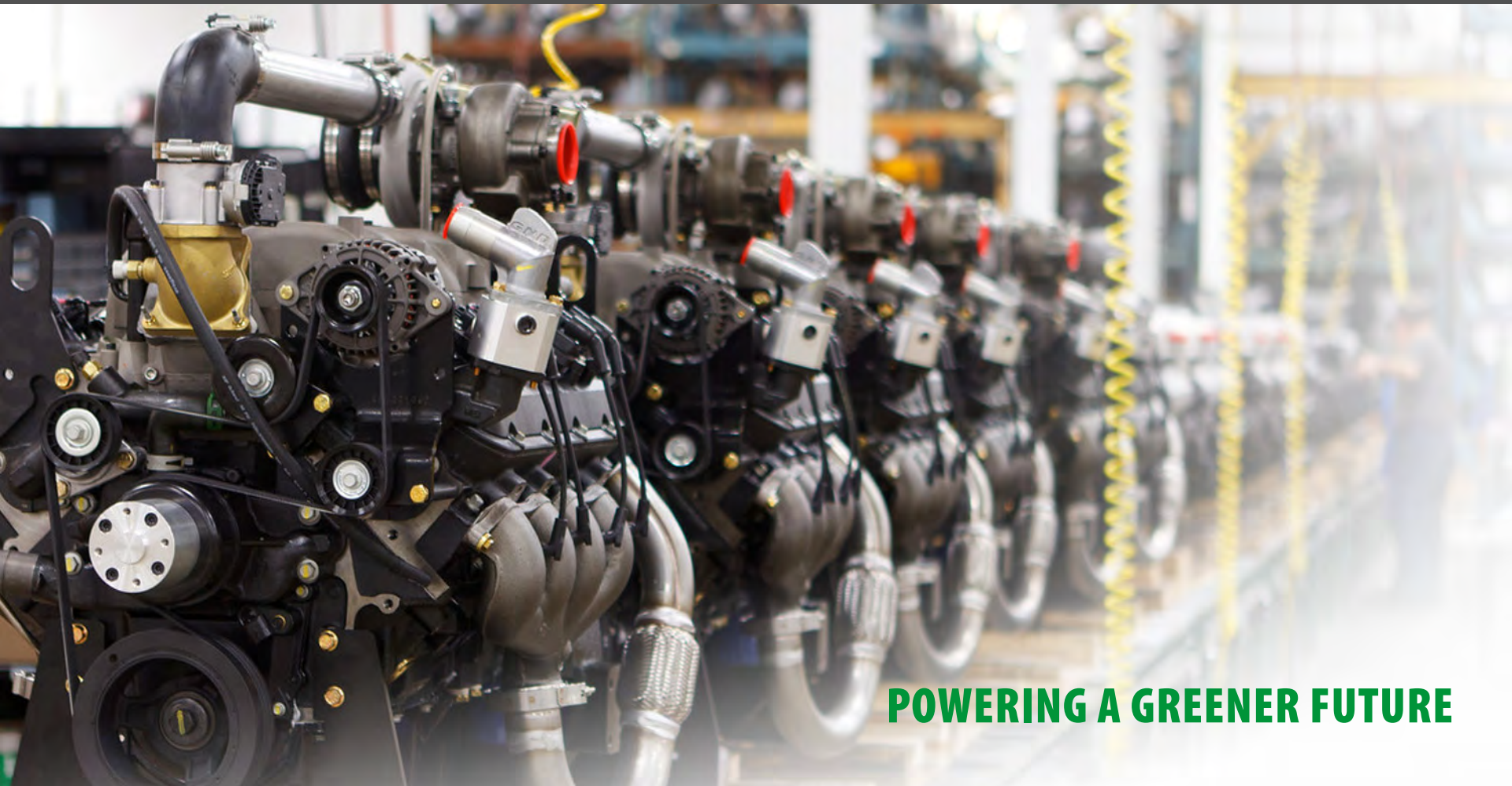




**POWER SOLUTIONS  
INTERNATIONAL**

**INVESTOR  
PRESENTATION**

**MARCH 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.

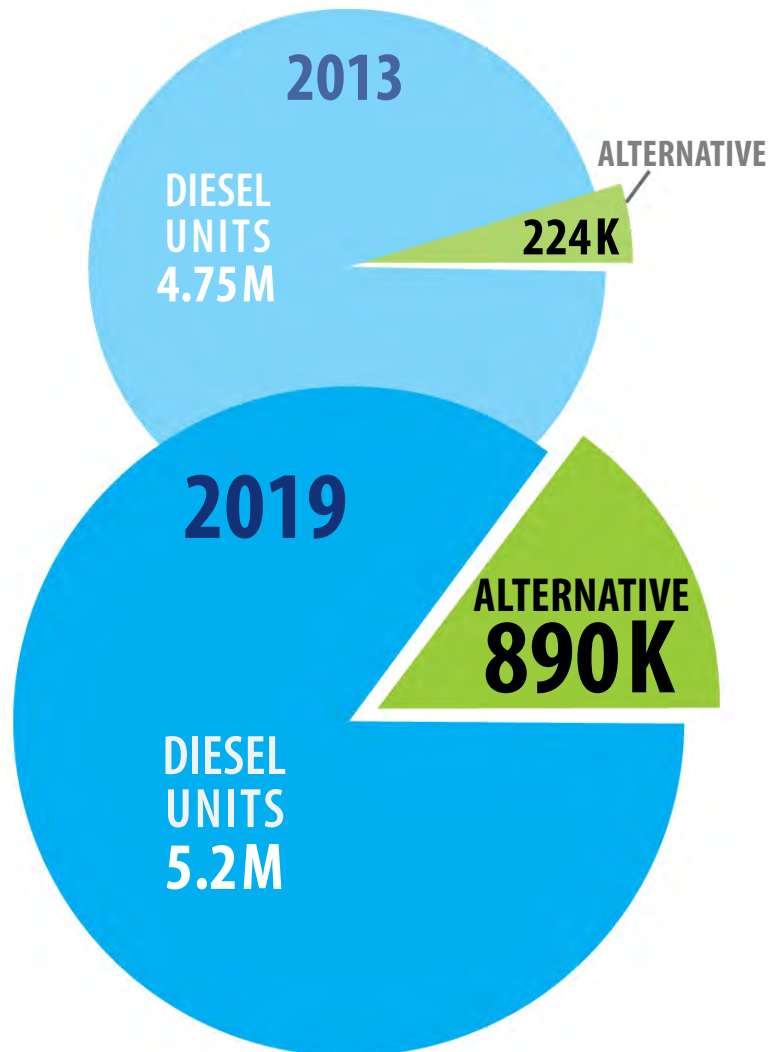


**POWERING A GREENER FUTURE**





## 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

# 