

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

	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 218	\$ 246
Accounts receivable, net	13,432	14,266
Inventories, net	23,192	22,279
Income taxes receivable	743	72
Prepaid expenses and other current assets	2,803	2,079
Current assets of discontinued operations	6,944	7,246
Total current assets	47,332	46,188
Property, plant and equipment, net	6,335	5,925
Deferred income taxes	2,729	5,659
Other assets	45	655
Intangible assets, net	4,922	6,564
Goodwill	8,527	8,527
Noncurrent assets of discontinued operations	-	3,890
Total assets	<u>\$ 69,890</u>	<u>\$ 77,408</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Bank overdrafts	\$ 833	\$ 1,086
Revolving credit facilities	17,814	17,689
Short term borrowings	5,430	3,973
Accounts payable and accrued liabilities	15,942	14,123
Current maturities of long-term debt and capital lease obligations	782	1,379
Income taxes payable	1,164	1,360
Current liabilities of discontinued operations	3,719	4,130
Total current liabilities	45,684	43,740
Long-term debt, net of current maturities	4,153	4,005
Pension deficit	283	172
Other long-term liabilities	603	892
Noncurrent deferred income taxes	1,665	2,400
Total liabilities	52,388	51,209
Stockholders' equity		
Common stock, \$0.001 par value, 30,000,000 shares authorized; 8,726,045 shares issued and outstanding on December 31, 2017 and 8,699,712 shares issued and outstanding on December 31, 2016	9	9
Additional paid-in capital	23,801	23,215
Accumulated other comprehensive loss	(5,802)	(5,863)
Accumulated deficit/ Retained earnings	(506)	8,838
Total stockholders' equity	17,502	26,199
Total liabilities and stockholders' equity	<u>\$ 69,890</u>	<u>\$ 77,408</u>

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

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2017	2016	2017	2016
Revenues	\$ 23,555	\$ 24,628	\$ 101,390	\$ 99,632
Cost of goods sold				
Cost of goods sold	19,948	18,781	80,527	77,486
Restructuring and integration	-	-	873	-
Total cost of goods sold	19,948	18,781	81,400	77,486
Gross profit	3,607	5,847	19,990	22,146
Operating expenses				
Selling, general and administrative	4,020	4,453	16,712	16,742
Restructuring and integration	59	2,110	215	2,204
Foreign exchange gain	140	(222)	(324)	(364)
Total operating expenses	4,219	6,341	16,603	18,582
Operating income	(612)	(494)	3,387	3,564
Interest expense	635	586	2,301	1,739
Other expense (income)	64	(928)	229	(554)
Income before taxes	(1,311)	(152)	857	2,379
Income tax expense	3,158	25	3,554	925
Income (loss) from continuing operations	\$ (4,469)	(177)	(2,697)	1,454
Loss from discontinued operations, net of income taxes	(5,553)	(1,971)	(6,647)	(2,517)
Net loss	\$ (10,022)	\$ (2,148)	\$ (9,344)	\$ (1,063)
(Loss) earnings per share:				
Basic				
(Loss) income from continuing operations	\$ (0.51)	\$ (0.02)	\$ (0.31)	\$ 0.17
Loss from discontinued operations	(0.64)	(0.23)	(0.76)	(0.29)
Net loss	\$ (1.15)	\$ (0.25)	\$ (1.07)	\$ (0.12)
Diluted				
(Loss) income from continuing operations	(0.51)	(0.02)	(0.31)	0.17
Loss from discontinued operations	(0.64)	(0.23)	(0.76)	(0.29)
Net loss	\$ (1.15)	\$ (0.25)	\$ (1.07)	\$ (0.12)
Weighted average common shares outstanding:				
Basic	8,726	8,700	8,717	8,700
Diluted	8,726	8,700	8,717	8,700

