

EPS Q1 2017: CONTINUING SALES GROWTH AND STRONG BACKING FROM EUROPEAN INVESTMENT BANK

- Q1 2017 revenues increased by 45% compared to Q1 2016, up to €1.6 million
- Orders backlog of €5.2 million, more than €100 million pipeline, including Nigeria, Kenya and Congo
- Draw-down of the €10 million first tranche of the European Investment Bank financing scheduled in June
- Italy opens ancillary services market to pilot renewable energy and storage projects

Paris – Milan, 15 May 2017 – The Board of Directors of Electro Power Systems S.A. (“EPS”), technology pioneer in energy storage systems and microgrids, listed on the French-regulated market Euronext Paris (EPS:FP), met on 15 May 2017, under the chairmanship of Massimo Prezl Oltramonti and approved the group sales (unaudited) and the operational update for the first quarter 2017.

Q1 Highlights

In the first quarter 2017, revenues amount to € 1.6 million and represent an increase by 45% compared to the same period in 2016 (€1,1 million). Growth in revenues was particularly driven by the flagship microgrids in Somalia and Chile:

- the 5.9 MW solar plus storage microgrid located in the north-east of Somalia, which will save more than 1 million liters of diesel fuel and 600 tons of CO₂ per year, is currently under extension with 750kW of wind energy, covering with renewables and storage more than 25% of the energy need of the city of Garowe, the administrative capital of the autonomous Puntland region, and powering more than 50,000 people,
- the Chile project is currently under commissioning and will be the first worldwide diesel-free microgrid, combining renewables with the complete set of innovative technologies developed by EPS, which can couple renewables, batteries and hydrogen, to ensure full energy independence.

Cash position of the Group amounts to € 2.7 million and excludes (i) € 3.0 million additionally available short term credit lines, (ii) € 1.4 million of capital increase reserved to the management already planned¹, and (iii) € 10 million first tranche of the equity-linked financing of the European Investment Bank (“EIB”).

In respect of the latter, the Extraordinary General Meeting has been scheduled on 23 May 2017 to resolve upon the issuance of the warrants to the EIB, which are part of the equity-linked financing up to €30 million signed with the EIB on 13 April 2017 and backed by the European Fund for Strategic Investments, in order to support the company in its growth, continuous research, development and innovation activities and further product commercialization. Subject to the Shareholders’ Meeting, the drawdown of the €10 million first tranche of the unsecured five-year loan available to EPS Elvi Energy S.r.l (the wholly owned Italian subsidiary of EPS), should take place in June 2017.

The Group’s net financial position² as of 31 March 2017 is €4.3³ million due mainly to the absorption of cash from the growth in working capital.

Outlook

The Group’s orders backlog amounts at €5.2 million. The pipeline of potential projects and tenders on which EPS has been bidding exceeds €100 million, and the average project size has gradually increased. To date, 50% of the pipeline consists

¹ The capital increase, reserved to the management should take place immediately upon publication of the 2016 Registration Document (*Document de Référence*).

² “Net Financial Position” means the difference between the Group’s total cash position (cash, cash equivalents and marketable securities) net of total financial debt (bank overdrafts, current portion of long-term debt and long-term debt).

³ The net financial position of €4.3 million excludes €0.15 million in own shares and cash equivalent under the Liquidity Agreement.

of projects ranging from €4 million to €20 million, of which more than 60% are located in emerging economies. As a result, the increased project size entails a slower conversion into backlog, but a potentially transformational impact of each single large project.

In emerging markets, EPS is increasingly focused in the direct development of projects, particularly in Nigeria, Kenya and the Democratic Republic of Congo, where EPS' competitiveness is enhanced by a dramatic recourse to diesel generation, power outages and shortage of power, respectively. In such areas, the credibility of EPS is built around its off-grid hybrid systems serving microgrids powered by renewables and energy storage for a total installed power of over 35 MW.

In developed countries, the overall positive outlook for storage deployment is boosted by the newly adopted regulation in Italy which sealed the opening of the ancillary services market to pilot renewable energy and storage projects. The Italian energy and gas regulator AEEGSI has issued the deliberation 300/2017/R/EEL with which it authorizes pilot renewable energy power generators and storage units to participate in the ancillary services market operated by the country's grid operator Terna. This project is the preliminary phase of an organic reform of the ancillary services market, which will be defined in accordance with the Network Code on Electricity Balancing (EB), where EPS is well positioned thanks to the successful commissioning of the 3MW/4MWh systems in the context of the Terna Storage Lab project, the performance of which has also been made public in a publication⁴ of the IEEE (*Institute of Electrical and Electronics Engineers*), the world's largest technical professional organization for the advancement of technology.

