

EuroSite Power Inc. (EUSP) Company Report – November 19, 2016

EuroSite Power installs, owns, and operates Combined Heat & Power (CHP), and cooling systems at smaller industrial and commercial facilities. It provides these facilities with clean, reliable power, cooling, heat and hot water without any capital or start-up costs to the customer and at lower costs than charged by conventional energy suppliers.

In the third quarter, ended September 30, 2016, EuroSite Power recorded revenues of \$459,114, an increase of 9%. In local currency however – the Company's operation is located in the United Kingdom – revenues grew by an impressive 28.4%.

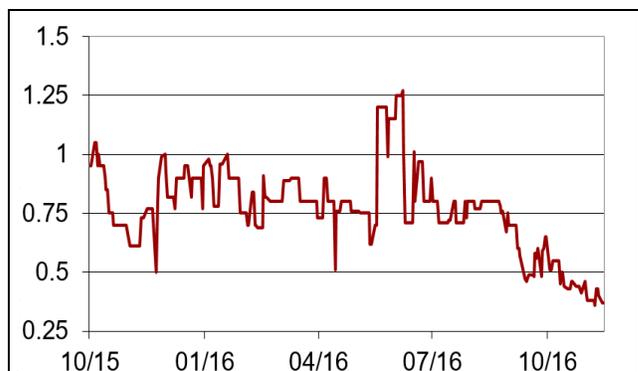
Revenues especially benefitted from a higher number of operating units and the improved utilization rate of the CHP machines. Moreover, gross margin excluding depreciation reached 32.8%, the highest third quarter gross margin in the Company's history!

With only about \$300,000 in convertible debt and more than \$4.5 million cash in the bank, EuroSite Power is positioned to aggressively grow its business across Europe.

Based on the intrinsic value of EuroSite Power's shares derived from our model, we reiterate our buy recommendation for the Company with a price target of US\$2.75, which is 685% above today's stock price.



- The Company is working hard to secure more and bigger projects. Customers with multiple sites, like the National Health Service (NHS) and private health care operators, have been targeted in particular. Also, in mainland Europe several projects have been identified that could result in contract wins in the coming months.
- In addition, EuroSite Power has identified its initial acquisition targets. We have the impression from management's comments on the quarterly earnings call that an acquisition could be closed fairly soon.
- Finally, the considerable participation of EuroSite Power's top management in the recent private placement is a very strong demonstration of insiders' confidence in the Company's future and potential. After all, no one knows a company better than its insiders.



Market Data

Price	\$0.35
Sector	Technology
52-Week Price Range	\$0.36 - \$1.25
Shares Issued (m)	82.27
Market Cap (m)	\$28.79
Listings	EUSP (OTCQX)
Website	www.EuroSitePower.co.uk

THE COMPANY

EuroSite Power Inc. owns and operates clean, On-Site Utility systems that produce electricity, hot water, heat and cooling. The Company has developed an innovative financial solution that provides significant economic and operational benefits to properties, such as healthcare facilities, hotels, multi-family housing facilities, leisure centers, schools, and colleges.

It installs, pays for, owns, operates, and maintains highly efficient low carbon technologies such as natural gas fuelled Combined Heat and Power (CHP) units, chillers, and heat pumps. These CHP, or cogeneration, systems produce electricity from an internal combustion engine that drives a generator, while the heat from the engine and exhaust is recovered and used for heating purposes at the site and to produce hot water.

Customers opt for EuroSite Power’s solutions for several reasons. First, its systems operate at up to 90% efficiency, versus less than 33% for the existing power grid. This means the Company can sell the produced energy at prices which are 5% to 15% lower than those charged by a regular energy provider, saving customers between US\$250,000 and US\$3,250,000 (depending on the size and scope of the system installed) per building over the term of the agreement.

Second, customers benefit from a reduction in their energy bills without the capital costs and risks associated with owning and operating a CHP system. Also, by outsourcing the management and financing of an on-site energy facility to EuroSite Power, customers reap the economic advantages without the need to retain specialized in-house staff with skills unrelated to their core business.

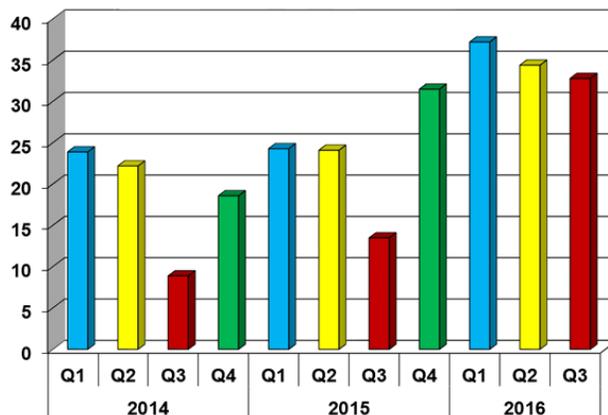
In addition, by simultaneously providing electricity, hot water and heat, CHP systems have a positive impact on the environment as they reduce carbon dioxide (CO₂) production. In 2015, for example, the Company’s operational fleet reduced UK carbon emissions by 3,680 metric tonnes, equivalent to taking 775 cars off the road.

