August 21, 2017

ME2C Environmental

Midwest Energy Emissions Corp. Reports Second Quarter 2017 Financial Results

Q2 2017 Revenues of $7.9 Million Drive Adjusted EBITDA of $1.3 Million

LEWIS CENTER, OH -- (Marketwired) -- 08/21/17 -- Midwest Energy Emissions Corp. (OTCQB: MEEC) ("ME2C" or the "Company"), a leader in mercury emissions control in North America, has provided its financial results for the second quarter ended June 30, 2017.

Second Quarter 2017 Results

	Q2 2017	***Q2 2016***	***CHANGE (%)***
Revenues	$7.9 million	$9.4 million	(16)%
Operating Income (Loss)	$0.6 million	$0.4 million	50%
GAAP Net Income (Loss)	$0.7 million	($8.2) million	N/A%
Adjusted EBITDA (non-GAAP)[1]	$1.3 million	$1.1 million	18%
Shares Outstanding (F/D)	94.9 million	108.5 million	(13)%

1. We define Adjusted EBITDA (a non-GAAP financial measure) as net income adjusted for interest and financing fees, income taxes, depreciation, amortization, stock based compensation and other non-cash income and expenses. Please see "Use of Non-GAAP Financial Measures" below.

Management Commentary

"We're pleased to see our product sales-the recurring revenue component in our model-increase in the second quarter of 2017, despite lower overall revenue due to a $2.4 million one-time equipment installation in the second quarter of 2016," said Richard MacPherson, President and CEO of ME2C. "Most importantly, we increased profitability and ended the quarter with net income, while continuing to drive our business forward with a number of key initiatives.

"As previously noted, we've also continued to experience a slower than expected closing rate of new, long term contracts as a result of our competitors lowering their overall cost of product, which has created a more competitive landscape and hesitations in disrupting long term legacy contracts already in place. We've also optimized our clients' fleets beyond what was expected to get into compliance in many cases, and therefore, are experiencing decreased sales due to our technology's success. Due to these factors, we now expect revenues for the full year 2017 of at least $26.0 million. That being said, we continue to adapt as a young technology driven company and strongly believe that these temporary challenges are not reflective of our continued bullish outlook to the future.

MacPherson, continued: "We've continued to work with our robust sales pipeline, which includes dozens of EGUs across the U.S. and Canada that continues to grow. To that end, we recently secured a contract renewal with one of our largest customers that is expected to generate at least $25 million over the three year term. Also, in April we secured a contract renewal with another existing client, valued at over $5.0 million over the next two years. These new contracts serve as a strong testament to our success in helping customers overcome challenging mercury control conditions, while creating operational and economic efficiencies at the plant level. As we move throughout the remainder of the year, we look forward to securing additional contracts with our current clients, as well as potential customers in our pipeline throughout the U.S. and internationally."

"In April, we acquired patents from the Energy & Environmental Research Center Foundation that cover our proprietary two part process for mercury control. On that note, we remain focused on leveraging our IP portfolio and converting opportunities into long-term, recurring revenue contracts, while reducing unnecessary costs and maintaining a profitable business. This acquisition of our patents is also noteworthy given we no longer need to pay a royalty, and when combined with several reductions of unnecessary costs, should help improve profitability and drive shareholder value over the long term."

Corporate Update

On August 21, 2017, the Company announced a contract renewal with one of its largest customers to continue providing ME2C's proprietary Sorbent Enhancement Additive (SEA™) Technology. This contract is expected to generate in excess of $25.0 million in revenue over the three year term in product sales and consulting services.

In April 2017, ME2C secured a contract renewal valued at over $5.0 million in the aggregate over the next two years from a current utility customer in the Midwest region of the United States. The customer has been utilizing ME2C's proprietary Sorbent Enhancement Additive (SEA™) Technology since 2015 to achieve and remain in full compliance with Mercury and Air Toxic Standards (MATS).

In April 2017, the Company acquired in entirety all of the patents related to mercury control from the Energy & Environmental Research Center Foundation (EERCF), located in Grand Forks, North Dakota for $2.5 million and 925,000 shares of common stock. The technology was originally developed at the University of North Dakota Energy & Environmental Research Center. The Company has identified in excess of 150 EGU's throughout North America that are currently utilizing a two-part process for mercury control.

Earlier in 2017, the Company introduced a new product focused on preventing scrubber reemission events in coal-fired power utilities with wet scrubbers. This product continued to be tested at several large coal-burning power facilities, and has consistently proven to reduce mercury reemission from wet flue gas desulfurization systems, achieving greater than 95% mercury control, resulting in stack mercury emissions well below MATS compliance limits. ME2C is moving forward aggressively with this product, as there are over 150 opportunities across the nation being targeted.

ME2C currently has dozens of potential customer EGU's under consideration in varying stages of testing, demonstration and contract negotiation. These opportunities exist not only in the U.S. and Canada, but other international locations that the company is actively pursuing.

