

2020-2022 FINANCIAL AND STRATEGIC UPDATE

TRANSITION AND FOCUS, REVISED GUIDANCE AND ENGIE SUPPORT

- Focus on mainstream business lines: Grid Support and Microgrids
- Technology play in the new market segment of utility-scale Solar-plus-Storage
- Longer term play on e-mobility with Vehicle-to-the-Grid applications
- Slower growth during the transition, 2020 revenue guidance reduced to €40m, outstanding €100m revenue target postponed to 2022 and Backlog¹ reduced to €36m
- Reaffirmed support of ENGIE and financial backing confirmed

ENGIE EPS' Chief Executive Officer, Carlalberto Guglielminotti presented today the 2020-2025 Long Term Strategic Plan to the Board of Directors of Electro Power Systems S.A. (ENGIE EPS).

The Board of Directors of Electro Power Systems S.A. (ENGIE EPS) approved the new strategic focus, the 2020 revised target, and the 2022 financial guidance. The Board of Directors also acknowledged the 2020-2025 Long Term Strategic Plan presented by the management.

* * *

ENGIE EPS' Strategy has been historically focused on two storage market segments, as represented in its 2018 Registration Document:

- **Grid Support Solutions:** where ENGIE EPS' technology is aimed at providing customers with large scale hybrid storage solutions and energy storage systems to master the intermittency of renewables and address the burgeoning demand for ancillary services; and
- **Off-Grid Power Generation Solutions, or "Microgrids":** ENGIE EPS' technology in this market is aimed at enabling renewables as a reliable and affordable stand-alone power source in emerging markets, displacing diesel and oil-fired generation.

In addition to the above two segments, as announced in 2017 with the 2020 Strategic Plan, ENGIE EPS has long been nurturing important ambitions in e-Mobility, as the expected game changing impact of electrical vehicles could provide a storage and power electronics expert such as ENGIE EPS with significant growth potential. In this sector, ENGIE EPS has maintained active R&D efforts, and most

¹ Backlog means, as of a given date, the estimated revenues 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.



importantly acted as a technology partner to Fiat Chrysler Automobiles (FCA) since 2016 and will continue its technological play in the segment of Vehicle-to-the-Grid.

REFOCUS ON MAINSTREAM BUSINESS

The new strategy strengthens the focus on Grid Support and Microgrids market segments, but with a renewed and more streamlined approach.

(1) Microgrids

This market segment, historically core for ENGIE EPS and characterized by the diesel replacement business model in off-grid or weak grid areas, now includes also the new segment Solar-plus-Storage:

- **Off-Grid Microgrids:** this solution continues to represent an important share of ENGIE EPS' pipeline². The customer value proposition of this application is enabling renewables as a reliable and affordable stand-alone power source in emerging markets, displacing diesel and oil-fired generation with all-in cost competitive solutions.
- **Utility-Scale Solar-plus-Storage:** 2018 and so far 2019 witnessed the taking off of "Solar-plus-Storage" market around the world. Driven by the extensive deployment and falling costs of solar and storage technologies, more and more power producers, operators and investors assessed the convenience of a centralised application with solar and storage coupled onsite.

(2) Grid Support

In this segment ENGIE EPS will address standalone multi-megawatt scale storage plants aimed at providing grid operators and conventional power plants with energy storage systems addressing the burgeoning demand for primary, secondary and tertiary reserve, reactive power and black-start capabilities, aimed at lowering grid costs and therefore electricity. In addition, this segment includes large scale energy storage systems for power quality applications and demand side management, addressing mainly commercial and industrial users, as well as e-mobility.

- **Utility-Scale Storage:** this application includes all standalone utility-scale plants in front-of-the-meter built to provide services at the grid level, including ancillary services, energy-shifting, peaking capacity and transmission services. This market will be big in the short and mid-terms, while it might be partially cannibalized after 2030 by behind-the-meter installations.
- **Thermal Power Plants retrofitting:** ENGIE EPS has a great experience in hybridization of thermal power plants, particularly after the successful commissioning of the 20MW system in Spain and the new 7 MW project in Italy with ENGIE.
- **Power Quality:** this application includes large-scale storage solution aimed to provide commercial and industrial users with energy storage systems including different services, namely reducing their energy bills, by peak-shaving their consumption profile, optimizing the utilization of distributed

² Pipeline means the estimate, to date, of the amount of potential projects, tenders and requests for proposal for which the ENGIE EPS Group has decided to participate or respond.



generation, enabling participation in demand-response schemes, and furthermore delivering sustainable power-quality and backup power.

- **Vehicle-to-the-Grid:** the diffusion of EVs is expected to dramatically change the electric grid scenario in the next few years. Vehicle-to-the-Grid applications to stabilize electrical grids with EVs and second-life battery use in stationary storage might be a game changer.

