



Advanced Emissions Solutions, Inc.
Advancing Cleaner Energy

Second Quarter 2018 Results Call

August 7, 2018





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 cash flows from refined coal ("RC"); potential transactions with tax-equity investors; net cash flow usage from corporate; required capital investment to transition existing facilities to operating status; and future amount and timing of production and sale of RC. 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 and sell 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; 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.



SECOND QUARTER 2018 HIGHLIGHTS

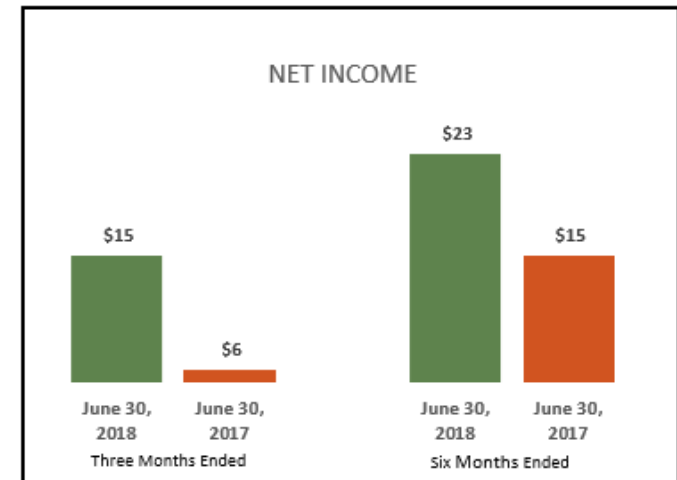
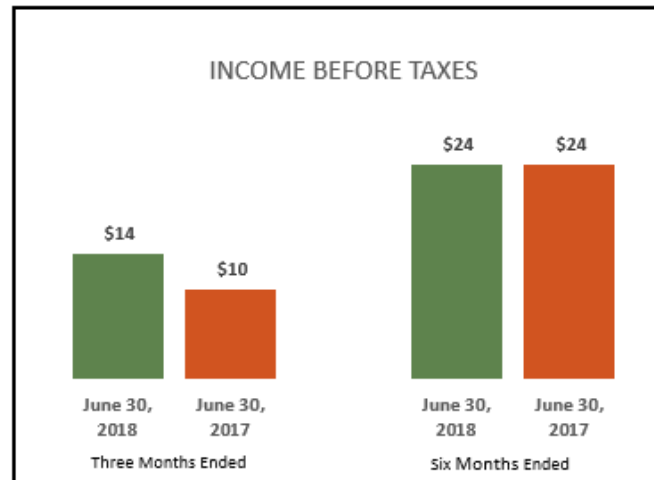
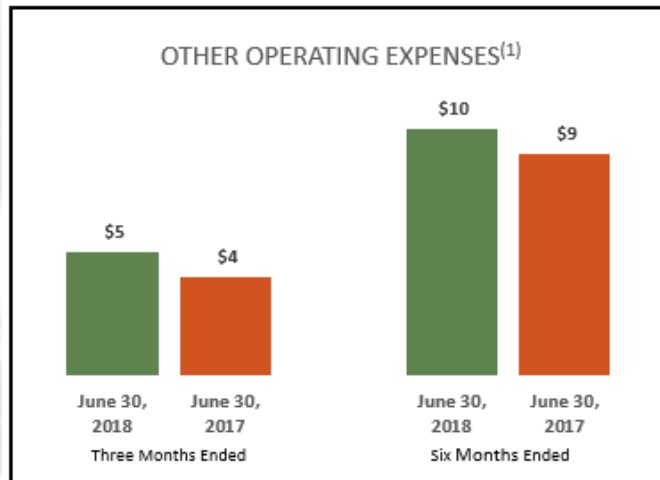
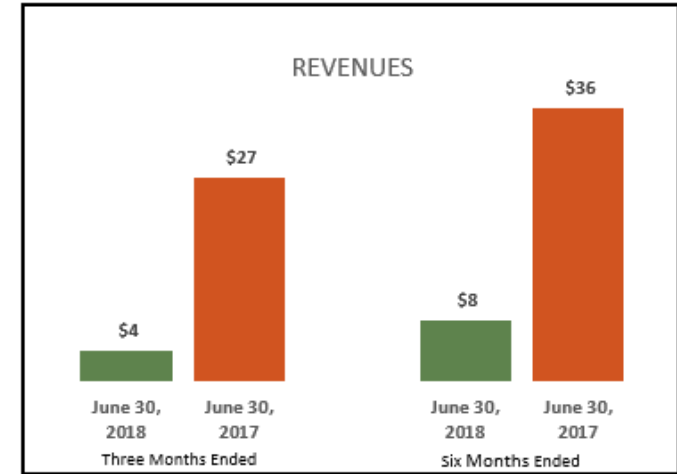
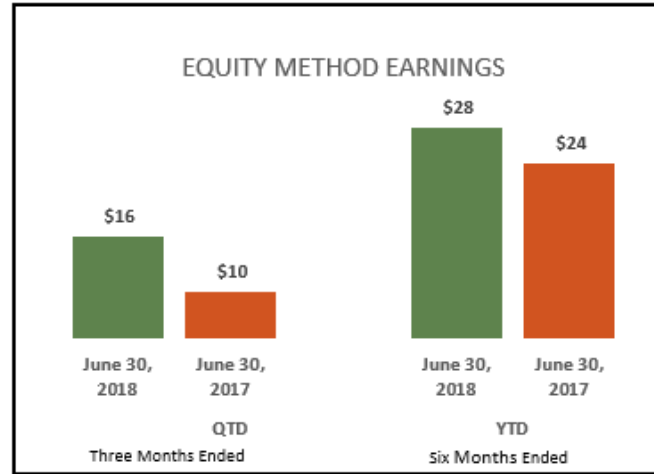
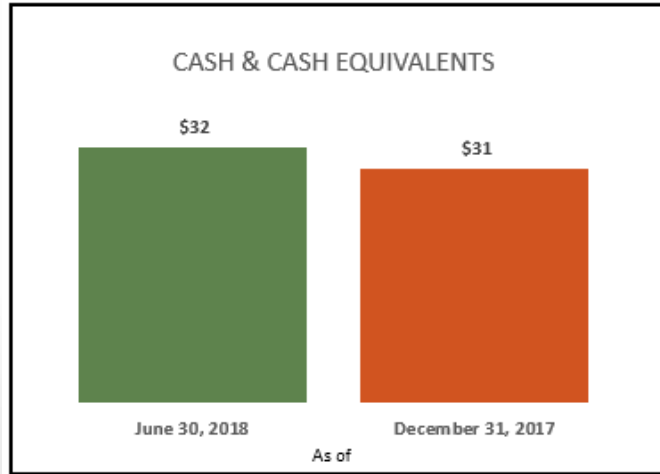
- Obtained third party tax equity investor for an RC facility previously in installation phase; RC facility is royalty bearing;
- Returned \$12.6 million and \$19.4 million to shareholders during the three and six months ended June 30, 2018 through share repurchase program and dividends declared;
- Continued recurring quarterly dividend; declared second quarter dividend of \$0.25 per share, paid in June 2018, and declared third quarter dividend payable on September 6, 2018 to stockholders of record as of business close on August 20, 2018;
- Tinum distributions to ADES were in line with expectations and totaled \$14.7 million during the second quarter of 2018; Tinum distributions were \$28.2 million year to date, compared to \$25.2 million during the same period in 2017
- Other operating expenses increased due to restructuring charges of \$0.9 million for the three months ended June 30, 2018
- Cash position increased by \$1.5 million compared to December 31, 2017, ending with \$32.2 million of unrestricted cash and cash equivalents as of June 30, 2018
- Net income for the three months ended June 30, 2018 of \$15.3 million or \$0.75 per diluted share
- Based on 18 invested RC facilities as of June 30, 2018 and cash distributions occurring in the three months ended June 30, 2018, the Company's expected future net RC cash flows to ADES are between \$225 million and \$250 million through the end of 2021