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



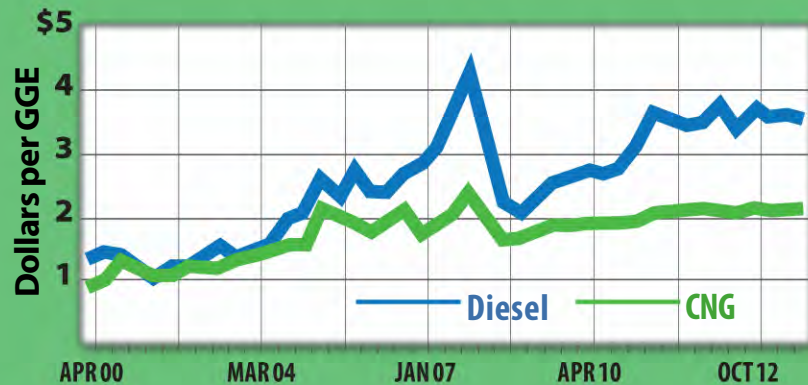
Industrial Sweepers



**PSI**

# TRENDING TOWARD ALTERNATIVE FUELS

## RIISING DIESEL FUEL COSTS

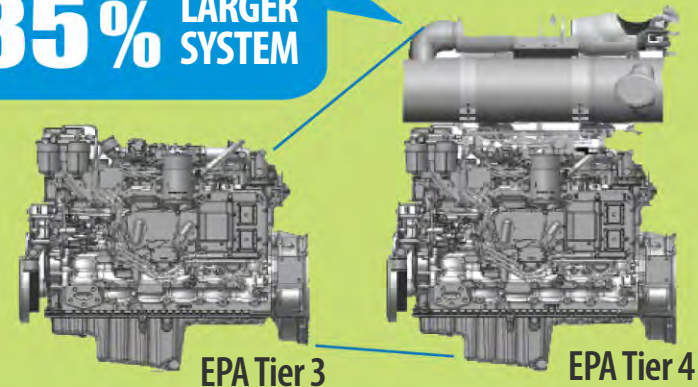


Source: Clean Cities Alternative Fuel Price Reports.  
Fuel volumes measured in gasoline-gallon equivalents (GGEs).

