

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

	<u>June 30,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
	<u>(Unaudited)</u>	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 315	\$ 218
Accounts receivable, net	15,319	13,432
Inventories, net	27,173	23,192
Income taxes receivable	421	743
Prepaid expenses and other current assets	3,914	2,803
Current assets of discontinued operations	6,096	7,073
Total current assets	<u>53,238</u>	<u>47,461</u>
Property, plant and equipment, net	5,915	6,335
Deferred income taxes	2,983	2,729
Other assets	4,501	4,281
Intangible assets, net	4,233	4,922
Goodwill	8,527	8,527
Total assets	<u>\$ 79,397</u>	<u>\$ 74,255</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Bank overdrafts	\$ 2,377	\$ 833
Revolving credit facilities	20,392	17,814
Short term borrowings	3,710	5,430
Accounts payable and accrued liabilities	22,852	16,873
Current maturities of long-term debt and capital lease obligations	1,289	782
Income taxes payable	712	1,164
Current liabilities of discontinued operations	3,064	3,856
Total current liabilities	<u>54,396</u>	<u>46,752</u>
Long-term debt, net of current maturities	3,449	4,153
Pension deficit	284	283
Other long-term liabilities	3,512	3,853
Deferred income taxes	1,614	1,665
Total liabilities	<u>63,255</u>	<u>56,706</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; 8,726,045 shares issued and outstanding on June 30, 2018 and December 31, 2017	9	9
Additional paid-in capital	23,947	23,801
Accumulated other comprehensive loss	(5,981)	(5,798)
Accumulated deficit	(1,833)	(463)
Total stockholders' equity	<u>16,142</u>	<u>17,549</u>
Total liabilities and stockholders' equity	<u>\$ 79,397</u>	<u>\$ 74,255</u>

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Revenues	\$ 24,593	\$ 27,284	\$ 48,068	\$ 52,340
Cost of goods sold	19,390	21,461	38,437	40,951
Gross profit	5,203	5,823	9,631	11,389
Operating expenses				
Selling, general and administrative	4,149	4,184	8,346	8,525
Restructuring and integration	-	1	-	156
Foreign exchange loss (gain)	197	(210)	273	(271)
Total operating expenses	4,346	3,975	8,619	8,410
Income from continuing operations	857	1,848	1,012	2,979
Interest expense	750	611	1,399	1,160
Other expense (income)	22	(44)	138	53
Income (loss) before taxes	85	1,281	(525)	1,766
Income tax expense (benefit)	163	(414)	135	(133)
Net (loss) income from continuing operations	(78)	1,695	(660)	1,899
Loss from discontinued operations, net of income taxes	(718)	(410)	(710)	(507)
Net (loss) income	\$ (796)	\$ 1,285	\$ (1,370)	\$ 1,392
(Loss) earnings per share:				
Basic and diluted				
(Loss) income from continuing operations	\$ (0.01)	\$ 0.19	\$ (0.08)	\$ 0.22
Loss from discontinued operations	(0.08)	(0.04)	(0.08)	(0.05)
Net (loss) income	\$ (0.09)	\$ 0.15	\$ (0.16)	\$ 0.17
Diluted				
(Loss) income from continuing operations	\$ (0.01)	\$ 0.19	\$ (0.08)	\$ 0.22
Loss from discontinued operations	(0.08)	(0.04)	(0.08)	(0.05)
Net (loss) income	\$ (0.09)	\$ 0.15	\$ (0.16)	\$ 0.17
Weighted average common shares outstanding:				
Basic	8,726	8,713	8,726	8,707
Diluted	8,726	8,743	8,726	8,737

Reconciliation of GAAP Measures to Non-GAAP Measures

(In thousands, except per share data)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Reconciliation to Adjusted EBITDA and EPS				
Net (loss) / earnings (GAAP measure)	\$ (796)	\$ 1,285	\$ (1,370)	\$ 1,392
Addbacks:				
Loss from discontinued operations, net of income taxes	718	410	710	507
Interest expense	750	611	1,399	1,160
Income tax expense (benefit)	163	(414)	135	(133)
Depreciation and amortization	714	785	1,452	1,541
Restructuring and integration	-	1	-	156
Corp OH allocated to discontinued operations	208	270	479	572
Stock-based compensation	(2)	141	146	171
Other non-operating expenses	22	(44)	138	53
Adjusted EBITDA (Non-GAAP measure)	1,777	3,045	3,089	5,419
Tax effects - 21% rate	(373)	(639)	(649)	(1,138)
Non-GAAP net earnings	\$ 1,404	\$ 2,406	\$ 2,440	\$ 4,281
Non-GAAP net earnings per diluted share	\$ 0.16	\$ 0.28	\$ 0.28	\$ 0.49
Weighted average diluted shares outstanding	8,726	8,743	8,726	8,737

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.