

November 11, 2014

**IDEAL POWER**

## Ideal Power Inc. Announces Third Quarter 2014 Results

### Major Order Received for Energy Storage Systems; Company Introduces 125kW Converter for Large Scale Commercial Projects

AUSTIN, TX -- (Marketwired) -- 11/11/14 -- Ideal Power Inc. (NASDAQ: IPWR), a developer of a disruptive technology in the power conversion space, today announced results for the three and nine months ended September 30, 2014.

#### ***Third Quarter 2014 and Subsequent Highlights:***

- Received multiple purchase orders for over 7.5 Megawatts of Ideal's 30kW battery converters for commercial storage and distributed wind turbine applications, with orders expected to be shipped through mid-year.
- Signed strategic alliance agreement to incorporate Ideal's 30kW hybrid converter into EnerDel's 3<sup>rd</sup> generation Mobile Hybrid Power System (MHPS), which integrates battery storage, diesel generators and proprietary control systems for both remote and grid-tied microgrid applications.
- Introduced the new 125kW battery and hybrid converter for use in larger scale commercial installations; received first purchase order from Coda Energy.
- Announced the appointment of industry veteran Ryan O'Keefe as SVP of Business Development. He brings key relationships and industry knowledge to help expand Ideal's customer base and sales pipeline.

"Our leading customers in commercial storage are scaling their businesses and we are receiving increased orders for our products due to our compelling value proposition," stated Dan Brdar, Chairman and CEO. "To drive future growth and diversification, we continue to sign agreements with customers whose products are well positioned in multiple high growth verticals, including commercial storage and micro-grid applications which are both forecasted to become multi-billion dollar markets. Our recently introduced 125kW converter demonstrates the scalability of our PPSA technology platform and the inherent competitive advantages our Company has in responding rapidly to market demands," concluded Mr. Brdar.

#### ***Third Quarter and Year-to-Date 2014 Financial Results***

- Third quarter revenues were \$438,029, including product revenues of \$289,000 and ARPA-E grant revenue of \$149,029. Revenues for the first nine months of 2014 were \$1,289,650, including product revenues of \$841,600 and ARPA-E grant revenue of \$448,050.
- Third quarter net loss was \$1.9 million compared to a net loss of \$2.2 million in the third quarter of 2013. Net loss for the first nine months of 2014 was \$4.9 million compared to a net loss of \$6.0 million for the first nine months of 2013.

- Cash used in operations was \$3.8 million for the first nine months of 2014 while cash used in investing activities was \$592,084 for patents, property and equipment.
- Cash and cash equivalents totalled \$9.7 million at September 30, 2014 with no long-term debt outstanding.

"Our financial results are in line with our plan as we have prudently managed our expenses while leveraging our capital efficient business model and executing our business strategy," said Tim Burns, Chief Financial Officer of Ideal Power.

### ***Business Overview***

Ideal Power's Power Packet Switching Architecture™ (PPSA) technology enables significant improvements over conventional power converters, thus improving efficiency, reliability and installed cost. Our initial target markets are commercial energy storage, integrated solar and storage, and microgrids. Ideal Power's current products include 30kW and 125kW 2-port battery and 3-port hybrid converters based on our patented PPSA technology. Our award winning products allow us to address several multi-billion dollar vertical markets including commercial energy storage, integrated storage with solar or wind, and on-grid and off-grid microgrid applications.

Our strategy is to form relationships with leaders in target vertical markets to provide a superior value proposition and then support their growth as they gain market share. Direct product sales will be complemented by licensing agreements, enabling both high volume and internationally based customers.

### ***Conference Call Details***

CEO Dan Brdar and CFO Tim Burns will host a conference call with investors. To access the call, please use the following information:

Date: Tuesday, November 11, 2014

Time: 4:30 PM ET, 1:30 PM PT

US dial-in: 1-888-256-9132

International Dial-in: 913-312-0417

Passcode: 9585817 (or reference Ideal Power Q3 Update Call)

Webcast: <http://public.viavid.com/index.php?id=111731>

The webcast replay will be available on the Company's Web site, [www.idealpower.com](http://www.idealpower.com)

### ***About Ideal Power Inc.***

Ideal Power Inc. (NASDAQ: IPWR) has developed a novel, patented power conversion technology called Power Packet Switching Architecture™ (PPSA). PPSA improves the size, cost, efficiency, flexibility and reliability of electronic power converters. PPSA can scale across several large and growing markets, including solar photovoltaic generation, electrified vehicle charging, and commercial grid storage. Ideal Power also has a licensing-based, capital-efficient business model that can enable it to address these markets simultaneously. Ideal Power has won multiple grants for its PPSA technology, including a \$2.5 million grant from the Department of Energy's Advanced Research Projects Agency - Energy (ARPA-E) program, and market-leading customers are incorporating PPSA as a key component of their systems. For more information, visit [www.idealpower.com](http://www.idealpower.com)

