



Advanced Emissions Solutions, Inc.  
Advancing **Cleaner** Energy

# Q3'16 Earnings Call



November 9, 2016

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# Safe Harbor



This presentation includes forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, which provides a "safe harbor" for such statements in certain circumstances. The forward-looking statements include statements or expectations regarding future growth, strategic review of alternatives for our Emissions Control ("EC") business, amount and timing of production of Refined Coal ("RC"), Tinnuum Group, LLC and Tinnuum Services, LLC cash flow and ability to make distributions and Tinnuum Group's ability to lease or sell remaining RC facilities; future revenues, expenses, cash flow, liquidity, and other financial and accounting measures; our ability to commercialize EC products and intellectual property; timing and outcome of our restructuring and cost containment efforts; evaluation of strategic alternatives for our EC business and timing for a final decision; returning value to stockholders; expectation regarding settlement of litigation and associated costs; and related matters. These statements are based on current expectations, estimates, projections, beliefs and assumptions of our management. Such statements involve significant risks and uncertainties. Actual events or results could differ materially from those discussed in the forward-looking statements as a result of various factors, including but not limited to, changes and timing in laws, regulations, IRS interpretations or guidance, accounting rules and any pending court decisions, legal challenges to or repeal of them; changes in prices, economic conditions and market demand; the ability of the RC facilities to produce coal that qualifies for tax credits; the timing, terms and changes in contracts for RC facilities, or failure to lease or sell RC facilities; impact of competition; availability, cost of and demand for alternative tax credit vehicles and other technologies; technical, start-up and operational difficulties; availability of raw materials; loss of key personnel; the value of our products, technologies and intellectual property to customers and strategic investors; intellectual property infringement claims from third parties; the outcome of pending litigation; seasonality and other factors discussed in greater detail in our filings with the SEC. You are cautioned not to place undue reliance on such statements and to consult our SEC filings for additional risks and uncertainties that may apply to our business and the ownership of our securities. Our forward-looking statements are presented as of the date made, and we disclaim any duty to update such statements unless required by law to do so.

# Third Quarter & Recent Highlights



- Remain committed to previously announced strategic goals
- Distributions from the Refined Coal (“RC”) business in-line with expectations, increased substantially
  - Completed the lease of a RC facility in late August, which replaced a previously announced investor cancellation
  - Future expected aggregate rent payments from RC facilities increased to \$648 million through 2021
- Emissions Control (“EC”) business continued execution on equipment contracts and commercialization of M-Prove™ Coal Additives, while minimizing costs associated with business
  - Reduced general and administrative operating costs and drove higher positive operating income during the period
  - Increased cash balance by \$5.4 million since June 30, 2016
  - Review of strategic alternatives for EC business remains on track

# Third Quarter Financial Review



Financial data highlights: <i>(in thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenues	\$ 15,710	\$ 12,885	\$ 46,997	\$ 49,537
Cost of revenues, exclusive of depreciation and amortization	\$ 13,259	\$ 10,610	\$ 36,339	\$ 40,327
Other operating expenses	\$ 5,364	\$ 12,264	\$ 21,528	\$ 43,875
Earnings from equity method investments	\$ 10,735	\$ (41)	\$ 30,066	\$ 5,133
Royalties, related party	\$ 2,064	\$ 3,273	\$ 3,922	\$ 7,767
Net income (loss)	\$ 9,612	\$ (8,654)	\$ 21,848	\$ (27,233)
	As of			
Financial data highlights: <i>(in thousands)</i>	September 30, 2016	December 31, 2015		
Cash and cash equivalents	\$ 7,603	\$ 9,265		
Restricted cash, current and long-term	\$ 8,769	\$ 11,708		
Short-term borrowings and notes payable, related party, current and long-term	\$ —	\$ 28,025		

- Revenues during the third quarter of 2016 were primarily due to completion of EC equipment contracts but also benefited from the growth in chemical sales
- Other Operating Expenses ("G&A"), declined by 56% and 51% during the three and nine months ended September 30, 2016 and 2015, respectively
- Earnings from RC equity investments increased during the three and nine months ended September 30, 2016 and 2015
- Royalties from Tinum were down primarily as a result of the suspension of operations for certain retained RC facilities and the impact of reduced RC royalty tonnage and royalty earnings per ton
- Net income increased, primarily driven by equity income recognition from the RC business (see footnote 4 of the September 30, 2016 Quarterly Report on Form 10-Q), and expense reductions due primarily to restructuring and business alignment activities
- Cash declined principally as a result of principal and interest payments on debt, offset by distributions from Tinum

# Select Components of Net Income (Loss)



- Overview of components of the three and nine months ended September 30, 2016 and 2015 consolidated net income (loss)

Select Components of Net Income (Loss) (In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Consolidated Net Income (Loss)	\$ 9,612	\$ (8,654)	\$ 21,848	\$ (27,233)
RC Segment Operating income (loss)	\$ 11,913	\$ 1,390	\$ 33,974	\$ 7,350
EC Segment Operating income (loss)	2,956	(3,397)	9,656	(8,190)
Segment income (loss)	14,869	(2,007)	43,630	(840)
Corporate and other adjustments to reconcile to net income (loss) attributable to ADES	(5,257)	(6,647)	(21,782)	(26,393)
Consolidated Net Income (Loss)	\$ 9,612	\$ (8,654)	\$ 21,848	\$ (27,233)

- Select components impacting the three and nine months ended September 30, 2016 and 2015 consolidated results

