HALF YEAR FINANCIAL REPORT 2018

as at 30 June 2018

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HALF YEAR FINANCIAL REPORT AT 30 JUNE 2018

The following statements have been examined by the Board of Directors of 28 September 2018 and have been the object of a limited review by the Statutory Auditors.

This is a free translation into English of the EPS Half Year Financial Report issued in the French language provided solely for the convenience of English speaking readers. In case of discrepancy the French version prevails.

1 MANAGEMENT REPORT

At its meeting of 28 September 2018, EPS's Board of Directors approved this Half Year Financial Report and the Consolidated Financial Statements for the Half Year ended on 30 June 2018 included in it.

This report contains information relating to the markets in which the EPS Group is present. This information has been taken from external sources and/or from the EPS internal analysis. Considering the very rapid changes that characterize the energy sector worldwide, it is possible that this information could turn out to be mistaken or outdated. Developments in the Group's activities could consequently differ from those described in this Half Year Financial Report and the declarations and information appearing in this report could prove to be erroneous.

The forward-looking statements contained in this Half Year Financial Report, notably in section 1.6 (*Outlook*) of the Half Year management report, are based on assumptions and estimates that could evolve or be impacted by risks, uncertainties (relating particularly to the economic, financial, competitive, regulatory and weather environment) or other factors that may cause the future results, performances and achievements of the Group to differ significantly from the objectives expressed and suggested. These factors may include changes in the economic and commercial environment, regulations, and the factors discussed in Section 4 of the 2017 Registration Document.

It should be noted that EPS Half Year results are not representative of the Full Year results.

1.1 Definitions

In this Half Year Financial Report unless specified otherwise the terms below have the following meanings:

- **2017 Registration Document**: the Registration Document (Document de Référence) registered on 13 July 2018 with the French Market Authority ("**AMF**"), pursuant to its general regulations, and notably its article 212-3, under the number R.18-314.
- **2020 Strategic Plan** means the plan that describes the ongoing evolution of all of the technological challenges facing the Group, its development strategy and the corresponding financial objectives until 2020.
- **Balance of System** means the management and optimization technology platform composed of power and control electronics coupled with intelligent software.
- **Board of Directors**: means the *Conseil d'Administration* of the Company, in place and as composed as at the date of publication of this Registration Document.
- **Company** or EPS means the company Electro Power Systems S.A., a French limited liability corporation (société anonyme) with its registered office located at 13, avenue de l'Opéra, 7500 Paris, France, and registered with the Trade and Companies Register of Paris under number 808 631 691.
- **Consolidated Financial Statements of the Group**: means the consolidated financial statements of the Company prepared in accordance with IFRS norms as adopted by the European Union;
- **EFSI** means the European Fund for Strategic Investments.
- **EIB** means the European Investment Bank.
- **EIB Finnacing** or **EIB Loan** means a €30 million unsecured facility made available to EPS Elvi to finance its growth, continuous research, development and innovation activities and the commercialisation of its products
- **EIB WARRANTS** means the EIB 660,513 share warrants (*bons de souscription d'actions*) issued by the Company as remuneration for the first tranche of the Financing loan facility. Each warrant has been subscribed by the EIB for a price of €0.01 and, upon payment of an exercise price of €0.20, give the right to receive one ordinary share of the Company.
- **ElectroSelf™** means the patented technological platform, entirely integrated into an open architecture and composed of three basic elements: P2G module, a storage unit and a G2P electricity supply system.
- **EMEA** means the zone of Europe, Middle East and Africa.
- **ENGIE** means ENGIE a *société par actions simplifiée* incorporated under the laws of France,with registered office in Courbevoie (92400), 1 place Samuel de Champlain (France) and number of registration with the Companies Register of Nanterre 542 107 651.
- **ENGIE Acquisition**: acquisition by ENGIE of a strategic ownership interest in EPS of around 56.1% of EPS' share capital and voting rights, which closed on 7 March 2018, followed on 29 March 2018 by the filing of a simplified mandatory tender offer which closed on 14 June 2018. As a result of the tender offer, ENGIE (through its subsidiary GDF International) holders 59.89% of the share capital and voting rights of EPS (post-exercise by ENGIE (through its subsidiary GDF International) of all of the instruments giving access to the capital subscribed in the offer.
- **ENGIE SPA**: means the sale and purchase agreement between the majority shareholders of EPS and GDF International signed on 24 January 2018.
- **ESOP** means "Employee stock option plan".
- **EPS Manufacturing** means Electro Power Systems Manufacturing S.r.l. (formerly Electro Power Systems S.p.A.), an Italian limited liability company with its registered office located at Piazza del Tricolore 4, Milan, Italy, and registered with the Trade and Companies Registry of Milano, Italy under the number MI -

2073745as well as in certain instances its subsidiaries.On 8 February 2017 EPS Manufacturing has been leased to EPS Elvi.

- **EPS Elvi** means EPS Elvi Energy S.r.l. (formerly Elvi Energy S.r.l.), an Italian limited liability company with its registered office located at Piazza del Tricolore 4, Milan, Italy, and registered with the Trade and Companies Registry of Milano under the number MI 2082791.
- **EPS Mobility** means the permanent establishment in Italy, following to the spinoff of the e-Mobility and Power Electronics Lab going concern from EPS Elvi to EPS.
- **EPS USA** means Electro Power Systems Inc., a limited liability company with its registered office located at 160 Greentree Drive, Suite 101, Dover, 19904 Kent County, USA.
- **GDF International** means GDF International, a *société par actions simplifiée* incorporated under the laws of France,with registered office in Courbevoie (92400), 1 place Samuel de Champlain (France) and number of registration with the Companies Register of Nanterre 622 048 965.
- **Grid Support Solutions** or **Grid Connected Solutions** means hybrid energy storage systems developed to stabilize electical grid in developed countries, heavily penetrated by renewable sources.
- **Group Companies** means as at the date of the present Registration Document, collectively or, when used in the singular form, each of them, EPS Elvi, EPS Manufacturing, , EPS USA, and MCM.
- **Group or EPS Group** means the Company, and the Group Companies.
- **GW** means Gigawatt.
- **GWh** means Gigawatt-hour.
- **Distributed Solutions** means Grid Support Solutions or Grid Connected Solutions and Off-Grid Power Generation Solutions or Microgrids and Off-Grid Solutions developed by the Group,.
- **HyESS® or HyESS** means the Hybrid Energy Storage Systems. The patent has been registered on 26 February 2016.
- **IFRS** means the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) and related interpretations (SIC/IFRIC) as adopted by the European Union.
- **IPP** (“Independent Power Producer”) means an entity which is not a public utility, but which owns facilities to generate electric power for sale to utilities and end users.
- **KW** means Kilowatt.
- **KWh** means Kilowatt-hour.
- **Li-ion** means Lithium-ion.
- **Like-for-Like** means a scope of consolidation comparable to the previous periods.
- **MCM** means MCM Energy Lab S.r.l., an Italian limited liability company with its registered office located at Via Anton Francesco Grazzini 14, Milano and registered with the Trade and Companies Registry of Milano under the number MI 1829289.
- **Mobility Solutions** (or e-Mobility) means control techniques for the management of devices in full eletric vehicles in collaboration with suppliers of eletrical devices qualified as suppliers in the automotive sector.
- **MW** means Megawatt.
- **MWh** means Megawatt-hour.
- **New Profit Sharing Plan** or **New incentive plan** means the new profit-sharing plan adopted by the Board of Directors on 6 March 2018, under the ENGIE SPA.
- **Off-Grid Power Generation Solutions** or **Microgrids and Off-Grid Solutions** means microgrids systems and support to power off-grid and weak-grid areas at a lower cost and more realiably than fossil fuels developed in emerging economies.
- **Options** refer to the options to subscribe shares of the Company, issued by the Board of Directors pursuant to an authorization granted by the extraordinary shareholders’ meeting of the Company held on 16 February 2015 (19th resolution), on 21 June 2016 (20th resolution) and 21 June 2017 (13th resolution), exercised by their beneficiaries, or replaced by SARs in the case of unexercised options.

- **Order Intake** consists of the aggregate contract value in terms of MW or euros with reference to all purchase orders received, contracts signed and projects awarded for a period.
- **P2P** means Power to Power.
- **PCS** means Power Conversion Systems.
- **Pipeline** means the estimate, to date, of the amount of potential projects, tenders and requests for proposal for which the Group has decided to participate or respond.
- **PPA** ("Power Purchase Agreement") means a contract between two parties, one which generates electricity (the seller) and one which is looking to purchase electricity (the buyer).
- **Project Backlog** means, as of a given date, the estimated revenue and other income attributable to (1) purchase orders received, contracts signed and projects awarded as of the date hereof, and (2) Project Development contracts associated with a Power Purchase Agreement, where the agreed value is a price per kWh of electricity and an amount of MW to be installed.
- **Project Development** is when the Group acts directly, or with its partners, to develop, own and manage the electricity generation and storage system and conclude the associated PPA.
- **PV** means Photovoltaic.
- **R&D** means research and development.
- **SARs** means Stock Appreciation Rights, a "cash" instrument which replaced the existing stock options and warrants, reproducing the economic profile of a stock options or a warrant.
- **TCO** means Total cost of ownership.
- **Warrants** refer to the warrants (*bons de souscription d'actions*) allowing, upon exercise, to subscribe shares of the Company, issued by the Board of Directors pursuant to an authorization granted by the extraordinary shareholders' meeting of the Company held on 16 February 2015 (18th resolution) and 21 June 2016 (21st resolution), exercised by their beneficiaries, or replaced by SARs in the case of unexercised warrants.

1.2 Business model and technology positioning

EPS during the First Half 2018 continued to consolidate its business model as a player operating in the sustainable energy sector, pioneering hybrid-storage solutions and microgrids that, in line with the Group's mission, transform intermittent renewables sources into a stable power source.

Continuous investments made since 2015 in these sectors were enabled by the know-how and technology of the Group particularly focused on proprietary power and control electronics coupled with a unique proprietary software (the "**Balance of System**"), entirely developed and produced within the Group. This allowed the commercial deployment by the Group of a flexible Balance of System, named HyESS® (*Hybrid Energy Storage Systems*), suitable for the integration with batteries, hydrogen, generators, and any kind of renewable source, including wind and solar. Thanks to the flexibility provided by HyESS®, the Group continued to enhance the positioning in the market as a "*technology-neutral system provider*" and energy storage player with a full suite of products and a technology entirely developed internally from both the hardware and software perspective.

The Group develops and commercializes:

- in developed countries, from small to utility-scale energy storage and power conversion and control systems mainly devoted to stabilize electrical grids heavily penetrated by renewable sources ("**Grid-Connected Solutions**"); and
- in emerging economies, microgrids to power off-grid areas at a lower cost than fossil fuels ("**Microgrids & Off-Grid Solutions**").

In parallel, the Group develops and commercializes control, signaling and power conversion solutions for the mobility sector with the same technological platform and related algorithms used for Grid-Connected Solutions (“**Mobility Solutions**”).

The business model of the Group until today has been to act exclusively as a technology provider and general contractor, selling its solutions on a turn key basis like an Engineering, Procurement and Construction (“EPC”) player), with a fully vertical integrated approach on the value chain.

Nevertheless, the Group is also developing a Project Development activity in which it develops and builds Off-Grid Micro-Networks and Solutions but remains (at least for a time) the owner and the operator, and signs a PPA with a customer who will buy the electricity produced. In this contract, the customer agrees to purchase electricity produced using technologies developed by EPS at a fixed price per kWh for a number of years determined in advance.

The conduct of these Project Development activities depends on the country concerned: in some countries, the project is initiated by the authorities or the network operator who launch a call for tenders for a PPA; in other countries, the Group approaches interested operators directly as part of its Project Development activity to offer them a Micro-Grid with the associated PPA contract (including as part of a concession for electricity production at a fixed price per MWh).

This Project Development business model may involve EPS entering projects developed by its partners at different stages, participating in the development of these projects through the integration of EPS technology, or even investing in the project to finance development.

However, the objective is not to retain a long-term interest in these projects on the Group's balance sheet, but to sell them to network operators, IPPs, commercial and industrial players (C&I), other owners and managers of electrical systems (owner operators), or investors in long-term projects generating constant returns.

In the usual EPC (Engineering, Procurement and Construction) approach, EPS delivers the micro-grid to its customer, who is the owner and manager of the renewable energy plant and the associated storage system (i.e. the owner-operator) and who is responsible for finding a buyer for the electricity produced. "Project Development" is a different approach: the Group acts directly or together with its partners to develop, own and manage the electricity generation and storage system, and conclude the associated PPA. The Group acts as the owner operator or IPP and its customers are electricity utilities, grid operators, industrials or institutions (municipalities, governments, communities, etc.) that buy electricity generated by the system (known as off-takers). The Group must therefore obtain the land, land rights and permits necessary for the development of the renewable energy and associated storage power plant, negotiate the long-term PPA with the electricity buyers, negotiate the agreements to interconnect the power plant system with the power grid and then manage the interconnection with the grid and the transmission of electricity.

The Group pursues two methods for the sale and distribution of its solutions on a EPC basis:

- the direct channel: this is the strategy used throughout Europe, where the Group manages its clients directly and autonomously. The proximity of the business development, essentially composed of members of the management team, to its clients is crucial for exploiting this channel. This is why the Group has deployed the majority of its current installed base with Italian customers or Italian branches of international customers (ENGIE, Enel, Edison, Terna, Toshiba, T&D, General Electric, Telecom Italia); and

- partnerships: in all of the other geographical zones, in the absence of a local business development team, the Group works with commercial partners which facilitate its access to these markets and which aided it in opening these. Indeed, a local partner provides two fundamental elements: on the one hand, access to good contacts among the clients and on the other, support for the implementation of its activities. Historically, the Group has always ensured that it selects partners benefiting from stable business relationships with potential clients in the target region, or in certain cases, it was itself selected by such partners. The assistance of a partner offers a guarantee to the client of access to long-term installation capacities and also permits the creation of synergies: the local partner is able to propose innovative solutions and to complete its product positioning by virtue of a competitive system.

Starting from a market analysis and progressing according to a formal approach, the Group determines how and where to invest its economic resources.
Clients choosing products aimed at end users are generally large organisations, such as grid operators, utilities, telecom operators or suppliers of infrastructure, which follow long and strictly regulated procedures before adopting new technologies. In this context, choosing a local partner or having a strong business development and system engineering team established locally proves to be a decisive choice.
When the client has confirmed its interest and the analysis of the Total Cost of Ownership ("TCO") concludes in favour of positive results, the first tests are executed in order to demonstrate the performance of the product and its reliability.
If technological tests prove conclusive, the product forms the object of a qualification by the sourcing/purchasing department of the client, which is then alone capable of issuing purchase orders of notice to proceed.
Developing a new market and bringing it to a state of maturity may thus take up to two years, starting from the decision to focus its commercial efforts on a specific geographical region.
The global partnership with the ENGIE group, announced on 24 January and closed on 8 March, is expected to massively accelerate the commercial growth of the Group, giving it access to ENGIE's global installed base, business development and customer service platform.
Even more importantly, the expected acceleration of the commercial growth thanks to the global partnership with ENGIE might be driven by the deployment of the PPA or IPP business model.

1.3 Summary of the First Half 2018 Group's Results

Revenues amounting to €1.4 million under IFRS 15 increased by 40% to €5.4 million on a *like-for-like* basis according to IAS 11-18, the standard used for comparison with the 2017 first half.

