



Launch of approximately €30.3 million rights issue to finance the 2020 Strategic Plan

- **Subscription ratio: 1 new share for 3 existing shares**
- **Subscription price: €9.50 per new share**
- **Trading period for the rights: from July 18, 2018 to July 26, 2018 inclusive**
- **Subscription period: from July 20, 2018 to July 30, 2018 inclusive**

PARIS – July 16, 2018 - Electro Power Systems S.A. (“**EPS**”) a technology pioneer in energy storage systems and microgrids, listed on the regulated market Euronext Paris (EPS:FP), announces today 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 used 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).

Carlaberto Guglielminotti, Chief Executive Officer of EPS, comments: « *This transaction is a way to share with our shareholders our 2020 Strategic Plan, enabling in parallel an acceleration of our project development activities focused on microgrids in emerging economies. With our technology we can bring 24/7 renewable and cheaper energy to any city, village, community or island powered by fossil fuels, and provide for a real solution to the 1 billion people that today have no access to electricity. Leveraging the partnership with Engie we now have a global reach, and this transaction will boost our commitment towards access to affordable and reliable renewable energy for everybody* ».

Main terms of the Rights Issue

The Rights Issue will be carried out with shareholders’ preferential subscription rights (“**Rights**”) by the issuance of 3,191,715 new shares at a price of €9.50 per new share, representing gross proceeds of €30,321,292.50 including issue premium.

Each shareholder of EPS will receive one Right for each share held as of the close of trading on July 17, 2018. Three Rights will entitle the holder to subscribe on an irreducible basis to one new share. On the basis of the closing price of EPS’ shares on July 12, 2018 (i.e. €12.05), the theoretical value of each Right is €0.64.

Subscriptions subject to reduction (*à titre réductible*) will be accepted but remain subject to reduction in the event of oversubscription. Any new shares not subscribed through irrevocable entitlement (*à titre irréductible*) will be distributed and allocated to the Rights holders having submitted additional subscription orders subject to reduction (*à titre réductible*).

The Rights Issue will be open to the public in France only.

The subscription price for the new shares has been set at €9.50 per share (nominal value of €0.20 and issue premium of €9.30). The subscription price represents a 16.76% discount to the theoretical ex-right price.

EPS has committed to a lock-up period ending 180 calendar days after the date of settlement-delivery of the Rights Issue (subject to certain exceptions).

Société Générale is acting as Global Coordinator and Joint Bookrunner of the Rights Issue. Gilbert Dupont is acting as Joint Bookrunner of the Rights Issue.

Subscription commitment

ENGIE (through its subsidiary GDF International), which owns 59.89% of EPS' capital and voting rights, informed EPS of its irrevocable commitment 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 such a way to ensure that the Rights Issue subscription will reach 100%.

Indicative timetable

The subscription period for the new shares will run from July 20, 2018 to the close of trading on July 30, 2018. The Rights will be listed and traded on the regulated market of Euronext in Paris ("**Euronext Paris**") under ISIN code FR0013347457 from July 18, 2018 to July 26, 2018. Any Rights not exercised before the end of the subscription period, i.e., the close of business on July 30, 2018, will be void.

The settlement-delivery and the listing of the new shares are expected to occur on August 8, 2018. The new shares will carry full rights (*jouissance courante*). They will be immediately fungible with EPS' existing shares and will be traded on the same listing line under the ISIN code FR0012650166.

Recent events and outlook

Revenues for fiscal year 2017

EPS' consolidated revenues for fiscal year 2017 increased by 40% to €9.9 million, an increase of €2.6 million compared with 2016.

Financial information as of March 31, 2018 published on May 15, 2018

Consolidated revenues increased by 134%, amounting to €0.5 million on an IFRS 15 basis and €3.6 million according to IAS 11, the standard used for comparison with the first quarter of 2017.

The Cash Position as of March 31, 2018, represented by liquid assets, amounted to €5.3 million compared to €4.2 million at the end of 2017. A portion of the liquid assets serve as cash collateral to guarantee the financing received by the Group that is included in net debt. The Group considers that €3.3 million of this cash collateral is liquid to the extent that the release of the guarantee is under its control.

2020 Strategic Plan

On 23 May 2017, EPS published the paper 'Energy Transition Technology Roadmap, distinguishing Hype from Reality. 2020 Strategic Technological Plan and Business Targets', which includes the 2020 Strategic Plan. The plan describes the evolution ongoing in terms of the technological challenges addressed by the Group, the business development strategy and the related financial targets to 2020.

