

ELECTRO POWER SYSTEMS ACCELERATES DEVELOPMENT AND STRENGTHENS ITS MANAGEMENT TEAM TO SUPPORT GROWTH

- The Group's first half 2016 consolidated revenue was € 2.6 million and its backlog¹ of orders was € 6.0 million
- Gross margin was € 1.1 million, equal to 42% of consolidated revenue in the first half of 2016
- The Group's net financial position was € 2.8 million at the end of June 2016² and, as of September 2016, it received a new credit line of € 2.5 million from Unicredit to support growth
- Projects pipeline conversion rate³ increasing to 10%
- Solid project pipeline in Africa and Asia, thanks to technological partnerships and credentials with Enel, Toshiba, Terna, Necsom and General Electric
- Planned in Chile the commissioning of the first hybrid power plant with HyESS integrated with the hydrogen-storage module
- Reorganisation of its management team and Group governance: Paolo Morandi appointed Chief Operating Officer along with three new highly experienced executives, including Paolo Bonetti as Chief Financial Officer, Michela Costa as Executive Vice President of Operations and Andrea Rossi as Chief Business Officer

Paris/Milan, 20 September 2016 – The Board of Directors of **Electro Power Systems S.A.** ("EPS", or the "Group"), a pioneer in technology for clean-energy storage solutions, chaired by Massimo Prelz Oltramonti, has examined and approved its Half-Year 2016 Financial Report.

FINANCIAL OPERATIONAL HIGHLIGHTS

In the first half of 2016, the Group's consolidated revenue was € 2.615.517, compared to € 198.429 in the first half of 2015. The Group's backlog of orders is equal to € 6.0 million, and its project pipeline conversion rate increased to 10%.

Growth in sales, orders backlog and project pipeline are mainly due to the Group's development strategy focus, since 2015 second half, in:

1. emerging countries through hybrid systems (*Hybrid Energy Storage System - HyESS*) that use only renewable sources and storage technologies to generate energy at low cost; and
2. developed markets, through strong technological partnerships and credentials with Enel, Toshiba, Terna and General Electric.

The Group's development strategy places 80% of the project pipeline in Africa and Asia, where, even before the planned commercial and service network on the territory is built, the low-cost hybrid energy solutions proposed by the Group have sparked strong interest.

Thus, EPS entered an agreement with Necsom in Eastern Africa to begin the second phase of an innovative power plant in the Horn of Africa. This hybrid power plant, located in Garowe, in Somalia's Puntland state, powered by solar and wind turbines in addition to traditional generators, by storing energy, will be able to transform intermittent renewable sources installed by the Group into a stable power source, saving more than 1 million litres of diesel yearly and cutting electricity bills by 17%.

The first half of 2016 financial results show a gross margin of € 1.092.368, representing 42% of the Group's consolidated revenue, confirming the Group's business and technology profitability.

¹ Backlog means (i) invoices already issued in 2016, but not yet recorded as revenues; (ii) purchase orders already received as at the date of this press release and (iii) revenues already contracted or expected to be generated in 2016 and/or 2017 on the basis of agreements currently in place.

² According to the Liquidity Agreement, € 0.1 million in our own shares and liquidity were included, increasing the net financial position to € 2.9 million, the figure announced in our 28 July 2016 press release.

³ Pipeline Conversion rate means the amount in euro of backlog of orders, divided by the nominal aggregate amount of total projects in pipeline.

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In alignment with its recent emphasis on development strategy and growth, the Group's staff and operating costs have increased to € 1.830.867 and € 1.279.589, respectively, mainly as a consequence of the 2016 first half acquisition of Elvi Energy, which has played a pivotal role in executing the Group's new strategy.

At the end of the first half of 2016, the Group's net financial position was € 2.807.968, compared to € 8.285.208 as of 31 December 2015, mainly due to increases in working capital caused by a jump in orders backlog and to investments in research and development aimed to implementing both the HyESS and the hydrogen module.

Certification testing of the hydrogen module integrated with HyESS was successfully completed in July, after tests conducted by leading international laboratories. First commissioning of the system has been planned in Chile with a global utility.

To further support its growth, in July 2016, the Group received a short-term credit line of € 0.5 million from Unicredit, to provide additional working capital and a medium-long term credit line of € 2 million mainly dedicated to EPS's development plan. The relevant facility agreements were entered on 19 September 2016 and the medium-long term credit line has been drawn down on the same date.

