

# Midwest Energy Emissions Corp. Reports Fourth Quarter and Full Year 2017 Financial Results

## Licensing Agreement with Cabot Corporation Expected to Drive European Market Penetration

LEWIS CENTER, OH -- (Marketwired) -- 04/17/18 -- Midwest Energy Emissions Corp. (OTCQB: MEEC) ("ME2C" or the "Company"), a leader in mercury emissions control for the North American power industry, has provided its financial results for the fourth quarter and full year ended December 31, 2017.

### Full Year 2017 Results

	<i>FY 2017</i>	<i>FY 2016<sup>2</sup></i>
Revenues	\$27.5 million	\$32.3 million
Operating Income (Loss)	\$0.01 million	\$2.1 million
Net Income (Loss)	(\$2.9) million	(\$15.6) million
Adjusted EBITDA (non-GAAP) <sup>1</sup>	\$2.9 million	\$4.1 million
Shares Outstanding (F/D)	95.0 million	94.0 million

### Fourth Quarter 2017 Results

	<i>Q4 2017</i>	<i>Q4 2016<sup>2</sup></i>
Revenues	\$5.7 million	\$7.8 million
Operating Income (Loss)	(\$0.6) million	\$0.2 million
Net Income (Loss) <sup>2</sup>	(\$2.1) million	(\$14.3) million
Adjusted EBITDA (non-GAAP) <sup>1</sup>	(\$0.2) million	\$0.8 million
Shares Outstanding (F/D)	95.0 million	94.0 million

- 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.
- 2) Restated for a change in our method of accounting for certain warrants that were initially recorded as liabilities during the year ended December 31, 2014.

### Management Commentary

"2017 was a year of strategic positioning, as we prepared to penetrate several key international markets. In the year, we expanded into Canada and subsequently signed an exclusive licensing agreement for our technology in the European market with Cabot Corporation," said Richard MacPherson, President and CEO of ME2C.

MacPherson, continued: "This is not only symbolic, but is expected to be a materially

positive tailwind to our business from a financial perspective. By applying a capital-lite licensing model to key international markets, we can leverage our patented SEA and scrubber additive technology alongside Cabot's global reach and immense sales network to expedite adoption. We are excited to partner with a corporate leader such as Cabot and offer the 'right' technology to reduce cost and increase profits for EGUs, which ultimately, will contribute meaningfully to our future growth starting in 2019 and ramping up over the long-term.

"In addition to the opportunity with Cabot Corporation in Europe, we are in varying stages of negotiation for similar agreements in several other key global markets, such as Asia. We look forward to providing further updates on these initiatives as appropriate. As we move through 2018, I am extremely confident in our ability to execute upon our business plan and create shareholder value."

### ***Corporate Highlights***

In January 2017, ME2C added a scrubber reemission additive to its product offering to allow it to target wet flue gas desulfurization systems. This new product has been successfully demonstrated 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. The Company is moving forward aggressively with this product, as there are over 150 opportunities across the nation being targeted. ME2C has now completed a full-scale demonstration with a large fleet opportunity. The Company is now awaiting a final decision from this demonstration, and will provide an update as appropriate.

In May 2017, ME2C acquired all of the patents rights related to mercury control technology which the Company has been licensing from the Energy & Environmental Research Center Foundation (EERCF).

In February 2018, the Company received Vistra Energy's Nexus Small Business Award, which is presented to Small Business Enterprises which provide excellent service, have demonstrated a strong and positive commitment to their community, and support the utilization of a diverse workforce and supply chain including other small businesses. The Nexus Award honors companies and individuals for their commitment to utilizing a diverse supply chain and workforce, providing exceptional service to Vistra Energy and enhancing the economic development of their communities through volunteer and philanthropic activities. A national leader in supply chain diversity, Vistra Energy has spent more than \$5.4 billion on goods and services provided by diverse businesses.

In April 2018, ME2C announced a multi-year European licensing agreement with Cabot Corporation, a global specialty chemicals and performance materials company. Under the licensing agreement, Cabot Corporation has exclusive access to ME2C's extensive patented technologies for the developing markets across Europe. In addition to ME2C's proven two-part mercury capture technology, Cabot Corporation will also utilize ME2C's proprietary scrubber additive technology, which provides a new addition to the extensive Cabot Corporation activated carbon product portfolio. Cabot will leverage ME2C's patented mercury capture technology in its offerings to the European coal-fired industry as the European Union (EU) prepares for mercury capture legislation that is expected to be in effect by 2021, with initial demonstrations at several plants scheduled for summer 2018. Europe's coal industry includes a total of 1,384 coal-fired electric generating units (EGUs), over two

times the operating units throughout the U.S. today.