### **Safe Harbor Statement**

All statements in this release and on the associated conference call that are not based on historical fact are "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and the provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements include our statements regarding addressable vertical markets, our partners potentially gaining market share in their vertical markets, and our complementing product sales with licensing agreements. While management has based any forward looking statements included in this release on its current expectations, the information on which such expectations were based may change. These forward looking statements rely on a number of assumptions concerning future events and are subject to a number of risks, uncertainties and other factors, many of which are outside of our control that could cause actual results to materially differ from such statements. Such risks, uncertainties, and other factors include, but are not limited to, whether the patents for our technology provide adequate protection and whether we can be successful in maintaining, enforcing and defending our patents, whether a demand for energy storage products will grow, whether demand for our products, which we believe are disruptive, will develop and whether we can compete successfully with other manufacturers and suppliers of energy conversion products, both now and in the future, as new products are developed and marketed. Furthermore, we operate in a highly competitive and rapidly changing environment where new and unanticipated risks may arise. The product orders described in this release are subject to commercial terms that, under certain circumstances, may allow the customer to delay delivery of product and associated revenue. Accordingly, investors should not place any reliance on forward-looking statements as a prediction of actual results. We disclaim any intention to, and undertake no obligation to, update or revise forward-looking statements.

#### **IDEAL POWER INC. BALANCE SHEETS**

|  | <u>September 30,<br/>2014</u> | <u>December 31,<br/>2013</u> |
|--|-------------------------------|------------------------------|
| <b>ASSETS</b>  |                               |                              |
| Current assets:  |                               |                              |
| Cash and cash equivalents  | \$ 9,730,268                  | \$ 14,137,097                |
| Accounts receivable, net   | 399,769                       | 252,406                      |
| Inventories, net   | 343,911                       | 519,657                      |
| Prepayments and other current assets   | 106,699                       | 231,495                      |
| Total current assets   | <u>10,580,647</u>             | <u>15,140,655</u>            |
| Property and equipment, net  | 331,218                       | 85,718                       |
| Patents, net   | 912,249                       | 608,913                      |
| Other non-current assets   | 35,840                        | -                            |
| Total assets   | <u>\$ 11,859,954</u>          | <u>\$ 15,835,286</u>         |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                               |                              |
| Current liabilities:   |                               |                              |
| Accounts payable   | \$ 429,428                    | \$ 539,145                   |
| Accrued expenses   | 741,803                       | 461,193                      |
| Total current liabilities  | <u>1,171,231</u>              | <u>1,000,338</u>             |
| Stockholders' equity:  |                               |                              |
| Common stock, \$0.001 par value; 50,000,000 shares authorized; 7,021,721 and 6,931,968 shares issued and outstanding at September 30, 2014 and December 31, 2013, respectively | 7,022                         | 6,932                        |

|  |               |               |
|--|---------------|---------------|
| Common stock to be issued                  | -             | 151,665       |
| Additional paid-in capital                 | 32,336,720    | 31,431,220    |
| Treasury stock                             | (2,657)       | (2,657)       |
| Accumulated deficit                        | (21,652,362)  | (16,752,212)  |
| Total stockholders' equity                 | 10,688,723    | 14,834,948    |
| Total liabilities and stockholders' equity | \$ 11,859,954 | \$ 15,835,286 |

