LiqTech International Announces Financial Results for Fourth Quarter and Full Year 2022

BALLERUP, Denmark, March 22, 2023 — **LiqTech International, Inc.** (NASDAQ: LIQT) ("LiqTech"), a clean technology company that manufactures and markets highly specialized filtration technologies, today announced its financial results for the fourth quarter and fiscal year ended December 31, 2022.



2022 Financial Highlights

- Full year revenue of $16.0 million, a decrease of 13% from 2021.
- Net loss of $(14.2) million
- Strong ending cash balance of $16.6 million.

Q4 2022 Financial Highlights

- Q4 2022 revenue of $4.0 million, a 22% sequential increase from Q3 2022.
- Operating expense of $2.3 million (excluding restructuring costs), down 37% from Q4 2021 and $0.1 million compared to Q3 2022.
- Net loss of $(2.2) million compared to $(2.7) million in Q4 2021

Recent Operational Highlights

- Appointed Fei Chen as President and Chief Executive Officer and strengthened senior leadership team.
- Received new filtration system order from major oil & gas customer for monoethylene glycol ("MEG") recovery.
- Received wastewater treatment system order from major Danish customer for metal processing.
- Entered distribution agreement with National Energy Services Reunited Corp. (NASDAQ: NESR) to commercialize produced water treatment filtration solutions for re-injection in fifteen selected countries throughout the Middle East, Northern Africa, and Southeastern Asia.
- Entered cooperation agreement with U.S.-based Ecolotron Wastewater Solutions, Inc., a firm specializing in electrolytic water treatment, for commercialization of combined solutions for acid purification.
- Entered distribution agreement with Liquinex, a Singapore-based water and wastewater

treatment company, to supply silicon carbide ceramic membranes in Singapore.
- Launched new Aqua Solution® membrane to address swimming pool and spa filtration market.

Management Commentary

Fei Chen, CEO of LiqTech, stated, “Following my appointment in September 2022, we moved quickly to define our corporate vision and commercial strategy, with a clear focus on recurring revenue and large systems opportunities. My initial actions included the hiring and appointment of a senior leadership team and the staffing of key sales personnel to accelerate revenue growth. These actions have already resulted in the expansion of recurring revenue prospects-we now have a much larger and more reliable pipeline of swimming pool, DPF, and plastics business opportunities.”

“From a systems standpoint, we recently received new system orders for monoethylene glycol recovery in the oil & gas industry and wastewater treatment for the metal processing industry, two key end markets that can play a significant role in our future growth. Another important component in our commercial strategy is the expansion of distribution partnerships. We have signed three new agreements that will expand our geographic reach in the Middle East, Northern Africa, Southeastern Asia, and the USA.”

“While our primary focus is to further develop and commercialize the Company’s core filtration technology to drive profitable revenue growth, we have also successfully improved cash flows, having reduced both fixed costs and discretionary operating expenses during 2022. Compared to the third quarter of 2022, our sequential quarter-end cash balance only decreased by $1.0 million. We have reduced our operating expense by 37% from the prior-year period, helping to substantially reduce our revenue breakeven point. With defined marketing strategies in place and a stronger commercial sales team, I am confident we are on the right path to sustainably and profitably grow LiqTech in the future,” Chen concluded.

2022 Financial Results

Revenue for 2022 was $16.0 million compared to $18.3 million in 2021, representing a decrease of 13%. The decrease was primarily due to a reduction in sales of water treatment systems and currency headwinds from the weaker EUR and DKK currencies compared to the USD partially offset by higher activity within our ceramic DPF filters and plastics businesses.

Gross profit for 2022 was $0.6 million, reflecting a gross profit margin of 3.5%, compared to $1.6 million, or a gross profit margin of 8.6%, in 2021. The decrease in gross profit was due largely to lower revenue, combined with a lower share of system sales that typically command a higher average gross margin. Gross profit was further impacted by the European energy crisis, rising input cost inflation and finally an increased provision of $0.4 million for inventory obsolescence. To defend profitability, we launched proactive measures to help

optimize capacity, cut cost, and implemented energy price surcharges.

Total operating expense for 2022 was $13.1 million compared to $12.3 million in 2021. The increase was attributable primarily to the cost reduction and reorganization actions that were taken during the year ($1.9 million), as well as higher personnel costs related to the CEO transition ($0.9 million). Excluding these, total operating expense in 2022 was down approximately 16% from 2021. Importantly, Q4 2022 operating expense continued to trend sequentially lower to $2.3 million (excluding restructuring expense), compared to $2.4 million reported in Q3 2022.

Other Income (Expense) in 2022 was $(1.9) million compared to $(0.5) million in 2021. The change was related mainly to the lower gain on foreign currency transactions and the early repayment of the Convertible Note, reflecting the full recognition of the repayment premium and amortization cost in the second quarter of 2022. Other income for the year benefitted from the decrease in interest expense, COVID-19 grants relating to the Danish legal entities, and a gain on lease terminations related to the China closure.

