

23 September 2016

Cogenpower plc
(“Cogenpower” or the “Company” or the “Group”)

Interim results for the six months ended 30 June 2016

Cogenpower (CGP.L), the low-carbon technology energy business, announces its interim results for the six months ended 30 June 2016.

Energy efficiency through smart technology: Anaconda technology

Cogenpower designs, builds or transforms, owns and operates high efficiency CHPDH schemes (Combined Heat and Power plants with annexed District Heating distribution networks). The Group’s CHPDH schemes are scalable to serve communities from 3,000 to 50,000 people. At the heart of the business is Cogenpower’s Anaconda technology, an automated, intelligent energy generation and control system equipped with a heat storage facility that delivers heat to customers and electricity to the grid with proven energy efficiency of more than 90% - compared to a worldwide average of circa 45%. Cogenpower was admitted to trading on AIM in February 2016, enabling the Company to pursue growth opportunities particularly in its domestic Italian market and the UK.

Key points

Financial

- Revenues of €3.1 million (1H 2015 €3.8 million) of which €1.8 million from CHPDH
- Revenues in retail gas and electricity division down €0.6 million to €0.9 million
- CHPDH division, based on the Anaconda technology, continues to be profitable and recorded 8% year-on-year growth of MWh sold
- Group loss of €929,000 after exceptional costs of €566,000 relating to the IPO
- Adjusted Group loss of €363,000 (1H 2015: €43,000) after charging €182,000 for PLC costs (1H 2015: nil)
- Balance sheet improvement as net current liabilities move from €8.0 million as at 31 December 2015 to €3.4 million

Operational

- Strategic focus on CHPDH going forward - phased withdrawal from the gas and electricity retail business (G&P)
- New gas supply contract to bring annual gas savings of €350,000 from 4th quarter 2016
- In advanced discussions with acquisition targets in Italy where the CHPDH market is fragmented
- Launch of strategic initiative for UK to pursue green field opportunities

Corporate

- Admitted to trading on AIM in February 2016 together with a placing of £1.0 million

Dr. Francesco Vallone, Chief Executive Officer of Cogenpower, commented:

“These results demonstrate a profitable, growing CHPDH division and a loss-making, declining G&P division. The Board has therefore concluded that the G&P retail business was no longer worth pursuing. We are now focused on growing our profitable CHPDH business and deploying our Anaconda artificial intelligence technology for the lucrative district heating markets, including those in Italy and the UK. We

are delighted to have secured better terms for our gas supply contract, which we anticipate will bring a significant cost reduction to our core business over the next twelve months.

”Encouragingly, we are seeing a good level of interest in our technology from major organisations that have the potential to open new routes to market. We are excited about our growth potential and look to the future with confidence.”

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About Cogenpower

Cogenpower (CGP.L) is a low-carbon energy business specialising in the design, build and operation of efficient, automated CHPDH networks able to serve communities of up to 50,000 people. At the heart of the business is the Anaconda technology, an automated, intelligent energy generation and control system equipped with a heat storage facility that efficiently delivers heat to customers and electricity to the grid. The innovative technology, with proven energy efficiency of more than 90% compared to a worldwide average of circa 45%, is designed to address the growing global €30 billion district heating market.

The Company’s flagship plant in Borgaro Torinese, on the outskirts of Turin in the north of Italy, is a 3MWe (electrical output) / 15MWt (heat output) CHPDH operation that serves approximately 4,500 end users in 62 separate buildings attached to a 13 kilometre pipe network. The operation is 92% energy efficient. The energy efficiencies achieved by the Anaconda technology at the existing plant, (currently fuelled by natural gas, but with a biomass/gas hybrid plant under development) already reduce emissions by 3,000 tonnes of CO₂ per annum, compared to traditional heating methods. Customers benefit from lower capex costs, no maintenance costs and lower heating bills compared to installing conventional solutions.

