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Flux Power Starts Commercial Production of First-Ever UL 2271 Listed Lithium-Ion Forklift Batteries to Replace Lead-Acid Power; Reviews Q3 Results

Assembly Volume Targets 100 Packs per Month by Summer's End and 200 Packs per Month by December

VISTA, Calif., May 16, 2016 /PRNewswire/ -- Flux Power Holdings, Inc. (OTCQB: FLUX), a developer of advanced lithium batteries for industrial applications such as electric forklifts, today reviewed recent progress and its financial results for its third quarter (Q3 '16) ended March 31, 2016. In lieu of a conference call, Flux will take and respond to investor questions in an online Q&A, details below.

CEO, Ron Dutt, commented, "After more than two years of development, testing and customer piloting, production of UL Listed LiFT Packs commenced last week following completion of our model changeover efforts related to production, documentation and quality control. This is a significant milestone as many of our larger customers had requested that we secure UL listing prior to their consideration of larger scale deployments. UL listing involved a comprehensive product improvement process that yielded a remarkably enhanced line, particularly in the areas of durability and reliability. These improvements are vital to ensuring customer satisfaction with our packs which are subject to the punishing operating environments of suspension-less walkie pallet jacks.

"We are now working to build our assembly volume to 100 packs per month by the end of the summer and then ramping toward 200 packs per month by December 2016. Initial production units will address our order backlog of approximately 100 UL LiFT Packs as well as to begin to satisfy inventory and stocking requests from distributors and dealers across the country.

"Our newly hired Director of Sales is fine tuning our sales strategy, with a particular focus on 30 large customer prospects that have already piloted and/or purchased earlier generation LiFT Pack units. Collectively these customers utilize an estimated 22,000 walkie pallet jacks nationwide and therefore represent aggregate sales potential of over \$65 million in walkie LiFT Pack units alone. Based on this qualified customer audience and the compelling performance, efficiency and total cost of ownership benefits of our LiFT Pack line, we are confident in our ability to achieve LiFT Pack sales of between \$3 and \$6 million over the next 12 months and have made recent progress in securing additional funding to support this goal."

First-Ever UL 2771 Listed Lithium-Ion Forklift Battery Targets 120,000-Unit Market
After an intensive six-month process of review and testing, Flux Power's lithium-ion LiFT

Pack solutions earned the first-ever UL 2771 listing for electric forklift batteries. Flux's LiFT Pack solution is designed for walkie pallet jack forklifts, widely used in warehouses and depots, on trucks and at retail locations. An estimated 120,000 electric walkie pallet jacks are currently in use in North America, powered by decades-old lead-acid battery technology, providing a potential total available market of almost \$400 million for the LiFT Packs. UL 2771 Listing complements Flux's proven performance and cost advantages by providing a widely recognized validation of the safety and durability of its LiFT Pack line.

Concurrent with this large and forthcoming opportunity in the forklift industry, Flux has developed a 72 volt, 400 Ah battery pack to power electric aviation ground support equipment, initially baggage tow tractors using the same proprietary technology found on the LiFT Pack line for small forklifts. This additional channel for lithium technology is a natural extension for Flux in its broader goal of serving a variety of industrial markets. In doing so, Flux expects to capture the benefits of building larger and more expensive equipment including better economies of scale and higher financial margins.

Q3 Operating Results

Q3 '16 revenue declined to \$117,000 compared to Q3 '15 revenue of \$199,000, reflecting an anticipated decrease in LiFT Pack sales as Flux focused resources on completing the UL listing process and then transitioning the Company to UL production. Redirecting their focus, as well as, recognizing the impact of customers who elected to wait for UL units, the resulting Q3 '16 LiFT Pack sales declined to 41 units versus 77 units in Q3 '15.

Q3'16 cost of goods sold increased to \$327,000 compared to \$220,000 in Q3'15, due to customer service and warranty expenses for early-generation units. Research & development expenses rose to \$253,000 in Q3 '16 from \$137,000 in Q3 '15, reflecting engineering and design enhancements, materials, labor and fees related to the UL process and model changeover. Q3'16 also reflected increased sales and administrative expenses.

As a result, Flux's Q3'16 net loss rose to \$1.2M, or \$0.01 per basic share, from \$0.6M, or \$0.01 per basic share, in Q3 '15. Per share results are based on weighted average basic shares of 150.9 million and 99.4 million, respectively, in Q3' 16 and Q3' 15.

Flux's Q3'16 gross margin reflects non-recurring launch costs related to its LiFT Pack product line, along with lower volumes and related higher overhead absorption. Flux has developed a range of design, production and procurement initiatives designed to substantially improve LiFT Pack gross margins, including those that pertain to lithium cells, pack enclosures and outsourced assembly. In aggregate, Flux believes these initiatives could bring Flux LiFT Pack gross margins to over 30%. Flux seeks to implement these gross margin initiatives over the coming quarters.

Flux has funded its working capital needs primarily with borrowings under an expanded \$3.5 million line of credit from Flux's largest shareholder, Esenjay Investments. Flux had borrowings of \$2.5 million under this facility as of March 31, 2016. Earlier this month Flux closed on a \$500,000 private placement of common stock priced at \$0.04 per share. Additionally, Esenjay agreed to convert \$1.3 million of outstanding borrowings into common stock also at \$0.04 per share. Reflecting these transactions Flux now has approximately 197.2 million common shares outstanding and \$1.5 million outstanding under the credit facility.

Flux Investor Q&A:

In lieu of past modest conference call participation, Flux is focusing its resources on a more direct and focused investor Q&A process:

- Submit questions via email to flux@catalyst-ir.com or call Chris Eddy at our investor relations firm 212 924 9800.
- Flux will post questions and answers on its [Flux blog](#) along with social media links through its [@FluxPowerIR](#) Twitter account, referenced to \$FLUX.

About Flux Power Holdings, Inc. (www.fluxpwr.com)

Flux Power develops advanced lithium-ion batteries for industrial uses, including its first-ever UL 2771 Listed lithium-ion "LiFT Pack" forklift batteries. Flux solutions utilize its proprietary battery management system (BMS) and in-house engineering and product design. Flux batteries deliver improved performance, extended cycle life and lower total cost of ownership than legacy lead-acid solutions. Flux sells direct and through a growing base of distribution relationships. Products include advanced battery packs for motive power in the lift equipment, tug and tow and robotics markets, portable power for military applications and stationary power for grid storage.

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This release contains projections and other "forward-looking statements" relating to Flux's business, that are often identified by the use of "believes," "expects" or similar expressions. Forward-looking statements involve a number of estimates, assumptions, risks and other uncertainties that may cause actual results to be materially different from those anticipated, believed, estimated, expected, etc. Such forward-looking statements include the development and success of new products, projected sales, the Company's ability to timely obtain UL Listing for its products, the Company's ability to fund its operations, distribution partnerships and business opportunities and the uncertainties of customer acceptance of current and new products. Actual results could differ from those projected due to numerous factors and uncertainties. Although Company believes that the expectations, opinions, projections, and comments reflected in these forward-looking statements are reasonable, Company can give no assurance that such statements will prove to be correct, and that the Company's actual results of operations, financial condition and performance will not differ materially from the results of operations, financial condition and performance reflected or implied by these forward-looking statements. Undue reliance should not be placed on the forward-looking statements and Investors should refer to the risk factors outlined in our Form 10-K, 10-Q and other reports filed with the SEC and available at www.sec.gov/edgar. These forward-looking statements are made as of the date of this news release, and Company assumes no obligation to update these statements or the reasons why actual results could differ from those projected.

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