Growth is mainly driven by the deployment of grid-support solutions in Europe: in particular the 20MW storage system in Spain and battery storage systems in Italy and Belgium. In parallel, microgrids and smart islands projects in Italy, Singapore and in the Comoros Islands are under construction and should mainly contribute to the 2018 second half revenues.

Pipeline at the date of this Half Year Financial Report increased by 53% to €244 million compared with the 2017 first half – mainly composed of microgrids - of which 66% in Asia Pacific and with ENGIE involved in over two-thirds of the projects, demonstration of its strong support as industrial partner. Approx. €70 million of that pipeline – already secured via signed power agreements with the off-taker is in the final stage of the project development and due diligence phase.

The **Project Backlog** at the date of this Half Year Financial Report is €20.5 million (€24.5 million under IFRS 15), up 49% on a like-for-like basis compared with the 2017 first half, of which €9.5 million of final and irrevocable orders on an EPC basis, and €11 million of projects secured on a Power Purchase Agreements basis, for which financing is currently being structured.

Order Intake year-to-date accelerated to 44.7MW, representing approximately €16.2 million, up 13% compared to the same period in 2017, and includes microgrids, control systems for mobility and distribution applications as well as utility-scale storage systems.

The main regions where these systems will be installed are Africa and Europe. This result confirms the effectiveness of the EPS's business model, strengthened by the team and technology that enabled EPS to accelerate its growth to 42 customers in 20 countries.

Gross margin reduced to 24% and EBITDA according to IAS 11-18 amounts to €-2,6 million mainly due to conversion over the period of almost entirely grid-support solutions. During the second half 2018, revenues will derive mainly from the current Project Backlog, 84% of which is constituted by Microgrids, that contribute more positively to gross margin and eventually EBITDA.

Personnel costs are stable at € 2.2 million. EPS continued to recruit additional commercial and technical personnel with the appropriate skills to support the Group's development. Most of the additional costs are related to R&D activities dedicated to developing EPS technologies. The increase in capitalized and not capitalized Personnel costs is € 0.3 million.

Despite the growth in Group operating activities, **Other Operating Expenses** are stable at € 0.7 million due to cost rationalization and a more efficient internal organizational structure.

Net Income amounts to -€3.0 million as at 30 June 2018, with a reduction of 15% compared to the First Half 2017. However, Net Income is mainly affected by non-recurrent items, amounting to €1.5 million, mainly represented by non-recurring costs related to the due diligence, the Mandatory Tender Offer (MTO ENGIE) and the capital increase.

Net Financial Position stood at €-13.2 million, down €0.9 million compared to end December 2017. It does not include the €30.3 million capital increase successfully completed in August 2018.

R&D investment amounted to €1.1 million and, including the R&D not capitalized, represents 20% of revenues under IAS 11-18, confirming the strong commitment to continuous innovation, research and development.

Cash Position, represented by liquid assets, cash and cash equivalents, amounts to € 3.9 million.

On 30 June 2018, **Equity** is negative for €5.2 million while was negative for €1.6 million on 31 December 2017. EPS decided to proceed with a capital increase with preferential subscription rights (Rights Issue), for an amount of €30.3 million, realized on 6 August 2018.

1.4 Important events during the period

- **ENGIE Acquisition**: On 24 January 2018, ENGIE (via GDF International) signed a share purchase agreement with EPS main shareholders to acquire a majority stake in EPS, slightly above 50% of the share capital and voting rights. This acquisition was completed on 8 March 2018. As a result of this acquisition, ENGIE launched a simplified tender that ran from 1 to 14 June 2018. Following the acquisition by ENGIE, the EIB made use of the change of control clause in the 2017 financing documentation and requested repayment of the € 10 million tranche of the financing disbursed in June 2017 and the cancellation of the other two tranches of € 10 million, each which had yet to be disbursed and exercised the 660,513 warrants which went with the first tranche of financing in the simplified tender. The results of the tender were announced by the AMF on 18 June 2018: following the offer and after exercise of the Warrants provided by the EIB, ENGIE (through its subsidiary GDF International) held 59.89% of the Company's share capital and voting rights.

- **New Incentive Plan**: On 6 March 2018, as part of the acquisition by ENGIE, a new long-term Incentive Plan, linked to the development of the Company, was put in place to secure and strengthen the commitment of the management team until 2021. The New Incentive Plan replaced the existing stock-options and warrants that have been granted to Directors, managers and employees since the IPO, by a “cash” instrument, i.e. Stock Appreciation Rights (“SARs”).
- **New Board of Directors**: 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[1].
- **Establishment of EPS Mobility**: Effective from 11 April 2018, the Company has set up a permanent establishment in Italy, following to the spinoff of the e-Mobility and Power Electronics Lab going concern from EPS Elvi to EPS. From a strategic-entrepreneurial perspective, the sale of the E-Mobility will allow EPS Elvi – while the mobility and power electronics R&D activities will be segregated at the parent level in the E-Mobility – to purely focus on the energy sector, reducing the fixed costs of the R&D infrastructures, increasing profitability and thus the ability to finance its own business growth, also in light of the sizeable recent order intake increase.
- **EIB Financing prepayment**: On 9 May 2018, EPS signed a prepayment agreement with the European Investment Bank (“EIB”) to terminate the equity-linked financing up to €30 million signed on 11 April 2017, following to the occurrence of Change-of-Control Event under the Finance Contract (meaning the ENGIE acquisition). Under this prepayment agreement, ENGIE‘s mandatory tender offer has been extended to the warrants held by the EIB. EPS will proceed with the early repayment of the first €10 million tranche of the EIB financing, and the two other tranches, for a total of €20 million not drawn down, will be cancelled. Following the offer and after exercise of the Warrants provided by the EIB, ENGIE (through its subsidiary GDF International) held 59.89% of the Company's share capital and voting rights.

[1] As of the date of this Financial Report, the Board of Directors is composed of nine members, as follows : Jean Rappe (Chairman); Carlalberto Guglielminotti (Managing Director); Giuseppe Artizzu (Director); Anne Harvengt (Director); Sophie Mertens-Stobbaerts (Director); Masimo Prelz Oltramonti (Director); Audrey Robat (Director); Sabrina Maggio (Director); Antonio Volpin (Director)

1.5 Subsequent events

Except for those listed below, no other significant events occurred between the balance sheet date and the date when the Board of Directors authorized the Half Year Financial Report for issue.

- **Capital increase**: On 16 July 2018 EPS announced the terms of its capital increase with shareholders' preferential subscription rights for a gross amount of approximately €30.3 million (the "Right Issue"). The net proceeds will be use to reimburse financings coming due in the amount of €12.4 million (including the first tranche of €10 million due under the EIB Loan Reimbursement), with the remainder intended to serve, with the Company's cash on hand and bank financing sources, to finance additional working capital needs (in the amount of €11 million over the next twelve months), and in particular the 2020 Strategic Plan (notably investment in R&D and technology) and complementary activities in relation to the implementation of Project Development (including implementation of necessary commercial infrastructure).

  On 6 August 2018, EPS announced the successful completion of its capital increase with shareholders' preferential subscription rights (the "Rights") with the subscription period running from July 20, 2018 to July 30, 2018 (the "Rights Issue"). The final gross proceeds of the transaction amounted to €30,321,292.50, corresponding to the issuance of 3,191,715 new shares. Total demand for this Rights Issue amounted to approximately €48.6 million, i.e. a subscription rate of approximately of 160.3% (or €36.4 million, i.e a subscription rate of 120.2%, excluding ENGIE reducible order described below): 3,104,659 new shares were subscribed on an irreducible basis ("à titre irréductible"), representing approximately 97.3% of the number of new shares to be issued; orders subject to reduction ("à titre réductible") amounted to 2,012,090 new shares and will, as a result, only be partly allocated, in the amount of 87,056 new shares. ENGIE (through its subsidiary GDF International), which owned 59.89% of the capital and voting rights of EPS at the date of the capital increase completion and had irrevocably committed to subscribe on an irreducible basis ("à titre irréductible") to the Rights Issue for 1,911,552 new shares and on a reducible basis ("à titre réductible") for 1,280,163 new shares, in order to ensure that subscription to the Rights Issue would reach 100%, has eventually subscribed for a total number of 1,986,796 new shares.

  EPS' share capital, following the Rights Issue, will amount to €2,553,372, represented by 12,766,860 shares with a par value of €0.20 each. ENGIE (through its subsidiary GDF International) will own 60.5% of the capital and voting rights of EPS.

- **EIB repayment**: On 6 September 2018, in compliance with the prepayment agreement signed with the EIB, EPS proceeded with the early repayment the EIB Financing for a total amount of €10 million.

1.6 Outlook

2017 played and H1 2018 is continuing to play a central role in the Group's strategy. As of today the Order Intake amounts to 44.7 MW or approximately €16.2 million, including the biggest project ever for EPS, a microgrid in the Comoro islands.

In addition, most of the orders concern EPC (Engineering, Procurement and Construction) contracts and multi-year maintenance contracts in accordance with the 2020 Strategic Plan, to which are now added Project Development contracts associated with PPAs. These contracts have been key to securing EPS' growth plan, managing larger projects and increasing the value of orders.

This positioning is the result of the investments made since the IPO in April 2015, making it possible to move from the status of a new player to that of an industrial operator, with a solid production capacity, exclusive technology, skills in system engineering, as well as a new integrated management system certified by RINA which made it possible to participate, well before the Acquisition by ENGIE, in invitations to tender alongside global players.

The energy market is changing rapidly, as is the role of electricity utilities and grid operators. The structure of the electricity system is undergoing significant paradigm shifts with the increasing penetration of intermittent renewable energy sources, the fragmentation and distribution of electricity generation points, the diffusion of efficient and innovative grid storage and management technologies and a shift in value added creation from energy production to service provision.

In this context, EPS activity is increasingly focused on Project Development, directly or indirectly through its partners, particularly in emerging countries.

The Project Development activity, initiated in 2017, will continue in 2018 and will be a major change for EPS and help it achieve its 2020 objectives. This will also require greater sophistication and financial strength, which can be ensured with the support of ENGIE.

In this context, as of 28 September 2018, the Backlog amounted to €20.5 million, of which €9.5 million are definitive and irrevocable EPC orders, and €11 million are Project Development, for which the CAE has already been secured and financing is being structured with dedicated project companies in which EPS will be able to invest, with the support of other investors.

It should be noted that the Backlog should eventually consist mainly of contracts related to the Project Development activity.

According to Bloomberg New Energy Finance, the partnership with ENGIE will provide EPS with "access to ENGIE's customer base and project portfolio. ENGIE will also serve as an industrial partner enabling EPS to access capital at a lower cost.”[2]

The two business models pursued by EPS (EPC and Project Development) lead to a different revenue profile and financial structure.

In the first case, revenue is generated on a percentage-of-completion basis and then during maintenance operations as part of a service contract.

In the second case, the cost and financing of the entire development of the project should be borne pending the recurring revenues generated by the PPA, once the project has been completed and connected, and, where applicable, the proceeds from the sale of the interest in the project.

The evolution of the business model towards Project Development does not call into question the 2020 Strategic Plan and the associated objectives:

- within developed economies, EPS expects (in view of the references obtained, in particular with Terna, Enel, Edison and Engie) to reach a share of at least 1% of the European market and 0.4% of the overall market of developed countries, taking into account the size of the market in 2020 for the

[2] *Engie makes second buy in storage with Swoop on EPS*, Bloomberg New Energy Finance, 26 January 2018.

deployment of storage represented by 14 GW worldwide, of which only 5.6 GW in Europe. EPS' objective is to deploy Network Connected Solutions in developed countries at the rate of 60 MW of additional annual installed base representing an EPC-based turnover of approximately 30 million euros from 2020;

- in emerging countries, the EPS objective is to replace, from 2020, at least 0.3% of the new diesel capacity installed, estimated at 29 GW[3] per year (including 50% for primary electricity[4] production and including 14 GW of generators of more than 300 kW[5], which are the main EPS target for diesel replacement) by micro-grids and off-grid solutions. Based on an estimated price per MW of €1.4 million (Company estimate), this represents an addressable market (for primary electricity production) of €20 million. EPS' objective is to deploy micro-networks and off-network solutions at a rate of 50 MW per year, representing EPC-based revenues of around 70 million euros from 2020.

In terms of target countries:

- in Asia Pacific, the priority for EPS will be Indonesia, Thailand, Vietnam, Malaysia, the Philippines and Bangladesh, which together currently represent an installed generation capacity connected to the grid of 195 GW, of which 56 GW have been added in the last 5 years (excluding 35 GW of additional diesel capacity over the same period, which will be used not only for backup applications but also for primary electricity generation). In this context, even taking a cautious view of stable growth in additional capacity in the coming years (without taking into account the potential for growth linked to economic development and rural migration to cities), this should represent 7 GW of additional installed capacity per year;

- the figures in Africa are similar to those in Asia-Pacific. The countries that EPS intends to target in particular are South Africa, Egypt and Nigeria, which together currently represent an installed generation capacity connected to the grid of 94 GW[6], of which 18 GW have been added in the last 5 years (excluding 35 GW of additional diesel capacity over the same period, as in Asia Pacific). Still assuming conservative assumptions, this should represent 7 GW of additional installed capacity per year.

These targets are based on conservative market penetration assumptions that do not take into account the potential replacement of the diesel fleet currently installed in emerging countries. They are all the more robust today with the Acquisition by ENGIE, which has dedicated Business Units in Asia Pacific and Africa and which has a strategy largely focused on Micro-Networks and Non-Network Solutions.

In addition, these targets for 2020 are consistent with the Order Intake (44.7 MW, or approximately €16.2 million for H1 2018), the Project Backlog (€20.5 million) and the Pipeline (over €240 million) as of 28 September 2018.

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[3] *The addressable market for off-grid renewables*, Bloomberg New Energy Finance, 16 May 2017.
[4] *The addressable market for off-grid renewables*, Bloomberg New Energy Finance, 16 May 2017.
[5] Means 375 kVA. *The addressable market for off-grid renewables*, Bloomberg New Energy Finance, 16 May 2017.
[6] *The addressable market for off-grid renewables*, Sizing the diesel generator market, Bloomberg New Energy Finance, 16 May 2017.

1.7 Main Risks and Uncertainties

Risk factors are similar to those presented in Section 4 of the Registration Document 2017 and did not change significantly from 13 July 2018.

1.8 Transactions between Related Parties

Transactions between the companies consolidated under the equity method do not represent a significant amount at 30 June 2018. Furthermore, during the first six months of 2018, there was no significant transaction concluded with a member of the senior management or with a shareholder having a material influence on the Group. For more details please refer to paragraph 4.29 (*Related party disclosures*).