Although district heating systems have been available for some time, technological advances have brought significant new operational and environmental advantages, making them increasingly attractive and reliable energy solutions for communities. The Company listed on AIM in February 2016, enabling it to pursue growth opportunities particularly in Italy and the UK. www.cogenpower.co.uk

Chief Executive Officer's Report

I am pleased to present our results for the half year ended 30 June 2016.

Operations

Italy

CHPDH: Combined Heat and Power District Heating

The performance of our core Combined Heat and Power District Heating (CHPDH) business, which is centred around the Anaconda technology, has continued to deliver profitable results with an 8% increase in heat sold compared to the same period last year. In addition, a new gas supply contract has been signed which will take effect from 1 October 2016. This reduction in the cost of gas is expected to have a €350,000 positive impact on margins over the following 12 months. Revenues from the CHPDH division for the period were €1.8 million and EBITDA was €515,000.

G&P: Retailer of gas and electricity

As expected, Cogenpower Gas and Power, which retails gas and electricity, has underperformed in the period under review, with a drop in revenues of 40% compared to the same period in 2015 due to a reduction in commodity prices and increased competitive pressure from larger utility companies. This has created significant downward pressure on both revenues and margins. In addition, new government requirements for electricity suppliers have added further administrative burdens that are costly for smaller providers such as Cogenpower. Following an internal review, we have decided to implement a phased withdrawal from this market, a decision that was also announced today. This will reduce costs and free up Group resources to focus on expanding the CHPDH business, bringing long-term and reliable returns for the Company and its shareholders.

Growth strategy: focus on the core CHPDH business

The objective is to grow the number of CHPDH units through acquisition. The Italian CHPDH market is fragmented and we believe that the timing is right for Cogenpower to be a major catalyst and participator in a phase of consolidation. We expect significant progress in the next 12 months.

An acquisition pipeline has been identified and discussions with a number of targets are being progressed. Opportunities for further development come from upgrading acquired plants with our technology and converting plants to hybrid gas/biomass fuelling to further improve net emissions. We are also working on improving our energy efficiency even further and have made significant progress in developing our Artificial Intelligence software that manages Anaconda's operations without human intervention.

Anaconda Biomass extension

In parallel we are developing our operational solutions so that they can be commercially viable without incentives. On that basis we have re-formulated the biomass extension project at the Anaconda plant, which would result in a significant reduction in the capex required. This would provide us with alternative attractive options for the biomass extension depending on capital availability.

UK

The UK district heating market is undeveloped but there is growing awareness of the potential of high-efficiency district heating. The focus in the UK will be on green field developments and we are exploring opportunities to leverage the findings of the 2013 Heat Strategy, in which the British Government identified the potential and desire to provide 14% of UK heat demand via district heating in the next 15 years. It is the Board's belief that a series of positive discussions with property developers and green funds have shown that they have a clear understanding of the commercial, operational and environmental benefits of the Anaconda technology and methodology.

As mentioned above, our business model does not rely on government incentives in order to be profitable at the project operating level and we believe this represents a differentiator in the low-carbon energy sector. Nevertheless, we are hopeful that the UK government, even post-Brexit, will offer incentives aligned to Cogenpower's capabilities when it publishes the changes to the heat renewable incentives regime in the spring of 2017. This would allow investors thereby to mitigate their risks and shorten the investment payback period.

Esseti Energia s.r.l. ("Esseti")

As previously announced and explained in detail in the Group's Annual Report, the Group sold its holding in Esseti back to the original vendor in May 2016, having acquired it on 1 December 2015, when it became clear that certain facts had not been fully disclosed as part of the acquisition process. As a result, the underlying profitability and performance of Esseti post-acquisition were lower than expected, which impacted Cogenpower's assumptions on the opportunities to develop Esseti and achieve the financial returns which had been anticipated. The Board concluded that it would be in the best interests of the Group and shareholders to sell Esseti back to its previous owner and for Cogenpower to be reimbursed the consideration paid for Esseti and the monies invested in it by Cogenpower since the acquisition. The disposal took effect in May 2016 and there was no gain and no loss arising from the transaction.