Select Components of Net Income (Loss) <sup>(1)</sup> (In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Non-cash items, as disclosed (or derived) on the Consolidated Statements of Cash Flows	\$ 30	\$ (4,255)	\$ (2,651)	\$ (12,034)
Restructuring expense, exclusive of stock-based compensation, included in non-cash item, above	\$ (507)	\$ (2,711)	\$ (1,359)	\$ (5,681)
Research and development expense, net	\$ 524	\$ (2,022)	\$ 667	\$ (5,133)
Restatement expense	\$ (200)	\$ (2,700)	\$ (1,900)	\$ (7,100)
Corporate interest (expense) income, net <sup>(2)</sup>	\$ (78)	\$ 2	\$ (2,200)	\$ (32)
SEC Inquiry expense	\$ —	\$ —	\$ (500)	\$ —

<sup>(1)</sup> See Appendix A for additional details

<sup>(2)</sup> See slide 15 for additional details



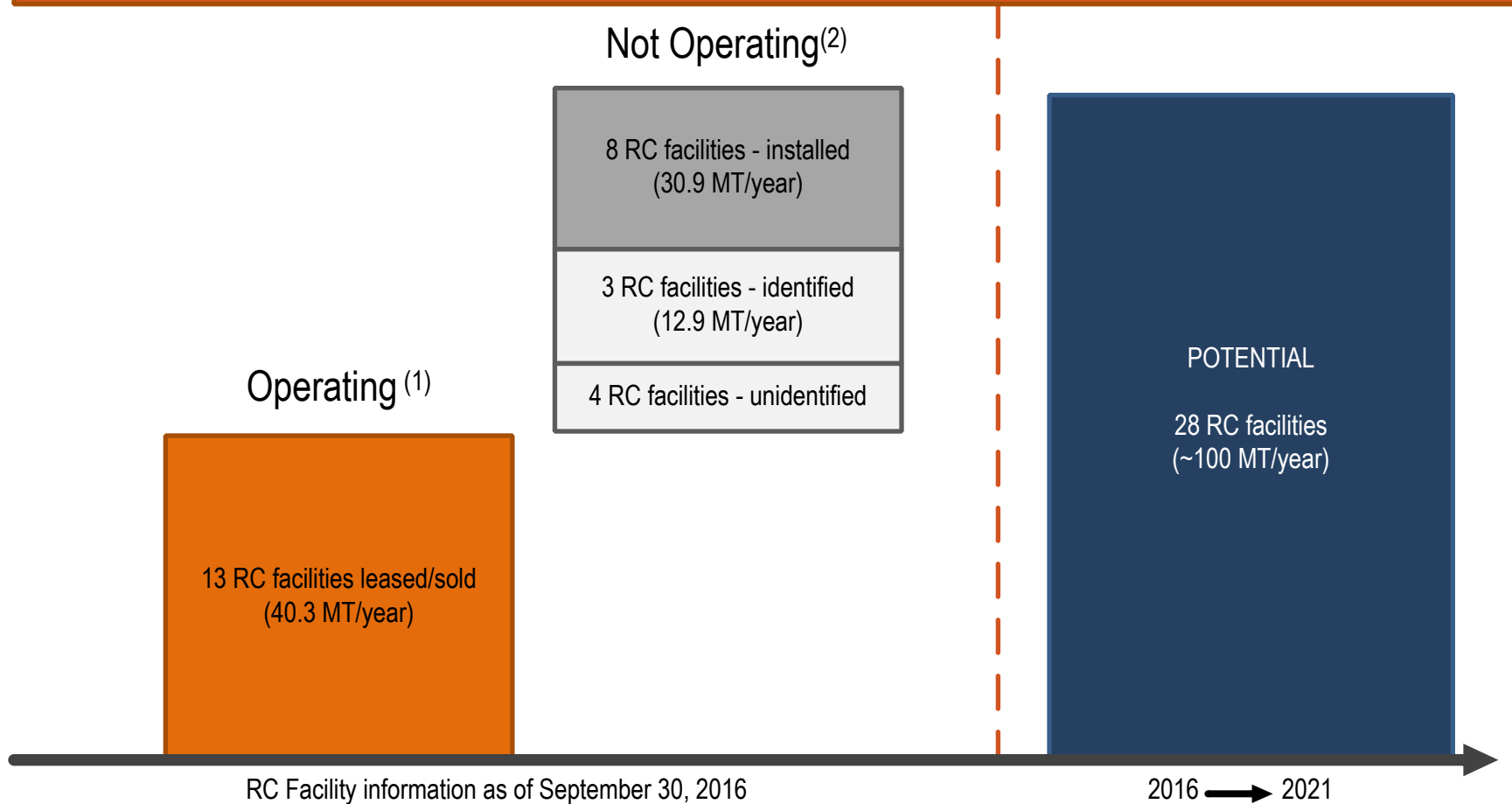
# Refined Coal



# RC Facilities Today and Tomorrow



## Full-time Operations Roadmap



(1) All tonnage based on trailing 12 months (TTM) as of September 30, 2016 based on actual tonnage burned

(2) Non operating tonnage is per US Energy Information Administration – TTM ended July 31, 2016

