

### EuroSite Power Inc. (EUSP)

Company Report – August 3, 2015

EuroSite Power installs, owns, and operates Combined Heat & Power (CHP), and cooling systems at smaller industrial and commercial facilities in the United Kingdom. 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.

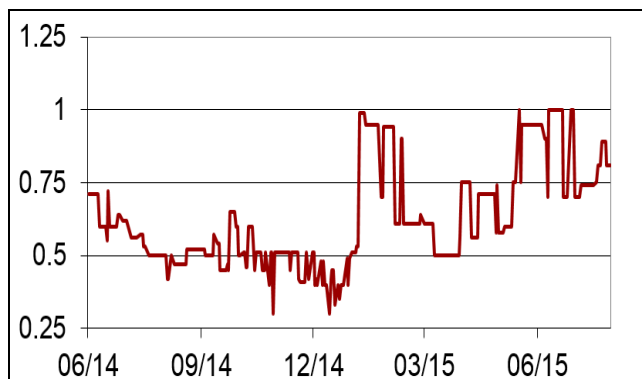
In 2014, the Company's sales increased by 88% compared with the previous year, and in the first quarter of 2015 revenues were 27% higher. With a growing number of CHP systems in operation, EuroSite Power gets closer to becoming cash flow positive. According to the management team, it needs 45 operating units to achieve that feat, while it has 36 contracts signed today, and consistently adds customers.

The Company is financially backed by Dr. John and Dr. George Hatsopoulos, the founders of Thermo Electron Corporation which is now Thermo Fisher Scientific (NYSE: TMO), a US\$52 billion company.

Based on the intrinsic value of EuroSite Power's shares derived from our model, we issue a buy recommendation for the Company with a price target of US\$2.09, which is 158% above today's stock price.



- ▣ By simultaneously generating electricity and useful heat, Combined Heat and Power systems reach an efficiency of greater than 90% while reducing carbon emissions by up to 30% and saving end users about 20% on energy bills.
- ▣ CHP is growing in popularity across Europe. It's widely supported by governments as it is viewed as a key measure to reduce greenhouse gas emissions. A few weeks ago, EuroSite Power received approximately US\$625,000 as a UK tax incentive.
- ▣ The market for small scale CHP units (<500kW) is still relatively young, so there is a vast untapped opportunity in hotels, hospitals, and recreational facilities.
- ▣ EuroSite Power intends to expand its services to mainland Europe as soon as it has established a solid operational CHP fleet in the UK.



Market Data	
Price	US\$0.81
Sector	Technology
52-Week Price Range	US\$0.30 - US\$1.50
Shares Issued (m)	65.74
Market Cap (m)	US\$53.26
Listings	EUSP (OTCQB)
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. EuroSite Power 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 basically installs, pays, owns, operates and maintains highly efficient low carbon technologies such as natural gas fueled Combined Heat and Power (CHP) units, chillers, and heat pumps. These CHP systems produce electricity from an internal combustion engine that drives a generator, while the heat from the engine and exhaust is recovered and used to produce heat and hot water for use at the site.

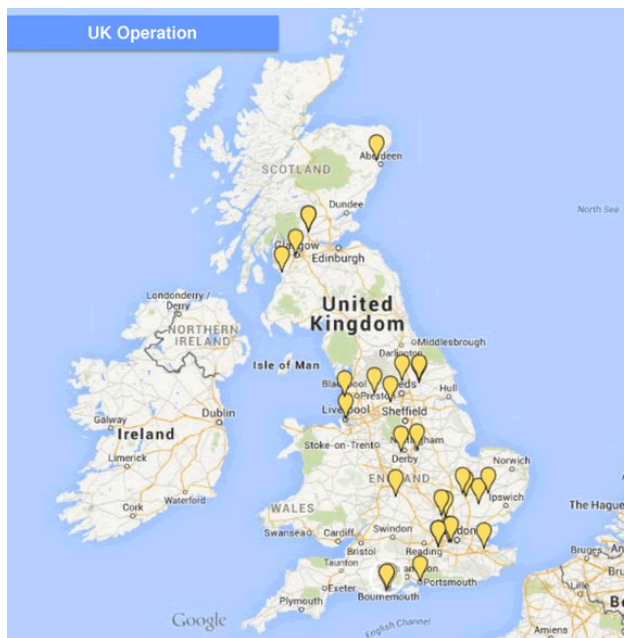
Because these systems operate at up to 90% efficiency, versus less than 33% for the existing power grid, EuroSite Power is able to sell the produced energy at prices below the existing cost of electricity, heat and hot water.