2 CONSOLIDATED FINANCIAL STATEMENTS

2.1 Consolidated Income Statement

CONSOLIDATED INCOME STATEMENT (amounts in Euro)	NOTES	30/06/2018	31/12/2017	30/06/2017
Revenues		1,428,893	9,898,994	3,881,390
Other Income		42,792	107,371	13,394
TOTAL REVENUES AND OTHER INCOME	4.1	1,471,685	10,006,365	3,894,784
Cost of goods sold	4.2	(1,094,152)	(6,030,347)	(2,397,671)
GROSS MARGIN FROM SALES		**377,532**	**3,976,018**	**1,497,114**
% on Revenues		26%	40%	39%
Personnel costs	4.3	(2,186,498)	(3,503,332)	(2,222,127)
Other operating expenses [(1)]	4.4	(712,701)	(2,102,364)	(855,141)
Other costs for R&D and industrial operations	4.5	(248,793)	(115,026)	(47,295)
EBITDA excluding Stock Option and Incentive Plans expenses [(2)]	**4.6**	**(2,770,459)**	**(1,744,704)**	**(1,627,449)**
Amortization and depreciation	4.7	(634,923)	(1,276,156)	(614,323)
Impairment and write down	4.8	(63,166)	(65,174)	26,106
Non recurring income and expenses	4.9	(1,506,077)	(2,576,662)	(872,289)
Stock options and Incentive plans	4.10	(1,165,957)	(331,539)	(246,917)
EBIT	4.11	(6,140,582)	(5,994,235)	(3,334,872)
Net financial income and expenses	4.12	(797,998)	(747,538)	(147,809)
Revaluation of European Investment Bank warrants liabilities (IFRS 2) and other impacts of EIB loan prepayment	4.27	3,777,134	(3,086,219)	0
Income Taxes	4.13	53,163	818,482	47,960
NET INCOME (LOSS)	**4.14**	**(3,108,282)**	**(9,009,510)**	**(3,434,721)**
Attributable to:				
Equity holders of the parent company		(3,108,282)	(9,009,510)	(3,434,721)
Non-controlling interests		0	0	0
Basic earnings per share		(0.35)	(1.10)	(0.43)
Weighted average number of ordinary shares outstanding		8,816,135	8,155,295	7,941,955
Diluted earnings per share [(3)]		**(0.35)**	**(1.10)**	**(0.43)**

[(1)] In order to be clear and comprehensive, in the Notes to the Consolidated Fianacial Statements, Installation costs incurred in 2017 have been reclassed in a pro-forma basis from "Other operating expenses" to "Other costs for R&D and industrial operations" for an amount €114.776 and of €717,574 as at 30/06/2017 and 31/12/2017 respectively

[(2)] EBITDA excluding Stock Option and Incentive Plans expenses is not defined by IFRS. It is defined in notes 3.3 and 4.6

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

2.2 Consolidated Income Statement comparison on a Like-for-Like basis

CONSOLIDATED INCOME STATEMENT IAS 11 and IAS 18 comparable (amounts in Euro)	30/06/2018 [1]	31/12/2017	30/06/2017
Revenues	5,420,566	9,898,994	3,881,390
Other Income	42,792	107,371	13,394
TOTAL REVENUES AND OTHER INCOME	5,463,358	10,006,365	3,894,784
Cost of goods sold	(4,178,469)	(6,030,347)	(2,397,671)
GROSS MARGIN FROM SALES	**1,284,888**	**3,976,018**	**1,497,114**
% on Revenues	24%	40%	39%
Personnel costs	(2,186,498)	(3,503,332)	(2,222,127)
Other operating expenses	(712,701)	(2,102,364)	(855,141)
Other costs for R&D and industrial operations	(1,033,944)	(115,026)	(47,295)
EBITDA excluding Stock Option and Incentive Plans expenses [2]	**(2,648,254)**	**(1,744,704)**	**(1,627,449)**
Amortization and depreciation	(634,923)	(1,276,156)	(614,323)
Impairment and write down	(63,166)	(65,174)	26,106
Non recurring income and expenses	(1,506,077)	(2,576,662)	(872,289)
Stock options and Incentive plans	(1,165,957)	(331,539)	(246,917)
EBIT	(6,018,378)	(5,994,235)	(3,334,872)
Net financial income and expenses	(797,998)	(747,538)	(147,809)
Revaluation of European Investment Bank warrants liabilities (IFRS 2) and other impacts of EIB loan prepayment	3,777,134	(3,086,219)	0
Income Taxes	53,163	818,482	47,960
NET INCOME (LOSS)	**(2,986,079)**	**(9,009,510)**	**(3,434,721)**

[1] Like-for-like, based on a comparable scope of accounting standards under IAS 11 and IAS 18

[2] EBITDA excluding Stock Option and Incentive Plans expenses is not defined by IFRS. It is defined in notes 3.3 and 4.6

2.3 Consolidated Statement of Other Comprehensive Income

OTHER COMPREHENSIVE INCOME (amounts in Euro)	30/06/2018	31/12/2017	30/06/2017
NET INCOME (LOSS)	(3,108,282)	(9,009,510)	(3,434,721)
Exchange differences on translation of foreign operations and other differences	8,484	(23,095)	(18,942)
Actuarial gain and (losses) on employee benefits	5,867	44,263	61,251
Other comprehensive income (loss) for the year, net of tax	14,350	21,168	42,310
Total comprehensive income for the year, net of tax	(3,093,932)	(8,988,342)	(3,392,411)
Attributable to Equity holders of the parent company	**(3,093,932)**	**(8,988,342)**	**(3,392,411)**

2.4 Consolidated Balance Sheet

ASSETS (amounts in Euro)	NOTES	30/06/2018	31/12/2017	30/06/2017
Property, plant and equipment	4.15	732,618	753,412	793,919
Intangible assets	4.16	6,723,850	6,264,545	4,714,958
Other non current financial assets	4.17	74,287	73,757	164,779
TOTAL NON CURRENT ASSETS		7,530,755	7,091,714	5,673,656
Trade receivables	4.18	2,171,071	7,930,919	5,694,505
Inventories	4.19	8,942,062	997,352	1,205,901
Other current assets	4.20	1,154,696	3,184,393	1,524,459
Cash and cash equivalent	4.21	3,900,009	4,237,540	11,393,329
TOTAL CURRENT ASSETS		16,167,838	16,350,204	19,818,194
TOTAL ASSETS		**23,698,593**	**23,441,918**	**25,491,850**

EQUITY AND LIABILITIES (amounts in Euro)	NOTES	30/06/2018	31/12/2017	30/06/2017
Issued capital	4.22	1,915,029	1,687,926	1,605,943
Share premium	4.22	20,550,878	19,451,395	18,082,718
Other Reserves	4.22	5,753,829	6,431,264	6,260,799
Retained Earnings	4.22	(30,297,493)	(20,198,389)	(20,156,287)
Profit (Loss) for the period before Revaluation of European Investment Bank warrants liabilities (IFRS 2)	4.22	(6,885,416)	(5,923,291)	(3,434,722)
Total Equity before European Investment Bank variation (IFRS 2)	4.22	(8,963,172)	1,448,905	2,358,451
Revaluation of European Investment Bank warrants liabilities (IFRS 2) - Impact on Net Profit	4.22	3,777,134	(3,086,219)	0
TOTAL EQUITY	**4.22**	**(5,186,038)**	**(1,637,314)**	**2,358,451**
Severance indemnity reserve and Employees' benefits	4.23	2,075,652	688,821	650,432
Non current financial liabilities	4.27	2,313,179	13,403,102	14,236,478
Other financial liabilities - Revaluation of European Investment Bank warrants liabilities (IFRS 2)	4.27	0	3,086,219	0
Non current deferred tax liabilities	4.24	61,890	107,285	152,681
TOTAL NON CURRENT LIABILITIES		4,450,721	17,285,427	15,039,591
Trade payables	4.25	3,952,702	3,073,080	3,704,318
Other current liabilities	4.26	5,658,747	1,546,769	1,234,148
Current financial liabilities	4.27	14,822,462	3,154,739	3,155,342
Income tax payable		0	19,218	0
TOTAL CURRENT LIABILITIES		24,433,911	7,793,806	8,093,808
TOTAL EQUITY AND LIABILITIES		**23,698,593**	**23,441,918**	**25,491,850**

2.5 Consolidated Balance Sheet comparison on a Like-for-Like basis

ASSETS IAS 11 and IAS 18 comparable (amounts in Euro)	30/06/2018 [1]	31/12/2017	30/06/2017
Property, plant and equipment	732,618	753,412	793,919
Intangible assets	6,723,850	6,264,545	4,714,958
Other non current financial assets	74,287	73,757	164,779
TOTAL NON CURRENT ASSETS	7,530,755	7,091,714	5,673,656
Trade receivables	7,907,210	7,930,919	5,694,505
Inventories	1,236,476	997,352	1,205,901
Other current assets	1,154,696	3,184,393	1,524,459
Cash and cash equivalent	3,900,009	4,237,540	11,393,329
TOTAL CURRENT ASSETS	14,198,391	16,350,204	19,818,194
TOTAL ASSETS	**21,729,146**	**23,441,918**	**25,491,850**

EQUITY AND LIABILITIES IAS 11 and IAS 18 comparable (amounts in Euro)	30/06/2018 [1]	31/12/2017	30/06/2017
Issued capital	1,915,029	1,687,926	1,605,943
Share premium	20,550,878	19,451,395	18,082,718
Other Reserves	5,753,829	6,431,264	6,260,799
Retained Earnings	(29,222,930)	(20,198,389)	(20,156,287)
Profit (Loss) for the period before Revaluation of European Investment Bank warrants liabilities (IFRS 2)	(6,763,211)	(5,923,291)	(3,434,722)
Total Equity before European Investment Bank variation (IFRS 2)	(7,766,404)	1,448,905	2,358,451
Revaluation of European Investment Bank warrants liabilities (IFRS 2) - Impact on Net Profit	3,777,134	(3,086,219)	0
TOTAL EQUITY	**(3,989,270)**	**(1,637,314)**	**2,358,451**
Severance indemnity reserve and Employees' benefits	2,075,652	688,821	650,432
Non current financial liabilities	2,313,179	13,403,102	14,236,478
Other financial liabilities - Revaluation of European Investment Bank warrants liabilities (IFRS 2)	0	3,086,219	0
Non current deferred tax liabilities	61,890	107,285	152,681
TOTAL NON CURRENT LIABILITIES	4,450,721	17,285,427	15,039,591
Trade payables	3,952,702	3,073,080	3,704,318
Other current liabilities	2,492,532	1,546,769	1,234,148
Current financial liabilities	14,822,462	3,154,739	3,155,342
Income tax payable	0	19,218	0
TOTAL CURRENT LIABILITIES	21,267,696	7,793,806	8,093,808
TOTAL EQUITY AND LIABILITIES	**21,729,146**	**23,441,918**	**25,491,850**

[1] Like-for-like, based on a comparable scope of accounting standards under IAS 11 and IAS 18

2.6 Consolidated Statement of Changes in Equity

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (amounts in Euro)	NOTES	Share Capital	Premium Reserve	Stock Option and Warrants plan reserve	Other Reserves	Retained Earnings (Losses)	Profit (Loss) for the period	Total Equity before European Investment Bank variation (IFRS 2)	Revaluation of European Investment Bank warrants liabilities (IFRS 2) and other impacts of EIB loan prepayment	TOTAL EQUITY
Net Equity as of 31 December 2016	**4.22**	**1,576,361**	**18,082,718**	**6,266,665**	**(257,082)**	**(11,640,814)**	**(8,557,601)**	5,470,247	**0**	**5,470,247**
EPS Group Reorganization	4.22	0	0		0	0	0	0		0
Previous year result allocation	4.22	0	0		0	(8,557,601)	8,557,601	0		0
Previous year delta on loss coverage EPSM	4.22	0	0		0	0	0	0		0
Treasury shares	4.22	0	0		(2,486)	0	0	(2,486)		(2,486)
Stock option and warrants	4.22	0	0	253,522		0	0	253,522		253,522
Shareholder's capital contribution (IPO)	4.22	0	0		0	0	0	0		0
Shareholder's capital increase	4.22	29,581	0		0	0	0	29,581		29,581
Loss for the period	*4.22*	*0*	*0*		*0*	*0*	*(3,434,723)*	*(3,434,723)*		*(3,434,723)*
Other Comprehensive Income	4.22	0	0		182	42,128	0	42,310		42,310
Net Equity as of 30 June 2017	**4.22**	**1,605,942**	**18,082,718**	**6,520,187**	**(259,386)**	**(20,156,287)**	**(3,434,723)**	2,358,451	**0**	**2,358,451**
Previous year result allocation	4.22	0	0		0	0	0	0		0
Previous year delta on loss coverage EPSM	4.22	0	0		0	0	0	0		0
Treasury shares	4.22	0	0		64,780	0	0	64,780		64,780
Stock option and warrants	4.22	0	0	84,722		0	0	84,722		84,722
Shareholder's capital contribution (IPO)	4.22	0	0		0	0	0	0		0
Shareholder's capital increase	4.22	81,984	1,368,677		0	0	0	1,450,662		1,450,662
Loss for the period	4.22	0	0		0	0	(2,488,568)	(2,488,568)	(3,086,219)	(5,574,787)
Total comprehensive income	4.22	0	0		20,959	(42,102)	0	(21,143)	0	(21,143)
Net Equity as of 31 December 2017	**4.22**	**1,687,925**	**19,451,395**	**6,604,909**	**(173,645)**	**(20,198,389)**	**(5,923,291)**	1,448,905	**(3,086,219)**	**(1,637,314)**
IFRS 15 first time adoption as at 1 January 2018	4.22					(1,074,563)		(1,074,563)		(1,074,563)
Previous year result allocation	4.22	0	0		0	(9,009,510)	5,923,291	(3,086,219)	3,086,219	0
Stock option and warrants	4.22	0	0	(691,785)	0	0	0	(691,785)		(691,785)
Shareholder's capital increase	4.22	227,103	1,099,483		0	0	0	1,326,586		1,326,586
Other movements	4.22					(15,031)		(15,031)		(15,031)
Loss for the period	4.22	0	0		0	0	(6,885,416)	(6,885,416)	3,777,134	(3,108,282)
Total comprehensive income	4.22	0	0		14,350	0	0	14,350	0	14,350
Net Equity as of 30 June 2018	**4.22**	**1,915,029**	**20,550,878**	**5,913,124**	**(159,295)**	**(30,297,493)**	**(6,885,416)**	(8,963,172)	**3,777,134**	**(5,186,038)**

2.7 Consolidated Statement of Cash Flows

CASH FLOW STATEMENT (amounts in Euro)	NOTES	30/06/2018	31/12/2017	30/06/2017
Net Income or Loss	4.14	(3,108,282)	(9,009,510)	(3,434,722)
Revaluation of European Investment Bank warrants liabilities (IFRS 2) and other impacts of EIB loan prepayment	4.27	(3,777,134)	3,086,219	0
Amortisation and depreciation	4.7	634,923	1,276,156	614,323
Impairment and write down	4.8	63,166	65,173	(26,106)
Stock option and incentive plans impact	4.10	643,962	331,539	246,917
Defined Benefit Plan	4.23	147,364	0	61,251
Non-cash variation in bank debts	4.27	88,904	486,276	0
Working capital adjustments				
Decrease (increase) in tax assets	4.13	714,203	(719,765)	0
Decrease (increase) in trade and other receivables and prepayments	4.18	5,410,135	(4,684,855)	(879,527)
Decrease (increase) in inventories	4.19	(4,108,592)	146,800	(61,749)
Increase (decrease) in trade and other payables	4.25	2,340,922	(1,259,936)	(915,140)
Increase (decrease) in non current assets and liabilities	4.23	(820,065)	697,176	(17,075)
Net cash flows from operating activities		(1,770,494)	(9,584,726)	(4,411,828)
Investments				
Net Decrease (Increase) in intangible assets	4.16	(992,234)	(2,581,110)	(568,770)
Net Cash flow deriving from business combination		0	0	7,165
Net Decrease (Increase) in tangible assets	4.15	(81,199)	(147,741)	10,832
Net cash flows from investments activities		(1,073,433)	(2,728,851)	(550,773)
Financing				0
Increase (decrease) in bank debts	4.27	1,179,811	9,524,186	10,844,441
Shareholders cash injection		1,326,586	1,480,243	29,581
Purchase of treasury shares		0	62,294	(2,486)
Warrants	4.27	0	6,605	6,605
Net cash flows from financing activities		2,506,397	11,073,328	10,878,141
Net cash and cash equivalent at the beginning of the period		4,237,540	5,477,790	5,477,790
NET CASH FLOW FOR THE PERIOD		(337,530)	(1,240,249)	5,915,540
NET CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**3,900,009**	**4,237,540**	**11,393,330**

3 ACCOUNTING STANDARDS AND METHODS

The Consolidated Financial Statements reflect the financial situation of Electro Power Systems S.A. (the "**Company**", or "**EPS**") and its subsidiaries.

