

RNS Number : 5795X
Cogenpower PLC
09 May 2016

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

Sale of Esseti Energia s.r.l. and Business Update

Cogenpower, the low-carbon technology energy business using sustainable generation to supply cost effective and cleaner energy to urban communities, announces the disposal of the Group's wholly-owned operating subsidiary, Esseti Energia s.r.l. ("**Esseti**").

Esseti owns and operates a small size Organic Rankine Cycle biomass power plant based in Predosa, near Alessandria, to the east of Turin, Italy. Esseti produces renewable electricity from its power plant, which is sold to the national grid operator.

Over four months following the acquisition of Esseti on 1 December 2015 Cogenpower has progressively taken full operational control of Esseti. Towards the end of that process certain facts that were not fully disclosed as part of the acquisition process have come to Cogenpower's attention. As a result, the underlying profitability and performance of Esseti post-acquisition is lower than expected, which has impacted Cogenpower's assumptions on the opportunities to develop Esseti and achieve the financial returns which had been anticipated. The Board of Cogenpower therefore has concluded that it would be in the best interests of shareholders for Cogenpower to sell Esseti back to its previous owner, Mr. Giansandro Domenico Cavanna ("**Mr Cavanna**"), and for Cogenpower to be reimbursed the consideration paid for Esseti and the monies invested in Esseti by Cogenpower since the acquisition (the "**Disposal**").

Accordingly, Cogenpower executed an agreement on 6 May 2016 with Mr Cavanna and Cavanna Legno s.r.l. (a company owned by Mr Cavanna) for Mr. Cavanna to acquire Esseti for an immediate cash consideration of €30,000 (the "**Cash Consideration**") and the repayment of a loan of €104,655 made by Cogenpower to Esseti (the "**Loan Repayment**"). The Loan Repayment is to be made by 31 December 2016 and is guaranteed by Esseti and by Cavanna Legno s.r.l. The Disposal reverses the original acquisition contract entered into on 1 December 2015 with the Cash Consideration representing the amount paid by Cogenpower to acquire Esseti and the loan of €104,655 is the total amount of funding provided by the Group to Esseti since acquisition. No other cash has been injected into Esseti by the Group.

In addition, the outstanding bank debt of €2.25 million, which was assumed by Cogenpower as part of the acquisition of Esseti, will be transferred back to the original owner as part of the Disposal. Any unfulfilled obligations of the original acquisition agreement have been cancelled and/or waived.

The proceeds from the Disposal will be used to provide additional working capital for the Company's existing operations.

As a result of the Disposal, the Group will not receive the benefits of Esseti in 2016 or in future years. The Board expects that for the year ending 31 December 2016, the Group's losses before tax will be reduced as a result of Esseti not being part of the Group. The overall indebtedness of the Group will be immediately reduced by €2.25 million and, combined with the repayment of the €600,000 credit facility with Unicredit from the flotation proceeds, the Group's total credit facilities have been reduced to €6.4 million of which the amount outstanding is currently €5.8 million. The Group's credit facilities include a new credit facility of €335,000 granted by Unicredit to the Company in April 2016.

For the year ended 31 December 2014, Esseti generated revenue of €1.89 million and generated a loss before tax of €406,000. As at 30 June 2015, net liabilities were €1.41 million.

Cogenpower's priority continues to be the further development of its innovative Anaconda technology - an artificial intelligent generation system able to run on biomass and natural gas to efficiently produce power and heat that is then distributed through its automated distribution heating network to communities.

In addition, Cogenpower's plans for the deployment of the Company's Anaconda technology on other sites - both greenfield and brownfield sites - has attracted the interest of major infrastructure organisations, which have recognised its considerable environmental and performance advantages.

Dr. Francesco Vallone, founder and CEO of the Group, said:

"The Group has taken early action on an asset, which it became clear was unlikely to achieve the financial returns anticipated and also proved unsuitable for our Anaconda technology. Returning Esseti for the cash paid reduces significantly our debt obligation.

Esseti is a relatively small site compared with the Group's energy generation of 38.3 gigawatthours. The Group has also gained valuable insight into the running of a biomass operation.

Our strategic plans continue to centre on the development of the Anaconda technology for the growing €30bn district heating market. We are also seeing active interest from major organisations in our Anaconda technology that has the potential to open important new routes to market. Good progress has been made on plans for the deployment of the Anaconda technology in several sites.

The full year results for the year to 31 December 2015 are expected to be released at the end of May 2016 and we look forward to updating shareholders then."

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