FINANCIALS



FINANCIAL HIGHLIGHTS



(1) Other operating expenses represents Total operating expenses, exclusive of cost of revenue, as presented on the Condensed Consolidated Financial Statements.



REFINED COAL

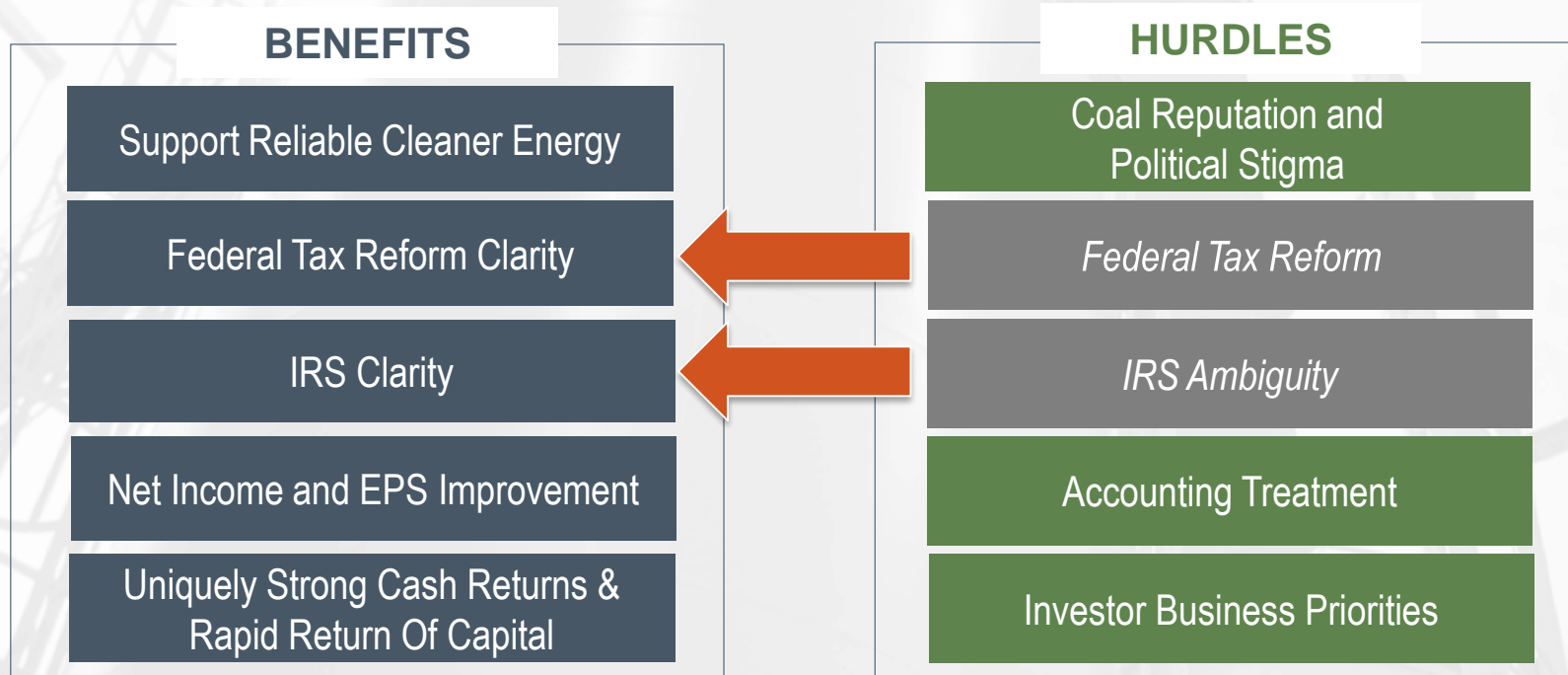


REFINED COAL ENVIRONMENT

The refined coal business is proven and yields many benefits to utilities, investors and the environment, and while the outlook is improving, there remain hurdles to overcome

A significant number of major public and private companies have invested in RC Tax Equity since its inception

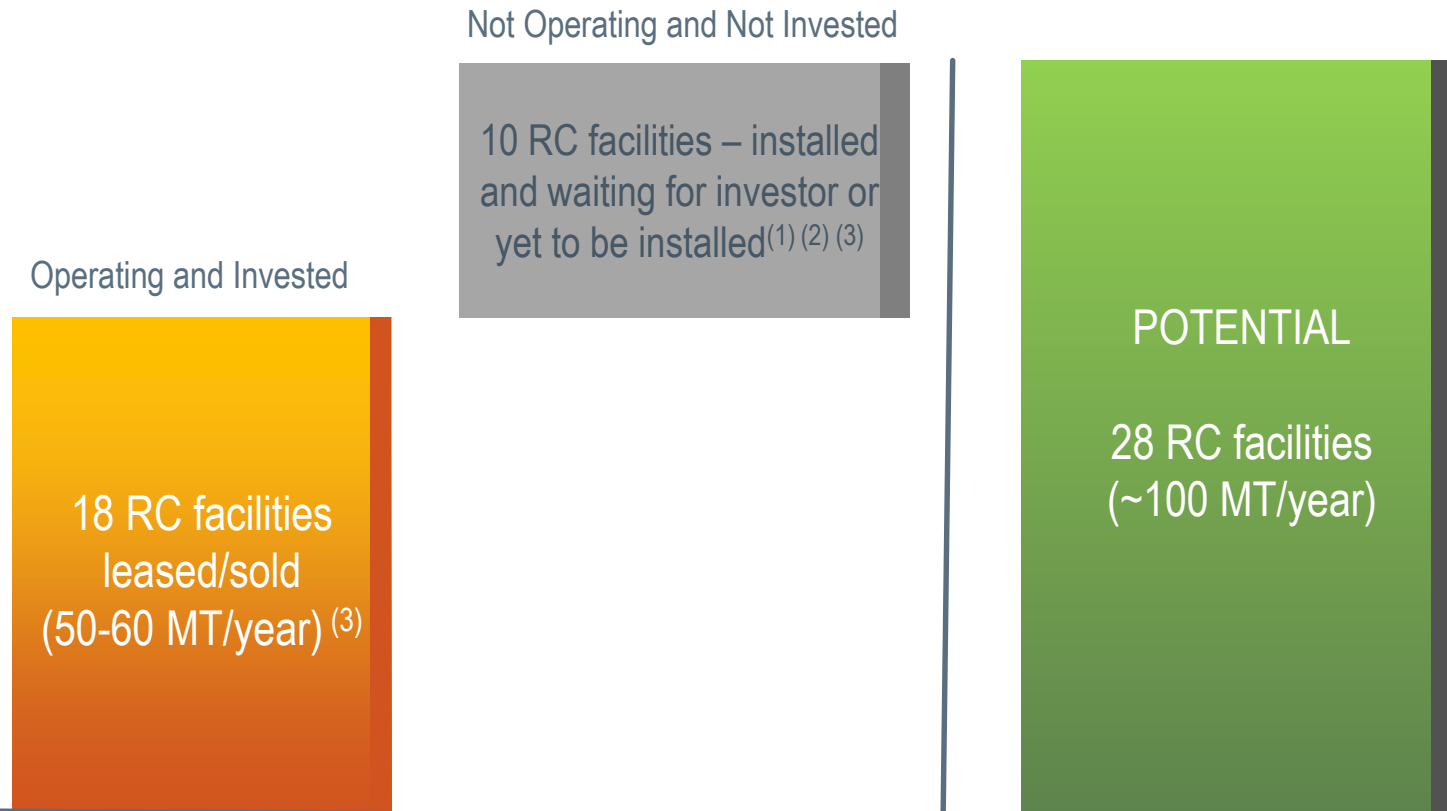
There are benefits *if* hurdles can be overcome