The Company is active in the United Kingdom and aims to expand its services to other parts of Europe. It was founded in 2010 and is headquartered in Waltham, Massachusetts.

Revenue from energy contracts is recognized when electricity, heat, and chilled water is produced by the systems on-site. Customers are billed monthly and benefit from a reduction in their current energy bills without the capital costs and risks associated with owning and operating a CHP, or cogeneration, 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.

On-site energy provided by EuroSite Power costs 5% to 15% less than the rate charged by a regular energy provider, saving customers between US\$250,000 and US\$3,250,000 per building over the term of the agreement.

The Company adds revenue streams as new energy systems are deployed and become operational. In total, EuroSite Power currently has 36 systems under contract across the UK totaling 3,638kW of installed capacity. 25 units are in operation, while 11 are in backlog. More contracts are added on a consistent basis.



**UK map indicating EuroSite Power's 25 operating units.**

The proven CHP systems offer the ability to enter into 15-year long contracts, assuring EuroSite Power of a guaranteed, steady income. With each additional unit installed, EuroSite Power edges closer to becoming cash flow and net income positive, making it an ideal time for investors to get on board.

EuroSite Power generated total revenues of US\$1,577,873 in fiscal year 2014, ended December 31, 2014, compared to US\$838,879 in fiscal year 2013, an increase of 88%. And in the first quarter of fiscal year 2015, the Company continues that excellent trend, with revenue of US\$548,054, up 27% compared to US\$432,184 in Q1 2014.

By simultaneously providing electricity, hot water and heat, CHP systems have a positive impact on the environment as they reduce carbon dioxide or CO2 production. In 2014, for example, the Company's operational fleet reduced UK carbon emissions by 2,047 metric

tonnes, equivalent to taking 431 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 failure, it won't result in a power outage.

### Kingfisher Leisure Center

The Company's business model, and benefits for all parties involved, will become even clearer on the basis of a recent deal.

Late March, 2015, EuroSite Power signed a 15-year agreement worth approximately US\$2.41 million with Kingfisher Leisure Center to install a 125 kW CHP system at its facilities 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 it needs lots of electricity, heat, and hot water.

Estimated savings for the customer are in excess of US\$19,381 per year, with no capital or maintenance costs. During the 15-year contract term, even excluding inflation, Kingfisher is expected to save approximately US\$290,000.



Part of the Kingfisher Leisure Center.

The unit will produce up to 2,742,547 kWh of total energy per annum, while saving up to 234 tonnes of CO<sub>2</sub>. This enables them to also benefit from one or two government incentives that are in place in the UK.

Kingfisher Leisure Center Chief Executive Officer Tracey Loynds said: "Controlling energy costs is of the utmost importance when running a large leisure center. A zero capital solution providing immediate, guaranteed savings means we can keep our costs down, risk free."

As for EuroSite Power, it foresees to generate revenues of just over US\$153,000 per annum from this one deal. The Company will fund the entire installation, which will cost about US\$238,000.

**In its business model the Company foresees an internal rate of return (IRR) on investments of over 20%, which gives a payback of just over four years.**

### American DG Energy



#### AMERICAN DG ENERGY

American DG Energy (NYSE MKT: ADGE) can be considered the parent of EuroSite Power. It was founded in 2001, and basically has the same strategy as EuroSite Power, except that it focusses on the United States.

After American DG Energy was in operation for a few years, it spotted an opportunity to implement its business model in Europe. It did so by founding EuroSite Power.

Today, American DG Energy owns approximately 48% of EuroSite Power's outstanding common stock and it provides management oversight to the Company. Additionally, there are affiliate relationships and a number of EuroSite Power shareholders are also shareholders of American DG Energy. American DG Energy also continues to guarantee certain debt obligations of the Company.

