LiqTech International Announces 2020 Financial Results

BALLERUP, Denmark, March 25, 2021 — **LiqTech International, Inc.** (NASDAQ: LIQT) **("LiqTech"),** a clean technology company that manufactures and markets highly specialized filtration technologies, today reported fiscal year 2020 financial results for the period ended December 31, 2020.

2020 Highlights

- 2020 revenue of $22.5 million.
- Net loss of $9.8 million.
- Strong ending cash balance of $13.3 million.
- Increased R&D investment 70% above 2019.
- Developed significant market opportunities beyond marine scrubbers.
- Secured $15.0 million Senior Unsecured Convertible Note subsequent to year-end 2020.

Management Commentary

2020 was a very challenging year and our financial performance deteriorated significantly compared to 2019. We had a modest sequential improvement in fourth quarter revenues but do not anticipate meaningful improvement in our core business until later in 2021. Although steps were taken after the first quarter of 2020 to reduce and control costs wherever possible, we subsequently made an important decision to continue key investments in research & development and manufacturing for the future.

Our core marine scrubber market was hit particularly hard in 2020 by the COVID-19 pandemic. While underlying marine scrubber economic fundamentals have improved in early 2021, alongside increased customer interest and inquiry levels, incoming orders remain at a lower level than pre-pandemic levels. However, the price spread between high and low sulfur fuels (HSFO and LSFO), the key economic driver supporting investments in marine scrubbers to meet the IMO 2020 low sulfur emissions mandate, has steadily increased and remains above $100 per metric ton. As a result, shipowners are looking again to scrubbers as a cost-effective means to meet the IMO 2020 standard. Importantly, we also see new regulatory developments to reduce black carbon and polycyclic aromatic hydrocarbons (PAH) emissions, for which we already have products available.

Sune Mathiesen, CEO, commented, "We continue to look to the future in expanding LiqTech

beyond its historic reliance on the marine scrubber market to becoming a more diversified clean technology filtration company by leveraging our core membrane and filtration technologies into other attractive end markets. To generate near-term revenue growth, we are seeking to capitalize on the recovery and anticipated growth in the marine scrubber market. But perhaps more importantly longer term, we are looking to generate revenue growth through the launching of our water treatment solutions into the oil and gas market and by addressing the black carbon emissions reduction market, particularly for the Chinese marine industry. These clean technology opportunities are rapidly developing and provide increasing optimism for later in fiscal 2021 and beyond."

"In this regard, today we are announcing plans to build a manufacturing facility in China to serve the black carbon emissions reduction market for ocean-going and inland vessels. To help fund these important investments, we are also pleased to announce a $15 million convertible note at attractive terms."

"Our progress in the oil and gas and black carbon emissions reduction markets and the improving business case for marine scrubbers provide us with confidence in returning the Company to growth and profitability. We believe that our investments in R&D and manufacturing, coupled with a strong balance sheet, position us well to execute on our strategies."

2020 Financial Results

Net sales in 2020 were $22.5 million compared to $32.6 million in 2019, representing a decrease of $10.1 million, or 31%. The decline in revenue was a result of the negative impacts of the COVID-19 pandemic, which resulted in significant business restrictions across the globe and a substantial decline in demand for our marine scrubber water treatment systems and diesel particulate filters.

Net sales for the fourth quarter of 2020 were $4.1 million, in line with the preliminary outlook announced on January 26, 2021 but $2.1 million lower than fourth quarter 2019 revenues of $6.2 million, a decrease of 35%.

Gross profit in 2020 was $2.1 million, reflecting a gross profit margin of 9%, compared to $7.2 million in 2019, or a 22% gross profit margin. Gross profit for the fourth quarter of 2020 was negative $(0.7) million compared to $1.4 million in the fourth quarter of 2019. The unfavorable decline in gross profit for 2020 and for the fourth quarter of 2020 was due primarily to the steep drop in sales of liquid filters and water treatment systems, which historically have higher contribution margins than the Company's other products. Gross profit was further impaired by increased costs related to decisions made prior to COVID-19, when the Company invested in the expansion and improvement of its production facilities and the hiring of additional personnel. Also, the closing of operations in North America in 2020 resulted in inventory and equipment write downs, facility closure costs and employee

severance costs that totaled $0.63 million for the year and $0.14 million in the fourth quarter.

Total operating expense in 2020 was $10.4 million compared to $7.7 million in 2019, an increase of 34%. For the fourth quarter of 2020, total operating expense was $2.9 million compared to $2.5 million in the fourth quarter of 2019, an increase of 20%. The increase in total operating expense for both the year and fourth quarter was due to pre-COVID-19 decisions to hire additional personnel for research & development, marketing and sales. As part of the cost containment and cost reduction actions implemented after COVID-19, the number of SG&A employees has been cut by 30%. The closing of operations in North America resulted in facility closure costs and employee severance costs of $0.63 million for the year and $0.14 million in the fourth quarter.