REFINED COAL FACILITIES TODAY AND TOMORROW

FULL-TIME OPERATIONS ROADMAP



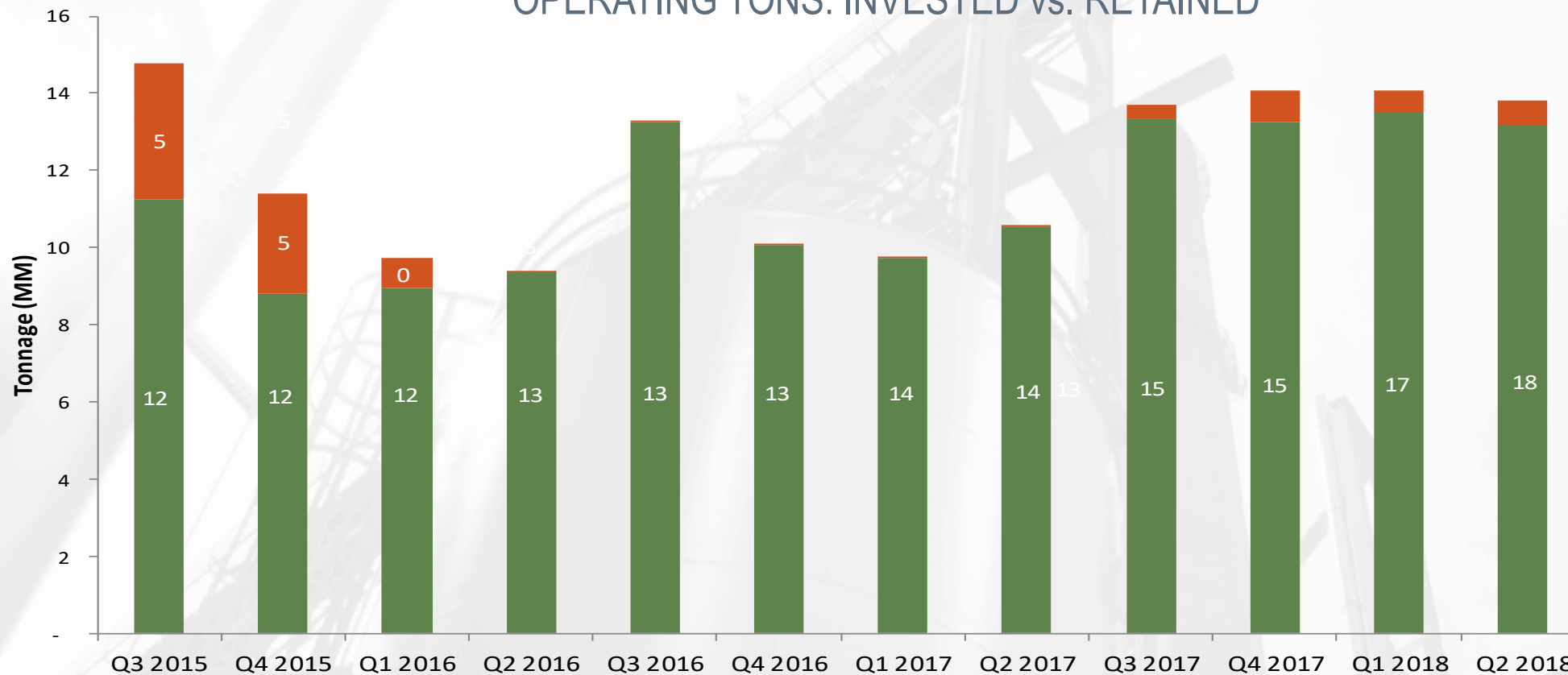
RC Facility information as of June 30, 2018

