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## **PT Announces Second Quarter 2010 Financial Results**

ROCHESTER, NY – July 29, 2010 -- PT (NASDAQ: PTIX), the recently rebranded Performance Technologies, a leading global provider of advanced network communications solutions, today announced its financial results for the second quarter 2010.

Revenue in the second quarter 2010 amounted to \$7.4 million, compared to \$6.4 million in the second quarter 2009. Revenue for the six months ended June 30, 2010 amounted to \$14.8 million, compared to \$13.3 million during the corresponding period in 2009.

The Company incurred a net loss in the second quarter 2010 in the amount of (\$2.0 million), or (\$.18) per basic share, including a restructuring charge of \$.01 per share and stock-based compensation expense of \$.01 per share, based on 11.1 million shares outstanding. The Company incurred a net loss in the second quarter 2009 in the amount of (\$4.7 million), or (\$.43) per basic share, including a non-cash income tax charge to record a valuation allowance against the Company's United States deferred tax assets in the amount of \$.30 per share; a discrete income tax benefit of \$.01 per share; and stock-based compensation expense of \$.01 per share, based on 11.1 million shares outstanding.

The Company incurred a net loss for the six months ended June 30, 2010 amounting to (\$3.9 million), or (\$.35) per basic share, including a restructuring charge of \$.01 per share; stock-based compensation of \$.03 per share; and a discrete tax provision of \$.01 per share, based on 11.1 million shares outstanding. The Company incurred a net loss for the six months ended June 30, 2009 amounting to (\$6.2 million), or (\$.55) per basic share, based on 11.1 million shares outstanding. This loss includes a non-cash income tax charge amounting to \$.30 per share for a valuation allowance recorded against the Company's United States deferred tax assets; a restructuring charge of \$.04 per share; a discrete income tax benefit of \$.01 per share and stock-based compensation expense of \$.03 per share.

Cash and investments amounted to \$26.5 million, or \$2.39 per share, and the Company had no long-term debt at June 30, 2010. The Company had 11.1 million common shares outstanding at June 30, 2010.

"Revenue levels remain challenging with protracted procurement decisions due to ongoing economic uncertainty and book-to-ship delays resulting from industry-wide supply chain shortages," said John Slusser, president and chief executive officer. "During the quarter, we prudently continued our strategic investments in product evolution, market diversification and commitment to establishing a footprint in several global growth markets. I am pleased to note that as a result of our efforts in Africa, we have now captured core network signaling deployments from two premier sub-Saharan wireless service providers, which will begin to contribute to revenues in the third quarter."

## **Business Overview:**

The Company globally targets two primary vertical markets for its network communications products, namely telecommunications, and military, aerospace and government systems. The telecommunications market, historically our largest vertical market, is fundamentally driven by investments in network infrastructure by carriers and service providers. Telecommunications market revenues derived from our IPnexus<sup>®</sup> Application-Ready Systems products depend primarily on broad, multi-year deployments of next-generation telecommunications infrastructure. Telecommunications market revenues generated from end user solutions, such as our SEGway<sup>™</sup> and Xpress<sup>™</sup> product lines, are governed by investments necessary to support existing and evolving service demands such as the ongoing worldwide explosive growth in text messaging and the transition to Internet-based communications networks. Sales into the military, aerospace and government systems market are typically to prime contractors and system integrators that reflect investment levels by various government agencies and military branches in specific programs and projects requiring enhanced communications capabilities. Military, aerospace and government systems shipments are subject to project deployment schedules and are often not consistent from quarter-to-quarter.

## **Recent Customer Highlights:**

- **Nigeria's Starcomms Evolves to All-IP Next-Gen Network with PT's SEGway Solution**

Starcomms serves 3.2 million customers in Nigeria with mobile services, internet broadband services, and fixed wireless services. Ever forward thinking and responsive to its subscribers, Starcomms is transitioning its network to a complete IP architecture. The carrier designed a hierarchical network topology using PT's state-of-the-art SEGway signaling solution at the core, which allows effortless interconnection of IP elements to existing network infrastructure.

- **Viaero Wireless Selects PT's SEGway IP Signaling Solution**

Viaero Wireless is one of the nation's largest privately held wireless mobile service providers, supplying residents of Colorado, Nebraska, and Kansas with coast-to-coast coverage throughout North America. Viaero upgraded their network using the SEGway IP Signaling Solution as a key component of their evolution to IP-based next-generation services.

- **PT's SEGway Signaling Solutions Offer Top Efficiency for Union Telephone's Network Migration**

Historic Union Telephone serves the Rocky Mountain region with wireless, wireline, Internet and CATV services. Union selected PT's SEGway Signaling Solution with Point Code Emulation<sup>™</sup> (PCE) as a pivotal piece of its IP-based network progression based upon its ability to substantially cap network growth costs and provide transparent network expansion and reconfiguration capabilities.

More in-depth discussions of the Company's strategy and financial performance can be found in the Company's periodic reports on Form 10-K and Form 10-Q, as filed with the Securities and Exchange Commission.

## **About PT ([www.pt.com](http://www.pt.com))**

PT (NASDAQ: PTIX) is a global supplier of advanced network communications solutions to carrier, government, and OEM markets. PT's portfolio includes IP-centric network elements and applications designed for high availability, scalability, and long life cycle deployments. The Company's entire line of offerings is anchored by IPnexus<sup>®</sup>, PT's own IP-native, highly integrated platforms and element management systems. OEMs and application developers, including PT itself, leverage the robust carrier grade Linux<sup>®</sup> development environment and rich suite of communications protocols (PT's Nexusware<sup>®</sup>) of IPnexus Application-Ready Systems as a cornerstone component of their end product value proposition.

