

August 6, 2015



Tecogen Announces Second Quarter Earnings

WALTHAM, Mass., Aug. 6, 2015 /PRNewswire/ -- Tecogen[®] Inc. (NASDAQ: TGEN), a manufacturer and installer of high efficiency, *Ultra* clean combined heat and power products including natural gas engine-driven cogeneration, air conditioning systems, and high-efficiency water heaters for industrial and commercial use, reported revenues of \$6,383,831 for the quarter ended June 30, 2015 compared to \$4,539,857 for the same period in 2014, an increase of 41%. Gross profit increased to \$2,140,890 for the quarter ended June 30, 2015 compared to \$1,348,673, an increase of 59%.

Major Highlights:

Financial

- Gross margin in the second quarter 2015 increased to 33.5% compared to 29.7% in 2014.
- Keeping pace with growing revenues, sales backlog of equipment and installations continues at \$10.8 million as of August 5, 2015.
- Gross profit for the second quarter of 2015 was \$2,140,890 compared to \$1,348,673, for the same period in 2014.
- Consolidated net loss, attributable to Tecogen, for the three months ended June 30, 2015 was \$362,839 compared to \$1,229,707 for the same period in 2014, and the lowest second quarter loss ever reported.
- Net loss per share was \$0.02 and \$0.08 for the three months ended June 30, 2015 and 2014, respectively.
- Yesterday's announcement of a \$5 million dollar private placement and the \$2 million dollar line of credit secured a month ago will insure the grow capital required for the foreseeable future.

Sales & Operations

- Service, product, and total revenue grew to the highest ever reported for a second quarter.
- Shipped 14 InVerde modules in the quarter, the largest second quarter of the 100kW cogeneration units since their introduction.
- As demonstrated by multiple press releases during the quarter, Tecogen continued to be the preferred source for cogeneration equipment, engineering and installation services for large multinational energy service companies (ESCOs). Projects with ESCOs are an important route to long term business relationships exclusively specifying Tecogen products.
- Ultra Emissions programs continue to gain traction:

- Air permit for the Southern California genset project is in final process review. An order for the remaining units to be outfitted is expected after issuance.
- Ilios continues rapid growth and continues pace to profitability.
 - Ilios shipped nine gas heat pumps in the quarter, the highest single quarterly shipment total since its establishment.
 - Current Ilios orders and backlog for the remainder of 2015 is more than double any previous year, and is on track to surpass \$1.2 million dollars in revenue.
 - During the second quarter, Ilios had its first positive quarterly net income.

Conference Call Scheduled for Today at 8:30 am ET

Tecogen will host a conference call today to discuss the second quarter results beginning at 8:30 am ET. After the conclusion of the Q&A portion of the call, listeners are invited to stay on the line for a discussion of the second quarter results for Tecogen's subsidiary, Ilios Dynamics. To listen to the call dial (888) 349-0103 within the U.S., (855) 669-9657 from Canada, or (412) 902-0129 from other international locations. Participants should ask to be joined to the Tecogen Inc. call. Please begin dialing at least 10 minutes before the scheduled starting time. The earnings press release will be available on the Company website at www.tecogen.com in the "News and Events" section under "About Us." The conference call will be recorded and available for playback one hour after the end of the call. The earnings conference call will also be webcast live. To register for and listen to the webcast, go to <http://investors.tecogen.com/webcast>. Following the call, the webcast will be archived for 30 days.

About Tecogen

Tecogen manufactures, installs, and maintains high efficiency, ultra-clean combined heat and power products including natural gas engine-driven cogeneration, air conditioning systems, and high-efficiency water heaters for residential, commercial, recreational and industrial use. The company is known for cost efficient, environmentally friendly and reliable products for energy production that, through patented technology, nearly eliminate criteria pollutants and significantly reduce a building's carbon footprint.

In business for over 20 years, Tecogen has shipped more than 2,300 units, supported by an established network of engineering, sales, and service personnel across the United States. For more information, please visit www.tecogen.com.