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  
**560K** OIL WELLS  
**482K** NATURAL GAS WELLS



"FREE" NATURAL GAS VS. DIESEL

**\$14B**

INDUSTRY-WIDE  
DIESEL FUEL  
COST PER YR  
(estimated)



NG

DIESEL  
\$5/GAL

FLARE GAS REGULATION

**290K** 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

# PSI GROWTH

OIL & GAS SALES GROWTH

**70%  
CAGR**



# FORKLIFT MARKET

## THE AMERICAS

**220,000** UNITS  
PER YR

## ASIA

**364,000** UNITS  
PER YR

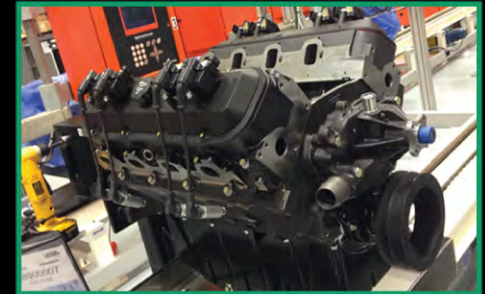
Sources: Industrial Truck Association (ITA); Vertical Edge Ltd, *Global and China Forklift Industry*, Construction and Equipment Industry in China reports.

# PSI STRATEGY

## NEW FORKLIFT ENGINES



## ADVANCED MANUFACTURING



## NEW FACILITY IN DALIAN, CHINA





# 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





# ON-HIGHWAY SHIFT TO ALTERNATIVE-FUEL FLEETS

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

*Wall Street Journal*  
March 8, 2013

**"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*  
Posted Aug 13, 2013



## CITY BUSES



## WORK TRUCKS



DFV



FOTON

**JAC**  
MOTORS

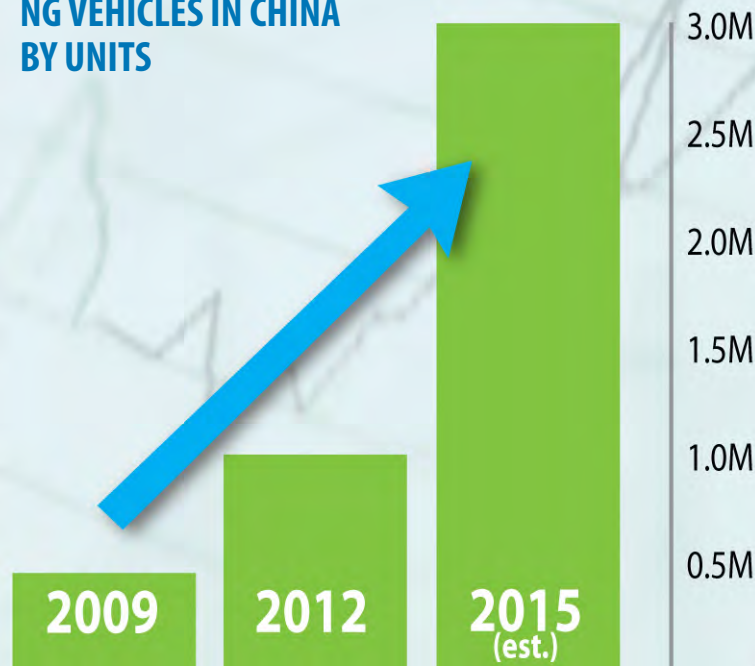
## REFUSE TRUCKS



**ZOOMLION**

## NATURAL GAS VEHICLE MARKET IN CHINA

NG VEHICLES IN CHINA  
BY UNITS



Sources: International Association for Natural Gas Vehicles; ClimateWire

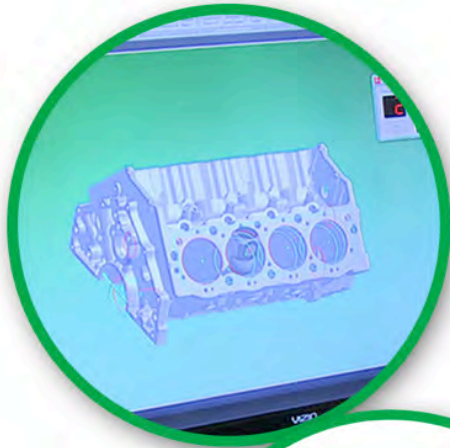




