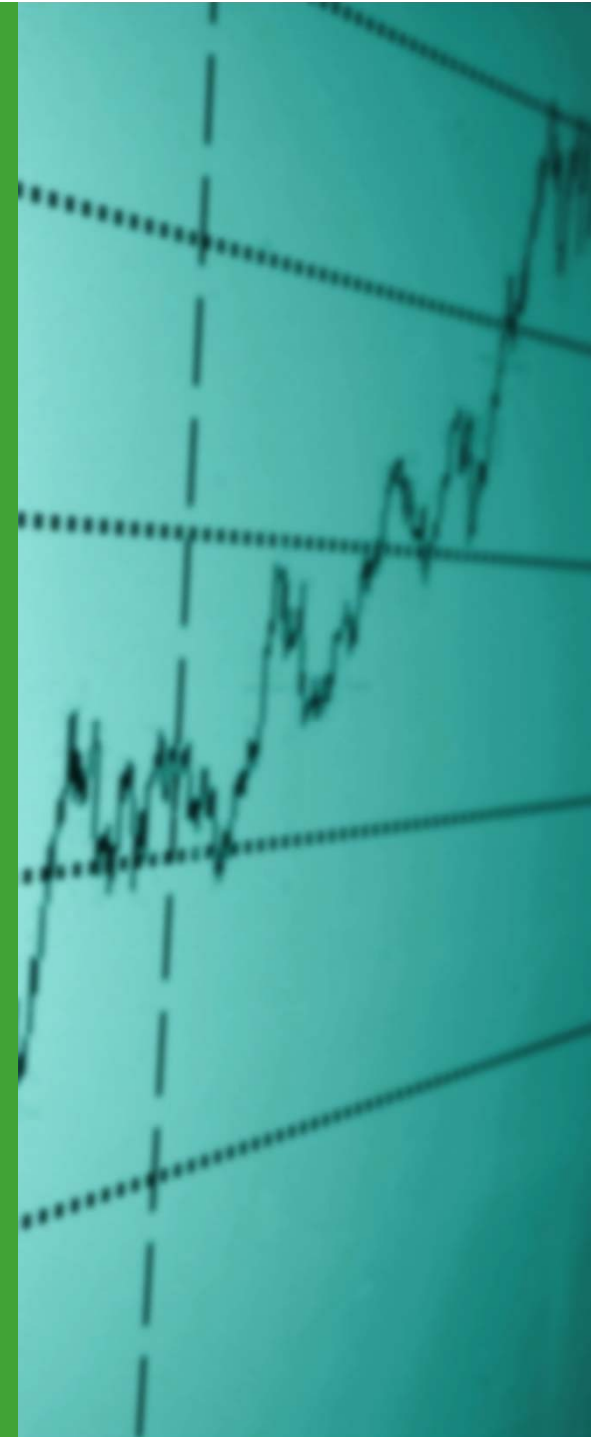
WORK TRUCKS



REFUSE TRUCKS



FINANCIALS



PSI FINANCIAL SUMMARY

Strong revenue and profit growth during 2012.

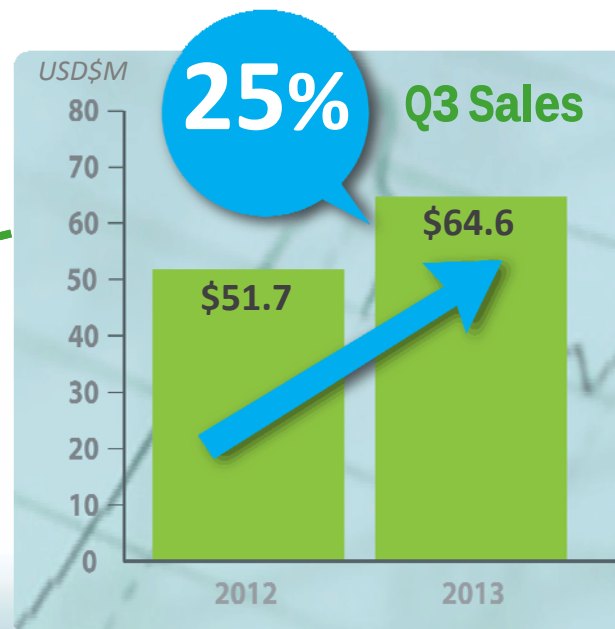
USD \$000 's Except per Share Amount	2010	2011	2012
Sales	\$100,521	\$154,969	\$202,342
Operating Income	\$4,066	\$9,805	\$12,316
Net Income	\$1,569	\$4,061	\$6,702
Adjusted Net Income	\$1,569	\$4,443	\$7,455
Adjusted EPS	\$0.19	\$0.48	\$0.81



PSI FINANCIAL SUMMARY

Third Quarter Update: continuing growth in 2013.