The Consolidated Financial Statements of the Group have been approved on 28 September 2018 by the Board of Directors.

3.1 Accounting Principles and method evolution

The Group presented its Consolidated Financial Statements in euro, prepared in accordance with IFRS as issued by the IASB and adopted by the European Union and in accordance with IAS 34 – Interim Financial Reporting. Therefore, they do not include all the information required by IFRS for the preparation of Annual Financial Statements and shall be read concurrently with 2017 Full Year Consolidated Financial Statements.

The financial statements are prepared on a going concern basis. In this respect, although continuing to operate in a challenging economic and financial environment, the Group's assessment is that no material uncertainties exist about its ability to continue as a going concern, in view also of the capital increase amounting to 30.3M€ closed on 6 August 2018, the support of its stakeholders and the banking system.

Except for the following changes, accounting rules and methods are the same as those applied in 2017 Annual Consolidated Financial Statements.

In particular, following to the new Incentive Plan, put in place on 6 March 2018, that replaced the existing stock-options and warrants by a "cash" instrument, i.e. Stock Appreciation Rights ("SARs"), the accounting treatment has changed compared to 2017. A detailed overview of the accounting treatment followed by EPS is presented in par. 4.10.

As of 30 June 2018, the following new accounting principles shall be applied mandatorily for the first time by the European listed companies:

IFRS 15 – Revenues from contracts with customers

This standard was issued on 8 May 2014 by the IASB and it replaces IAS 11 and IAS 18 and the related IFRIC and SIC interpretations. IFRS 15 is mandatorily applicable starting from 2018. EPS opted for the simplified retrospective method (or "prospective method"). Balances related to the previous year have not been restated and the transition impacts have been recognized in Equity opening balance as at 1 January 2018.

Retained earnings have been adjusted for 1,075 k€, corresponding to the amount of revenues accounted in 2017 under IAS 11 for construction agreements that did not accomplish IFRS 15 requirements for percentage of completion method (4,911 k€ of which 2,379 k€ Trade receivables to be invoiced and 2,532 k€ Advance from customers) net of related costs that have to be considered as work in progress and included in Inventories amount (3,836 k€).

The chart below provides a summary of effects accounted on opening balances as at 1 January 2018:

ASSETS (amounts in Euro)	31/12/2017	IFRS 15 adjustments	01/01/2018
Property, plant and equipment	753,412		753,412
Intangible assets	6,264,545		6,264,545
Other non current financial assets	73,757		73,757
TOTAL NON CURRENT ASSETS	7,091,714	0	7,091,714
Trade receivables	7,930,919	(2,378,881)	5,552,038
Inventories	997,352	3,836,118	4,833,470
Other current assets	3,184,393		3,184,393
Cash and cash equivalent	4,237,540		4,237,540
TOTAL CURRENT ASSETS	16,350,204	1,457,237	17,807,441
TOTAL ASSETS	**23,441,918**	**1,457,237**	**24,899,155**

EQUITY AND LIABILITIES (amounts in Euro)	31/12/2017	IFRS 15 adjustments	01/01/2018
Issued capital	1,687,926		1,687,926
Share premium	19,451,395		19,451,395
Other Reserves	6,431,264		6,431,264
Retained Earnings	(20,198,389)	(1,074,563)	(21,272,952)
Profit (Loss) for the period before Revaluation of European Investment Bank warrants liabilities (IFRS 2)	(5,923,291)		(5,923,291)
Total Equity before European Investment Bank variation (IFRS 2)	1,448,905	(1,074,563)	374,343
Revaluation of European Investment Bank warrants liabilities (IFRS 2) - Impact on Net Profit	(3,086,219)		(3,086,219)
TOTAL EQUITY	**(1,637,314)**	**(1,074,563)**	**(2,711,877)**
Severance indemnity reserve and Employees' benefits	688,821		688,821
Non current financial liabilities	13,403,102		13,403,102
Other financial liabilities - Revaluation of European Investment Bank warrants liabilities (IFRS 2)	3,086,219		3,086,219
Non current deferred tax liabilities	107,285		107,285
TOTAL NON CURRENT LIABILITIES	17,285,427	0	17,285,427
Trade payables	3,073,080		3,073,080
Other current liabilities	1,546,769	2,531,799	4,078,568
Current financial liabilities	3,154,739		3,154,739
Income tax payable	19,218		19,218
TOTAL CURRENT LIABILITIES	7,793,806	2,531,799	10,325,605
TOTAL EQUITY AND LIABILITIES	**23,441,918**	**1,457,237**	**24,899,155**

Analytical works on the application of this new text have been carried out, with specific focus on the so-called construction contacts (under IAS 11 scope), which account for 86% of revenues in the First Half 2018. The analysis focused on the compliance with the requirements for maintaining the percentage of completion accounting method.

In the light of the application of the above-mentioned method and namely according to paragraph C8 of IFRS 15, the Group will disclose in the notes the amount by which each financial statement line item is affected in the current reporting period by the application of this standard as compared to IAS 11, IAS 18 and related interpretations that were in effect before the change and an explanation of the reasons for significant changes identified.

The chart below provides a summary of effects of IFRS 15 application on 30 June 2018 items.

CONSOLIDATED INCOME STATEMENT (amounts in Euro)	**30/06/2018 as presented**	**IFRS 15 to IAS 11-18**	**30/06/2018 on a Like-for-Like basis [1]**
Revenues	1,428,893	3,991,673	5,420,566
Other Income	42,792		42,792
TOTAL REVENUES AND OTHER INCOME	1,471,685	3,991,673	5,463,358
Cost of goods sold	(1,094,152)	(3,084,317)	(4,178,469)
GROSS MARGIN FROM SALES	**377,532**	**907,356**	**1,284,888**
% on Revenues	26%		24%
Personnel costs	(2,186,498)		(2,186,498)
Other operating expenses	(712,701)		(712,701)
Other costs for R&D and industrial operations	(248,793)	(785,151)	(1,033,944)
EBITDA excluding Stock Option and Incentive Plans expenses [2]	**(2,770,459)**	**122,205**	**(2,648,254)**
Amortization and depreciation	(634,923)		(634,923)
Impairment and write down	(63,166)		(63,166)
Non recurring income and expenses	(1,506,077)		(1,506,077)
Stock options and Incentive plans	(1,165,957)		(1,165,957)
EBIT	(6,140,582)	122,205	(6,018,378)
Net financial income and expenses	(797,998)		(797,998)
Revaluation of European Investment Bank warrants liabilities (IFRS 2) and other impacts of EIB loan prepayment	3,777,134		3,777,134
Income Taxes	53,163		53,163
NET INCOME (LOSS)	**(3,108,282)**	**122,205**	**(2,986,079)**

[1] Like-for-like, based on a comparable scope of accounting standards under IAS 11 and IAS 18

[2] EBITDA excluding Stock Option and Incentive Plans expenses is not defined by IFRS. It is defined in notes 3.3 and 4.6

ASSETS (amounts in Euro)	30/06/2018 as presented	IFRS 15 to IAS 11-18	30/06/2018 on a Like-for-Like basis
Property, plant and equipment	732,618	0	732,618
Intangible assets	6,723,850		6,723,850
Other non current financial assets	74,287	0	74,287
TOTAL NON CURRENT ASSETS	7,530,755	0	7,530,755
Trade receivables	2,171,071	5,736,139	7,907,210
Inventories	8,942,062	(7,705,586)	1,236,476
Other current assets	1,154,696		1,154,696
Cash and cash equivalent	3,900,009		3,900,009
TOTAL CURRENT ASSETS	16,167,838	(1,969,447)	14,198,391
TOTAL ASSETS	**23,698,593**	**(1,969,447)**	**21,729,146**

EQUITY AND LIABILITIES (amounts in Euro)	30/06/2018	IFRS 15 to IAS 11-18	30/06/2018 on a Like-for-Like basis
Issued capital	1,915,029		1,915,029
Share premium	20,550,878		20,550,878
Other Reserves	5,753,829		5,753,829
Retained Earnings	(30,297,493)	1,074,563	(29,222,930)
Profit (Loss) for the period before Revaluation of European Investment Bank warrants liabilities (IFRS 2)	(6,885,416)	122,205	(6,763,211)
Total Equity before European Investment Bank variation (IFRS 2)	(8,963,172)	1,196,767	(7,766,405)
Revaluation of European Investment Bank warrants liabilities (IFRS 2) - Impact on Net Profit	3,777,134		3,777,134
TOTAL EQUITY	**(5,186,038)**	**1,196,767**	**(3,989,271)**
Severance indemnity reserve and Employees' benefits	2,075,652		2,075,652
Non current financial liabilities	2,313,179		2,313,179
Other financial liabilities - Revaluation of European Investment Bank warrants liabilities (IFRS 2)	0		0
Non current deferred tax liabilities	61,890		61,890
TOTAL NON CURRENT LIABILITIES	4,450,721	1,196,767	5,647,489
Trade payables	3,952,702		3,952,702
Other current liabilities	5,658,747	(3,166,215)	2,492,532
Current financial liabilities	14,822,462		14,822,462
Income tax payable	0		0
TOTAL CURRENT LIABILITIES	24,433,911	(3,166,215)	21,267,696
TOTAL EQUITY AND LIABILITIES	**23,698,593**	**(1,969,447)**	**21,729,146**

(1) Like-for-like, based on a comparable scope of accounting standards under IAS 11 and IAS 18

IFRS 9 – Financial Instruments

On 24 July 2014, IASB completed its project of replacing IAS 39 on financial instruments and published the full version of IFRS 9 “Financial Instruments”, which became mandatorily applicable starting from 2018. This standard introduces a new classification for financial assets, a new model for hedge accounting as well as a new model for financial assets’ depreciation based on expected losses, replacing the one based on provable losses.

Analytical works on the application of this new text have been carried out, with specific focus on trade receivables’ depreciation by the time they are accounted for. The Group already adopted a financial depreciation model based on expected losses. For information, at the end of June 2018, trade receivables amounted to 2,251 k€, with a doubtful receivable provision of 80 k€. The net value amounts to 2,171 k€ (see note 4.18). Moreover, the Group does not establish any hedge accounting which may be affected by IFRS 9.

IFRS 2 – Share-based payments

Several amendments have been made to IFRS 2 which became be applicable starting from 1 January 2018. The amendments cover three accounting areas:

- measurement of cash-settled share-based payments;
- classification of share-based payments settled net of tax withholdings; and
- accounting for a modification of a share-based payment from cash-settled to equity-settled.

The IASB Board did not explicitly deal with the transformation of a equity-settled plan to a cash-settled plan. However, in the basis for conclusions for these amendments, it indicated that example IG9 of the principle could be applied by analogy for the accounting of this kind of transformations. The Group has referred to this conclusion in order to account the impacts of the transformation of its incentive plans, occurred in March 2018 (see par.4.10)"

Seeing the nature of the current share-based plans, the Group considers that there is no significant impact following to these amendments.

IFRIC 22 - Foreign Currency Transactions and Advance Consideration

The Interpretation, applicable starting from 1 January 2018, clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. It covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. It does not apply when an entity measures the related asset, expense or income on initial recognition at fair value or at the fair value of the consideration received or payed at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability. Also, the interpretation need not be applied to income taxes, insurance contracts or reinsurance contracts.

In consideration of the limited number of transactions currently realized by the Group in foreign currency, the Group considers that there is no impact following to this interpretation.

The main new standards, interpretations and amendments IFRS published but not yet applicable or for which the Group did not chose the earlier application are the following:

Standard	Starting date required by IASB (exercises opened at)	Possible adoption	European Status
IFRS 16 — Leases	01/01/2019	Earlier application (on condition of adoption by the EU) not chosen by the Group	Not yet adopted
IFRS 17 - Insurance Contracts	01/01/2021	Earlier application (on condition of adoption by the EU) not chosen by the Group	Not yet adopted
IFRIC 23 - Uncertainty over income Tax Treatments	01/01/2019	Earlier application (on condition of adoption by the EU) not chosen by the Group	Not yet adopted
Amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures	01/01/2019	Earlier application (on condition of adoption by the EU) not chosen by the Group	Not yet adopted
Annual Improvements to IFRSs (2015-2017 cycle)	01/01/2019	Earlier application (on condition of adoption by the EU) not chosen by the Group	Not yet adopted
Amendments to IAS 19 – Employee Benefits: Plan Amendment, Curtailment or Settlement	01/01/2019	Earlier application (on condition of adoption by the EU) not chosen by the Group	Not yet adopted

IFRS 16 - Leases

On 16 January 2016 IASB issued the standard IFRS 16 “Leases”, which will replace IAS 17 and the related IFRIC and SIC interpretations. IFRS 16 will eliminate the difference between financial and operating leases. For contracts which can be qualified as leases according to IFRS 16 criteria, a lessee recognizes a right-of-use asset and a lease liability. As a consequence, the lease liability increases by the present value of the lease payments payable over the lease term. In P&L, the lease charge is eliminated and replaced by the depreciation of the right-of-use asset and financial interests. Automatically, an improvement of EBITDA is recorded.

EPS, with reference to the lease contracts where it acts a lease and which are currently qualified as operating leases (mainly real estate rents), anticipates an increase in the *right-of-use assets* and an increase of the lease liabilities. In the consolidated income statement, reversal of the rental expenses of these operating leases will lead to an increase in EBITDA and in depreciation and financial expenses.

IFRIC 23 - Uncertainty over Income Tax Treatments

IFRIC 23 clarifies the accounting for uncertainties in income taxes. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

Any material impact is expected by the Group.

3.2 Use of estimates

Estimates, judgments and assumptions used in the preparation of the Consolidated Financial Statements for the Half Year Financial Report as of 30 June 2018 are the same as of 31 December 2017 (as detailed in note 3.8 of the 2017 Consolidated Financial Statements).

The Consolidated Financial Statements, in accordance with IFRS principles, require the use of estimates, judgments and assumptions that affect the carrying amount of assets and liabilities, income and expenses, as well as the disclosures in the notes relating to contingent assets and liabilities. The estimates and associated assumptions are based on elements that are known when the financial statements are prepared, on historical experience and on any other factors that are considered to be relevant. The estimates and underlying assumptions are reviewed periodically and if the items subject to estimates do not perform as assumed, then the actual results could differ from the estimates.