Second Quarter 2017 Financial Results

Total revenues in the second quarter of 2017 were $7.9 million compared to $9.4 million in the second quarter of 2016. This decrease is primarily due to a $2.4 million one-time equipment installation that occurred in the second quarter of 2016 that did not re-occur in the second quarter of 2017. Product sales increased 4% to $7.1 million in the second quarter of 2017, compared to $6.9 million in the second quarter of 2016.

Operating income in the second quarter of 2017 was $0.6 million, compared to an operating income of $0.4 million in the second quarter of 2016. This increase was primarily due to the increase in product sales over the same quarter last year.

Net income in the second quarter of 2017 was $671,000, or $0.01 per diluted share, compared to a net loss of $8.2 million, or ($0.17) per diluted share, in the second quarter of 2016. The improved net income for the second quarter of 2017 was primarily due to the increase in operating income as a result of the increased product sales, as well as a gain on the change in value of the Company's warrant liability.

Adjusted EBITDA in the second quarter of 2017 was $1.3 million, compared to $1.1 million in the same year-ago quarter. This improvement was primarily due to the increase in operating income as a result of the increased product sales.

On June 30, 2017, the Company had cash and cash equivalents of $1.7 million, compared to $4.4 million on March 31, 2017.

Full Year 2017 Revenue Guidance
For the full year ending December 31, 2017, the Company has adjusted guidance and now expects revenues of at least $26.0 million, compared to revenue of $32.3 million for the full year ended December 31, 2016. This guidance is based on a slower than expected closing of new business, current power demand forecasts and plant projections from secured contracts.

Conference Call and Webcast
Management will host a conference call today, August 21, 2017 at 4:00 p.m. Eastern time to discuss ME2C's second quarter 2017 results, provide a corporate update, and conclude with a Q&A from participants. To participate, please use the following information:

Date: Monday, August 21, 2017
Time: 4:00 p.m. Eastern time
U.S. Dial-in: 1-888-352-6793
International Dial-in: 1-719-325-4870
Conference ID: 3532999
Webcast: http://public.viavid.com/index.php?id=125759

Please dial in at least 10 minutes before the start of the call to ensure timely participation. A playback of the call will be available through September 21, 2017. To listen, call 1-844-512-2921 within the United States or 1-412-317-6671 when calling internationally. Please use the replay pin number 3532999.

About Midwest Energy Emissions Corp. (ME2C)
Midwest Energy Emissions Corp. (OTCQB: MEEC) delivers patented and proprietary solutions to the global coal-power industry to remove mercury from power plant emissions,

providing performance guarantees, and leading-edge emissions services. The U.S. Environmental Protection Agency (EPA) MATS rule requires that all coal- and oil-fired power plants in the U.S., larger than 25 mega-watts remove roughly 90% of mercury from their emissions starting April 15, 2015. ME2C has developed patented technology and proprietary products that have been shown to achieve mercury removal levels compliant with MATS at a significantly lower cost and with less operational impact than currently used methods, while preserving the marketability of fly-ash for beneficial use. For more information, please visit www.midwestemissions.com.

Safe Harbor Statement

Use of Non-GAAP Financial Measures

To supplement our consolidated financial statements presented in accordance with GAAP and to provide investors with additional information regarding our financial results, we consider and are including herein Adjusted EBITDA, a Non-GAAP financial measure. We view Adjusted EBITDA as an operating performance measure and, as such, we believe that the GAAP financial measure most directly comparable to it is net income (loss). We define Adjusted EBITDA as net income adjusted for interest and financing fees, income taxes, depreciation, amortization, stock based compensation, and other non-cash income and expenses. We believe that Adjusted EBITDA provides us an important measure of operating performance because it allows management, investors, debtholders and others to evaluate and compare ongoing operating results from period to period by removing the impact of our asset base, any asset disposals or impairments, stock based compensation and other non-cash income and expense items associated with our reliance on issuing equity-linked debt securities to fund our working capital.

Our use of Adjusted EBITDA has limitations as an analytical tool, and this measure should not be considered in isolation or as a substitute for an analysis of our results as reported under GAAP, as the excluded items may have significant effects on our operating results and financial condition. Additionally, our measure of Adjusted EBITDA may differ from other companies' measure of Adjusted EBITDA. When evaluating our performance, Adjusted EBITDA should be considered with other financial performance measures, including various cash flow metrics, net income and other GAAP results. In the future, we may disclose different non-GAAP financial measures in order to help our investors and others more meaningfully evaluate and compare our future results of operations to our previously reported results of operations.