The consolidated statement of total comprehensive income comparative numbers for the year ended 31 December 2015 (below) have been restated to exclude the results of Esseti from continuing operations. The net result attributable to Esseti for the six months to 30 June 2016 and to 31 December 2015 are shown in that statement under "Discontinued operations (net of tax)".

Cash and working capital

Good progress has been made during the period in rescheduling legacy debts to suppliers and tax authorities. At 31 December 2015, net current liabilities, excluding Esseti, stood at more than €8 million. That number has more than halved and net current liabilities were €3.4 million as at 30 June 2016. The Company's current working capital position however remains vulnerable and, as outlined in the Company's annual report and accounts, to alleviate this position the Company needs to raise further funding as well as continue to receive the support of Unicredit S.p.A. ("UniCredit"), its principal banker, and trade creditors. The key factor which is causing strain on the Company's working capital at the current time is the delay being encountered by the Company in receiving monies which the Company believe are owed to it by the Italian state in relation to Green Certificates and other incentives, full details of which are outlined below. More detail is also given in the going concern section of Note 1 to the accounts below.

Green Certificates

The issue around the Green Certificates that we reported on at the time of the full year results continues to remain a challenge. As at the date of this announcement the Company is owed a total of €1.3 million from the Italian state for various incentives of which €0.9 million relate to Green

Certificates with the balance of €0.4 million being in relation to CO₂ incentives. Green Certificates are awarded to Cogenpower s.r.l. for its use of the heat created as a by-product of electricity generation to provide heating and hot water to properties connected to its district heating network. The Certificates are normally issued by the Italian government agency during the month of June after the end of the production year following a review of the company's detailed submission of qualifying production. In the previous 6 years, up until 2016, the Company received Green Certificates in this manner and within this timeframe.

The GSE, the organisation that has been overseeing the Green Certificates since their inception, has recently been given new powers as the Green Certificate programme is coming to a close in 2016. It is now claiming that a proportion of historical certificates were granted incorrectly, something that has affected the entire industry. The GSE is protecting its position by not issuing any further certificates across the industry until the matter is resolved. Following detailed exchanges between Cogenpower and the GSE over recent months, Cogenpower believes it has been able to demonstrate that the GSE's calculation in relation to its CHPDH system is based on incorrect assumptions and is currently awaiting a reply. According to legal advice taken by the Company, the outcome of court judgements to date suggest that the Company should not suffer any reduction in Green Certificates, although some legal action to recover a part may become necessary.

The Green Certificates earned in 2015 amounted to €886,000. At the time of the annual report and accounts being published the Board were confident that the matter would be resolved such that monies would be received by the end of 2016. At this stage, while the Company awaits a response from GSE, there can be no guarantee on the timing of receipt of such monies nor any guarantee on the amount that will be received. The Company will provide an update to shareholders at the appropriate time.

The amount of Green Certificates our lawyers believe we should receive is in addition to approximately €200,000 of CO₂ incentives from prior years (out of a total outstanding of approximately €400,000) which are expected either to be received or discountable during the 4th quarter of this year, when the Group moves into its most cash-generative season.

In the meantime Unicredit, our principal lender, have continued to be supportive and a medium-term credit facility of €335,000 was obtained from them in April 2016. Unicredit have also agreed to a half-year moratorium on capital repayments on our long-term loans which will have a positive impact on working capital in the second half of 2016 of €272,000. The Company and Unicredit expect to formalise this arrangement by the end of September 2016. The Company also has in place an invoice discounting facility of €800,000, also with UniCredit, which, at the date of this report, is virtually unused. We are now entering our main revenue-invoicing winter season, so we will very quickly gain access to the increasing cash-flow through that facility.