During the preparation of 2018 Half Year Financial Report, the Group particularly focused on the following items:

- Recoverable amount of non-current assets: specifically, non-current assets include property, plant and equipment, intangible assets with definite useful lives (development costs), goodwill and other financial assets. The Group periodically reviews the carrying amount of non-current assets held and used when events and circumstances warrant such a review and at least annually the carrying amount of intangible assets with indefinite useful lives. The analysis of the recoverable amount of non-current assets is usually performed using estimates of future expected cash flows from the use or disposal of the asset and a suitable discount rate in order to calculate present value or fair value less cost to sell;

- Post-retirement benefits are measured on an actuarial basis which takes into consideration parameters of a financial nature such as the discount rate, the rates of salary increase, the rates of health-care cost increase and the likelihood of potential future events estimated by using demographic assumptions such as mortality rates, dismissal and retirement rates;
- Allowance for doubtful accounts: the allowance for doubtful accounts reflects the management's estimate of losses to be incurred, which derives from past experiences with similar receivables, current and historical past due amounts, write-offs and collections, the careful monitoring of portfolio credit quality and current and projected economic and market conditions;
- Allowance for obsolete and slow-moving inventory: it has been determined on the basis of past experiences, as well as on historical and expected future trends;
- Deferred tax assets are recorded if they are likely to be recovered according to the expected future taxable results;
- The fair value of the financial assets and liabilities are included in the Group's financial statements at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.
- For equity-settled share-based payment transactions, the Company measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received at the measurement date, based on market prices if available, taking into account the terms and conditions upon which those equity instruments were granted, unless that fair value cannot be estimated reliably. For cash-settled share-based payment transactions, the Company measures the goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the Company remeasures the fair value of the liability at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period

3.3 Key Performance Indicators

EPS Group adopts the following non-IFRS performance indicators:

- EBITDA (excluding Stock Option and Warrant Plans expenses), calculated as Gross Margin from Sales minus Personnel costs, Other operating expenses and Other costs for R&D and industrial operations;
- EBITDA (excluding Stock Option and Warrant Plans expenses) adjusted, calculated on the Like-for-Like Consolidated Income Statement (based on a comparable scope of accounting standards under IAS 11 and IAS 18) adjusted for R&D expenses not capitalized;
- EBIT adjusted, calculated by restating Stock Option and Warrants Plans costs and Non-recurring Items from the EBIT;
- R&D investments calculated as percentage of capitalized and not capitalized R&D costs on total revenues of the period.

KPI evolution is presented in note 3.6. All KPI are presented on a *Like*-for-*Like* basis.

3.4 Segment information

The Group is not yet organized into business units and no segments have been identified and/or measured by management. Information about geographical areas and activities are provided for Revenues and Other Income and Project Backlog in paragraph 4.1.

3.5 Evolution of the consolidation area

No changes have occurred in the consolidation perimeter since 31 December 2017:

COMPANY	PERCENTAGE OF CONSOLIDATION	30/06/2018	31/12/2017
EPS	100%	Parent Company	Parent Company
EPS Manufacturing	100%	Line by Line	Line by Line
EPS Inc	100%	Line by Line	Line by Line
EPS ELVI	100%	Line by Line	Line by Line
MCM	100%	Line by Line	Line by Line

3.6 Key Performance Indicators

KEY PERFORMANCE INDICATORS (amounts in Euro)	H1 2018		
	Stated	*Adjustments*	Adjusted Indicator
Total revenues and other income	1,471,685	*3,991,673*	5,463,358
Cost of goods sold	(1,094,152)	*(3,084,317)*	(4,178,469)
Gross margin from sales	377,532	*907,356*	1,284,888
Personnel costs	(2,186,498)	*0*	(2,186,498)
Other operating expenses	(712,701)	*0*	(712,701)
Other costs for R&D and industrial operations	(248,793)	*(759,951)*	(1,008,744)
EBITDA excluding Stock Option and Incentive Plans expenses [1]	(2,770,459)	*147,405*	(2,623,054)
Amortization and depreciation	(634,923)		(634,923)
Impairment and write down	(63,166)		(63,166)
Non recurring income and expenses	(1,506,077)	*1,506,077*	0
Stock options and Incentive plans	(1,165,957)	*1,165,957*	0
EBIT	(6,140,582)	*2,819,439*	(3,321,143)
Net financial income and expenses	(797,998)	*601,059*	(196,939)
Revaluation of European Investment Bank warrants liabilities (IFRS 2) and other impacts of EIB loan prepayment	3,777,134	*(3,777,134)*	0
Income Taxes	53,163	*0*	53,163
NET INCOME (LOSS)	(3,108,283)	*(356,636)*	(3,464,918)
Captalized R&D costs	966,374	*0*	966,374
Not capitalized R&D costs	28,900	*0*	28,900
Total R&D costs of the period	995,274	*0*	995,274
Total revenues	1,471,685	3,991,673	5,463,358
R&D investments % on Reveues	68%		18%

[1] EBITDA excluding Stock Option and Incentive Plans expenses is not defined by IFRS. It is defined in notes 4.6

In the First Half 2018 the adjusted EBITDA (excluding Stock Option and Warrant Plans expenses) loss is equal to 2,623 k€, compared to a loss of 2,770 k€ stated. On a like for like basis, Group revenues and other income growth compared to Half Year Financial Report 2017 is 40%.

The stated EBIT is impacted by Non recurring income and expenses for a total amount of 1,506 k€ and Stock options and incentive plans for an amount of 1,166k€.

R&D capitalized and not capitalized costs increase from 939 k€ of the First Half 2017 to 995 k€ on the same period of 2018.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.1 Revenues and Other Income

IFRS 15 is mandatorily applicable starting from 1 January 2018. EPS opted for the simplified retrospective method (or "prospective method"). The transition impacts have been recognized in Equity opening balance as at 1 January 2018 (see note 4.22). According to paragraph C8 of the standard, the following tables show the amount by which revenues are affected in the current reporting period by the application of this standard as compared to IAS 11, IAS 18 and related interpretations applied before the IFRS 15 adoption.

The split of revenues and total revenues including other income is as follow:

REVENUES AND OTHER INCOME (amounts in Euro)	30/06/2018	30/06/2018 (*)	31/12/2017	30/06/2017
Construction contracts	692,204	4,683,878	7,863,216	3,018,506
Rendering of services	258,387	258,387	403,689	327,460
Sales of goods	478,301	478,300	1,632,089	535,423
REVENUES	1,428,893	5,420,566	9,898,994	3,881,390
Other Income	42,792	42,792	107,371	13,394
TOTAL REVENUES AND OTHER INCOME	1,471,685	5,463,358	10,006,365	3,894,784

(*) Like-for-like, based on a comparable scope of accounting standards under IAS 11 and IAS 18

The difference between revenues under IFRS 15 and IAS 11 is related to construction agreements that do not accomplish IFRS 15 requirements for percentage of completion method. The main difference is represented by the agreement for the supply of a 20 MW Energy Storage System (ESS) for Endesa (Spanish utility part of the Enel Group). These revenues will be fully recognized at construction completion foreseen in the second semester 2018.

Allocation of revenues on single legal entity:

REVENUES AND OTHER INCOME (amounts in Euro)	30/06/2018	30/06/2018 (*)	31/12/2017	30/06/2017
EPS	214,336	317,204	375,986	232,186
EPS Manufacturing	215,379	396,575	832,704	214,683
EPS Elvi	1,041,970	4,749,578	8,755,607	3,439,324
MCM	0	0	42,069	8,590
TOTAL REVENUES AND OTHER INCOME	1,471,685	5,463,358	10,006,365	3,894,784

(*) Like-for-like, based on a comparable scope of accounting standards under IAS 11 and IAS 18

Revenues and other income by client geographical areas:

REVENUES AND OTHER INCOME BY CLIENT GEOGRAPHICAL AREAS (amounts in Euro)	30/06/2018	30/06/2018 (*)	31/12/2017	30/06/2017
EUROPE	1,444,449	5,254,518	8,921,404	3,001,359
AFRICA	35,526	35,526	778,227	751,238
LATIN AMERICA	(8,290)	(8,290)	107,186	107,186
ASIA PACIFIC	0	181,604	199,548	35,000
TOTAL REVENUES AND OTHER INCOME	1,471,685	5,463,357	10,006,365	3,894,784

(*) Like-for-like, based on a comparable scope of accounting standards under IAS 11 and IAS 18

REVENUES AND OTHER INCOME BY INSTALLATIONS GEOGRAPHICAL AREAS (amounts in Euro)	30/06/2018	30/06/2018 (*)	31/12/2017	30/06/2017
ASIA PACIFIC	26,210	212,011	750,109	244,031
EUROPE	1,418,239	5,224,110	8,170,843	2,617,848
USA	0	0	200,000	90,000
AFRICA	35,526	35,526	778,227	835,719
LATIN AMERICA	(8,290)	(8,290)	107,186	107,186
TOTAL REVENUES AND OTHER INCOME	1,471,685	5,463,357	10,006,365	3,894,784

(*) Like-for-like, based on a comparable scope of accounting standards under IAS 11 and IAS 18

The amount of revenues realized by the Group in foreign currency is not material.

The charts below represent Revenues and Project Backlog by application:

REVENUES BY APPLICATION (amounts in Euro) Cumulated as at 30.06.2018 (1)		
Type	**Total**	**%**
Grid-connected Solutions	4,875,245	89.9%
Microgrids & Off-Grid Solutions	246,525	4.5%
Mobility	298,795	5.5%
Total	**5,420,566**	**100.0%**

(1) Like-for-like, based on a comparable scope of accounting standards under IAS 11 and IAS 18

PROJECT BACKLOG BY APPLICATION as at 28.09.2018	%
Grid-connected Solutions	13.3%
Microgrids & Off-Grid Solutions	83.4%
Mobility	3.2%
Total	**100.0%**

4.2 Cost of Goods Sold

The split of Cost of Goods Sold as of 30 June 2018 is as follow:

COST OF GOODS SOLD (amounts in Euro)	30/06/2018	31/12/2017	30/06/2017
Costs of goods/ Rendering of services	(894,268)	(4,386,567)	(1,770,996)
Cost of technology partnership agreements	(439,009)	(1,537,457)	(663,475)
Change in inventories	239,124	(106,322)	36,800
TOTAL COST OF GOODS SOLD	**(1,094,152)**	**(6,030,347)**	**(2,397,671)**

In First Half 2018, Cost of Goods Sold, which consists of purchases of raw materials, semi-finished and finished products, such as switchboards and electric materials, amounts to 1,094 k€ (2,398 k€ in First Half 2017), and significantly decreased because of IFRS 15 contract restatements amounting to 3,084 k€. The IFRS 15 restatement is mainly related to the agreement for the supply of a 20 MW Energy Storage System (ESS) for Endesa (Spanish utility part of the Enel Group). These costs will be accounted at construction completion foreseen in the second semester 2018.

4.3 Personnel costs

Personnel costs correspond to the set of fixed and variable items of remuneration paid to employees (including CEO and managing directors), as well as travel and expenses, social security contributions and charges related to employees' benefit service costs. The amount of Personnel costs is stable compared to First Half 2017 (-36 k€,). The following table details the staff costs and their evolution over the relevant financial periods:

PERSONNEL COSTS (amounts in Euro)	30/06/2018	31/12/2017	30/06/2017
Salaries and wages	(1,324,824)	(2,386,933)	(1,365,554)
Social contributions	(300,816)	(348,556)	(416,555)
Employee benefits service costs	(147,364)	(272,343)	(70,716)
Other Costs	(413,494)	(495,500)	(369,303)
TOTAL PERSONNEL COSTS	**(2,186,498)**	**(3,503,332)**	**(2,222,127)**

The slight decrease in Personnel costs compared to the First Half 2017 is due to the capitalization of specialized personnel working hours spent on development projects partially offset by the growth in the number of employees (personnel costs capitalized in the First Half 2018 amount to 728 k€ compared to 403 k€ in the First Half 2017 and 1,665 k€ during the full year 2017). The impact is recorded in Salaries and wages and in Social contributions.

FTE as at 30 June 2018 are 94 (compared to 92 as at 31 December 2017 and 93 as at 30 June 2017).

4.4 Other operating expenses

The Other operating expenses amount to 713 k€ during the first semester 2018. In order to be clear and comprehensive, Installation costs incurred in 2017 and accounted under Other operating expenses have been reclassed to Other costs for R&D and industrial operations for an amount of 115 k€ and 718 k€ as at 30/06/2017 and 31/12/2017 respectively.

The chart below shows Other operating expenses as of 30 June 2018 compared with previous period on a pro-forma basis.

OTHER OPERATING EXPENSES (amounts in Euro)	30/06/2018	31/12/2017	30/06/2017
Rents	(171,620)	(324,542)	(170,330)
Legal and other consultancy costs	(171,748)	(102,252)	(43,442)
Miscellaneous	(84,907)	(242,052)	(172,998)
Maintenance	(73,423)	(137,472)	(101,508)
Board compensation	(60,000)	(118,000)	(60,000)
Travel	(41,978)	(59,887)	(29,945)
Tax and administrative services	(35,213)	(95,920)	(48,570)
Audit services	(31,420)	(99,000)	(39,500)
Software licenses	(29,941)	(36,811)	(15,247)
Insurance	(6,866)	(126,785)	(28,760)
Indirect taxes	(2,379)	(23,218)	(11,934)
Bank commissions	(3,206)	(18,853)	(18,131)
TOTAL OTHER OPERATING EXPENSES	(712,701)	(1,384,790)	(740,365)

The decrease in Other operating expenses is mainly due to cost rationalization and a more efficient internal organizational structure that allowed a reduction on structure costs despite the increase on operations.

4.5 Other costs for R&D and industrial operations

The Group uses a reclassification of operating costs that can't be considered as structure costs as they are related to installation activities and research and development of new products that will be sold in future years. In order to be clear and comprehensive, Installation costs incurred in 2017 and accounted under Other operating expenses have been reclassed to Other costs for R&D and industrial operations for an amount of 115 k€ and 718 k€ as at 30/06/2017 and 31/12/2017 respectively.

The chart below shows Other costs for R&D and industrial operations as of 30 June 2018 compared with previous period on a pro-forma basis.

OTHER COSTS FOR R&D AND INDUSTRIAL OPERATIONS (amounts in Euro)	30/06/2018	31/12/2017	30/06/2017
Not capitalized R&D costs	(25,200)	(115,026)	(47,295)
Industrial operations costs	(223,593)	(717,574)	(114,776)
TOTAL OTHER COSTS FOR R&D AND INDUSTRIAL OPERATIONS	(248,793)	(832,600)	(162,071)

Industrial operations costs as at 30 June 2018 amount to 224 k€ while were 115 k€ as at 30 June 2017. The increase due to the higher level of activity of the Group especially linked to external assembling and services outsourced to qualified partners.

The impact of Not capitalized R&D costs is 25 k€ during Half Year 2018, while was equal to 47 k€ as at 30 June 2017. This item is related to costs of goods and services that for their nature have not been recognized to be capitalized in accordance with IFRS. They refer to costs whose economic and financial effectiveness had been limited, prudentially booked at cost during the relevant periods as from an economic and finance perspective they will not have any impact in subsequent years. These costs have been identified on a separate line of the P&L in order to facilitate the understanding of the Group's effort to invest in cutting-edge technology experimental projects along with its key customers.

4.6 EBITDA (excluding Stock Option and Warrant Plans expenses) (non-IFRS)

First Half 2018 Earnings Before Interest, Taxes, Depreciation and Amortization (“**EBITDA**”) is a non-IFRS defined metrics which excludes non-recurring income-expenses and the accounting impact of stock options. The EBITDA (excluding Stock Option and Warrant Plans expenses) amounts to -2,770 k€ for the First Half 2018 compared with -1,627 k€ of the First Half 2017. During the second half of the year, EPS will convert in revenues the Project Backlog mainly represented by Microgrids & Off-Grid Solutions (83.4%).

