



**EnerNOC, Inc.**  
**Condensed Consolidated Statements of Operations**  
(in thousands, except share and per share data)

	Three Months Ended				Twelve Months Ended		Three Months Ended	
	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013	December 31, 2013		March 31, 2014	June 30, 2014
<b>Revenue:*</b>								
Grid operator	\$ 15,063	\$ 15,080	\$ 236,300	\$ 12,815	\$ 279,258		\$ 35,770	\$ 22,974
Utility	11,769	13,397	32,673	13,772	71,611		10,309	11,961
Enterprise	6,018	7,676	9,500	9,397	32,591		6,429	9,120
<b>Total Revenues</b>	<b>32,850</b>	<b>36,153</b>	<b>278,473</b>	<b>35,984</b>	<b>383,460</b>		<b>52,508</b>	<b>44,055</b>
<b>Cost of Revenues</b>	<b>22,197</b>	<b>23,873</b>	<b>126,072</b>	<b>20,150</b>	<b>192,292</b>		<b>36,139</b>	<b>27,802</b>
<b>Gross Profit</b>	<b>10,653</b>	<b>12,280</b>	<b>152,401</b>	<b>15,834</b>	<b>191,168</b>		<b>16,369</b>	<b>16,253</b>
<b>Gross Margin</b>	<b>32.4%</b>	<b>34.0%</b>	<b>54.7%</b>	<b>44.0%</b>	<b>49.9%</b>		<b>31.2%</b>	<b>36.9%</b>
<b>Operating Expenses:</b>								
Selling and marketing	15,653	19,030	15,761	15,471	65,915		18,499	19,526
General and administrative	20,121	21,005	19,746	18,348	79,220		23,677	24,191
Research and development	4,820	4,770	4,535	4,192	18,317		5,175	4,997
Gain on sale of service	-	-	-	-	-		-	(3,378)
Gain on the sale of assets	-	-	-	-	-		-	(2,171)
<b>Total operating expenses</b>	<b>40,594</b>	<b>44,805</b>	<b>40,042</b>	<b>38,011</b>	<b>163,452</b>		<b>47,351</b>	<b>43,165</b>
<b>(Loss) Income From Operations</b>	<b>(29,941)</b>	<b>(32,525)</b>	<b>112,359</b>	<b>(22,177)</b>	<b>27,716</b>		<b>(30,982)</b>	<b>(26,912)</b>
<b>Other (Expense) Income, Net</b>	<b>(246)</b>	<b>(1,632)</b>	<b>(218)</b>	<b>(892)</b>	<b>(2,988)</b>		<b>124</b>	<b>(229)</b>
<b>(Loss) Income From Operations Before Income Taxes</b>	<b>(30,187)</b>	<b>(34,157)</b>	<b>112,141</b>	<b>(23,069)</b>	<b>24,728</b>		<b>(30,858)</b>	<b>(27,141)</b>
<b>Provision for (Benefit from) Income Taxes</b>	<b>350</b>	<b>194</b>	<b>5,284</b>	<b>(3,188)</b>	<b>2,640</b>		<b>(425)</b>	<b>264</b>
<b>Net (Loss) Income</b>	<b>(30,537)</b>	<b>(34,351)</b>	<b>106,857</b>	<b>(19,881)</b>	<b>\$ 22,088</b>		<b>(30,433)</b>	<b>(27,405)</b>
<b>Net (Loss) Income Attributable to Noncontrolling Interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>(20)</b>	<b>(20)</b>
<b>Net (Loss) Income Attributable to EnerNOC, Inc</b>	<b>\$ (30,537)</b>	<b>\$ (34,351)</b>	<b>\$ 106,857</b>	<b>\$ (19,881)</b>	<b>\$ 22,088</b>		<b>\$ (30,413)</b>	<b>\$ (27,385)</b>
<b>Diluted Net (Loss) Income Per Share Attributable to EnerNOC, Inc.</b>	<b>\$ (1.12)</b>	<b>\$ (1.23)</b>	<b>\$ 3.70</b>	<b>\$ (0.71)</b>	<b>\$ 0.76</b>		<b>\$ (1.09)</b>	<b>\$ (0.96)</b>
<b>Shares Used In Computing Diluted</b>								
<b>Net (Loss) Income Per Share Attributable to EnerNOC, Inc.</b>	<b>27,366,612</b>	<b>27,852,298</b>	<b>28,843,010</b>	<b>27,832,793</b>	<b>29,045,066</b>		<b>27,923,861</b>	<b>28,461,111</b>
<b>Net (Loss) Income Attributable to EnerNOC, Inc</b>	<b>\$ (30,537)</b>	<b>\$ (34,351)</b>	<b>\$ 106,857</b>	<b>\$ (19,881)</b>	<b>\$ 22,088</b>		<b>\$ (30,413)</b>	<b>\$ (27,385)</b>
<b>Adjustments:</b>								
Stock-based compensation expense and related payroll tax	4,704	3,307	3,821	4,036	15,868		4,227	3,799
Amortization of acquired intangible assets, net of taxes	1,794	1,763	1,703	1,769	7,029		1,883	2,479
<b>Non-GAAP Net (Loss) Income Attributable to EnerNOC, Inc.</b>	<b>\$ (24,039)</b>	<b>\$ (29,281)</b>	<b>\$ 112,381</b>	<b>\$ (14,076)</b>	<b>\$ 44,985</b>		<b>\$ (24,303)</b>	<b>\$ (21,107)</b>
<b>Non-GAAP Diluted Net (Loss) Income Per Share Attributable to EnerNOC, Inc.</b>	<b>\$ (0.88)</b>	<b>\$ (1.05)</b>	<b>\$ 3.90</b>	<b>\$ (0.51)</b>	<b>\$ 1.55</b>		<b>\$ (0.87)</b>	<b>\$ (0.74)</b>
<b>Shares Used In Computing Non-GAAP Diluted</b>								
<b>Net (Loss) Income Per Share Attributable to EnerNOC, Inc.</b>	<b>27,366,612</b>	<b>27,852,298</b>	<b>28,843,010</b>	<b>27,832,793</b>	<b>29,045,066</b>		<b>27,923,861</b>	<b>28,461,111</b>
<b>Stock-Based Compensation</b>								
Selling and marketing	\$ 1,390	\$ 1,456	\$ 1,426	\$ 1,557	\$ 5,829		\$ 1,193	\$ 1,372
General and administrative	2,952	1,520	2,049	2,108	8,629		2,696	2,108
Research and development	362	331	346	371	1,410		338	319
<b>Total Stock-Based Compensation</b>	<b>\$ 4,704</b>	<b>\$ 3,307</b>	<b>\$ 3,821</b>	<b>\$ 4,036</b>	<b>\$ 15,868</b>		<b>\$ 4,227</b>	<b>\$ 3,799</b>
<b>Reconciliation of Adjusted EBITDA</b>								
Net (Loss) Income Attributable to EnerNOC, Inc	\$ (30,537)	\$ (34,351)	\$ 106,857	\$ (19,881)	\$ 22,088		\$ (30,413)	\$ (27,385)
Adjustments - Depreciation and amortization	6,730	6,831	7,055	7,228	27,844		7,365	7,842
Adjustments - Stock-based compensation	4,704	3,307	3,821	4,036	15,868		4,227	3,799
Adjustments - Direct and incremental expenses related to acquisitions or divestitures	-	-	-	-	946		946	413
Adjustments - Other expense (income), net	(67)	1,184	(233)	458	1,342		(574)	(374)
Adjustments - Interest expense	313	448	451	434	1,646		450	603
Adjustments - Provision for (benefit from) income taxes	350	194	5,284	(3,188)	2,640		(425)	(1,186)
<b>Adjusted EBITDA</b>	<b>\$ (18,507)</b>	<b>\$ (22,387)</b>	<b>\$ 123,235</b>	<b>\$ (10,913)</b>	<b>\$ 71,428</b>		<b>\$ (18,424)</b>	<b>\$ (16,288)</b>

