

April 1, 2014



Tecogen Reports Fourth Quarter 2013 Financial Performance

Strong fourth quarter revenues drive positive EBITDA

WALTHAM, Mass., April 1, 2014 /PRNewswire/ -- Tecogen Inc., 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 \$6,106,851 in the fourth quarter of 2013, compared to \$5,563,988 for the same period in 2012, an increase of 9.8%. Total revenues for the year were \$15,849,869 in 2013, compared to \$15,253,972 in 2012.



Major Highlights:

Financial

- Working capital on December 31, 2013 was \$5.6M compared to \$4.1M on December 31, 2012.
- "Turnkey" installation revenue increased to \$2.4 million for the year ended December 31, 2013 compared to \$0.7 million in 2012.
- Raised \$6.6M in a private placement during the fourth quarter of 2013, selling 1.5M shares of common stock at \$4.50 per share.
- In December 2013, entered into a senior unsecured convertible debenture agreement with Michaelson Capital Special Fund LP for \$3M, convertible into common stock at \$5.40 per share. This debenture matures on December 23, 2016 and carries interest at 4% per year.
- In January 2014, all debt to the Company's CEO was repaid, including interest accrued and unpaid, aggregating approximately \$3.2M.
- Invested \$0.9M in product research and development during the year ended December 31, 2013 compared to \$0.4M in 2012.
- Non-GAAP information (see attached unaudited statement of operations for Q4 2013):
 - Positive EBITDA for Q4 2013 of \$6,875 compared to a loss of \$66,257 for the same period in 2012.

- EBITDA with the effect of stock compensation expense removed was positive at \$33,347 for Q4 2013 compared to a loss of \$103,540 in 2012.

Operations & Sales

- Tecogen obtained a U.S. patent for the process and technology used in Tecogen's Ultra-low emissions system. This technology may open new markets to Tecogen products, as well as have significant licensing applications for other reciprocating engines including retrofit programs for existing engines not meeting local standards and new engines in regional markets previously not viable due to emissions constraints. The patent is expected to be valid until 2033.
- Tecogen's Ultra-low Emission System was retrofitted to a 225 horsepower natural gas Caterpillar engine used for water pumping in the California Eastern Municipal Water District (EMWD). As a result of this retrofit, EMWD can now more easily maintain continued compliance with South Coast Air Quality Management District (SCAQMD) regulations for "criteria" air pollutant emissions (those that are regulated by the Environmental Protection Agency, such as NO_x and CO, because they can harm human health and the environment) with a significantly reduced need for a high-level of operator intervention.
- Tecogen expanded its line of efficient water heaters with the addition of the Water Sourced Ilios Heat Pump. This new version offers both hot water and chilled water simultaneously therefore increasing savings even more than the air sourced unit. It can also use low-grade waste heat as well as geothermal/groundwater as a "free" energy source.
- The R&D of the small advanced engine, primarily funded by the California Energy Commission, was completed during 2013. This technology provides an 18% improvement in engine efficiency and is planned to be introduced on the Ilios products, and potentially other combined heat and power (CHP) systems, upon completion of the EPA Emissions Certification in 2014.
- The Ilios product line obtained ANSI Z21.40.2 safety certification for gas fired heat pumps, UL 1995 safety certification for heating and cooling equipment, and CE Mark - the required product certification for sale in Europe.
- Ilios signed sales representative agreements in Hawaii, Australia, Ireland and the United Kingdom.
- The Propane Education & Research Council chose to partner with Ilios to help find and fund demonstrations at four sites.
- The InVerde Ultra CHP machines obtained UL 2200 certification for stationary engine generator assemblies. This certification involves extensive evaluation of all the various genset components for safety and reliability.
- Tecogen InVerde systems became one of only two technologies awarded "Pre-qualified" status under the CHP Acceleration incentive program, administered by NYSERDA (New York State Energy Research and Development Authority). With this highest status, sites will gain stream-lined approval for incentives (as much as \$180,000 per InVerde with additional funds applied if the site meets certain criteria such as critical infrastructure status and use of absorption chilling, for example).
- With the purchase of the 5300 PMG (permanent magnet generator) product line from Danotek, Tecogen gained control of the supply chain, manufacturing process, and future research and development for this critical component in the InVerde 100. The PMG is a fundamental part of the InVerde's exceptional energy efficiency, ability to

power a building in the event of grid failures and blackouts, as well as provide a cornerstone for independent microgrids.

- The STx and DTx TECOCHILL chillers received International Building Code (IBC) and California Office of Statewide Health Planning and Development (OSHPD) seismic certification.
- 50% of all unit sales were sold with a turnkey or turnkey lite (turnkey lite: where Tecogen furnishes components in addition to the base unit and some engineering consulting).
- 79% of units were sold with Tecogen long-term service contracts.
- Joseph Gehret was promoted to Chief Technical Officer and Jean Roy was promoted to Manager of Engineering.
- Benjamin Locke was hired as the General Manager.