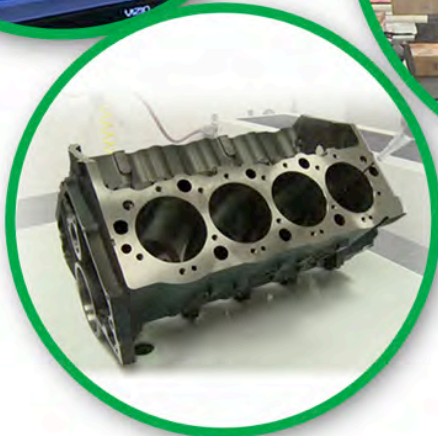
# FROM DESIGN TO REAL-WORLD APPLICATION

Complete drop-in power solutions

**DESIGN &  
ENGINEERING**

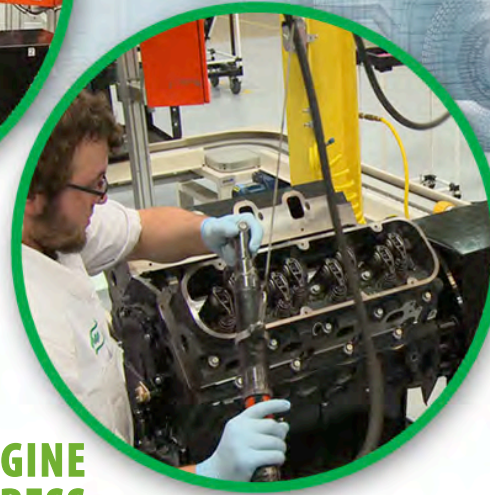


**ENGINE  
MANUFACTURING**

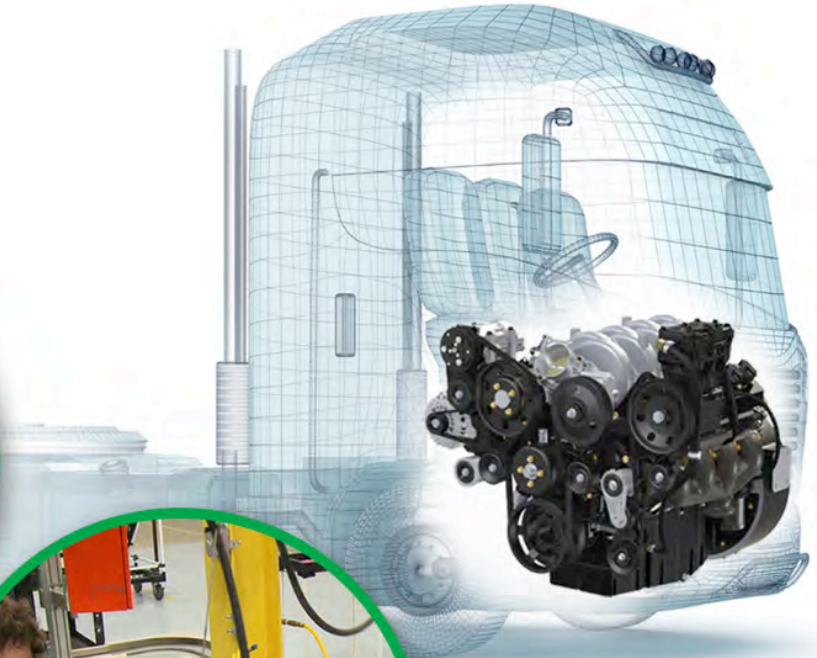


**MACHINING**

**ENGINE  
DRESS**



**APPLICATION  
INTEGRATION**





# WHAT POWERS PSI'S GROWTH?



**POWER SOLUTIONS  
INTERNATIONAL**

# FINANCIALS





# PSI FINANCIAL SUMMARY

Strong revenue and profit growth during 2013

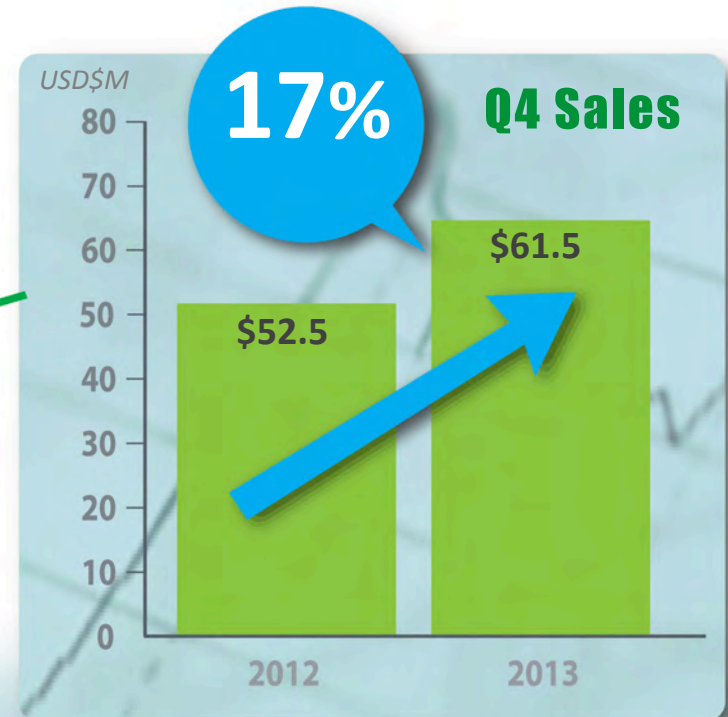
USD \$000's Except per Share Amount	2010	2011	2012	2013
<b>Sales</b>	\$100,521	\$154,969	\$202,342	\$237,842
<b>Operating Income</b>	\$4,066	\$9,805	\$12,316	\$14,967
<b>Net Income/Loss</b>	\$1,569	\$4,061	\$6,702	(\$18,760)
<b>Adjusted Net Income</b>	\$1,569	\$4,443	\$7,455	\$9,433
<b>Adjusted EPS</b>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



# PSI FINANCIAL SUMMARY

Fourth Quarter update: Continuing growth in 2013

USD \$000's Except per Share Amount		Q4 2013
Sales		\$61,500
Operating Income		\$ 3,925
Net Loss		(\$ 3,752)
Adjusted Net Income		\$ 2,621
Adjusted EPS		\$ 0.24



# PSI FINANCIAL SUMMARY

## Operating Income



## Adjusted Net Income





# BALANCE SHEET & OTHER INFORMATION

## BALANCE SHEET as of December 31, 2013

Cash	\$ 6.3M
Total Assets	\$126.6M
Line of Credit	\$ 17.9M
Total Liabilities	\$ 76.2M
Shareholders' Equity	\$ 50.4M