Outlook

The operational outlook for the Group continues to be positive. Our strategic plans continue to centre on the deployment of the Anaconda technology and we are encouraged by the early discussions with potential acquisition targets in Italy where the CHPDH market is fragmented and where we believe Cogenpower can be a major catalyst and participator in a phase of consolidation. We are also seeing active interest in the Anaconda template and technology from major organisations that have the potential to open up important new routes to market for the Group both in Italy and the UK.

The Group's working capital position, which stems from the extensive and costly investment in R&D to establish its technology, has been a significant short-term issue. However, that technology now drives a

low-carbon energy business that differentiates itself by not relying on incentives and which should allow the Group to fund its growth.

Consolidated statement of total comprehensive income

Euro'000	Note	Six months ended 30-Jun 2016	Six months ended 30-Jun 2015	Year ended 31-Dec 2015
	(2)	(unaudited)	(unaudited)	(restated)
<u>Continuing Operations</u>				
Revenue from goods and services		3,049	3,825	6,353
Cost of sales		(2,187)	(1,990)	(3,977)
Gross profit		861	1,835	2,376
Other operating income		-	-	10
Administrative expenses		(542)	(787)	(1,462)
Depreciation and Amortization		(335)	(365)	(618)
Other operating expenses	(3)	(740)	(459)	(802)
(Loss)/Profit from operations		(756)	224	(496)
Finance Expense		(270)	(287)	(716)
Finance income		63	20	32
Net Finance Expense		(207)	(267)	(684)
Loss before tax		(963)	(43)	(1,180)
Tax recovery /(expense)		34	(122)	(112)
Loss for the period attributable to equity holders of the parent company from continuing operations		(929)	(165)	(1,292)
Discontinued operations (net of tax)	(2)	-	n/a	(19)
Loss for the period attributable to equity holders of the parent company from operations		(929)	(165)	(1,311)
Other comprehensive income (net of tax)		-	-	-
Total comprehensive income attributable to equity holders of the parent company		(929)	(165)	(1,311)
Earnings per share for profit attributable to the equity holders of the parent during the period				
Basic and diluted (cents)	(4)	(1.9)	(0.4)	(3.3)

Consolidated statement of financial position

Euro'000

		30 June	31 Dec
	Note	2016	2015
<u>Non-current assets</u>			
Property, plant and equipment	(5)	10,697	15,017
Intangible assets		160	248
Investments		12	22
Deferred tax assets		509	635
Total non-current assets		11,378	15,922
<u>Current assets</u>			
Inventories		204	739
Trade and other receivables		4,246	4,485
Cash and cash equivalents		40	278
Total current assets		4,490	5,501
Total assets		15,868	21,423
<u>Current liabilities</u>			
Trade and other payables		3,573	8,828
Provisions		560	423
Borrowings	(5)	1,214	3,020
Corporation taxes		357	567
Other taxes		2,211	2,235
Total current liabilities		7,915	15,074
<u>Non-current liabilities</u>			
Borrowings	(5)	4,522	6,502
Other non-current taxes		1,717	581
Non-current trade and other payables		1,214	-
Total non-current liabilities		7,453	7,083
Total liabilities		15,368	22,157
Net assets		500	(734)
Equity attributable to equity holders of the Parent			
Share Capital	(6)	171	138
Share premium account	(6)	2,129	-
Merger reserve		3,035	3,035
Retained earnings		(4,835)	(3,906)
Total equity		500	(733)

Consolidated statement of changes in equity

For the 6 month period
ended 30 June 2016

€'000

	Share Capital	Share Premium	Retained Earnings	Merger Reserve	Total
	Note				
At 1 January 2016	138	-	(3,906)	3,035	(733)
Comprehensive income					
Loss for the period	-	-	(929)	-	(929)
Total comprehensive income for the period	-	-	(929)	-	(929)
Issue of share capital (6)	33	2,590	-	-	2,623
Less: expenses of share issue	-	(461)	-	-	(461)
At 30 June 2016	171	2,129	(4,835)	3,035	500