2018 - 2021

- (1) Certain facilities would require capital investment to transition to operating status
- (2) Three facilities are in the engineering and construction phase
- (3) Two facilities were placed in service in 2009 and available Section 45 tax credit generation ability for these facilities will expire during the year ended 2019



OPERATING TONS: INVESTED vs. RETAINED



Three Month Ended June 30, 2018	Invested	Retained	QTD - Total
Tonnage ⁽¹⁾	13,196	630	13,826
Count (#) ⁽²⁾	18	-	18

Six Months Ended June 30, 2018	Invested	Retained	YTD - Total
Tonnage ⁽¹⁾	26,698	1,206	27,904
Count (#) ⁽²⁾	18	-	18

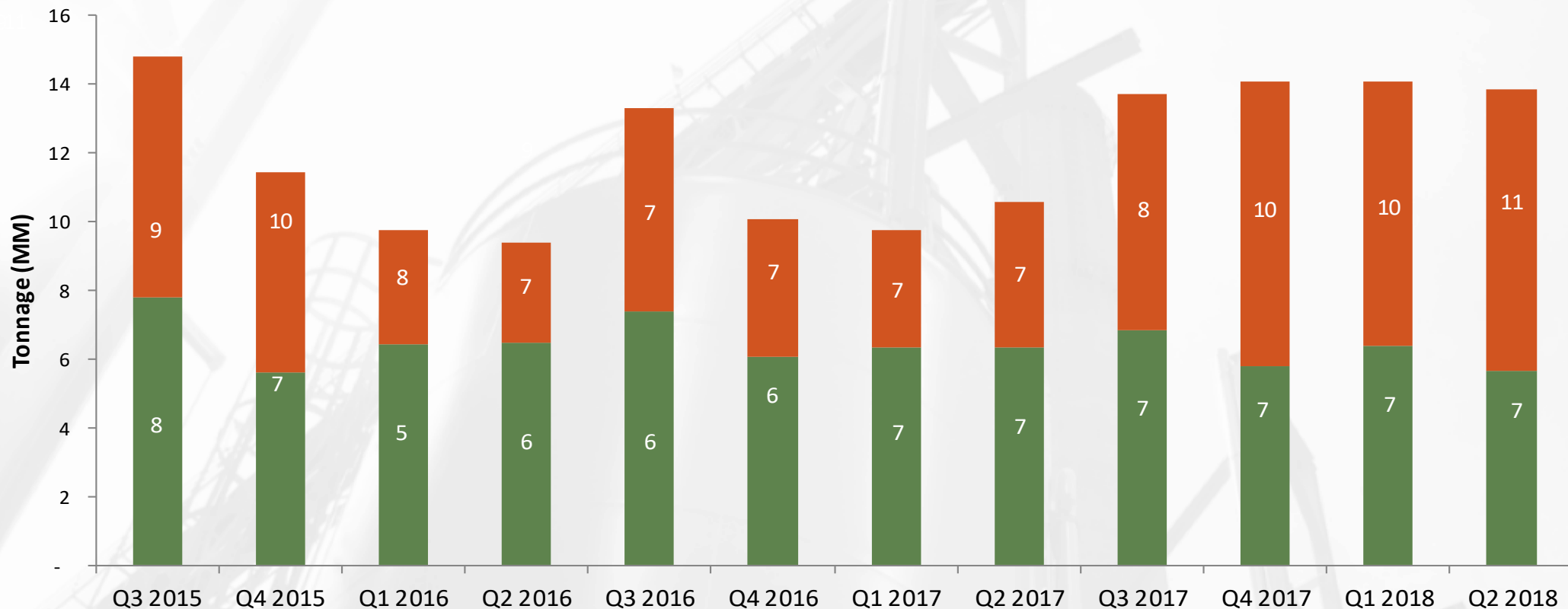
Note: Numbers within bar graph represent the number of facilities per category as of the end of each quarter presented

(1) Tonnage information is based upon RC production for the three and six months ended June 30, 2018 (in thousands)

(2) During Q3 2017, an RC facility became approximately 50% invested with an independent 3rd party. The remaining ~50% is retained by Tinum Group, NexGen and the Company; the Company benefits from the tax credits attained.



