

PLUG POWER INC  
Form 10-Q  
November 14, 2013

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**  
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2013

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**  
FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

Commission File Number: 1-34392

**PLUG POWER INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or Other Jurisdiction of  
Incorporation or Organization)

**968 ALBANY SHAKER ROAD, LATHAM, NEW YORK 12110**

**22-3672377**

(I.R.S. Employer  
Identification Number)

(Address of Principal Executive Offices, including Zip Code)

**(518) 782-7700**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares of common stock, par value of \$.01 per share, outstanding as of November 4, 2013 was 102,602,414.



## INDEX to FORM 10-Q

### Page

#### **PART I. FINANCIAL INFORMATION**

|                                                                                                     |    |
|-----------------------------------------------------------------------------------------------------|----|
| Item 1 Interim Financial Statements (Unaudited)                                                     | 4  |
| <u>Condensed Consolidated Balance Sheets</u>                                                        | 4  |
| <u>Condensed Consolidated Statements of Operations</u>                                              | 5  |
| <u>Condensed Consolidated Statements of Comprehensive Loss</u>                                      | 6  |
| <u>Condensed Consolidated Statements of Cash Flows</u>                                              | 7  |
| <u>Notes to Condensed Consolidated Financial Statements</u>                                         | 8  |
| <u>Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 24 |
| <u>Item 3 Quantitative and Qualitative Disclosures About Market Risk</u>                            | 34 |
| <u>Item 4 Controls and Procedures</u>                                                               | 34 |

#### **PART II. OTHER INFORMATION**

|                                                                           |    |
|---------------------------------------------------------------------------|----|
| <u>Item 1 Legal Proceedings</u>                                           | 35 |
| <u>Item 1A Risk Factors</u>                                               | 35 |
| <u>Item 2 Unregistered Sales of Equity Securities and Use of Proceeds</u> | 35 |
| <u>Item 3 Defaults Upon Senior Securities</u>                             | 35 |
| <u>Item 4 Mine Safety Disclosures</u>                                     | 35 |
| <u>Item 5 Other Information</u>                                           | 35 |

|                        |    |
|------------------------|----|
| <u>Item 6 Exhibits</u> | 36 |
| <u>Signatures</u>      | 37 |

**PART 1. FINANCIAL INFORMATION****Item 1 Interim Financial Statements (Unaudited)****Plug Power Inc. and Subsidiaries  
Condensed Consolidated Balance Sheets  
(Unaudited)**

|                                                                          | September 30,<br>2013 | December 31,<br>2012 |
|--------------------------------------------------------------------------|-----------------------|----------------------|
| <b>Assets</b>                                                            |                       |                      |
| Current assets:                                                          |                       |                      |
| Cash and cash equivalents                                                | \$ 10,959,955         | \$ 9,380,059         |
| Accounts receivable, net                                                 | 4,301,033             | 4,021,725            |
| Inventory                                                                | 9,768,654             | 8,550,457            |
| Prepaid expenses and other current assets                                | 2,120,127             | 1,988,457            |
| Total current assets                                                     | 27,149,769            | 23,940,698           |
| Restricted cash                                                          | 500,000               | -                    |
| Property, plant, and equipment, net                                      | 5,806,724             | 6,708,237            |
| Leased property under capital lease, net                                 | 2,582,434             | 2,969,799            |
| Note receivable                                                          | 525,298               | 570,697              |
| Intangible assets, net                                                   | 3,467,536             | 5,270,571            |
| Total assets                                                             | \$ 40,031,761         | \$ 39,460,002        |
| <b>Liabilities, Redeemable Preferred Stock, and Stockholders' Equity</b> |                       |                      |
| Current liabilities:                                                     |                       |                      |
| Borrowings under line of credit                                          | \$ -                  | \$ 3,380,835         |
| Accounts payable                                                         | 4,129,126             | 3,558,157            |
| Accrued expenses                                                         | 1,855,898             | 3,828,045            |
| Product warranty reserve                                                 | 1,413,225             | 2,671,409            |
| Deferred revenue                                                         | 3,387,383             | 2,950,375            |
| Obligations under capital lease                                          | 700,367               | 650,379              |
| Other current liabilities                                                | 1,079,673             | -                    |
| Total current liabilities                                                | 12,565,672            | 17,039,200           |
| Obligations under capital lease                                          | 773,045               | 1,304,749            |
| Deferred revenue                                                         | 5,827,323             | 4,362,092            |

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|                                                                                                                                                                                                                                                        |               |               |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
| Common stock warrant liability                                                                                                                                                                                                                         | 12,895,564    | 475,825       |
| Finance obligation                                                                                                                                                                                                                                     | 2,507,800     | -             |
| Other liabilities                                                                                                                                                                                                                                      | 794,662       | 1,247,833     |
| Total liabilities                                                                                                                                                                                                                                      | 35,364,066    | 24,429,699    |
| Redeemable Preferred Stock                                                                                                                                                                                                                             |               |               |
| Series C redeemable convertible preferred stock, \$0.01 par value per share<br>(aggregate involuntary liquidation preference \$8,119,916) 10,431 shares authorized;<br>Issued and outstanding: 10,431 at September 30, 2013 and 0 at December 31, 2012 | 2,451,079     | -             |
| Stockholders' equity:                                                                                                                                                                                                                                  |               |               |
| Common stock, \$0.01 par value per share; 245,000,000 shares authorized;<br>Issued (including shares in treasury):<br>102,603,967 at September 30, 2013 and 38,404,764 at December 31, 2012                                                            | 1,026,040     | 384,048       |
| Additional paid-in capital                                                                                                                                                                                                                             | 822,303,366   | 801,840,491   |
| Accumulated other comprehensive income                                                                                                                                                                                                                 | 947,584       | 1,004,412     |
| Accumulated deficit                                                                                                                                                                                                                                    | (820,507,992) | (786,646,266) |
| Less common stock in treasury:                                                                                                                                                                                                                         |               |               |
| 165,906 shares at September 30, 2013 and December 31, 2012                                                                                                                                                                                             | (1,552,382)   | (1,552,382)   |
| Total stockholders' equity                                                                                                                                                                                                                             | 2,216,616     | 15,030,303    |
| Total liabilities, redeemable preferred stock, and stockholders' equity                                                                                                                                                                                | \$ 40,031,761 | \$ 39,460,002 |

**The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.**

**Plug Power Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Operations**  
**(Unaudited)**

|                                                        | Three months ended<br>September 30, |                 | Nine months ended<br>September 30, |                 |
|--------------------------------------------------------|-------------------------------------|-----------------|------------------------------------|-----------------|
|                                                        | 2013                                | 2012            | 2013                               | 2012            |
| Product and service revenue                            | \$ 4,165,008                        | \$ 4,273,385    | \$ 17,339,463                      | \$ 18,711,555   |
| Research and development contract revenue              | 461,808                             | 502,269         | 1,229,734                          | 1,475,338       |
| Total revenue                                          | 4,626,816                           | 4,775,654       | 18,569,197                         | 20,186,893      |
| Cost of product and service revenue                    | 7,812,018                           | 10,848,860      | 24,783,518                         | 28,552,076      |
| Cost of research and development contract revenue      | 730,486                             | 791,322         | 1,883,361                          | 2,389,844       |
| Research and development expense                       | 768,965                             | 1,284,975       | 2,343,030                          | 4,089,509       |
| Selling, general and administrative expenses           | 2,753,030                           | 3,053,434       | 8,849,730                          | 10,556,495      |
| Amortization of intangible assets                      | 562,896                             | 578,090         | 1,704,917                          | 1,726,854       |
| Operating loss                                         | (8,000,579)                         | (11,781,027)    | (20,995,359)                       | (27,127,885)    |
| Interest and other income                              | 26,028                              | 80,046          | 83,109                             | 171,260         |
| Change in fair value of common stock warrant liability | (8,206,429)                         | 1,434,866       | (16,171,061)                       | 3,726,667       |
| Interest and other expense                             | (124,651)                           | (59,349)        | (354,180)                          | (158,162)       |
| Gain on sale of equity interest in joint venture       | -                                   | -               | 3,234,717                          | -               |
| Loss before income taxes                               | (16,305,631)                        | (10,325,464)    | (34,202,774)                       | (23,388,120)    |
| Income tax benefit                                     | 410,259                             | -               | 410,259                            | -               |
| Net loss attributable to the Company                   | \$ (15,895,372)                     | \$ (10,325,464) | \$ (33,792,515)                    | \$ (23,388,120) |
| Preferred stock dividends declared                     | (51,908)                            | -               | (69,211)                           | -               |
| Net loss attributable to common shareholders           | \$ (15,947,280)                     | \$ (10,325,464) | \$ (33,861,726)                    | \$ (23,388,120) |
| Loss per share:                                        |                                     |                 |                                    |                 |
| Basic and diluted                                      | \$ (0.19)                           | \$ (0.27)       | \$ (0.51)                          | \$ (0.71)       |
| Weighted average number of common shares outstanding   | 84,150,851                          | 37,977,052      | 67,194,806                         | 33,107,175      |

**The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.**

Page | 5

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**Plug Power Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Comprehensive Loss**  
**(Unaudited)**

|                                          | Three Months Ended<br>September 30, |                 | Nine Months Ended<br>September 30, |                 |
|------------------------------------------|-------------------------------------|-----------------|------------------------------------|-----------------|
|                                          | 2013                                | 2012            | 2013                               | 2012            |
| Net loss attributable to the Company     | \$ (15,895,372)                     | \$ (10,325,464) | \$ (33,792,515)                    | \$ (23,388,120) |
| Other comprehensive loss:                |                                     |                 |                                    |                 |
| Foreign currency translation gain (loss) | 25,268                              | 110,625         | (56,828)                           | 106,585         |
| Comprehensive Loss                       | \$ (15,870,104)                     | \$ (10,214,839) | \$ (33,849,343)                    | \$ (23,281,535) |



The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

## Plug Power Inc. and Subsidiaries

### Condensed Consolidated Statements of Cash Flows (Unaudited)

|                                                                                    | Nine months ended<br>September 30, |                 |
|------------------------------------------------------------------------------------|------------------------------------|-----------------|
|                                                                                    | 2013                               | 2012            |
| <b>Cash Flows From Operating Activities:</b>                                       |                                    |                 |
| Net loss attributable to the Company                                               | \$ (33,792,515)                    | \$ (23,388,120) |
| Adjustments to reconcile net loss to net cash used in operating activities:        |                                    |                 |
| Depreciation of property, plant and equipment, and investment in leased property   | 1,432,698                          | 1,459,159       |
| Amortization of intangible assets                                                  | 1,704,917                          | 1,726,854       |
| Stock-based compensation                                                           | 1,576,577                          | 1,500,352       |
| Gain on sale of equity interest in joint venture                                   | (3,234,717)                        | -               |
| (Gain) loss on disposal of property, plant and equipment                           | (55,768)                           | 57,680          |
| Change in fair value of common stock warrant liability                             | 16,171,061                         | (3,726,667)     |
| Changes in operating assets and liabilities that provide (use) cash:               |                                    |                 |
| Accounts receivable                                                                | (279,308)                          | 5,728,228       |
| Inventory                                                                          | (1,218,197)                        | (2,650,413)     |
| Prepaid expenses and other current assets                                          | (131,670)                          | 341,585         |
| Note receivable                                                                    | 45,399                             | (585,611)       |
| Accounts payable, accrued expenses, product warranty reserve and other liabilities | (2,065,461)                        | 1,787,625       |
| Deferred revenue                                                                   | 1,902,239                          | 2,201,139       |
| Net cash used in operating activities                                              | (17,944,745)                       | (15,548,189)    |
| <b>Cash Flows From Investing Activities:</b>                                       |                                    |                 |
| Proceeds from sale of equity interest in joint venture                             | 3,234,717                          | (292,389)       |
| Purchase of property, plant and equipment                                          | (144,752)                          | -               |
| Proceeds from disposal of property, plant and equipment                            | 56,700                             | 57,900          |
| Net cash provided by (used in) investing activities                                | 3,146,665                          | (234,489)       |
| <b>Cash Flows From Financing Activities:</b>                                       |                                    |                 |
| Change in restricted cash                                                          | (500,000)                          | -               |
| Proceeds from exercise of warrants                                                 | 2,849,460                          | -               |
| Proceeds from issuance of preferred stock                                          | 2,595,400                          | -               |
| Preferred stock issuance costs                                                     | (144,321)                          | -               |
| Proceeds from issuance of common stock and warrants                                | 14,807,717                         | 17,192,500      |
| Common stock issuance costs                                                        | (1,934,265)                        | (1,402,230)     |

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|                                                                              |                      |                     |
|------------------------------------------------------------------------------|----------------------|---------------------|
| Repayment of borrowings under line of credit                                 | (3,380,835)          | (4,405,110)         |
| Proceeds from finance obligation                                             | 2,600,000            | -                   |
| Principal payments on obligations under capital lease and finance obligation | (516,177)            | -                   |
| Net cash provided by financing activities                                    | 16,376,979           | 11,385,160          |
| Effect of exchange rate changes on cash                                      | 997                  | 2,029               |
| Increase (decrease) in cash and cash equivalents                             | 1,579,896            | (4,395,489)         |
| <b>Cash and cash equivalents, beginning of period</b>                        | <b>9,380,059</b>     | <b>13,856,893</b>   |
| <b>Cash and cash equivalents, end of period</b>                              | <b>\$ 10,959,955</b> | <b>\$ 9,461,404</b> |

**The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.**

Page | 7

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## 1. Nature of Operations

### *Description of Business*

Plug Power Inc., or the Company, is a leading provider of alternative energy technology and is involved in the design, development, commercialization and manufacture of fuel cell systems for the industrial off-road (forklift or material handling) market.