**Reconciliation of Free Cash Flow**

Cash provided by (used in) operating activities  
 Adjustments - Purchases of property and equipment  
 Free cash flow

\$	6,780	\$	5,384	\$	21,295	\$	46,005	\$	79,464	\$	(11,566)	\$	17,292
	(8,938)		(18,248)		(5,739)		(3,738)		(36,663)		(6,113)		(6,473)
\$	(2,158)	\$	(12,864)	\$	15,556	\$	42,267	\$	42,801	\$	(17,679)	\$	10,819

\* The Company has reclassified certain amounts in its condensed consolidated statements of operations for the three month period ended March 31, 2013, to conform to the 2014 presentation. The reclassifications made related to the presentation of the Company's revenues from DemandSMART revenues and EfficiencySMART, SupplySMART and other revenues to revenues from grid operators, revenues from utilities, and revenues from enterprise customers and was done in order to provide the users of its consolidated financial statements with additional insight into how the Company and its management views and evaluates its revenues and related growth. This reclassification within the condensed consolidated statements of operations for the three month period ended March 31, 2013 had no impact on previously reported total consolidated revenues or consolidated results of operations.

(1) - Excludes discrete tax provision of \$1,450 recorded during the three and six month periods ended June 30, 2014 related to the Company's sale of the UCS business component.

