

May 15, 2019



Polar Power Reports First Quarter 2019 Financial Results

Management to Host Conference Call Today at 10:00 a.m. EDT

GARDENA, Calif., May 15, 2019 (GLOBE NEWSWIRE) -- [Polar Power, Inc.](#) (NASDAQ: POLA), a global provider of prime, backup and solar hybrid DC power solutions, today reported its financial results for the first quarter ended March 31, 2019.

Key Q1 2019 Results and Highlights:

Financial Results for the Three Months Ended March 31st, 2019

- Net sales for Q1 2019 were \$7.75 million, which is a 59% increase compared to \$4.87 million in the same period last year with a majority of the growth driven by sales of our DC power systems to Tier-1 telecommunications customers in the U.S.
- Backlog totaled \$14.16 million at March 31, 2019.
- Gross profit during the quarter increased by \$0.9 million, or 61%, to \$2.4 million as compared to \$1.5 million in the same period last year. As a percent of sales gross profit was 31% for the quarter as compared to 30% in the same period last year. The increase in gross profit was attributable to improved overhead absorptions resulting from higher revenues generated during the quarter.
- Operating expenses increased to \$2.3 million during the quarter from \$1.8 million in the same period last year. The increase over last year is attributable primarily to an increase in research and development expenses and an increase in salaries related to expansion of production team to help increase production capacity and production efficiencies.
- Net income in the quarter totaled \$0.07 million, or \$0.01 per basic and diluted share, compared to net loss of \$0.3 million or (\$0.03) per basic and diluted share in the same period last year.
- Cash at March 31, 2019 totaled \$3.5 million, as compared to \$5.6 million at December 31, 2018. The reduction in cash balances are associated with \$2.0 million used by operating activities, of which \$1.6 million was associated with an increase in inventory, and a \$1.5 million increase in accounts receivable associated with increased shipments to Tier-1 carriers with net 90-day payment terms.

Management Commentary

"During the first quarter we saw continued strength from our domestic Tier-1 telecom

customers as we gained market share with our back-up DC power generation systems,” said Polar Power CEO, Arthur Sams. “In order to facilitate these growth opportunities both domestically and internationally, we have been investing heavily in our manufacturing and people. We are a growth company and have numerous opportunities in front of us and need to position ourselves to leverage what we believe to be our standing as the leading producer of DC power systems and continue to grow revenues. Although this investment is creating a modest negative effect on our contribution margins, which we expect will continue over the next two quarters as we continue to ramp-up manufacturing, we believe that the benefits will significantly outweigh the short-term negative impact on margins.”

“In the past year we have been limited by production capacity and supply chain, which made it challenging to pursue business outside of the U.S Tier-1 telecoms and in some cases even to meet their demand in a timely fashion. In November of 2018, we opened our second manufacturing plant and this expansion is expected to nearly double our production capacity when it is operating at full efficiency. However, simply adding a manufacturing facility is not enough on its own. We recently completed a 6-month project to restructure our operations management with industry-leading consultants with the goal of reducing the number of responsibilities key management had and increase the overall production management experience and resources. As such, we have added several key personnel to the organization as well, which we expect to leverage going forward.”

“As our revenues increase, we expect to increase our engineering staff to speed up new product development and provide a higher level of pre-sales support. We also expect to pursue R&D contracts with the military. We believe diversification of sales into different markets will provide us with long term stable growth and improved gross margins.”

Mr. Sams continued, “Internationally, we experienced repeat orders during the quarter from customers we acquired during the fourth quarter. This is encouraging, as we currently have programs active in five countries and international customers are becoming increasingly familiar with our products and their advantages. As we have highlighted previously, infrastructure growth in the international telecom market is significantly higher when compared to the U.S. market, and therefore ideal target markets for our hybrid renewable energy products, a key part of our short-term and long-term growth strategy.”

“During the quarter, our technology road map remained focused on three key products, our hybrid renewable energy systems, our backup power systems, and our products for military applications. We expect to launch our new LPG and natural gas DC power systems designed for hybrid solar residential, natural gas-powered air-conditioning and natural gas-powered electric vehicle charging stations, during the second half of 2019. Military opportunities continue with power for robotic vehicles and mobile power systems,” concluded Mr. Sams.