We are focused on proton exchange membrane, or PEM, fuel cell and fuel processing technologies and fuel cell/battery hybrid technologies, from which multiple products are available. A fuel cell is an electrochemical device that combines hydrogen and oxygen to produce electricity and heat without combustion. Hydrogen is derived from hydrocarbon fuels such as liquid petroleum gas, or LPG, natural gas, propane, methanol, ethanol, gasoline or biofuels. Hydrogen can also be obtained from the electrolysis of water. Hydrogen can be purchased directly from industrial gas providers or can be produced on-site at consumer locations.

We concentrate our efforts on developing, manufacturing and selling our hydrogen-fueled PEM GenDrive® products on commercial terms for industrial off-road (forklift or material handling) applications, with a focus on multi-shift high volume manufacturing and high throughput distribution sites.

We have previously invested in development and sales activities for low-temperature remote-prime power GenSys® products and our GenCore® product, which is a hydrogen fueled PEM fuel cell system to provide back-up power for critical infrastructure. While Plug Power will continue to service and support GenSys and/or GenCore products on a limited basis, our main focus is our GenDrive product line.

We sell our products worldwide, with a primary focus on North America, through our direct product sales force, original equipment manufacturers, or OEMs, and their dealer networks. We sell to business, industrial and government consumers.

We were organized in the State of Delaware on June 27, 1997 and became a public company listed on the NASDAQ exchange on October 29, 1999. We were originally a joint venture between Edison Development Corporation and Mechanical Technology Incorporated. In 2007, we acquired all the issued and outstanding equity of Cellex Power

Products, Inc., or Cellex, and General Hydrogen Corporation, or General Hydrogen.

Through these acquisitions, and our continued GenDrive product development efforts, Plug Power became the first fuel cell company to offer a complete suite of products: Class 1 - sit-down counterbalance trucks, Class 2 - stand-up reach trucks and Class 3 - rider pallet trucks.

Unless the context indicates otherwise, the terms "Company," "Plug Power," "we," "our" or "us" as used herein refers to Plug Power Inc. and its subsidiaries.

### *Liquidity*

Our cash requirements relate primarily to working capital needed to operate and grow our business, including funding operating expenses, growth in inventory to support both shipments of new units and servicing the installed base, and continued development and expansion of our products. Our ability to meet our future liquidity needs, capital requirements, and to achieve profitability will depend upon numerous factors, including the timing and quantity of product orders and shipments; the timing and amount of our operating expenses; the timing and costs of working capital needs; the timing and costs of building a sales base; the timing and costs of developing marketing and distribution channels; the timing and costs of product service requirements; the timing and costs of hiring and training product staff; the extent to which our products gain market acceptance; the timing and costs of product development and introductions; the extent of our ongoing and any new research and development programs; and changes in our strategy or our planned activities. If we are unable to fund our operations without additional external financing and therefore cannot sustain future operations, we may be required to delay, reduce and/or cease our operations and/or seek bankruptcy protection.

We have experienced and continue to experience negative cash flows from operations and we expect to continue to incur net losses in the foreseeable future. We incurred a net loss of \$33.8 million for the nine months ended September 30, 2013, and net losses of \$31.9 million, \$27.5 million and \$47.0 million for the years ended December 31, 2012, 2011 and 2010, respectively. We have an accumulated deficit of \$820.5 million at September 30, 2013. Substantially all of our accumulated deficit has resulted from costs incurred in connection with our operating expenses, research and development expenses and from general and administrative costs associated with our operations. We expect that for fiscal year 2013, our operating cash burn will be approximately \$20 million, as revised.

Net cash used in operating activities for the nine months ended September 30, 2013 was \$17.9 million. Additionally, on September 30, 2013, we had cash and cash equivalents of \$11.0 million and net working capital of \$14.6 million. This compares to \$9.4 million and \$6.9 million, respectively, at December 31, 2012.

We were party to a Loan and Security Agreement with Silicon Valley Bank, or SVB, which expired as of March 29, 2013. The SVB loan facility provided up to \$15 million of availability, subject to borrowing base limitations, to support working capital needs. Given its expiration, we no longer have access to this facility. As of December 31, 2012, \$3.4 million was outstanding under the loan agreement. This amount was subsequently paid in full in January, 2013. The Company maintains all of its operating bank accounts with SVB and we are seeking to reestablish our credit facility with SVB during the first quarter of 2014.

To date, we have funded our operations primarily through public and private offerings of common and preferred stock, our line of credit and maturities and sales of our available-for-sale securities. The Company's current sources of capital, and other funds, include the raising of \$2.3 million (net of issuance costs) in a public equity offering completed in February, 2013, \$2.8 million from the exercise of warrants in 2013, \$2.6 million from a sale-leaseback transaction of its real estate in Latham, NY completed on March 27, 2013, a \$6.5 million strategic investment from Air Liquide (Air Liquide Investment) completed on May 8, 2013, and \$10.6 million (net of issuance costs) in a public equity offering completed on September 16, 2013. The Air Liquide Investment includes the purchase of preferred stock, an increase in Air Liquide's ownership interest in the HyPulsion joint venture, and an engineering services contract. We believe that our current cash, cash raised from the aforementioned recent financing and investing activities, cash generated from future sales, and access to a potential new credit facility should provide sufficient liquidity to fund our operations into the second quarter of 2014. This projection is based on our current expectations regarding product sales, cost structure, cash burn rate and operating assumptions.

In addition to the aforementioned funds, and other funds that will provide additional short term liquidity, we are currently exploring various other alternatives including strategic partnerships and government programs that may be available to us, as well as trying to generate additional revenue and increase margins. However, at this time we have

no commitments to obtain any additional funds, and there can be no assurance such funds will be available on acceptable terms or at all. If we are unable to obtain additional funding and improve our operations, our financial condition and results of operations may be materially adversely affected and we may not be able to continue operations.

Additionally, even if we raise additional capital through additional equity or debt financing, strategic alternatives or otherwise, there can be no assurances that any such capital infusion will be sufficient to enable us to develop our business to a level where it will be profitable or generate positive cash flow. If we raise additional funds through the issuance of equity or convertible debt securities, the percentage ownership of our stockholders could be significantly diluted, and these newly issued securities may have rights, preferences or privileges senior to those of existing stockholders. If we incur additional debt, a substantial portion of our operating cash flow may be dedicated to the payment of principal and interest on such indebtedness, thus limiting funds available for our business activities. The terms of any debt securities issued could also impose significant restrictions on our operations. Broad market and industry factors may seriously harm the market price of our common stock, regardless of our operating performance, and may adversely impact our ability to raise additional funds. In addition, if our common stock is delisted from the NASDAQ Capital Market, as noted in Part II, Item 1A, Risk Factors of our most recently filed Annual Report on Form 10-K with the Securities and Exchange Commission, filed on April 1, 2013, it may limit our ability to raise additional funds. If we raise additional funds through collaborations and/or licensing arrangements, we might be required to relinquish significant rights to our technologies, or grant licenses on terms that are not favorable to us.

The condensed consolidated financial statements for the three and nine month periods ended September 30, 2013 and the year ended December 31, 2012 were prepared on the basis of a going concern which contemplates that the Company will be able to realize assets and discharge liabilities in the normal course of business. Accordingly, they do not give effect to adjustments that would be necessary should the Company be required to liquidate its assets. The ability of the Company to meet its total liabilities of \$35.4 million at September 30, 2013, and to continue as a going concern is dependent upon the availability of future funding, continued growth in orders and shipments, and the Company's ability to profitably meet its after-sale service commitments with its existing customers. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

## **2. Basis of Presentation**

***Principles of Consolidation:*** The accompanying unaudited condensed interim consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. It is the Company's policy to reclassify prior period consolidated financial statements to conform to current period presentation.

***Interim Financial Statements:*** The accompanying unaudited condensed interim consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). In the opinion of management, all adjustments, which consist solely of normal recurring adjustments, necessary to present fairly, in accordance with U.S. generally accepted accounting principles (GAAP), the financial position, results of operations and cash flows for all periods presented, have been made. The results of operations for the interim periods presented are not necessarily indicative of the results that may be expected for the full year.

Certain information and footnote disclosures normally included in annual consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted. These unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K filed for the fiscal year ended December 31, 2012.

The information presented in the accompanying condensed consolidated balance sheet as of December 31, 2012 has been derived from the Company's December 31, 2012 audited consolidated financial statements. All other information

has been derived from the Company's unaudited condensed consolidated financial statements as of September 30, 2013 and for the three and nine months ended September 30, 2013 and 2012.

***Use of Management Estimates:*** The unaudited condensed interim consolidated financial statements have been prepared in conformity with GAAP, which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Significant Accounting Policies:***

**Warrant accounting**

We account for common stock warrants in accordance with applicable accounting guidance provided in Accounting Standards Codification (ASC) 815, Derivatives and Hedging—Contracts in Entity's Own Equity, as either derivative liabilities or as equity instruments depending on the specific terms of the warrant agreement. In compliance with applicable securities law, registered common stock warrants that require the issuance of registered shares upon exercise and do not sufficiently preclude an implied right to cash settlement are accounted for as derivative liabilities. We classify these derivative warrant liabilities on the condensed consolidated balance sheets as a long term liability, which is revalued at each balance sheet date subsequent to the initial issuance. We use the Black-Scholes pricing model to value the derivative warrant liability. The Black-Scholes pricing model, which is based, in part, upon unobservable inputs for which there is little or no market data, requires the Company to develop its own assumptions.

The Company used the following assumptions for its common stock warrants issued on May 31, 2011. The risk-free interest rate for May 31, 2011 (issuance date), December 31, 2012, and September 30, 2013 were 0.75%, 0.31% and 0.59%, respectively. The volatility of the market price of the Company's common stock for May 31, 2011, December 31, 2012 and September 30, 2013 were 94.4%, 73.5%, and 111.2%, respectively. The expected average term of the warrant used for all periods was 2.5 years.

The Company used the following assumptions for its common stock warrants issued on February 20, 2013. The risk-free interest rate for February 20, 2013 (issuance date) and September 30, 2013 were 0.85% and 1.60%, respectively. The volatility of the market price of the Company's common stock for February 20, 2013 and September 30, 2013 were 102.0% and 98.4%, respectively. The expected average term of the warrant used for February 20, 2013 and September 30, 2013 were 5.0 years and 4.4 years, respectively.

There was no expected dividend yield for the warrants granted. If factors change and different assumptions are used, the warrant liability and the change in estimated fair value could be materially different. Generally, as the market price of our common stock increases, the fair value of the warrant increases, and conversely, as the market price of our common stock decreases, the fair value of the warrant decreases. Also, a significant increase in the volatility of the market price of the Company's common stock, in isolation, would result in a significantly higher fair value measurement; and a significant decrease in volatility would result in a significantly lower fair value measurement. Changes in the fair value of the warrants are reflected in the condensed consolidated statement of operations as change in fair value of common stock warrant liability.

