



Northern Power Systems

Q3 2016 Earnings Presentation



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FORWARD LOOKING STATEMENT AND NON-GAAP DISCLOSURES

All statements and other information contained in this document related to anticipated future events or results constitute forward-looking statements. Forward-looking statements often, but not always, are identified by the use of words such as “seek”, “anticipate”, “believe”, “plan”, “estimate”, “expect”, “intend”, “forecast”, “project”, “likely”, “potential”, “targeted” and “possible” and statements that an event or result “may”, “will”, “would”, “should”, “could” or “might” occur or be achieved and other similar expressions. Forward-looking statements are subject to known and unknown business and economic risks and uncertainties and other factors that could cause actual results of operations to differ materially from those expressed or implied by the forward-looking statements. Forward-looking statements are based on estimates and opinions of management at the date the statements are made. Northern Power Systems does not undertake any obligation to update forward-looking statements even if circumstances or management’s estimates or opinions should change, except as required by law. For the reasons set forth above, investors should not place undue reliance on forward-looking statements.

This presentation references non-GAAP financial measures with the required reconciliation referenced in the table captioned “Non-GAAP Reconciliations” to the most comparable GAAP financial measures.



Investor Update

Established Offerings

- **600+ installed base of distributed turbines; leader in core markets**
- **Delivery of initial power converter systems and battery energy storage systems**

Re-defining core focus

- **Focused on profitability; followed by a return to growth**
- **Becoming a distributed energy solutions provider; expanding scope of offering**

Continued growth; improving balance sheet

- **Utility transaction closed in October which strengthens balance sheet**
- **Renewed working capital line of credit**



Distributed Wind Update

➤ Product:

- Significant product cost reductions per machine entering 2017
- Multiple smaller suppliers for critical components
- Won DOE grant for full type certification; program launched

➤ Italian market:

- Continuing strong demand
- Feed in tariff policy transition
- Planning to deliver full scope installation

➤ UK potential (Service Strategy):