OPERATING TONS: ROYALTY VS. NON-ROYALTY



Three Month Ended June 30, 2018	Operating Tons		QTD - Total
	Royalty	Non-Royalty	
Tonnage ⁽¹⁾	8,168	5,658	13,826
Count (#) ⁽²⁾	11	7	18

Six Months Ended June 30, 2018	Operating Tons		YTD - Total
	Royalty	Non-Royalty	
Tonnage ⁽¹⁾	15,884	12,020	27,904
Count (#) ⁽²⁾	11	7	18

Note: Numbers within bar graph 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 six months ended June 30, 2018 (in thousands)

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



Future Cash Flows for ADES & 2018 Priorities

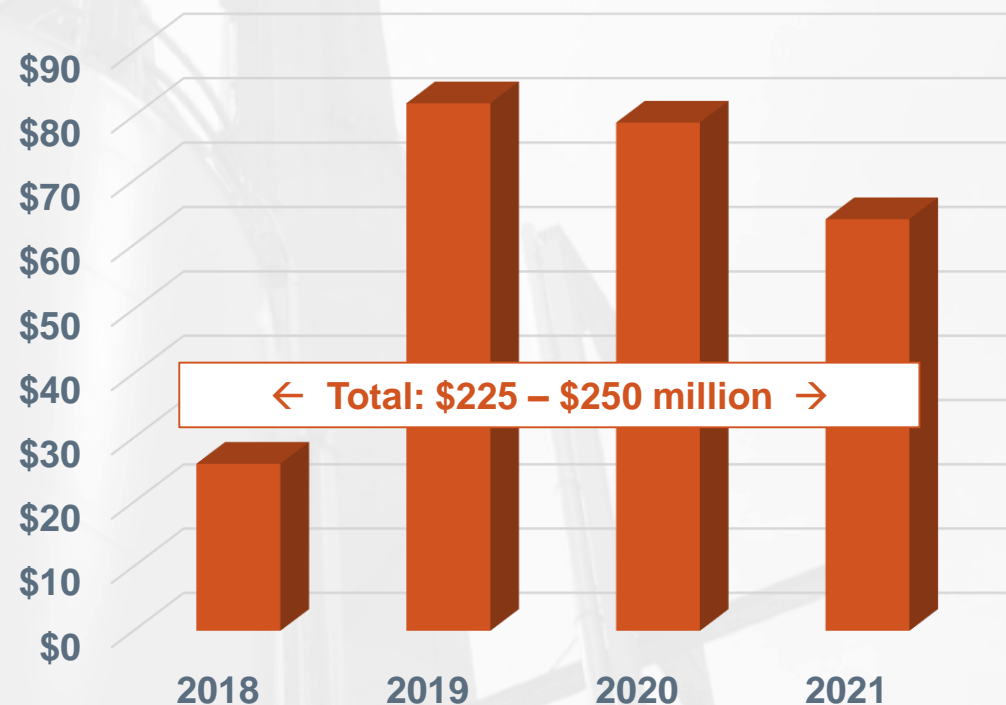


EXPECTED FUTURE CASH FLOWS

- Based on 18 invested facilities as of June 30, 2018 and includes all net RC cash flows of ADES ⁽¹⁾
- Results in expected future net RC cash flows of \$225M to \$250M to ADES in total through 2021 ⁽²⁾
- Each additional refined coal facility could add between \$5-7 million annually to ADES
- Obtained third party tax equity investor for RC facility in June 2018
- Additionally, net cash flow usage from Corporate, offset by EC segment contributions, are estimated to range from \$8-10 million annually on a run rate basis⁽³⁾

EXPECTED FUTURE CASH FLOWS FROM RC BUSINESS ⁽¹⁾

(in millions)



(1) Net RC cash flows include the impact of all Tinnium distributions and royalty payments offset by the Company's federal and state tax payments as well as interest payments

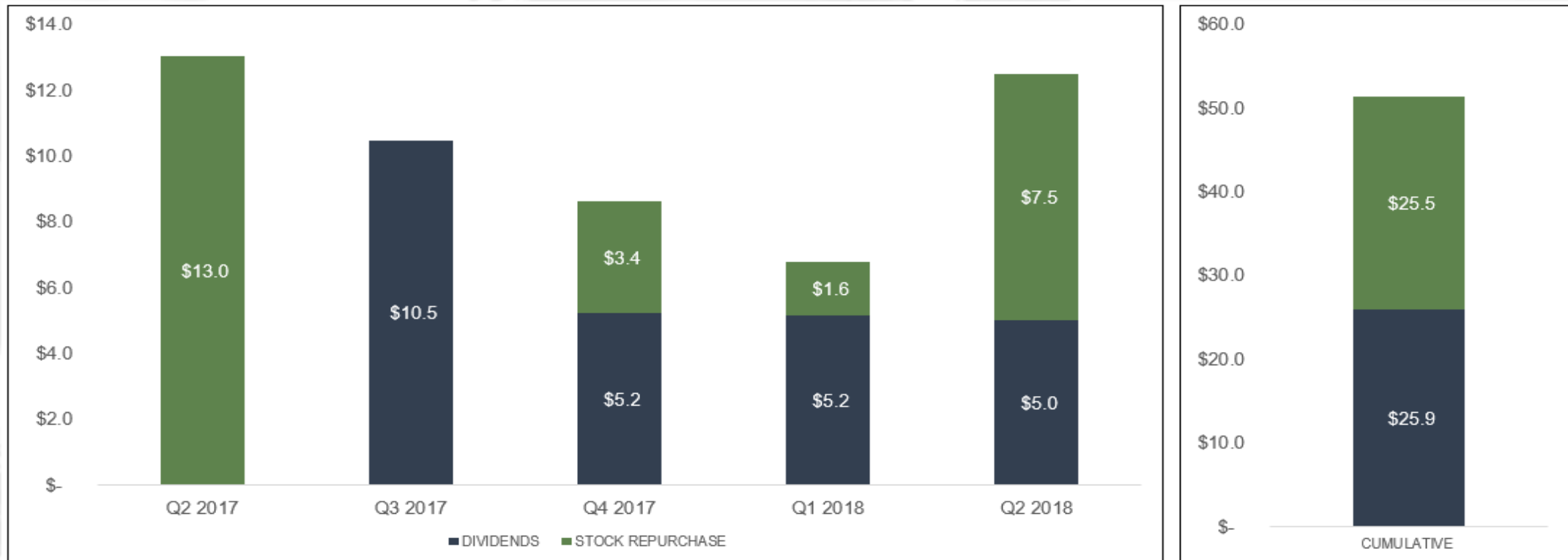
(2) The expectation is based on the following four key assumptions: 1) Tinnium Group continues to not operate retained facilities; 2) Tinnium Group does not have material CapEx or unusual operating expenses; 3) tax equity lease renewals are not terminated or repriced; and 4) coal-fired generation remains consistent