Finally, American DG Energy has two affiliated companies, Tecogen Inc. and Ilios Inc., which are the two major equipment suppliers of both American DG Energy and EuroSite Power.

## Competition

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

Companies that provide similar services include Siemens AG, Honeywell International Inc. and Johnson Controls Inc. In general, these companies seek large, diverse projects for electric demand reduction for campuses that include building lighting and controls, and electricity (in rare occasions) or cooling. Because of their overhead structures, these companies often solicit large projects rather than individual properties. But since EuroSite Power focusses on much smaller projects for energy supply, these giants are in most cases potential suppliers of equipment and not competitors.

In addition, there are a few local emerging cogeneration developers and contractors that are attempting to offer services similar to EuroSite Power's. 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, or cogeneration, is the simultaneous production of two types of energy – electricity and heat – from a single source. Most of EuroSite Power's CHP units utilize a low-cost, mass-produced, internal combustion engine from General Motors, used primarily in light trucks and sport utility vehicles that is modified to run on natural gas.

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

The heat that's generated during the process is captured from the engine's water cooling circuit, the exhaust gases and even the engine oil. This heat is then connected to the existing heating system to supply space heating, heat domestic hot water or 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.

Combined heat and power systems use fuel very efficiently. A CHP system provides 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.

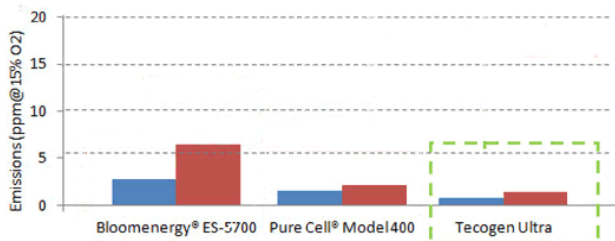


**Combined Heat and Power systems use fuel very efficiently, as they provide electricity and heat at a combined efficiency approaching 90%.**

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 used further energy is lost simply transmitting the electricity over high voltage cables and across pylons to our cities and towns.



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 some of the most stringent emission control standards in the United States, Tecogen, the provider 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 VOCs to a level comparable to fuel cells at a much lower cost and higher efficiency. **By having access to this exclusive technology, EuroSite Power separates itself from all of its competitors.**



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

### Chillers

EuroSite Power also offers a number of 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 not only high efficiency but also 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 even 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. As a

result, a gas-engine driven chiller cooling system provides greater comfort and savings.



**A gas-engine driven chiller can provide both chilled water and hot water simultaneously for even greater energy efficiency.**

### Heat Pumps

A third system that EuroSite Power offers is 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” this 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 a 50% in greenhouse gas emissions.

## THE MARKET

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 comes almost exclusively from centralized power plants

serving users through a complex grid of transmission and distribution lines and substations.

Even with continuous improvements in central station generation and transmission technologies, today's power industry according to the Energy Information Administration is only about 33% efficient, meaning that it 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.

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. This separation of thermal and electrical energy supply services has persisted despite a general recognition that CHP can be significantly more energy efficient than central generation of electricity only.

While CHP systems have been used in pulp and paper mills for years – the heat recovered is used to process steam or drying duties - the technology has yet to reach critical mass across all industries. This has been 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 new, 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 reaching an efficiency of greater than 90% while 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.

A study, conducted by American DG Energy in 2010 analyzed the entire European market, and particularly focused on the United Kingdom, Spain and Belgium as the primary markets. The study estimated that there were over 13,700 potential sites in those three countries providing a US\$900 million annual electricity market plus a US\$600 million heat and hot water energy market, for a combined market potential of US\$1.5 billion.

### European Expansion

Although EuroSite Power is currently only active in the United Kingdom, it certainly recognizes the opportunity to expand its services to mainland Europe. It most likely will do so when it has a solid operational CHP fleet in the UK.

When looking for expansion options, the first thing to look for is the so-called Spark Spread. The Spark spread stands for the ratio between the price charged for electricity and the price charged for the fuel used to generate that electricity, which in EuroSite Power's case is natural gas.

So in countries where the Spark Spread is high, the commercial viability for Combined Heat and Power is good. Looking at the top ten European countries in terms of Spark Spread, the United Kingdom is in second place. The list also includes countries such as Romania, Italy, Spain, Ireland, and Lithuania.

