## 2017 ANNUAL RESULTS:

## CONTINUED GROWTH MOMENTUM, ON TRACK TOWARDS 2020 TARGETS

- Revenues up 40% to €9.9mln and 40.5MW Order Intake in 2017, for €16.6mln
- Gross Margin at 40% brings EBITDA close to breakeven at €-1.7mln, even with R&D at 27% of revenues
- 2020 Strategic Plan on track: €25.1mln Project Backlog[1] and €150mln Pipeline[2] thanks to the ENGIE industrial partnership
- Successful deployments in the Maldives, Australia, Tasmania and Italy; construction site for 20MW in Spain launched
- Working Capital 5x higher than 2016 impacting net financial position, but continuous support from Intesa Sanpaolo with new credit lines

Carlalberto Guglielminotti, Chief Executive Officer of EPS, commented *"We're thrilled to report another year of continuous growth, even if the increase by 40% in revenues only partially represents that growth, because of revenue recognition shifting value to 2018. We believe that the fourfold growth in project backlog to 25 million outlines more clearly what we have done in 2017 and proves that we are on the right track toward the 2020 Strategic Plan. The gross margin at 40% is a testament to our great operational and business performance, the pipeline at 150 million confirms our strong synergies with ENGIE, and the investment of 27% of our revenues in R&D confirms our commitment to innovation and state-of-the-art technology positioning. This continuous growth, which is the result of our team's excellence and commitment, is just the first step toward establishing a driving force in energy transition and is the key cornerstone for our long-term growth within the ENGIE group".*

**Paris, 28 March 2018 –** Electro Power Systems S.A. ("**EPS**"), technology pioneer in energy storage systems and microgrids listed on the French-regulated market Euronext Paris (EPS:FP), today announces its 2017 full-year financial results. The accounts have been examined and approved by the Board of Directors on 28 March 2018 and audited by the Statutory Auditors. The full 2017 Consolidated Financial Statements will be available on the EPS's website **www.electropowersystems.com** and the full set of consolidated figures is attached to this press release.

## 2017 KEY FINANCIAL HIGHLIGHTS

Revenues increased by 40% to 9,898k€, for an increase of 2,811k€ compared with 2016. Such result does not take into account 2,631k€ work in progress under the 20MW system in Spain, which would be shifted to 2018. Such growth is mainly due to the successful deployment of microgrids and off-grid solutions in emerging countries in East Africa, Latin America and the Asia-Pacific region, but even more importantly of grid-connected solutions in Europe. These positive developments

[1] Project Backlog means, as of the date of this press release, the estimated revenue and other income attributable to (1) purchase orders received, contracts signed and projects awarded as of the date hereof, and (2) projects secured on a Power Purchase Agreement basis, therefore where the agreed value is a price per kWh of electricity and an amount of MW to be installed.
[2] Data as of the date of this press Release, in line with the announcement made with the publication of the 2016 annual results (data published on 23 March 2017)

were due also to the credibility of the Group established through projects with Enel, Terna, Edison, Toshiba, and other major utilities and industrial players.

Order intake 2017 accelerated to 40.5MW, representing approximately €16.6mln, up 37% compared to 2016, including not only utility-scale storage systems but also microgrids, smart islands and control systems for mobility and distribution applications.

Project Backlog as of the date hereof represents €25.1mln, of which €10.1mln of firm and irrevocable orders are on an EPC basis, and €15mln of projects are secured on a Power Purchase Agreement basis, for which the financing is currently being structured. Pipeline as of today is essentially stable to €150mln, meaning that projects converted into Backlog have been replaced by new opportunities under development.

The main regions where these systems have been installed or are under commissioning are Asia, North Africa, Southern Europe, and the Middle East. This result confirms the effectiveness of the EPS business model, which has been strengthened by the team and of the technology that has enabled EPS to accelerate its growth to 43 customers in 18 countries.