(3) Net cash flow usage does not include payment of potential quarterly dividends or share repurchases and is after additional cost adjustments



Return of Capital

- ③ Since the start of the Capital Allocation program ⁽¹⁾, the Company has paid \$25.9 million in dividends and utilized capital of \$25.5 million to repurchase shares
- ③ Since March 31, 2017, the Company has returned approximately \$2.32 per share to its shareholders⁽²⁾; the stock price for the same period has increased from \$9.54 as of March 31, 2017 to \$11.36 as of June 30, 2018
- ③ As of June 30, 2018, dividend yield was ~9% on an annualized basis



(1) The Company started its current Capital Allocation program in the second quarter of 2017.
 (2) Return was calculated based on shares outstanding as of March 31, 2017.



2018 PRIORITIES



INCREASE AND OPTIMIZE REFINED COAL NET CASH FLOWS:

Add Investors:

- Nurture current & add additional sales channels
- Leverage improving refined coal tax equity market and investor clarity as a result of tax reform

Optimization:

- Maximize operational performance to produce RC and further develop customer relationships to ensure retention of RC customers
- Optimize resources at ADES to support Tinum and public platform while also reducing expenses



RETURN CAPITAL TO SHAREHOLDERS:

Evaluate options and execute on continued progress for additional return of capital to shareholders, including:

- Stock repurchases (open market and/or one-time tender offers)
- Dividends (one-time and/or incremental recurring)



EVALUATE ALTERNATIVE OPTIONS:

Evaluate options, including:

- Monetization of current or future tax assets
- Look to build upon current public platform
- Properly position for market transformation



APPENDIX

Appendix A: 10-Q Balance Sheet⁽¹⁾

<i>(in thousands, except share data)</i>	As of	
	June 30, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 32,179	\$ 30,693
Receivables, net	1,087	1,113
Receivables, related parties, net	3,523	3,247
Prepaid expenses and other assets	2,211	1,835
Total current assets	39,000	36,888
Property and equipment, net of accumulated depreciation of \$1,074 and \$1,486, respectively	269	410
Equity method investments	5,043	4,351
Deferred tax assets	38,517	38,661
Other long-term assets	2,043	2,308
Total Assets	\$ 84,872	\$ 82,618
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,323	\$ 1,000
Accrued payroll and related liabilities	1,536	1,384
Billings in excess of costs on uncompleted contracts	—	1,830
Other current liabilities	1,100	2,664
Total current liabilities	3,959	6,878
Other long-term liabilities	293	2,285
Total Liabilities	4,252	9,163
Commitments and contingencies (Note 5)		
Stockholders' equity:		
Preferred stock: par value of \$.001 per share, 50,000,000 shares authorized, none outstanding	—	—
Common stock: par value of \$.001 per share, 100,000,000 shares authorized, 22,627,635 and 22,465,821 shares issued, and 20,088,451 and 20,752,055 shares outstanding at June 30, 2018 and December 31, 2017, respectively	23	22
Treasury stock, at cost: 2,539,184 and 1,713,766 shares as of June 30, 2018 and December 31, 2017, respectively	(25,508)	(16,397)
Additional paid-in capital	95,680	105,308
Retained earnings (deficit)	10,425	(15,478)
Total stockholders' equity	80,620	73,455
Total Liabilities and Stockholders' Equity	\$ 84,872	\$ 82,618

(1) See complete, unaudited Condensed Consolidated Financial Statements and Notes related thereto within the Quarterly Report on Form 10-Q for the period ended June 30, 2018.