Finally, reliability is enhanced with a CHP unit because the customer also remains connected to the electric grid. Therefore, if the grid experiences a blackout, it won’t necessarily result in a power outage at the customer’s site.

The proven CHP systems offer the ability to enter into 15-year long contracts, assuring EuroSite Power of a guaranteed, steady income. Revenue from energy contracts is recognized when electricity, heat, and chilled water is produced by the systems on-site. Customers are billed monthly.

In the third quarter, ended September 30, 2016, EuroSite Power recorded revenues of \$459,114, versus \$421,991 in the comparable quarter of 2015, an increase of 9%.

In local currency however – the Company’s operation is located in the United Kingdom – its revenues grew by an impressive 28.4% to GBP£349,615, up from GBP£272,287 in Q3 2015. The significant difference between the growth number in US dollar and British pound, is due to the sharp decline of the pound as a result of the Brexit vote in June of this year. So although the Company reports in US dollar, it’s important to look at the results in British pound as well to get a true idea of underlying core business performance.



Gross margin excluding depreciation noticeably improved the past four quarters. especially in the third quarter - traditionally the softest quarter for EuroSite Power - the progress is impressive.

Revenues especially benefitted from a higher number of operating units and the improved utilization rate of the CHP machines. Total operational systems at September 30, 2016

was 32, compared with just 28 on September 30, 2015. At the same time, total energy production for the third quarter of 2016 reached 7,549,821 kWh, a rise of 2.07 million kWh, or 37.7%, over the third quarter of 2015.

Next to the increase in revenue, also the evolution of its gross margin indicates how well the Company is executing. Gross margin, excluding depreciation, reached 32.8%. Although a bit lower than the Company's goal of 35%, it compares very favorably with the 13.5% gross margin achieved in Q3 2015. In fact, this was the first time in EuroSite Power's history that gross margin in the third quarter was higher than 30%.

This is the true beauty of EuroSite Power. Its revenues are mostly predictable as the biggest contributing factor to sales is the number of cogeneration units in operation.

That number continues to steadily increase as the amount of contracted customers grows. In addition, each unit that's taken into operation comes with a 15-year contract, assuring EuroSite Power of a guaranteed, steady income. All of this makes the Company's revenues grow predictably over time.

In addition, EuroSite Power's margins are growing, which will make it turn profitable sooner. It's just a matter of time before the Company reaches that magic number of operational installations to make it become cash flow and net income positive.

EuroSite Power Business Model

The Company's business model, and benefits for all parties involved, will become perfectly clear on the basis of an example.

A while ago, EuroSite Power started up a 125 kW Combined Heat and Power system at the Kingfisher Leisure Centre in Sudbury, UK. Kingfisher includes a large leisure pool, sauna, spa, 37-station gym, power plate studio, café and a children's play center, making it particularly applicable to CHP, as demand for heating, hot water, and electricity is high.

The cost to install the cogeneration unit, about US\$238,000, was entirely funded by EuroSite Power. The Company also pays for the gas to run the CHP system and its maintenance. Consequently, there is no impact on the customer's overhead and no additional staff required.

Kingfisher simply pays for the generated energy by the CHP unit, which is guaranteed to be cheaper than the displaced energy from the grid. Estimated savings for the customer are in excess of US\$20,156 per year. During the 15-year contract term, even excluding inflation, Kingfisher is expected to save approximately US\$300,000.



The CHP system at the Kingfisher Leisure Centre provides heating, hot water, and electricity to the facility.

In addition to saving money, EuroSite Power's systems help to conserve energy, reduce emissions and improve the environment. The particular system installed at the leisure facility will produce up to 1,484,021 kWh of total energy per year, while saving up to 234 tonnes of CO₂ – equivalent to taking nearly 50 cars off the road each year. This is important, because it enables EuroSite Power to benefit from government incentives, such as Enhanced Capital Allowances, that are in place in the UK.

EuroSite Power expects the Kingfisher unit to generate revenues of approximately US\$153,000 per annum, or a total of US\$2.41 million over the 15-year contract term.

This compelling offer is truly what sets EuroSite Power apart. It takes full responsibility for all expenses, customers get a discount on the energy that's used,

and as a bonus, significant government incentives are offered for operating a CHP system.

In its business model EuroSite Power targets an internal rate of return (IRR) on investments of over 20%, which produces a project payback period of just over four years on average.

Project Financing

Up until early this year, EuroSite Power entirely self-funded the cost of each CHP and the installation of the unit, roughly between US\$200,000 and US\$300,000. In order to do so, it relied on equity financing. Unfortunately, that strategy limited the Company's ability to grow.



The 331kW TEDOM CHP unit at The Dome leisure center in Doncaster, UK will produce up to 1,848,470 kW of electricity and 2,038,343 kW of heat per annum, while saving up to 667 tonnes of carbon dioxide (CO2) each year - equivalent to taking 140 cars off the road.

