

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

	December 31,	
	2018	2017
	(unaudited)	(audited)
ASSETS		
Current assets		
Cash and cash equivalents	\$ 211	\$ 218
Accounts receivable, net	16,327	15,000
Inventories, net	27,310	26,113
Income taxes receivable	566	743
Prepaid expenses and other current assets	2,510	3,017
Total current assets	46,924	45,091
Property, plant and equipment, net	5,284	6,858
Deferred income taxes	2,971	2,729
Other assets	5,222	4,651
Intangible assets, net	3,584	6,399
Goodwill	8,527	8,527
Total assets	\$ 72,512	\$ 74,255
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Bank overdrafts	\$ 1,769	\$ 1,181
Revolving credit facilities	20,755	17,814
Short term borrowings	-	5,430
Accounts payable and accrued liabilities	27,845	20,381
Current maturities of long-term debt and capital lease obligations	1,174	782
Income taxes payable	873	1,164
Total current liabilities	52,416	46,752
Long-term debt, net of current maturities	2,619	4,153
Pension deficit	148	283
Other long-term liabilities	3,786	3,853
Deferred income taxes	1,592	1,665
Total liabilities	60,561	56,706
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 December 31, 2018 and 2017	9	9
Additional paid-in capital	23,966	23,801
Accumulated other comprehensive loss	(5,897)	(5,798)
Accumulated deficit	(6,127)	(463)
Total stockholders' equity	11,951	17,549
Total liabilities and stockholders' equity	\$ 72,512	\$ 74,255

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

	Three Months Ended December 31,		For the Years Ended December 31,	
	2018	2017	2018	2017
Revenues	\$ 26,508	\$ 26,438	\$ 106,390	\$ 114,391
Cost of goods sold				
Cost of goods sold	22,268	26,263	87,139	95,779
Restructuring and integration	-	-	-	873
Total cost of goods sold	22,268	26,263	87,139	96,652
Gross profit	4,240	175	19,251	17,739
Operating expenses				
Selling, general and administrative	7,535	6,719	21,465	21,158
Restructuring and integration	-	59	-	219
Foreign exchange loss (gain)	277	140	(341)	(325)
Total operating expenses	7,812	6,918	21,124	21,052
Operating loss	(3,572)	(6,743)	(1,873)	(3,313)
Interest expense	539	675	2,662	2,462
Other expense (income)	105	(236)	826	411
Loss before taxes	(4,216)	(7,182)	(5,361)	(6,186)
Income tax expense	136	2,643	303	3,039
Net loss	\$ (4,352)	\$ (9,825)	\$ (5,664)	\$ (9,225)
Net loss per common share:				
Basic	\$ (0.50)	\$ (1.13)	\$ (0.65)	\$ (1.06)
Diluted	\$ (0.50)	\$ (1.13)	\$ (0.65)	\$ (1.06)
Weighted average common shares outstanding:				
Basic	8,726	8,717	8,726	8,717
Diluted	8,726	8,717	8,726	8,717

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

	For the Year Ended	
	December 31,	
	2018	2017
	(unaudited)	(audited)
Operating activities		
Net loss	\$ (5,664)	\$ (9,225)
Depreciation	1,222	1,285
Amortization of intangible assets	1,460	1,774
Amortization of right-of-use assets	622	535
Amortization of debt issuance cost	75	205
Deferred income tax (benefit) expense	(329)	2,201
Change in receivable reserves	(350)	239
Change in inventory reserves	241	(102)
Inventory write off	-	2,642
Accrued pension	(55)	(8)
Stock-based compensation	165	466
Loss on disposition of fixed assets	21	40
Intangible asset impairment	1,350	-
Goodwill impairment	-	1,445
Foreign currency remeasurement loss (gain)	42	(27)
Changes in current operating assets and liabilities:		
Accounts receivable	(1,373)	2,594
Inventories	(2,118)	(1,975)
Prepaid expenses and other assets	(708)	(256)
Income taxes	(93)	(923)
Accounts payable and accrued liabilities	7,645	790
Net cash provided by operating activities	<u>2,153</u>	<u>1,700</u>
Investing activities		
Additions to property, plant and equipment	(589)	(1,450)
Proceeds from sale of fixed assets	762	22
Net cash provided by (used in) investing activities	<u>173</u>	<u>(1,428)</u>
Financing activities		
Bank overdrafts	699	(61)
Short term borrowings	(5,430)	1,457
Borrowing under debt agreement	40,599	40,481
Repayment of debt	(38,848)	(40,993)
Payment of debt issuance cost	(18)	(61)
Net proceeds from the exercise of options for common stock	-	120
Principal repayments of financing leases	(414)	(301)
Net cash (used in) provided by financing activities	<u>(3,412)</u>	<u>642</u>
(Decrease) Increase in cash and cash equivalents	(1,086)	914
Effect of foreign exchange on cash and cash equivalents	1,079	(942)
Cash and cash equivalents		
Beginning of period	218	246
End of period	<u>\$ 211</u>	<u>\$ 218</u>
Supplemental cash flow information:		
Interest paid	\$ 2,603	\$ 2,087
Income taxes paid, net of refunds	587	1,725

PIONEER POWER SOLUTIONS, INC.

Reconciliation of GAAP Measures to Non-GAAP Measures
(In thousands, except per share data)
(Unaudited)

	Three Months Ended		For the Years Ended	
	December 31,		December 31,	
	2018	2017	2018	2017
Reconciliation to Adjusted EBITDA and EPS				
Net earnings loss (GAAP measure)	\$ (4,352)	\$ (9,825)	\$ (5,664)	\$ (9,225)
Addbacks:				
Interest expense	539	675	2,662	2,462
Income tax expense	136	2,643	303	3,039
Depreciation and amortization	902	852	3,303	3,593
Restructuring and integration	-	59	-	219
Non-recurring expenses from strategic changes	1,098	610	1,098	1,483
Switchgear operations previously classified as discontinued operations	3,200	6,438	4,988	7,669
Stock-based compensation	5	148	165	466
Other non-operating expense (income)	105	(236)	826	411
Adjusted EBITDA (Non-GAAP measure)	1,633	1,364	7,681	10,117
Tax effects - 21% rate	(343)	(286)	(1,613)	(2,125)
Non-GAAP net earnings	\$ 1,290	\$ 1,078	\$ 6,068	\$ 7,992
Non-GAAP net earnings per diluted share	\$ 0.15	\$ 0.12	\$ 0.70	\$ 0.92
Weighted average diluted shares outstanding	8,726	8,717	8,726	8,717

Tax Rate changed to 21% pursuant to U.S. 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.