Country	Spark Spread
Romania	3.96
United Kingdom	3.36
Slovakia	3.27
Latvia	3.25
Italy	3.18
Spain	3.08
Czech Republic	3.06
Ireland	3.05
Turkey	3.03
Lithuania	3.00

**Top 10 European Spark Spreads. Source: Company Presentation.**

The second condition to look for when expanding into mainland Europe, is the amount of government support for CHP technologies.

So finding countries with a high Spark Spread and an attractive incentive scheme is key. That approach can sometimes lead to surprising results. Germany, for example, has a very favourable environment for Combined Heat And Power, but its Spark Spread is not in the top 10.

## Incentives

CHP is already widely supported by governments in the European Union with many forms of government assistance provided to promote its use.

### **ENHANCED CAPITAL ALLOWANCE**

Enhanced Capital Allowances (ECAs) are a straightforward way for a business to improve its cash flow through accelerated tax relief. The ECA scheme for Energy Saving Technologies encourages businesses to invest in energy-saving plant or machinery 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 whole cost of the equipment against taxable profits in the year of purchase. This can provide a cash flow boost and an incentive to invest in energy-saving equipment which normally carries a price premium when compared to less efficient alternatives.

So 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.

In the European Union countries, CHP is viewed as a key measure to enable achievement of target reductions in greenhouse gas emissions. Legislation forcing companies to reduce their carbon footprint is having a large impact on CHP sales; there are also planning laws which force new building

owners to provide at least 10% of their power supply from renewable sources (see Recent Events).

In the UK, EuroSite Power is already enjoying a government incentive related to the energy efficiency of its equipment. Enhanced Capital Allowance (ECA) allows customers to avoid certain taxes associated with CO2 emissions and energy use. Part of this avoided cost is passed onto the Company in the form of revenue.

In May 2015, EuroSite Power received its initial ECA funds for the years 2012 and 2013 in the amount of approximately US\$625,000. 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.

## RECENT EVENTS

### First CHP Unit in New Leisure Center

A few days ago, EuroSite Power signed an agreement worth approximately US\$1.97 million with Stevenage Leisure Limited to provide a solution for the new Flitwick Leisure Centre currently under construction in Flitwick Bedfordshire, UK.

In a first for EuroSite Power, a 100kW Combined Heat and Power system will be installed as part of a new build project. In delivering a CHP in this way, EuroSite Power is helping both its customer and the building's developer, Central Bedfordshire Council to achieve the Target CO2 Emissions Rate (TER) defined by Part L2A of the Building Regulations 2010 in England and Wales. These regulations specifically require building designers to consider the technical, environmental and economic feasibility of using high-efficiency alternative heating systems including CHP as part of their design in order to meet the TER.

Under the terms of the 15-year agreement, a highly efficient CHP system will be funded, owned and operated by EuroSite Power at the leisure center. Flitwick Leisure Center will then buy the energy produced from EuroSite

Power at a guaranteed lower rate than if it were to buy directly from the grid.

The 100kW CHP system will produce up to 1,373,787 kWh of total energy per annum, while saving up to 249 tonnes of CO2. The facility's annual energy costs savings are estimated to be over US\$25,600, with no capital or maintenance costs, thanks to EuroSite Power's CHP unit.

## FINANCIALS

EuroSite Power generated total revenues of US\$1,577,873 in fiscal year 2014, ended December 31, 2014, compared to US\$838,879 in fiscal year 2013, an increase of 88%. The net loss in 2014 was US\$2,308,861, or US\$0.04 per share, compared to a net loss of US\$1,668,379, or US\$0.03, for the same period in 2013. The increase in the net loss of US\$640,482 was primarily due to debt conversion inducement expense and the loss on extinguishment of convertible debt.

In the first quarter of 2015, ended March 31, 2015, the Company reported revenues of US\$548,054, compared to US\$432,184 for the first quarter of 2014, an increase of US\$115,870 or 27%. GAAP diluted loss per share was US\$0.01 for the first quarter of 2015, compared with a loss per share of US\$0.02 for the first quarter of 2014.