In order to remediate the situation, the Company closed project financing agreements with both Macquarie Equipment Finance and Societe Generale Equipment Finance, two major financials groups.

Under the new structure, as soon as the cogeneration unit is up and running, the lender, either Macquarie or Societe Generale, will refund EuroSite Power all costs associated with the purchase and the installation of the unit. From then on, the project will pay off the loan in monthly installments, typically over 5 years. This is obviously a major advantage for

the Company, as it now has an almost unlimited access to funds from two major financial institutions for projects which meet the financing criteria.

In general, Macquarie will finance projects worth over US\$1.25 (£1) million and Societe Generale will finance the smaller value ones. Thanks to these two agreements, the Company can handle much larger projects both in system size (kW) and in terms of the number of sites.

MACQUARIE GROUP is a global financial services provider with offices in 27 countries. Since 2002, Macquarie Energy Leasing, which is part of Macquarie Group, has been assisting businesses by providing specialized and tailored leasing and finance products in the energy asset space.

SOCIETE GENERALE EQUIPMENT FINANCE (SGEF) is the international equipment and vendor finance specialist of Societe Generale group. SGEF is a worldwide leading player and a key partner for manufacturers and vendors in Europe, Africa, Asia and Americas. Societe Generale Equipment Finance manages more than EUR 22.2 billion end managed assets. With 3,100 people across 35 countries, SGEF serves more than 230,000 customers thanks to its sound industry knowledge in the Transportation, Industrial Equipment and High-Tech markets.

Mid-March of this year, the first project win financed by Societe Generale, was announced. A 331kW CHP system was installed in The Dome leisure center, in Doncaster, UK. The agreement, is worth approximately US\$4.83 (£3.02) million.

And in July of 2016, the Company signed an agreement with Celtic Manor Resort for a 400 kW system. This project will similarly be funded by Societe Generale Equipment Finance (also read Recent Events).

Both The Dome and Celtic Manor would most likely have been too large for EuroSite Power to handle without the financing structure. This shows that the financing process works, and also that the Company is ready to manage

much larger projects both in system size (kW) and in terms of the number of sites.

Because the Company can now handle the installation of larger systems, it will move towards being cash flow positive faster. It's just a matter of time before the Company achieves that magic number of operational installations, making it an ideal time for investors to get on board.

Competition

EuroSite Power competes with utilities that provide electricity, with companies that provide similar services, and with other forms of alternative energy.

Companies that provide similar services include Siemens AG, Honeywell International Inc. and Johnson Controls Inc. Because of their overhead structures, these companies often solicit large, diverse projects rather than individual properties. Because EuroSite Power focusses on much smaller projects solely for energy supply, these giants, in most cases, are potential suppliers of equipment and not competitors.

In addition, there are a few local emerging cogeneration developers and contractors that are attempting to offer similar services as EuroSite Power. There's a relatively high barrier to enter the market though as they need to have the proper experience in equipment and technology, installation contracting, equipment maintenance and operation, site economic evaluation, project financing and energy sales plus the capability to cover a broad region.

TECHNOLOGY

Combined Heat and Power

Combined Heat and Power is the simultaneous production of two types of energy – electricity and heat – from a single source.

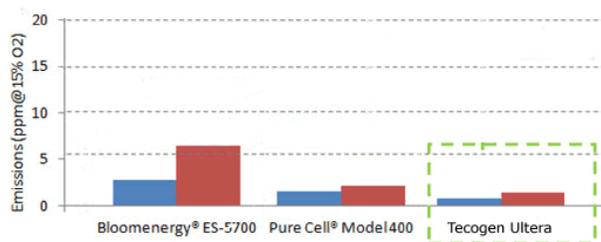
Most of EuroSite Power's CHP units utilize internal combustion engines which are modified to run on natural gas. Vendors used

include US manufacturer Tecogen and Czech manufacture TEDOM.

The engine spins a generator to produce electricity, which is used by the customer, with any additional electricity needed by the customer's facility simply being delivered as normal from the grid.

The heat that's generated during this process is captured from the engine's water cooling circuit, the exhaust gases and even the engine oil. A heat exchanger is then connected to the existing heating system to supply space heating, heat domestic hot water, and to provide heat for swimming pools and spas.

With these features, CHP units are ideally suited for organizations such as hotels, leisure centers, fitness clubs, and healthcare facilities, as they can supply nearly all of their hot water needs and simultaneously cover a considerable portion of the facility's electrical demand.



CHP systems used by EuroSite Power emit significantly less NOx (blue) and CO (red) than other leading systems.

Combined Heat and Power systems use fuel very efficiently, as they provide electricity and heat at a combined efficiency approaching 90%. This is a significant improvement over the 30 to 35% efficiency of electricity generated by a power station.

Next to being more efficient, a CHP unit also provides a greener, lower carbon solution than conventional electricity from a utility provider and heat from a boiler. In compliance with the most stringent emission control standards worldwide, Tecogen, the manufacturer of some of EuroSite Power's CHP systems, obtained a patent for its Ultra low-emissions technology.