## CASH FLOW DATA as of December 31, 2013

Depreciation & Amortization	\$1.6M
Capital Expenditures	\$6.0M

## SHARES OUTSTANDING as of December 31, 2013

Common Shares	10.5M
Other Dilutive Securities	<u>0.5M</u>
Fully-Diluted Shares	11.0M

# RECONCILIATION OF NET INCOME & EPS

Fiscal Year Ended			Three Months Ended Dec. 31	
(Dollar amounts in thousands, except per share amounts)	2013	2012	2013	2012
Reconciliation of net income (loss) to adjusted net income:				
Net Income (Loss)	(\$18,760)	\$6,702	(\$3,752)	\$ 745
Non-cash expense (income) from warrant revaluation	28,031	448	6,373	1,104
Facility consolidation and debt extinguishment costs	162	305	-	124
Adjusted net income	\$9,433	\$7,455	\$2,621	\$1,973
Reconciliation of diluted EPS to adjusted diluted EPS:				
Diluted earnings (loss) per common share	(\$1.92)	\$0.74	(\$0.36)	\$0.08
Non-cash expense (income) from warrant revaluation	2.82	0.04	0.60	0.12
Facility consolidation and debt extinguishment costs	0.02	0.03	-	0.01
Adjusted diluted earnings per common share	\$0.92	\$0.81	\$0.24	\$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 include adjustments for debt extinguishment costs and costs incurred in connection with the Company's relocation of production, warehousing and administrative offices into new facilities. The Company includes adjustments for 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.