Net Loss in 2022 was $(14.2) million compared to $(11.1) million in 2021, mainly due to lower revenue and gross profit, non-recurring restructuring costs, early repayment of the Convertible Note, and finally the termination of the planned China capacity expansion.

Cash on hand (including restricted cash) on December 31, 2022, was $16.6 million compared to $17.5 million on December 31, 2021, and $17.6 million on September 30, 2022.

Q1 2023 Outlook

The Company expects Q1 2023 revenue of approximately $4.0 million, compared to $3.6 million for Q1 2022.

Conference Call Details

Date and Time: Wednesday, March 22, 2023, 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.

Webcast: Interested parties can access the conference call via a live webcast, which is available in the Investor Relations section of the Company’s website at https://www.liqtech.com/investor-relations/ or at https://app.webinar.net/XLVE36YNoAM.

Replay: A teleconference replay of the call will be available until March 29, 2023, at (877) 344-7529 or (412) 317-0088, confirmation #5527598.

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. Applying 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 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 SHEETS

	As of December 31, 2022	As of December 31, 2021

Current Assets:		
Cash, cash equivalents and Restricted cash	$ 16,597,371	$ 17,489,380
Accounts receivable, net of allowance for doubtful accounts of $59,559 and $409,076 at December 31, 2022 and December 31, 2021, respectively	2,310,344	1,957,579
Inventories, net of allowance for excess and obsolete inventory of $663,227 and $268,470 at December 31, 2022 and December 31, 2021, respectively	4,062,001	5,421,027
Contract assets	2,253,295	1,906,510
Prepaid expenses and other current assets	1,720,902	1,292,285
Assets Held for Sale	723,872	–
Total Current Assets	27,667,785	28,066,781
Long-Term Assets:		
Property and Equipment, net of accumulated depreciation of $9,046,499 and $7,554,806 at December 31, 2022 and December 31, 2021, respectively	8,296,807	8,858,993
Operating lease right-of-use assets	3,271,997	6,925,807
Deposits and other assets	450,038	628,109
Intangible assets, net of accumulated amortization of $438,250 and $357,231 at December 31, 2022 and December 31, 2021, respectively	212,933	334,743
Goodwill	226,095	240,259
Total Long-term Assets	12,457,870	16,987,911
Total Assets	**$ 40,125,655**	**$ 45,054,692**

LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	As of December 31, 2022	As of December 31, 2021
Current Liabilities:		
Accounts payable	$ 1,389,355	$ 1,646,662
Accrued expenses	3,087,206	4,685,665
Current portion of finance lease obligations	399,198	373,824
Current portion of operating lease liabilities	561,182	846,544
Current portion of convertible note payable	–	8,400,000
Contract liabilities	649,557	914,828
Total Current Liabilities	6,086,498	16,867,523
Deferred tax liability	154,645	224,779
Other liabilities, net of current portion	–	346,939
Finance lease obligation, net of current portion	2,384,011	2,499,591
Operating lease liability, net of current portion	2,710,815	6,154,064
Convertible note payable, less current portion	5,480,314	6,186,936
Total Long-term liabilities	10,729,785	15,412,309
Total Liabilities	16,816,283	32,279,832
Stockholders' Equity:		
Preferred stock; par value $0.001, 2,500,000 shares authorized, 0 shares issued and outstanding at December 31, 2022 and December 31, 2021, respectively	–	–
Common stock; par value $0.001, 100,000,000 shares authorized 43,986,079 and 21,285,706 shares issued and outstanding at December 31, 2022 and December 31, 2021, respectively	43,986	21,285
Additional paid-in capital	96,936,988	70,910,902
Accumulated deficit	(67,351,035)	(53,181,928)
Accumulated other comprehensive loss	(6,320,567)	(4,975,399)
Total Stockholders' Equity	23,309,372	12,774,860
Total Liabilities and Stockholders' Equity	**$ 40,125,655**	**$ 45,054,692**

LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Years Ended December 31,	
	2022	**2021**
Revenue	$ 15,982,438	$ 18,273,442
Cost of Goods Sold	15,415,294	16,697,296
Gross Profit	567,144	1,576,146
Operating Expenses:		
Selling expenses	3,669,887	4,564,188
General and administrative expenses	5,701,955	5,836,629
Research and development expenses	1,835,890	1,862,653
Restructuring costs	1,893,166	–
Total Operating Expenses	13,100,898	12,263,470
Loss from Operations	(12,533,754)	(10,687,324)
Other Income (Expense)		
Interest and other income	384,058	371,467
Interest expense	(419,942)	(708,176)
Amortization of discount on convertible note	(2,389,128)	(835,331)
Gain on currency transactions	404,162	668,255
Gain on lease termination	147,452	–
Gain on sale of fixed assets	635	1,113
Total Other Expense	(1,872,763)	(502,672)
Loss Before Income Taxes	(14,406,517)	(11,189,996)
Income Tax Benefit	(237,410)	(63,036)
Net Loss	(14,169,107)	(11,126,960)
Basic and Diluted Loss Per Share	$ (0.40)	$ (0.52)
Basic and Diluted Weighted Average Common Shares Outstanding	35,395,466	21,567,112

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