We prepare and publicly release quarterly unaudited financial statements prepared in accordance with GAAP. The following table shows our reconciliation of Net Income to Adjusted EBITDA for the quarters and six months ended June 30, 2017 and 2016, respectively:

	Quarter Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(In thousands)		(In thousands)	
Net income (loss)	$ 671	$ (8,243)	$ (774)	$ (7,335)
Non-GAAP adjustments:				
Depreciation and amortization	322	229	624	393
Interest and letter of credit fees	606	1,094	1,206	3,309
Income taxes	6	3	6	4
Stock based compensation	282	404	1,237	583
Change in warrant liability	(655)	7,566	(863)	4,257
Settlement charges	61	-	-	-
Debt conversion costs	-	-	-	-
Adjusted EBITDA	$ 1,293	$ 1,053	$ 1,436	$ 1,211

We are including below our unaudited reconciliation of Net Income to Adjusted EBITDA on a quarterly basis for the quarters ended June 30, 2017, March 31, 2017, December 31, 2016 and September 30, 2016:

	Quarter Ended (Unaudited)			
	6/30/2017	3/31/2017	12/31/2016	9/30/2016
	(In thousands)			
Net income (loss)	$ 671	$ (1,445)	$ (246)	$ (9,302)
Non-GAAP adjustments:				
Depreciation and amortization	322	302	271	249

Interest and letter of credit fees	606	600	896	1,034
Income taxes	6	-	(497)	20
Stock based compensation	282	955	191	385
Change in warrant liability	(655)	(208)	439	9,985
Gain on debt restructing	-	-	(407)	
Settlement charges	61	-	-	-
Adjusted EBITDA	$ 1,293	$ 204	$ 647	$ 2,371

MIDWEST ENERGY EMISSIONS CORP AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
JUNE 30, 2017 AND DECEMBER 31, 2016
(UNAUDITED)

	June 30, 2017 (Unaudited)	December 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,690,701	$ 7,751,557
Accounts receivable	4,208,414	3,553,096
Inventory	909,057	609,072
Prepaid expenses and other assets	196,158	199,495
Total current assets	7,004,330	12,113,220
Property and equipment, net	2,890,270	2,569,354
Deferred tax asset	500,000	500,000
Patents, net	3,034,472	-
Patent rights, net	-	52,945
Customer acquisition costs, net	421,389	642,203
Total assets	$ 13,850,461	$ 15,877,722
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Accounts payable and accrued expenses	$ 2,174,868	$ 4,363,553
Current portion of notes payable	2,250,000	1,500,000
Current portion of equipment notes payable	59,132	39,499
Customer credits	551,750	590,206
Total current liabilities	5,035,750	6,493,258
Notes payable, net of discount and issuance costs	10,739,222	11,678,669
Convertible notes payable, net of discount and issuance costs	1,253,300	1,142,154
Warrant liability	219,000	1,313,000

Accrued interest	77,500	78,750
Equipment notes payable	198,268	143,135
Total liabilities	17,523,040	20,848,966
Stockholders' deficit		
Preferred stock, $.001 par value: 2,000,000 shares authorized	-	-
Common stock; $.001 par value; 150,000,000 shares authorized; 75,246,113 shares issued and outstanding as of June 30, 2017; 73,509,663 shares issued and outstanding as of December 31, 2016	75,246	73,510
Additional paid-in capital	51,909,207	49,838,469
Accumulated deficit	(55,657,032)	(54,883,223)
Total stockholders' deficit	(3,672,579)	(4,971,244)
Total liabilities and stockholders' deficit	$ 13,850,461	$ 15,877,722

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

MIDWEST ENERGY EMISSIONS CORP AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016
(UNAUDITED)

	For the Three Months Ended June 30, 2017	***For the Three Months Ended June 30, 2016***	***For the six Months Ended June 30, 2017***	***For the Six Months Ended June 30, 2016***
Revenues				
Product sales	7,112,722	6,872,168	12,396,956	9,709,797
Equipment sales	776,946	2,391,485	784,106	2,555,885
Demonstrations and consulting services	41,500	128,556	177,500	499,838
Total revenues:	7,931,168	9,392,209	13,358,562	12,765,520
Costs and expenses:				
Cost of sales	4,995,776	7,304,197	8,781,697	9,791,816
Selling, general and administrative expenses	2,313,357	1,671,210	5,007,641	2,842,196

Total costs and expenses	7,309,133	8,975,407	13,789,338	12,634,012
Operating income (loss)	622,035	416,802	(430,776)	131,508
Other (expense) income				
Interest expense	(544,918)	(1,032,949)	(1,085,393)	(3,106,093)
Letter of credit fees	(60,667)	(60,666)	(120,667)	(103,333)
Change in value of warrant liability	655,023	(7,566,000)	863,023	(4,256,600)
Total other (expense) income	49,438	(8,659,615)	(343,037)	(7,466,026)
Net income (loss)	$ 671,473	$ (8,242,813)	$ (773,813)	$ (7,334,518)
Net income (loss) per common share - basic and diluted:	$ 0.01	$ (0.17)	$ (0.01)	$ (0.15)
Weighted average common shares outstanding	74,493,909	47,358,618	74,051,228	47,358,618

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

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Source: Midwest Energy Emissions Corp.