Despite an increase in projects' size and complexity, the gross margin stands at 40%, confirming the visibility of the business cash flow potential.

Personnel costs decreased by 5% to 3,503k€ compared with 3,696k€ in 2016, despite a 7% increase in human resources. This is essentially due to the intensity of the R&D effort constantly undertaken in parallel to the business execution, and to the related personnel cost investments aimed at implementing the potential of the EPS technology. In this respect, investments in R&D amounted to 2,693k€, including both the amount accounted for in profit and loss and the one capitalised. These investments represent 27% of consolidated revenues, confirming the strong commitment of the Group to continued investing in research and development.

Other Operating Expenses decreased by 797k€, amounting to 2,102k€, compared to 2,899k€ due to cost rationalization and a more efficient internal organizational structure.

Despite the more structured industrial footprint, EBITDA loss has been reduced to -€1.7mln for 2017 compared to -€4.0mln in 2016. This is mainly due to the solidity of the Gross Margin generation in relative terms in parallel with the revenues' scale up.

As of 31 December 2017 – net of the €3,1mln IFRS2 accounting of the EIB Warrants – the Net Income was reduced by 31% compared to 2016 (from -8,557.6k€ to -5,923.3k€). Non-recurrent items, which account for 2,576.6k€, significantly affected the net income and are mainly represented by non-recurring legal, accounting and certification costs (for 986k€), non-recurring distribution and business development expenses (for 1,022k€) and non-recurring travel, communication and roadshow expenses (for 428k€).

At the end of 2017, the net financial position of EPS, compared to 31 December 2016, decreased from -974.4k€ to -12,320.3k€, mainly due to the growth of revenues, the backlog of orders and the related increase in working capital, as well as to continuous investments in research and development aimed at implementing the potential of EPS technology. More particularly, the change in working capital was at 5,821k€ on 31 December 2017, a significant increase of 454%

compared to 31 December 2016. In this respect, EPS has continued to be supported by Intesa Sanpaolo, which on 6 March approved an additional 3,810k€ of working capital facilities to support the growth of EPS.

The Cash position, represented by liquid assets, cash and cash equivalents, amounted to 4,238k€ compared to 5,478k€ at the end of 2016.

On 31 December 2017, EPS had 1,449k€ in equity (before the IFRS2 adjustment) and total assets of 23,441.9k€.

## MAIN EVENTS IN 2017

The following principal events occurred in 2017:

- **Migrogrid in Australia:** On 19 January 2017, the Group announced the successful delivery, the official start and commissioning phase of the storage systems sired to the Coober Pedy Renewable Hybrid Power Project's microgrid in Coober Pedy, Southern Australia. The hybrid power plant will be connected to a microgrid composed, in its final configuration, of 1MW of solar panels, 4MW of wind turbines and up to 6MVA of generators combined with a 1MW of storage system.
- **Migrogrid in the Maldives:** On 8 February 2017, the Group announced the performance results of its second microgrid in the Maldives and confirmed $CO_2$ reduction and that renewables coupled with the EPS storage system covered up to 63% of the resort's power requirements, enabling a reduction of diesel consumption by 423,000 litres per year, 50% more than expected at the time of commissioning in October 2016.
- **Migrogrid in Flinders Island:** On 15 February 2017, the Group announced the commissioning of a hybrid storage system, in partnership with Toshiba, sired to Flinders Island's microgrid for Hydro Tasmania and Energy Developments, Australia's largest producer of renewable energy.
- **Migrogrids in Sardinia:** On 22 February 2017, the Group announced the realisation in Sardinia of an energy storage system microgrid for ENAS. The system is connected to the Ottana Experimental Solar Farm consisting of a concentrated solar power (CSP) farm integrated with thermal storage and with a capacity of 14MWh and a concentrated photovoltaic plant (CPV).
- **Equity-linked €30mln loan with EIB:** On 11 April 2017, EPS approved the equity-linked financing up to €30mln with the European Investment Bank (**EIB**), backed by the European Fund for Strategic Investments, which will support the company in its growth, continuous research, development and innovation activities, and further product commercialisation.
- **2020 Strategic Plan:** On 23 May 2017, EPS published the paper '*Energy Transition Technology Roadmap, distinguishing Hype from Reality. 2020 Strategic Technological Plan and Business Targets*', which includes the Strategy Plan 2020, describing the current stage of development of all technological challenges addressed by the Group, the business development strategy and the related financial targets to 2020.
- **Certified Integrated Management System:** On 24 May 2017, the Company and E&Y's Sustainability Team finalised the new "*Integrated Management System*" of the Group, which now embodies the new quality management system (QMS) and the new environmental management system (EMS) of the Group and has been placed under the newly established Health, Environment, Safety and Quality Office of EPS.
- **ISO Certification** On 3 July 2017, EPS Elvi successfully overcame the certification audit held on its new Integrated Management System by RINA, the leading global certification body, resulting in compliance with ISO 9001:2015 (on 30 June 2017) and ISO 14001:2015 standards. In addition, EPS Elvi obtained the OHSAS 18001:2007 certification on 6 July 2017.
- **Management Investment:** On 8 August 2017, the capital increase reserved for the management was duly executed through the issuance of 196,932 shares with a par value of €0.20. The new shares were issued at a unit price of