## Joint Venture

We account for investments in joint ventures in which we have significant influence in accordance with applicable accounting guidance in Subtopic 323-10, *Investments – Equity Method and Joint Ventures – Overall*. On February 29, 2012 we completed the formation of our joint venture with Axane, S.A., a subsidiary of Air Liquide, under the name HyPulsion (the JV). The principal purpose of the JV is to develop and sell hydrogen fuel cell systems for the European material handling market. Axane contributed cash at the closing and will make additional fixed cash contributions in 2013 and 2014 in exchange for an initial 55% ownership of the JV, subject to certain conditions. We have not contributed any cash to the JV and we are not obligated to contribute any cash. We contributed to the JV the right to use our technology, including design and technology know-how on GenDrive systems, in exchange for an initial 45% ownership of the JV.

On April 19, 2013 Axane purchased an additional 25% ownership interest in HyPulsion from the Company for a cash purchase price of \$3.3 million (Euro 2.5 million). We now own 20% and Axane owns 80% of HyPulsion, and we will share in 20% of the profits from the JV. The Company has the right to purchase an additional 60% of HyPulsion from Axane at any time between January 4, 2018 and January 29, 2018 at a formula price. If the Company exercises its purchase right, Axane will have the right, at any time between February 1, 2018 and December 31, 2021, to require the Company to buy the remaining 20% interest at a formula price.

In addition, the Company and HyPulsion also entered into an engineering service agreement under which, among other things, the Company will provide HyPulsion with engineering and technical services for a new fuel cell assembly line and manufacturing execution system. Under the service agreement, HyPulsion has paid the Company approximately \$659,000 (Euro 500,000) in the aggregate for services to be performed by the Company.

In accordance with the equity method of accounting, the Company will increase its investment in the JV by its share of any earnings, and decrease its investment in the JV by its share of any losses. Losses in excess of the investment must be restored from future profits before we can recognize our proportionate share of profits. As of September 30, 2013, the Company had a zero basis for its investment in the JV.

#### Redeemable Preferred Stock

On May 8, 2013, the Company entered into a Securities Purchase Agreement with Air Liquide, pursuant to which the Company agreed to issue and sell 10,431 shares of the Company's Series C Redeemable Convertible Preferred Stock, par value \$0.01 per share, for an aggregate purchase price of approximately \$2.6 million (Euro 2 million) in cash, as more fully discussed in Note 6, Redeemable Preferred Stock. We account for preferred stock as temporary equity in accordance with applicable accounting guidance in Accounting Standards Codification (ASC) 480, *Distinguishing Liabilities from Equity*. Dividends on the redeemable preferred stock are accounted for as a reduction (increase) in the net income (loss) attributable to common shareholders.

In connection with the Air Liquide Investment, as outlined under Joint Venture and Redeemable Preferred Stock above, the Company considered the relative fair value of the components involved in its allocation of the overall investment and the associated accounting.

#### ***Recent Accounting Pronouncements:***

There are no recently issued accounting standards with pending adoptions that the Company's management currently anticipates will have any material impact upon its financial statements.

### **3. Multiple-Deliverable Revenue Arrangements**

The Company enters into multiple-deliverable revenue arrangements that may contain a combination of fuel cell systems or equipment, installation, service, maintenance, fueling and other support services. The delivered item, equipment, does have value to the customer on a standalone basis and could be separately sold by another vendor. In addition, the Company does not include a right of return on its products.

Under the guidance of the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2009-13, in an arrangement with multiple-deliverables, the delivered items will be considered a separate unit of accounting if the following criteria are met:

- The delivered item or items have value to the customer on a standalone basis.

- If the arrangement includes a general right of return relative to the delivered item(s), delivery or performance of the undelivered item or items is considered probable and substantially in the control of the vendor.

Deliverables not meeting the criteria for being a separate unit of accounting are combined with a deliverable that does meet that criterion. The appropriate allocation of arrangement consideration and recognition of revenue is then determined for the combined unit of accounting.

The Company allocates arrangement consideration to each deliverable in an arrangement based on its relative selling price. The Company determines selling price using vendor-specific objective evidence (VSOE), if it exists, otherwise third-party evidence (TPE). If neither VSOE nor TPE of selling price exists for a unit of accounting, the Company uses estimated selling price (ESP).

VSOE is generally limited to the price that a vendor charges when it sells the same or similar products or services on a standalone basis. TPE is determined based on the prices charged by competitors of the Company for a similar deliverable when sold separately. The Company generally expects that it will not be able to establish VSOE or TPE for certain deliverables due to the lack of standalone sales and the nature of the markets in which the Company competes, and, as such, the Company typically will determine selling price using ESP.

The objective of ESP is to determine the price at which the Company would transact if the product or service were sold by the Company on a standalone basis. The Company's determination of ESP may involve a weighting of several factors based on the specific facts and circumstances of the arrangement. Specifically, the Company may consider the cost to produce the deliverable, the anticipated margin on that deliverable, the selling price and profit margin for similar parts, the Company's ongoing pricing strategy and policies, the value of any enhancements that have been built into the deliverable and the characteristics of the varying markets in which the deliverable is sold, as applicable. The Company will determine ESP for deliverables in future agreements based on the specific facts and circumstances of the arrangement.

As noted above, in determining selling price, TPE is generally not readily available due to a lack of a competitive environment in selling fuel cell technology. However, when determining selling price for certain deliverables such as service and maintenance, if available, the Company utilizes prices charged by its competitors as TPE when estimating its costs for labor hours.

Each deliverable within the Company's multiple-deliverable revenue arrangements is accounted for as a separate unit of accounting under the guidance of ASU No. 2009-13. Once a standalone selling price for all the deliverables that meet the separation criteria has been met, whether by VSOE, TPE or ESP, the relative selling price method is used to proportionately allocate each element of the arrangement to the sale consideration. The Company plans to analyze the selling prices used in its allocation of arrangement consideration at a minimum on an annual basis. Selling prices will be analyzed on a more frequent basis if a significant change in the Company's business necessitates a more timely analysis or if the Company experiences significant variances in its selling prices.

For all product and service revenue transactions entered into prior to the implementation of ASU No. 2009-13, the Company will continue to defer the recognition of product and service revenue and recognize revenue on a straight-line basis as the continued service, maintenance and other support obligations expire, which are generally for periods of twelve to thirty months, or which extend over multiple years. While contract terms for those transactions generally required payment shortly after shipment or delivery and installation of the fuel cell system and were not contingent on the achievement of specific milestones or other substantive performance, the multiple-element revenue obligations within our contractual arrangements were generally not accounted for separately based on our limited experience and lack of evidence of fair value of the undelivered components. We recognized revenue related to these transactions of approximately \$36,000 and \$107,000 during the three and nine months ended September 30, 2013. At

September 30, 2013, and December 31, 2012, there was approximately \$453,000 and \$560,000, respectively, included in deferred revenue in the condensed consolidated balance sheets related to these transactions.

#### **4. Loan and Security Agreement**

At December 31, 2012, we were a party to a loan and security agreement, as amended, with Silicon Valley Bank, or SVB, providing us with access to up to \$15.0 million of financing in the form of revolving loans, letters of credit, foreign exchange contracts and cash management services. The Loan Agreement expired on March 29, 2013. As of December 31, 2012, \$3.4 million was outstanding under the loan agreement. This amount was subsequently paid in full in January, 2013.

## 5. Stockholders' Equity

Changes in stockholders' equity for the nine months ended September 30, 2013 are as follows:

|                                        | Common Stock |           | Additional     | Accumulated<br>Other<br>Comprehensive | Treasury Stock |                | Accumulated      | Total                |
|----------------------------------------|--------------|-----------|----------------|---------------------------------------|----------------|----------------|------------------|----------------------|
|                                        | Shares       | Amount    | in-Capital     | Income (Loss)                         | Shares         | Amount         | Deficit          | Stockholders' Equity |
| <b>December 31, 2012</b>               | 38,404,758   | \$ 81,048 | \$ 801,840,491 | \$ 1,004,412                          | 165,906        | \$ (1,552,382) | \$ (786,646,266) | \$ 15,030,300        |
| Net loss                               | -            | -         | -              | -                                     | -              | -              | (33,792,515)     | (33,792,515)         |
| Other comprehensive loss               | -            | -         | -              | (56,828)                              | -              | -              | -                | (56,828)             |
| Stock based compensation               | 1,968,980    | 1,541,732 | -              | -                                     | -              | -              | -                | 1,561,422            |
| Public Offering, common stock, net (1) | 43,104,300   | 18        | 9,991,406      | -                                     | -              | -              | -                | 10,422,424           |
| Exercise of warrants (2)               | 18,996,400   | 964       | 8,861,846      | -                                     | -              | -              | -                | 9,051,810            |
| Stock dividend                         | 132,013      | 20        | 67,891         | -                                     | -              | -              | (69,211)         | -                    |
| <b>September 30, 2013</b>              | 102,603,960  | \$ 26,040 | \$ 822,303,366 | \$ 947,584                            | 165,906        | \$ (1,552,382) | \$ (820,507,992) | \$ 2,216,616         |

- (1) As a result of the 2013 public offering discussed further below, the Company received net proceeds of \$12,873,452, of which \$2,451,028 in value was ascribed to the warrants issued in the February 2013 public offering. The associated warrants have been separately valued and classified as a liability on the accompanying consolidated balance sheet. After consideration of the fair value ascribed to the warrants and the net proceeds of the overall offering, it was determined that the fair value of the warrants and the common stock exceeded the net proceeds received as part of the offering and consequently additional paid-in capital was reduced by \$354,586.
- (2) Pursuant to the exercise of warrants, additional paid-in capital was increased by \$2,659,496 from the issuance of 18,996,400 shares of common stock. Additionally, paid-in capital was increased by \$6,202,350 and warrant liability was reduced by \$6,202,350 (the fair value of the warrants on the exercise date).

### 2013 Public Offerings

On September 16, 2013, the Company completed an underwritten public offering of 18,600,000 shares of common stock. The shares were sold at \$0.54 per share. Net proceeds, after underwriting discounts and commissions and other fees and expenses payable by Plug Power were \$9,151,221.

The Company also sold an additional 2,790,000 shares of common stock at \$0.54 per share, pursuant to the underwriter's exercise of its over-allotment option in connection with the September 16, 2013 underwritten public offering, resulting in additional net proceeds to Plug Power of \$1,408,671. The total net proceeds from the September 2013 public offering to Plug Power were \$10,559,892.

On February 20, 2013, the Company completed an underwritten public offering of 18,910,000 shares of common stock and warrants to purchase an aggregate of 18,910,000 shares of common stock. The shares and warrants in the underwritten public offering were sold as a fixed combination, with each combination consisting of one share of common stock and one warrant to purchase one share of common stock at a price to the public of \$0.15 per fixed combination. The underwriter also purchased 2,836,500 warrants pursuant to the exercise of its over-allotment option. These warrants have an exercise price of \$0.15 per share, are immediately exercisable and will expire on February 20, 2018. The warrants are subject to weighted average anti-dilution provisions in the event of issuance of additional shares of common stock and certain other conditions, as further described in the warrant agreement. Additionally, in the event of a sale of the Company, and under certain conditions, each warrant holder has the right to require the Company to purchase such holder's warrants at a price determined using a Black-Scholes option pricing model. The underwriter was also granted an additional 1,891,000 warrants at \$0.18 per share. These warrants are exercisable on February 13, 2014 and will expire on February 13, 2018. Net proceeds, after underwriting discounts and commissions and other fees and expenses payable by Plug Power, were \$1,948,766. The Company intends to use the net proceeds of the offering for working capital and other general corporate purposes, including capital expenditures.

On February 21, 2013, the Company sold 2,801,800 additional shares of common stock, pursuant to the underwriter's exercise of its overallotment option in connection with the public offering, resulting in additional net proceeds to the Company of approximately \$364,794. The total net proceeds from the February 2013 public offerings to Plug Power were \$2,313,560.

### ***2012 Public Offerings***

On March 28, 2012, the Company completed an underwritten public offering of 13,000,000 shares of its common stock. The shares were sold at \$1.15 per share. Net proceeds, after underwriting discounts and commissions and other fees and expenses payable by Plug Power were \$13,704,745.

On March 29, 2012, the Company sold 1,950,000 additional shares of common stock at \$1.15 per share, pursuant to the underwriter's exercise of its over-allotment option in connection with the March 28, 2012 underwritten public offering, resulting in additional net proceeds to Plug Power of \$2,085,525.