PT's SEGway™ Signaling Solutions provide low cost, high density signaling, advanced routing, IP migration, gateway capabilities, SIP bridge, and core-to-edge distributed intelligence. The Company's Xpress™ NGN applications enable evolving Mobile 2.0, Multi-media, and IMS based revenue generating services. PT is headquartered in Rochester, NY and maintains sales and engineering offices around the world.

## Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for certain forward-looking statements. This press release contains forward-looking statements which reflect the Company's current views with respect to future events and financial performance, within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 and is subject to the safe harbor provisions of those Sections. The Company's future operating results are subject to various risks and uncertainties and could differ materially from those discussed in the forward-looking statements and may be affected by various trends and factors which are beyond the Company's control. These risks and uncertainties include, among other factors, business and economic conditions, rapid technological changes accompanied by frequent new product introductions, competitive pressures, dependence on key customers, inability to gauge order flows from customers, fluctuations in quarterly and annual results, the reliance on a limited number of third party suppliers, limitations of PT's manufacturing capacity and arrangements, the protection of PT's proprietary technology, the effects of pending or threatened litigation, the dependence on key personnel, changes in critical accounting estimates, potential impairments related to investments, foreign regulations, and potential material weaknesses in internal control over financial reporting. In addition, during weak or uncertain economic periods, customers' visibility deteriorates causing delays in the placement of their orders. These factors often result in a substantial portion of PT's revenue being derived from orders placed within a quarter and shipped in the final month of the same quarter. Forward-looking statements should be read in conjunction with the audited Consolidated Financial Statements, the Notes thereto, Risk Factors, and Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company as of December 31, 2009, as contained in the Company's Annual Report on Form 10-K, and other documents filed with the Securities and Exchange Commission.

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A conference call will be held on Friday, July 30, at 10:00 a.m., New York time, to discuss the results. All institutional investors can participate in the conference by dialing (866) 250-5144 or (416) 849-6163. The call will be available simultaneously for all other investors at (866) 494-3387 or (416) 915-1198. A digital recording of this conference call may be accessed immediately after its completion from July 30 through August 3, 2010. To access the recording, participants should dial (866) 245-6755 or (416) 915-1035 using passcode 533464. A live [webcast](#) of the conference call will be available on the PT website at [www.pt.com](http://www.pt.com) and will be archived to the site within two hours after the completion of the call.

**PERFORMANCE TECHNOLOGIES, INCORPORATED AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(unaudited)

**ASSETS**

	<u>June 30, 2010</u>	<u>December 31, 2009</u>
Current assets:		
Cash and cash equivalents	\$15,911,000	\$17,563,000
Investments	7,177,000	7,533,000
Accounts receivable	5,128,000	6,542,000
Inventories	4,783,000	4,459,000
Prepaid expenses and other assets	964,000	820,000
Deferred taxes	385,000	392,000
Fair value of foreign currency hedges	2,000	201,000
Prepaid income taxes	59,000	24,000
Total current assets	34,409,000	37,534,000
Investments	3,426,000	4,239,000
Property, equipment and improvements	1,792,000	1,686,000
Software development costs	5,545,000	5,254,000
Deferred taxes	174,000	176,000
Total assets	\$45,346,000	\$48,889,000

**LIABILITIES AND STOCKHOLDERS' EQUITY**

Current liabilities:		
Accounts payable	\$ 1,164,000	\$ 1,013,000
Accrued expenses	4,216,000	4,195,000
Total current liabilities	5,380,000	5,208,000
Income taxes payable	51,000	65,000
Total liabilities	5,431,000	5,273,000
Stockholders' equity:		
Preferred stock		
Common stock	133,000	133,000
Additional paid-in capital	16,882,000	16,596,000
Retained earnings	32,717,000	36,577,000
Accumulated other comprehensive income	1,000	128,000
Treasury stock	(9,818,000)	(9,818,000)
Total stockholders' equity	39,915,000	43,616,000
Total liabilities and stockholders' equity	\$45,346,000	\$48,889,000

**PERFORMANCE TECHNOLOGIES, INCORPORATED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2010 AND 2009**  
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Sales	\$ 7,449,000	\$ 6,356,000	\$14,804,000	\$13,283,000
Cost of goods sold	<u>4,170,000</u>	<u>3,154,000</u>	<u>7,627,000</u>	<u>6,345,000</u>
Gross profit	<u>3,279,000</u>	<u>3,202,000</u>	<u>7,177,000</u>	<u>6,938,000</u>
Operating expenses:				
Selling and marketing	2,034,000	1,698,000	4,407,000	3,614,000
Research and development	1,892,000	1,986,000	3,882,000	4,102,000
General and administrative	1,364,000	1,181,000	2,672,000	2,319,000
Restructuring charges	64,000		127,000	445,000
Total operating expenses	<u>5,354,000</u>	<u>4,865,000</u>	<u>11,088,000</u>	<u>10,480,000</u>
Loss from operations	<u>(2,075,000)</u>	<u>(1,663,000)</u>	<u>(3,911,000)</u>	<u>(3,542,000)</u>
Other income, net	41,000	177,000	104,000	256,000
Loss before income taxes	<u>(2,034,000)</u>	<u>(1,486,000)</u>	<u>(3,807,000)</u>	<u>(3,286,000)</u>
Income tax (benefit) provision	(74,000)	3,245,000	53,000	2,871,000
Net loss	<u>\$(1,960,000)</u>	<u>\$(4,731,000)</u>	<u>\$(3,860,000)</u>	<u>\$(6,157,000)</u>
Basic loss per share	<u>\$ (.18)</u>	<u>\$ (.43)</u>	<u>\$ (.35)</u>	<u>\$ (.55)</u>
Weighted average common shares	<u>11,116,000</u>	<u>11,116,000</u>	<u>11,116,000</u>	<u>11,143,000</u>