Amounts in US\$000's	03/31/15	03/31/14
Net Sales	548	432
Cost of Sales	505	399
Operating Expenses	464	333
<b>Loss From Operations</b>	<b>421</b>	<b>301</b>
Interest Expense	12	22
Loss on Convertible Debt	-	714
<b>Net Loss</b>	<b>430</b>	<b>1,034</b>
Diluted Shares Outs.	65,747	56,747
Diluted EPS	(0.01)	(0.02)

**Most important income statement data for the quarters ending March 31, 2015 and March 31, 2014. Source: Company Filing**

The second quarter will be positively impacted by Enhanced Capital Allowance funds in the amount of US\$625,223, which the Company received a few weeks ago. These funds are for

the years 2012 and 2013. EuroSite Power expects to further benefit from ECAs until the plan expires in 2018, or potentially longer if the plan is extended by the UK government beyond 2018. These funds should enable the Company to move to positive cash flow in the second quarter 2015.

In order for EuroSite Power to reach positive cash flow without the benefit of ECA funds, it needs about 45 operating units. Today, it has 36 contracts signed, of which 25 units are already installed and operating.

Paul Hamblyn in a Smallcaps Investment Research interview commented: "To go from 36 to 45 is not too much of a leap and that's why we are very confident that we can achieve becoming cash flow positive within the short term. Within our current pipeline, we have about 68 so-called hot opportunities, that is parties that we are actively negotiating with. In our much broader pipeline, there are over 1,300 potential clients. So that certainly puts our target of 45 in perspective."

Equipment	100kW CHP System
Initial EUSP Investment	US\$212,000
Yearly Revenue	US\$129,000
Term of Contract	15 years
Total Revenue	US\$2,716,500
Gross Margins	US\$46,000
Total Gross Margins	US\$983,000
EUSP Payback	4.4 years
EUSP IRR	20.50%

**EuroSite Power recurring revenue model. The above example is a contracted and operating project. Note that 15 year figures include 5% annual energy price inflation.**

## Increased Availability and Efficiency

Next to signing more agreements and installing more Combined Heat and Power units, a third focus point of EuroSite Power in 2015 is to increase the availability and efficiency of its operational fleet. This should help to drive up the Company's margins.

A CHP unit's availability, or up-time, can never reach 100%. The equipment has to be maintained on occasion, 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.

EuroSite Power’s fleet availability has seen some dramatic improvements in the first part of the year. In January 2015, the average availability was 71%. After conducting some detailed work, the Company managed to achieve 80% in February and 82% in March. Management is confident that the number will continue to grow in 2015.

To increase the efficiency of its units, EuroSite Power is working very closely with its equipment suppliers. By focusing on operational efficiencies the Company is achieving great results. In the first quarter of 2015, the fleet efficiency improved from about 76% to 80%.

As a result of its increased focus on availability and efficiency, gross profit margins, improved to 24.3% in Q1 2015, versus 18.6% in Q4 2014.

**Although the Company has experienced net losses since its inception, we foresee that its results will continue to improve significantly in the coming quarters based on its backlog and the demand for greener, more cost-efficient systems. Moreover, it will continue to benefit from the Enhanced Capital Allowance funds from the UK government.**

### Balance Sheet As Of March 31, 2015

As EuroSite Power develops, installs, and owns the energy-producing equipment at its customer’s sites, its business model is capital intensive. So as the Company continues to add more energy systems, its cash requirements will also increase.

The Company finished the first quarter of 2015 with approximately US\$2 million in cash. However, because EuroSite Power is getting closer towards being cash flow positive, the Company is confident that its existing cash, future cash flow from operations, and its ECA tax incentives will be sufficient to meet its current working capital requirements.

In addition, the Company has proven in its recent history that it’s able to finance its growth.

On April 15, April 24, May 20 and June 9, 2014, the Company entered into a subscriptions agreements with European investors, American DG Energy, and John Hatsopoulos, the chairman of the Company's Board of Directors, for the sale of US\$1,450,000 in aggregate principal amount of 4% Senior Convertible Notes due 2018. In October 2014, the notes were cancelled and the holders were issued shares of common stock at a conversion price of US\$.50 per share.