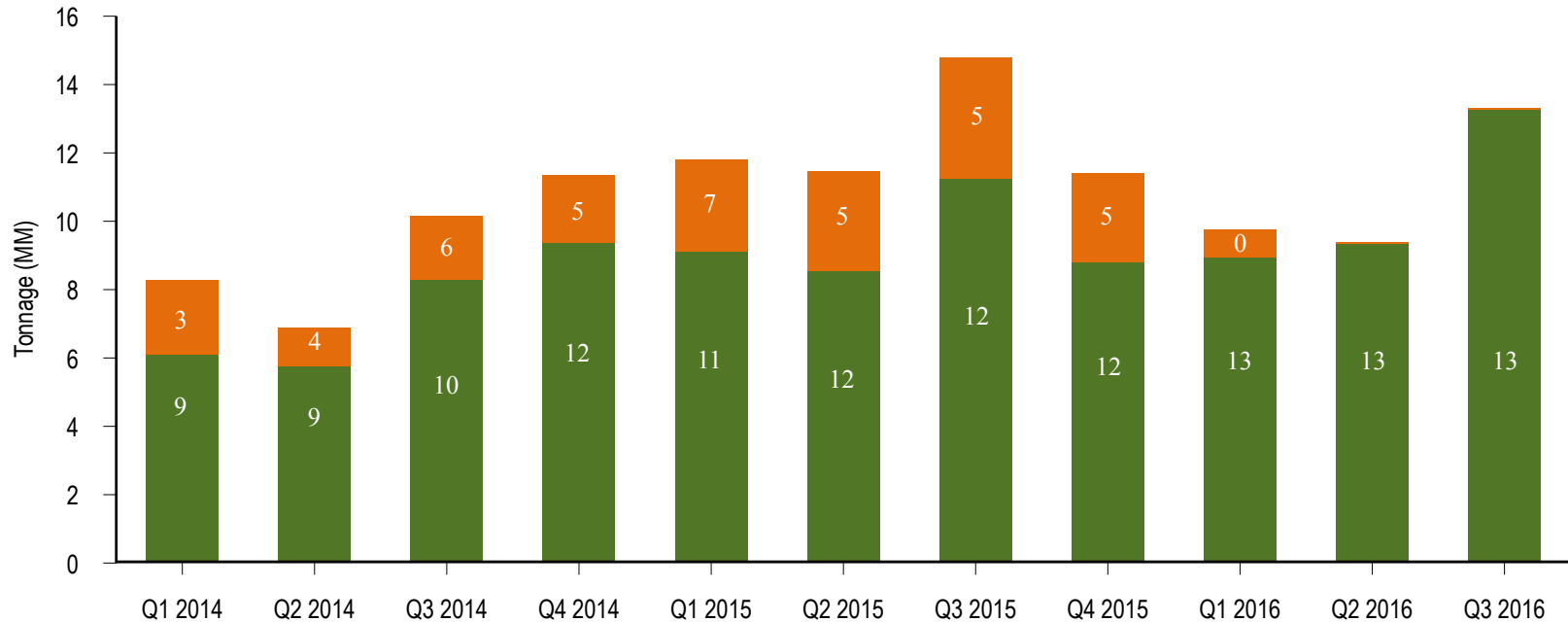
# Refined Coal: Components of Earnings



Components of RC Segment Earnings (In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
<b>RC Segment Revenue</b>				
Tinuum Group	\$ 9,775	\$ —	\$ 28,050	\$ 4,730
Tinuum Services	960	1,358	2,573	3,530
RCM6	—	(1,399)	(557)	(3,127)
Total equity method revenue	10,735	(41)	30,066	5,133
Consulting	—	—	—	55
Royalties, related party	2,064	3,273	3,922	7,767
<b>Total RC Segment Revenue</b>	<b>\$ 12,799</b>	<b>\$ 3,232</b>	<b>\$ 33,988</b>	<b>\$ 12,955</b>
<b>RC Segment Operating Income</b>	<b>\$ 11,913</b>	<b>\$ 1,390</b>	<b>\$ 33,974</b>	<b>\$ 7,350</b>
<b>Significant components of RC segment expenses and other income:</b>				
RCM6 note payable interest expense	\$ —	\$ 628	\$ 263	\$ 1,842
453A interest expense	\$ 889	\$ 1,136	\$ 2,034	\$ 3,408
RCM6 gain on sale	\$ —	\$ —	\$ 2,078	\$ —



# Operating Tons: Invested vs. Retained



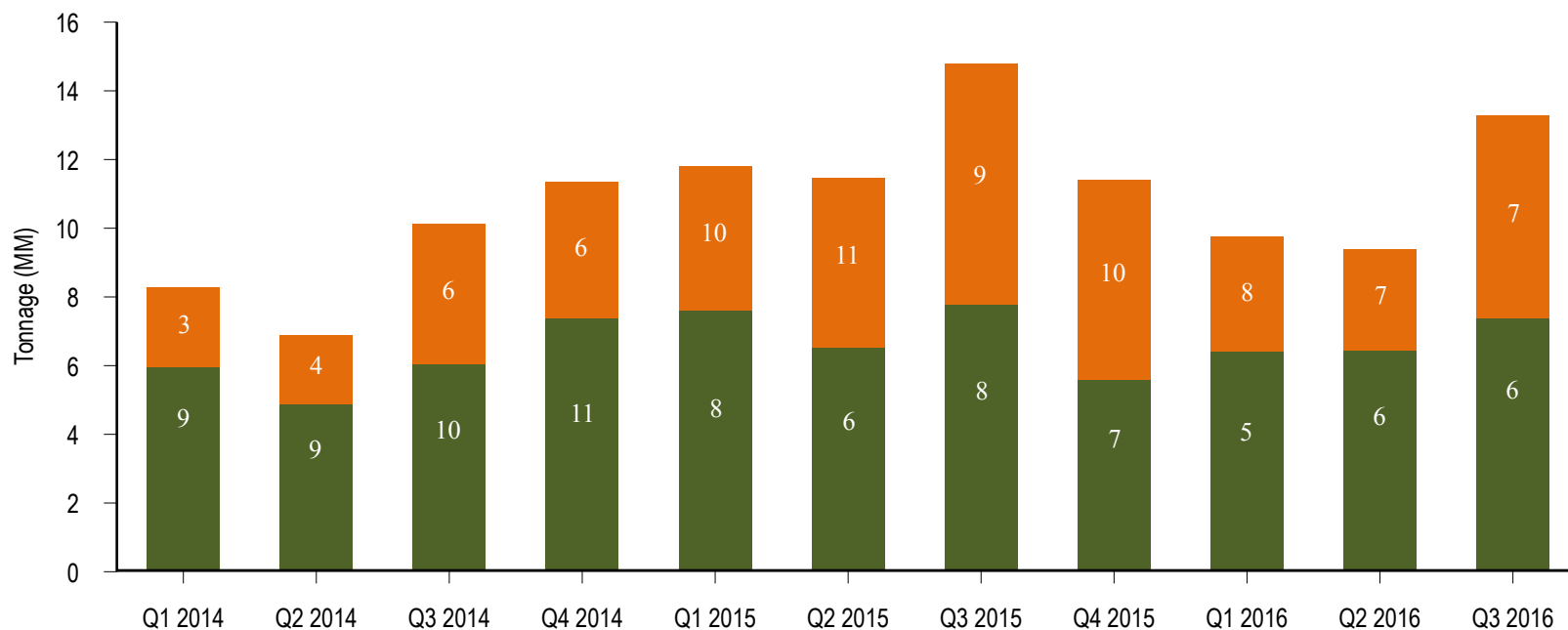
Three Months Ended September 30, 2016	Invested	Retained	QTD - Total
Tonnage <sup>(1)</sup>	13,260	32	13,292
Count (#)	13	—	13