4.7 Amortization and depreciation

Amortization and depreciation increased overall by 20 k€ from 614 k€ for the first semester 2017 to 634 k€ in 2018 due to investment in development cost realized over 2017.

4.8 Impairment and write up / down

In the First Half 2018 the item amounts to 63 k€, related to the risk provision on future completion cost on projects, as shown in the following table:

IMPAIRMENT AND WRITE DOWN (amounts in Euro)	30/06/2018	31/12/2017	30/06/2017
Write down on assets	0	(8,463)	0
Future completion cost on project	(63,166)	(56,711)	26,106
TOTAL IMPAIRMENT AND WRITE DOWN	(63,166)	(65,174)	26,106

No impairment loss was identified by the Group as of 30 June 2018 on the goodwill (amounting to 1.569 k€) emerging from the acquisitions of Elvi Energy and MCM in 2016.

At the date of this Report, the management considers that Half Year 2018 results coupled with the €16.2 million of order intake year-to-date and the growth rate registered in the last 3 years are consistent with the achievement of the financial targets set out in the Strategic Plan 2020. In addition to this, the ENGIE Acquisition of the 51% of EPS share capital closed during the first quarter of 2018 coupled with the Mandatory Tender Offer and the recent capital increase of €30.3 million completed the 8 August 2018 (that brought ENGIE ownership at 60.5% of EPS share capital) confirm the fairness of the Group enterprise value and its commitment to pursuing its dynamic growth strategy.

4.9 Non-recurring income and expenses

NON RECURRING INCOME AND EXPENSES (amounts in Euro)	30/06/2018	31/12/2017	30/06/2017
Non recurring Distribution & Business dev. Expenses	(177,332)	(1,021,707)	(95,026)
M&A costs	(913,759)	0	0
Non recurring Legal Accounting & Certification	(243,047)	(915,124)	(472,662)
Non recurring expenses for R&D activities	(3,700)	(99,388)	(16,900)
Non recurring Travel, Communication and Roadshow expenses	(122,208)	(427,521)	(242,423)
Non recurring settlement / redundancy	(12,987)	(37,006)	(30,974)
Other	(33,044)	(75,917)	(14,304)
TOTAL NON RECURRING INCOME AND EXPENSES	(1,506,077)	(2,576,662)	(872,289)

During the First Half 2018, EPS, despite the effort dedicated to the operations of M&A that distinguished that period (i.e. ENGIE Acquisition), continued to stay focused on the revenues growth both with the scale-up on project contracts (e.g. the first construction on a 20MW utility-scale storage system in Spain acquired during the second half of 2017), and acquisition of new projects. During the First Half 2018 Order Intake rose to € 16.2 million thanks to development of new business opportunities.

This item includes expenses considered as non-recurring as mainly related to specific phases of company growth and set up of accounting, administration and business development departments. These operating expenses cannot be qualified as exceptional or extraordinary, but still they are linked to unusual and infrequent elements, for significant amounts, presented by the Group on a separate line in order to facilitate the understanding of the current operating activity. Compared to First Half 2017, this item increased by 634 k€, from 872 k€ to 1,506 k€ in First Half 2018. This can mainly be explained by non-recurring M&A costs linked to ENGIE acquisition and capital increase operation amounting to 914 k€ (please refer to paragraphs 4.22 and 4.27 for further details). External partners support for the set-up of the business development international platform increase from 95 k€ in First Half 2017 to 177 k€ as at 30 June 2018, related to an amount of €16.2 million in order intake and €20.5 million in Project Backlog. Those figures are partially offset by a strong reduction of non-recurring travel, communication and roadshow expenses, Legal, accounting and certification expenses.

As mentioned above, these costs are not representative of the Group's ordinary activity although they may have occurred in the past year and they are likely to occur again in future years.

4.10 Incentive Plans

The line refers to the accrual of Incentive Plans for employees and management. In 2017 the amount was related to stock option and warrants plans described in paragraph 4.10 of 2017 Consolidated Financial Statements and was made against equity, in accordance with IFRS 2. In accordance with the new Profit Sharing Plan adopted on 6 March 2018, stock options and warrants plans have been replaced with Stock Appreciation Rights ("SARs"), and, where applicable, Additional Stock Appreciation Rights ("additional SARs"). Following this new plan:

- Vested stock options and warrants have been exercised during the simplified tender by ENGIE (through its subsidiary GDF International) except for 200,000 vested stock options granted to the CEO which were replaced by SARs. The vested stock options and warrants not exercised have been waived by their beneficiaries;
- the unvested stock options and warrants were replaced by Transformed SARs on a one-to-one basis – different SARs matching the strike prices of the different existing stock options or warrants are not subject to any performance conditions and are only linked to the condition of presence within the Group;
- in addition, "Additional SARs" with special characteristics, including performance conditions, linked to the achievement of revenue and EBITDA levels consistent with the 2020 Strategic Plan and the Company's retention rates for 2018 to 2020 (the "Additional SARs"), were distributed to the CEO and other managers.

The SARs and the Additional SARs provide a new vesting period and benefit from a floor price of €9.50. The allocation of stock appreciation rights (SARs) decided by the Board of Directors on 6 March 2018 to the benefit of the Chief Executive Officer, the Chairman of the Board of Directors and the other members of the Board of Directors, in replacement of the existing unvested stock-options or warrants is detailed in par. 15.5 of the 2017 Registration Document.

In view of the granted SARs' features and a settlement of the benefits that will be made in cash instead of equity instruments, this plan is qualified as "cash-settled" according to IFRS 2.

IFRS 2 standards does not explicitly addresses the case of transformation of equity-settled plans into cash-settled plans, as in the situation of EPS; however, the IASB Board considered that this transaction could be treated by analogy with example IG9. By analogy EPS considered that:

- the constitution of (all or part) the original debt of cash settle plan should be done directly from equity;

- the recognition of a "floor" cost, if the conditions of the new plan are unfavorable and would lead to the accounting of a lower cost than the cost that would be accounted according to the old plan;

- the obligation to record a "cash-settled" debt at fair value on the modification date, all subsequent changes (positive or negative) impacting the income statement.

Once the equity-settled plan has been transformed into cash-settled, the new plan will be treated according to the principles applicable to cash-settled plans. The only exception to this principle, as in the example IG9, is the case where the new plan is unfavorable (by comparing the value of the shares and the vesting conditions at the date of modification to the same information at the grant date of the original equity-settled plan). In this case, there will be an additional charge (with a corresponding entry in equity) to maintain at least the cost of the rendered services to the level of the "old" cost. For EPS, on the contrary, the share prices are higher than they were at the grant date of the original equity-settled plan.

In accordance with the requirements for cash-settled share-based payment transactions (IFRS 2, par. 30-33), EPS accounted the liability to be settled in cash on the date of the plan's modification, based on the fair value of the shares and on the services acquired at that time. Furthermore, until the liability is settled, EPS will remeasure the fair value of the liability at each reporting date and at the date of settlement, with any changes in fair value recognized in profit or loss for the period.

As of 30th June 2018, the fair value of the debt (before the payment of exercised SARs) amounts to 1,852 k€; this amount has been accounted through the following entries:

- 787 k€ taken from equity: this amount corresponds to the IFRS 2 cost recorded face to the old "equity-settled" plan, which has been reclassified as "cash-settled" following to the decision taken on 6 march. Costs previously recognized in P&L are not affected: the modification in the nature of the plan leads to the reclassification from equity to liability of the amounts already recognized (according to IFRS 2 IG9);
- 571 k€ recorded in P&L, mainly corresponding to SARs exercised during the period. In addition it has to be considered also a reduction of the vesting period, entailing an acceleration of the cost recognition. By analogy to the treatment of equity-settled plans modifications, as long as the changes in the conditions of service are favorable to the beneficiaries, the impact of these changes must be accounted starting from the modification date;
- 494 k€ recorded in P&L, corresponding to Additional SAR provided to CEO and other members of the Group's management;
- 6 k€ recorded in P&L, corresponding to the fair value of ESOP plan cancelled.

In the next periods, this debt will be revaluated to consider:

- the additional years of supplied services;
- the evolution of the fair value of the SARs.

A summary of SARs details over the period is illustrated by the chart below:

Detailed information on incentive plans	Additional SARs	Transformed SAR		Cancelled ESOP
		Recognition of SARs' fair value	Updated fair vaule of ESOP plans	
P&L Cost (value in k€)	494	571	96	6
Debt (value in k€)	(494)	(1,358)		
Equity (vaule in k€)	-	(686)	(96)	(6)
Number of SARs / ESOP	496,576	599,592		25,790
of which exrcised (number)		*59,240*		
(value in k€)		*493*		

Summary of dilutive instruments and dilution risk

As at 30 June 2018, no dilutive risk related to Stock Options and Warrant plans arise. The Company's corporate officers, members of management and employees do not hold any shareholding in the Company's share capital and there are no outstanding securities entitling the holders of which to access the capital of the Company.

The allocations of the SARs to the CEO, the Chairman of the Board of Directors and other members of the Group's management decided by the Board of Directors on 6 March 2018 to replace unvested stock is described in chapter 15.2 of the Registration Document.

In accordance with the New Incentive Plan:

- the existing share options and warrants were all exercised by their beneficiaries, except for 200,000 stock options granted to the CEO, which were replaced by SARs;

- the stock options and the unvested warrants were replaced by individually allocated SARs - corresponding to the exercise prices of the different stock options or or warrants for existing shares;

- in addition, the CEO and other members of the Group's management received Additional SARs.

Following to the early repayment of the EIB financing (the only one paid so far, amounting to 10 M€), the EIB indicated its intention to tender the 660,513 warrants linked to the first tranche to the tender offer, which has therefore been extended by ENGIE to them at a price of €9.30 per warrant (i.e. a price, net of the €0.20 exercise price, equivalent to the €9.50 per EPS share). For a complete description of the operation treatment, please refer to paragraph 4.27. ,

4.11 EBIT

In First Half 2018 Earnings Before Interest and Taxes ("EBIT") is -6,141 k€ compared with -3,335 k€ of First Half 2017.

4.12 Net Financial Income and expenses

The item includes interests and charges on bank account, exchange rate differences on extra EU trades.

NET FINANCIAL INCOME AND EXPENSES (amounts in Euro)	30/06/2018	31/12/2017	30/06/2017
Financial income	0	4,465,859	16
Financial expenses EIB warrants	0	(4,465,623)	0
Financial expenses EIB loan	(601,059)	0	0
Financial interest	(181,633)	(746,888)	(152,506)
Net exchange differences	(15,305)	(886)	4,682
TOTAL NET FINANCIAL INCOME AND EXPENSES	(797,998)	(747,538)	(147,809)

EPS has accounted financial expenses corresponding to the amortized cost and other fees related to EIB Loan prepayment for 601 k€. Please refer to paragraph 4.27 for the detailed description of the accounting treatment.

Financial interests linked to the other credit lines in place amount to 182 k€ slightly increased in respect to the First Half 2017.

4.13 Income taxes

No Deferred Tax Asset ("**DTA**") has been accounted for First Half 2018. In 2017, the item was positive for 818 k€ and included income and deferred taxes and the tax assets registered in the light of the Decree 27.05.15. The Management considers that the future results will produce sufficient taxable profit allowing to recover all or part of the deferred tax asset. DTA should be recorded in future years, when the Group will demonstrate this capability to produce taxable income by showing taxable basis in its tax returns.

4.14 Net income or loss

In the first semester 2018, the net loss amounts to 3,108 k€ (3,435 k€ in First Half 2017). As of 30 June 2018, basic earnings per share is a loss equal to 0.35 €. The loss is positively impacted by the financial income linked to the cancellation of European Investment Bank warrants liabilities (IFRS 2) for an amount of 3,086 k€ (see note 4.27).

NET RESULT PER SHARE - PROFIT / (LOSS) (amounts in Euro)	30/06/2018	31/12/2017	30/06/2017
Net loss (Group share) attributable to ordinary shareholders of the parent company	(3,108,282)	(9,009,510)	(3,434,721)
Weighted average number of ordinary shares outstanding	8,816,135	8,155,295	7,941,955
BASIC NET RESULT PER SHARE - PROFIT / (LOSS)	(0.35)	(1.10)	(0.43)

4.15 Property, plant and equipment

Property, plant and equipment in First Half 2018 is equal to 733 k€, with a decrease of 21 k€ from 753 k€ as of 31 December 2017. This is due to the difference between the investments done and amortization cost accounted during the period.

The following table describes tangible assets by Legal Entity:

TANGIBLE ASSETS (amounts in Euro)	30/06/2018	31/12/2017	30/06/2017
EPS	0	0	0
EPS Manufacturing	0	0	2
EPS Elvi	734,308	755,102	795,607
MCM	0	0	0
Purchase Price Allocation (PPA)	(1,690)	(1,690)	(1,690)
TOTAL TANGIBLE ASSETS	732,618	753,412	793,919

The evolution of Tangible Assets between 2017 year-end and 2018 first semester by asset category is described in the next table:

PROPERTY, PLANT AND EQUIPMENT (amounts in Euro)	PLANT AND EQUIPMENT	OTHER EQUIPMENT	TOTAL
Book Value			
At 31 December 2017	1,168,124	392,263	1,560,387
Additions	81,199	0	81,199
Disposals	0	0	0
At 30 June 2018	1,249,323	392,263	1,641,586
Depreciation and impairment			
At 31 December 2017	(562,800)	(244,175)	(806,975)
Depreciation	(101,993)	0	(101,993)
Disposals	0	0	0
At 30 June 2018	(664,793)	(244,175)	(908,968)
Net Book Value			
At 31 December 2017	605,324	148,088	753,412
At 30 June 2018	584,530	148,088	732,618

4.16 Intangible Assets

Intangible assets in First Half 2018 amount to 6,724 k€, increased by 459 k€ from 6,265 k€ as at 31 December 2017.

The following table illustrates the distribution of Intangible Assets among the Legal Entities of the Group:

INTANGIBLE ASSETS (amounts in Euro)	30/06/2018	31/12/2017	30/06/2017
EPS	294,638	113,458	32,188
EPS Manufacturing	181,838	193,932	219,622
EPS Elvi	4,511,738	4,058,813	2,402,100
MCM	0	0	0
Purchase Price Allocation (PPA)	1,735,635	1,898,343	2,061,048
TOTAL INTANGIBLE ASSETS	**6,723,850**	**6,264,545**	**4,714,958**

The evolution of Intangible Assets between 2017 year-end and First Half 2018 by asset category is described in the table below:

INTANGIBLE ASSETS (amounts in Euro)	GOODWILL	DEVELOPMENT COSTS	PATENT AND LICENSES WITH DEFINITE USEFUL LIFE	TOTAL
Book Value				
At 31 December 2017	1,568,783	9,188,729	826,409	11,583,921
Additions		966,374	25,860	992,234
At 30 June 2018	**1,568,783**	**10,155,103**	**852,269**	**12,576,155**
Amortisation and impairment				
At December 31, 2017		(4,762,300)	(557,076)	(5,319,376)
Amortisation		(482,006)	(50,924)	(532,930)
At 30 June 2018		**(5,244,306)**	**(608,000)**	**(5,852,306)**
Net Book Value				
At December 31, 2017	1,568,783	4,426,430	269,333	6,264,545
At 30 June 2018	**1,568,783**	**4,910,797**	**244,269**	**6,723,850**

The increase of 459 k€ (from 6,265 k€ at 31 December 2017 to 6,724 k€ at 30 June 2018) is mainly due to:

- investment in project development done by EPS Elvi in product development for 966 k€;
- new patents and licenses for 26 k€;
- amortization for 532 k€.