### ***2011 Public Offerings***

On May 31, 2011, the Company completed an underwritten public offering of 8,265,000 shares of its common stock and warrants to purchase an aggregate of 7,128,563 shares of common stock (including warrants to purchase an aggregate of 929,813 shares of common stock purchased by the underwriter pursuant to the exercise of its over-allotment option). Net proceeds, after underwriting discounts and commissions and other fees and expenses payable by Plug Power, were \$18,289,883 (of this amount \$8,768,143 in fair value was recorded as common stock warranty liability at issuance date). The shares and the warrants were sold together as a fixed combination, with each combination consisting of one share of common stock and 0.75 of a warrant to purchase one share of common stock, at a price to the public of \$2.42 per fixed combination. The warrants are exercisable upon issuance and will expire on May 31, 2016. The exercise price of the warrants upon issuance was \$3.00 per share of common stock and is subject to weighted average anti-dilution provisions in the event of issuance of additional shares of common stock and certain other conditions, as further described in the warrant agreement. Additionally, in the event of a sale of the Company, and under certain conditions, each warrant holder has the right to require the Company to purchase such holder's warrants at a price determined using a Black-Scholes option pricing model. As a result of the March 28 and 29, 2012 public offerings and pursuant to the effect of the anti-dilution provisions, the exercise price of the warrants was

reduced to \$2.27 per share of common stock. Simultaneously with the adjustment to the exercise price, the number of common stock shares that may be purchased upon exercise of the warrants was increased to 9,421,008 shares.

As a result of the February 20 and 21, 2013 public offerings and pursuant to the effect of the anti-dilution provisions, the exercise price of the warrants was reduced to \$1.13 per share of common stock. Simultaneously with the adjustment to the exercise price, the number of common stock shares that may be purchased upon exercise was increased to 18,925,389 shares. As a result of the May 8, 2013 agreement to issue and sell Air Liquide 10,431 shares of Series C Redeemable Convertible Preferred Stock, and pursuant to the effect of the anti-dilution provisions, the exercise price of the warrants was reduced to \$1.03 per share of common stock. Simultaneously with the adjustment to the exercise price, the number of common stock shares that may be purchased upon exercise was increased to 20,762,805 shares. As a result of the September 16, 2013 public offering and pursuant to the effect of the anti-dilution provisions, the exercise price of the warrants was reduced to \$0.93 per share of common stock. Simultaneously with the adjustment to the exercise price, the number of common stock shares that may be purchased upon exercise of the warrants was increased to 22,995,365.

On June 8, 2011, the Company sold 836,750 additional shares of common stock, pursuant to the underwriter's partial exercise of its over-allotment option, resulting in additional net proceeds to Plug Power of \$1,874,990.

On July 1, 2011, the Company sold 231,000 additional shares of common stock, pursuant to the underwriter's partial exercise of its over-allotment option, resulting in additional net proceeds to Plug Power of \$527,626.

## **6. Redeemable Preferred Stock**

On May 8, 2013, the Company entered into a Securities Purchase Agreement (the "Purchase Agreement") with Air Liquide Investissements d'Avenir et de Demonstration ("Air Liquide"), pursuant to which the Company agreed to issue and sell to Air Liquide 10,431 shares of the Company's Series C Redeemable Convertible Preferred Stock, par value \$0.01 per share (the "Series C Preferred Stock"), for an original issue price of \$2,595,400 in cash. Net proceeds, after fees and expenses paid by the Company, were \$2,451,079.

Under the terms of the Purchase Agreement, for so long as Air Liquide holds any shares of Series C Preferred Stock, Air Liquide shall be entitled to designate one director to the Company's Board of Directors. In the event the Series C Preferred Stock is converted into shares of Common Stock and Air Liquide continues to hold at least 5% of the outstanding shares of Common Stock of the Company, or 50% of the shares of Common Stock held by Air Liquide on an as-converted basis immediately following the issuance of the Series C Preferred Stock, Air Liquide shall continue to be entitled to designate one director to the Company's Board of Directors. The Purchase Agreement also provides Air Liquide with the right to participate in certain future equity financings by the Company.

The Series C Preferred Stock will rank senior to the Common Stock with respect to rights upon the liquidation, dissolution or winding up of the Company. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, or other deemed liquidation event, as defined in the Securities Purchase Agreement, the holders of the Series C Preferred Stock will be entitled to be paid an amount per share equal to the greater of (i) the original issue price, plus any accrued but unpaid dividends or (ii) the amount per share that would have been payable had all shares of Series C Preferred Stock been converted to shares of common stock immediately prior to such liquidation event.

The Series C Preferred Stock will be entitled to receive dividends at a rate of 8% per annum, based on the original issue price of \$2,595,400, payable in equal quarterly installments in cash or in shares of Common Stock, at the Company's option. The Series C Preferred Stock will be convertible into shares of Common Stock, at a conversion price equal to \$0.248794 per share, at Air Liquide's option, (1) on or after May 8, 2014 or (2) upon any liquidation, dissolution or winding up of the Company, any sale, consolidation or merger of the Company resulting in a change of control, or any sale or other transfer of all or substantially all of the assets of the Company. The number of shares of common stock is determined by dividing the original issue price of \$2,595,400 by the conversion price in effect at the time the shares are converted.

The Series C Preferred Stock has weighted average anti-dilution protection. Therefore, the conversion price is subject to adjustment in the event the Company issues additional shares of common stock for a consideration per share less than the Series C conversion price in effect immediately prior to such issue. Upon this occurrence, the conversion price shall be reduced to a price determined in accordance with a prescribed formula. Accordingly, with the exercise of 16,096,400 warrants at \$0.15 occurring after the close of the redeemable preferred stock sale, the Series C Preferred

Stock conversion price was adjusted from \$0.248794 per share to \$0.236529 per share.

The Series C Preferred Stock may not be redeemed by the Company until May 8, 2016. After this date, the Series C Preferred Stock may be redeemed by the holders of the Series C Preferred Stock or the Company. If redeemed by the holder, the redemption price will be equal to the Series C Original Issue Price per share, plus any accruing but unpaid dividends. If redeemed at the election of the Company, the redemption price for shares of Series C Preferred Stock shall be a per share price equal to the greater of (i) the Series C original issue price per share, plus any Series C accruing dividends accrued but unpaid thereon and (ii) the fair market value of a single share of Series C preferred stock as of the date of the redemption.

The Series C Preferred Stock will vote together with the Common Stock on an as-converted basis on all matters. The shares of Series C Preferred Stock were issued in a private placement exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended (the Securities Act ).

## 7. Earnings Per Share

Basic earnings per common share are computed by dividing net loss attributable to common shareholders by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock (such as stock options, unvested restricted stock, common stock warrants, and preferred stock) were exercised or converted into common stock or resulted in the issuance of common stock (net of any assumed repurchases) that then shared in the earnings of the Company, if any. This is computed by dividing net earnings by the combination of dilutive common share equivalents, which is comprised of shares issuable under outstanding warrants, the conversion of preferred stock, and the Company's share-based compensation plans, and the weighted average number of common shares outstanding during the reporting period. Since the Company is in a net loss position, all common stock equivalents would be considered to be anti-dilutive and are, therefore, not included in the determination of diluted earnings per share. Accordingly, basic and diluted loss per share are the same.

The following table provides the components of the calculations of basic and diluted earnings per share:

|                                                      | Three Months Ended |                    | Nine Months Ended  |                    |
|------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                                      | September 30, 2013 | September 30, 2012 | September 30, 2013 | September 30, 2012 |
| <b>Numerator:</b>                                    |                    |                    |                    |                    |
| Net loss attributable to common shareholders         | \$ (15,947,280)    | \$ (10,325,464)    | \$ (33,861,726)    | \$ (23,388,120)    |
| <b>Denominator:</b>                                  |                    |                    |                    |                    |
| Weighted average number of common shares outstanding | 84,150,851         | 37,977,052         | 67,194,806         | 33,107,175         |

The potential dilutive common shares are summarized as follows:

At September 30,

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|                                            | 2013       | 2012       |
|--------------------------------------------|------------|------------|
| Stock options outstanding                  | 4,145,689  | 1,999,521  |
| Unvested restricted stock                  | -          | 275,262    |
| Common stock warrants (1)                  | 27,636,465 | 9,421,008  |
| Preferred stock (2)                        | 10,972,859 | -          |
| Number of dilutive potential common shares | 42,755,013 | 11,695,791 |

- (1) On May 31, 2011, the Company issued 7,128,563 warrants as part of an underwritten public offering. As a result of the March 28 and 29, 2012 and February 20 and 21, 2013 public offerings, the May 8, 2013 issuance of Series C redeemable convertible preferred stock, and the September 16, 2013 public offering described in Note 5, the number of warrants increased to 22,995,365. Additionally, on February 20, 2013 the Company issued 23,637,500 warrants as part of an underwritten public offering. Of the warrants issued in February 2013, 18,996,400 were exercised as of September 30, 2013.
- (2) The preferred stock amount represents the dilutive potential common shares of the 10,431 shares of Series C redeemable convertible preferred stock issued on May 16, 2013.

**8. Inventory**

Inventory as of September 30, 2013 and December 31, 2012 consisted of the following:

|                            | September 30, 2013 | December 31, 2012 |
|----------------------------|--------------------|-------------------|
| Raw materials and supplies | \$ 8,968,730       | \$ 7,576,862      |
| Work-in-process            | 163,997            | 314,321           |
| Finished goods             | 635,927            | 659,274           |
|                            | \$ 9,768,654       | \$ 8,550,457      |

**9. Intangible Assets**

The gross carrying amount and accumulated amortization of the Company's acquired identifiable intangible assets as of September 30, 2013 are as follows:

|                        | Weighted Average<br>Amortization Period | Gross Carrying<br>Amount | Accumulated<br>Amortization | Effect of<br>Foreign Currency<br>Translation | Total        |
|------------------------|-----------------------------------------|--------------------------|-----------------------------|----------------------------------------------|--------------|
| Acquired Technology    | 8 years                                 | \$ 15,900,000            | \$ (13,767,216)             | \$ 1,136,835                                 | \$ 3,269,619 |
| Customer Relationships | 8 years                                 | 1,000,000                | (802,083)                   | -                                            | 197,917      |
|                        |                                         | \$ 16,900,000            | \$ (14,569,299)             | \$ 1,136,835                                 | \$ 3,467,536 |

The gross carrying amount and accumulated amortization of the Company's acquired identifiable intangible assets as of December 31, 2012 are as follows:

|  | Weighted Average<br>Amortization Period | Gross Carrying<br>Amount | Accumulated<br>Amortization | Effect of<br>Foreign Currency<br>Translation | Total |
|--|-----------------------------------------|--------------------------|-----------------------------|----------------------------------------------|-------|
|--|-----------------------------------------|--------------------------|-----------------------------|----------------------------------------------|-------|

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|                        |         |               |                 |              |              |
|------------------------|---------|---------------|-----------------|--------------|--------------|
| Acquired Technology    | 8 years | \$ 15,900,000 | \$ (12,156,049) | \$ 1,234,953 | \$ 4,978,904 |
| Customer Relationships | 8 years | 1,000,000     | (708,333)       | -            | 291,667      |
|                        |         | \$ 16,900,000 | \$ (12,864,382) | \$ 1,234,953 | \$ 5,270,571 |

## 10. Property, Plant and Equipment

Property, plant and equipment at September 30, 2013 and December 31, 2012 consist of the following:

|                                     | September 30,<br>2013 | December 31,<br>2012 |
|-------------------------------------|-----------------------|----------------------|
| Land                                | \$ 90,000             | \$ 90,000            |
| Buildings                           | 15,332,232            | 15,332,232           |
| Building improvements               | 4,939,283             | 4,939,283            |
| Software, machinery and equipment   | 13,615,439            | 13,741,573           |
|                                     | 33,976,954            | 34,103,088           |
| Less accumulated depreciation       | (28,170,230)          | (27,394,851)         |
| Property, plant, and equipment, net | \$ 5,806,724          | \$ 6,708,237         |

**11. Leased property under capital lease**

Leased property under capital lease at September 30, 2013 and December 31, 2012 consist of the following:

|                                          | September 30,<br>2013 | December 31,<br>2012 |
|------------------------------------------|-----------------------|----------------------|
| Leased property under capital lease      | \$ 3,098,921          | \$ 3,098,921         |
| Less accumulated depreciation            | (516,487)             | (129,122)            |
| Leased property under capital lease, net | \$ 2,582,434          | \$ 2,969,799         |

**12. Income Taxes**

Under Internal Revenue Code (IRC) Section 382, the use of loss carryforwards may be limited if a change in ownership of a company occurs. If it is determined that due to transactions involving the Company's shares owned by its 5 percent or greater shareholders a change of ownership has occurred under the provisions of IRC Section 382, the Company's federal and state net operating loss carryforwards could be subject to significant IRC Section 382 limitations.