FORWARD-LOOKING STATEMENTS This press release contains forward-looking statements under the Private Securities Litigation Reform Act of 1995 that involve a number of risks and uncertainties. Important factors could cause actual results to differ materially from those indicated by such forward-looking statements, as disclosed on the Company's website and in Securities and Exchange Commission filings. The statements in this press release are made as of the date of this press release, even if subsequently made available by the Company on its website or otherwise. The Company does not assume any obligation to update the forward-looking statements provided to reflect events that occur or circumstances that exist after the date on which they were made.

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TECOGEN INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

As of June 30, 2015 and December 31, 2014

(unaudited)

| | June 30, 2015 | December 31, 2014 |
|--|------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$1,609,719 | \$1,186,033 |
| Short-term investments, restricted | 294,655 | 585,702 |
| Accounts receivable, net | 4,512,448 | 4,750,437 |
| Unbilled revenue | 1,592,913 | 696,912 |
| Inventory, net | 3,786,741 | 4,090,221 |
| Due from related party | 972,821 | 600,251 |
| Deferred financing costs | 50,201 | 50,201 |
| Prepaid and other current assets | 509,832 | 348,868 |
| Total current assets | 13,329,330 | 12,308,625 |
| Property, plant and equipment, net | 572,146 | 658,421 |
| Intangible assets, net | 1,054,966 | 1,011,300 |
| Goodwill | 40,870 | 40,870 |
| Deferred financing costs, net of current portion | 24,091 | 48,990 |

| | | |
|---|---------------------|---------------------|
| Other assets | 58,425 | 53,325 |
| TOTAL ASSETS | \$15,079,828 | \$14,121,531 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$3,332,255 | \$2,416,313 |
| Accrued expenses | 1,339,600 | 1,008,153 |
| Deferred revenue | 776,064 | 1,666,576 |
| Total current liabilities | 5,447,919 | 5,091,042 |
| Long-term liabilities: | | |
| Deferred revenue, net of current portion | 384,906 | 207,153 |
| Senior convertible promissory note, related party | 3,000,000 | 3,000,000 |
| Total liabilities | 8,832,825 | 8,298,195 |
| Commitments and contingencies (Note 5) | | |
| Stockholders' equity: | | |
| Tecogen Inc. stockholders' equity: | | |
| Common stock, \$0.001 par value; 100,000,000 shares authorized; 16,338,782 and 15,905,881 issued and outstanding at June 30, 2015 and December 31, 2014, respectively | 16,339 | 15,906 |
| Additional paid-in capital | 26,494,188 | 25,088,213 |
| Accumulated deficit | (19,935,328) | (18,955,023) |
| Total Tecogen Inc. stockholders' equity | 6,575,199 | 6,149,096 |
| Noncontrolling interest | (328,196) | (325,760) |
| Total stockholders' equity | 6,247,003 | 5,823,336 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$15,079,828 | \$14,121,531 |

TECOGEN INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

For the three months ended June 30, 2015 and 2014

(unaudited)

| | Three months ended June 30, Six months ended June 30, | | | |
|---|---|-------------|-------------|-------------|
| | 2015 | 2014 | 2015 | 2014 |
| Revenues | | | | |
| Products | \$3,345,571 | \$2,007,926 | \$6,883,446 | \$3,952,702 |
| Services | 3,038,260 | 2,531,931 | 5,603,819 | 4,802,912 |
| Total revenues | 6,383,831 | 4,539,857 | 12,487,265 | 8,755,614 |
| Cost of sales | | | | |
| Products | 2,224,415 | 1,587,145 | 4,778,053 | 2,991,584 |
| Services | 2,018,526 | 1,604,039 | 3,343,347 | 2,989,131 |
| Total cost of sales | 4,242,941 | 3,191,184 | 8,121,400 | 5,980,715 |
| Gross profit | 2,140,890 | 1,348,673 | 4,365,865 | 2,774,899 |
| Operating expenses | | | | |
| General and administrative | 1,890,503 | 1,911,071 | 4,077,632 | 3,673,063 |
| Selling | 324,384 | 405,108 | 818,058 | 826,728 |
| Research and development | 228,318 | 251,582 | 404,481 | 559,716 |
| Total operating expenses | 2,443,205 | 2,567,761 | 5,300,171 | 5,059,507 |
| Loss from operations | (302,315) | (1,219,088) | (934,306) | (2,284,608) |
| Other income (expense) | | | | |
| Interest and other income | 685 | 15,079 | 9,788 | 18,164 |
| Interest expense | (30,351) | (57,382) | (60,410) | (92,152) |
| Total other expense, net | (29,666) | (42,303) | (50,622) | (73,988) |
| Consolidated net loss | (331,981) | (1,261,391) | (984,928) | (2,358,596) |
| Less: (Income) loss attributable to the noncontrolling interest | (30,858) | 31,684 | 4,625 | 90,844 |