For the year ended
31 December 2015

€'000

At 1 January 2015	2,000	1,173	(2,595)	-	578
Elimination on reorganisation	(2,000)	(1,173)	-	3,035	(138)
Issue of shares	138	-	-	-	138
Comprehensive income					
Loss for the period	-	-	(1,311)	-	(1,311)
Total comprehensive income for the period	-	-	(1,311)	-	(1,311)
At 31 December 2015	138	-	(3,906)	-	(733)

Statement of cash flows

Note

	6 months ended 30-Jun 2016	6 months ended 30-Jun 2015	Year Ended 31-Dec 2015
Operating activities	(unaudited)	(unaudited)	(audited)
Loss before tax	(963)	(42)	(1,199)
Adjustments for:			

Amortisation of intangible assets	88	33	74
Depreciation of property, plant and equipment	247	332	543
Impairment of intangible asset	-	-	139
Finance expense	270	287	727
Finance income	(63)	(20)	(32)
Corporation tax recovery	34	-	-
Decrease /(increase) in trade and other receivables	(41)	1,306	(294)
Decrease/(increase) in inventories	1	(4)	6
Increase in provisions	137	-	(39)
(Decrease)/Increase in trade and other payables	(280)	969	1,820
Increase/(Decrease) in other taxes	902	(281)	526
Cash generated from operations	332	2,580	2,271
Income tax (paid) / received	-	(87)	(194)
Net cash flows from operating activities	332	2,493	2,077
Investing activities			
Finance income	63	20	32
Purchase of property, plant and equipment	(179)	(747)	(453)
Purchase of investments	-	-	(8)
Purchase of intangibles	(22)	(199)	(14)
Net cash movement on sale/(acquisition) of subsidiary	30	-	(22)
Net cash used in investing activities	(108)	(926)	(465)
Financing activities			
Repayment of loans	(749)	(225)	(559)
New loans	335	-	-
Drawdown/(repayment) of bank overdraft	(607)	(866)	(167)
Finance expense	(270)	(287)	(727)
Proceeds from sale of shares net of issue costs (6)	829	-	-
Net cash used in financing activities	(462)	(1,378)	(1,453)
Cash flow of the period	(238)	189	159
Cash and cash equivalents at beginning of period	278	119	119
Cash and cash equivalents at end of period	40	308	278
Net change in cash and cash equivalents	(238)	189	159

Notes to the accounts

1. Basis of Preparation

The financial information contained in this announcement does not constitute statutory financial statements within the meaning of Section 435 of the Companies Act 2006.

The financial information for the six months ended 30 June 2016 is unaudited. In the opinion of the directors, the financial information for the period fairly represents the financial position of

the Group. Results of operations and cash flows for the period are in compliance with International Financial Reporting Standards as adopted by the EU (“EUIFRS”). These financial statements should be read in conjunction with the audited financial statements for 31 December 2015 published on 16 June 2016 and available on the Company’s website www.cogenpower.co.uk. The accounting policies, estimates and judgements applied in these financial statements are consistent with those disclosed in the audited financial statements for 31 December 2015.

All financial information is presented in Euro, unless otherwise disclosed.

The Directors of the Company approved the financial information included in the results on 22 September 2016.

Going concern

The financial information for the six months ended 30 June 2016 has been prepared on the going concern basis. At 31 December 2015, net current liabilities, excluding Esseti Energia s.r.l. (disposed of in May 2016), stood at over €8 million. That number has more than halved and stood at €3.5 million as at 30 June 2016. The main components of that change were:

- IPO raising €1.29 million (gross) of new cash/ €0.8 million after expenses used to pay down overdraft and creditors
- €1.3 million of debt for equity swaps reducing trade creditors
- €1.2 million of trade debt rescheduled under payment plans
- €1.1 million of fiscal and excise debt rescheduled under payment plans
- €0.17 million of current portion of asset finance paid