At September 30, 2013 the Company has approximately \$737.5 million of net operating loss carryforward. Based upon an IRC Section 382 study, Section 382 ownership changes occurred in 2013, 2012 and 2011 that resulted in \$729.7 million of the Company's federal and state net operating loss carryforwards being subject to IRC Section 382

limitations and as a result of IRC Section 382 limitations, all but approximately \$21.3 million of the net operating loss carryforwards will expire prior to utilization. As a result of the IRC Section 382 limitations, these net operating loss carryforwards that will expire unutilized are not reflected in the Company's gross deferred tax asset as of September 30, 2013.

The ownership change also resulted in Net Unrealized Built in Losses per IRS Notice 2003-65 which should result in Recognized Built in Losses during the five year recognition period of approximately \$36.3 million. This translates into unfavorable book to tax add backs in the Company's 2013 to 2018 U.S. corporate income tax returns that resulted in a gross deferred tax liability of \$13.8 million at September 30, 2013 with a corresponding reduction to the valuation allowance. This gross deferred tax liability will offset certain existing gross deferred tax assets (i.e. capitalized research expense). This has no impact on the Company's current financial position, results of operations, or cash flows because of the full valuation allowance.

IRC Section 382 also limits the ability for a Company to utilize capital loss and research credit carryforwards. Approximately \$15.5 million of federal capital loss carryforwards are subject to IRC Section 382 limitations and as a result of the IRC Section 382 limitations, the entire \$15.5 million will expire prior to utilization. Approximately \$15.6 million of research credits are subject to IRC Section 382 limitations and as a result of the IRC Section 382 limitations, the entire \$15.6 million will expire prior to utilization.

The Company's remaining deferred tax assets have been offset by a full valuation allowance because it is more likely than not that the tax benefits of the net operating loss carryforwards and other tax assets may not be realized.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits as a component of income tax expense. During the period ended September 30, 2013 the Company recognized a benefit of \$0.4 million due to a reduction in interest and penalties as a result of the expiration of the associated statute of limitations. The Company had \$0.8 million of interest and penalties accrued at September 30, 2013.

### 13. Fair Value

The Company complies with the provisions of FASB ASC No. 820, Fair Value Measurements and Disclosures (ASC 820), in measuring fair value and in disclosing fair value measurements. The aforementioned codification guidance defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements required under other accounting pronouncements. In addition, the guidance clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The guidance also requires that a fair value measurement reflect the assumptions market participants would use in pricing an asset or liability based on the best information available. Assumptions include the risks inherent in a particular valuation technique (such as a pricing model) and/or the risks inherent in the inputs to the model.

Valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow), and the cost approach (cost to replace the service capacity of an asset or replacement cost) are also outlined within the guidance. Also, the codification guidance outlines a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

**Level 1 Inputs** Level 1 inputs are unadjusted quoted prices in active markets for assets or liabilities identical to those to be reported at fair value. An active market is a market in which transactions occur for the item to be fair valued with sufficient frequency and volume to provide pricing information on an ongoing basis.

**Level 2 Inputs** Level 2 inputs are inputs other than quoted prices included within Level 1. Level 2 inputs are observable either directly or indirectly. These inputs include: (a) Quoted prices for similar assets or liabilities in active markets; (b) Quoted prices for identical or similar assets or liabilities in markets that are not active, such as when there are few transactions for the asset or liability, the prices are not current, price quotations vary substantially over time or in which little information is released publicly; (c) Inputs other than quoted prices that are observable for the asset or liability; and (d) Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

**Level 3 Inputs** Level 3 inputs are unobservable inputs for an asset or liability. These inputs should be used to determine fair value only when observable inputs are not available. Unobservable inputs should be developed based on the best information available in the circumstances, which might include internally generated data and assumptions being used to price the asset or liability.

When determining the fair value measurements for assets or liabilities required or permitted to be recorded at and/or marked to fair value, the Company considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability. When possible, the Company looks to active and observable markets to price identical assets. When identical assets are not traded in active markets, the Company looks to market observable data for similar assets.

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The following tables summarize the basis used to measure certain financial assets and liabilities at fair value on a recurring basis in the condensed consolidated balance sheets:

| Balance at September 30, 2013  | Total         | Quoted Prices in Active<br>Markets for Identical<br>Items<br>(Level 1) | Significant<br>Other Observable<br>Inputs<br>(Level 2) | Significant<br>Other Unobservable<br>Inputs<br>(Level 3) |
|--------------------------------|---------------|------------------------------------------------------------------------|--------------------------------------------------------|----------------------------------------------------------|
| Common stock warrant liability | \$ 12,895,564 | \$ -                                                                   | \$ -                                                   | \$ 12,895,564                                            |

|                                |            | Quoted Prices in Active<br>Markets for Identical<br>Items<br>(Level 1) | Significant<br>Other Observable<br>Inputs<br>(Level 2) | Significant<br>Other Unobservable<br>Inputs<br>(Level 3) |
|--------------------------------|------------|------------------------------------------------------------------------|--------------------------------------------------------|----------------------------------------------------------|
| Balance at December 31, 2012   | Total      |                                                                        |                                                        |                                                          |
| Common stock warrant liability | \$ 475,825 | \$ -                                                                   | \$ -                                                   | \$ 475,825                                               |

The following tables show reconciliations of the beginning and ending balances for liabilities measured at fair value on a recurring basis using significant unobservable inputs (i.e. Level 3) for the nine months ended September 30, 2013:

|                                                                    | Fair Value<br>Measurement Using<br>Significant<br>Unobservable Inputs |
|--------------------------------------------------------------------|-----------------------------------------------------------------------|
| Common stock warrant liability                                     |                                                                       |
| Beginning of period - January 1, 2013                              | \$ 475,825                                                            |
| Change in fair value of common stock warrants                      | 16,171,061                                                            |
| Issuance of common stock warrants                                  | 2,451,028                                                             |
| Exercise of common stock warrants                                  | (6,202,350)                                                           |
| Fair value of common stock warrant liability at September 30, 2013 | \$ 12,895,564                                                         |

The following summarizes the valuation technique for assets and liabilities measured and recorded at fair value:

Common stock warrant liability: For our level 3 securities, which represent common stock warrants, fair value is based on the Black-Scholes pricing model which is based, in part, upon unobservable inputs for which there is little or no market data, requiring the Company to develop its own assumptions.

The following disclosure of the estimated fair value of financial instruments is made in accordance with the provision of ASC 825-10-65, Financial Instruments, which requires disclosures about fair value of financial instruments in interim financial statements as well as in annual financial statements. Although the estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies, the estimates presented are not necessarily indicative of the amounts that the Company could realize in current market exchanges.

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

*Cash and cash equivalents, accounts receivable, accrued interest receivable and payable, accounts payable and borrowings under line of credit:* The carrying amounts reported in the condensed consolidated balance sheets approximate fair value because of the short maturities of these instruments.

#### **14. Commitments and Contingencies**

##### *968 Albany Shaker Road Associate, LLC Lease*

On March 27, 2013, the Company completed a sale-leaseback transaction of its property located at 968 Albany Shaker Road, Latham, New York, for an aggregate purchase price of \$4,500,000, of which \$2,750,000 was payable in cash at closing and \$1,750,000 is payable with 5% annual interest, over 15 years in equal monthly installments of \$13,839. The sale-leaseback transaction is being accounted for in accordance with applicable accounting guidance provided under Accounting Standards Codification (ASC) 840, Leases. Due to the Company's continuing involvement with the property, the transaction has been accounted for as a financing. Liabilities relating to this agreement of \$2,507,800 and \$57,739 have been recorded as finance obligation and current portion finance obligation (other current liabilities), respectively, in the condensed consolidated balance sheet as of September 30, 2013.

In connection with the sale-leaseback transaction, we also entered into an agreement with the buyer, pursuant to which the Company leases from the buyer a portion of the premises sold for a term of 15 years. Monthly payments relating to this agreement are \$38,297, \$41,243, and \$44,189, for years 1-5, 6-10, and 11-15, respectively.

As part of the terms of the transaction, the Company issued two standby letters of credit to the benefit of the landlord/lessor that can be drawn by the beneficiary in the event of default on the lease by Plug Power. The standby letters total \$750,000 and are 100% collateralized by cash balances of the Company. This cash is restricted from use by the Company for any other purpose than to collateralize the standby letters. The standby letters are renewable for a period of ten years and can be cancelled in part or in full if certain covenants are met and maintained by the Company.

On August 26, 2013, the standby letter of credit for \$250,000 was terminated due to the release of contingencies relating to a new tenant occupying space in the building. Accordingly, as of September 30, 2013, \$500,000 has been recorded to restricted cash in the condensed consolidated balance sheet.

#### *Other*

In September 2011, the Company signed a letter of credit with Silicon Valley Bank in the amount of \$525,000. The standby letter of credit is required by an agreement negotiated between Air Products and Chemicals, Inc. and the Company to supply hydrogen infrastructure and hydrogen to Central Grocers at their distribution center. There are no collateral requirements associated with this letter of credit.

#### *Customer Concentration*

Concentrations of credit risk with respect to receivables exist due to the limited number of select customers that the Company has initial commercial sales arrangements with and with government agencies. To mitigate credit risk, the Company performs appropriate evaluation of a prospective customer's financial condition.

At September 30, 2013, five customers comprise approximately 80.6% of the total accounts receivable balance, with each customer individually representing 40.2%, 18.9%, 10.5%, 5.9% and 5.1% of total accounts receivable, respectively. At December 31, 2012, four customers comprise approximately 82.2% of the total accounts receivable balance, with each customer individually representing 63.1%, 7.7%, 6.3% and 5.1% of total accounts receivable, respectively.

For the nine months ended September 30, 2013, contracts with three customers comprise approximately 38.6% of total consolidated revenues, with each customer representing 14.9%, 13.5% and 10.2%, respectively. For the nine months ended September 30, 2012, contracts with three customers comprise approximately 55.5% of total consolidated revenues, with each customer representing 25.8%, 19.4% and 10.3%, respectively.

#### *Product Warranty*

The product and service revenue contracts we entered into generally provide a one to two-year product warranty to customers from date of installation. We currently estimate the costs of satisfying warranty claims based on an analysis of past experience and provide for future claims in the period the revenue is recognized. Factors that affect our warranty liability include the number of installed units, estimated material costs, estimated travel, and labor costs. During the year ended December 31, 2012, we adjusted our reserve for additional warranty claims arising from GenDrive component quality issues that were identified. These were isolated quality issues that were identified in GenDrive units that are being used at customer sites. These units are in the process of being retro-fitted with replacement components that will improve the reliability of our GenDrive products for our customers.

The following table summarizes product warranty activity recorded during the nine months ended September 30, 2013 and 2012:

|                                         | September 30, 2013 | September 30, 2012 |
|-----------------------------------------|--------------------|--------------------|
| Beginning balance - January 1           | \$ 2,671,409       | \$ 1,210,919       |
| Additions for current period deliveries | 590,056            | 399,623            |
| Reductions for payments made            | (1,848,240)        | (1,915,253)        |
| Reserve adjustment                      | -                  | 3,273,324          |
| Ending balance - September 30           | \$ 1,413,225       | \$ 2,968,613       |

## 15. Supplemental Disclosures of Cash Flows Information

The following represents required supplemental disclosures of cash flows information and non-cash financing and investing activities which occurred during the nine months ended September 30, 2013 and 2012:

|                                              | September 30, 2013 | September 30, 2012 |
|----------------------------------------------|--------------------|--------------------|
| Stock-based compensation accrual impact, net | \$ (15,155)        | \$ (115)           |
| Cash paid for interest                       | 354,723            | 152,123            |

## 16. Subsequent Events

The Company has evaluated subsequent events and transactions through the date of this filing for potential recognition or disclosure in the financial statements and has noted no subsequent events requiring recognition or disclosure.



## Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations

*The following discussion should be read in conjunction with our accompanying unaudited condensed consolidated financial statements and notes thereto included within this report, and our audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K filed for the fiscal year ended December 31, 2012. In addition to historical information, this Form 10-Q and the following discussion contain statements that are not historical facts and are considered forward-looking within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. These forward-looking statements contain projections of our future results of operations or of our financial position or state other forward-looking information. In some cases you can identify these statements by forward-looking words such as anticipate, believe, could, continue, estimate, expect, intend, may, should, will, would, plan, projected or the negative of such words or other similar words or phrases. We believe that it is important to communicate our future expectations to our investors. However, there may be events in the future that we are not able to accurately predict or control and that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements. Investors are cautioned not to unduly rely on forward-looking statements because they involve risks and uncertainties, and actual results may differ materially from those discussed as a result of various factors, including, but not limited to: the risk that we continue to incur losses and might never achieve or maintain profitability, the risk that we expect we will need to raise additional capital to fund our operations and such capital may not be available to us; the risk that we do not have enough cash to fund our operations to profitability and if we are unable to secure additional capital, we may need to reduce and/or cease our operations; the risk that a "going concern" opinion from our auditors, KPMG LLP, could impair our ability to finance its operations through the sale of equity, incurring debt, or other financing alternatives; the recent restructuring plan we adopted may adversely impact management's ability to meet financial reporting requirements; our lack of extensive experience in manufacturing and marketing products may impact our ability to manufacture and market products on a profitable and large-scale commercial basis; the risk that unit orders will not ship, be installed and/or converted to revenue; the risk that pending orders may not convert to purchase orders; the risk that our continued failure to comply with NASDAQ's listing standards may result in our common stock being delisted from the NASDAQ stock market, which may severely limit our ability to raise additional capital; the cost and timing of developing, marketing and selling our products and our ability to raise the necessary capital to fund such costs; the ability to achieve the forecasted gross margin on the sale of our products; the actual net cash used for operating expenses may exceed the projected net cash for operating expenses; the cost and availability of fuel and fueling infrastructures for our products; market acceptance of our GenDrive systems; our ability to establish and maintain relationships with third parties with respect to product development, manufacturing, distribution and servicing and the supply of key product components; the cost and availability of components and parts for our products; our ability to develop commercially viable products; our ability to reduce product and manufacturing costs; our ability to successfully expand our product lines; our ability to improve system reliability for our GenDrive systems; competitive factors, such as price competition and competition from other traditional and alternative energy companies; our ability to protect our intellectual property; the cost of complying with current and future federal, state and international governmental regulations; and other risks and uncertainties discussed under Item 1A Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012, as filed on April 1, 2013. Readers should not place undue reliance on our forward-looking statements. These forward-looking statements speak only as of the date on which the statements were made and are not guarantees of future*

*performance. Except as may be required by applicable law, we do not undertake or intend to update any forward-looking statements after the date of this Form 10-Q.*

## Overview

We are a leading provider of alternative energy technology focused on the design, development, commercialization and manufacture of fuel cell systems for the industrial off-road (forklift or material handling) market. We continue to leverage our unique fuel cell application and integration knowledge to identify early adopter markets for which we can design and develop innovative systems and customer solutions that provide superior value, ease-of-use and environmental design. We have made significant progress in our analysis of the material handling market. We believe we have developed reliable products which allow the end customers to eliminate incumbent power sources from their operations, and realize their sustainability objectives through clean energy alternatives.

In October, 2011 we introduced our next generation GenDrive products. These next generation fuel cell units include a simplified architecture featuring 30% fewer components, giving customers greater flexibility in managing their deployments. By the third quarter of 2012, the majority of units produced and shipped were based on this simplified architecture.

We have experienced and continue to experience negative cash flows from operations and we expect to continue to incur net losses in the foreseeable future. We adopted a restructuring plan on December 11, 2012, aimed at improving organizational efficiency and to conserve working capital needed to support the growth of our GenDrive business. As a result of the recent restructuring, we expect to reduce annual expenses by \$3.0 to \$4.0 million.

Net cash used in operating activities for the nine months ended September 30, 2013 was \$17.9 million. Additionally, on September 30, 2013, we had cash and cash equivalents of \$11.0 million and net working capital of \$14.6 million. This compares to \$9.4 million and \$6.9 million, respectively, at December 31, 2012.

## **Recent Developments**

### *Purchase and Sale Agreement and Lease Agreement*

On January 24, 2013, we entered into a Purchase and Sale Agreement with 968 Albany Shaker Road Associates, LLC (the Buyer). The Purchase and Sale Agreement provides, among other things, that the Company will sell to the Buyer its property (building and land) located at 968 Albany Shaker Road, Latham, New York consisting of approximately 34.45 acres for an aggregate purchase price of \$4.5 million and that the Company and the Buyer will form a new limited liability company. The new limited liability company will provide the Company with monthly distributions.

In connection with the Purchase and Sale Agreement, we also entered into a Lease Agreement on January 24, 2013 with the Buyer, pursuant to which the Company leases from the Buyer a portion of the premises sold pursuant to the Purchase and Sale Agreement for a term of 15 years.

On March 13, 2013, we entered into an Amendment to Purchase and Sale Agreement (the Amendment) with the Buyer. Among other things, the Amendment decreases the amount payable to the Company at the closing of the Purchase and Sale Agreement, increases the value of the Company's membership interest in the new limited liability company, and increases the monthly distributions to be paid by the new limited liability company to the Company. On March 27, 2013, we completed the sale and leaseback transaction of our headquarters property located at 968 Albany Shaker Road, Latham, New York.

The sale-leaseback transaction is being accounted for in accordance with applicable accounting guidance provided under Accounting Standards Codification (ASC) 840, Leases. Due to the Company's continuing involvement with the property, the sale-leaseback is being accounted for as a financing. Liabilities relating to this agreement of \$2,507,800 and \$57,739 have been recorded as finance obligation and current portion finance obligation (other current liabilities),

respectively, in the condensed consolidated balance sheet as of September 30, 2013.

*Shareholder Rights Agreement*

On February 12, 2013, we amended our Shareholder Rights Agreement dated as of June 23, 2009, as amended, to exempt any investor from purchasing shares of common stock and accompanying warrants in our public offering on February 13, 2013 of common stock and warrants to purchase shares of common stock, so long as such investor and its affiliates and associates do not at any time beneficially own shares of our common stock equaling or exceeding one-half of one percent more than the percentage of the then outstanding shares of common stock beneficially owned by such investor and its affiliates and associates immediately following the closing of the February 2013 offering. As a result, such ownership by any such investor will not trigger the exercisability of the preferred share purchase rights under the Shareholder Rights Agreement that would give each holder the right to receive upon exercise one ten-thousandth of a share of our Series A Junior Participating Cumulative Preferred Stock.

Page | 25

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### *Public Offerings*

On February 20, 2013, the Company completed an underwritten public offering of 18,910,000 shares of common stock and warrants to purchase an aggregate of 23,637,500 shares of common stock. The 18,910,000 shares and warrants in the underwritten public offering were sold as a fixed combination, with each combination consisting of one share of common stock and one warrant to purchase one share of common stock at a price to the public of \$0.15 per fixed combination. The underwriter also purchased 2,836,500 warrants pursuant to the exercise of its over-allotment option. These warrants have an exercise price of \$0.15 per share, are immediately exercisable and will expire on February 20, 2018. Additionally, the underwriter was also granted an additional 1,891,000 warrants at \$0.18 per share. These warrants are exercisable on February 13, 2014 and will expire on February 13, 2018. Net proceeds, after underwriting discounts and commissions and other fees and expenses payable by Plug Power, were \$1.9 million. The Company intends to use the net proceeds of the offering for working capital and other general corporate purposes, including capital expenditures.

On February 21, 2013, the Company sold 2,801,800 additional shares of common stock, pursuant to the underwriter's exercise of its over-allotment option in connection with the Company's recently announced public offering, resulting in additional net proceeds to the Company of approximately \$365,000.

On September 16, 2013, the Company completed an underwritten public offering of 18,600,000 shares of common stock. The shares were sold at \$0.54 per share. Net proceeds, after underwriting discounts and commissions and other fees and expenses payable by Plug Power were \$9.2 million. The Company sold additional 2,790,000 shares of common stock at \$0.54 per share, pursuant to the underwriter's exercise of its over-allotment option in connection with the September 16, 2013 underwritten public offering, resulting in additional net proceeds to Plug Power of \$1.4 million.

As a result of the September 16, 2013 public offering and pursuant to the effect of the anti-dilution provisions, the exercise price of the May 31, 2011 warrants was reduced to \$0.93 per share of common stock. Simultaneously with the adjustment to the exercise price, the number of common stock shares that may be purchased upon exercise of the warrants was increased to 22,995,365.

### *Securities Purchase Agreement.*

On May 8, 2013, the Company entered into a Securities Purchase Agreement (the "Purchase Agreement") with Air Liquide Investissements d'Avenir et de Demonstration ("Air Liquide"), pursuant to which the Company agreed to issue and sell to Air Liquide 10,431 shares of the Company's Series C Redeemable Convertible Preferred Stock, par value \$0.01 per share (the "Series C Preferred Stock"), for an aggregate purchase price of approximately \$2.6 million (Euro 2 million) in cash. On an as-converted basis, Air Liquide initially owned approximately 14% of the Company's outstanding common stock, par value \$0.01 per share (the "Common Stock").

Under the terms of the Purchase Agreement, for so long as Air Liquide holds any shares of Series C Preferred Stock, Air Liquide shall be entitled to designate one director to the Company's Board of Directors. In the event the Series C

Preferred Stock is converted into shares of Common Stock and Air Liquide continues to hold at least 5% of the outstanding shares of Common Stock of the Company, or 50% of the shares of Common Stock held by Air Liquide on an as-converted basis immediately following the issuance of the Series C Preferred Stock, Air Liquide shall continue to be entitled to designate one director to the Company's Board of Directors. The Purchase Agreement also provides Air Liquide with the right to participate in certain future equity financings by the Company.

Page | 26

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The Series C Preferred Stock will rank senior to the Common Stock with respect to rights upon the liquidation, dissolution or winding up of the Company. The Series C Preferred Stock will be entitled to receive dividends at a rate of 8% per annum payable in equal quarterly installments in cash or in shares of Common Stock, at the Company's option. The Series C Preferred Stock will be convertible into shares of Common Stock, at an initial conversion price equal to \$0.248794 per share, at Air Liquide's option, (1) on or after May 8, 2014 or (2) upon any liquidation, dissolution or winding up of the Company, any sale, consolidation or merger of the Company resulting in a change of control, or any sale or other transfer of all or substantially all of the assets of the Company.

The Series C Preferred Stock has weighted average anti-dilution protection. Therefore, the conversion price is subject to adjustment in the event the Company issues additional shares of common stock for a consideration per share less than the Series C conversion price in effect immediately prior to such issue. Upon this occurrence, the conversion price shall be reduced to a price determined in accordance with a prescribed formula. Accordingly, with the exercise of 16,096,400 warrants at \$0.15 occurring after the close of the redeemable preferred stock sale, the Series C Preferred Stock conversion price was adjusted from \$0.248794 per share to \$0.236529 per share.

The Series C Preferred Stock will vote together with the Common Stock on an as-converted basis on all matters. The shares of Series C Preferred Stock were issued in a private placement exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended (the "Securities Act").

In connection with the Series C Preferred Stock investment, the Company and Axane, S.A. ("Axane"), a subsidiary of Air Liquide, entered into transactions related to their HyPulsion S.A.S. joint venture ("HyPulsion"). HyPulsion was formed by the Company and Axane to develop and market hydrogen fuel cell systems for the European material handling market. Axane purchased a 25% ownership interest in HyPulsion from the Company for a cash purchase price of \$3.3 million (Euro 2.5 million). The Company now owns 20% and Axane owns 80% of HyPulsion. The Company has the right to purchase an additional 60% of HyPulsion from Axane at any time between January 4, 2018 and January 29, 2018 at a formula price. If the Company exercises its purchase right, Axane will have the right, at any time between February 1, 2018 and December 31, 2021, to require the Company to buy the remaining 20% interest at a formula price.

