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Cogenpower PLC
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Cogenpower plc

("Cogenpower" or the "Company" or the "Group")

First Day of Dealings on AIM

Cogenpower, a low-carbon energy business using sustainable generation to supply cost effective and cleaner energy to urban communities, announces that the admission of its Ordinary Shares to trading on AIM ("Admission") will commence today at 8.00am under the ticker symbol ("CGP") with ISIN GB00BYT56612. The Company's AIM Admission Document is available on its website, www.cogenpower.co.uk.

Cogenpower designs, builds, transforms, owns and operates high efficiency Combined Heating Plants with annexed District Heating (DH) distribution networks, known as CHPDH which are schemes designed to serve communities of up to 50,000 people. Cogenpower is also a retailer of natural gas and electricity to domestic and commercial customers and a provider of energy services.

What is CHPDH?

A CHP plant with DH networks requires the burning of fuel, such as natural gas, and renewable sources, such as biomass, for use in producing electricity and heat. Cogenpower's heat storage system allows for heat that would otherwise be wasted in conventional power plants to be utilised productively. Electricity is generally sold through a bilateral contract to a wholesaler and fed into the national power grid, whilst heat is distributed and sold to households, businesses and amenities within the vicinity of the power plant, creating an energy efficient district.

Admission and Placing Statistics

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| Number of fundraising shares | 5,000,000 |
| Placing price | 20 pence |
| Gross proceeds of the fundraising | £1.0 million |
| Market capitalisation of the Company at the Placing price on Admission | £10.0 million |

Allenby Capital Limited is acting as Nominated Adviser and Broker to the Company. EnVent S.p.A. is the Financial Adviser to the Company in Italy and EnVent Capital Markets Limited is the Placing Agent.

Dr.Francesco Vallone, CEO of Cogenpower said:

"Our admission to AIM comes at an exciting point in the Company's development and marks an important step in Cogenpower's evolution to becoming a leading low-carbon energy business for urban communities. We have a robust and proven business model with recurring and predictable revenues generated by our highly automated systems and efficient CHPDH schemes which supply cost effective and cleaner energy."

Our innovative technology is scalable, easily built and operated, enabling us to meet the rapidly growing demand for low-carbon community-based energy systems in de-regulated energy markets. We have operating plants in Italy and have identified the UK as our next growth area, as we see the drive toward decarbonisation and energy efficiency gaining strong momentum. Cogenpower aims to be at the forefront of this emerging market, working to provide a cleaner energy source to combat the effects of climate change."

Key highlights

- The Group has a robust and proven business model with recurring and predictable revenues generated from a committed customer base. The Group has two operating plants: Anaconda its flagship operating power plant and Esseti Energia s.r.l. ("Esseti") which the Group acquired on 1 December 2015. The Group's revenues come from the sale of CHPDH products, being heat for the local community and electricity for the grid, produced by Anaconda, and the resale of electricity and natural gas. It also earns from Green certificates. The Group (excluding Esseti) has committed revenues from long-term contracts in excess of €36 million over the next six and a half years.

- The Group has been revenue generating since 2004 and profitable at the EBIT/operating profit level since 2009. For the year ended 2014, the Group generated revenues of €5.8 million and EBITDA (before other operating expenses) of €1.1 million. Revenue for the first six months of 2015 was €3.8 million, up 19 per cent. compared to the previous period, gross profit of €1.8 million, up 29 per cent., and EBITDA of €0.6 million, up 43 per cent.

- Anaconda, based in Borgaro, Torinese (TO), Italy currently serves a community of some 4,500 people and a total of 59 substations, providing Cogenpower with dependable demand for heat.

- The Anaconda scheme was completed on time and to budget in October 2008. It has a capacity of 3MWe of electric output and 15MWt of thermal output. The Anaconda plant has a strong health and safety track record, illustrating the reliability of its systems.

- By integrating low-carbon technologies within highly automated system designs, Cogenpower's schemes operate highly efficiently. The Group has achieved efficiency of above 90 per cent., reducing energy costs to and delivering good margins from a loyal customer base. The long term contracts of the CHPDH business have a 100 per cent. retention rate, and the retention rate of the supply business in each of the last three years has been above 92 per cent.