With this technology, Tecogen's cogeneration products are able to reduce pollutant emission, such as NOx, CO, and HCs to a level comparable to fuel cells at a much lower cost and higher efficiency. **By having access to Tecogen's exclusive technology, EuroSite Power separates itself from all of its competitors.**

Heat Pumps

Finally, EuroSite Power offers high efficiency heat pumps which use a combination of technologies designed to boost efficiency, save money, and reduce impact on the environment. Comprised of a natural gas fueled hot water heater, the heat pump systems combine traditional boiler technology with the power of the heat pump to make a dramatic leap in heating efficiency.

This clean technology equipment extracts thermal energy from the atmosphere and uses a cutting edge natural gas fueled engine to "pump" the heat to useful temperatures. The synergy of advanced heat pump and engine technology results in twice the efficiency of a gas fired boiler.

For locations with substantial hot water requirements the cost savings and environmental impact is significant, reducing the carbon footprint with an average of 50% in greenhouse gas emissions.

Chillers

EuroSite Power also offers its customers the possibility to install gas-engine driven chillers across a range of outputs from 90kW to 1,400kW. Unlike conventional chillers that use an electric motor to power a compressor, a gas-engine driven chiller uses an internal combustion engine to power the compressor.

The change in how the chiller is powered creates high efficiency and the opportunity to recover the heat from the engine itself. As such, a gas-engine driven chiller can provide both chilled water and hot water simultaneously for greater energy efficiency. In effect this becomes a form of cogeneration that's called Combined Heat and Cooling (CHC).

Although an electric compressor driven chiller is a very efficient system for cooling a building, using a gas-engine to drive the compressor makes it 2.5 times more efficient than the most efficient absorption chiller.



A gas-engine driven chiller in operation. The proven engine design of these chillers, have over 80 million hours of reliable operation.

THE MARKET

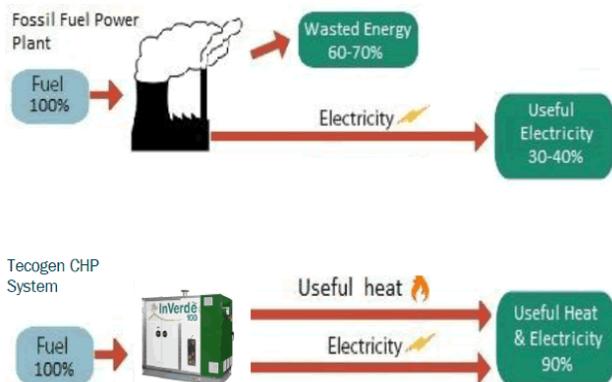
CHP vs. Power Stations

The delivery of energy services to commercial and residential customers has evolved over many decades into an inefficient and increasingly unreliable structure. Power for lighting, air conditioning, refrigeration, communications and computing is almost exclusively generated by centralized power plants serving users through a complex grid of transmission and distribution lines and substations.

Conventional power stations are in effect CHP systems as they also produce electricity and heat. Unfortunately power stations are inherently inefficient as most of the heat is wasted in cooling towers and chimneys. In addition, as power stations are located away from where the electricity is consumed, further energy is lost simply by transmitting the electricity over high voltage cables and across pylons to our cities and towns.

Even with continuous improvements in central station generation and transmission technologies, today's power industry discharges to the environment roughly twice

as much heat as the amount of electrical energy delivered to end-users. Since coal accounts for a large part of electric power generation, these inefficiencies are a major contributor to rising atmospheric CO₂ emissions.



Fossil fuel power plants reach a maximum efficiency of about 40%, while CHPs approach 90%.

Most thermal energy for space heating and hot water services is produced by on-site boilers and furnaces that burn either natural gas or petroleum distillate fuels. The separation of thermal and electrical energy supply services has persisted despite a general recognition that CHP is significantly more energy efficient than central generation of electricity only.

CHP – The Preferred Technology

While CHP systems have been used in pulp and paper mills for years – the heat recovered is used to process steam or for drying duties – the technology has yet to reach critical mass across all industries. This is due, in part, to the long-established monopoly-like structure of the regulated utility industry.

Also, the technologies previously available for small on-site cogeneration systems were incapable of delivering the reliability, cost and environmental performance necessary to displace, or even substantially modify, the established power industry structure.

This has radically changed in recent years due to reduced reliability of the utility grid, increasing cost pressures experienced by energy users, advances in low-cost technologies, and favorable legislation.

As a result, Combined Heat and Power systems are growing in popularity across Europe. By simultaneously generating electricity and useful heat, CHP systems have the capability of reducing carbon emissions by up to 30% and saving end users about 20% on energy bills.

Because the market for small CHP units – less than 500kW – is still relatively young, there are plenty of opportunities in hospitals, hotels, schools, recreational facilities, etc.