Appendix B: 10-Q Income Statement⁽¹⁾

<i>(in thousands, except per share data and percentages)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenues:				
Chemicals	\$ 726	\$ 846	\$ 1,347	\$ 3,127
License royalties, related party	3,523	1,866	6,753	3,621
Equipment sales	24	24,619	72	29,727
Total revenues	4,273	27,331	8,172	36,475
Operating expenses:				
Chemicals cost of revenue, exclusive of depreciation and amortization	902	645	1,613	2,403
Equipment sales cost of revenue, exclusive of depreciation and amortization	(198)	22,650	(346)	26,793
Payroll and benefits	2,759	2,033	4,973	4,215
Rent and occupancy	248	255	516	300
Legal and professional fees	1,213	1,219	2,761	2,254
General and administrative	846	395	1,748	1,850
Depreciation and amortization	72	118	188	600
Total operating expenses	5,842	27,315	11,453	38,415
Operating (loss) income	(1,569)	16	(3,281)	(1,940)
Other income (expense):				
Earnings from equity method investments	15,889	10,155	28,142	23,969
Interest expense	(412)	(628)	(748)	(1,321)
Other	34	507	60	3,416
Total other income	\$ 15,511	\$ 10,034	\$ 27,454	\$ 26,064
Income before income tax (benefit) expense	13,942	10,050	24,173	24,124
Income tax (benefit) expense	(1,349)	3,642	1,220	9,028
Net income	\$ 15,291	\$ 6,408	\$ 22,953	\$ 15,096
Earnings per common share (Note 1):				
Basic	\$ 0.76	\$ 0.29	\$ 1.13	\$ 0.68
Diluted	\$ 0.75	\$ 0.29	\$ 1.12	\$ 0.68
Weighted-average number of common shares outstanding:				
Basic	20,062	21,866	20,275	21,961
Diluted	20,195	21,880	20,386	21,981
Cash dividends declared per common share outstanding:	\$ 0.25	\$ 0.25	\$ 0.50	\$ 0.25

(1) See complete, unaudited Condensed Consolidated Financial Statements and Notes related thereto within the Quarterly Report on Form 10-Q for the period ended June 30, 2018.

Appendix C: 10-Q Cash Flow⁽¹⁾

<i>(in thousands)</i>	Six Months Ended June 30,	
	2018	2017
Cash flows from operating activities		
Net income	\$ 22,953	\$ 15,096
Adjustments to reconcile net income to net cash used in operating activities:		
Deferred tax benefit from release of valuation allowance	(498)	—
Depreciation and amortization	188	600
Provision for bad debt expense	153	—
Stock-based compensation expense	1,010	1,173
Earnings from equity method investments	(28,142)	(23,969)
Other non-cash items, net	39	509
Changes in operating assets and liabilities:		
Receivables	(64)	6,758
Prepaid expenses and other assets	(375)	(453)
Costs incurred on uncompleted contracts	15,945	25,634
Deferred tax asset, net	(246)	8,106
Other long-term assets	—	(767)
Accounts payable	323	(303)
Accrued payroll and related liabilities	152	(987)
Other current liabilities	(1,505)	(1,227)
Billings on uncompleted contracts	(15,945)	(28,671)
Other long-term liabilities	(135)	164
Legal settlements and accruals	—	(10,685)
Distributions from equity method investees, return on investment	2,700	2,875
Net cash used in operating activities	(3,447)	(6,147)

(1) See complete, unaudited Condensed Consolidated Financial Statements and Notes related thereto within the Quarterly Report on Form 10-Q for the period ended June 30, 2018.

Appendix C: 10-Q Cash Flow (continued)⁽¹⁾

<i>(in thousands)</i>	Six Months Ended June 30,	
	2018	2017
Cash flows from investing activities		
Distributions from equity method investees in excess of cumulative earnings	25,500	22,313
Acquisition of property, equipment and intangibles, net	(131)	(247)
Contributions to equity method investees	(750)	—
Net cash provided by investing activities	24,619	22,066
Cash flows from financing activities		
Dividends paid	(10,216)	—
Repurchase of common shares	(9,111)	(12,973)
Repurchase of common shares to satisfy tax withholdings	(359)	(517)
Borrowings on Line of Credit	—	808
Repayments on Line of Credit	—	(808)
Net cash used in financing activities	(19,686)	(13,490)
Increase in Cash and Cash Equivalents and Restricted Cash	1,486	2,429
Cash and Cash Equivalents and Restricted Cash, beginning of period	30,693	26,944
Cash and Cash Equivalents and Restricted Cash, end of period	\$ 32,179	\$ 29,373
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 660	\$ 1,791
Cash paid for income taxes	\$ 2,349	\$ 839
Supplemental disclosure of non-cash investing and financing activities:		
Dividends declared, not paid	\$ 63	\$ 5,268

(1) See complete, unaudited Condensed Consolidated Financial Statements and Notes related thereto within the Quarterly Report on Form 10-Q for the period ended June 30, 2018.