Nine Months Ended September 30, 2016	Invested	Retained	YTD - Total
Tonnage <sup>(1)</sup>	31,560	875	32,435
Count (#)	13	—	13

Note: Numbers within bar graph and the "Count" row within the tables represent the number of facilities per category as of the end of each quarter presented.

(1) Tonnage information is based upon RC production for the three and nine months ended September 30, 2016 (in thousands)

# Operating Tons: Royalty vs. Non-Royalty



Three Months Ended September 30, 2016	Operating Tons		QTD - Total
	Royalty	Non-Royalty	
Tonnage <sup>(1)</sup>	5,896	7,395	13,291
Count (#) <sup>(2)</sup>	7	6	13

Nine Months Ended September 30, 2016	Operating Tons		YTD - Total
	Royalty	Non-Royalty	
Tonnage <sup>(1)</sup>	12,158	20,277	32,435
Count (#) <sup>(2)</sup>	8	7	15

Note: Numbers within bar graph and the "Count" row within the tables represent the number of facilities per category as of the end of each quarter presented.

(1) Tonnage information is based upon RC production for the three and nine months ended September 30, 2016 (in thousands)

(2) Counts are based upon the number of facilities of which a royalty has been earned during the period

# Future Rent Payments – Tinum Group

## Invested Facilities



- As of September 30, 2016, remaining payments to all Tinuum Group members from Tinuum Group's current RC facilities leased or sold to tax equity investors are projected to be an aggregate of ~\$648 million from Q4, 2016 through 2021; assuming no modifications of contracts, non-renewals or early terminations
- Under those same assumptions, after applicable deductions related to Tinuum Group operating and general and administrative expenses, and taking ADES' 42.5% interest in those distributions, ADES's expected distributions would be roughly \$10 million - \$12 million per quarter on average
- The projections is based on the following four key assumptions: 1) Tinuum Group continues to not operate retained facilities; 2) Tinuum Group does not have material CapEx or unusual operating expenses; 3) tax equity lease renewals are not terminated or repriced; 4) coal-fired generation remains consistent
- Per facility per year economics to ADES <sup>(1)</sup> (totals in thousands):
  - Tinum Group - \$3.50 per ton x 42.5% = \$5,950 - Tinuum Group expenses (\$1,000) = \$4,950
  - Tinum Services - \$0.15 per ton x 50% = \$300
  - Royalty <sup>(2)</sup> - \$0.40 per ton = \$1,600

