

Midwest Energy Emissions Corp. Reports Record Fourth Quarter and Full Year 2016 Financial Results

2016 Revenues Increase 156% to \$32.3 Million; Drives Adjusted EBITDA of \$4.1 Million; Company Reiterates Full Year 2017 Revenue Guidance of \$60 Million to \$70 Million, Representing an Increase of Between 85% to 116% over Full Year 2016 Revenue

LEWIS CENTER, OH -- (Marketwired) -- 03/27/17 -- 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, 2016.

Full Year 2016 Results			
	FY 2016	FY 2015	CHANGE (%)
Revenues	\$32.3 million	\$12.6 million	156%
Operating Income (Loss)	\$2.1 million	(\$3.7) million	N/A
Adjusted EBITDA (non-GAAP) ¹	\$4.1 million	(\$1.2) million	N/A
GAAP Net Income (Loss)	(\$16.9) million	(\$14.3) million	N/A
Shares Outstanding (F/D)	94.0 million	111.0 million	(15%)

Fourth Quarter 2016 Results			
	Q4 2016	Q4 2015	CHANGE (%)
Revenues	\$7.8 million	\$6.1 million	29%
Operating Income (Loss)	\$0.2 million	(\$1.5) million	N/A
Adjusted EBITDA (non-GAAP) ¹	\$0.8 million	\$0.1 million	665%
GAAP Net Income (Loss)	(\$0.2) million	(\$7.1) million	N/A
Shares Outstanding (F/D)	94.0 million	111.0 million	(15%)

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 expect the momentum we established in 2016 as it relates to customer acquisition, cash

flow and revenue growth, to carry forward into 2017," said Richard MacPherson, President and CEO of ME2C. "2016 was a pivotal year for our Company, marked by several successful strategic initiatives, first of which was an improved balance sheet due to a \$13.5 million equity private placement and debt restructuring. During the year we also continued the build-out of our core infrastructure to support a large increase in customer activity, and announced our intent to acquire our core IP from the University of North Dakota Energy & Environmental Research Center. Finally, we expect new product introductions, such as our recently announced mercury control product for preventing scrubber reemission events, will ultimately help further position our technology as best available mercury control offering on the market."

MacPherson, continued: "As we have noted, we continue to experience some seasonal decline in winter months when our clients -- who are predominately based in the Southwest - decrease capacity. That said, we expect this seasonality to smooth out as we secure customers in various geographic regions, such as Canada and other areas of the U.S., which we are aggressively pursuing. To this point, we currently have the most robust pipeline in the Company's history, with over 20 new units in varying stages of the sales process, and are actively focused on penetrating existing customer fleets, both of which present us with significant growth opportunities."

"We have not experienced any slowdown in interest at the utility level for our proprietary SEA™ Technology," continued MacPherson. "In fact, we believe coal fired EGUs are progressively recognizing our technology as a necessary solution that will immediately improve operational and economic efficiencies. As we move through 2017, we will continue to serve our current customers, further build our sales pipeline as a result of our growing line of products, and penetrate new markets, which we expect ultimately will allow us to deliver another record year for our shareholders."

Corporate Highlights

In November, ME2C reduced the Company's total outstanding shares on a fully diluted basis by 15.6 million via a debt exchange and raised gross proceeds of \$13.5 million in a private placement of equity.

In January 2017, ME2C announced it would acquire all of the patents rights related to mercury control technology which the Company has been licensing from the Energy & Environmental Research Center Foundation (EERCF). Closing of the transaction is expected to occur by April 15, 2017.

Also in January, the Company announced that it added a new product to its proven, cost-effective mercury capture program that will reduce mercury emissions by preventing scrubber reemission events. The product is specifically designed for coal-fired power utilities with wet scrubbers to help remove mercury, as well as other metals, from the scrubber. 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's first, full-scale demonstration is expected to take place in April with a large fleet opportunity.