The CODE 2 project estimates that in 2030 CHP could generate 20% of the EU’s electricity using a range of increasingly renewable fuels. The CHP Roadmap projections estimate that new and upgraded CHP capacity would reduce CO₂ emissions by 350 Mt in 2030. 15% of the EU’s heat today comes from CHP (850 TWh). The CODE 2 project estimates that this heat volume will increase by around half to 1,264 TWh in 2030.

THE CODE 2 PROJECT – jointly funded by the EU and industry under Intelligent Energy Europe (IEE) programme – developed 27 National Cogeneration Roadmaps and one European Cogeneration Roadmap.

Incentives

In the European Union countries, CHP is viewed as a key measure to enable achievement of target reductions in greenhouse gas emissions. Consequently, it’s widely supported by governments in the EU.

In the UK, EuroSite Power is enjoying a government incentive coined Enhanced Capital Allowance (ECA). The ECA program provides a tax incentive to UK businesses that invest in energy-saving equipment that meets published energy-saving criteria. Basically, it encourages businesses to invest in environmentally friendly equipment specified on the Energy Technology List which is managed by the Carbon Trust on behalf of the UK Government.

The ECA scheme allows businesses to write off the entire cost of the equipment against

taxable profits in the year of purchase. For example, if a business pays income tax at 20%, every US\$10,000 spent on qualifying equipment would reduce its tax bill in the year of purchase by US\$2,000. As such ECAs are a straightforward way for a business to improve its cash flow through accelerated tax relief.

Combined Heat and Power equipment does not automatically qualify for an ECA benefit. In order to qualify, a machine needs to meet certain standards. Once a certificate of energy efficiency has been granted, the installation can qualify for an ECA incentive payment. EuroSite Power is exceptionally efficient in this matter, as in fact all its installed units meet or exceed the quality standard and have qualified for an ECA. This is a true quality standard and adds credibility to the Company's team and its installed units.

In May 2015, EuroSite Power received its initial Enhanced Capital Allowance funds from the UK government for the years 2012 and 2013 in the amount of approximately US\$625,000. And in January of this year the Company received close to US\$360,000 cash in ECA incentives for 2014. The tax break currently runs through the end of tax year 2018. So EuroSite Power expects to continue to benefit from Enhanced Capital Allowances at least through the end of April 2018.

GROWTH DRIVERS

In-House Maintenance Service Team

As of December 1st, 2015, EuroSite has its own in-house UK maintenance team. Previously, maintenance of the installed cogeneration units was handled by third party companies, a costly arrangement that resulted in lower margins. Bringing maintenance operations in-house has been a strong contributor to the Company's higher margins since the fourth quarter of 2015 (Also read Financials).

Currently, EuroSite has 32 machines in operation, of which 12 are TEDOM units. These come with a two year warranty when installed. In order to retain their warranty, they must be maintained by TEDOM's UK dealer.

However, the first unit came to the end of its two year warranty period a few months ago. Consequently, EuroSite Power has started servicing these TEDOM units as well. In fact, it has hired a new service technician to maintain the TEDOM fleet. This should help to increase margins further.



The EuroSite Power service team are receiving factory training in the TEDOM facility in the Czech Republic to bring lubrication servicing in-house.

Moreover, the Company wants to bring the lubrication servicing of the not-out-of-warranty TEDOM CHPs also in-house. This would significantly lower costs for parts and labor. The EuroSite Power service team are receiving factory training in the TEDOM facility in the Czech Republic at the moment. **Once implemented, this should again have a positive effect on the Company's margins.**

Internal and External Growth Opportunities

In the third quarter of 2016 one new CHP installation was commissioned, bringing total operational systems to 32. The total installed capacity is 3,509 kW, and long term total contract value of operational systems is approximately \$74.2 (GBP£57.2) million.

The current contracted project backlog is 7 systems for a total of 989 kW in capacity. So the total systems under contract (both operating and in backlog) at quarter end was 39; totaling 4,498 kW of capacity for a combined lifetime contract value of approximately \$91.2 (GBP£70.3) million.

Although no new orders were added in the past quarter, plenty are in the pipeline. For

example, decisions are expected any day on three projects in the UK.

Next to growth in the UK market, the Company is actively seeking to grow in mainland Europe. It's doing this by collaborating with the Czech CHP manufacturer TEDOM. Through the latter's extensive dealer network across Europe, the Company has already identified several potential customers in Germany and Italy.

Moreover, the Company is targeting a number of larger projects in the UK and abroad. Dr. Elias Samaras, the CEO of EuroSite Power, mentioned during the third quarter conference call that three large projects have been identified in south-east Europe. The Company is currently shortlisted to participate in the energy part of an \$8 billion construction project. If this deal were to materialize, it goes without saying that it would be transformational for EuroSite Power. Furthermore, the Company is bidding on two hotel resort projects.