- The Company's cost of production is considerably lower than the market price of heat and electricity due to the combination of the intrinsic high efficiency of CHP production, heat storage and the fact that the heat energy is delivered without the need for a further conversion process. This enables heat energy to be offered at a rate that is typically between 10 and 20 per cent. lower than market prices.

- Led by Dr. Francesco Vallone, the Group's founder and CEO, the Group has a strong management team who have worked together since inception to deliver the success of the Anaconda project.

- Cogenpower's high efficiency CHPDH systems are both scalable and able to be built and operated easily. They are designed specifically to meet the growing demand for low-carbon community-based energy systems in de-regulated energy markets. The Group seeks to serve these markets particularly in Italy and the UK by building new green-field CHPDH systems as well as acquiring and transforming existing schemes using Cogenpower's proven technology and expertise.

- The Group's second operating power plant, Esseti, is a 1 MWe ORC biomass power plant based in Predosa, Alessandria, to the east of Turin. Esseti is currently EBITDA positive with stable operating and maintenance costs. The power plant has been in operation since 2011 and is eligible to receive government feed-in-tariffs for the next 11 years. Esseti produces electricity from its power plant which it sells to the national grid operator.

- District Heating in Italy dates back to the 1970s with a CAGR of more than 10 per cent. The first projects were installed in large cities such as Brescia, Milan and Turin and remain active. The December 2014 National Energy Strategy Report, the most recent District Heating survey published by AIRU (the National District Heating Association, which represents 95 per cent. of operators), illustrated that more than 3 million people in Italy are served by more than 190 District Heating networks, primarily located in the North of Italy. Cogenpower, through its initial two power plants, has a significant opportunity to take advantage of this existing market and aims to grow by implementing its technology into existing power plants by reducing costs and increasing efficiency.

- The UK District Heating market is currently underdeveloped and, although de-regulated, is at a considerably earlier stage than the Italian market. District Heating has been identified as a key component of a strategy to meet UK climate and energy objectives. In the 2013 Heat Strategy, the UK government identified the economic potential of providing up to 14 per cent. of UK heat demand via District Heating by 2030, increasing from only 2 per cent. presently. This includes a vision for up to 50 per cent. of buildings to be connected to heat networks by 2050. Cogenpower believes that this market has considerable growth opportunities which it intends to capitalise on.

Growth strategy

The Group's growth strategy is based on:

- transforming existing CHPDH schemes using Cogenpower's proven technology and expertise;
- converting conventional urban heating schemes to CHPDH solutions as well as acquiring and transforming existing CHP schemes; and
- building new green-field CHPDH systems.

Transformation of existing schemes:

- The Group plans to develop the Anaconda power plant further with the addition of a biomass generating capability - creating an advanced hybrid CHPDH scheme. By increasing fuel flexibility it is anticipated that the hybrid plant will reduce both energy production costs and CO₂, a pollutant predominantly responsible for the greenhouse effect, and for these reasons become eligible for feed-in tariff revenues on renewable electricity production for the next 20 years.

Acquisitions:

- In addition to the recent acquisition of Esseti, the Group has identified three cash-generative CHPDH schemes in Italy, and is in preliminary negotiations for the potential acquisition of these schemes. Cogenpower will be able to add biomass, thermal storage and intelligent automation capability to these targeted acquisition opportunities, increasing productivity and efficiency.

Green-field CHPDH schemes:

- The Group also plans to develop a green-field CHPDH project for the local community of Orbassano. This plant will run on natural gas and will supply heat to domestic residential properties.

Penetrating the UK market:

- The Company was incorporated in England in November 2014, establishing a UK presence from which to develop its UK operations.
- Cogenpower has recently received a letter of intent from the Bootle in Cumbria Community Interest Group (BICCIC) confirming its interest in working with Cogenpower to secure the financing, construction and operation of a CHPDH scheme for the village of Bootle.
- Cogenpower has opened exploratory discussions with Bizcat Limited, a UK energy consulting Group operating in the district heating market, with the aim of entering into a commercial partnership.

- Initial feedback is positive in relation to Cogenpower expanding into the UK market.

