

# Midwest Energy Emissions Corp. Reports Third Quarter 2017 Financial Results

## Q3 2017 Revenues of \$8.4 Million Drive Net Income of \$0.9 Million

LEWIS CENTER, OH -- (Marketwired) -- 11/20/17 -- 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 third quarter ended September 30, 2017.

### Third Quarter 2017 Results

	Q3 2017	Q3 2016	CHANGE (%)
Revenues	\$8.4 million	\$11.8 million	(29%)
Operating Income (Loss)	\$1.0 million	\$1.7 million	(41%)
GAAP Net Income (Loss)	\$0.9 million	(\$9.3) million	N/A
Adjusted EBITDA (non-GAAP) <sup>1</sup>	\$1.6 million	\$2.3 million	(30%)
Shares Outstanding (F/D)	76.2 million	47.9 million	59%

1) We define Adjusted EBITDA (a non-GAAP financial measure) as net income adjusted for 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've continued to make progress, evidenced by the recently announced signing of our first international customer in Canada," said Richard MacPherson, President and CEO of ME2C. "We view international opportunities as the 'next frontier' in mercury control. Entering the Canadian market represents a significant milestone for the company and showcases the value of our total solution approach to mercury capture, both in the U.S. and abroad. As part of our international efforts, we also presented at an environmental conference in Poland, which has translated to several potential opportunities with large, multinational corporations throughout Europe and Asia."

MacPherson, continued: "In addition to our business development efforts, we've also made some operational enhancements with upgrades to our distribution facility in Texas. These upgrades have expanded our product mix for customers, helping them to operate more efficiently, and ultimately, more profitably."

"For the remainder of the year, we remain focused on executing upon our key initiatives, which consist of leveraging our total solution approach to mercury capture to earn new customers throughout North America, further penetrating existing customer fleets, and growing our geographic footprint in the U.S., Canada, and other key international markets."

### Corporate Update

As a result of the Company's international sales efforts, in October the Company secured its first contract in Canada. This initial purchase order, valued at approximately \$700,000, will

include the installation of the Company's proprietary Sorbent Enhancement Additive (SEA™) Technology servicing the front end of four new electric generating units (EGUs). The Company expects further geographic expansion to help smooth out seasonal fluctuations that are typically experienced as a result of varying power demands.

In August, the Company announced a contract renewal with one of its largest customers to continue providing ME2C's SEA™ Technology. Due to unexpected changes relating to this customer undergoing a major reorganization -- which includes shuttering of a number of units, as well as a potential acquisition underway that would provide them with a number of new EGU's -- the contract is now expected to generate less than the previously announced \$25.0 million in revenue from product sales and consulting services over a three-year term. The Company expects to have a better understanding of this contract by the end of the second quarter of 2018.

ME2C currently holds over 40 patents related to mercury control throughout North America, China and Europe, which were acquired for \$2.5 million and 925,000 shares of common stock earlier in 2017 from the Energy & Environmental Research Center Foundation (EERCF).

The Company's product focused on preventing scrubber reemission events in coal-fired power utilities with wet scrubbers continues to be tested at several large coal-burning power facilities. During these tests, the technology 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.

### ***Third Quarter 2017 Financial Results***

Total revenues in the third quarter of 2017 were \$8.4 million compared to \$11.8 million in the third quarter of 2016. This decrease is primarily due to optimization efforts undertaken over the past year with our customers as well as lower capacity factors seen at some customer sites resulting in decreased product needed to keep our customers in MATS compliance.

Operating income in the third quarter of 2017 was \$1.0 million, compared to an operating income of \$1.7 million in the third quarter of 2016. This decrease was primarily due to the lower product sales over the same quarter last year.

Net income in the third quarter of 2017 was \$0.9 million, or \$0.01 per diluted share, compared to a net loss of \$9.3 million, or (\$0.19) per diluted share, in the third quarter of 2016. The improved net income for the third quarter of 2017 was primarily due to the gain recorded in 2017 compared to the loss recorded in 2016 on the change in value of warrant liability, together with the decrease in interest expense, partially offset by a decrease in operating income for the nine months ended September 30, 2017, compared to the nine months ended September 30, 2016.

Adjusted EBITDA in the third quarter of 2017 was \$1.6 million, compared to \$2.3 million in the same year-ago quarter.

On September 30, 2017, the Company had cash and cash equivalents of \$2.4 million, compared to \$1.7 million on June 30, 2017.

### ***Full Year 2017 Revenue Guidance***

For the full year ending December 31, 2017, the Company is reiterating its revenue guidance 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 current power demand forecasts and plant projections from secured contracts.

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

Management will host a conference call today, November 20, 2017 at 5:00 p.m. Eastern standard time to discuss ME2C's third quarter 2017 results, provide a corporate update, and conclude with a Q&A from participants. To participate, please use the following information:

Date: Monday, November 20, 2017

Time: 5:00 p.m. Eastern standard time

U.S. Dial-in: 1-877-591-4953

International Dial-in: 1-719-325-4760

Conference ID: 9062225

Webcast: <http://public.viavid.com/index.php?id=126943>

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 December 20, 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 9062225.