To continue filling the pipeline with new potential customers, the Company now has a "hybrid" offer, in which the customer buys the natural gas to drive the CHP, and only pays EuroSite Power for the generated electricity. This will allow the Company to compete with companies already offering this type of service. In addition, EuroSite Power has started the process of using energy consultants to promote the Company's solutions to their existing partners. Good to know is that about half of all the projects that EuroSite has completed so far, were introduced by third parties. So having more and better relationships with people and organizations that can introduce the Company to potential customers is critical.

Finally, the Company has hired a strategic advisor to source and research potential acquisition targets. Acquisition candidates with existing portfolios of distributed generation assets, service networks, and those operating in new geographies are all attractive potential targets. So far, the initial phase of research has identified a number of potential candidates for acquisition both in the UK and mainland Europe.

RECENT EVENTS

UK Construction Week's Energy 2016 Event

Late October, Energy 2016 was held as part of the UK Construction Week. Bringing together architects, engineers, contractors, project and energy managers, developers and academics, the show united all the key players in property development, renewables, innovation and power generation. One of the exhibiting and presenting companies at the event was EuroSite Power.

Not only did EuroSite Power have a booth at the Energy event, it was also invited to present. The Company's Sales Executive, Mr. Adam Smith spoke about "The benefits of Combined Heat and Power in your building".



EuroSite Power's Adam Smith presenting at the Energy 2016 Show.

The lively presentation discussed the benefits of installing a CHP system in a building, what charges can be avoided, some of the technical challenges that sometimes have to be overcome, and how EuroSite Power's On Site Utility solution can be used to guarantee savings without any capital investment.

Next to getting the story out about the Company at these well-attended shows, a presentation also gives the opportunity to establish yourself as one of the leading authorities in the industry.

Shows like Energy 2016 are the perfect platform to showcase new solutions and meet

new potential customers. Judging from the vast number of visitors, it's clear that people are looking for more economical and environmental friendly solutions for their electrical, heating and cooling needs.

The market is huge – the show doubled in size, due to the success of last year. We learned from our visit that the energy sector is one of the most important and dynamic industries in the UK. EuroSite Power is bound to continue to benefit in the coming quarters and years as it can play a key role in producing greener and smarter energy.

EuroSite Power Nominated Twice for ADE Awards

EuroSite Power has been selected as a finalist in two categories at the prestigious Association for Decentralized Energy (ADE) Awards 2016.

With over 100 members in the United Kingdom, the **Association for Decentralized Energy** brings together interested parties to develop a strong, dynamic and sustainable environment for a range of technologies, including combined heat and power, district heating networks and demand side energy services.

There are eight award categories in total. EuroSite Power has been shortlisted for both the Commercial / Public Sector Project of the Year Award and for the Customer Engagement Award.

In the first category it will compete with the Kingfisher Leisure Centre project against seven other nominees. In October 2015, EuroSite Power started up a 125 kW Combined Heat & Power system at the Kingfisher facilities in Sudbury, UK. Estimated savings for the customer are in excess of \$20,156 (£12,598) per year, with no capital or maintenance costs, as they are all covered by EuroSite Power.

In the second category, EuroSite Power competes with the Haverhill Leisure Centre project against three other companies. In 2012, the Company reached an agreement

with Haverhill to install an InVerde 100 kW CHP system, along with a unit to provide air-conditioning to a number of the leisure centre's fitness suites and its cafe area. Similar to Kingfisher Leisure Centre, the systems are installed and operated by EuroSite Power, which retains ownership of the equipment on site.

The reason why a project from 2012 was nominated by ADE, is because for this particular award the long term benefits for the customer are key. At Haverhill those benefits are very real and clear, as the leisure centre has been able to reinvest the savings generated by the installation of the CHP into a new gym and power room refurbishment and upgrade.

The award winners will be announced at a ceremony on 23rd November 2016 at The Natural History Museum, London.

Even if the Company doesn't win, these selections provide unbiased recognition of how EuroSite Power's solutions represent a pioneering way to help customers access the benefits of CHP in a way that is demonstrably superior to other methods of sale.

The Energy Event Provides EuroSite Power Multiple New Sales Leads

Early September, the EuroSite Power team exhibited at The Energy Event in Birmingham, UK. The annual two day show brought together the key players from the supply and demand side of energy.

Paul Hamblyn, the Managing Director of EuroSite Power, was quoted saying, "This was a good event for us. Many energy professionals that manage buildings, retrofit or build new developments, stopped by at our booth to enquire about our on-site utility services. At the same time, several operational people or energy managers came by to find a solution for a specific project."

The Energy Event is the UK's leading trade fair for energy and utilities procurement professionals. It's the key place for visitors to understand the latest policies, compliance

requirements, and to find the latest technologies to drive a reduction in energy costs and improve their sustainability performance.

EuroSite Power fits right in as its on-site utility business model delivers significant savings for end-users, while considerably reducing emissions.



Shows like The Energy Event are very useful platforms for EuroSite Power to grow its business, as visitors get better acquainted with the Company's attractive offering.

These types of events are very useful platforms for EuroSite Power to grow its business, as visitors get better acquainted with the Company's attractive offering.