- 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 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 GW¹ per year (including 50% for primary electricity² production and

¹ *The addressable market for off-grid renewables*, Bloomberg New Energy Finance, 16 May 2017.

including 14 GW of generators of more than 300 kW³, which are the main EPS target for diesel replacement) by micro-grids and off-grid solutions. Based on an estimate price of 1.4 million euros per MW (internal estimate for price / MW), it represents an addressable market (for the production of primary electricity) of 20 billion euros. 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, 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 (40.5 MW, or approximately 16.6 million euros for fiscal 2017), the Project Backlog (21.6 million euros) and the Pipeline (150 million euros) as of May 15, 2018.

In terms of profitability, the Company expects to stabilize its gross margin at around 40% in 2020 and, as a result, to reach an EBITDA (excluding expenses related to stock option plans and warrants) target of around 30%.

In the context of the preparation of the tender offer of GDF International for the shares and the warrants of the Company, the Company communicated a financial model (in its December 2017 version) to the financial advisor of GDF International and to Associé en Finance (the Company's independent expert) for the purpose of their valuation of the Company.

In order to, as required, level the information playing field with respect to the information it considered key in its valuation of the Company, GDF International included certain items of this financial model in its tender offer prospectus (Section 2.3.3 "Business Plan used", under the caption "Company Business Plan 2017-2020")(the "2017-2020 Forward Looking Information Included in the Tender Offer Prospectus").

Thus, in the 2017-2020 Forward Looking Information Included in the Tender Offer Prospectus, there are some forward looking data on which the Company had not communicated in the past and which show differences with the 2020 targets of the Company. Notably, these forward-looking data include a 2020 EBITDA margin target of

² The addressable market for off-grid renewables, Bloomberg New Energy Finance, 16 May 2017.

³ Means 375 kVA. The addressable market for off-grid renewables, Bloomberg New Energy Finance, 16 May 2017.

26%, whereas the 2020 targets communicated by the Company in May 2017 and confirmed above (the “**2020 Targets of the Company**”) include a 2020 EBITDA margin target of approximately 30%.

This difference results from the fact that the December 2017 version of the 2020 financial model reflected more conservative assumptions. Indeed, potential bidders for a controlling block of the Company, including Engie, believed, inter alia, (i) that the breakdown of the 2020 installed base between Microgrids and Off Grid Solutions on the one hand, and Grid Support Solutions on the other, would be different, and (ii) that the cost per MW of the systems would be different, these two parameters impacting the EBITDA margin.

The Board of Directors of the Company was informed of this adjusted 2020 financial model. Yet, it considered that it was not necessary to revise the 2020 Targets of the Company that it had approved through the 2020 Strategic Plan, in particular with respect to the assumptions with respect to the 2020 electricity prices that had been used then. As of the date hereof, these assumptions have been confirmed in recent publications. Further, the Board of Directors maintained the installed base breakdown.

The Company **confirms the 2020 Targets of the Company** and considers that, from its standpoint, it is the 2020 Targets of the Company that have to be considered by investors. As to those of the 2017-2020 Forward Looking Information Included in the Tender Offer Prospectus on which it had not communicated before, the Company does not intend to communicate on these in the future, undertakes no obligation to update them and takes no responsibility if these were to be different.

Information available to the public

The prospectus, filed with the French financial markets authority (*Autorité des marchés financiers* - “**AMF**”) under number 18-314 dated July 13, 2018 (the “**Prospectus**”) consisting of the registration document (the “**Registration Document**”) of EPS registered with the AMF on the same day under number R.18-057 and a securities note (the “**Securities Note**”), including a summary of the Prospectus, may be obtained free of charge from EPS’ registered office (13, avenue de l’Opéra, 75001 Paris, France) and is also available on EPS’ website (www.electropowersystems.com) and the AMF’s website (www.amf-france.org).

EPS draws investors’ attention to the risk factors described in chapter 4 of the Registration Document as well as in section 2 of the Securities Note.

Upcoming events

Half-Year 2018 Results: 28 September 2018

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About ELECTRO POWER SYSTEMS

Electro Power Systems (EPS) operates in the sustainable energy sector, specialising in storage solutions and microgrids that enable intermittent renewable sources to be transformed into a stable power source. Listed on the French-regulated market Euronext (EPS:FP), EPS is part of the ENGIE group and 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, combined with more than 10 years of R&D, the Group develops utility scale energy storage systems to stabilize electrical grids that are heavily penetrated by renewable sources in developed countries and microgrids in emerging economies to power off-grid areas at a lower cost than fossil fuels. As of 30 June 2018, EPS has installed and has under commissioning an aggregate of 55 large scale projects, including off-grid hybrid systems powered by renewables and energy storage that provides energy to over 165,000 customers every day, with a total capacity output of 67MWh systems in 22 countries worldwide, including Europe, Latin America, Asia and Africa.

More information on www.electropowersystems.com.

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