In March, ME2C secured an order in excess of \$1,000,000 for a new injection system for a large fleet owner of electric generating units (EGUs) which uses ME2C's proprietary Sorbent Enhancement Additive (SEA™) Technology. It is expected that this order will lead to several other opportunities throughout this customer's fleet.

Fourth Quarter and Full Year 2016 Financial Results

Total revenues in the fourth quarter of 2016 increased 29% to \$7.8 million, compared to \$6.1 million in the fourth quarter of 2015. This growth is primarily attributed to the Company ending the fourth quarter of 2016 with 20 fully-operational Mercury and Air Toxics Standard (MATS) compliant electric generating units (EGUs) utilizing ME2C's technologies, compared to four fully-operational EGUs in the fourth quarter of 2015.

Total revenues for the full year 2016 were \$32.3 million, an increase of 156% when compared to revenue of \$12.6 million in 2015.

Operating income in the fourth quarter of 2016 improved significantly to \$0.2 million, compared to an operating loss of \$1.5 million in the fourth quarter of 2015. Operating income for the full year 2016 was \$2.1 million, compared to an operating loss of \$3.7 million in 2015.

Adjusted EBITDA in the fourth quarter of 2016 increased by 665% to \$0.8 million, compared to \$0.1 million in the same year-ago quarter. Adjusted EBITDA for the full year 2016 increased significantly to \$4.1 million, compared to Adjusted EBITDA of (\$1.2) million in 2015. These improvements were primarily due to the increase in revenues, as well as improved gross margin, decreased interest expense and the aforementioned non-cash change in warrant liabilities.

Net loss in the fourth quarter of 2016 was \$0.2 million, or (\$0.00) per diluted share, compared to net loss of \$7.1 million, or (\$0.06) per diluted share, in the fourth quarter of 2015. The net loss for the fourth quarter of 2016 was primarily due to a non-cash \$0.4 million valuation increase of certain warrants, compared to a non-cash valuation increase of \$4.7 million in the fourth quarter of 2015. Net loss for the full year 2016 was \$16.9 million, or (\$0.18) per diluted share, compared to net loss of \$14.3 million, or (\$0.13) per diluted share, in 2015. The net loss in 2016 was primarily due to a non-cash \$14.7 million valuation increase of certain warrants, compared to a non-cash valuation increase of \$3.2 million in 2015.

On December 31, 2016, the Company had cash and cash equivalents of \$7.8 million, compared to \$1.1 million on December 31, 2015.

Full Year 2017 Revenue Guidance

For the full year ending December 31, 2017, the Company reiterates expected revenues of between \$60 to \$70 million, an increase of 85% to 116%, respectively, when compared to revenue of \$32.3 million for the full year ended December 31, 2016. This guidance is based on current power demand forecasts, plant projections and additional EGU's expected to be secured.

Conference Call and Webcast

Management will host a conference call today, March 27, 2017 at 5:00 p.m. Eastern time to discuss ME2C's fourth quarter and year end 2016 results, provide a corporate update, and conclude with a Q&A from participants. To participate, please use the following information:

Date: Monday, March 27, 2017
Time: 5:00 p.m. Eastern time
U.S. Dial-in: 1-888-600-4885
International Dial-in: 1-913-312-0381
Conference ID: 8414605
Webcast: <http://public.viavid.com/index.php?id=123329>

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 27, 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 8414605.

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.

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, 2016 and 2015, respectively:

	Year Ended December 31,	
	2016	2015
	(in thousands)	
Net loss	\$ (16,883)	\$ (14,262)
Non-GAAP adjustments:		
Depreciation and amortization	913	391
Interest	5,139	6,214
Income taxes	(473)	41
Stock based compensation	1,159	789
Change in warrant liability	14,681	3,194
Settlement charges	-	1,335
Gain on restructuring	(407)	-
Debt conversion costs	-	1,123
Adjusted EBITDA	\$ 4,129	\$ (1,175)

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

Quarter Ended (Unaudited)