Many interested parties stopped by at the Company's booth. Obviously, the coming weeks and months will be important for EuroSite Power as it follows-up on all these sales leads.

FINANCIALS

Total revenue for the third quarter of 2016 was \$459,114, compared to \$421,991 for the same period in 2015, an increase of 8.8%. GAAP diluted loss per share (EPS) was \$0.01 for the third quarter of 2016, in line with prior year results.

Operating expenses were higher as the Company continued to invest in additional personnel and marketing activities. General and Administrative expense included an approximately \$109,000 exceptional translation loss due to the decline of the pound versus the US dollar. Also, included in

the G&A expense is a stock compensation amount of \$124,000. These are both non-cash transactions, so they don't influence the balance sheet, but they do have quite an impact on the net result.

For the nine months, ended September 30, 2016, EuroSite Power's net sales were \$1,786,583 compared to \$1,513,018 in the same period in 2015, an increase of 18%. Diluted loss per share for the nine months ended September 30, 2016 was \$0.02, equal to last year's comparable period.

Amounts in US\$000's	09/30/16	09/30/15
Net Sales	459	422
Cost of Sales	420	468
Operating Expenses	618	405
(Loss) From Operations	(579)	(450)
Net (Loss)	(583)	(458)
Diluted Shares Outs.	82,265	65,747
Diluted EPS	(0.02)	(0.02)

Most important income statement data for the quarters ending September 30, 2016 and September 30, 2015. Source: Company Filing

Outstanding Margin Growth

Traditionally the summer months are relatively weak for EuroSite because thermal loads fall, and as such the energy output is lower. However, as some of the Company's costs are fixed, its margins tend to be lower during the summer. This time, gross margin benefited from strong reductions in maintenance expense as well as lower fuel expense as a percent of total revenue. For the first nine months of 2016, gross margin, excluding depreciation, was 35%, right on target!

And it doesn't stop there, as the Company continues to make progress to reach higher gross margin. For example, it will upgrade the three final Tecogen CHPs in the fleet. The upgrades of the other units have had a very positive effect on their reliability and also increased the maximum output of the Tecogen fleet as engine speed is much more consistent after the upgrade thanks to the new electronic ignition system. In addition, the Company is looking to install extended oil tanks on its Tecogen CHP units, so it can lengthen the equipment service interval.

EuroSite Power's Managing Director Paul Hamblyn commented, "The significant improvement in our adjusted gross margin alongside improved overall gross margin demonstrates the value of the cost control initiatives put in place at the end of last year to drive our company toward profitability."

A final important item when looking at EuroSite Power's margins is the availability and efficiency of its operational fleet.

A CHP unit's availability, or up-time, can never reach 100%. Sometimes the equipment fails or it needs maintenance, or it might even be temporarily shut down because the electricity tariff from the grid is too low at certain times of the day, or year, to make sufficient margins. Units also switch off at times of low demand for heat such as during the warmer summer months. Overall fleet availability in the third quarter of 2016 was 74%, another strong improvement over the 69% availability in the comparable period last year. This was achieved despite exceptionally warm weather in September.

Efficiency, on the other hand, measures how much of a unit's input fuel is converted to energy which can then be sold to the customer. In the third quarter of 2016 efficiency reached 77%, identical to last year's third quarter.

Balance Sheet As Of September 30, 2016

While operating strength is important for a small growth company, financial strength is paramount. Securing the project financing partners Macquarie and Societe Generale was just the first step in establishing a solid, sustainable financial position for EuroSite Power.

Via a series of transactions that began in May 2016, management and the Board have demonstrated their commitment to improving the financial profile of EuroSite Power. This summer the Company raised over \$7 million via a private placement, eliminated an outstanding \$2 million related party loan, and converted nearly the entirety of its outstanding 4% Senior Convertible Debt. An impressive achievement!

Amounts in US\$000's	09/30/16	09/30/15
Cash and Cash Eq.	4,598	588
Accounts Receivable	217	304
Inventories	192	137
Total Current Assets	5,116	1,450
Property & equipment	7,992	7,516
Total Assets	13,118	8,977
Accounts Payable	207	313
Total Current Liabilities	561	699
Convertible Debentures	-	1,585
Convertible Debentures - Third Party	308	951
Total Liabilities	1,149	5,236
Total Stockholder Equity	11,969	3,742
Most important balance sheet data for the periods ending September 30, 2016 and September 30, 2015. Source: Company Filing		

The result of management's diligence is evident in the newly strengthened balance sheet. EuroSite Power today has more cash on hand than at any other point in the Company's history and is burdened by negligible debt - just \$300,000 remains of its Senior Convertible note.

OUTLOOK & VALUATION

Both energy production and gross margin were up considerably in the third quarter of 2016, compared with the same period in 2015. And if it hadn't been for the sharp decline of the British pound, which obviously is out of the Company's control, sales growth would have been even more impressive.

On the other hand, the devaluation of the pound can also be favorable, as the cash that the Company still holds in US dollars, is more valuable if it wants to acquire a UK company.