€7.15, representing a par value of €0.20 and €6.95 issue premium, accounting for a total increase in capital, issue premium included, of €1,408,063.80.

- **34MW Order Intake**: On 5 September 2017, EPS announced an order intake year-to-date of 34MW, amounting to approximately €14.3mln. According to the strategy presented in the 2020 Strategic Plan of the Group, most of that order intake is represented by EPC contracts (Engineering, Procurement and Construction), and it entails supply, installation, engineering and commissioning, as well as multi-year service agreements.
- **20MW Contract with Enel:** On 13 September 2017, EPS announced the agreement with Endesa, the Spanish utility part of the Enel Group, for the supply of an energy storage system (ESS) with a power capacity of 20MW and a lifetime of 8 years. EPS will deliver a unique turnkey solution for serving Endesa's thermoelectric plant Carboneras located in Almeria, Spain. The storage system will be the largest in Spain and aims to make the plant more flexible and improve its response to the load fluctuations in the current electricity system that result from the intermittency caused by an increased penetration of renewables.
- **E-Mobility Business:** On 2 November 2017, the transfer of the e-Mobility and Power Electronics Lab going concern from the Italian subsidiary EPS Elvi to EPS took place. By the end of March the setup of a permanent establishment in Italy will completed, with related eligibility for PIR investments.
- **Microgrid in Chile**: On 12 December 2017, Enel Green Power signed the SAT (site acceptance test) of the hybrid power plant developed by the EPS Group in Chile (Atacama Desert – 4,000m above sea level) that combines renewables with the complete set of innovative technologies: first hybrid mini-grid with hydrogen and Li-ion storage technology.

## SUBSEQUENT EVENTS

- On 24 January 2018, ENGIE signed of a share purchase agreement with its main shareholders to acquire a majority stake of EPS slightly above 50% of the share capital and voting rights. In order to achieve that threshold, the agreement also involved the members of the Board of Directors and the management team. A new retention and long-term incentive plan linked to the development of the company has been set-up, to secure and strengthen the full commitment of the management team until 2021.
- On 7 March 2018, a new Board of Directors was appointed: Jean Rappe (Chairman), Carlalberto Guglielminotti (CEO), Massimo Prelz Oltramonti, Frédérique Dufresnoy, Sophie Mertens-Stobbaerts, Anne Harvengt, Audrey Robat and Sonia Levy-Odier.
- On 8 March 2018, EPS announced the closing of the acquisition by ENGIE of a strategic ownership interest in EPS of about 51% of the share capital and voting rights. The transaction is executed at €9,5 per share and will be followed by the filing of a simplified mandatory tender offer at the same price, subject to the fairness opinion of Associé en Finance, the independent expert appointed by EPS according to the article 261-1 I of the General Rules of the AMF General Regulation.