4.17 Other non-current financial assets

The amount of 74 k€, in line with 31 December 2017, consists in:

- 45 k€ of refundable deposits as a guarantee to the rent contract signed for the new plant in Rivoli (Turin, Italy);
- 29 k€ of deposited utilities supplies.

4.18 Trade receivables

TRADE RECEIVABLES (amounts in Euro)	30/06/2018	31/12/2017	30/06/2017
Invoiced to customers	2,076,963.4	5,131,410	4,755,185
To be invoiced	174,055	2,879,456	1,019,268
Bad debt provision	(79,947)	(79,947)	(79,947)
TOTAL TRADE RECEIVABLES	**2,171,071**	**7,930,919**	**5,694,505**

Total trade receivables decrease by 5,759 k€ from 31 December 2017 to 30 June 2018. The main impact is due to the IFRS 15 adoption for 2,379 k€, related to construction agreements that do not meet IFRS 15 requirements on percentage of completion. On a Like-for-Like basis, it is also to be considered an impact amounting to 3,357 related to revenues not accounted in Half Year 2018 that would have been be accounted under IAS 11 standard.

All trade receivables which involve a reasonable risk of non-collection have been provisioned during the period.

4.19 Inventories

As of 30 June 2018, the inventory amounts to 8,942 k€ compared to 997k€ at the end of 2017. The strong increase is explained by IFRS 15 first time adoption, having an impact of 7,706 k€ on work in progress related to costs incurred for construction contracts that don't meet IFRS 15 criteria to be recognized as revenues during the current period. Not considering the IFRS1 15 adoption impact, the variation would have been 239 k€.

INVENTORIES (amounts in Euro)	30/06/2018	31/12/2017	30/06/2017
Raw materials			
Gross value	1,086,738	797,654	929,043
Obsolescence provision	(11,732)	(11,732)	0
Raw materials net book value	**1,075,007**	**785,922**	**929,043**
Work in progress			
WIP for construction contracts whose respective revenues aren't recognized during the current period	7,705,586	0	0
Gross value	44,343	79,705	129,434
Obsolescence provision	0	0	0
Work in progress net book value	**7,749,930**	**79,705**	**129,434**
Finished goods			
Gross value	117,126	131,725	147,424
Obsolescence provision	0	0	0
Finished goods net book value	**117,126**	**131,725**	**147,424**
Total inventories			
Gross value	8,953,794	1,009,084	1,205,901
Obsolescence provision	(11,732)	(11,732)	0
Total inventories net book value	**8,942,062**	**997,352**	**1,205,901**

4.20 Other current assets

OTHER CURRENT ASSETS (amounts in Euro)	30/06/2018	31/12/2017	30/06/2017
Prepaid expenses	520,564	477,256	296,347
VAT receivables	474,208	1,723,841	885,541
Other tax assets	67,927	1,390	0
Social contributions receivables	48,359	66,292	60,960
Deferred tax asset	28,136	28,136	0
Advances to suppliers	5,969	94,194	208,090
Tax asset "Industria 4.0"	5,562	719,765	0
Other receivables	3,970	0	0
Advance Payment Elvi Acquisition	0	73,520	73,520
TOTAL OTHER CURRENT ASSETS	**1,154,696**	**3,184,393**	**1,524,459**

The decrease in Other current assets in First Half 2018 compared to year-end 2017, amounting to 2,029 k€ can be explained with the decrease in VAT receivables (-1,250 k€), Tax asset "*Industria 4.0*" (-714 k€) and advances to suppliers (-88 k€) partially compensated by an increase in Other tax assets (+67 k€) and Prepaid expenses (+43 k€).

VAT and "*Industria 4.0*" receivables reported in 2017 year-end closing, respectively amounting to 1,724 k€ and 720 k€ have been formally reported to Italian tax authority within an official sworn declaration from independent advisor and have been partially used as a tax credit to offset cash-taxes due on a monthly base during the First Half 2018.

4.21 Cash and cash equivalent

Cash at banks and petty cash represent the amount held on bank balances both in Euro and in other currencies and cash deposits at leading credit institutions. The cash liquidity is mainly held in Euro currency.

The amount of cash and cash equivalent in the first semester 2018 is 3,900 k€, compared to 4,238 k€ at the end of 2017. The decrease is mainly due to operating cash flows (as described in the Cash Flow Statement). A portion of the liquid assets amounting to 2,731 k€ serve as cash collateral to guarantee financings received by the Group that are included in net debt. The Group considers this cash collateral is liquid to the extent that the release of the guarantee is under its control.

4.22 Net Equity

NET EQUITY (amounts in Euro)	30/06/2018	31/12/2017	30/06/2017
Issued capital	1,915,029	1,687,926	1,605,943
Share premium	20,550,877	19,451,395	18,082,718
Other reserves	(159,295)	(173,645)	(252,783)
Stock Option and Warrants plan reserve	5,913,124	6,604,909	6,513,582
Retained earnings	(30,297,493)	(20,198,389)	(20,156,287)
Profit (Loss) for the period before Revaluation of European Investment Bank warrants liabilities (IFRS 2)	(6,885,416)	(5,923,291)	(3,434,722)
Total Equity before European Investment Bank variation (IFRS 2)	(8,963,172)	1,448,905	2,358,451
Revaluation of European Investment Bank warrants liabilities (IFRS 2) - Impact on Net Profit	3,777,134	(3,086,219)	0
TOTAL EQUITY	**(5,186,038)**	**(1,637,314)**	**2,358,451**

Equity at the end of June 2018 is negative for 5,186 k€ while was negative for 1,637 k€ on 31 December 2017. The decrease is basically due to the first semester loss net of the increase due to the exercise of Stock Options and warrants realized during the period.

As detailed in paragraph 4.10, during the First Half 2018, all vested stock options (except for 200,000 vested stock options granted to the CEO which were replaced by SARs) were exercised. The vested stock options and warrants not exercised have been waived by their beneficiaries. The capital increase related to Stock Options and Warrants exercised amounts to 95k€ in Issued Capital and 1,099 k€ in Share premium reserve, for a total amount of 1,194 k€.

On 14 June 2018 ENGIE finalized the acquisition of the 660.513 warrants granted by EPS to EIB in the frame of the EIB financing. These warrants have been exercised on the same date at the nominal value of 0.20 €, constituting a capital increase in EPS SA amounting to 132 k€. ENGIE's participation in EPS share capital and voting rights reached therefore 59,89%.

The total number of shares at the end of period is 9,575,145, as illustrated in the table below.

NUMBER OF SHARES	30/06/2018	31/12/2017
Beginning of the period	8,439,629	7,881,807
Capital increase reserved to EPS Management and Elvi Elettrotecnica Vitali S.p.A.	0	196,932
EIB Warrants	660,513	0
Exercise of options and warrants reserved to management and emlpoyees	475,003	360,890
End of period	**9,575,145**	**8,439,629**

It has to be noted that, subsequently to the 30 June 2018, in order to select the financing solution that best protects the interests of EPS and of all of its shareholders, EPS decided to proceed with a capital increase with preferential subscription rights (Rights Issue), for an amount of €30.3 million. ENGIE (through its subsidiary GDF International), committed to subscribe on an irreducible basis to the capital increase of up to 1,911,552 new shares and on a reducible basis for up to 1,280,163 new shares, so that the subscription for the issue was 100%

insured. On 6 August 2018, EPS announced the successful completion of its capital increase. The final gross proceeds of the transaction amounted to €30,321,292.50, corresponding to the issuance of 3,191,715 new shares.

EPS' share capital, following the Rights Issue, amount to €2,553,372, represented by 12,766,860 shares with a par value of 0.20€ each. ENGIE (through its subsidiary GDF International) own 60.5% of the capital and voting rights of EPS. Please also refer to paragraph 1.5 and 4.27 for further details.

4.23 Severance indemnity reserve and Employees' incentive plan

The Italian Severance indemnity (*TFR*) in the First Half of 2018 amounts to 746 k€, while it was 689 k€ at the end of 2017. The remaining amounts of 1,330 k€ is related to the non-current portion of SAR benefits. For a detailed description of this item please refer to paragraph 4.10.

4.24 Non-current deferred tax liabilities

Non-current deferred tax liabilities for 62 k€ in First Half 2018 (107 k€ for 31 December 2017) include deferred taxes liabilities on assets recorded for EPS Elvi Purchase Price Allocation.

4.25 Trade payables

The item refers to invoices for goods, services and utilities received by suppliers during the year, and it amounts to 3,953 k€. At the end of 2017, it was instead 3,073 k€. The increase is due to the growing operating activities.

TRADE PAYABLES (amounts in Euro)	30/06/2018	31/12/2017	30/06/2017
Trade payables	2,483,651	2,136,695	3,000,977
Invoices to be received	1,469,050	936,385	703,341
TOTAL TRADE PAYABLES	3,952,702	3,073,080	3,704,318

4.26 Other Current Liabilities

Other current liabilities at the end of first semester 2018 are 5,659 k€, in strong increase compared to what reported at year end 2017 amounting to 1,547 k€.

OTHER LIABILITIES (amounts in Euro)	30/06/2018	31/12/2017	30/06/2017
Advances from client	3,166,215	3,816	95,337
Advances on government grants	935,367	129,137	138,897
Employee wages and salaries	594,307	534,886	480,794
Withholding taxes and social contributions	442,672	463,144	328,070
Exercised SAR's	292,126	0	0
Deferred income	70,757	267,825	0
Provision for onerous contract	97,303	97,961	130,028
Board compensations	60,000	50,000	61,022
TOTAL OTHER LIABILITIES	5,658,747	1,546,769	1,234,148

The item Advances from client amounting to 3,166 k€ is related to the portion of revenues on construction contracts, invoiced by EPS and paid by the customers that are not compliant with IFRS 15 requirements.

Advances on government grants amount to 935 k€ as at 30 June 2018 while were 129 k€ as at 31 December 2017. The amount relates to advance payments received by public institutions linked to specific projects carried out in the context of the ordinary operating activity of the Group. Government grant are registered under revenues, when exist the reasonable assurance that the Group will comply with the conditions associated with the subsidy.

Employees' wages and salaries amount to 594 k€ against 535 k€ as at 31 December 2017. That amount includes vacation provisions.

The item Exercised SAR's, amounting to 292 k€, is related to the portion of SAR's already exercised by beneficiaries and paid by EPS in the second half of the year. For a full description of SAR's treatment please refer to paragraph 4.10.

The item Withholding taxes and social contributions refers to the amounts to be paid in July 2018 and to the accruals for deferred social charges to be paid for deferred employee benefits and increased because of the increase of the headcount.

4.27 Financial liabilities

Financial liabilities at the end of First Half 2018 are 17,136k€, with a decrease of 578 k€ compared with the year-end 2017. The amount is detailed as follows.

Financial liabilities as of 30/06/2018 (amounts in Euro)	Interest rate	Current liability	Non-current liability	Total
MLT credit line – Unicredit to EPS Elvi	Floating rate (euribor 3m + spread 3,5%)	746,321		746,321
MLT credit line – Banca Sella to EPS Elvi	Fixed (3,20%)	216,796	571,516	788,312
ST working capital financing - Unicredit to EPS Elvi	Fixed (3,50%)	382,600	-	382,600
ST working capital financing - Intesa Sanpaolo to EPS Elvi	Floating rate (euribor 3m + spread 3,75%)	2,771,474	-	2,771,474
ST working capital financing - Intesa Sanpaolo to EPS Manufacturing	Floating rate (euribor 3m + spread 3,75%)	-	-	-
MLT credit line – Mediocredito Italiano to EPS Manufacturing	Floating rate (euribor 3m + spread 3,75%)	769,550	1,741,663	2,511,213
MLT credit line – European Investment Bank to EPS Elvi First Tranche	Interest rate equal to zero on the first tranche (remunerated through the issue of warrants and the put and call option - see par. 4.27)	9,935,721		9,935,721
TOTAL FINANCIAL LIABILITIES		14,822,462	2,313,180	17,135,642

Variation on each item between 31 December 2017 and 30 June 2018 are detailed as follows:

Financial liabilities as of 30/06/2018 (amounts in Euro)	Short Term 2017	Long Term 2017	Cash in	Cash out	Fair Value adjustment	Reclass form Long term to Short term	Short Term	Long Term	TOTAL
MLT credit line – Unicredit to EPS Elvi	997,352	249,834		(519,688)	18,822	249,834	746,321	0	746,321
MLT credit line – Banca Sella to EPS Elvi	213,369	679,937		(119,746)	14,754	108,420	216,796	571,517	788,313
ST working capital financing - Unicredit to EPS Elvi	404,814	-		(22,214)	0		382,600		382,600
ST working capital financing - Intesa Sanpaolo to EPS Elvi	768,543	-	2,002,931		0		2,771,474		2,771,474
ST working capital financing - Intesa Sanpaolo to EPS Manufacturing	0	-			0				0
MLT credit line – Mediocredito Italiano to EPS Manufacturing	767,672	2,126,259		(438,046)	55,329	384,596	769,550	1,741,663	2,511,213
MLT credit line – European Investment Bank to EPS Elvi First Tranche	0	5,881,449			4,054,272	5,881,449	9,935,721	0	9,935,721
MLT credit line – European Investment Bank to EPS Elvi Warrants instrument	0	4,465,623			(4,465,623)		0	0	0
TOTAL	3,151,750	13,403,102	2,002,931	(1,099,694)	(322,447)	6,624,299	14,822,462	2,313,180	17,135,642

In June 2017 EPS obtained an equity-linked financing up to €30 million with the EIB backed by the European Fund for Strategic Investments ("EFSI"), with the aim of supporting EPS' growth. The EIB Financing was composed of 3 five-year tranches, the first of which amounting to €10 million – which was drawn down on 29 June 2017 – did not accrue any interest, while the second and the third would have, respectively, an interest rate of 7% and 5%.

Following the acquisition by ENGIE, the EIB considered that its support role for innovation and growth sectors under EFSI had been fulfilled. It therefore informed EPS of its intention to trigger change of control clause included in the agreement and consequently to request the early repayment of the first tranche of €10 million disbursed in June 2017 and the cancellation of the two tranches of €10 million each not yet drawn. The first tranche did not bear interest but was accompanied by 660,513 warrants issued to the EIB, each giving the right to subscribe for one share of the Company as of 1 July 2017. The EIB tendered its Warrants in the Tender offer and ENGIE (through its subsidiary GDF International) exercised the Warrants on 15 June 2018.

As of 30 June 2018, the whole transaction has been recorded as follows:

- The liability, initially recognized in accordance with IFRS 2 in relation with the put option granted to EIB on its warrants, has been first reevaluated at its fair value as of the date of the prepayment agreement (9 May 2018). This re-measurement of 208 k€ has been recognized through net income. Then the whole reevaluated liability (7,760 k€) has been derecognized since the underlying warrants have been bought and exercised by ENGIE. This settlement has been recognized through net income generating an income of 7 760 K€.
- The financial liability linked to the first tranche issued by EIB, initially recognized at fair value (i.e. 5,534 k€ corresponding to the 10 M€ facial value of the financing less the fair value of the warrants granted to EIB), has been: reevaluated to its repayment value, i.e. 10 M€ (less 64 K€ of interest expense to be recognized on the second semester). This reevaluation has been recognized through net income, generating an expense of 3,822 k€. The liability has been reclassified from long term to short term liability until its effective repayment scheduled on 6 September 2018.