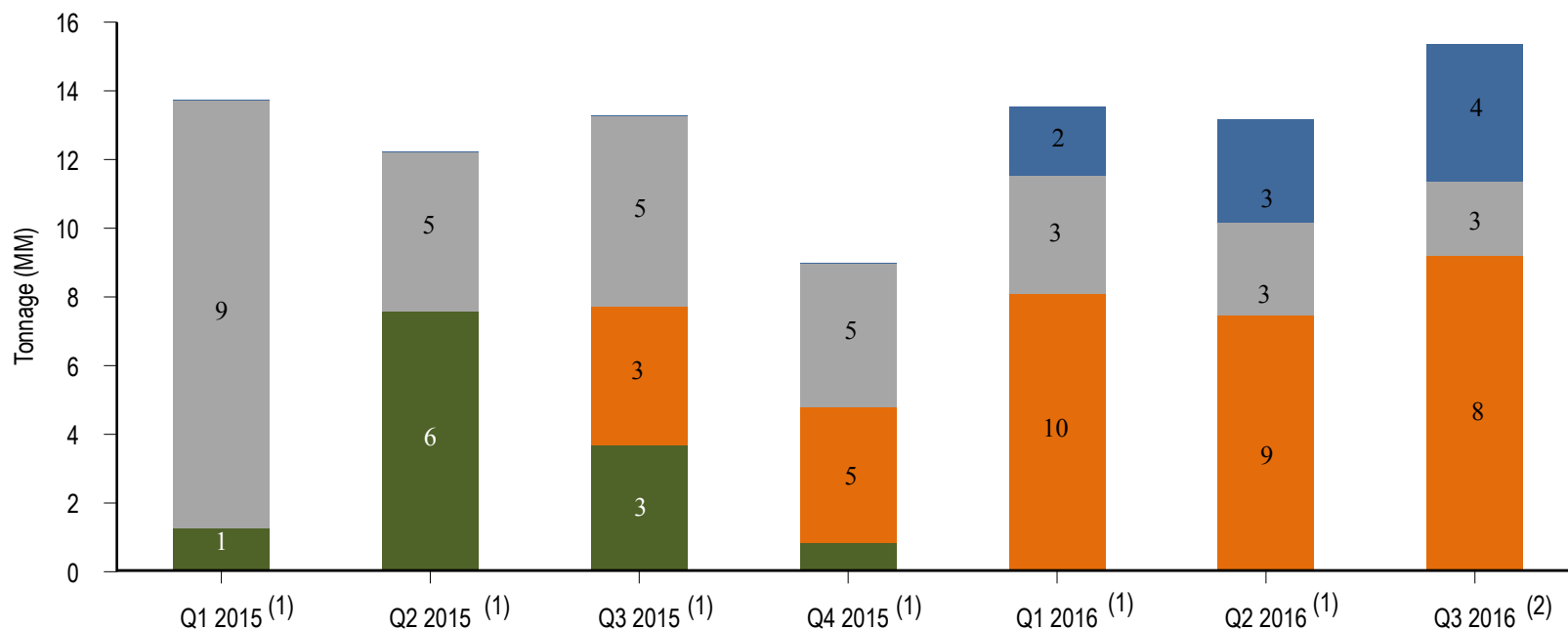
Tinuum Group Expected Payments as of September 30, 2016 (in millions)		
2016 (Q4)	\$	28
2017		129
2018		136
2019		132
2020		131
2021		92
	\$	648

*Note: ADES receives 42.5% of these amounts, after applicable deductions related to Tinuum Group operating, general and administrative and Class B preferred return expenses*

<sup>(1)</sup> An illustrative example based upon an estimated 4,000,000 tons per year of coal burn and average per ton economics

<sup>(2)</sup> Only RC facilities that use M-45 or M-45-PC

# Non-Operating Tons<sup>(5)</sup>: Potential Future Tonnage



Three Months Ended September 30, 2016	Non-Operating				QTD - Total
	Identified	Unidentified	Construction	Installed	
Tonnage <sup>(3) (4)</sup>	2,170	4,000	—	9,201	15,371
Count (#)	3	4	—	8	15

Nine Months Ended September 30, 2016	Non-Operating				YTD - Total
	Identified	Unidentified	Construction	Installed	
Tonnage <sup>(3) (4)</sup>	8,324	9,000	—	24,752	42,076
Count (#)	3	4	—	8	15

Note: Numbers within bar graph and the "Count" row within the tables represent the number of facilities per category as of the end of each quarter presented.

(1) Based on actual tonnage produced

(2) Q3 2016 is estimated based on an average of July QTD actuals

(3) Tonnage information is based upon RC production for the one and seven months ended July 31, 2016 (in thousands)

(4) Unidentified facilities potential tonnage is estimated to be 4 million per facility on an annual basis

(5) Non operating tonnage is per US Energy Information Administration - TTM ended July 31, 2016



# Emissions Control



# Emissions Control: Components of Earnings



Components of EC Segment Earnings (In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
<b>EC Segment Revenues</b>				
Equipment sales	\$ 14,869	\$ 12,088	\$ 44,788	\$ 47,439
Chemicals	670	132	1,717	749
Consulting services	171	665	492	1,294
<b>Total EC Segment Revenues</b>	<b>\$ 15,710</b>	<b>\$ 12,885</b>	<b>\$ 46,997</b>	<b>\$ 49,482</b>
<b>EC Segment Operating Income (Loss)</b>	<b>\$ 2,956</b>	<b>\$ (3,397)</b>	<b>\$ 9,656</b>	<b>\$ (8,190)</b>
<b>Significant components of EC segment expenses and other income:</b>				
Equipment cost of revenue, exclusive of D&A	\$ 12,704	\$ 9,914	\$ 35,175	\$ 38,662
Chemical cost of revenue, exclusive of D&A	\$ 469	\$ 105	\$ 865	\$ 383
Consulting services cost of revenue, exclusive of D&A	\$ 86	\$ 591	\$ 299	\$ 1,282
Payroll and benefits	\$ 775	\$ 2,483	\$ 2,596	\$ 7,998
Legal and professional fees	\$ 9	\$ 720	\$ 78	\$ 2,291
Research and development expense, net	\$ (524)	\$ 2,022	\$ (667)	\$ 5,133
DSI business owner gain on settlement	\$ —	\$ —	\$ (868)	\$ —
Capital lease termination gain	\$ (900)	\$ —	\$ (900)	\$ —

# Corporate and Other: Summary



Adjustments to reconcile to net loss attributable to ADES (In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
RC segment operating income	\$ 11,913	\$ 1,390	\$ 33,974	\$ 7,350
EC segment operating income (loss)	2,956	(3,397)	9,656	(8,190)
Total segment operating income (loss)	14,869	(2,007)	43,630	(840)
Adjustments to reconcile to net income (loss) attributable to ADES				
Corporate payroll and benefits	(2,034)	(2,367)	(7,946)	(11,992)
Corporate rent and occupancy	(306)	(202)	(807)	(503)
Corporate legal and professional fees	(1,606)	(3,150)	(6,515)	(10,514)
Corporate general and administrative	(818)	(740)	(2,965)	(2,731)
Corporate depreciation and amortization	(93)	(143)	(351)	(448)
Corporate interest (expense) income, net <sup>(1)</sup>	(78)	2	(2,200)	(32)
Other income (expense), net	261	(3)	(264)	(22)
Income tax expense	(583)	(44)	(734)	(151)
Net income (loss)	\$ 9,612	\$ (8,654)	\$ 21,848	\$ (27,233)