In light of the above, on 23 May 2017, before market opening, EPS will publish a summary of its 2020 strategic positioning plan and business targets that will be presented during the Investor Conference that would precede the Annual General Meeting scheduled on 21 June 2017.

Effective January 1st, 2015, the French Law n°2014-1662 dated December 30th, 2014, transposing the European Directive 2013/50/EU, has removed for French-listed companies the reporting obligation to disclose quarterly financial results. Therefore, this press release has been prepared on a voluntary basis in line with EPS' policy to provide the market and investors with regular information about the Group's financial and operating performances and business prospects considering the disclosure policy followed by energy peers.

Results are presented for the first three months of 2017 and for the first three months of 2016. Information on liquidity and capital resources relates to end of the periods as of March 31, 2017, and March 31, 2016.

Accounts set forth herein have been prepared in accordance with the evaluation and recognition criteria set by the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission according to the procedure set forth in Article 6 of the European Regulation (CE) No. 1606/2002 of the European Parliament and European Council of July 19, 2002. These criteria are unchanged from the 2016 Annual Financial Report published on April 28, 2017, which investors are urged to read. The financial information of Electro Power Systems S.A. for the first three months of 2017 consists of this press release. All legally required disclosures, including the FY 2016 Annual Financial Report and FY 2016 Consolidated Financial Statements are available on the Group website (www.electropowersystems.com) under "Financial Information" and are published by Electro Power Systems pursuant to the provisions of Article L. 451-1-2 of the French *Code monétaire et financier* and to Article 222-1 *et seq.* of the General Regulation (*Règlement général*) of the French Financial Markets Authority (*Autorité des marchés financiers*, "AMF").

Forward looking statement

This press release contains forward looking statements, i.e. assessments and assumptions which relate to future events and circumstances, particularly on the pipeline, which is assessed based on the parameter better described in the presentation of the H1 2016 Results published at www.electropowersystems.com. Inherent in these forward looking statements are risk factors that are described in greater detail in our regulatory filings and in the 2016 Annual Financial Report. All figures are approximations based on management's current beliefs and assumptions and our actual results could differ from those presented above.

This announcement includes statements that are, or may be deemed to be, forward looking statements. These forward looking statements can be identified by the use of forward looking terminology, including the verbs or terms "anticipates", "believes", "estimates", "expects", "intends", "may", "plans", "build-up", "under discussion" or "potential customer", "should" or "will", "projects", "backlog" or "pipeline" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future

⁴ Commissioning and testing of the first Lithium-Titanate BESS for the Italian transmission grid, 2015 IEEE 15th International Conference on Environment and Electrical Engineering (E3E), 978-1-4799-7993-6/15/©2015 IEEE

events or intentions. These forward looking statements include all matters that are not historical facts. They appear throughout this announcement and include, but are not limited to, statements regarding the Group's intentions, beliefs or current expectations concerning, among other things, the Group's results of business development, operations, financial position, prospects, financing strategies, expectations for product design and development, regulatory applications and approvals, reimbursement arrangements, costs of sales and market penetration.

By their nature, forward looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward looking statements are not guarantees of future performance and the actual results of the Group's operations, and the development of the markets and the industry in which the Groups operates, may differ materially from those described in, or suggested by, the forward looking statements contained in this announcement. In addition, even if the Group's results of operations, financial position and growth, and the development of the markets and the industry in which the Group operates, are consistent with the forward looking statements contained in this announcement, those results or developments may not be indicative of results or developments in subsequent periods. A number of factors could cause results and developments of the Group to differ materially from those expressed or implied by the forward looking statements including, without limitation, general economic and business conditions, the global energy market conditions, industry trends, competition, changes in law or regulation, changes in taxation regimes, the availability and cost of capital, the time required to commence and complete sale cycles, currency fluctuations, changes in its business strategy, political and economic uncertainty. The forward-looking statements herein speak only at the date of this announcement.

EPS in a nutshell

EPS operates in the sustainable energy sector, specializing in hybrid-storage solutions and micro-grids that enable intermittent renewable sources to be transformed into a stable power source.

Listed on the French-regulated market Euronext (EPS:FP), EPS is part of the CAC® Mid & Small and the CAC® All-Tradable indices and has registered office in Paris and research, development and manufacturing in Italy.

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

EPS has installed and has under commissioning in aggregate 36 large scale projects, including off-grid hybrid systems powered by renewables and energy storage totalizing over 35 MW of installed power that provides energy to over 165,000 customers every day, in addition to more than 18 MW of grid support systems, for a total capacity output of 47 MWh of systems in 21 countries worldwide, including Europe, Latin America, Asia and Africa.

For more information, visit www.electropowersystems.com.

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