The Company and HyPulsion also entered into an engineering service agreement under which, among other things, the Company will provide HyPulsion with engineering and technical services for a new fuel cell assembly line and manufacturing execution system. Under the service agreement, HyPulsion has paid the Company approximately \$659,000 (Euro 500,000) in the aggregate for services to be performed by the Company.

In connection with the Air Liquide Investment, as outlined under Joint Venture and Redeemable Preferred Stock above, the Company considered the relative fair value of the components involved in its allocation of the overall investment and the associated accounting.

#### *Appointment of Directors and Chief Operating Officer*

On October 23, 2013, the Company's Board of Directors appointed Gregory L. Kenausis and Xavier Pontone to serve as directors of the Company effective October 23, 2013. Mr. Kenausis was appointed to serve as a Class II director with a term expiring at the annual meeting of stockholders to be held in 2016. Mr. Pontone was appointed to serve as

a Class II director with a term expiring at the annual meeting of stockholders to be held in 2016.

On October 23, 2013, the Company appointed Keith C. Schmid as the Chief Operating Officer of the Company, effective October 23, 2013.

## Results of Operations

*Product and service revenue.* Product and service revenue generally includes revenue from the sale of our GenDrive units, as well as revenue from installation, service, maintenance, fueling, and other support services.

Product and service revenue for the three months ended September 30, 2013 decreased \$0.1 million or 2.5%, to \$4.2 million from \$4.3 million for the three months ended September 30, 2012. During the three months ended September 30, 2013 we shipped 155 fuel cell systems to end customers as compared to 186 fuel cell systems shipped during the three months ended September 30, 2012. During the three months ended September 30, 2013, and September 30, 2012, we deferred \$16,000 and \$673,000 in revenue, respectively, due to contingent provisions in our agreements, as well as certain deliverables where the criteria for recognition have not yet been met. Additionally, in the three months ended September 30, 2013, we recognized approximately \$78,000 of deferred revenue in connection with deliverables that have since met the criteria for recognition, whereas in the three months ended September 30, 2012, we recognized approximately \$166,000 of deferred revenue associated with deliverables that have since met the criteria for recognition.

Product and service revenue for the nine months ended September 30, 2013 decreased \$1.4 million or 7.3%, to \$17.3 million from \$18.7 million for the nine months ended September 30, 2012. During the nine months ended September 30, 2013 we shipped 639 fuel cell systems to end customers as compared to 873 fuel cell systems shipped during the nine months ended September 30, 2012. During the nine months ended September 30, 2013 and 2012, we deferred \$101,000 and \$3.3 million in revenue, respectively, due to contingent provisions in our agreements, as well as certain deliverables where the criteria for recognition have not yet been met. Additionally, in the nine months ended September 30, 2013, we recognized approximately \$623,000 of deferred revenue in connection with deliverables that have since met the criteria for recognition, whereas in the nine months ended September 30, 2012, we recognized approximately \$1.7 million of deferred revenue associated with deliverables that have since met the criteria for recognition.

*Research and development contract revenue.* Research and development contract revenue primarily relates to cost reimbursement research and development contracts associated with the development of PEM fuel cell technology. We generally share in the cost of these programs with our cost-sharing percentages typically ranging from 30% to 50% of total project costs. Revenue from time and material contracts is recognized on the basis of hours expended plus other reimbursable contract costs incurred during the period. We expect to continue certain research and development contract work that is directly related to our current product development efforts.

Research and development contract revenue for the three months ended September 30, 2013 decreased approximately \$40,000, or 8.1%, to \$462,000 from \$502,000 for the three months ended September 30, 2012. The decrease is primarily related to a reduced effort on three funded projects that are complete or near completion, partially offset by the start of a new project.

Research and development contract revenue for the nine months ended September 30, 2013 decreased approximately \$0.3 million or 16.6%, to \$1.2 million from \$1.5 million for the nine months ended September 30, 2012. The decrease is primarily related to a reduced effort on three funded projects that are complete or near completion, partially offset by the start of a new project.

*Cost of product and service revenue.* Cost of product and service revenue includes the direct material and labor cost as well as an allocation of overhead costs that relate to the manufacturing of products we sell. In addition, cost of product and service revenue also includes the labor and material costs incurred for product maintenance, replacement parts and service under our contractual obligations.

Cost of product and service revenue for the three months ended September 30, 2013 decreased approximately \$3.0 million, or 28.0%, to \$7.8 million from \$10.8 million for the three months ended September 30, 2012. During the three months ended September 30, 2013 we shipped 155 fuel cell systems to end customers as compared to 186 fuel cell systems shipped during the three months ended September 30, 2012. The decrease in the cost of product and service revenue is primarily related to \$3.3 million in additional expenses for unanticipated warranty claims arising from GenDrive component quality issues that were recorded during the third quarter of 2012.

Cost of product and service revenue for the nine months ended September 30, 2013 decreased approximately \$3.8 million, or 13.2%, to \$24.8 million from \$28.6 million for the nine months ended September 30, 2012. During the nine months ended September 30, 2013 we shipped 639 fuel cell systems to end customers as compared to 873 fuel cell systems shipped during the nine months ended September 30, 2012. The decrease in the cost of product and service revenue is primarily related to \$3.3 million in additional expenses for unanticipated warranty claims arising from GenDrive component quality issues that were recorded during the third quarter of 2012. This was partially offset by increases in personnel costs in order to service an increased install base of our products.

*Cost of research and development contract revenue.* Cost of research and development contract revenue includes costs associated with research and development contracts including: cash and non-cash compensation and benefits for engineering and related support staff, fees paid to outside suppliers for subcontracted components and services, fees paid to consultants for services provided, materials and supplies used and other directly allocable general overhead costs allocated to specific research and development contracts.

Cost of research and development contract revenue for the three months ended September 30, 2013 decreased approximately \$61,000, or 7.7%, to \$730,000 from \$791,000 for the three months ended September 30, 2012. The decrease is primarily related to a reduced effort on three funded projects that are complete or near completion, partially offset by the start of a new project.

Cost of research and development contract revenue for the nine months ended September 30, 2013 decreased approximately \$0.5 million or 21.2%, to \$1.9 million from \$2.4 million for the nine months ended September 30, 2012. The decrease is primarily related to a reduced effort on three funded projects that are complete or near completion, partially offset by the start of a new project.

*Research and development expense.* Research and development expense includes: materials to build development and prototype units, cash and non-cash compensation and benefits for the engineering and related staff, expenses for contract engineers, fees paid to outside suppliers for subcontracted components and services, fees paid to consultants for services provided, materials and supplies consumed, facility related costs such as computer and network services and other general overhead costs associated with our research and development activities.

Research and development expense for the three months ended September 30, 2013 decreased approximately \$0.5 million, or 40.2%, to \$0.8 million from \$1.3 million for the three months ended September 30, 2012. This decrease was a result of lower personnel costs, coupled with a decrease in consulting fees.

Research and development expense for the nine months ended September 30, 2013 decreased approximately \$1.8 million, or 42.7%, to \$2.3 million from \$4.1 million for the nine months ended September 30, 2012. This decrease was a result of lower personnel costs, coupled with a decrease in consulting fees.

*Selling, general and administrative expenses.* Selling, general and administrative expenses includes cash and non-cash compensation, benefits and related costs in support of our general corporate functions, including general management, finance and accounting, human resources, selling and marketing, information technology and legal services.

Selling, general and administrative expenses for the three months ended September 30, 2013 decreased approximately \$0.3 million, or 9.8%, to \$2.8 million from \$3.1 million for the three months ended September 30, 2012. The decrease was primarily the result of lower legal fees, coupled with a decrease in travel related expenses.

Selling, general and administrative expenses for the nine months ended September 30, 2013 decreased approximately \$1.7 million, or 16.2%, to \$8.9 million from \$10.6 million for the nine months ended September 30, 2012. The decrease was primarily the result of lower personnel costs, offset by an increase in legal and professional fees.

*Amortization of intangible assets.* Amortization of intangible assets represents the amortization associated with the Company's acquired identifiable intangible assets from Plug Power Canada Inc., including acquired technology and customer relationships, which are being amortized over eight years.

Amortization of intangible assets decreased to approximately \$563,000 for the three months ended September 30, 2013, compared to approximately \$578,000 for the three months ended September 30, 2012. The decrease is related to foreign currency fluctuations.

Amortization of intangible assets remained stable at approximately \$1.7 million for the nine months ended September 30, 2013, and September 30, 2012.

*Interest and other income.* Interest and other income consists primarily of interest earned on our cash, interest earned on our note receivable, interest earned on our sale-leaseback transaction, rental income, and other income.

Interest and other income for the three months ended September 30, 2013 decreased approximately \$54,000, or 67.5%, to \$26,000 from \$80,000 for the three months ended September 30, 2012. The decrease is primarily related to a decline in rental income.

Interest and other income for the nine months September 30, 2013 decreased approximately \$88,000, or 51.5%, to \$83,000 from \$171,000 for the nine months ended September 30, 2012. The decrease is primarily related to a decline in rental income.

*Change in fair value of common stock warrant liability.* We account for common stock warrants in accordance with applicable accounting guidance provided in ASC 815, Derivatives and Hedging—Contracts in Entity's Own Equity, as either derivative liabilities or as equity instruments depending on the specific terms of the warrant agreement. Derivative warrant liabilities are valued using the Black-Scholes pricing model at the date of initial issuance and each subsequent balance sheet date. Changes in the fair value of the warrants are reflected in the condensed consolidated statement of operations as change in the fair value of common stock warrant liability.

The change in fair value of common stock warrant liability for the three months ended September 30, 2013 resulted in an increase in the associated warrant liability of \$8.2 million as compared to a decrease of \$1.4 million for the three months ended September 30, 2012, a change of \$9.6 million or 671.9%. The change in fair value of common stock warrant liability for the nine months ended September 30, 2013 resulted in an increase in the associated warrant liability of \$16.2 million as compared to a decrease of \$3.7 million for the nine months ended September 30, 2012, a change of \$19.9 million or 533.9%. These variances are primarily due to changes in the Company's common stock share price, and changes in volatility of our common stock, which are significant inputs to the Black-Scholes valuation model.

*Interest and other expense.* Interest and other expense consists of interest and other expenses related to the Loan and Security Agreement, interest related to obligations under capital lease, interest related to our finance obligation, and foreign currency exchange gain (loss).

Interest and other expense for the three months ended September 30, 2013 and 2012 was approximately \$125,000 and \$59,000, respectively. This increase is primarily related to interest expense on obligations under capital lease, which began in the fourth quarter of 2012, and interest expense related to our finance obligation, which began in the first quarter of 2013, offset by a decline in interest on our loan and security agreement.

Interest and other expense for the nine months ended September 30, 2013 and 2012 was approximately \$354,000 and \$158,000, respectively. This increase is primarily related to interest expense on obligations under capital lease, which began in the fourth quarter of 2012, and interest expense related to our finance obligation, which began in the first quarter of 2013, offset by a decline in interest on our loan and security agreement.

*Income taxes.* The deferred tax asset generated from our net operating loss has been offset by a full valuation allowance because it is more likely than not that the tax benefits of the net operating loss carry forward will not be realized. The Company also recognizes accrued interest and penalties related to unrecognized tax benefits as a component of income tax expense.

Income tax benefit for the three and nine months ended September 30, 2013 was approximately \$410,000 due to a reduction in accrued interest and penalties as a result of the expiration of the associated statute of limitations.

### **Liquidity and Capital Resources**

Our cash requirements relate primarily to working capital needed to operate and grow our business, including funding operating expenses, growth in inventory to support both shipments of new units and servicing the installed base, and continued development and expansion of our products. Our ability to meet our future liquidity needs, capital requirements, and to achieve profitability will depend upon numerous factors, including the timing and quantity of product orders and shipments; the timing and amount of our operating expenses; the timing and costs of working capital needs; the timing and costs of building a sales base; the timing and costs of developing marketing and distribution channels; the timing and costs of product service requirements; the timing and costs of hiring and training product staff; the extent to which our products gain market acceptance; the timing and costs of product development and introductions; the extent of our ongoing and any new research and development programs; and changes in our strategy or our planned activities. If we are unable to fund our operations without additional external financing and therefore cannot sustain future operations, we may be required to delay, reduce and/or cease our operations and/or seek bankruptcy protection.