**IDEAL POWER INC.**  
**STATEMENTS OF OPERATIONS**

|   | <i>For the Quarter Ended<br/>September 30,</i> |                       | <i>For the Nine Months Ended<br/>September 30,</i> |                       |
|---|--|-----------------------|--|-----------------------|
|   | <u>2014</u>                                    | <u>2013</u>           | <u>2014</u>  | <u>2013</u>           |
| Revenues:   |  |                       |  |                       |
| Products  | \$ 289,000                                     | \$ 212,495            | \$ 841,600   | \$ 396,465            |
| Royalties   | -  | 25,000                | -  | 75,000                |
| Grants  | 149,029  | 370,672               | 448,050  | 1,167,121             |
| Total revenue   | <u>438,029</u>                                 | <u>608,167</u>        | <u>1,289,650</u>                                   | <u>1,638,586</u>      |
| Cost of revenues:   |  |                       |  |                       |
| Products and services   | 393,665  | 236,505               | 1,078,843  | 539,342               |
| Grant research and development costs  | 165,588  | 383,347               | 497,833  | 1,200,288             |
| Total cost of revenue   | <u>559,253</u>                                 | <u>619,852</u>        | <u>1,576,676</u>                                   | <u>1,739,630</u>      |
| Gross loss  | <u>(121,224)</u>                               | <u>(11,685)</u>       | <u>(287,026)</u>                                   | <u>(101,044)</u>      |
| Operating expenses:   |  |                       |  |                       |
| General and administrative  | 762,741  | 475,353               | 2,225,996  | 1,254,193             |
| Research and development  | 663,678  | 261,053               | 1,568,711  | 825,610               |
| Sales and marketing   | 310,818  | 95,734                | 840,565  | 308,080               |
| Total operating expenses  | <u>1,737,237</u>                               | <u>832,140</u>        | <u>4,635,272</u>                                   | <u>2,387,883</u>      |
| Loss from operations  | (1,858,461)                                    | (843,825)             | (4,922,298)  | (2,488,927)           |
| Interest (income) expense, net (including amortization of debt discount of \$1,273,512 and \$3,348,284, respectively, for the quarter and nine months ended September 30, 2013) | (6,617)  | 1,320,943             | (22,148)   | 3,487,802             |
| Net loss  | <u>\$ (1,851,844)</u>                          | <u>\$ (2,164,768)</u> | <u>\$ (4,900,150)</u>                              | <u>\$ (5,976,729)</u> |
| Net loss per share - basic and fully diluted  | <u>\$ (0.26)</u>                               | <u>\$ (1.46)</u>      | <u>\$ (0.70)</u>                                   | <u>\$ (4.04)</u>      |
| Weighted average number of shares outstanding - basic and fully diluted   | <u>7,015,156</u>                               | <u>1,480,262</u>      | <u>7,008,634</u>                                   | <u>1,480,262</u>      |

**IDEAL POWER INC.**  
**STATEMENTS OF CASH FLOWS**

|   | <i>Nine Months Ended September 30,</i> |                |
|---|--|----------------|
|   | <u>2014</u>                            | <u>2013</u>    |
| Cash flows from operating activities:                                       |  |                |
| Net loss  | \$ (4,900,150)                         | \$ (5,976,729) |
| Adjustments to reconcile net loss to net cash used in operating activities: |  |                |
| Depreciation and amortization   | 43,248                                 | 21,155         |
| Write-down of inventory   | -                                      | 5,199          |
| Stock-based compensation  | 597,055                                | 150,340        |
| Common stock issued or to be issued for services                            | 50,004                                 | 124,393        |
| Fair value of warrants issued for services                                  | 101,879                                | -              |
| Amortization of debt discount   | -                                      | 3,348,284      |
| Accrued interest on promissory note   | -                                      | 60,000         |
| Issuance of note payable in connection with services                        | -                                      | 213,293        |
| Decrease (increase) in operating assets:                                    |  |                |

|  |                     |                     |
|--|---------------------|---------------------|
| Accounts receivable                              | (147,363 )          | (483,603 )          |
| Inventories                                      | 175,746             | (168,076 )          |
| Prepaid expenses                                 | 88,956              | (440,257 )          |
| Increase (decrease) in operating liabilities:    |                     |                     |
| Accounts payable                                 | (109,717 )          | 754,753             |
| Accrued expenses                                 | 280,610             | 233,142             |
| Deferred revenue                                 | -                   | 25,000              |
| Net cash used in operating activities            | <u>(3,819,732 )</u> | <u>(2,133,106 )</u> |
| Cash flows from investing activities:            |                     |                     |
| Purchase of property and equipment               | (278,318 )          | (32,036 )           |
| Acquisition of patents                           | <u>(313,766 )</u>   | <u>(139,631 )</u>   |
| Net cash used in investing activities            | <u>(592,084 )</u>   | <u>(171,667 )</u>   |
| Cash flows from financing activities:            |                     |                     |
| Borrowings on notes payable                      | -                   | 611,256             |
| Exercise of warrants                             | 4,987               | -                   |
| Net cash provided by financing activities        | <u>4,987</u>        | <u>611,256</u>      |
| Net decrease in cash and cash equivalents        | (4,406,829 )        | (1,693,517 )        |
| Cash and cash equivalents at beginning of period | <u>14,137,097</u>   | <u>1,972,301</u>    |
| Cash and cash equivalents at end of the period   | <u>\$ 9,730,268</u> | <u>\$ 278,784</u>   |

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