As of 30 June 2016, little more than a year after its IPO on the regulated market, the Group had installed 46.3 MWh of energy-storage systems and 8.6 MW of hybrid power plants in 21 countries, in projects involving high profile clients and strategic partners including Terna, Enel, Necsom, Toshiba and General Electric.

NEW ORGANIZATIONAL STRUCTURE

As a result of the acquisitions finalised in the first half of 2016 and of the Group's recent growth, EPS has reorganised its management team and Group governance.

Paolo Morandi, who has more than 15 years of experience in ABB and AEG, then General Manager of Elvi Elettrotecnica Vitali S.p.A, has been appointed as Group's Chief Operating Officer.

In addition, the Group's executive team and corporate governance has been strengthened with the addition of the following three highly experienced professionals:

- Paolo Bonetti after key roles in Rabobank, Fiat Group and Banca IMI and more than 10 years of experience as Chief Financial Officer at The Royal Bank of Scotland, CDB Webtech and M&C, has been appointed Chief Financial Officer.
- Michela Costa, PhD and qualified lawyer, was a senior associate at Clifford Chance and then General Counsel at British Petroleum and Sorgenia for 10 years. She has been appointed Executive Vice President of Operations and will coordinate the Group's HR, Legal and Corporate Affairs, Safety and Communications departments.
- Andrea Rossi, MBA, was an investment banker at Merrill Lynch and Thomson Reuters, an entrepreneur in Restopolis (which today is TheFork.it, of the Tripadvisor Group) and Chief Financial Officer at Vailog. Andrea has been appointed Chief Business Officer and is responsible for internal control and related operations and for Group's information system.

Finally, in the context of the technology valorisation of the Group:

- Daniele Rosati, PhD in electrical engineering, visiting professor at Politecnico of Milan and responsible for developing and commissioning the most complex projects in the energy-storage field, including the Terna Power Intensive Project approved by the Italian Ministry of Economic Development (MiSE) within the 2012 Defense Plan to increase the security of the Italian electricity system, has been appointed the Group's Executive Vice President responsible for engineering.
- Nicola Vaninetti, who has more than 15 years of experience in power electronics for renewable energy systems and storage of the most complex hybrid power plants, has been appointed Executive Vice President responsible for products and hybrid solutions.

EPS announces that Fabio Magnani, Chief Operating Officer, left the Group on 31 August 2016. The Group thanks him for his work.

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About Electro Power Systems

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

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

The Group's mission is to unlock the energy transition by mastering the intermittency of renewable energy sources. By providing cutting-edge systems to control the intermittency of renewables—enhanced by storage technologies—and its unique hydrogen and oxygen storage platform, which enables longer autonomy without resorting to diesel- or gas-fuelled generators, the Group enables communities to be powered by renewable energies 24/7 more cleanly and less expensively. EPS is listed on the French regulated market, Euronext, is part of the CAC® Mid & Small and the CAC® All-Tradable indices and has registered offices in Paris and research, development and manufacturing in Italy. The Group has installed or under commission more than 10.5 MW of energy storage systems grid, 8.6 MW of hybrid power plants powered by renewables and energy storage and 3 MW of hybrid systems with hydrogen, for an aggregate output of 46.3 MWh and 22.1 MW in 21 countries worldwide, including the United States and countries in Europe, Latin America, Asia, and Africa.

For more information: www.electropowersystems.com.

ATTACHMENTS

1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1.1 Consolidated Income Statement

CONSOLIDATED INCOME STATEMENT (amounts in Euro)	30/06/2016	31/12/2015	30/06/2015
Revenues	2.615.517	381.521	198.429
Other income	8.683	266.495	266.021
Cost of goods sold	(1.531.832)	(135.357)	(389.405)
GROSS MARGIN FROM SALES	1.092.368	512.659	75.045
Other costs for product development	(20.997)	(595.890)	0
Personnel costs	(1.830.867)	(1.720.150)	(702.474)
Other operating expenses	(1.279.589)	(1.348.270)	(1.133.063)
EBITDA (1)	(2.039.085)	(3.151.651)	(1.760.492)
Stock options and warrant plans	(1.332.794)	(4.646.452)	(1.729.764)
Amortization and depreciation	(486.866)	(86.259)	(26.095)
Impairment and write down	65.071	80.369	52.129
Non-recurring income and expenses	(738.737)	(2.850.353)	(1.548.885)
EBIT (1)	(4.532.411)	(10.654.346)	(5.013.107)
Net financial income and expenses	(8.559)	(7.984)	(5.313)