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

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2017	2016	2017	2016
Reconciliation to Adjusted EBITDA and EPS				
Net (loss) / earnings (GAAP measure)	(10,022)	(2,148)	(9,344)	(1,063)
Addbacks:				
Loss from discontinued operations, net of income taxes	5,553	1,971	6,647	2,517
Interest expense	635	586	2,301	1,739
Income tax expense	3,158	25	3,554	925
Depreciation and amortization	618	688	2,704	2,799
Restructuring and integration	59	2,110	215	2,204
Non-recurring expenses from strategic changes	-	215	873	215
Corp OH allocated to discontinued operations	383	46	1,270	932
Stock-based compensation	148	28	466	62
Other non-operating expenses	63	(928)	229	(552)
Adjusted EBITDA (Non-GAAP measure)	595	2,593	8,915	9,778
Tax effects - 21% rate	(167)	(726)	(1,872)	(2,053)
Non-GAAP net earnings	<u>\$ 428</u>	<u>\$ 1,867</u>	<u>\$ 7,043</u>	<u>\$ 7,725</u>
Non-GAAP net earnings per diluted share	<u>\$ 0.05</u>	<u>\$ 0.21</u>	<u>\$ 0.81</u>	<u>\$ 0.89</u>
Weighted average diluted shares outstanding	8,717	8,700	8,717	8,700

Tax Rate changed to 21% pursuant to US Tax Reform enacted in December 2017

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.

About Pioneer Power Solutions, Inc.

Pioneer Power Solutions, Inc. manufactures, sells and services a broad range of specialty electrical transmission, distribution and on-site power generation equipment for applications in the utility, industrial, commercial and backup power markets. The Company's principal products and services include custom-engineered electrical transformers, low and medium voltage switchgear and engine-generator sets and controls, complemented by a national field-service organization to maintain and repair power generation assets. Pioneer is headquartered in Fort Lee, New Jersey and operates from 13 additional locations in the U.S., Canada and Mexico for manufacturing, centralized distribution, engineering, sales, service and administration. To learn more about Pioneer, please visit its website at www.pioneerpowersolutions.com.

Safe Harbor Statement:

This press release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. Such statements may be preceded by the words "intends," "may," "will," "plans," "expects," "anticipates," "projects," "predicts," "estimates," "aims," "believes," "hopes," "potential" or similar words. Forward-looking statements are not guarantees of future performance, are based on certain assumptions and are subject to various known and unknown risks and uncertainties, many of which are beyond the Company's control, and cannot be predicted or quantified and consequently, actual results may differ materially from those expressed or implied by such forward-looking statements. Such risks and uncertainties include, without limitation, risks and uncertainties associated with (i) the Company's ability to expand its business through strategic acquisitions, (ii) the fact that many of the Company's competitors are better established and have significantly greater resources, and may subsidize their competitive offerings, (iii) the Company's dependence on a few large customers for a material portion of its sales, (iv) the potential loss or departure of key personnel, (v) the fact that fluctuations between the U.S. dollar and the Canadian dollar will impact the Company's results, (vi) market acceptance of existing and new products, (vii) restrictive loan covenants or the Company's ability to repay or refinance debt under its credit facilities that could limit the Company's future financing options and liquidity position and may limit the Company's ability to grow its business, (viii) general economic and market conditions, (ix) unanticipated increases in raw material prices or disruptions in supply, (x) the fact that the Company's Chairman controls a majority of the Company's combined voting power, and may have, or may develop in the future, interests that may diverge from yours, (xi) reported material weaknesses in the Company's internal control over financial reporting, and (xii) the fact that future sales of large blocks of the Company's common stock may adversely impact the Company's stock price. More detailed information about the Company and the risk factors that may affect the realization of forward-looking statements is set forth in the Company's filings with the Securities and Exchange Commission, including the Company's Annual and Quarterly Reports on Form 10-K and Form 10-Q. Investors and security holders are urged to read these documents free of charge on the SEC's web site at www.sec.gov. The Company assumes no obligation to publicly update or revise its forward-looking statements as a result of new information, future events or otherwise.

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