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**About ELECTRO POWER SYSTEMS**

Electro Power Systems (EPS) operates in the sustainable energy sector, specialising in storage solutions and microgrids 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. Its registered office is in Paris and conducts its 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 develops utility scale energy storage systems to stabilize electrical grids that are heavily penetrated by renewable sources in developed countries and microgrids in emerging economies to power off-grid areas at a lower cost than fossil fuels. As of 30 June 2017, EPS has installed and has under commissioning an aggregate of 36 large scale projects, including off-grid hybrid systems powered by renewables and energy storage that provides energy to over 165,000 customers every day, with a total capacity output of 47MWh systems in 21 countries worldwide, including Europe, Latin America, Asia and Africa.

## Forward looking statement

This release may contain some forward-looking statements. These statements are not undertakings as to the future performance of the Company. Although the Company considers that such statements are based on reasonable expectations and assumptions at the date of publication of this release, they are by their nature subject to risks and uncertainties which could cause actual performance to differ from those indicated or implied in such statements. These risks and uncertainties include without limitation the risk factors that are described in the 2016 Prospectus and its update, both registered in France with the French Autorité des Marchés Financiers.

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 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.

The EPS Group does not have the obligation and undertakes no obligation to update or revise any of the forward-looking statements.

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# 1. CONSOLIDATED INCOME STATEMENT

| CONSOLIDATED INCOME STATEMENT (amounts in Euro) | Exercise and period closed 31/12/2017 | 31/12/2016 |
|---|---|---|
| Revenues | 9,898,994 | 7,087,993 |
| Other Income | 107,371 | 226,823 |
| TOTAL REVENUES AND OTHER INCOME | 10,006,365 | 7,314,816 |
| Cost of goods sold | (6,030,347) | (4,080,960) |
| **GROSS MARGIN FROM SALES** | **3,976,018** | **3,233,856** |
| % on Revenues | 40% | 46% |
| Personnel costs | (3,503,332) | (3,696,249) |
| Other operating expenses | (2,102,364) | (2,899,101) |
| Other costs for R&D and construction contract losses | (115,026) | (614,895) |
| **EBITDA** [(1)] | **(1,744,704)** | **(3,976,389)** |
| Amortization and depreciation | (1,276,156) | (1,219,064) |
| Impairment and write down | (65,174) | (264,343) |
| Non recurring income and expenses | (2,576,662) | (1,391,870) |
| Stock Option and Warrant Plans | (331,539) | (1,620,213) |
| EBIT | (5,994,235) | (8,471,879) |
| Net financial income and expenses | (747,538) | (45,230) |
| Revaluation of European Investment Bank warrants liabilities (IFRS 2) | (3,086,219) | 0 |
| Income Taxes | 818,482 | (40,493) |
| **NET INCOME (LOSS)** | **(9,009,510)** | **(8,557,602)** |
| **Attributable to:** | | |
| Equity holders of the parent company | (9,009,510) | (8,557,601) |
| Non-controlling interests | 0 | 0 |
| Basic earnings per share | (1.10) | (1.09) |
| Weighted average number of ordinary shares outstanding | 8,155,295 | 7,881,807 |
| Diluted earnings per share [(2)] | **(1.10)** | (1.09) |

[(1)] EBITDA is not defined by IFRS. It is defined in notes 3.5 and 4.6

[(2)] Considering the negative net result, Diluted earnings per share has been aligned to Basic earnings per share