| | | | | |
|---|-------------|---------------|-------------|---------------|
| Net loss attributable to Tecogen Inc. | \$(362,839) | \$(1,229,707) | \$(980,303) | \$(2,267,752) |
| Net loss per share - basic and diluted | \$(0.02) | \$(0.08) | \$(0.06) | \$(0.15) |
| Weighted average shares outstanding - basic and diluted | 16,338,782 | 15,227,089 | 16,282,027 | 15,013,824 |

TECOGEN INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended June 30, 2015 and 2014

(unaudited)

| | June 30, | |
|--|-------------|---------------|
| | 2015 | 2014 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Consolidated net loss | \$(984,928) | \$(2,358,596) |
| <i>Adjustments to reconcile net loss to net cash used in operating activities:</i> | | |
| Depreciation and amortization | 138,828 | 146,060 |
| Change in provision for allowance on accounts receivable | — | 18,000 |
| Recovery for inventory reserve | 23,000 | — |
| Stock-based compensation | 51,497 | 72,587 |
| Non-cash interest expense | 24,899 | 25,907 |
| Gain on sale of assets | (5,073) | — |
| <i>Changes in operating assets and liabilities</i> | | |
| (Increase) decrease in: | | |
| Short term investments | 291,047 | — |
| Accounts receivable | 237,989 | (695,280) |
| Unbilled revenue | (896,001) | 294,237 |
| Inventory, net | 280,480 | (543,483) |

| | | |
|---|-------------|-------------|
| Due from related party | (372,570) | (148,830) |
| Prepaid expenses and other current assets | (160,964) | (113,725) |
| Other non-current assets | (5,100) | 23,070 |
| Increase (decrease) in: | | |
| Accounts payable | 915,942 | 114,983 |
| Accrued expenses | 331,447 | 116,424 |
| Deferred revenue | (712,759) | 449,717 |
| Due to related party | — | (119,667) |
| Interest payable, related party | — | (198,450) |
| Net cash used in operating activities | (842,266) | (2,917,046) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property and equipment | (12,935) | (120,773) |
| Proceeds from sale of assets | 16,874 | — |
| Purchases of intangible assets | (95,086) | (113,699) |
| Purchases of short-term investments, restricted | — | (584,375) |
| Net cash used in investing activities | (91,147) | (818,847) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Payments for debt issuance costs | — | (7,444) |
| Proceeds (payments) on demand notes payable and line of credit to related party | — | (2,950,000) |
| Proceeds from sale of restricted common stock, net | 996,874 | 2,351,335 |
| Proceeds from the exercise of stock options | 360,225 | 6,000 |
| Net cash provided by (used in) financing activities | 1,357,099 | (600,109) |
| Net increase (decrease) in cash and cash equivalents | 423,686 | (4,336,002) |
| Cash and cash equivalents, beginning of the period | 1,186,033 | 7,713,899 |
| Cash and cash equivalents, end of the period | \$1,609,719 | \$3,377,897 |

Supplemental disclosures of cash flows information:

Cash paid for interest

\$60,410 \$263,553

To view the original version on PR Newswire, visit: <http://www.prnewswire.com/news-releases/tecogen-announces-second-quarter-earnings-300124658.html>

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