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Income taxes	(116.018)	64.806	64.806
NET INCOME (LOSS)	(4.656.988)	(10.597.524)	(4.953.614)
Attributable to:			
Weighted average number of ordinary shares	7.881.807	5.487.201	3.677.178
BASIC EARNINGS PER SHARE	(0,59)	(1,93)	(1,35)

(1) EBITDA and EBIT are not defined by IFRS. They are defined in notes 3.6 and 3.10 of the Half Year Financial Report 2016 of the Group.

1.2 Consolidated Statement of Other Comprehensive Income

OTHER COMPREHENSIVE INCOME (amounts in Euro)	30/06/2016	31/12/2015	30/06/2015
NET INCOME (LOSS)	(4.656.988)	(10.597.524)	(4.953.614)
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax)			
Exchange differences on translation of foreign operations	(418)	(5.448)	45
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax)			
Actuarial gain and (losses) on employee benefits	(38.933)	(2.973)	0
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF TAX	(39.351)	(8.421)	45
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	(4.696.339)	(10.605.945)	(4.953.569)
ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	(4.696.339)	(10.605.945)	(4.953.569)

1.3 Consolidated Balance Sheet

ASSETS (amounts in Euro)	30/06/2016	31/12/2015	30/06/2015
Property, plant and equipment	912.097	748.115	68.133
Intangible assets	4.456.981	820.243	135.251
Other non-current financial assets	90.364	65.582	788
TOTAL NON-CURRENT ASSETS	5.459.442	1.633.940	204.172
Trade receivables	2.510.849	1.152.197	646.528
Inventories	1.610.934	938.933	786.183

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Other current assets	1.541.521	3.602.430	1.056.456
Cash and cash equivalent	2.808.017	8.573.811	10.813.712
TOTAL CURRENT ASSETS	8.471.321	14.267.371	13.302.879
TOTAL ASSETS	13.930.763	15.901.311	13.507.051
EQUITY AND LIABILITIES (amounts in Euro)	30/06/2016	31/12/2015	30/06/2015
Issued capital	1.576.361	1.576.361	1.436.061
Share premium	18.082.718	18.082.718	13.581.573
Other reserves	5.643.809	4.394.930	1.550.481
Retained earnings	(11.626.584)	(1.029.060)	(1.029.060)
Profit (loss) for the period/year	(4.656.988)	(10.597.524)	(4.953.614)
TOTAL EQUITY	9.019.316	12.427.425	10.585.441
Severance indemnity reserve	598.411	336.403	315.585
Non-current deferred tax liabilities	249.166	0	0
TOTAL NON-CURRENT LIABILITIES	847.577	336.403	315.585
Trade payables	2.934.114	2.111.877	1.525.977
Other current liabilities	1.037.531	999.862	1.080.048
Current financial liabilities	63.192	25.744	0
Income tax payable	29.033	0	0
TOTAL CURRENT LIABILITIES	4.063.870	3.137.483	2.606.025
TOTAL EQUITY AND LIABILITIES	13.930.763	15.901.311	13.507.051

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1.4 Consolidated Statement of Changes in Equity