Other income/(expense) in 2020 was $(2.0) million compared to $0.3 million in fiscal year 2019. For the fourth quarter of 2020, other expense was $(0.5) million compared to income of $0.05 million in the fourth quarter of 2019. Included in the net other income/(expense) for 2020 was the negative effect of $0.9 million resulting from the fair value treatment of the prefunded warrants issued in May 2020. Additionally, the loss on currency translation due to the USD/DKK exchange rate impacted net other income/(expense) by $(1.5) million compared to income of $0.3 million in 2019. Further, net income/(expense) was positively affected by $0.3 million relating to the gain on modification of the earn-out agreement with the former owner of LiqTech Plastics A/S.

Income taxes in 2020 were a benefit of $0.5 million compared to a benefit of $0.3 million in 2019.

Net income in 2020 was negative $(9.8) million compared to $0.04 million in 2019. For the fourth quarter of 2020, the net loss was $3.7 million compared to a net loss of $0.8 million in the fourth quarter of 2019.

Cash on hand and restricted cash at December 31, 2020 was $13.3 million compared to $9.8 million at December 31, 2019.

Marine Scrubber Market

The marine scrubber market continues to show signs of improvement following the global economic effects of the COVID-19 pandemic. The price spread between HSFO and LSFO has widened and appears now to have stabilized above $100 per metric ton. The improvement in the economic fundamentals of scrubbers has resulted in increased customer interest and inquiry levels. We are hopeful that a sustained fuel price spread above $100 per metric ton will help accelerate the normalization of the marine scrubber market in the second half of 2021.

Research analysts estimate that an additional 4,000 to 6,000 ships will yet be retrofitted with

exhaust gas scrubber systems. We continue to believe that trends in the marine scrubber market favor increased adoption of closed loop scrubbers that employ the Company's filtration technology. This transition to closed loop systems could accelerate with a potential global port ban of open loop systems, providing LiqTech the additional opportunity to supply conversion filtration systems for some 4,000 vessels that have already installed open loop or hybrid scrubber systems.

Black Carbon / NOx Reduction Marine Market

Our optimism in the rapidly developing black carbon market for ocean-going and inland marine vessels has led the Company to take a decision to move forward with plans to build a new manufacturing facility in China. The facility will manufacture both black carbon and NOx reduction products and will also function as a service center for our marine scrubber products.

Tightening legislation in the marine industry has created an enormous market opportunity to utilize our extensive experience in diesel particulate filters (DPF) to also reduce black carbon emissions. China is taking the lead in reducing their black carbon emissions but we also see new mandates in several European countries and have expectations that the IMO could likely implement global black carbon emissions reduction regulation. Today's announcement of our plans to build a new manufacturing facility in China is an important and exciting step towards capturing a significant share of this market.

Oil & Gas Market

The Company's Middle East joint venture is focused on the deployment of water filtration systems based on LiqTech's proprietary silicon carbide ceramic filtration technology for long-term water supply agreements with oil and gas producers. We are making progress towards receiving our first contract. The market in the Middle East is also being driven by tightening regulation for environmentally-friendly and sustainable solutions to address local water scarcity and oil production challenges. As discussed at our January 2021 investor day, travel restrictions have made it difficult to conduct necessary site assessments and have thereby caused a delay in the expected receipt of the first contract. However, we remain confident that we will see major orders from these oil and gas market opportunities later in 2021.

Capital Funding

On March 24, 2021, the Company entered into a purchase agreement for a $15.0 million convertible note with an institutional investor. We expect to utilize the proceeds from the note primarily to fund investments in manufacturing. The notes are convertible into LiqTech shares at a price approximating 120% of the current market price. The note will accrue interest at a rate of 5.0% per annum, payable quarterly, beginning on June 1, 2021, and the Company may be required to redeem certain amounts due under the note in either cash or

shares beginning on March 1, 2022. The notes will mature on October 1, 2023, unless earlier repurchased, redeemed or converted. Additional details will be made available in the Company's filings with the SEC.

Sune Mathiesen concluded, "We are putting the building blocks in place now to execute on an aggressive growth strategy centered on our proprietary silicon carbide filtration technology. We expect to play a pivotal role in mitigating environmental threats across a wide variety of industries. We believe 2021 will be the first of many exciting years for LiqTech."

Conference Call Details

Date and Time: Thursday, March 25, 2021 at 9:00 a.m. ET

Call-in Information: Interested parties can access the conference call by dialing (833) 535-2206 or (412) 902-6741.

Replay: A teleconference replay of the call will be available until April 1, 2021 at (877) 344-7529 or (412) 317-0088, confirmation #10153272.

About LiqTech International Inc.