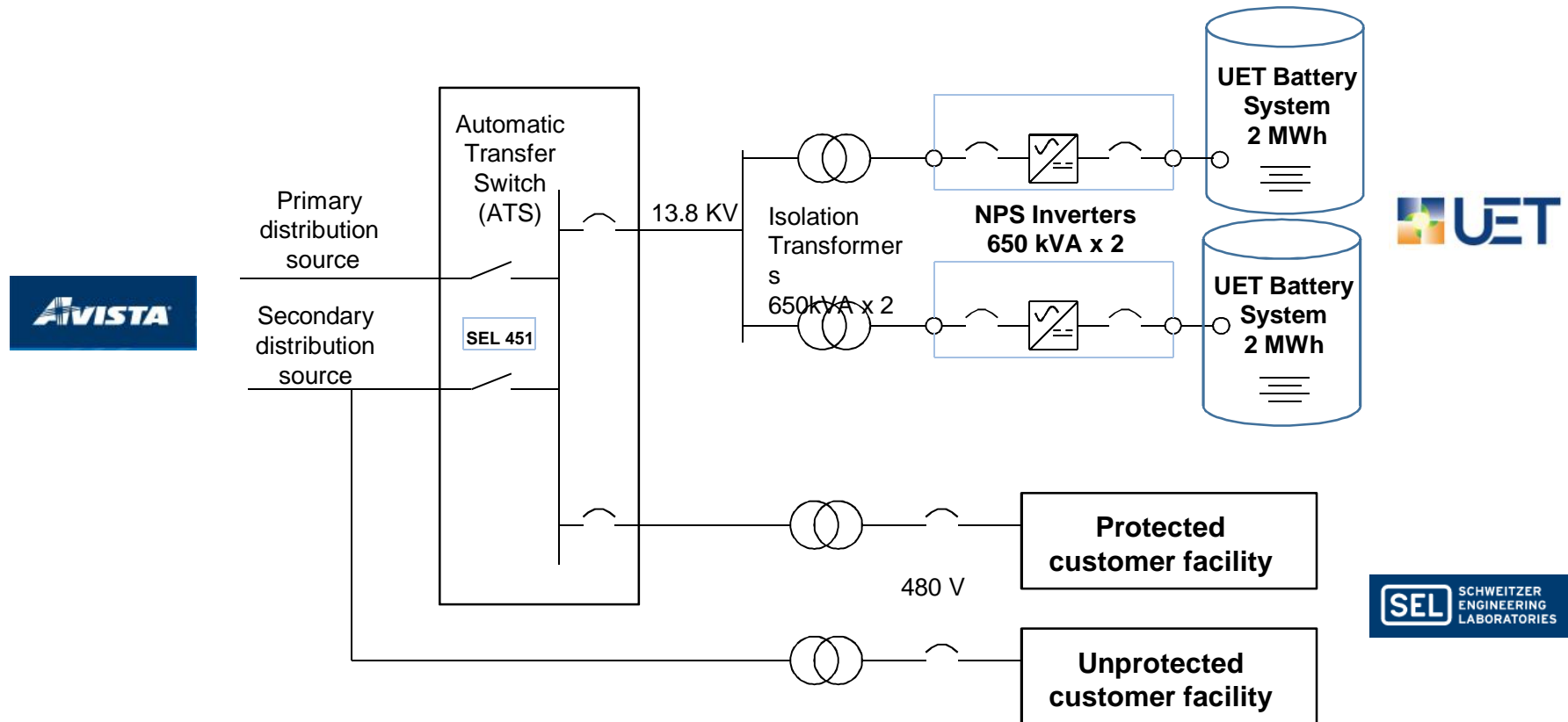
- Delivering full scope installation

➤ North American market:

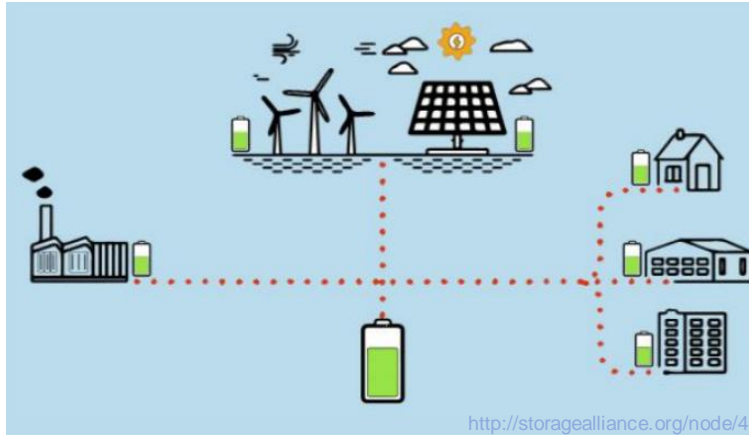
- Expanding financing options
- Working with Co-ops on community wind
- Exploring remote / island microgrids



PCS Case Study: Utility owned Energy Storage at Customer Site



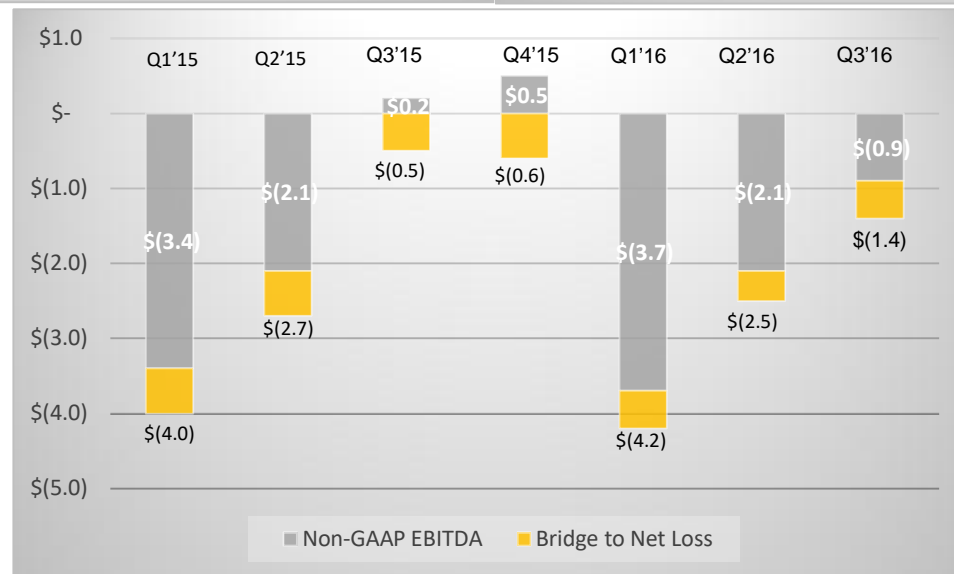
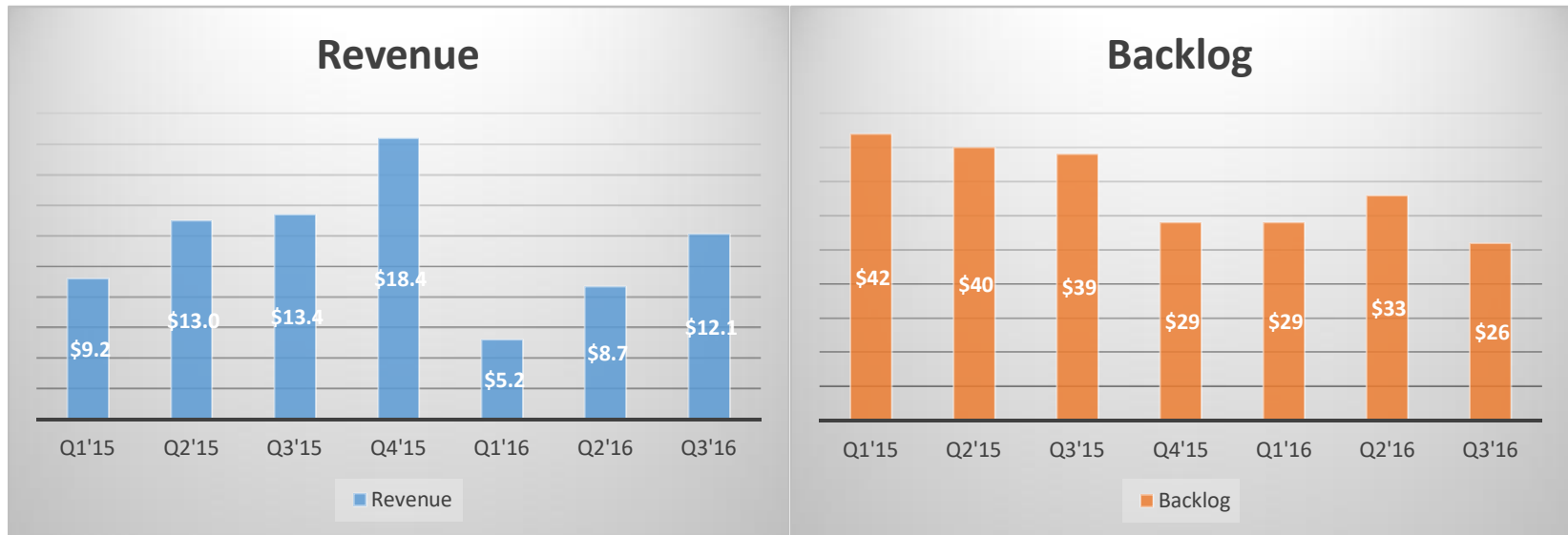
Battery Energy Storage Solutions