While the finance contract provided for a 30-day repayment period, the EIB agreed to extend this period to 120 days for the repayment of the first tranche of €10 million, i.e. until 6 September 2018. At the date of this Half Year Financial Report the EIB Financing has been completely reimbursed.

In order to select the financing solution that best protects the interests of EPS and of all of its shareholders, EPS decided to proceed with a capital increase with preferential subscription rights (Rights Issue), for an amount of €30.3 million. ENGIE (through its subsidiary GDF International), committed to subscribe on an irreducible basis to the capital increase of up to 1,911,552 new shares and on a reducible basis for up to 1,280,163 new shares, so that the subscription for the issue was 100% insured. On 6 August 2018, EPS announced the successful completion of its capital increase with shareholders' preferential subscription rights (the "Rights") with the subscription period running from July 20, 2018 to July 30, 2018 (the "Rights Issue"). The final gross proceeds of the transaction amounted to €30,321,292.50, corresponding to the issuance of 3,191,715 new shares. Total demand for this Rights Issue amounted to approximately €48.6 million, i.e. a subscription rate of approximately of 160.3% (or €36.4 million, i.e a subscription rate of 120.2%, excluding ENGIE reducible order described below): 3,104,659 new shares were subscribed on an irreducible basis ("à titre irréductible"), representing approximately 97.3% of the number of new shares to be issued; orders subject to reduction ("à titre réductible") amounted to 2,012,090 new shares and will, as a result, only be partly allocated, in the amount of 87,056 new shares. ENGIE (through its subsidiary GDF International), which owned 59.89% of the capital and voting rights of EPS at the date of the capital increase completion and had irrevocably committed to subscribe on an irreducible basis ("à titre irréductible") to the Rights Issue for 1,911,552 new shares and on a reducible basis ("à titre réductible") for 1,280,163 new shares, in order to ensure that subscription to the Rights Issue would reach 100%, has eventually subscribed for a total number of 1,986,796 new shares.

Covenants

In the frame of the Mediocredito Italiano credit line to EPS Manufacturing, the Group is subject to the following financial covenant: consolidated equity equal or higher than €6 million. If the equity is lower than €6 million, EPS has in any event available a cure period of 30 days to carry-out a capital increase. Mediocredito Italiano has been informed of the consolidated equity lower than €6 million and on March 2018 waived the covenant and suspended its application until 31 December 2018. In addition to that, it has to be noted that a 30.3 capital increase was completed on August 2018, as descripted above.

Regarding the other credit lines, only information covenants are set out in the respective Facility Agreements. The table below illustrates all Group obligations:

	- **FINANCIAL COVENANTS AND OBLIGATIONS**	- **INFORMATION**
Unicredit	• Maintenance of the accounting standards	***before May 30th of each year:***

	• Not sharing of the profit • No disposal of assets (exception for the ordinary business management) • Negative pledge (exception: transfer of commercial credits, VAT credits included, for working capital need about disinvestment operations) • *Pari passu* • Prohibition of company's by.laws changes • Change of control -	• Financial Statement and Consolidate Financial Statement (attached with Shareholders' Meeting Approval Memorandum; Notes to the Financial Statement; Report of the Board of Auditors; Management Report; Accounting Firm Certification) • Compliance Certificate (of the compliance with the Covenants, signed by the legal representative (before May 30^{th}) • Copy of the shareholders' register ***Any time***: • Events that could bring default to the recipient • Threaten or pending controversies whose ending could compromise the punctual refund ability of the company; • Changes of the legal framework or of the ownership (directors, auditors and shareholders included); • Other applications for medium-long term financings
Mediocredito	• Negative pledge • *Pari passu* • Equity shown in the Consolidated Financial Statement equal to or higher than (6) six million (otherwise, the Company has to find a remedy within (30) thirty days since the communication date to the Bank)	• insolvency proceeding about any Group's entity; • dissolutions, mergers, acquisitions or founding one or more assets allocated to a particular business; • resolution or event that could create a shareholder's right to withdraw; • shareholders' exercising, if any, of their right to withdraw; • decrease of the share capital; • transfer of activity or significant modification, or transfer of the company or branch property / use; • defining act which by a third party acquires, in any way, the debt deriving from the Mediocredito loan; • changes of the end use of the goods referred to the project; • changes of the shareholders' framework have to be transmitted within 10 days. ***Before 2017 September 30^{th}:*** technical report about the completion of the project, using a form attached to the agreement. ***Before July 31^{st} of each year***: Legal Representative declaration attached with a copy of (i) Financial Statement with attachments and (ii) Consolidated Financial Statements with attachments, not drafted in short way.

Banca Sella	Not Applicable	• substantial changes of the activity scope • changes of the shareholders' framework
Intesa Sanpaolo	Not Applicable	There isn't a specific obligation on working capital credit line facilities.

4.28 Net financial position

The Net Financial Position decrease by 915 k€ during the last 3 periods reflects the investments made by the Group to set up the current industrial footprint, product industrialization and business results along with the support of the banking system and in particular of Intesa Sanpaolo as house bank of the Group.

The cash position at 30 June 2018, represented by liquid assets, amounted to € 3.9 million compared to € 4.2 million at the end of 2017.

NET FINANCIAL POSITION (amounts in Euro)	**30/06/2018**	**31/12/2017**	**30/06/2017**
Cash and cash equivalent	3,900,009	4,237,540	11,393,329
Cash at banks and petty cash	*3,900,009*	*4,237,540*	*11,393,329*
Net financial debts	(17,135,642)	(16,557,841)	(17,391,819)
Current financial liabilities	*(14,822,462)*	*(3,154,739)*	*(3,155,341)*
Non current financial liabilities	*(2,313,180)*	*(13,403,102)*	*(14,236,477)*
NET FINANCIAL POSITION	**(13,235,633)**	**(12,320,301)**	**(5,998,490)**
Other financial liabilities - Revaluation of European Investment Bank warrants liabilities (IFRS 2)	(0)	(3,086,219)	0
NET FINANCIAL POSITION - considering Revaluation of European Investment Bank warrants liabilities (IFRS 2)	(13,235,633)	(15,406,520)	(5,998,490)

Net financial position as at 30 June 2018 was negative for €13.3 million; however, the Group also uses the Adjusted Net Financial Position that considers the VAT receivable outstanding for €0.4 million, the net outstanding amount of trade working capital (including WIP for construction contracts whose respective revenues aren't recognized during the current period) for € 2.8 million, and the capital increase closed on August 2018 for €30.3 million (please refer to paragraph 4.27 for further details), net of the EIB Financing prepayment. The Adjusted net financial position amounts to €10.3 million.

ADJUSTED NET FINANCIAL POSITION (amounts in Euro)	**30/06/2018 (*)**	**31/12/2017**	**30/06/2017**
Net Financial Position	(13,235,633)	(12,320,301)	(5,998,490)
VAT Receivables	474,208	1,723,841	885,541
Capital Increase closed on August 2018	30,321,293	0	0
EIB Financing prepayment (September 2018)	(10,000,000)	0	0
Trade WC (including IFRS 15 impacts on inventories and Advances from client)	2,757,740	4,857,839	1,990,187
Total	**10,317,609**	**(5,738,621)**	**(3,122,762)**

(*) Pro-forma

4.29 Related party disclosures

Pursuant to IAS 24, the Group's related parties are entities and individuals capable of exercising control, joint control or significant influence over the Group and its subsidiaries.

The Group carries out transactions with related parties at arms' length. The principal operations with associated parties are:

- Agreement with 360 Capital Partners (shareholder until 7 March 2018): on 1 January 2017 the Company renewed the sublease agreement with 360 Capital Partners for the occupation of its registered office in Paris (1st Arrondissement), 13 avenue de l'Opéra, for a monthly rent of one thousand (1,000) € excluding taxes and for the duration of one year, renewable for the same additional period. The annual rent for

2017 was 12 k€. Such agreement terminated on 28 May 2018, as per termination notice sent by the Company to 360 Capital Partners. On 28 May 2018, the agreement has been renewed at the same terms and conditions, for the duration of 7 months, expiring on 31 December 2018.

- Agreement with Elvi Fin S.p.A. (sole shareholder of Elvi Elettrotecnica Vitali, shareholder of the Group until 7 March 2018): EPS Elvi concluded a sublease agreement with Elvi Fin S.p.A. for the occupation of its Manufacturing & Systems R&D offices in Delebio, Sondrio (Italy) for a duration of 6 years (starting from 1 January 2016), to be tacitly renewed for another 6 years. In the First Half 2018 the amount referred to this agreement was 22.5 k€.

- Agreement will Elvi Elettrotecnica Vitali (shareholder of the Group until 7 March 2018): The agreement with Elvi Elettrotecnica Vitali. The service agreement in force grants the Group with highly-qualified workforce, skills and equipment, activating in outsourcing the following services: technical office, warehouse, workshop, project management and logistics, procurement. During the First Half 2018 the amount of costs related to the agreement was 206 k€.

- Agreements with the company Prima Electro S.p.A. (shareholder of the Group until 7 March 2018): Prima Electro S.p.A. is one of the Group's principal shareholders and the preferential supplier of electronic components for electricity and control, specially developed for the Group's products. EPS Manufacturing has established various agreements with Prima Electro S.p.A., relating to supply, R&D and a leasing agreement for commercial use. During the First Half 2018 the amount of expenses related to the agreement was 44 k€.

- Agreement with Cautha S.r.l. (a company for which Giuseppe Artizzu, Executive Director of the Group as of 7 March 2018, is a director): EPS Manufacturing concluded on 10 of July 2015 a one-year sublease agreement with Cautha S.r.l., renewed for an additional year and expiring on July 2018, for the occupation of its registered office in Piazza del Tricolore 4 Milan (Italy). The annual rent (excluding taxes) is 14 k€.

- Agreement with ENGIE Lab Singapore (a company belonging to the ENGIE group, the majority shareholder of the Company): On 21 September 2017, EPS Elvi entered into an agreement with ENGIE Lab Singapore for the supply of a P2P hydrogen system (its articles, materials, equipment, design and drawings, data and other materials) on the island of Semakau (Singapore). Delivery of the equipment is expected to start in December 2018. The value of the agreement is 663 k€.

Board and key directors compensations amount to 1,066€ includes all members of EPS Board of Directors, all board members of the Group Companies and all members of the Executive Committee. The board compensation is determined by the Annual General Shareholdings' Meeting and subject to the advice of the Remuneration Committee. It is paid on a current basis and no indemnity leave or share based compensations where agreed on the past.

As in previous year the Chief Executive Officer and the Executive Director compensation is not included in Other Operating Expenses, but it has been reclassified in the item Personnel costs, because both Directors played a full operative role in the business and corporate strategy of the Group.

However, for sake of clarity, the board compensation outlined in this section includes the cost for the Board and the salary of the Chief Executive Officer and the Executive Director.

4.30 Loan commitments and guarantees and off-balance sheet commitments

The amount of off-balance sheet commitment concerning the Group is equal to 1,512 k€ and refers to guarantees emitted on behalf of customers.
The Group has operating leases mainly in connection with rental of offices. The future minimum lease payments under non-cancelable operating leases over 2018-2022 period amount to 714 k€.

In the agreement with Enel / Endesa related to the project “Litoral” there are 3 options related to dismantling and spare parts for which EPS could incur future costs, although it is believed that the benefits deriving from the reuse of such goods (second-life batteries) may be higher than potential costs

4.31 Subsequent events

Except for those listed below, no other significant events occurred between the balance sheet date and the date when the Board of Directors authorized the Half Year Financial Report for issue.

- **Capital increase**: On 16 July 2018 EPS announced the terms of its capital increase with shareholders’ preferential subscription rights for a gross amount of approximately €30.3 million (the “Right Issue”). The net proceeds will be use to reimburse financings coming due in the amount of €12.4 million (including the first tranche of €10 million due under the EIB Loan Reimbursement), with the remainder intended to serve, with the Company’s cash on hand and bank financing sources, to finance additional working capital needs (in the amount of €11 million over the next twelve months), and in particular the 2020 Strategic Plan (notably investment in R&D and technology) and complementary activities in relation to the implementation of Project Development (including implementation of necessary commercial infrastructure).

  On 6 August 2018, EPS announced the successful completion of its capital increase with shareholders’ preferential subscription rights (the “Rights”) with the subscription period running from July 20, 2018 to July 30, 2018 (the “Rights Issue”). The final gross proceeds of the transaction amounted to €30,321,292.50, corresponding to the issuance of 3,191,715 new shares. Total demand for this Rights Issue amounted to approximately €48.6 million, i.e. a subscription rate of approximately of 160.3% (or €36.4 million, i.e a subscription rate of 120.2%, excluding ENGIE reducible order described below): 3,104,659 new shares were subscribed on an irreducible basis (“à titre irréductible”), representing approximately 97.3% of the number of new shares to be issued; orders subject to reduction (“à titre réductible”) amounted to 2,012,090 new shares and will, as a result, only be partly allocated, in the amount of 87,056 new shares. ENGIE (through its subsidiary GDF International), which owned 59.89% of the capital and voting rights of EPS at the date of the capital increase completion and had irrevocably committed to subscribe on an irreducible basis (“à titre irréductible”) to the Rights Issue for 1,911,552 new shares and on a reducible basis (“à titre réductible”) for 1,280,163 new shares, in order to ensure that subscription to the Rights Issue would reach 100%, has eventually subscribed for a total number of 1,986,796 new shares.

  EPS’ share capital, following the Rights Issue, will amount to €2,553,372, represented by 12,766,860 shares with a par value of €0.20 each. ENGIE (through its subsidiary GDF International) will own 60.5% of the capital and voting rights of EPS.

- **EIB repayment**: On 6 September 2018, in compliance with the prepayment agreement signed with the EIB, EPS proceeded with the early repayment the EIB Financing for a total amount of €10 million.

4.32 Concordance table

AMF requirements on the half yearly financial report (art. 222-4 and 222-6 AMF General Regulation)	Chapter
Complete or condensed accounts for the past Half Year, in consolidated form where necessary, prepared either under IAS 34 or in accordance with Article 222-5	2
An interim management report which: - shall describe the material events that occurred in the first six months of the financial year and their impact on the interim accounts - shall describe the principal risks and uncertainties for the remaining six months of the year - shall disclose, as major related parties' transactions (i) Related parties' transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or the performance of the issuer during that period; (ii) Any changes in the related parties' transactions described in the last annual report that could have a material effect on the financial position or performance of the issuer in the first six months of the current financial year. A statement made by the natural persons taking responsibility for the half-yearly financial report, whose names and functions are clearly indicated, to the effect that, to the best of their knowledge, the accounts are prepared in accordance with the applicable set of accounting standards and give a true and fair view of the assets, liabilities financial position and profit or loss of the issuer and the undertakings in the consolidation taken as a whole, and that the interim management report includes a fair review of the information referred to in Article 222-6	1-3
The statutory auditors' report on the limited review of the aforementioned accounts. Where the legal provisions applicable to the issuer do not require a report from the statutory or regulatory auditors on the interim accounts, the issuer shall mention this in its report	