LiqTech International, Inc., a Nevada corporation, is a clean technology company that provides state-of-the-art ceramic silicon carbide filtration technologies for gas and liquid purification. LiqTech's silicon carbide membranes are designed to be used in the most challenging water purification applications and its silicon carbide filters are used to control diesel exhaust soot emissions. Using nanotechnology, LiqTech develops products using its proprietary silicon carbide technology, resulting in a wide range of component membranes, membrane systems and filters for both microfiltration and ultrafiltration applications. By incorporating LiqTech's SiC liquid membrane technology with the Company´s extensive systems design experience and capabilities, LiqTech offers unique, turnkey solutions for the most difficult water purification applications.

For more information, please visit: www.liqtech.com

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Forward-Looking Statement

This press release contains "forward-looking statements." Although the forward-looking statements in this release reflect the good faith judgment of management, forward-looking statements are inherently subject to known and unknown risks and uncertainties that may

cause actual results to be materially different from those discussed in these forward-looking statements. Readers are urged to carefully review and consider the various disclosures made by us in the reports filed with the Securities and Exchange Commission, including the risk factors that attempt to advise interested parties of the risks that may affect our business, financial condition, results of operation and cash flows. If one or more of these risks or uncertainties materialize, or if the underlying assumptions prove incorrect, our actual results may vary materially from those expected or projected. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this release.

We assume no obligation to update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of this release.

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LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET (UNAUDITED)

	As of December 31, 2020 (Unaudited)	As of December 31, 2019
Current Assets:		
Cash, cash equivalent and Restricted Cash	$ 13,264,449	$ 9,783,932
Accounts receivable, net	3,040,602	6,272,760
Inventories, net	5,522,038	5,199,238
Contract assets	2,796,632	5,664,929
Prepaid expenses and other current assets	919,936	566,398
Total Current Assets	25,543,657	27,487,257
Other Assets:		
Property and Equipment, net	6,891,798	4,619,825
Financial leased assets, net	3,429,713	206,127
Operating lease right-of-use assets	4,947,734	5,053,614
Deposits and other assets	545,673	498,053
Intangible assets, net	565,160	488,716
Goodwill	260,233	236,131
Total Long-Term Assets	16,640,311	11,102,466
Total Assets	$ 42,183,968	$ 38,589,723

LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET (UNAUDITED)

	As of December 31, 2020 (Unaudited)	As of December 31, 2019
Current Liabilities:		
Accounts payable	$ 2,332,151	$ 4,339,070
Accrued expenses	4,552,639	3,222,951
Current portion of finance lease obligation	394,839	34,772
Current portion of operating lease obligations	1,026,235	999,685
Current portion of earn-out liability	330,164	299,585
Contract liabilities	1,152,167	1,421,376
Accrued income taxes payable	570	14,692
Total Current Liabilities	9,788,765	10,332,131
Deferred tax liability	305,167	338,763
Finance lease obligation, net of current portion	3,112,496	172,273
Operating lease liability, net of current portion	4,159,225	4,141,855
Earn-out liability, net of current portion	–	599,170
Total Long-Term Liabilities	7,576,888	5,252,061
Total Liabilities	17,365,653	15,584,192
Stockholders' Equity:		
Common stock; par value $0,001, 25,000,000 shares authorized and 21,655,411 and 20,547,668 shares issued and outstanding at December 31, 2020 and December 31, 2019, respectively	21,655	20,548
Additional paid-in capital	69,897,698	61,398,150
Accumulated deficit	(42,054,967)	(32,246,608)
Other comprehensive loss	(3,046,071)	(6,166,559)
Total Stockholders' Equity	24,818,315	23,005,531
Total Liabilities and Stockholders' Equity	$ 42,183,968	$ 38,589,723

LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	For the years ended December 31, 2020	2019
Revenue	$ 22,526,201	$ 32,637,484
Cost of Goods Sold	20,379,519	25,475,170
Gross Profit	2,146,682	7,162,314
Operating Expenses:		
Selling expenses	2,918,418	2,426,971
General and administrative expenses	6,205,040	4,563,216
Research and development expenses	1,278,331	749,249
Total Operating Expense	10,401,789	7,739,436
Income (Loss) from Operations	(8,255,107)	(577,122)
Other Income (Expense)		
Gain on modification of earn-out liability	306,077	–
Interest and other income	139,513	73,635
Interest expense	(120,903)	(18,831)
Fair value adjustment of warrants	(901,250)	–

Gain (Loss) on currency transactions	(1,469,607)	285,742
Gain (Loss) on sale of fixed assets	27,772	(21,060)
Total Other Income (Expense)	(2,018,398)	319,486
Income (Loss) Before Income Taxes	(10,273,505)	(257,636)
Income Tax Provisions (Benefit)	(465,145)	(297,252)
Net Income (Loss)	(9,808,360)	39,616
Basic Income (Loss) Per Share	$ (0.46)	$ 0.00
Diluted Income (Loss) Per Share	$ (0.46)	$ 0.00
Basic Weighted Average Common Shares Outstanding	21,209,118	19,652,277
Diluted Weighted Average Common Shares Outstanding	21,209,118	19,667,752

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