## 2. CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

| OTHER COMPREHENSIVE INCOME (amounts in Euro) | Exercise and period closed 31/12/2017 | 31/12/2016 |
|---|---|---|
| NET INCOME (LOSS) | (9,009,510) | (8,557,601) |
| Exchange differences on translation of foreign operations and other differences | (23,095) | 1,171 |
| Actuarial gain and (losses) on employee benefits | 44,263 | (22,439) |
| Other comprehensive income (loss) for the year, net of tax | 21,168 | (21,268) |
| Total comprehensive income for the year, net of tax | (8,988,342) | (8,578,869) |
| **Attributable to Equity holders of the parent company** | **(8,988,342)** | **(8,578,869)** |

## 3. CONSOLIDATED BALANCE SHEET

| ASSETS (amounts in Euro) | Exercise and period closed 31/12/2017 | 31/12/2016 |
|---|---|---|
| Property, plant and equipment | 753,412 | 804,751 |
| Intangible assets | 6,264,545 | 4,760,511 |
| Other non current financial assets | 73,757 | 151,884 |
| TOTAL NON CURRENT ASSETS | 7,091,714 | 5,717,146 |
| Trade receivables | 7,930,919 | 4,806,111 |
| Inventories | 997,352 | 1,144,152 |
| Other current assets | 3,184,393 | 1,546,220 |
| Cash and cash equivalent | 4,237,540 | 5,477,790 |
| TOTAL CURRENT ASSETS | 16,350,204 | 12,974,273 |
| **TOTAL ASSETS** | **23,441,918** | **18,691,419** |

| EQUITY AND LIABILITIES (amounts in Euro) | Exercise and period closed 31/12/2017 | 31/12/2016 |
|---|---|---|
| Issued capital | 1,687,926 | 1,576,361 |
| Share premium | 19,451,395 | 18,082,718 |
| Other Reserves | 6,431,264 | 6,009,583 |
| Retained Earnings | (20,198,389) | (11,640,814) |
| Profit (Loss) for the year before Revaluation of European Investment Bank warrants liabilities (IFRS 2) | (5,923,291) | (8,557,601) |
| **TOTAL EQUITY** | **1,448,905** | **5,470,247** |
| Revaluation of European Investment Bank warrants liabilities (IFRS 2)- Impact on Net Profit | (3,086,219) | 0 |
| Total Equity IFRS after European Investment Bank variation (IFRS 2) | (1,637,314) | 5,470,247 |
| Severance indemnity reserve | 688,821 | 667,507 |
| Non current financial liabilities | 13,403,102 | 4,834,771 |
| Other financial liabilities - Revaluation of European Investment Bank warrants liabilities (IFRS 2) | 3,086,219 | 0 |
| Non current deferred tax liabilities | 107,285 | 198,076 |
| TOTAL NON CURRENT LIABILITIES | 17,285,427 | 5,700,354 |
| Trade payables | 3,073,080 | 4,566,453 |
| Other current liabilities | 1,546,769 | 1,236,631 |
| Current financial liabilities | 3,154,739 | 1,712,608 |
| Income tax payable | 19,218 | 5,126 |
| TOTAL CURRENT LIABILITIES | 7,793,806 | 7,520,818 |
| **TOTAL EQUITY AND LIABILITIES** | **23,441,918** | **18,691,419** |