Amounts in US\$000's	03/31/15	12/31/14
Cash and Cash Eq.	2,021	3,777
Accounts Receivable	188	153
UK Tax Incentive Receivable	608	636
<b>Total Current Assets</b>	<b>2,989</b>	<b>4,784</b>
Property & equipment	6,805	6,349
<b>Total Assets</b>	<b>9,809</b>	<b>11,150</b>
Accounts Payable	439	338
Note Payable	2,000	-
<b>Total Current Liabilities</b>	<b>2,551</b>	<b>468</b>
Convertible Debentures	2,609	2,633
Note Payable	-	3,000
<b>Total Liabilities</b>	<b>5,160</b>	<b>6,101</b>
Total Stockholder Equity	4,649	5,049
<b>Most important balance sheet data for the periods ending March 31, 2015 and December 31, 2014. Source: Company Filing</b>		

In addition, EuroSite Power obtained a five year, \$3 million loan from John Hatsopoulos. Also, during the final quarter of 2014 an additional US\$3.0 million was secured through a commitment and a placement of common stock.

And a few days ago, EuroSite Power entered into a Revolving Line of Credit with Elias Samaras, the Company's Chief Executive Officer and President. Under the terms of the Agreement, Mr. Samaras has agreed to lend the Company up to an aggregate of US\$1 million. Any amounts borrowed by the Company pursuant to the agreement will bear interest at 6% per year.

Once the Company is cash flow positive, it will also look into borrowing money from banks to continue its growth.

## OUTLOOK & VALUATION

More and more hotels, leisure centers, and fitness clubs are seeking energy- and environmentally friendly solutions for their electricity, hot water, heat and cooling needs. Because capital budgets have shrunk or disappeared, EuroSite Power's On-Site Utility™ approach, requiring no customer capital, fits today's market needs very well.

EuroSite Power truly has a compelling offer for potential clients, as it takes full responsibility for all expenses, from the cost to install a unit, gas to run it, through to maintenance. There is no impact on a customer's overhead and no additional staff required.

The customer simply has to pay for the generated energy, which is guaranteed to be cheaper than the displaced energy from the grid. In addition, while saving money, EuroSite Power's systems help to conserve energy, reduce emissions and improve the environment.

Customers are also concerned about electricity prices that are expected to increase significantly in Europe in the coming years and about potential power cuts, as there is a narrowing between generation capacity and demand for the first time ever. This makes CHP units even more attractive as they can operate independently of the grid.

As a bonus, significant incentives, rebates and support are available for the installation and operation of CHP systems in Europe, as government policy in Europe favors energy-efficient and environmentally friendly technologies and businesses. In May, EuroSite Power received over US\$625,000 as a UK tax incentive.

While the competition is focused on larger systems, both in footprint size and in kilowatts, EuroSite Power's 100kW CHP system is small enough to fit into smaller buildings and has sufficient energy production. In addition, The Company is able to distinguish itself from its competitors thanks to its exclusive access to high efficiency water heater components

introduced by Ilios and the unique patented low emissions technology developed by Tecogen.

With a growing number of CHP systems in operation, EuroSite Power gets closer to becoming cash flow positive. According to the management team, it needs 45 operating units to achieve that feat, while it has 36 contracts signed today.

It continues to attract new customers and has plenty of room to grow in a European market that's becoming more and more aware of the technology's significant cost savings and environmental benefits.

Moreover, the Company is financially backed by its parent American DG Energy and its founders Dr. John and Dr. George Hatsopoulos, the founders of Thermo Electron Corporation which is now Thermo Fisher Scientific (NYSE: TMO), a US\$52 billion company.

### 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 78 million shares outstanding, the intrinsic value of EuroSite Power's shares derived from our model is US\$2.09.

**Based on these numbers, we issue a buy recommendation for EuroSite Power Inc. with a price target of US\$2.09, which is 158% above today's stock price.**

## SHARE DATA & OWNERSHIP

As of May 14, 2015, EuroSite Power had 65,747,100 common shares outstanding.

In addition, the Company has 3 million warrants outstanding with an exercise price of US\$0.60 and 4.3 million options mostly with an exercise price of US\$0.90. Finally, EuroSite Power has 4 million convertible debt, which is convertible at US\$0.60 per share.