Conference Call Details

Polar Power CEO Arthur Sams, COO Rajesh Masina and CFO Luis Zavala will host the conference call, followed by a question and answer period.

To access the call, please use the following information:

Date: Wednesday May 15, 2019

Time: 10:00 a.m. ET, 7:00 a.m. PT
Toll-free dial-in number: 1-800-458-4121
International dial-in number: 1-323-794-2093
Conference ID: 1500529

Please call the conference telephone number 5-10 minutes prior to the start time. An operator will register your name and organization. If you have any difficulty connecting with the conference call, please contact Integra Investor Relations at 415-233-7094.

The conference call will be broadcast live and available for replay at <http://public.viavid.com/index.php?id=134601> and via the investor relations section of the Company's website at www.polarpower.com.

A replay of the conference call will be available after 1:00 p.m. Eastern time through May 22, 2019.

Toll-free replay number: 1-844-512-2921
International replay number: 1-412-317-6671
Replay ID: 1500529

About Polar Power, Inc.

Gardena, California-based Polar Power, Inc. (NASDAQ: POLA), designs, manufactures and sells direct current, or DC, power systems, lithium battery powered hybrid solar systems for applications in the telecommunications market and, in other markets, including military, electric vehicle charging, cogeneration, distributed power and uninterruptable power supply. Within the telecommunications market, Polar's systems provide reliable and low-cost energy for applications for off-grid and bad-grid applications with critical power needs that cannot be without power in the event of utility grid failure. For more information, please visit www.polarpower.com, or follow us on www.linkedin.com/company/polar-power-inc/

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995

This news release contains certain statements of a forward-looking nature relating to future events or future business performance. Forward-looking statements can be identified by the words "expects," "anticipates," "believes," "intends," "estimates," "plans," "will," "outlook" and similar expressions. Forward-looking statements are based on management's current plans, estimates, assumptions and projections, and speak only as of the date they are made. With the exception of historical information, the matters discussed in this press release including, without limitation, Polar Power's belief that its investment in manufacturing and people will have a negative impact on contribution margins for the next two quarters; Polar Power's belief that its new manufacturing plant will nearly double the company's production capacity; Polar Power's expectation that it will increase its engineering staff and its belief that by increasing its engineering staff it will speed up new product development and provide a higher level of pre-sale support; Polar power's belief that diversification of sales into different markets will provide it with long-term stable growth and improved gross margins; and Polar Power's expectation that it will launch its new LPG and natural gas DC power systems designed for hybrid solar residential, natural gas-powered air-conditioning and natural gas-powered electric vehicle charging stations during the second half of 2019 are forward-looking statements and considerations that involve a number of risks and uncertainties. The

actual future results of Polar Power could differ from those statements. Factors that could cause or contribute to such differences include, but are not limited to, adverse domestic and foreign economic and market conditions, including demand for DC power systems; trade tariffs on raw materials; changes in domestic and foreign governmental regulations and policies; and other events, factors and risks. We undertake no obligation to update any forward-looking statement in light of new information or future events, except as otherwise required by law. Forward-looking statements involve inherent risks and uncertainties, most of which are difficult to predict and are generally beyond our control. Actual results or outcomes may differ materially from those implied by the forward-looking statements as a result of the impact of a number of factors, many of which are discussed in more detail in our reports filed with the Securities and Exchange Commission.

Media and Investor Relations:

Integra Investor Relations

Shawn M. Severson

+1 415-233-7094

info@integra-ir.com

@Integra IR

Company Contact:

Polar Power, Inc.