### ***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).

### ***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.

### ***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 nine months ended September 30, 2017 and 2016, respectively:

	Quarter Ended September 30, 2017      2016		Nine Months Ended September 30, 2017      2016	
	(In thousands)		(In thousands)	
Net income (loss)	\$ 869	\$ (9,302)	\$ 95	\$ (16,637)

Non-GAAP adjustments:

Depreciation and amortization	327	249	951	642
Interest and letter of credit fees	595	973	1,801	4,079
Income taxes	15	20	21	24
Stock based compensation	201	385	1,438	968
Change in warrant liability	(56)	9,985	(919)	14,242
Settlement gains and losses	(379)	-	(318)	-

Adjusted EBITDA	\$ 1,572	\$ 2,310	\$ 3,069	\$ 3,318
-----------------	----------	----------	----------	----------

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

	Quarter Ended (Unaudited)			
	9/30/2017	6/30/2017	3/31/2017	12/31/2016
	(In thousands)			
Net income (loss)	\$ 869	\$ 671	\$ (1,445)	\$ (246)
Non-GAAP adjustments:				
Depreciation and amortization	327	322	302	271
Interest and letter of credit fees	595	606	600	896
Income taxes	15	6	-	(497)
Stock based compensation	201	282	955	191
Change in warrant liability	(56)	(655)	(208)	439
Gain on debt restructuring	-	-	-	(407)
Settlement gains and losses	(379)	61	-	-
Adjusted EBITDA	\$ 1,572	\$ 1,293	\$ 204	\$ 647

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

	September 30, 2017 (Unaudited)	December 31, 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 2,363,728	\$ 7,751,557
Accounts receivable	4,083,478	3,553,096
Inventory	805,576	609,072
Prepaid expenses and other assets	174,822	199,495
<b>Total current assets</b>	<b>7,427,604</b>	<b>12,113,220</b>
Property and equipment, net	2,772,078	2,569,354

Deferred tax asset	500,000	500,000
Intellectual Property/Patents, net	2,985,162	52,945
Customer acquisition costs, net	334,591	642,203
<b>Total assets</b>	<b>\$ 14,019,435</b>	<b>\$ 15,877,722</b>

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

#### **Current liabilities**

Accounts payable and accrued expenses	\$ 2,039,911	\$ 4,363,553
Current portion of notes payable	2,375,000	1,500,000
Current portion of equipment notes payable	60,467	39,499
Customer credits	167,000	590,206
<b>Total current liabilities</b>	<b>4,642,378</b>	<b>6,493,258</b>

Notes payable, net of discount and issuance costs	10,271,604	11,678,669
Convertible notes payable, net of discount and issuance costs	1,323,146	1,142,154
Warrant liability	163,000	1,313,000
Accrued interest	38,750	78,750
Equipment notes payable	183,048	143,135
<b>Total liabilities</b>	<b>16,621,926</b>	<b>20,848,966</b>

#### **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 September 30, 2017		
73,509,663 shares issued and outstanding as of December 31, 2016	76,246	73,510
Additional paid-in capital	52,109,076	49,838,469
Accumulated deficit	(54,787,813)	(54,883,223)
<b>Total stockholders' deficit</b>	<b>(2,602,491)</b>	<b>(4,971,244)</b>

<b>Total liabilities and stockholders' deficit</b>	<b>\$ 14,019,435</b>	<b>\$ 15,877,722</b>
--	----------------------	----------------------

*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 NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016**  
**(UNAUDITED)**

	<i><b>For the Three Months Ended September 30, 2017</b></i>	<i><b>For the Three Months Ended September 30, 2016</b></i>	<i><b>For the Nine Months Ended September 30, 2017</b></i>	<i><b>For the Nine Months Ended September 30, 2016</b></i>
<b>Revenues</b>				
Product sales	8,075,510	11,453,152	20,472,465	21,162,950
Equipment sales	2,975	143,166	787,081	2,699,051
Demonstrations and consulting services	369,482	175,100	546,982	674,938
<b>Total revenues:</b>	8,447,967	11,771,418	21,806,528	24,536,939
<b>Costs and expenses:</b>				
Cost of sales	5,509,204	7,821,028	14,290,902	17,612,843
Selling, general and administrative expenses	1,910,020	2,233,410	6,856,558	5,075,607
<b>Total costs and expenses</b>	7,419,224	10,054,438	21,147,460	22,688,450
<b>Operating income</b>	1,028,743	1,716,980	659,068	1,848,489
<b>Other (expense) income</b>				
Interest expense	(541,855)	(972,930)	(1,627,248)	(4,079,022)
Letter of credit fees	(52,667)	(61,333)	(173,333)	(164,667)
Change in value of warrant liability	56,000	(9,984,541)	919,023	(14,241,141)
Gain on legal settlements	379,000	-	317,900	-
<b>Total other (expense) income</b>	(159,522)	(11,018,804)	(563,658)	(18,484,830)
<b>Net income (loss)</b>	\$ 869,221	\$ (9,301,824)	\$ 95,410	\$ (16,636,341)
<b>Net income (loss) per common share - basic and diluted:</b>	\$ 0.01	\$ (0.19)	\$ 0.00	\$ (0.35)

**Weighted average  
common shares  
outstanding**

75,865,678

47,918,064

74,662,691

47,546,461

---

*The accompanying notes are an integral part of these condensed 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)

Source: Midwest Energy Emissions Corp.