We have experienced and continue to experience negative cash flows from operations and we expect to continue to incur net losses in the foreseeable future. We incurred a net loss of \$33.8 million for the nine months ended September 30, 2013, and net losses of \$31.9 million, \$27.5 million and \$47.0 million for the years ended December 31, 2012, 2011 and 2010, respectively. We have an accumulated deficit of \$820.5 million at September 30, 2013. Substantially all of our accumulated deficit has resulted from costs incurred in connection with our operating expenses, research and development expenses and from general and administrative costs associated with our operations. We expect that for fiscal year 2013, our operating cash burn will be approximately \$20 million, as revised.

Net cash used in operating activities for the nine months ended September 30, 2013 was \$17.9 million. Additionally, on September 30, 2013, we had cash and cash equivalents of \$11.0 million and net working capital of \$14.6 million. This compares to \$9.4 million and \$6.9 million, respectively, at December 31, 2012.

We were party to a Loan and Security Agreement with Silicon Valley Bank, or SVB, which expired as of March 29, 2013. The SVB loan facility provided up to \$15 million of availability, subject to borrowing base limitations, to

support working capital needs. Given its expiration, we no longer have access to this facility. As of December 31, 2012, \$3.4 million was outstanding under the loan agreement. This amount was subsequently paid in full in January, 2013. The Company maintains all of its operating bank accounts with SVB and we are seeking to reestablish our credit facility with SVB during the first quarter of 2014.

To date, we have funded our operations primarily through public and private offerings of common and preferred stock, our line of credit and maturities and sales of our available-for-sale securities. The Company's current sources of capital, and other funds, include the raising of \$2.3 million (net of issuance costs) in a public equity offering completed in February, 2013, \$2.8 million from the exercise of warrants in 2013, \$2.6 million from a sale-leaseback transaction of its real estate in Latham, NY completed on March 27, 2013, a \$6.5 million strategic investment from Air Liquide (Air Liquide Investment) completed on May 8, 2013, and \$10.6 million (net of issuance costs) in a public equity offering completed on September 16, 2013. The Air Liquide Investment includes the purchase of preferred stock, an increase in Air Liquide's ownership interest in the HyPulsion joint venture, and an engineering services contract. We believe that our current cash, cash raised from the aforementioned recent financing and investing activities, and cash generated from future sales should provide sufficient liquidity to fund our operations into the second quarter of 2014. This projection is based on our current expectations regarding product sales, cost structure, cash burn rate and operating assumptions.

In addition to the aforementioned funds, and other funds that will provide additional short term liquidity, we are currently exploring various other alternatives including strategic partnerships and government programs that may be available to us, as well as trying to generate additional revenue and increase margins. However, at this time we have no commitments to obtain any additional funds, and there can be no assurance such funds will be available on acceptable terms or at all. If we are unable to obtain additional funding and improve our operations, our financial condition and results of operations may be materially adversely affected and we may not be able to continue operations.

Additionally, even if we raise additional capital through additional equity or debt financing, strategic alternatives or otherwise, there can be no assurances that any such capital infusion will be sufficient to enable us to develop our business to a level where it will be profitable or generate positive cash flow. If we raise additional funds through the issuance of equity or convertible debt securities, the percentage ownership of our stockholders could be significantly diluted, and these newly issued securities may have rights, preferences or privileges senior to those of existing stockholders. If we incur additional debt, a substantial portion of our operating cash flow may be dedicated to the payment of principal and interest on such indebtedness, thus limiting funds available for our business activities. The terms of any debt securities issued could also impose significant restrictions on our operations. Broad market and industry factors may seriously harm the market price of our common stock, regardless of our operating performance, and may adversely impact our ability to raise additional funds. In addition, if our common stock is delisted from the NASDAQ Capital Market, as noted in Part II, Item 1A, "Risk Factors" of our most recently filed Annual Report on Form 10-K with the Securities and Exchange Commission, filed on April 1, 2013, it may limit our ability to raise additional funds. If we raise additional funds through collaborations and/or licensing arrangements, we might be required to relinquish significant rights to our technologies, or grant licenses on terms that are not favorable to us.

The condensed consolidated financial statements for the three and nine month periods ended September 30, 2013 and the year ended December 31, 2012 were prepared on the basis of a going concern which contemplates that the Company will be able to realize assets and discharge liabilities in the normal course of business. Accordingly, they do not give effect to adjustments that would be necessary should the Company be required to liquidate its assets. The ability of the Company to meet its total liabilities of \$35.4 million at September 30, 2013, and to continue as a going concern is dependent upon the availability of future funding, growth in orders and shipments, and the Company's ability to profitably meet its after-sale service commitments with its existing customers. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

Several key indicators of liquidity are summarized in the following table (in thousands USD):

|                                                  | Nine months<br>ended or at<br>September 30, 2013 | Nine months<br>ended or at<br>September 30, 2012 | Year<br>ended or at<br>December 31, 2012 |
|--------------------------------------------------|--------------------------------------------------|--------------------------------------------------|------------------------------------------|
| Cash and cash equivalents at end of period       | \$ 10,960                                        | \$ 9,461                                         | \$ 9,380                                 |
| Borrowings under line of credit at end of period | -                                                | 1,000                                            | 3,381                                    |
| Working capital at end of period                 | 14,584                                           | 15,584                                           | 6,901                                    |
| Net loss attributable to the Company             | 33,793                                           | 23,388                                           | 31,862                                   |
| Net cash used in operating activities            | 17,945                                           | 15,548                                           | 20,165                                   |
| Purchase of property, plant and equipment        | 145                                              | 292                                              | 78                                       |

During the nine months ended September 30, 2013, cash used for operating activities was \$17.9 million, consisting primarily of a net loss attributable to the Company of \$33.8 million, coupled with changes in operating assets and liabilities of \$1.8 million and a gain on sale of equity interest in joint venture of \$3.2 million, offset by net non-cash expenses in the amount of \$20.9 million, including \$3.1 million for amortization and depreciation, \$1.6 million for stock based compensation, and \$16.2 million for the change in fair value of common stock warrant liability. Cash provided by investing activities for the nine months ended September 30, 2013 was \$3.1 million, consisting of proceeds from sale of equity interest in joint venture of \$3.2 million and \$57,000 from the proceeds from disposal of property, plant and equipment, offset by \$145,000 used for the purchase of property, plant, and equipment. Cash provided by financing activities for the nine months ended September 30, 2013 was approximately \$16.4 million consisting primarily of \$2.8 million provided from the exercise of warrants, \$12.9 million in net proceeds from public offerings, \$2.5 million in net proceeds from the sale of preferred stock, and \$2.6 million in proceeds from finance obligation, offset by \$0.5 million used for restricted cash, \$0.5 million for principal payments on long-term debt, and \$3.4 million in repayment of borrowings under line of credit.

### **Critical Accounting Policies and Estimates**

Management's discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these condensed consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of and during the reporting period. On an on-going basis, we evaluate our estimates and judgments, including those related to bad debts, inventories, intangible assets, equity investments, product warranty reserves, unbilled revenue, common stock warrants, income taxes and contingencies. We base our estimates and judgments on historical experience and on various other factors and assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We refer to the policies and estimates set forth in the section "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Estimates" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2012, as well as a discussion of Significant Accounting Policies included in Note 2, Basis of Presentation, of the unaudited condensed consolidated financial statements in Part I, Item 1 of this Form 10-Q.

### **Recent Accounting Pronouncements**

There are no recently issued accounting standards with pending adoptions that the Company's management currently anticipates will have any material impact upon its financial statements.



### **Item 3 Quantitative and Qualitative Disclosures about Market Risk**

From time to time, we may invest our cash in government, government backed and interest-bearing investment-grade securities that we generally hold for the duration of the term of the respective instrument. We do not utilize derivative financial instruments, derivative commodity instruments or other market risk sensitive instruments, positions or transactions in any material fashion. We are not subject to any material risks arising from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices or other market changes that affect market risk sensitive instruments.

Our exposure to changes in foreign currency rates is primarily related to sourcing inventory from foreign locations. This practice can give rise to foreign exchange risk resulting from the varying cost of inventory to the receiving location. The Company mitigates this risk through local sourcing efforts.

### **Item 4 Controls and Procedures**

#### **(a) Evaluation of disclosure controls and procedures**

As required by Rule 13a-15(b) under the Securities and Exchange Act of 1934, our management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation as of the end of the period covered by this report, of the effectiveness of the Company's disclosure controls and procedures as defined in Exchange Act Rule 13a-15(e). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective at a reasonable assurance level as of the end of the period covered by this report.

#### **(b) Changes in internal controls over financial reporting**

As required by Rule 13a-15(d) under the Securities Exchange Act of 1934, our management, including the Chief Executive Officer and Chief Financial Officer, also conducted an evaluation of the Company's internal control over financial reporting to determine whether any changes occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Based on that evaluation, there has been no such change during the period covered by this report.



## **PART II. OTHER INFORMATION**

### **Item 1 Legal Proceedings**

None.

### **Item 1A - Risk Factors**

Part II, Item 1A, "Risk Factors" of our most recently filed Annual Report on Form 10-K with the Securities and Exchange Commission, filed on April 1, 2013, sets forth information relating to important risks and uncertainties that could materially adversely affect our business, financial condition and operating results. Except to the extent that information disclosed elsewhere in this Quarterly Report on Form 10-Q relates to such risk factors (including, without limitation, the matters described in Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations"), there have been no material changes to our risk factors disclosed in our most recently filed Annual Report on Form 10-K. However, those risk factors continue to be relevant to an understanding of our business, financial condition and operating results and, accordingly, you should review and consider such risk factors in making any investment decision with respect to our securities.

### **Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds**

(a) During the three months ended September 30, 2013, we issued 199,288 shares of our common stock in connection with matching contributions under our 401(k) Savings & Retirement Plan. The issuance of these shares is exempt from registration under Section 3(a)(2) of the Securities Act of 1933, as amended.

(b) Not applicable.

(c) None.

### **Item 3 Defaults Upon Senior Securities**

None.

**Item 4 Mine Safety Disclosures**

None.

**Item 5 Other Information**

(a) None.

(b) None.

Page | 35

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**Item 6 Exhibits**

- 3.1 Amended and Restated Certificate of Incorporation of Plug Power. (1)
- 3.2 Third Amended and Restated By-laws of Plug Power Inc. (2)
- 3.3 Certificate of Amendment to Amended and Restated Certificate of Incorporation of Plug Power Inc. (1)
- 3.4 Certificate of Designations of Series Redeemable Convertible Preferred Stock (3)
  
- 31.1 and 31.2 Certifications pursuant to 18 U.S.C. Section 1350, adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (4)
- 32.1 and 32.2 Certifications pursuant to 18 U.S.C. Section 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (4)
  
- 101.INS\* XBRL Instance Document (4)
- 101.SCH\* XBRL Taxonomy Extension Schema Document (4)
- 101.CAL\* XBRL Taxonomy Extension Calculation Linkbase Document (4)
- 101.DEF\* XBRL Taxonomy Extension Definition Linkbase Document (4)
- 101.LAB\* XBRL Taxonomy Extension Labels Linkbase Document (4)
- 101.PRE\* XBRL Taxonomy Extension Presentation Linkbase Document (4)
  
- (1) Incorporated by reference to the Company's Form 10-K for the period ended December 31, 2008.
- (2) Incorporated by reference to the Company's current Report on Form 8-K dated October 28, 2009.
- (3) Incorporated by reference to the Company's current Report on Form 8-K dated May 20, 2013.
- (4) Filed herewith.

\* Submitted electronically herewith. Attached as Exhibit 101 are the following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, formatted in eXtensible Business Reporting Language (XBRL) and tagged as blocks of text: (i) Condensed Consolidated Balance Sheets at September 30, 2013 and December 31, 2012; (ii) Condensed Consolidated Statements of Operations for the Three Months and Nine Months Ended September 30, 2013 and 2012; (iii) Condensed Consolidated Statements of Comprehensive Loss for the Three Months and Nine Months Ended September 30, 2013 and 2012; (iv) Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2013 and 2012; and (v) related notes, tagged as blocks of text. Pursuant to Rule 406T of Regulation S-T this data is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

## Signatures

Pursuant to requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

### **PLUG POWER INC.**

Date: November 14, 2013

By: /s/ Andrew Marsh  
Andrew Marsh  
President, Chief Executive Officer  
and Director (Principal Executive  
Officer)

Date: November 14, 2013

By: /s/ David Waldek  
David Waldek  
Chief Financial Officer (Principal  
Financial Officer)