In addition, the Company is working hard to secure more and bigger projects. Customers with multiple sites, like the National Health Service (NHS) and private health care operators, have been targeted in particular. Winning these types of customers will bring larger and more profitable projects. Also in mainland Europe several projects have been identified that could result in contract wins in the coming months.

With about \$300,000 in convertible debt remaining and a very strong cash position, the balance sheet of the Company has never been better. This fact, along with the project financing arrangements with Macquarie and Societe Generale give EuroSite the flexibility to aggressively grow its business across Europe.

The Company has hired additional sales personnel to support the expanded effort, as it's confident that plenty more opportunities are now within its reach.

Its strong balance sheet, strategic partnerships, and improved operational efficiencies will drive EuroSite Power towards profitability even faster. This should be a strong catalyst for the Company's share price.

Valuation

Given the still emerging nature of EuroSite Power's earnings, a multiple-based valuation is challenging. Instead, we apply a Discounted Cash Flow (DCF) model.

Based on our estimate of 90 million shares outstanding, the intrinsic value of EuroSite Power's shares derived from our model is US\$2.75. This is justified as revenues grow on a quarterly basis and gross margin is significantly increasing. In addition, the Company has a substantial pipeline of opportunities.

Based on these numbers, we reiterate our buy recommendation for EuroSite Power Inc. with a price target of US\$2.75, which is 685% above today's stock price.

SHARE DATA & OWNERSHIP

As of August 11, 2016, EuroSite Power had 82,265,056 common shares outstanding. In addition, the Company has 3 million warrants outstanding with an exercise price of US\$0.60 and 4.11 million options with an exercise price of US\$0.84. Finally, EuroSite Power has 0.3 million convertible debt, which is convertible at US\$0.60 per share.

The principal owners of the Company's common stock are Trifon Natsis (35.3%), Elias Samaras (14.7%), John Hatsopoulos (9.1%), Jacques de Saussure (8.9%), and Nettlestone Enterprise (7.5%).

MANAGEMENT

▣ DR. ELIAS SAMARAS - CHIEF EXECUTIVE OFFICER

Dr. Samaras is the founder, president and managing director of Digital Security Technologies S.A. He was also the founder and president of Plefsis Information Systems S.A. and City Messengers. Dr. Samaras holds a Master of Science degree from MIT, a Doctor of Philosophy from Columbia University in New York, where he was also a professor for several years and an OPM from Harvard Business School.

▣ JACQUES DE SAUSSURE- CHAIRMAN OF THE BOARD

As an expert in asset management and wealth management, Mr. de Saussure joined Pictet Group in 1980 and was elected partner in 1987. He served as Senior Managing Partner of the Pictet Group from 2010 until June 2016. Founded in Geneva in 1805, Pictet is today one of Europe's leading independent wealth and asset managers, with EUR 437 billion of assets under management and custody as of year-end 2015. He is a member of the board of the Swiss Bankers Association, and has also served as vice chairman of the Swiss Stock Exchange.

▣ PAUL HAMBLYN - MANAGING DIRECTOR

Mr. Hamblyn is Managing Director of EuroSite Power Limited.. Prior to joining EuroSite Power, Mr. Hamblyn was Head of Energy Services for Corona Energy, a major B2B gas supplier, where he directed the creation of their energy services offer. Mr. Hamblyn previously held a series of positions with the ENER-G Group including 3 years as the Managing Director of ENER-G Efficiency, a company he took from a simple idea to become a leading provider of energy management solutions based on BEMS technology.

▣ **BONNIE BROWN - CHIEF FINANCIAL OFFICER**

Ms. Brown is a senior level executive with over 20 years of hands-on experience in finance, management, tax, information

systems and business leadership. She earned a B.S. in Accountancy from Bentley College, a M.S. in Computer Information Systems from Boston University, and is a Chartered Public Accountant (CPA).

ANNUAL INCOME STATEMENT FY 2013 – 9M 2016

All numbers in thousands

PERIOD ENDING	FY 2013	FY 2014	FY 2015	9M 2016
Total Revenue	839	1,578	2,199	1,787
Cost of Revenue	763	1,799	2,315	1,502
Gross Profit or (Loss)	76	(221)	(116)	285
Operating Expenses				
General & Administrative	964	877	884	1,012
Selling	522	492	479	421
Engineering	157	112	249	289
Total Operating Expenses	1,644	1,481	1,612	1,722
Operating Income or (Loss)	(1,568)	(1,702)	(1,728)	(1,437)
Other Income or (Expense)				
Interest & Other Income	5	13	6	10
Interest Expense, net of debt premium amortization	(106)	(47)	(42)	(30)
Debt Conversion Expense	-	(508)	-	(225)
Loss on Extinguishment of Convertible Debt	-	(714)	-	-
Total Other Income (Expense)	(100)	(1,256)	(37)	(246)
Net Income or (Loss)	(1,668)	(2,309)	(1,384)	(1,683)

Annual Income Statement FY 2013 – 9M 2016. Source: Company Filings



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