

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

	March 31,	December 31,
	2019	2018
	(Unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 175	\$ 211
Short term investments	7,548	-
Accounts receivable, net	17,383	16,327
Inventories, net	27,694	27,310
Income taxes receivable	578	566
Prepaid expenses and other current assets	2,630	2,510
Total current assets	56,008	46,924
Property, plant and equipment, net	5,168	5,284
Deferred income taxes	3,670	2,971
Other assets	4,974	5,222
Intangible assets, net	3,531	3,584
Goodwill	8,527	8,527
Total assets	\$ 81,878	\$ 72,512
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Bank overdrafts	\$ 518	\$ 1,769
Revolving credit facilities	19,915	20,755
Short term borrowings	1,785	-
Accounts payable and accrued liabilities	29,946	27,845
Current maturities of long-term debt	1,175	1,174
Income taxes payable	1,262	873
Total current liabilities	54,601	52,416
Long-term debt, net of current maturities	2,324	2,619
Pension deficit	32	148
Other long-term liabilities	3,648	3,786
Deferred income taxes	3,892	1,592
Total liabilities	64,497	60,561
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; 8,726,045 shares issued and outstanding on March 31, 2019 and December 31, 2018	9	9
Additional paid-in capital	23,971	23,966
Accumulated other comprehensive loss	(6,119)	(5,897)
Accumulated deficit	(480)	(6,127)
Total stockholders' equity	17,381	11,951
Total liabilities and stockholders' equity	\$ 81,878	\$ 72,512

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

	Three Months Ended	
	March 31,	
	2019	2018
Revenues	\$ 24,699	\$ 27,177
Cost of goods sold	20,600	21,994
Gross profit	4,099	5,183
Operating expenses		
Selling, general and administrative	4,139	4,828
Foreign exchange (gain) loss	(632)	74
Total operating expenses	3,507	4,902
Operating income	592	281
Interest expense	499	649
Other (income) expense	(3,295)	234
Gain on sale of subsidiary	(4,207)	-
Income (loss) before taxes	7,595	(602)
Income tax expense (benefit)	1,948	(28)
Net income (loss)	\$ 5,647	\$ (574)
Net income (loss) per common share:		
Basic	\$ 0.65	\$ (0.07)
Diluted	\$ 0.65	\$ (0.07)
Weighted average common shares outstanding:		
Basic	8,726	8,726
Diluted	8,730	8,726

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

	Three Months Ended	
	March 31,	
	2019	2018
Operating activities		
Net income (loss)	\$ 5,647	\$ (574)
Depreciation	205	310
Amortization of intangible assets	54	383
Amortization of right-of-use assets	213	135
Amortization of debt issuance cost	8	22
Deferred income tax expense (benefit)	1,577	(193)
Change in receivable reserves	(74)	(156)
Change in inventory reserves	32	17
Gain on sale of subsidiary	(4,207)	-
Unrealized gain on short term investments	(3,341)	-
Accrued pension	(30)	8
Stock-based compensation	5	148
Other	-	12
Foreign currency remeasurement loss	-	36
Changes in current operating assets and liabilities:		
Accounts receivable	(885)	210
Inventories	(238)	(1,297)
Prepaid expenses and other assets	(120)	(906)
Income taxes	12	1
Accounts payable and accrued liabilities	2,013	2,900
Net cash provided by operating activities	871	1,056
Investing activities		
Additions to property, plant and equipment	(56)	(152)
Net cash used in investing activities	(56)	(152)
Financing activities		
Bank overdrafts	(1,294)	(160)
Short term borrowings	1,785	(2,045)
Borrowing under debt agreement	5,259	11,347
Repayment of debt	(6,403)	(9,881)
Payment of debt issuance cost	-	6
Principal repayments of financing leases	(128)	(124)
Net cash used in financing activities	(781)	(857)
Increase in cash and cash equivalents	34	47
Effect of foreign exchange on cash and cash equivalents	(70)	3
Cash and cash equivalents		
Beginning of period	211	218
End of period	\$ 175	\$ 268

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

	Three Months Ended	
	March 31,	
	2019	2018
Reconciliation to Adjusted EBITDA and EPS		
Net earnings (loss) (GAAP measure)	\$ 5,647	\$ (574)
Addbacks:		
Interest expense	499	649
Income tax expense (benefit)	1,948	(28)
Depreciation and amortization	472	828
Non-recurring expenses from strategic changes	122	193
Switchgear operations previously classified as discontinued operations	454	55
Stock-based compensation	5	148
Adjusted EBITDA (Non-GAAP measure)	9,147	1,271
Tax effects - 21% rate	(1,921)	(267)
Non-GAAP net earnings	\$ 7,226	\$ 1,004
Non-GAAP net earnings per diluted share	\$ 0.83	\$ 0.11
Weighted average diluted shares outstanding	8,730	8,726

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 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.

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.