# 4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| **CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (amounts in Euro)** | **Share Capital** | **Premium Reserve** | **Other Reserves** | **Retained Earnings (Losses)** | **Profit (Loss) for the period** | **TOTAL NET EQUITY** | Revaluation of European Investment Bank warrants liabilities (IFRS 2)- Impact on Net Profit | Total Equity after Revaluation of European Investment Bank warrants liabilities (IFRS 2) |
|---|---|---|---|---|---|---|---|---|
| Net Equity as of December 31, 2016 | 1,576,361 | 18,082,718 | 6,009,583 | (11,640,814) | (8,557,601) | 5,470,247 | 0 | 5,470,247 |
| Previous year result allocation | 0 | 0 | 0 | (8,557,601) | 8,557,601 | 0 | | 0 |
| Treasury shares | 0 | 0 | 62,294 | 0 | 0 | 62,294 | | 62,294 |
| Stock option and warrants | 0 | 0 | 338,244 | 0 | 0 | 338,244 | | 338,244 |
| Shareholder's capital increase | 111,565 | 1,368,677 | 0 | 0 | 0 | 1,480,243 | | 1,480,243 |
| *Loss for the period* | *0* | *0* | *0* | *0* | *(5,923,291)* | *(5,923,291)* | | *(5,923,291)* |
| *Actuarial gains and losses on defined benefit plans* | *0* | *0* | *44,263* | *0* | *0* | *44,263* | | *44,263* |
| *Other differences* | | | *(17,492)* | *0* | *0* | *(17,492)* | | *(17,492)* |
| *Currency translation differences* | *0* | *0* | *(5,628)* | *26* | *0* | *(5,602)* | | *(5,602)* |
| Total comprehensive income | 0 | 0 | 21,142 | 26 | (5,923,291) | (5,902,123) | | (5,902,123) |
| **Net Equity as of December 31, 2017** | **1,687,926** | **19,451,395** | **6,431,264** | **(20,198,389)** | **(5,923,291)** | **1,448,905** | | 1,448,905 |
| Revaluation of European Investment Bank warrants liabilities (IFRS 2)- Impact on Net Profit | | | | | | | (3,086,219) | (3,086,219) |
| Net Equity IFRS 2 adjusted as of December 31, 2017 | 1,687,926 | 19,451,395 | 6,431,264 | (20,198,389) | (5,923,291) | 1,448,905 | (3,086,219) | (1,637,314) |

# 5. CONSOLIDATED STATEMENT IN CASH FLOW

| CASH FLOW STATEMENT (amounts in Euro) | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Net Income or Loss | (9,009,510) | (8,557,601) |
| Non-cash adjustment to reconcile profit before tax to net cash flows | 0 | (6,264) |
| Revaluation of European Investment Bank warrants liabilities (IFRS 2) | 3,086,219 | 0 |
| Amortisation and depreciation | 1,276,156 | 1,219,064 |
| Impairment and write down | 65,173 | 264,343 |
| Stock option and warrant plan accrual | 331,539 | 1,620,213 |
| Non-cash variation in bank debts | 486,276 | 0 |
| Increase (decrease) in tax assets | (719,765) | 0 |
| Decrease (increase) in trade and other receivables and prepayments | (4,684,855) | (1,691,205) |
| Decrease (increase) in inventories | 146,800 | (469,562) |
| Increase (decrease) in trade and other payables | (1,259,936) | 2,880,574 |
| Increase (decrease) in non current assets and liabilities | 697,176 | 331,104 |
| Net cash flows from operating activities | (9,584,726) | (4,409,334) |
| **Investments** | | |
| Net Decrease (Increase) in intangible assets | (2,581,110) | (2,220,566) |
| Net Cash flow deriving from business combination | 0 | (2,740,902) |
| Net Decrease (Increase) in tangible assets | (147,741) | (254,499) |
| Net cash flows from investments activities | (2,728,851) | (5,215,968) |
| **Financing** | | |
| Increase (decrease) in bank debts | 9,524,186 | 6,521,635 |
| Shareholders cash injection | 1,480,243 | 0 |
| Purchase of treasury shares | 62,294 | 1,478 |
| Warrants | 6,605 | 1,168 |
| Receipt of government grants | 0 | 5,000 |
| Net cash flows from financing activities | 11,073,328 | 6,529,281 |
| Net cash and cash equivalent at the beginning of the period | 5,477,790 | 8,573,811 |
| NET CASH FLOW FOR THE PERIOD | (1,240,249) | (3,096,021) |
| **NET CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD** | **4,237,540** | **5,477,790** |