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 industrial and commercial use. Tecogen has shipped more than 2,000 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 and other federal securities laws. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, the words "believes," "anticipates," "plans," "expects," "seeks," "estimates" and similar expressions are intended to identify forward-looking statements. These statements are only predictions. The outcome of the events described in these forward-looking statements is subject to known and unknown risks, uncertainties and other factors that may cause our, our customers' or our industry's actual results, levels of activity, performance or achievements expressed or implied by these forward-looking statements, to differ. While the Company may elect to update forward-looking statements in the future, it specifically disclaims any obligation to do so, even if the Company's estimates change, and readers should not rely on those forward-looking statements as representing the Company's views as of any date subsequent to the date of this press release.

Tecogen Media Contact Information:

Melinda M. Furse

Tecogen Inc.

P: 781-466-6444

E: melinda.furse@tecogen.com

Tecogen Investor Contact Information:

John N. Hatsopoulos

P: 781-622-1120

E: jhatsopoulos@tecogen.com

CONSOLIDATED BALANCE SHEETS

As of December 31, 2013 and 2012

| | 2013 | 2012 |
|--|---------------------|--------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$7,713,899 | \$1,572,785 |
| Short-term investments, restricted | — | 181,859 |
| Accounts receivable, net | 3,740,885 | 2,700,243 |
| Unbilled revenue | 646,398 | — |
| Inventory, net | 3,343,793 | 3,356,622 |
| Due from related party | — | 55,837 |
| Deferred financing costs | 140,433 | — |
| Prepaid and other current assets | 340,013 | 402,846 |
| Total current assets | 15,925,421 | 8,270,192 |
| Property, plant and equipment, net | 638,026 | 435,612 |
| Intangible assets, net | 953,327 | 372,020 |
| Goodwill | 40,870 | — |
| Other assets | 72,425 | 39,425 |
| TOTAL ASSETS | \$17,630,069 | \$9,117,249 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Demand notes payable and line of credit, related party | \$2,950,000 | \$1,337,500 |
| Senior convertible promissory note, related party | 3,000,000 | — |
| Current portion of convertible debentures, related party | — | 90,967 |
| Accounts payable | 2,338,046 | 1,151,010 |

| | | |
|--|---------------------|--------------------|
| Accrued expenses | 1,139,554 | 807,922 |
| Deferred revenue | 613,915 | 677,919 |
| Due to related party | 119,667 | — |
| Interest payable, related party | 198,450 | 126,170 |
| Total current liabilities | 10,359,632 | 4,191,488 |
| Long-term liabilities: | | |
| Deferred revenue, net of current portion | 204,544 | 142,726 |
| Total liabilities | 10,564,176 | 4,334,214 |
| Commitments and contingencies (Note 8) | | |
| Stockholders' equity: | | |
| Tecogen Inc. stockholders' equity: | | |
| Common stock, \$0.001 par value; 100,000,000 shares authorized; 15,155,200 and 13,611,974 issued and outstanding at December 31, 2013 and 2012, respectively | 15,155 | 13,612 |
| Additional paid-in capital | 22,463,996 | 16,360,821 |
| Accumulated deficit | (15,209,212) | (11,759,723) |
| Total Tecogen Inc. stockholders' equity | 7,269,939 | 4,614,710 |
| Noncontrolling interest | (204,046) | 168,325 |
| Total stockholders' equity | 7,065,893 | 4,783,035 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$17,630,069 | \$9,117,249 |

CONSOLIDATED STATEMENTS OF OPERATIONS

For the Years Ended December 31, 2013 and 2012

2013 2012

Revenues

| | | |
|--|---------------|---------------|
| Products | \$6,346,050 | \$7,453,222 |
| Services | 9,503,819 | 7,800,750 |
| | 15,849,869 | 15,253,972 |
| Cost of sales | | |
| Products | 4,709,767 | 5,290,535 |
| Services | 6,109,974 | 4,098,363 |
| | 10,819,741 | 9,388,898 |
| Gross profit | 5,030,128 | 5,865,074 |
| Operating expenses | | |
| General and administrative | 7,018,133 | 6,643,120 |
| Selling | 1,423,587 | 1,225,580 |
| Aborted public offering costs | 258,512 | — |
| | 8,700,232 | 7,868,700 |
| Loss from operations | (3,670,104) | (2,003,626) |
| Other income (expense) | | |
| Interest and other income | 3,958 | 48,397 |
| Interest expense | (141,065) | (71,208) |
| | (137,107) | (22,811) |
| Loss before income taxes | (3,807,211) | (2,026,437) |
| Consolidated net loss | (3,807,211) | (2,026,437) |
| Less: Loss attributable to the noncontrolling interest | 357,722 | 389,480 |
| Net loss attributable to Tecogen Inc. | \$(3,449,489) | \$(1,636,957) |
| Net loss per share - basic and diluted | \$(0.26) | \$(0.12) |