The principal owners of the Company's common stock are American DG Energy (48.0%), RBC Holdings (12.7%), Nettlestone Enterprise (9.4%), John Hatsopoulos (4.7%), and Joan Giacinti (2.6%).

Note that EuroSite Power and American DG Energy are affiliated companies by virtue of common ownership and leadership. Specifically, as of December 31, 2014, John N. Hatsopoulos who is the Chairman of the Company is also the Co-Chief Executive Officer and a director of American DG Energy and holds 9.3% of the latter's common stock.

## MANAGEMENT

### ▣ DR. JOHN N. HATSOPOULOS - CHAIRMAN OF THE BOARD

Next to being Chairman of the Board at EuroSite Power, Dr. Hatsopoulos is also Co-Chief Executive Officer of American DG Energy. In addition, he is Chairman of the Board of Glenrose Instruments Inc. and Co-Chief Executive Officer of Tecogen Inc. Dr. Hatsopoulos was the President, Chief Financial Officer and Vice Chairman of the Board of Thermo Electron Corporation which is now Thermo Fisher Scientific (NYSE:TMO). He is a member of the Board of Directors of TEI Biosciences Inc., Ilios Inc., and a former "Member of the Corporation" for Northeastern University.

### ▣ 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.

### ▣ PAUL HAMBLYN - MANAGING DIRECTOR

Mr. Hamblyn is Managing Director of EuroSite Power Limited. He is also a Council Member of the Energy Services and Technology Association (ESTA). 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.

### ▣ GABRIEL PARMESE - CHIEF FINANCIAL OFFICER

Mr. Parmese is also Chief Financial Officer of American DG Energy and brings more than twenty years' experience as a senior financial executive with fast growing, highly successful public and private technology companies. Prior to joining American DG Energy, Mr. Parmese served in various senior financial management positions at public companies such as Keane Inc. (NYSE), NTT Data Corporation (TSE), Art Technology (NASDAQ) and iGate/Patni Computers (NASDAQ).

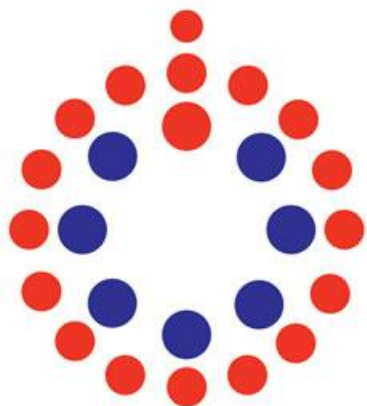
## ANNUAL INCOME STATEMENT FY 2012 – 3M 2015

All numbers in thousands

PERIOD ENDING	FY 2012	FY 2013	FY 2014	3M 2015
<b>Total Revenue</b>	<b>81</b>	<b>839</b>	<b>1,578</b>	<b>548</b>
Cost of Revenue	70	763	1,799	505
<b>Gross Profit or (Loss)</b>	<b>11</b>	<b>76</b>	<b>(221)</b>	<b>43</b>
<b>Operating Expenses</b>				
General & Administrative	1,088	964	877	303
Selling	609	522	492	129
Engineering	94	157	112	31
Total Operating Expenses	1,790	1,644	1,481	464
<b>Operating Income or (Loss)</b>	<b>(1,779)</b>	<b>(1,568)</b>	<b>(1,702)</b>	<b>(421)</b>
<b>Other Income or (Expense)</b>				
Interest & Other Income	13	5	13	3
Interest Expense, net of debt premium amortization	-	(106)	(47)	(12)
Debt Conversion Inducement	-	-	(508)	-
Loss on Extinguishment of Convertible Debt	-	-	(714)	-
Total Other Income (Expense)	13	(100)	(1,256)	(9)
Benefit for Income Taxes	-	-	649	-
<b>Net Income or (Loss)</b>	<b>(1,765)</b>	<b>(1,668)</b>	<b>(2,309)</b>	<b>(430)</b>

Annual Income Statement FY 2012 – 3M 2015. Source: Company Filings





**EuroSite**  
**POWER**

**OTCQB: EUSP**

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