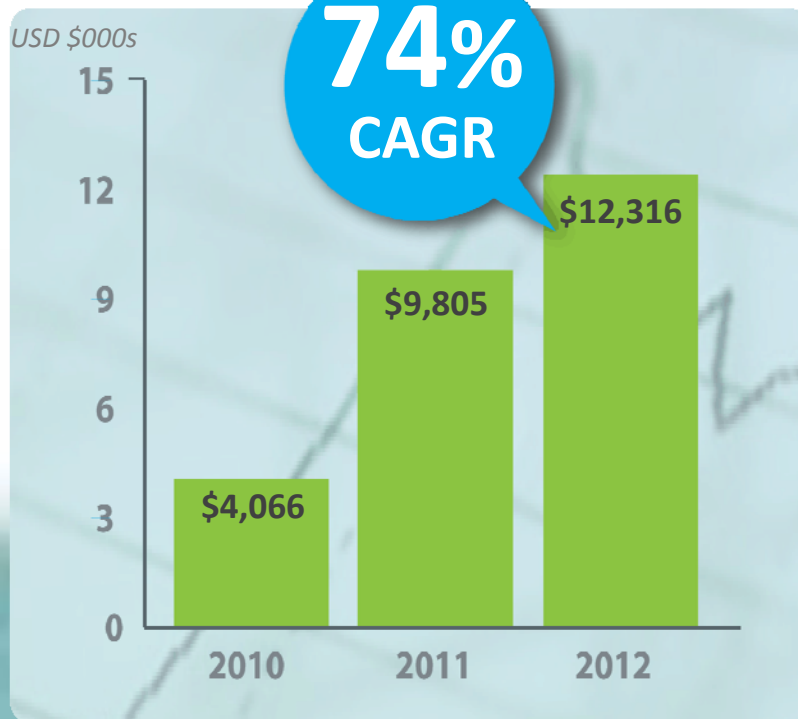
USD \$000 's Except per Share Amount	Q3 2013
Sales	\$64,628
Operating Income	\$ 4,122
Net Loss*	(\$9,981)
Adjusted Net Income	\$ 2,624
Adjusted EPS	\$ 0.24



* Includes \$12.6 million non-cash charge related to the increase in valuation of warrants

PSI FINANCIAL SUMMARY

Operating Income



Adjusted Net Income



BALANCE SHEET & OTHER INFORMATION

BALANCE SHEET As of September 30, 2013

Cash	\$ 8.3M
Total Assets	\$115.5M
Line of Credit	\$ 12.3M
Total Liabilities	\$ 64.2M
Shareholders' Equity	\$ 51.3M

CASH FLOW DATA LTM as 9/30/13

Depreciation & Amort.	\$1.5M
Capital Expenditures	\$5.3M

SHARES OUTSTANDING as of 9/30/13

Common Shares (Pro-Forma)	10.5M
Other Dilutive Securities	<u>0.3M</u>
Fully-Diluted Shares	10.8M

INVESTMENT HIGHLIGHTS

COMPETITIVE ADVANTAGES

Market-driven design & development, state-of-the-art manufacturing, and unparalleled aftermarket support deliver cost savings and convenience to OEMs



FAVORABLE MARKET TRENDS

Trends in governmental policy and fuel markets are driving demand for alternatively-fueled engines



EXPANDED MARKET PENETRATION

Expansion of forklift engine sales with new products and Asian facilities, extension of Heavy-Duty engine line



NEW PRODUCT PIPELINE

Product launches in large power generation and 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



RECONCILIATION OF NET INCOME & EPS

Fiscal Year Ended				Three Months Ended September 30	
<i>(Dollar amounts in thousands, except per share amounts)</i>				2013	2012
Reconciliation of net income (loss) to adjusted net income:				(unaudited)	
Net Income (Loss)	\$6,702	\$4,061	\$1,569	(\$9,981)	\$1,846
Non-cash expense (income) from warrant revaluation	448	382	-	12,605	(199)
Facility relocation and debt extinguishment costs	305	-	-	-	182
Adjusted net income	\$7,455	\$4,443	\$1,569	\$2,624	\$1,829
Reconciliation of diluted EPS to adjusted diluted EPS:					
Diluted earnings (loss) per common share	\$0.74	\$0.44	\$0.19	(\$0.97)	\$0.20
Non-cash expense (income) from warrant revaluation	0.04	0.04	-	1.21	(0.02)
Facility relocation and debt extinguishment costs	0.03	-	-	-	0.02
Adjusted diluted earnings per common share	\$0.81	\$0.48	\$0.19	\$0.24	\$0.20

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.

