

PIONEER POWER SOLUTIONS, INC.
Consolidated Balance Sheets
(In thousands, except share data)

	June 30, 2017	December 31, 2016
	(Unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 342	\$ 246
Accounts receivable, net	17,968	17,508
Inventories, net	30,413	26,147
Income taxes receivable	-	72
Prepaid expenses and other current assets	3,317	2,215
Total current assets	<u>52,040</u>	<u>46,188</u>
Property, plant and equipment, net	6,953	6,591
Deferred income taxes	6,155	5,659
Other assets	216	830
Intangible assets, net	7,343	8,168
Goodwill	9,972	9,972
Total assets	<u>\$ 82,679</u>	<u>\$ 77,408</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Bank overdrafts	\$ 413	\$ 1,200
Revolving credit facilities	19,699	17,689
Short term borrowings	2,875	3,973
Accounts payable and accrued liabilities	22,683	18,139
Current maturities of long-term debt	321	1,379
Income taxes payable	1,400	1,360
Total current liabilities	<u>47,391</u>	<u>43,740</u>
Long-term debt, net of current maturities	4,778	4,005
Pension deficit	123	172
Other long-term liabilities	571	892
Noncurrent deferred income taxes	1,850	2,400
Total liabilities	<u>54,713</u>	<u>51,209</u>
Stockholders' equity		
Preferred stock, \$0.001 par value, 5,000,000 shares authorized; none issued	-	-
Common stock, \$0.001 par value, 30,000,000 shares authorized; 8,712,712 shares issued and outstanding on June 30, 2017 and 8,699,712 shares issued and outstanding on December 31, 2016	9	9
Additional paid-in capital	23,445	23,215
Accumulated other comprehensive loss	(5,768)	(5,863)
Retained earnings	10,280	8,838
Total stockholders' equity	<u>27,966</u>	<u>26,199</u>
Total liabilities and stockholders' equity	<u>\$ 82,679</u>	<u>\$ 77,408</u>

PIONEER POWER SOLUTIONS, INC.
Consolidated Statements of Income
(In thousands, except per share data)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Revenues	\$ 30,897	\$ 29,930	\$ 58,159	\$ 56,500
Cost of goods sold	24,926	23,664	46,072	44,375
Gross profit	5,971	6,266	12,087	12,125
Operating expenses				
Selling, general and administrative	4,549	4,863	9,414	9,556
Restructuring and integration	5	62	160	181
Foreign exchange (gain)	(210)	(43)	(272)	(90)
Total operating expenses	4,344	4,882	9,302	9,647
Operating Income	1,627	1,384	2,785	2,478
Interest expense	565	310	1,074	595
Other expense	167	275	402	290
Income before taxes	895	799	1,309	1,593
Income tax (benefit) expense	(414)	605	(133)	830
Net income	\$ 1,309	\$ 194	\$ 1,442	\$ 763
Net income per common share:				
Basic	\$ 0.15	\$ 0.02	\$ 0.17	\$ 0.09
Diluted	\$ 0.15	\$ 0.02	\$ 0.17	\$ 0.09
Weighted average common shares outstanding:				
Basic	8,713	8,700	8,707	8,700
Diluted	8,743	8,706	8,737	8,706

PIONEER POWER SOLUTIONS, INC.
Reconciliation of GAAP Measures to Non-GAAP Measures
(In thousands, except per share data)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Reconciliation to Adjusted EBITDA and EPS				
Net earnings (GAAP measure)	1,309	194	1,442	763
Interest expense	565	310	1,074	595
Income tax (benefit) expense	(414)	605	(133)	830
Depreciation and amortization	732	753	1,454	1,494
Restructuring and integration	5	62	160	181
Stock-based compensation	141	(47)	171	6
Other non-operating expenses	167	275	402	290
Adjusted EBITDA (Non-GAAP measure)	2,505	2,152	4,570	4,159
Tax effects - 28% rate	(701)	(603)	(1,280)	(1,165)
Non-GAAP net earnings	<u>\$ 1,804</u>	<u>\$ 1,549</u>	<u>\$ 3,290</u>	<u>\$ 2,994</u>
Non-GAAP net earnings per diluted share	<u>\$ 0.21</u>	<u>\$ 0.18</u>	<u>\$ 0.38</u>	<u>\$ 0.34</u>
Weighted average diluted shares outstanding	8,743	8,706	8,737	8,706

Tax Rate assumed to be 28%

Note: Pioneer has presented non-GAAP measures such as non-GAAP net earnings and Adjusted EBITDA because many of our investors use these non-GAAP measures to monitor the Company's performance. These non-GAAP measures should not be considered an alternative to GAAP measures as an indicator of the Company's operating performance.

Non-GAAP net earnings is defined by the Company as net earnings before interest, income tax expense, depreciation and amortization, non-cash compensation and non-recurring acquisition costs and reorganization expenses and other non-recurring or non-cash items and any tax effects related to these items. The Company defines Adjusted EBITDA as net earnings before interest, income tax expense, depreciation and amortization, non-cash compensation and non-recurring acquisition costs and reorganization expenses and other non-recurring or non-cash items.

Generally, a non-GAAP financial measure is a numerical measure of a company's performance, financial position or cash flow that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with GAAP. The non-GAAP measures included in this release, however, should be considered in addition to, and not as a substitute for or superior to, operating income, cash flows, or other measures of financial performance prepared in accordance with GAAP. A reconciliation of non-GAAP to GAAP net earnings is set forth in the table above.

Amounts may not foot due to rounding.