SELECTIVENESS ACROSS BUSINESS LINES

ENGIE EPS has historically addressed on a global scale emerging countries and developed economies on a wide scope of existing and future solutions.

However, selectiveness and focus will be instrumental for ENGIE EPS to fully deliver the ambitious growth targets.

In this respect, the new strategy outlines the necessity for ENGIE EPS to prioritize efforts and resource allocation on the markets where: (i) storage is most promising, e.g. with favorable regulation and already announced tenders and (ii) ENGIE has the ability to support the ENGIE EPS efforts.

To the same extent, ENGIE EPS will sharpen its business segments and focus exclusively to the newly rationalized mainstream businesses.

BUSINESS MODEL AND BACKLOG UPDATE

Eventually, in terms of business model, since 2015 ENGIE EPS had started a strategic shift from a pure technology provider play to an EPC contractor business model to address its customers' needs to have a turn-key contractor and single point of responsibility.

In the new strategy EPC activity will continue to be a valuable business model in Off-Grid Microgrids, Utility-scale Storage, Thermal Power Plant retrofitting and Power Quality.

For the new Solar-plus-Storage segment ENGIE EPS cannot realistically provide EPC solutions because of the very large size of projects inconsistent with ENGIE EPS's balance sheet.

Nonetheless ENGIE EPS has already defined with ENGIE Solar a suitable structure where ENGIE EPS can leverage its competitive advantage by playing its natural role as a system integrator and technology provider for the energy storage system, or even for the power island in the case of projects of limited size. This would be the case for the project with ENGIE Solar in Mexico, where ENGIE EPS negotiated with ENGIE Solar an expanded role as supplier of the entire power island.

The short term consequence of this adjusted strategy is the reduction of the Backlog from €52m to €36m. However this ensures a more sustainable business model for ENGIE EPS in the medium term, especially in light of the larger size of Utility-Scale Solar-plus-Storage tenders already announced in the market.

REVISED 2020 TARGETS, ENGIE SUPPORT AND LONG TERM AMBITION

The refocusing and selectiveness approach outlined in the 2020-2025 Strategic Plan, coupled with the Backlog reduction arising from a more industrial and technology oriented business model, implies slower growth during the transition.



Therefore the 2020 revenue guidance has been reduced to €40m and the outstanding €100m revenue target postponed to 2022. Results of the new strategy should materialize in the medium term, with a sustained strong revenue and margin growths. In this respect, the ENGIE EPS management has presented an indicative ambition for 2025 of €400m revenues in its 2020-2025 Long Term Strategic Plan.

In this context, ENGIE has confirmed its strong support for the new strategy, through:

- including ENGIE EPS in the scope of the Renewables Global Business Line which will be implemented in the next few weeks³; and
- meeting ENGIE EPS' short term cash needs and working capital exposure in form of intercompany lending

The Investor Conference Call is scheduled on 24 June 2019 at 8:00am CET, the dial-in and the presentation will be available on the corporate website: engie-eps.com/financial-calendar.

In addition, the webcast of the investor conference call will be available on the corporate website: engie-eps.com/media in the *Investor Call* section, on the same day starting from 1:00pm.

About ENGIE EPS

ENGIE EPS is part of the ENGIE group and specializes in microgrids and storage solutions that enable intermittent renewable sources to be transformed into a stable power source. Listed on Euronext Paris (EPS:FP), ENGIE EPS is listed in the CAC® Mid & Small and the CAC® All-Tradable indices. Its registered office is in Paris and conducts its research, development and manufacturing in Italy. Thanks to technology covered by 130 patents and applications, ENGIE EPS develops utility scale energy storage systems to stabilize electrical grids that are heavily penetrated by renewable sources in developed countries, and microgrids in islands and emerging economies to power off-grid areas at a lower cost than fossil fuels. More information on www.engie-eps.com

About ENGIE

Our Group is a global reference in low-carbon energy and services. In response to the urgency of climate change, our ambition is to become the world leader in the zero-carbon transition "as a service" for our customers, in particular global companies and local authorities. We rely on our key activities (renewable energy, gas, services) to offer competitive turnkey solutions. With our 160,000 employees, our customers, partners and stakeholders, we are a community of Imaginative Builders, committed every day to more harmonious progress. Turnover in 2018: EUR 60.6 billion. The Group is listed on the Paris and Brussels stock exchanges (ENGI) and is represented in the main financial indices (CAC 40, DJ Euro Stoxx 50, Euronext 100, FTSE Eurotop 100, MSCI Europe) and non-financial indices (DJSI World, DJSI Europe and Euronext Vigeo Eiris - World 120, Eurozone 120, Europe 120, France 20, CAC 40 Governance).

Press contact

eps@imagebuilding.it



ENGIEgroup

Investor Relations contact

ir@engie-eps.com

³ The creation of this Business Line is the subject of a consultation process with the ENGIE's relevant employee representative bodies and will therefore take effect at the end of this process in July 2019.