Weighted average shares outstanding - basic and diluted 13,385,155 13,135,071

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2013 and 2012

| | 2013 | 2012 |
|--|---------------|---------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | \$(3,807,211) | \$(2,026,437) |
| <i>Adjustments to reconcile net loss to net cash provided by (used in) operating activities:</i> | | |
| Depreciation and amortization | 256,459 | 203,775 |
| Provision for losses on accounts receivable | 50,600 | 57,600 |
| Provision (recovery) for inventory reserve | (32,000) | (26,800) |
| Stock-based compensation | 18,367 | 195,545 |
| <i>Changes in operating assets and liabilities</i> | | |
| (Increase) decrease in: | | |
| Short-term investments, restricted | (202) | (4,776) |
| Accounts receivable | (1,091,242) | (1,358,611) |
| Inventory | 62,229 | (760,836) |
| Unbilled revenue | (646,398) | — |
| Due from related party | 55,837 | 243,902 |
| Prepaid expenses and other current assets | 62,833 | (290,130) |
| Other assets | (33,000) | (4,000) |
| Increase (decrease) in: | | |
| Accounts payable | 1,187,036 | 338,796 |
| Accrued expenses | 331,632 | 80,459 |

| | | |
|--|-------------|-------------|
| Deferred revenue | (2,186) | 127,523 |
| Interest payable, related party | 83,560 | 71,208 |
| Due to related party | 119,667 | — |
| Net cash used in operating activities | (3,384,019) | (3,152,782) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property and equipment | (202,700) | (219,711) |
| Purchases of intangible assets | (397,950) | (164,296) |
| Cash paid for asset acquisition | (497,800) | — |
| Maturities of short-term investments | 182,061 | 506,345 |
| Net cash provided by (used in) investing activities | (916,389) | 122,338 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Payments made on demand notes payable, related party | (37,500) | — |
| Proceeds from payments on receivable from shareholder | — | 105,000 |
| Proceeds from issuance of demand notes payable and line of credit, related party | 1,650,000 | 300,000 |
| Proceeds from sale of common stock, net of costs | 5,966,805 | 680,000 |
| Proceeds from exercise of stock options | 3,000 | — |
| Proceeds from issuance of senior convertible promissory note | 3,000,000 | — |
| Payments from debt issuance costs | (140,433) | — |
| Purchase of restricted stock | (350) | (337) |
| Proceeds from sale of subsidiary common stock | — | 500,000 |
| Net cash provided by financing activities | 10,441,522 | 1,584,663 |
| Net increase (decrease) in cash and cash equivalents | 6,141,114 | (1,445,781) |
| Cash and cash equivalents, beginning of the year | 1,572,785 | 3,018,566 |
| Cash and cash equivalents, end of the year | \$7,713,899 | \$1,572,785 |
| Supplemental disclosures of cash flows information: | | |
| Cash paid for interest | \$55,639 | \$— |

Non-cash investing and financing activities:

| | | |
|--|----------|-----------|
| Conversion of accrued convertible debenture interest into common stock | \$11,280 | \$6,100 |
| Conversion of related party notes to common stock | \$90,967 | \$100,000 |
| Settlement of shareholder receivable | \$— | \$240,000 |

CONSOLIDATED SCHEDULES OF OPERATIONS (unaudited)

Three Months Ended December 31, 2013 and 2012

| | 2013 | 2012 |
|--|-------------|-------------|
| Revenue | \$6,106,851 | \$5,563,988 |
| Cost of sales | 4,095,192 | 3,685,391 |
| Gross profit | 2,011,659 | 1,878,597 |
| Selling, general & administrative | 2,156,627 | 2,101,460 |
| Income (loss) from operations | (144,968) | (222,863) |
| Other income (expense) | | |
| Interest and other income | 2,420 | 10,017 |
| Interest expense | (48,484) | (17,802) |
| Total other income (expense) | (46,064) | (7,785) |
| Income (loss) before income taxes | (191,032) | (230,648) |
| Net income (loss) | (191,032) | (230,648) |
| Loss attributable to the noncontrolling interest | 80,095 | 103,582 |
| Net loss attributable to Tecogen, Inc. | \$(110,937) | \$(127,066) |

Non-GAAP EBITDA (1):

| | | |
|--|-------------|-------------|
| Net income (loss) | \$(110,937) | \$(127,066) |
| Depreciation & amortization | 71,748 | 53,024 |
| Interest, net | 46,064 | 7,785 |
| Taxes | — | — |
| Non-GAAP EBITDA (1) | \$6,875 | \$(66,257) |
| Stock compensation expense | 26,472 | (37,283) |
| Non-GAAP EBITDA (1) & Stock compensation | \$33,347 | \$(103,540) |

(1) Tecogen calculates non-GAAP EBITDA as shown above. Tecogen's management considers adjusted non-GAAP EBITDA to be an important financial indicator of Tecogen's operating performance, and believes that providing this indicator offers investors greater transparency with respect to the information used by Tecogen's management in its financial and operational decision making. Non-GAAP EBITDA is not intended to be used in isolation or as a substitute for the financial information prepared and presented in accordance with GAAP.

Logo - <https://photos.prnewswire.com/prnh/20130409/NE91281LOGO>

SOURCE Tecogen Inc.