

GROWTH IN ORDER BACKLOG ACCELERATES ELECTRO POWER SYSTEMS' H1 2016 SALES

- **H1 2016 preliminary results: € 2.5 million¹ in sales, and order backlog² increased to € 6 million;**
- **Projects in Europe, East Africa, and the Asia-Pacific region with Enel, Toshiba, NECSOM, General Electric and other major utilities and energy players;**
- **Iconic on-grid and off-grid projects: successful testing within the Terna “Storage Lab” project, and extension of the hybrid power plant in Somalia;**
- **Net financial position at the end of June 2016 at € 2.9 million³;**
- **Hydrogen module for integration into the HyESS system successfully tested for CE certification.**

Paris - Milan, 2 August 2016 - Electro Power Systems S.A. (“EPS” or the “Group”), a pioneer in technology for clean energy storage solutions, listed on Euronext Paris (EPS:PA), chaired by Massimo Prelz Oltramonti, Chairman of the Board of Directors, announced preliminary sales data for H1 2016 (unaudited).

FINANCIAL HIGHLIGHTS

In H1 2016, EPS's **sales amounted to € 2.5 million, compared to € 0.2 of H1 2015 sales⁴**. This growth in sales is mainly due to EPS's increase by the successful deployment of off-grid Hybrid Power Plants projects in emerging countries, including in Europe, East Africa and the Asia-Pacific region. Sales also increased due to partnerships and projects with Enel, Toshiba, NECSOM, General Electric and other major utilities and energy players.

Current additional new orders and backlog increased to €6 million.

This result confirms the effectiveness of the company's new two-step business model, which includes—particularly in emerging countries—first, the installation of Hybrid Energy Storage Systems (HyESS) for the micro-grid and second, upgrades to hydrogen-storage modules, which limits diesel generation to a mere backup role. This new business model, strengthened by the team and technology of Elvi Energy, acquired by EPS in January 2016, enabled EPS to accelerate its growth to 26 customers in 12 countries.

EPS's order backlog is very diversified in terms of customer base, and the number of installations planned for early 2017 should be mainly completed in terms of “work-in-progress” by end 2016, therefore increasing confidence of the management to exceed market and analysts' € 6.5 million expectations for 2016 revenues.

At the end of H1 2016, EPS net financial position, compared to Q1 2016, decreased from € 5.4 million to € 2.9 million, mainly due to growth in the order backlog and the related increase in working capital, as well as the final investments in research and development aimed at implementing the potential of both HyESS and the hydrogen module. Certification testing of the latter, in line with market and timeline expectations, was successfully completed in July, after tests

¹ H1-2016 sales represent unaudited gross nominal sales and therefore preliminary (unaudited) revenues (i) excluding accounting of work in progress under IAS11 and other income or subsidies and (ii) including €0.5 million sales deriving from Technology Partnership agreements for supplies that have been outsourced by EPS. However, as already anticipated in FY2015 Financial Statements, considering that from 01.01.2016 EPS Group has a full manufacturing capacity and Elvi Energy integration has been successfully completed, the Group intends to account any such sales as revenues at their gross nominal value and not at their net margin value as it has been done in 2015. In addition, all EPS products, even when final assembly or manufacturing is outsourced, are EPS branded as all products entail certification of engineering, guarantee and industrial and financial responsibility. In any event, EPS will jointly define the revenues recognition policy with its auditors and this, in particular in light of the nature of “construction contracts” under IAS11 of the majority of its revenues, might entail differences between revenues or work-in-progress accounted under Local GAAP and IFRS.

² Backlog means (i) invoices already issued in 2016, but not yet recorded as “revenues” plus (ii) purchase orders already received as at the date of this press release, plus (iii) revenues already contracted or expected to be generated in 2016 and/or 2017 on the basis of the agreements currently in place with customers.

³ 30.06.2016 Net Financial Position is a preliminary (unaudited) data.

⁴ In H1 2015 Consolidated Financial Statements, sales have been accounted as revenues for €198,429, and other income (subsidies) was €266,021, totalling €464,450 of revenues and other income.

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conducted by leading international laboratories.

OPERATING HIGHLIGHTS

In H1 2016, EPS launched the first installations in emerging countries of Hybrid Power Plants powered exclusively by renewable sources and energy storage, in line with the global trend that sees in these markets extraordinary opportunity to develop off-grid distributed power generation. In particular, EPS recently signed an agreement in Eastern Africa with NECSOM to begin the second phase of development of a very innovative electrical power plant in Garowe, capital of Somalia's Puntland state, which, thanks to energy storage, transforms intermittent renewable sources into a stable energy source.

In Italy, EPS is participating in the power-intensive Terna project. Approved by the Ministry of Economic Development (MiSE) in the context of the 2012 Defence Plan, this project will increase the security of the electrical systems in the country's major islands by installing 40 MW of energy storage.

This project is divided into two phases. The first, called "Storage Lab", is currently under development and it will consist of installing two multi-technology plants (using various storage technologies and 8 different commercial products) that will provide for a total of 16 MW, divided between Sicily and Sardinia. Based on the results of phase 1, additional 24 MW will be installed with the use of the most promising technologies.

Storage Lab will not only support the safe management of the electricity grid, but also host activities to develop Smart Grid applications. Italian and foreign universities and research centers will be part of such challenging activities.

EPS has played an important role in this Terna project, acting in partnership with Toshiba and as a systems provider for General Electric, which successfully completed the commissioning and testing phases in March 2016. Given the innovative nature of the systems installed, further testing will be conducted in August 2016 with Terna and the Authority for Electricity, Gas and Water System (AEEGSI).

In addition, EPS recently further enhanced the reputation and visibility of the Group's brand by participating as Italian delegate to the International Electrotechnical Committee T120, which defines global standards for electrical energy-storage systems, and as Technology Pioneer to the World Economic Forum. Furthermore, in early September, EPS will participate at the prestigious Ambrosetti European House Forum at Villa D'Este. EPS's inclusion in these meetings of three of the world's most-important events clearly indicates a sharp rise in the Group's international credibility.

About Electro Power Systems

Electro Power Systems (EPS) operates in the sustainable energy sector, specializing in hybrid storage solutions that enable intermittent renewable sources to be transformed into a stable power source.

Thanks to a technology covered by 125 patents and more than 10 years of R&D, the Group has developed integrated hybrid energy storage solutions to stabilize electrical grids heavily penetrated by renewable sources, and to power off-grid areas in emerging economies at a lower cost. EPS provides clean energy solutions, reducing electricity bills, without the need for any subsidy or incentive scheme.

The Group's mission is to unlock the energy transition by mastering the intermittency of renewable energy sources. By providing cutting edge systems to control the intermittency of renewables – enhanced by storage technologies – and the Group's unique hydrogen and oxygen storage platform, which enables longer autonomy without resorting to diesel or gas fuelled generators, the Group's technologies enable communities to be powered by renewable energies 24/7 more cleanly and less expensively. EPS is listed on the French regulated market, Euronext, is part of the CAC® Mid & Small and the CAC® All-Tradable indices and has registered offices in Paris, and research, development and manufacturing in Italy. The Group has installed and has under commissioning in aggregate more than 10.5 MW of energy storage systems grid connected, 8.6 MW of Hybrid Power Plants powered by renewables and energy storage, and 3 MW of hybrid systems with hydrogen, for an aggregate output of 46.2 MWh and 22.1 MW in 21 countries worldwide, including in Europe, United States, Latin America, Asia, and Africa.

For more information: www.electropowersystems.com.

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