This has, however, been a challenging half-year as the issue with the Green Certificates, earned by the CHPDH business, is still ongoing. This situation was highlighted in the Annual Report and Accounts and is not yet resolved. The GSE, the organisation overseeing the Green Certificates, has challenged the entire industry, claiming that a proportion of historical certificates were granted incorrectly. Cogenpower believes it has successfully demonstrated that the GSE’s calculation in relation to its CHPDH system is based on incorrect assumptions and is awaiting a reply to its letter of early July where it has countered the GSE’s basis of calculation. Legal advice is that court judgements made so far in similar cases would support the Company’s position and it should not suffer any reduction in Green Certificates. Nevertheless, until a position is agreed, there remains uncertainty over the timing of almost €0.9 million of cash that the Company has traditionally relied upon in the summer months when revenues from selling heat are at their lowest. Whilst the position remains unresolved with GSE there also remains uncertainty of the quantum of Green Certificates that the Company will receive. The Company has been taking action to provide alternative sources of funds in case the matter is not concluded satisfactorily and speedily, including the sale of assets and further rescheduling of its debts. Discussions with infrastructure funds to support the expansion of the Group’s business have been very positive and give the directors confidence that, as the Group moves into the winter period – the most lucrative and cash-generative part of the year – it will continue to have, and/or will be able to obtain, adequate financial resources to enable it to continue in operation for the foreseeable future. In addition Unicredit, the Company’s principal lender, has continued to remain supportive. For these reasons it continues to adopt the going concern basis in preparing the financial statements. There can, however, be no certainty that the transactions noted above will complete and therefore there is still a material uncertainty that could cast doubt on the Group’s ability to continue as a going concern and discharge its

liabilities as they fall due. These financial statements do not contain any adjustments that would be required if the Company could not continue as a going concern.

- Following the sale of Esseti Energia srl (“Esseti”) in May 2016, the consolidated statement of total comprehensive income comparative numbers for the year ended 31 December 2015 have been restated to exclude the results of Esseti from continuing operations. The net result attributable to Esseti for the six months to 30 June 2016 and to 31 December 2015 are shown in the line “Discontinued operations (net of tax).”

The disposal of Esseti was made at no gain and no loss to the Company.

- Included in “Other operating expenses” are €566,000 (30 June 2015: €459,000, 31 December 2015: €802,000) of costs relating to the IPO and Admission to AIM that took place on 12 February 2016. Additional IPO expenses of €461,000 directly associated with the raising of new equity have been written off against share premium account in accordance with IAS 32. (See Note 6 below).
- The number of shares used in the calculation of Earnings per share (EPS) for the six months to 30 June 2016 is 47,834,000 - being the weighted average number of shares in issue over the period. The equivalent number for the six months ended 30 June 2015 and the year to 31 December 2015 was 40,000,000.
- Pursuant to the disposal of Esseti, there was a reduction in Property, plant and equipment of €3,509,000 and a reduction in borrowings of €2,765,000.
- During the period 10,166,760 new Ordinary shares were issued for £0.20 with a nominal value of £0.0025 (0.25 pence) each and share premium arising on issue of £0.1975 (19.75 pence) per share at an exchange rate of £1=€1.29.

Share Capital:

Shares issued	Share capital in £	Share capital in €	Total in €'000
10,166,760	£25,417	€32,788	33

Share Premium

Shares issued	Share premium in £	Share premium in €	
10,166,760	£2,007,935	€2,590,236	
Less: expenses of issue		(€461,154)	
		€2129,082	2,129
			<u>2,162</u>

Of the 10,166,760 new shares issued:

- 5,000,000 were issued for cash, raising €1,290,000 before costs and €829,000 after €461,000 of expenses related to the fundraise, which were charged to equity; and
- 5,166,760 were issued to extinguish amounts owed to trade creditors.