- Reduction in corporate payroll and benefits in connection with restructuring actions taken during the latter half of 2015 and during the second and third quarters of 2016; included within these costs are payroll related restructuring charges of \$0.2 million and \$0.1 million during the three months ended September 30, 2016 and 2015, respectively and \$0.6 million and \$1.3 million during the nine months ended September 30, 2016 and 2015, respectively
- Legal and professional fees decreased, most significantly due to the completion of the most material aspects of the Restatement process during the first quarter of 2016; Restatement expenses were \$0.2 million and \$1.8 million during the three months ended September 30, 2016 and 2015, respectively and \$1.9 million and \$7.1 million during the nine months ended September 30, 2016 and 2015, respectively
- During the second quarter of 2016, the Company reached preliminary settlement agreements related to the Shareholder Lawsuit, Derivative Lawsuit and an agreement in principle for the SEC Inquiry. The Company has recorded an accrual of \$0.5 million related to the SEC Inquiry and the Shareholder Lawsuit and Derivative Lawsuit settlements are expected to be settled within the insurance limits of the Company

<sup>(1)</sup> The Credit Agreement, discussed in Note 8 of the Condensed Consolidated Financial Statements was paid off on June 30, 2016

# Tinum Group and ADES: Cash Flow Update



Cash Flow Update (In thousands)	Nine Months Ended September 30,	
	2016	2015
<b>Tinum Group</b>		
Cash and cash equivalents, beginning of year	\$ 6,182	\$ 3,870
Cash provided by (used in):		
Operating activities	52,447	27,101
Investing activities	(2,473)	(21,531)
Financing activities	(47,590)	(3,685)
Net change in cash and cash equivalents	2,384	1,885
Cash and cash equivalents, end of period	\$ 8,566	\$ 5,755
Distributions to ADES	\$ 28,050	\$ 4,730
<b>ADES</b>		
Cash and cash equivalents, beginning of year	\$ 9,265	\$ 25,181
Cash provided by (used in):		
Operating activities	(12,234)	(13,640)
Investing activities	25,839	(1,514)
Financing activities	(15,267)	(1,442)
Net change in cash and cash equivalents	(1,662)	(16,596)
Cash and cash equivalents, end of period	\$ 7,603	\$ 8,585

- Cash and cash equivalents balance declined from \$9.3 million as of December 31, 2015 to \$7.6 million as of September 30, 2016
  - Decrease primarily due to debt service payments on our Credit Agreement and notes payable, fees incurred to extend the maturity of our Credit Agreement, the payoff of our Credit Agreement on June 30, 2016, delivering on our existing contracts and customer commitments and continued professional fees related to our Restatement activities and to become current with our 2015 regulatory filings
  - Offset by distributions from Tinuum of \$31.5 million and the release of restricted cash for equipment contracts

Note: ADES owns 42.5% of Tinuum Group and accounts for its investment under the equity method of accounting



# 2016 Strategic Priorities



- We have made noticeable progress against many of the strategic priorities that we outlined on the 2015 10-K conference call
- Looking ahead, we continue to focus on obtaining new tax equity investors while further enhancing the profile of the business through execution on cost reduction initiatives

Progress	Strategic Priority
✓	NASDAQ relisting and SEC compliance with financial filings
✓	Eliminate debt & improve liquidity position
✓	Implement remaining cost control initiatives
●	Continue to commercialize Emissions Control products and IP
●	Evaluate strategic alternatives to ensure proper value
●	Drive new RC closings and incremental cash flows
●	Assess how to appropriately return value to shareholders



# Appendix



# Appendix A: Supplemental Disclosure ADES Select Cash and Non-cash Components of the three and nine months ended 2016 and 2015 Net Income (Loss)



(in thousands)