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (amounts in Euro)	Share Capital	Premium Reserve	Other Reserves	Retained Earnings (Losses)	Profit (Loss) for the period	TOTAL NET EQUITY
Net Equity as at June 30, 2015	1.436.061	13.581.573	1.550.481	(1.029.060)	(4.953.614)	10.585.441
EPS Group Reorganization	0	0	0	293.989	(293.989)	0
Previous year result allocation	0	0	0	(293.989)	293.989	0
Treasury shares	0	0	(63.772)	0	0	(63.772)
Stock option and warrants	0	0	2.916.580	0	0	2.916.580
Shareholder's capital contribution (IPO)	0	71.754	0	0	0	71.754
Shareholder's capital increase	140.300	4.429.391	0	0	0	4.569.691
<i>Loss for the period</i>	0	0	0	0	(5.643.910)	(5.643.910)
<i>Other Comprehensive Income</i>	0	0	(8.359)	0	0	(8.359)
<i>Actuarial gains and losses on defined benefit plans</i>	0	0	(2.973)	0	0	(2.973)
<i>Currency translation differences</i>	0	0	(5.386)	0	0	(5.386)
Total comprehensive income	0	0	(8.359)	0	(5.643.910)	(5.652.269)
Net Equity as at December 31, 2015	1.576.361	18.082.718	4.394.930	(1.029.060)	(10.597.524)	12.427.425
EPS Group Reorganization	0	0	0	0	0	0
Previous year result allocation	0	0	0	(10.597.524)	10.597.524	0
Treasury shares	0	0	(44.564)	0	0	(44.564)
Stock option and warrants	0	0	1.332.794	0	0	1.332.794
Shareholder's capital contribution (IPO)	0	0	0	0	0	0
Shareholder's capital increase	0	0	0	0	0	0
<i>Loss for the period</i>	0	0	0	0	(4.656.988)	(4.656.988)
<i>Other Comprehensive Income</i>	0	0	(39.351)	0	0	(39.351)
<i>Actuarial gains and losses on defined benefit plans</i>	0	0	(38.933)	0	0	(38.933)
<i>Currency translation differences</i>	0	0	(418)	0	0	(418)
Total comprehensive income	0	0	(39.351)	0	(4.656.988)	(4.696.339)
Net Equity as at June 30, 2016	1.576.361	18.082.718	5.643.809	(11.626.584)	(4.656.988)	9.019.316

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1.5 Consolidated Statement of Cash Flows

CASH FLOW STATEMENT (amounts in Euro)	1st Half 2016	Full Year 2015	1st Half 2015
Operating activities			
Net Profit (Loss)	(4.656.988)	(10.597.524)	(4.953.614)
Non-cash adjustment to reconcile profit before tax to net cash flows			
Amortization and depreciation	486.866	86.259	26.095
Impairment and write down	(65.071)	(80.369)	(52.129)
Stock option and warrant plan accrual	1.332.794	4.646.452	1.729.764
Defined Benefit Plan	0	31.956	31.956
Income related to composition with creditors	0	(235.933)	(235.933)
Working capital adjustments	0	0	0
Decrease (increase) in trade and other receiv and prepayments	677.475	(3.790.569)	(350.240)
Decrease (increase) in inventories	(606.930)	(158.903)	(34.393)
Increase (decrease) in trade and other payables	1.137.687	745.226	222.233
Increase (decrease) in non-current liabilities	223.075	11.764	(9.054)
Net cash flows from operating activities	(1.471.092)	(9.341.641)	(3.625.315)
Investments			
Net Decrease (Increase) in intangible assets	(1.332.422)	(706.846)	0
Net Cash flow deriving from business combination	(2.740.902)	0	0
Net Decrease (Increase) in tangible assets	(214.262)	(726.261)	(7.970)
Net cash flows from investments activities	(4.287.586)	(1.433.107)	(7.970)
Financing			
Reimbursement of Financial Loans	0	0	0
Increase (decrease) in bank debts	37.448	0	0
Shareholders cash injection	0	0	0
Purchase of treasury shares	(44.564)	(63.772)	0
Warrants	0	4.397	4.397
Net Proceeds from increases of Capital	0	17.921.769	13.280.326
Receipt of government grants	0	781.253	457.361
Net cash flows from financing activities	(7.116)	18.643.647	13.742.084
EPS SA Statutory net cash and cash eq. at Period Beginning	0	37.000	37.000
Net cash and cash equivalent at Period Beginning	8.573.811	667.913	667.913
Net cash flow	(5.765.794)	7.868.899	10.108.799

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Net Cash and cash equivalent at Period End	2.808.017	8.573.811	10.813.712
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1.6 Net Financial Position

NET FINANCIAL POSITION (amounts in Euro)	1st Half 2016	Full Year 2015	1st Half 2015
Cash and cash equivalent	2.808.017	8.573.811	10.813.712
<i>Cash at banks and petty cash</i>	<i>2.807.968</i>	<i>8.285.208</i>	<i>10.438.292</i>
<i>Cash related to advances on grants</i>	<i>49</i>	<i>288.603</i>	<i>375.420</i>
Current financial payables	(49)	(288.603)	(375.420)
<i>Cash on grants</i>	<i>(49)</i>	<i>(288.603)</i>	<i>(375.420)</i>
NET FINANCIAL POSITION	2.807.968	8.285.208	10.438.292

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