#### ***Fourth Quarter and Full Year 2017 Financial Results***

Total revenue in the fourth quarter of 2017 was \$5.7 million, compared to \$7.8 million in the same year-ago quarter. The decrease is attributable to a seasonal decline in winter sorbent sales as a result of customers in the Southwest United States decreasing capacity

Total revenue for the year ended December 31, 2017 was \$27.5 million, compared to revenue of \$32.3 million in 2016. The decrease from the prior year is primarily due to optimization efforts undertaken by ME2C, as well as lower capacity factors seen at some customer sites, resulting in decreased product needed to keep customers in MATS compliance.

Costs and expenses were \$6.3 million and \$7.6 million during the three months ended December 31, 2017 and 2016, respectively. Costs and expenses were \$27.5 million and \$30.3 million during the full year 2017 and 2016, respectively. These decreases are primarily associated with the decrease in revenues for the year ended December 31, 2017.

Operating loss in the fourth quarter of 2017 was \$0.6 million, compared to operating income of \$0.2 million in the fourth quarter of 2016. Operating income for the year ended December 31, 2017, was \$11,000, compared to operating income of \$2.1 million in 2016.

Net loss in the fourth quarter of 2017 was \$2.1 million, or \$(0.02) per diluted share, compared to a restated net loss of \$14.3 million, or \$(0.24) per diluted share, in the fourth quarter of 2016. Net loss for the full year 2017 was \$2.9 million, or \$(0.03) per diluted share, compared to a restated net loss of \$15.6 million, or \$(0.32) per diluted share, in 2016. The decrease in net loss in the fourth quarter and full year 2017 was primarily due to the absence of a loss on debt restructuring, which totaled \$14.1 million in 2016.

Adjusted EBITDA in the fourth quarter of 2017 totaled \$(0.2) million compared to adjusted EBITDA of \$0.8 million in the same year-ago quarter. Adjusted EBITDA totaled \$2.9 million for FY 2017, compared to \$4.1 million in 2016.

On December 31, 2017, the Company had cash and cash equivalents of \$2.4 million compared to \$7.8 million on December 31, 2016.

#### ***Conference Call and Webcast***

Management will host a conference call today, April 17, 2018 at 5:00 p.m. Eastern time to discuss ME2C's fourth quarter and year end 2017 results, provide a corporate update, and conclude with a Q&A from participants. To participate, please use the following information:

Date: Tuesday, April 17, 2018

Time: 5:00 p.m. Eastern time

U.S. Dial-in: 1-866-548-4713

International Dial-in: 1-323-794-2093

Conference ID: 4464671

Webcast: <http://public.viavid.com/index.php?id=129090>

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 May 17th, 2018. 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 4464671.

### ***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](http://www.midwestemissions.com).

### ***Use of Non-GAAP Financial Measures***

To provide investors with additional information regarding our financial results, this press release includes references to 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. 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.

### ***Safe Harbor Statement***

With the exception of historical information contained in this press release, content herein may contain "forward-looking statements" that are made pursuant to the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are generally identified by using words such as "anticipate," "believe," "plan," "expect," "intend," "will," and similar expressions, but these words are not the exclusive means of identifying forward-looking statements. These statements are based on management's current expectations and are subject to uncertainty and changes in circumstances. Investors are cautioned that forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from the statements made. Matters that may cause actual results to differ materially from those in the forward-looking statements include, among other factors, the gain or loss of a major customer, change in environmental regulations, disruption in supply of materials, capacity factor fluctuations of power plant operations and power demands, a significant change in general economic conditions in any of the regions where our customer utilities might experience significant

changes in electric demand, a significant disruption in the supply of coal to our customer units, the loss of key management personnel, availability of capital and any major litigation regarding the Company. In addition, this release contains time-sensitive information that reflects management's best analysis only as of the date of this release. The Company does not undertake any obligation to publicly update or revise any forward-looking statements to reflect future events, information or circumstances that arise after the date of this release. Further information concerning issues that could materially affect financial performance related to forward-looking statements contained in this release can be found in the Company's periodic filings with the Securities and Exchange Commission.