Reasons for admission to AIM and use of proceeds

The Directors believe that the Placing and Admission will assist the Group in achieving the following objectives:

- to provide additional funding for the development of Esseti;
- to repay the most expensive portion of the Group's debts;
- to support the growth of Cogenpower, as described above;
- to allow the Company to access equity capital cost-effectively in the future and to increase the Group's creditworthiness which the Board believes will enable it to obtain bank guarantees and thus improve its ability to procure energy commodities; and
- to enhance the credentials of the Group with existing and potential customers, supporting the development of Cogenpower's brand, particularly in Italy and the UK.

Further enquiries

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The Board of Directors

The Board consists of 3 Executive Directors and 2 Non-Executive Directors.

David Pickering (aged 61), *Non-Executive Chairman*

David is an experienced non-executive and executive director of both public and private businesses in the services sector. He currently holds a number of non-executive director roles and is a founding director of customer-centred change consultancy C3 Partners. David has considerable experience in building start-up enterprises and developing them into successful brands. As founder and CEO of business and IT consultancy Charteris he developed the business into what became one of the top 40 business consultancies in the UK. David led the successful flotation of Charteris on AIM as a part of a strategy for major organic and acquisition growth. David was also a director with global IT services firm Logica, where David led the growth of its energy & utilities business which became one of the Group's largest operating units. The Group also became one of the major providers of innovative technology and business solutions in the de-regulation of the electricity and gas markets in the UK. David is a Chartered Engineer and Fellow of the British Computer Society.

Dr. Francesco Vallone (aged 43), *Chief Executive Officer*

Francesco founded the Group in 2004. He has 19 years of experience in technology and 13 years of direct experience in energy markets. He has worked in international research centres focused on controlled thermonuclear fusion, in the semiconductor industry, and in engineering, marketing and management roles in a New York Stock Exchange-listed Group. Francesco launched Cogenpower in 2004 and has developed the Company's CHPDH

schemes by increasing levels of automation and efficiency. He has an MA in theoretical physics from the University of Turin (Italy) and an MBA in General Management from Pepperdine University of Malibu (California, USA).

Martin Groak (aged 65), *Chief Financial Officer*

Martin Groak qualified as a chartered accountant after completing a degree in economics from London University and has over 30 years of international business experience. Martin is multi-lingual and speaks Italian. He has a strong background in finance and financial control, predominantly in oil exploration, energy, logistics and physical trading. He has held numerous CFO positions and has been a director of 5 UK publicly listed companies. As a consultant he managed the finances of the UK's second generation nuclear power station fleet and has integrated and organised finance for two privatised German municipal CHPDH companies. Martin is currently a non-executive director of Tanfield Group plc, an AIM-quoted investing Group focused on the engineering sector.

Ilaria Cannata (aged 36), *Corporate Development Director*

Ilaria has more than 9 years of experience at Cogenpower and expertise in due diligence activities associated with potential acquisitions, executing market research, feasibility studies and strategic planning and business and strategic development. Prior to joining Cogenpower S.p.A. in 2006, Ilaria was involved with several projects concerning financial public relations of listed companies working for Mailander s.r.l. She has an MA in International Political Science from the University of Florence.

Richard Day (aged 55), *Non-Executive Director*

Richard is a qualified solicitor and a Chartered Fellow of The Chartered Institute for Securities & Investment. Richard is an experienced senior executive with particular financial strengths, having diverse management experience and extensive knowledge of capital markets, fund raisings and corporate governance across a range of sectors. He worked in private practice with various City law firms, including Simmons & Simmons and Charles Russell (now Charles Russell Speechlys LLP), then in corporate finance for 12 years with Cazenove & Co. Richard was with institutional stockbroker Arden Partners plc from 2002 to 2015, acting as Head of Corporate Finance for a significant part of his time with the firm. He was a founding partner at Arden Partners and a main board director leading up to the Group floating on AIM in 2006. Richard has extensive knowledge and experience of the Listing Rules, the AIM Rules and the Takeover Code, as well as business financial assessment and controls. He is currently a non-executive director of Greka Drilling Limited and runs his own advisory business, RJD Corporate Limited.

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