	Three Months Ended September 30,				Nine Months Ended September 30,			
	Ref.	2016	Ref.	2015	Ref.	2016	Ref.	2015
<b>Net Income (Loss)</b>	(1)	\$ 9,612	(1)	\$ (8,654)	(1)	\$ 21,848	(1)	\$ (27,233)
RC segment operating income	(2)	11,913	(2)	1,390	(2)	33,974	(2)	7,350
EC Segment income (loss)	(2)	2,956	(2)	(3,397)	(2)	9,656	(2)	(8,190)
	(2)	14,869	(2)	(2,007)	(2)	43,630	(2)	(840)
Corporate and other adjustments to reconcile to net income (loss) attributable to ADES	(2)	(5,257)	(2)	(6,647)	(2)	(21,782)	(2)	(26,393)
<b>Total of Select Components of Net Income (Loss)</b>	(2)	<u>9,612</u>	(2)	<u>(8,654)</u>	(2)	<u>21,848</u>	(2)	<u>(27,233)</u>
<b>Non-Cash Items:</b>								
Depreciation and Amortization	(4)	(139)	(4)	(528)	(3)	(593)	(3)	(1,632)
Amortization of Debt discount/issuance costs	(4)	—	(4)	(25)	(3)	(1,152)	(3)	(75)
Gain on settlement of note payable, licensed technology and sales type lease	(4)	891	(4)	—	(3)	1,910	(3)	—
Impairment of Property, Equipment, Intangibles	(4)	—	(4)	(2,469)	(3)	(517)	(3)	(2,515)
Loss on disposal of assets	(4)	—	(4)	—	(3)	—	(3)	—
Interest Costs Added to Principal Balance of Notes Payable	(4)	—	(4)	(514)	(3)	—	(3)	(946)
Share Based Compensation Expense	(4)	(695)	(4)	(637)	(3)	(2,238)	(3)	(6,096)
Other	(4)	(27)	(4)	(82)	(3)	(61)	(3)	(770)
<b>Total Non-Cash Items</b>		<u>30</u>		<u>(4,255)</u>		<u>(2,651)</u>		<u>(12,034)</u>
<b>Significant Cash Items:</b>								
Restructuring Expenses (net of non-cash charges)	(5)	(714)	(5)	(2,733)	(5)	(1,782)	(5)	(8,763)
Less non-cash Share Based Compensation	(2)	207	(2)	22	(2)	423	(2)	3,082
<b>Restructuring Expenses—Cash</b>		<u>(507)</u>		<u>(2,711)</u>		<u>(1,359)</u>		<u>(5,681)</u>
Research and Development Expenses (excluding non-cash impairment charges)	(1)	524	(1)	(2,022)	(1)	667	(1)	(5,133)
Restatement Expenses	(6)	(200)	(6)	(2,700)	(6)	(1,900)	(6)	(7,100)

**Footnotes :**

- (1) Agrees to ADES Condensed Consolidated Statement of Operations in the 2016 Q3 Form 10-Q filing
- (2) Agrees to ADES Note 12 in the 2016 Q3 Form 10-Q filing
- (3) Agrees to ADES Condensed Consolidated Statement of Cash Flows in the 2016 Q3 Form 10-Q filing
- (4) Derived from ADES Condensed Consolidated Statement of Cash Flows in the 2016 Q3 Form 10-Q filing
- (5) Agrees to ADES Note 2 in the 2016 Q3 Form 10-Q filing
- (6) Agrees to ADES "Management Discussion and Analysis" in Item 2 in the 2016 Q3 Form 10-Q filing

# Appendix B: 10-Q Balance Sheet<sup>(1)</sup>



<i>(in thousands, except share data)</i>	As of	
	September 30, 2016	December 31, 2015
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 7,603	\$ 9,265
Receivables, net	12,008	8,361
Receivables, related parties, net	1,376	1,918
Restricted cash	4,019	728
Costs in excess of billings on uncompleted contracts	1,050	2,137
Prepaid expenses and other assets	1,548	2,306
Total current assets	<u>27,604</u>	<u>24,715</u>
Restricted cash, long-term	4,750	10,980
Property and equipment, net of accumulated depreciation of \$2,577 and \$4,557, respectively	1,062	2,040
Investment securities, restricted, long-term	—	336
Cost method investment	2,776	2,776
Equity method investments	3,091	17,232
Other assets	1,260	2,696
Total Assets	<u>\$ 40,543</u>	<u>\$ 60,775</u>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current liabilities:		
Accounts payable	\$ 2,337	\$ 6,174
Accrued payroll and related liabilities	2,763	5,800
Current portion of notes payable, related parties	—	1,837
Billings in excess of costs on uncompleted contracts	4,726	9,708
Short-term borrowings, net of discount and deferred loan costs, related party	—	12,676
Legal settlements and accruals	12,448	6,502
Other current liabilities	6,703	7,395
Total current liabilities	<u>28,977</u>	<u>50,092</u>
Long-term portion of notes payable, related party	—	13,512
Legal settlements and accruals, long-term	9,305	13,797
Other long-term liabilities	2,552	8,352
Total Liabilities	<u>40,834</u>	<u>85,753</u>
Commitments and contingencies (Note 8)		
Stockholders' deficit:		
Preferred stock: par value of \$.001 and no par value per share, respectively, 50,000,000 shares authorized, none outstanding	—	—
Common stock: par value of \$.001 per share, 100,000,000 shares authorized, 22,271,525 and 21,943,872 shares issued, and 22,001,585 and 21,809,164 shares outstanding at September 30, 2016 and December 31, 2015, respectively	22	22
Additional paid-in capital	118,868	116,029
Accumulated deficit	(119,181)	(141,029)
Total stockholders' deficit	<u>(291)</u>	<u>(24,978)</u>
Total Liabilities and Stockholders' Deficit	<u>\$ 40,543</u>	<u>\$ 60,775</u>

(1) See complete, unaudited Condensed, Consolidated Financial Statements and Notes related thereto within the Quarterly Report on Form 10-Q for the period ended September 30, 2016.