249 E. Gardena Blvd.

Gardena, CA 90248

Tel: 310-830-9153

ir@polarpowerinc.com

www.polarpower.com

POLAR POWER, INC. BALANCE SHEETS

	March 31, 2019	December 31, 2018
ASSETS		
Current assets		
Cash and cash equivalents (including restricted cash \$1,002,683 at December 31, 2018)	\$ 3,534,570	\$ 5,640,078
Accounts receivable	9,216,756	7,726,919
Inventories, net	10,116,949	8,471,769
Prepaid expenses	1,254,056	468,666
Refundable income taxes	231,444	715,916
Total current assets	24,353,775	23,023,348
Operating lease right-of-use assets, net	2,640,911	—
Property and equipment, net	2,172,412	2,122,757
Deposits	94,001	94,001
Total assets	\$ 29,261,099	\$ 25,240,106
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		

Accounts payable	\$ 1,590,682	\$ 1,066,415
Customer deposits	368,100	79,184
Accrued liabilities and other current liabilities	935,571	504,559
Current portion of operating lease liabilities	542,672	—
Current portion of notes payable	278,745	283,388
Total current liabilities	3,715,770	1,933,546
Notes payable, net of current portion	880,016	924,539
Operating lease liabilities, net of current portion	2,133,645	—
Total liabilities	6,729,431	2,858,085
Commitments and Contingencies		
Stockholders' Equity		
Preferred stock, \$0.0001 par value, 5,000,000 shares authorized, no shares issued and outstanding	—	—
Common stock, \$0.0001 par value, 50,000,000 shares authorized, 10,143,158 and, 10,143,158, shares issued and outstanding, respectively	1,014	1,014
Additional paid-in capital	19,657,370	19,578,426
Retained earnings	2,873,284	2,802,581
Total stockholders' equity	22,531,668	22,382,021
Total liabilities and stockholders' equity	\$ 29,261,099	\$ 25,240,106

POLAR POWER, INC. STATEMENTS OF OPERATIONS

	Three Months Ended March 31,	
	2019	2018
Net sales	\$ 7,746,785	\$ 4,871,912
Cost of sales	5,354,760	3,388,274
Gross profit	2,392,025	1,483,638
Operating Expenses		
Sales and Marketing	630,034	610,337
Research and development	562,270	464,101
General and administrative	1,121,497	736,517
Total operating expenses	2,313,801	1,810,955
Income (loss) from operations	78,224	(327,317)
Other income (expenses)		
Interest income	(10,701)	(3,010)
Other income (expenses)	3,180	11,525
Total other income (expense)	(7,521)	8,515
Income (loss) before income taxes	70,703	(318,802)
Income tax benefit	—	—
Net income (loss)	\$ 70,703	\$ (318,802)
Net income (loss) per share – basic and diluted	\$ 0.01	\$ (0.03)
Weighted average shares outstanding, basic and diluted	10,143,158	10,143,158

POLAR POWER, INC.

STATEMENTS OF CASH FLOWS

	Three Months Ended March 31,	
	2019	2018
Cash flows from operating activities:		
Net income (loss)	\$ 70,703	\$ (318,802)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Fair value of vested stock options	78,944	24,719
Depreciation and amortization	143,261	76,350
Amortization of operating lease right-of-use asset	89,155	—
Changes in operating assets and liabilities		
Accounts receivable	(1,489,838)	(1,745,659)
Inventories	(1,645,179)	57,305
Prepaid expenses	(899,277)	(291,160)
Deposits	—	(1,000)
Refundable income taxes	484,472	—
Accounts payable	524,267	(303,566)
Customer deposits	288,916	66,557
Accrued expenses and other current liabilities	461,321	27,561
Repayment of lease obligations	(84,058)	—
Net cash used in operating activities	(1,977,313)	(2,407,695)
Cash flows from investing activities:		
Acquisition of property and equipment	(79,029)	(55,062)
Net cash used in investing activities	(79,029)	(55,062)
Cash flows from financing activities:		
Repayment of notes	(49,166)	(27,234)
Net cash used by financing activities	(49,166)	(27,234)
Decrease in cash and cash equivalents	(2,105,508)	(2,489,991)
Cash and cash equivalents, beginning of period	5,640,078	14,201,163
Cash and cash equivalents, end of period	\$ 3,534,570	\$ 11,711,172

SUPPLEMENTAL NON-CASH INVESTING AND

FINANCING ACTIVITIES:

Initial recognition of operating lease right-of-use assets and operating lease obligations upon adoption of ASC Topic 842	\$ 2,760,375	—
Reclass of prepaid asset to property and equipment	\$ 113,887	\$ —



Source: Polar Power, Inc.