

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

	September 30, 2017 (Unaudited)	December 31, 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 950	\$ 246
Accounts receivable, net	19,255	17,508
Inventories, net	28,324	26,147
Income taxes receivable	546	72
Prepaid expenses and other current assets	2,765	2,215
<b>Total current assets</b>	<b>51,840</b>	<b>46,188</b>
Property, plant and equipment, net	7,025	6,591
Deferred income taxes	5,913	5,659
Other assets	216	830
Intangible assets, net	6,783	8,168
Goodwill	9,972	9,972
<b>Total assets</b>	<b>\$ 81,749</b>	<b>\$ 77,408</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Bank overdrafts	\$ 1,386	\$ 1,200
Revolving credit facilities	20,197	17,689
Short term borrowings	5,339	3,973
Accounts payable and accrued liabilities	18,205	18,139
Current maturities of long-term debt	4,926	1,379
Income taxes payable	1,619	1,360
<b>Total current liabilities</b>	<b>51,672</b>	<b>43,740</b>
Long-term debt, net of current maturities	-	4,005
Pension deficit	173	172
Other long-term liabilities	582	892
Noncurrent deferred income taxes	1,954	2,400
<b>Total liabilities</b>	<b>54,381</b>	<b>51,209</b>
<b>Stockholders' equity</b>		
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 September 30, 2017 and 8,699,712 shares issued and outstanding on December 31, 2016	9	9
Additional paid-in capital	23,653	23,215
Accumulated other comprehensive loss	(5,810)	(5,863)
Retained earnings	9,516	8,838
<b>Total stockholders' equity</b>	<b>27,368</b>	<b>26,199</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 81,749</b>	<b>\$ 77,408</b>

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Revenues	\$ 29,794	\$ 29,389	\$ 87,953	\$ 85,889
Cost of goods sold				
Cost of goods sold	23,475	22,872	69,547	67,248
Restructuring and integration	873	-	873	-
Total cost of goods sold	24,348	22,872	70,420	67,248
Gross profit	5,446	6,517	17,533	18,641
Operating expenses				
Selling, general and administrative	5,041	5,338	14,455	14,894
Restructuring and integration	-	19	160	199
Foreign exchange gain	(194)	(52)	(465)	(142)
Total operating expenses	4,847	5,305	14,150	14,951
Operating Income	599	1,212	3,383	3,690
Interest expense	588	556	1,662	1,151
Other expense	245	264	647	554
(Loss) / income before taxes	(234)	392	1,074	1,985
Income tax expense	530	70	396	900
Net (loss) / income	\$ (764)	322	678	1,085
Net (loss) / income per common share:				
Basic	\$ (0.09)	0.04	0.08	0.12
Diluted	\$ (0.09)	0.04	0.08	0.12
Weighted average common shares outstanding:				
Basic	8,725	8,700	8,713	8,700
Diluted	8,725	8,708	8,727	8,708

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

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 30,</u>		<u>September 30,</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b>Reconciliation to Adjusted EBITDA and EPS</b>				
Net (loss) earnings - (GAAP measure)	(764)	322	678	1,085
Interest expense	588	556	1,662	1,151
Income tax expense	530	70	396	900
Depreciation and amortization	890	823	2,344	2,317
Restructuring and integration	-	19	160	199
Non-recurring expenses from strategic changes	873	-	873	-
Stock-based compensation	148	28	319	34
Other non-operating expenses	245	264	647	554
Adjusted EBITDA - (Non-GAAP measure)	<u>2,510</u>	<u>2,082</u>	<u>7,079</u>	<u>6,240</u>
Tax effects - 28% rate	<u>(703)</u>	<u>(583)</u>	<u>(1,982)</u>	<u>(1,747)</u>
Non-GAAP net earnings	<u>\$ 1,807</u>	<u>\$ 1,499</u>	<u>\$ 5,097</u>	<u>\$ 4,493</u>
Non-GAAP net earnings per diluted share	<u>\$ 0.21</u>	<u>\$ 0.17</u>	<u>\$ 0.58</u>	<u>\$ 0.52</u>
Weighted average diluted shares outstanding	8,725	8,708	8,727	8,708

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.*