	<u>12/31/2016</u>	<u>9/30/2016</u>	<u>6/30/2016</u>	<u>3/31/2016</u>
	(in thousands)			
Net income (loss)	\$ (246)	\$ (9,302)	\$ (8,243)	\$ 908
Non-GAAP adjustments:				
Depreciation and amortization	271	249	229	164
Interest	1,060	973	1,033	2,073
Income taxes	(497)	20	3	1
Stock based compensation	191	385	404	179
Change in warrant liability	439	9,985	7,566	(3,309)
Gain on restructuring	(407)	-	-	-
Adjusted EBITDA	<u>\$ 811</u>	<u>\$ 2,310</u>	<u>\$ 992</u>	<u>\$ 16</u>

MIDWEST ENERGY EMISSIONS CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2016 AND 2015

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 7,751,557	\$ 1,083,280
Accounts receivable	3,553,096	1,150,602
Inventory	609,072	2,715,913
Prepaid expenses and other assets	199,495	161,813
Total current assets	<u>12,113,220</u>	<u>5,111,608</u>
Property and equipment, net	2,569,354	1,243,450
Deferred tax asset	500,000	-
License, net	52,945	58,825
Prepaid expenses and other assets	-	4,058
Customer acquisition costs, net	642,203	897,428
Total assets	<u>\$ 15,877,722</u>	<u>\$ 7,315,369</u>

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current liabilities		
Accounts payable and accrued expenses	\$ 4,363,553	\$ 1,235,162

Deferred revenue	-	2,281,760
Current portion of notes payable	1,500,000	-
Current portion of convertible notes payable	-	2,497,114
Current portion of equipment notes payable	39,499	20,979
Customer credits	590,206	936,500
Total current liabilities	<u>6,493,258</u>	<u>6,971,515</u>
Notes payable, net of discount and issuance costs	11,678,669	-
Convertible notes payable, net of discount and issuance costs	1,142,154	3,175,085
Warrant liability	1,313,000	9,854,400
Accrued interest	78,750	169,202
Equipment notes payable	143,135	90,165
Total liabilities	<u>20,848,966</u>	<u>20,260,367</u>
Stockholders' deficit		
Preferred stock, \$.001 par value: 2,000,000 shares authorized	-	-
Common stock; \$.001 par value; 150,000,000 shares authorized;		
73,509,663 shares issued and outstanding as of December 31, 2016		
47,194,118 shares issued and outstanding as of December 31, 2015	73,510	47,194
Additional paid-in capital	49,838,469	25,008,016
Accumulated deficit	<u>(54,883,223)</u>	<u>(38,000,208)</u>
Total stockholders' deficit	<u>(4,971,244)</u>	<u>(12,944,998)</u>
Total liabilities and stockholders' deficit	<u>\$ 15,877,722</u>	<u>\$ 7,315,369</u>

MIDWEST ENERGY EMISSIONS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Revenues		
Product sales	\$ 28,920,051	\$ 5,028,184
Equipment sales	2,699,051	6,939,412
Demonstrations and consulting services	<u>726,438</u>	<u>664,323</u>

Total revenues:	<u>32,345,540</u>	<u>12,631,919</u>
Costs and expenses:		
Cost of sales	23,030,404	10,764,835
Selling, general and administrative expenses	7,257,445	4,220,606
Settlement charges	<u>-</u>	<u>1,335,394</u>
Total costs and expenses	<u>30,287,849</u>	<u>16,320,835</u>
Operating profit (loss)	2,057,691	(3,688,916)
Other income (expense)		
Interest expense	(4,912,855)	(6,213,897)
Letter of credit fees	(226,000)	-
Change in value of warrant liability	(14,681,311)	(3,194,189)
Gain on debt restructuring	406,791	-
Debt conversion inducement expense	<u>-</u>	<u>(1,123,380)</u>
Total other expense	<u>(19,413,375)</u>	<u>(10,531,466)</u>
Net loss before taxes	(17,355,684)	(14,220,382)
Income tax benefit (expense)	<u>472,669</u>	<u>(41,149)</u>
Net loss	<u>\$ (16,883,015)</u>	<u>\$ (14,261,531)</u>

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