**Statement on Use of Non-GAAP Financial Measures:**

To supplement the Company's consolidated financial statements presented on a GAAP basis, the Company discloses certain non-GAAP measures that exclude certain amounts, including non-GAAP net (loss) income attributable to EnerNOC, Inc., non-GAAP net (loss) income per share attributable to EnerNOC, Inc., adjusted EBITDA and free cash flow. These non-GAAP measures are not in accordance with, or an alternative for, generally accepted accounting principles in the United States.

The GAAP measure most comparable to non-GAAP net (loss) income attributable to EnerNOC, Inc. is GAAP net (loss) income attributable to EnerNOC, Inc.; the GAAP measure most comparable to non-GAAP net (loss) income per share attributable to EnerNOC, Inc. is GAAP net (loss) income per share attributable to EnerNOC, Inc.; the GAAP measure most comparable to adjusted EBITDA is GAAP net (loss) income attributable to EnerNOC, Inc.; and the GAAP measure most comparable to free cash flow is cash flows provided by (used in) operating activities. Reconciliations of each of these non-GAAP financial measures to the corresponding GAAP measures are included below.

Management uses these non-GAAP measures when evaluating the Company's operating performance and for internal planning and forecasting purposes. Management believes that such measures help indicate underlying trends in the business, are important in comparing current results with prior period results, and are useful to investors and financial analysts in assessing the Company's operating performance. For example, management considers non-GAAP net (loss) income attributable to EnerNOC, Inc. to be an important indicator of the overall performance because it eliminates the effects of events that are either not part of the Company's core operations or are non-cash compensation expenses. In addition, management considers adjusted EBITDA to be an important indicator of the Company's operational strength and performance of the business and a good measure of the Company's historical operating trend. Moreover, management considers free cash flow to be an indicator of the Company's operating trend and performance of the business.

The following is an explanation of the non-GAAP measures that management utilizes, including the adjustments that management excluded as part of the non-GAAP measures, as well as, reasons for excluding these individual items:

- Management defines non-GAAP net income (loss) attributable to EnerNOC, Inc. as net income (loss) attributable to EnerNOC, Inc. before expenses related to stock-based compensation and amortization expenses related to acquisition-related intangible assets, net of related tax effects. Non-GAAP net income (loss) attributable to EnerNOC, Inc. includes gains or losses resulting from either the sale of certain assets or disposals of components of an entity that do not represent a strategic shift that has (or would be expected to have) a major effect on an entity's operations and financial results, net of any related tax effects, or that represents potential ongoing operational trends or are not material. When evaluating the materiality of a gain (or loss) on the sale of assets, management evaluates such gain (or loss) in the context of the Company's estimated full year financial results, and considers the judgment of a reasonable person relying on the evaluation and whether or not such judgment would have been changed or influenced by the inclusion or exclusion of the gain (or loss).
- Management defines adjusted EBITDA as net income (loss) attributable to EnerNOC, Inc., excluding depreciation, amortization, stock-based compensation, direct and incremental expenses related to acquisitions or divestitures, interest, income taxes and other income (expense). Adjusted EBITDA includes gains or losses resulting from either the sale of certain assets or disposals of components of an entity that do not represent a strategic shift that has (or would be expected to have) a major effect on an entity's operations and financial results, net of any related tax effects, or that represent potential ongoing operational trends or are not material. When evaluating the materiality of a gain (or loss) on the sale of assets, management evaluates such gain (or loss) in the context of the Company's estimated full year financial results, and considers the judgment of a reasonable person relying on the evaluation and whether or not such judgment would have been changed or influenced by the inclusion or exclusion of the gain (or loss). Adjusted EBITDA eliminates items that are either not part of our core operations or do not require a cash outlay, such as stock-based compensation. Adjusted EBITDA also excludes depreciation and amortization expense, which is based on our estimate of the useful life of tangible and intangible assets. These estimates could vary from actual performance of the asset, are based on historical cost incurred to build out our deployed network and may not be indicative of current or future capital expenditures.
- Management defines free cash flow as net cash provided by (used in) operating activities less capital expenditures. Management defines capital expenditures as purchases of property and equipment, which includes capitalization of internal-use software development costs.

Non-GAAP net (loss) income attributable to EnerNOC, Inc., non-GAAP net (loss) income per share attributable to EnerNOC, Inc., adjusted EBITDA and free cash flow may have limitations as analytical tools. The non-GAAP financial information presented here should be considered in conjunction with, and not as a substitute for or superior to the financial information presented in accordance with GAAP and should not be considered measures of the Company's liquidity. There are significant limitations associated with the use of non-GAAP financial measures. Further, these measures may differ from the non-GAAP information, even where similarly titled, used by other companies and therefore should not be used to compare the Company's performance to that of other companies.