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Cogenpower PLC
05 January 2017

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

**Operational update**

Cogenpower (CGP.L), the technology-driven, low-carbon energy business, today provides an operational and financial update following the twelve-month period ended 31 December 2016.

**Key points:**

- Borgaro power plant has delivered record heat output in 2016 of over 20.1 GWh for 2016, a 12.5% increase compared to 2015
- Higher prices achieved for sales of electricity in Q4 2016 averaging €62.75 per MWh - 15% higher than Q4 2015
- New, lower cost gas contract in place from October 2016 averaging €0.218 per standard cubic metre in Q4 2016 compared to €0.275 in Q4 2015
- Full automation of CHPDH announced to deliver further operational savings
- Exit from underperforming retail division near completion
- New Italian government's legislative timetable includes vote on Green Certificate payments in early 2017
- €0.1 million in relation to the final settlement from the sale of Esseti Energia remains outstanding and the Company intends to take action to recoup the amount owed

**Operations:**

**Combined Heat and Power + District Heating (CHPDH)**

The CHPDH division enjoyed a positive final quarter in 2016 as sub-zero temperatures in the wider Turin area resulted in buoyant heat sales. The Company's Anaconda technology enabled the operation to respond more accurately to demand and more heat was sold than ever before, with the power plant delivering a record 20,146 MWh of heat output in 2016 compared to 17,911 MWh in 2015; an increase of 12.5%. Electricity prices in Q4 2016 also increased by 15% compared to the same quarter in the previous year, due to France's electricity crisis, where a large number of nuclear plants were shut down for a short period for safety inspections. This resulted in Italy selling electricity to France and consequently, the selling price for the electricity the Company produces increased significantly. In 2015, prices in Q4 averaged €54.33 per MWh, whereas in Q4 of 2016, they averaged €62.75.

On the cost side, Cogenpower's new gas supply contract came into force on 1 October 2016 which has resulted in major savings compared to its previous contract. The Company is currently paying €0.218 per standard cubic metre, compared to the price in the corresponding period one year ago of €0.275. As recently announced, the division will also gain the benefit of the operation at Borgaro becoming entirely automated through the full integration of the Anaconda technology with the Company's administration software, providing automatic billing, accounting and receivables management, with significant cost savings.

**Combined Heat and Power (CHP)**

The CHP division, which provides combined heat and power solutions to individual business clients, has had a stable year in line with management expectations.

**Retail distribution of gas and electricity**

Cogenpower announced in September 2016 that it was withdrawing from the low-margin retail energy market. Given the focus on CHPDH and the securing of a competitive stand-alone gas supply contract for the needs of the CHP operations, the decision was made to fully withdraw from this area of the market. This process is near completion.

**Financial:**

**Amounts due from the Italian government**

As previously announced in the Company's Interim Results for the six months ended 30 June 2016, Cogenpower is owed a total of €1.3 million from the Italian state for various incentives, of which €0.9 million relates to Green Certificates (GCs) earned in 2015, with the balance of €0.4 million being in relation to legacy $CO_2$ incentives (equivalent to Renewables Obligation Certificates).

Green Certificates

The €0.9 million of GCs has been the subject of a dispute with the Italian supervisory agency, the GSE, which was seeking to revise retroactively the basis of calculation. The Company notes that this is an industry-wide issue, impacting all companies entitled to GCs. The Company and its advisers believe that Cogenpower is in a strong position and recently a decree was passed by the Italian senate, stating that, provided the calculations had been reviewed and accepted by the GSE - and there had been no misrepresentation - it would be unlawful for the GSE to adjust the entitlement retroactively. The decree now has to be passed by the House of Representatives. The new interim government has announced that the decree will be voted on in early 2017.

$CO_2$ credits

Of the €0.4 million of $CO_2$ credits, just over €0.2 million was expected to be received by the end of 2016. Due to additional formalities being introduced, this payment has been delayed to later this year. However, a large proportion of the €0.2 million has been earmarked for a creditor who has taken the entitlement as collateral, so the Group's cash flow budget is largely unaffected by this delay.

Other receivables

The Company was due €0.1 million in relation to the final settlement from the sale of Esseti Energia srl ("Esseti") back to its former owners, Cavanna Legno s.r.l. The contractual date for this payment was 31 December 2016. However as at the date of this announcement the payment has not been received and the Company is being guided by its legal counsel on the next steps to recoup this amount. Esseti is in the process of being dissolved in accordance with Italy's "solvent liquidation" provisions and is seeking a buyer for the equipment. Although Cavanna Legno s.r.l. has given a parent company guarantee, it is in the process of restructuring and is doing so under Italian law, which provides temporary protection from creditors. As a result, for the time being, the Company will be limited to dealing with Esseti itself.

**Business development**

The Company, at the time of its interim results in September 2016 reported that it was progressing with its plans to acquire a number of CHPDH operations in Italy of similar scale to Cogenpower, and in which the Company's Anaconda technology could be used to upgrade performance. These activities have progressed well and the Company continues to develop its pipeline. The Board are confident that the Company's business model, alongside its Anaconda technology which removes human intervention almost completely, will improve its strong underlying operational EBITDA.

Cogenpower's plan to introduce a biomass extension is progressing well. This is expected to have multiple business benefits. It will reduce the plant's carbon footprint even further (Cogenpower's plant in Borgaro Torinese already saves 3,000 tonnes of $CO_2$ from being released into the atmosphere each year), give a dual-fuel optionality to protect margins and, with current biomass prices, reduce the cost of sales.

**Dr. Francesco Vallone, CEO of Cogenpower, commented:**

"The final quarter of 2016 represented an important phase for the operational side of the business, increasing significantly the Artificial Intelligence component of our CHPDH management and control systems, known as Anaconda technology, in order to minimise human intervention. We continued to focus on streamlining our operational costs, and further refining a replicable and scalable CHPDH model for communities of up to 50,000 people. This has been achieved and its commercial viability has been demonstrated."

**Notes to Editors**

**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%. Cogenpower was admitted to trading on AIM in February 2016.

**-ENDS-**

**Further enquiries:**


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