# Appendix C: 10-Q Income Statement<sup>(1)</sup>



<i>(in thousands, except per share data and percentages)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
<b>Revenues:</b>				
Equipment sales	14,869	12,088	44,788	47,439
Chemicals	670	132	1,717	749
Consulting services and other	171	665	492	1,349
<b>Total revenues</b>	<b>15,710</b>	<b>12,885</b>	<b>46,997</b>	<b>49,537</b>
<b>Operating expenses:</b>				
Equipment sales cost of revenue, exclusive of depreciation and amortization	12,704	9,914	35,175	38,662
Chemicals cost of revenue, exclusive of depreciation and amortization	469	105	865	383
Consulting services cost of revenue, exclusive of depreciation and amortization	86	591	299	1,282
Payroll and benefits	2,809	4,445	10,567	19,102
Rent and occupancy	508	596	1,534	1,828
Legal and professional fees	1,615	3,424	6,581	11,545
General and administrative	818	1,249	2,920	4,635
Research and development, net	(524)	2,022	(667)	5,133
Depreciation and amortization	138	528	593	1,632
<b>Total operating expenses</b>	<b>18,623</b>	<b>22,874</b>	<b>57,867</b>	<b>84,202</b>
<b>Operating loss</b>	<b>(2,913)</b>	<b>(9,989)</b>	<b>(10,870)</b>	<b>(34,665)</b>
<b>Other income (expense):</b>				
Earnings (loss) from equity method investments	10,735	(41)	30,066	5,133
Royalties, related party	2,064	3,273	3,922	7,767
Interest income	149	2	267	20
Interest expense	(969)	(1,778)	(4,496)	(5,347)
Gain on sale of equity method investment	—	—	2,078	—
Gain on settlement of note payable and licensed technology	—	—	869	—
Other	1,129	(77)	746	10
<b>Total other income</b>	<b>13,108</b>	<b>1,379</b>	<b>33,452</b>	<b>7,583</b>
<b>Income (loss) before income tax expense</b>	<b>10,195</b>	<b>(8,610)</b>	<b>22,582</b>	<b>(27,082)</b>
<b>Income tax expense</b>	<b>583</b>	<b>44</b>	<b>734</b>	<b>151</b>
<b>Net income (loss)</b>	<b>9,612</b>	<b>(8,654)</b>	<b>21,848</b>	<b>(27,233)</b>
<b>Earnings (loss) per common share (Note 1):</b>				
Basic	0.44	(0.40)	0.99	(1.24)
Diluted	0.43	(0.40)	0.97	(1.24)
<b>Weighted-average number of common shares outstanding:</b>				
Basic	21,740	21,687	21,926	21,757
Diluted	22,098	21,687	22,209	21,757

(1) See complete, unaudited Condensed, Consolidated Financial Statements and Notes related thereto within the Quarterly Report on Form 10-Q for the period ended September 30, 2016.

# Appendix D: 10-Q Cash Flow<sup>(1)</sup>



<i>(in thousands)</i>	Nine Months Ended September 30,	
	2016	2015
<b>Cash flows from operating activities</b>		
Net income (loss)	\$ 21,848	\$ (27,233)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	593	1,632
Amortization of debt issuance costs	1,152	75
Impairment of property, equipment, inventory and intangibles	517	2,515
Interest costs added to principal balance of notes payable	—	946
Share-based compensation expense	2,238	6,096
Earnings from equity method investments	(30,066)	(5,133)
Gain on sale of equity method investment	(2,078)	—
Gain on settlement of note payable, licensed technology, and sales-type lease	(1,910)	—
Other non-cash items, net	61	770
Changes in operating assets and liabilities, net of effects of acquired businesses:		
Receivables	(3,677)	7,579
Related party receivables	541	(752)
Prepaid expenses and other assets	831	(1,134)
Costs incurred on uncompleted contracts	28,575	4,719
Restricted cash	3,488	1,690
Other long-term assets	961	144
Accounts payable	(3,837)	1,414
Accrued payroll and related liabilities	(2,245)	1,161
Other current liabilities	(2,094)	1,624
Billings on uncompleted contracts	(32,469)	(7,256)
Advance deposit, related party	(1,306)	(2,586)
Other long-term liabilities	(1,661)	98
Legal settlements and accruals	1,454	(2,528)
Distributions from equity method investees, return on investment	6,850	2,519
Net cash used in operating activities	<u>(12,234)</u>	<u>(13,640)</u>

(1) See complete, unaudited Condensed, Consolidated Financial Statements and Notes related thereto within the Quarterly Report on Form 10-Q for the period ended September 30, 2016.

# Appendix D: 10-Q Cash Flow (continued)<sup>(1)</sup>



<i>(in thousands)</i>	<b>Nine Months Ended September 30,</b>	
	<b>2016</b>	<b>2015</b>
<b>Cash flows from investing activities</b>		
Maturity of investment securities, restricted	336	—
Increase in restricted cash	(550)	(2,100)
Acquisition of property and equipment, net	(147)	(437)
Advance on note receivable	—	(500)
Acquisition of business	—	(2,124)
Purchase of and contributions to equity method investees	(223)	(1,083)
Proceeds from sale of equity method investment	1,773	—
Distributions from equity method investees in excess of cumulative earnings	24,650	4,730
Net cash provided by (used in) investing activities	<u>25,839</u>	<u>(1,514)</u>
<b>Cash flows from financing activities</b>		
Repayments on short-term borrowings, related party	(13,250)	—
Repayments on notes payable, related party	(1,246)	(1,166)
Short-term borrowing loan costs	(579)	—
Repurchase of shares to satisfy tax withholdings	(192)	(276)
Net cash used in financing activities	<u>(15,267)</u>	<u>(1,442)</u>
Decrease in Cash and Cash Equivalents	(1,662)	(16,596)
Cash and Cash Equivalents, beginning of period	9,265	25,181
Cash and Cash Equivalents, end of period	<u><b>\$ 7,603</b></u>	<u><b>\$ 8,585</b></u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 2,899	\$ 5,335
Cash paid for income taxes	\$ 46	\$ 186
Supplemental disclosure of non-cash investing and financing activities:		
Stock award reclassification (liability to equity)	\$ 899	\$ —
Settlement of RCM6 note payable	\$ 13,234	\$ —
Non-cash reduction of equity method investment	\$ 11,156	\$ —

(1) See complete, unaudited Condensed, Consolidated Financial Statements and Notes related thereto within the Quarterly Report on Form 10-Q for the period ended September 30, 2016.