- ❖ Utility installed energy storage becoming widespread
- ❖ Stacked benefits allow single asset to bring multiple values



Business Trends



Q3 2016: Other Financial Metrics

Balance Sheet Metrics	September 30, 2016	September 30, 2015
Cash and cash equivalents	\$3.2M	\$5.7M
Inventory	\$9.0M	\$15.5M
Working capital line	\$1.9M*	\$4.0M

Cash Flow Statement	Q3 2016	Q3 2015
Cash provided by (used in) operations	\$0.6M • Change in operating assets / liab. \$1.5M	(\$0.7M) • Change in operating assets / liab. (\$0.6M)
Cash used in investing activities	-	(\$0.7M)
Cash (used in) provided by financing activities	(\$0.6M)	\$1.0M

* Extended maturity date of Working Capital Line of Credit from September 30, 2016 to December 31, 2017 and reduced borrowing limit from \$6M to \$2M.



NPS and WEG Utility Wind Technology Transaction

Business Attributes

- ❖ WEG acquires technology for wind applications greater than 1.5MW
- ❖ WEG hires ~12 engineers skilled on the MW wind platform
- ❖ WEG and Northern meet twice per year on evolving rest of world approach:
 - WEG and Northern can decide to co-develop regions
 - If WEG is not developing a region right can revert to Northern
- ❖ WEG is required to deliver a certain rate of order flow to maintain ownership of the assets

Financial Attributes

- ❖ All assets, including related patent portfolio for utility wind greater than 1.5MW sold to WEG
- ❖ NPS receives up to \$3.0 million of royalty advances (\$1.0 million upon execution of the agreement) and up to additional \$7.0 million in future royalty payments for sales in South America over the next four years.
- ❖ NPS to receive up to and additional \$17.5 million in royalty payments over the next decade for turbines shipped outside of South America.
- ❖ Do not anticipate significant impact to income tax expense
- ❖ Agreement filed on SEDAR





Non-GAAP Reconciliations

Non-GAAP Reconciliations Non-GAAP adjusted EBITDA

(All amounts in thousands)

	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016
Net Loss	\$(4,010)	\$(2,652)	\$(539)	\$(596)	\$(4,231)	\$(2,526)	\$(1,357)
Interest	26	71	45	51	48	31	15
Taxes	385	383	372	431	66	122	62
Depreciation	185	188	209	208	180	181	161
Stock compensation	178	190	313	239	159	122	141
Non cash implied license revenue	(177)	(243)	(189)	(31)	-	-	-
Loss on disposal of asset	50	-	-	201	83	-	73
Adjusted EBITDA	\$(3,363)	\$(2,063)	\$211	\$503	\$(3,695)	\$(2,070)	\$(905)