We prepare and publicly release yearly audited financial statements prepared in accordance with GAAP. The following table shows our reconciliation of Net Income to Adjusted EBITDA for the full year ended December 31, 2017 and 2016, respectively:

	Year Ended	
	12/31/2017	12/31/2016
	(In thousands)	
Net loss	\$ (2,903)	\$ (15,618)
Non-GAAP adjustments:		
Depreciation and amortization	1,354	913
Interest and letter of credit fees	2,374	4,043
Income taxes	540	(473)
Stock based compensation	1,532	1,159
Loss on debt restructuring	-	14,105
Adjusted EBITDA	<u>\$ 2,897</u>	<u>\$ 4,129</u>

**MIDWEST ENERGY EMISSIONS CORP. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2017 AND 2016**

	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u> <i>(Restated)</i>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 2,418,427	\$ 7,751,557
Accounts receivable	2,931,353	3,553,096
Inventory	659,579	609,072
Prepaid expenses and other assets	210,535	199,495
<b>Total current assets</b>	<u>6,219,894</u>	<u>12,113,220</u>

Property and equipment, net	2,728,993	2,569,354
Deferred tax asset	-	500,000
Intellectual property, net	2,934,862	52,945
Customer acquisition costs, net	172,333	642,203
<b>Total assets</b>	<u>\$ 12,056,082</u>	<u>\$ 15,877,722</u>

### **LIABILITIES AND STOCKHOLDERS' DEFICIT**

#### **Current liabilities**

Accounts payable and accrued expenses	\$ 1,795,703	\$ 4,363,553
Current portion of notes payable	2,500,000	1,500,000
Current portion of convertible notes payable, net	1,461,417	-
Current portion of equipment notes payable	61,177	39,499
Customer credits	167,000	590,206
Accrued interest	77,500	78,750
Deferred revenue	517,060	-
<b>Total current liabilities</b>	<u>6,579,857</u>	<u>6,572,008</u>

Notes payable, net of discount and issuance costs	9,733,361	11,678,669
Convertible notes payable, net of discount and issuance costs	-	1,142,154
Equipment notes payable	167,650	143,135
<b>Total liabilities</b>	<u>16,480,868</u>	<u>19,535,966</u>

#### **Stockholders' deficit**

Preferred stock, \$.001 par value: 2,000,000 shares authorized	-	-
Common stock; \$.001 par value; 150,000,000 shares authorized; 76,246,113 shares issued and outstanding as of December 31, 2017		
73,509,663 shares issued and outstanding as of December 31, 2016	76,246	73,510
Additional paid-in capital	42,165,620	40,031,625
Accumulated deficit	(46,666,652)	(43,763,379)
<b>Total stockholders' deficit</b>	<u>(4,424,786)</u>	<u>(3,658,244)</u>

<b>Total liabilities and stockholders' deficit</b>	<u>\$ 12,056,082</u>	<u>\$ 15,877,722</u>
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*The accompanying notes are an integral part of these consolidated financial statements.*

**MIDWEST ENERGY EMISSIONS CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u> <i>(Restated)</i>
<b>Revenues</b>		
Product sales	\$ 26,050,032	\$ 28,920,051
Equipment sales	794,206	2,699,051
Demonstrations and consulting services	654,842	726,438
<b>Total revenues</b>	<u>27,499,080</u>	<u>32,345,540</u>
<b>Costs and expenses:</b>		
Cost of sales	19,016,932	23,030,404
Selling, general and administrative expenses	8,471,096	7,257,445
<b>Total costs and expenses</b>	<u>27,488,028</u>	<u>30,287,849</u>
<b>Operating profit</b>	11,052	2,057,691
<b>Other income (expense)</b>		
Interest expense	(2,154,570)	(3,816,855)
Letter of credit fees	(219,333)	(226,000)
Loss on debt restructuring	-	(14,105,076)
<b>Total other expense</b>	<u>(2,373,903)</u>	<u>(18,147,931)</u>
<b>Net loss before taxes</b>	(2,362,851)	(16,090,240)
<b>Income tax (expense) benefit</b>	<u>(540,422)</u>	<u>472,669</u>
<b>Net loss</b>	<u>\$ (2,903,273)</u>	<u>\$ (15,617,571)</u>
<b>Continuing operations</b>	\$ (0.03)	\$ (0.32)
<b>Net loss per common share - basic and diluted:</b>	<u>\$ (0.03)</u>	<u>\$ (0.32)</u>
<b>Weighted average common shares outstanding</b>	<u>75,061,800</u>	<u>50,646,328</u>

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

Company Contact:  
Richard MacPherson  
Chief Executive Officer  
Midwest Energy Emissions Corp.  
Main: 614-505-6115  
[rmacpherson@midwestemissions.com](mailto:rmacpherson@midwestemissions.com)

Investor Relations Contact:  
Greg Falesnik

Managing Director  
MZ Group - MZ North America  
Main: 949-385-6449  
[greg.falesnik@mzgroup.us](mailto:greg.falesnik@mzgroup.us)  
[www.mzgroup.us](http://www.mzgroup.us)

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