

LiqTech International Announces First Quarter 2021 Financial Results

BALLERUP, Denmark, May 12, 2021 — **LiqTech International, Inc. (NASDAQ: LIQT) (“LiqTech”)**, a clean technology company that manufactures and markets highly specialized filtration technologies, today reported first quarter 2021 financial results for the period ended March 31, 2021.

LIQTECH

First Quarter 2021 Highlights

- First quarter revenue of \$4.0 million.
- Net loss of \$2.5 million.
- Strong ending cash balance of \$10.7 million.
- Invested in sales and engineering personnel to drive revenue growth.
- Developed significant opportunities in key markets beyond marine scrubbers.

Highlights Subsequent to First Quarter

- Received first orders for the China marine vessel black carbon reduction market.
- Received \$2.2 million order for acid filtration.
- Order intake at highest level in more than a year.
- Secured \$15.0 million senior unsecured convertible note to support growth plans.

Management Commentary

Revenue for the first quarter continued to be negatively affected by the COVID-19 pandemic, although it was in line with our previously announced expectations. While we are seeing an overall improvement in market activity, we are not expecting revenue to materially improve until the second half of 2021.

Our core marine scrubber market continued to be negatively impacted by the COVID-19 pandemic in the first quarter. 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 continued to widen and is now above \$110 per metric ton. As a result, shipowners are looking again to scrubbers as a cost-effective means to meet the IMO 2020 standard and we are seeing a steady increase in inquiries and improving order intake. Importantly, still more ports are banning the discharge of open-loop scrubber waste water. The IMO is expected to discuss a harmonization of open

loop scrubber water discharge regulations in June 2021.

“We are gaining market traction in the three primary areas of revenue growth we have previously noted: 1) a rebound in the marine scrubber market; 2) the launch of our water treatment solutions through our joint venture for the Middle East oil and gas market and; 3) development of the marine black carbon reduction market,” commented Sune Mathiesen, CEO of LiqTech.

“We have received our first orders for the black carbon reduction market for marine vessels in China, a market that we believe has significant future potential for LiqTech. We have previously announced our plans to establish a manufacturing facility in China to service this market. We are now working to complete the site selection and are making good progress.”

Mr. Mathiesen further commented, “The first orders for the black carbon reduction market and recent orders for new applications highlights the progress we are making in leveraging our proprietary silicon carbide filtration technology to expand beyond our historical reliance on a single market. We are continuing our efforts in diversifying our business and we believe that we will see still more orders from new end markets.”

“While the first quarter results continued to reflect the impacts of the COVID-19 pandemic, our first orders for the black carbon reduction market coupled with an improving order intake in the marine scrubber market and a continuously growing pipeline in oil & gas provide us greater confidence in ramping revenues in the second half of 2021. Starting from the third quarter last year, we made significant strategic investments in our sales organization to drive revenue growth. We are pleased to note that our current order intake is at its highest level in more than a year. We expect new orders for the second quarter to exceed \$10 million, marking a milestone in the recovery of our business post COVID-19.”

Q1 2021 Financial Results

Revenue for the first quarter of 2021 was \$4.0 million compared to \$10.3 million in the first quarter of 2020, representing a decrease of \$6.3 million, or 61%. The steep decline in revenue was a result of the negative impacts of the COVID-19 pandemic, which resulted in business restrictions across the globe and a substantial decline in demand for our marine scrubber water treatment systems.

Gross profit for the first quarter of 2021 was \$0.1 million, reflecting a gross profit margin of 2.9%, compared to \$2.6 million for the first quarter of 2020, or a 25.7% gross profit margin. This accompanying decline in gross profit for the first quarter of 2021 was due primarily to the steep drop in sales of liquid filters and water treatment systems. 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.

Total operating expense for the first quarter of 2021 was \$2.9 million compared to \$2.5 million for the first quarter of 2020, an increase of 19%. On a comparative basis to the prior period, operating expense was unfavorably impacted by \$0.2 million in currency translation effects and by an increase in sales and engineering expense from the strategic decision to increase these investments to drive revenue growth.

Other income for the first quarter of 2021 was \$0.3 million compared to \$0.1 million in the first quarter of 2020.

Net income for the first quarter of 2021 was negative \$(2.5) million compared to \$0.3 million for the first quarter of 2020, a result of the significant decrease in revenues.

Cash on hand and restricted cash at March 31, 2021 was \$10.7 million compared to \$13.3 million at December 31, 2020. The Company secured a \$15 million senior unsecured convertible note subsequent to first quarter.

Marine Scrubber Market

The marine scrubber market continues to improve following the global economic effects of the COVID-19 pandemic. The price spread between HSFO and LSFO has continued to gradually widen and has currently stabilized above \$110 per metric ton. The subsequent improvement in the economic fundamentals of scrubbers has resulted in increasing customer interest and higher inquiry levels. We continue to believe that this widening of the fuel price spread 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 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

As previously noted last quarter, our optimism in the rapidly developing black carbon market for ocean-going and inland marine vessels led the Company to take a decision to move forward with plans to develop a new manufacturing facility in China. We are working to complete the site selection and are making good progress. 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.

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. 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. We continue to grow our sales pipeline for oil & gas and we expect to book significant orders in 2021.

Conference Call Details

Date and Time: Wednesday, May 12, 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 May 19, 2021 at (877) 344-7529 or (412) 317-0088, confirmation #10155377.

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**

	As of March 31, 2021 (Unaudited)	As of December 31, 2020
Current Assets:		
Cash, Cash equivalent and Restricted Cash	\$ 10,657,307	\$ 13,264,449
Accounts receivable, net	2,348,049	3,129,109
Inventories, net	5,408,698	5,522,038
Contract assets	1,820,157	2,708,136
Prepaid expenses and other current assets	920,860	1,031,194
Total Current Assets	21,155,071	25,654,926
Long-Term Assets:		
Property and Equipment, net	9,871,522	10,321,511
Operating lease right-of-use assets	4,527,952	4,947,734
Deposits and other assets	523,789	545,673
Intangible assets, net	430,402	480,060

Goodwill	248,520	260,233
Total Long-Term Assets	15,602,185	16,555,211
Total Assets	\$ 36,757,256	\$ 42,210,137

LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

	As of March 31, 2021 (Unaudited)	As of December 31, 2020
Current Liabilities:		
Accounts payable	\$ 1,867,125	\$ 2,332,151
Accrued expenses	4,222,873	4,909,531
Current portion of finance lease obligation	379,817	394,839
Current portion of operating lease obligations	939,850	1,026,235
Contract liabilities	1,237,614	1,152,178
Total Current Liabilities	8,647,279	9,814,934
Deferred tax liability	275,407	305,167
Finance lease obligation, net of current portion	2,876,412	3,112,496
Operating lease liability, net of current portion	3,808,405	4,159,225
Total Long-Term Liabilities	6,960,224	7,576,888
Total Liabilities	15,607,503	17,391,822

Stockholders' Equity:

Common stock; par value \$0,001, 25,000,000 shares authorized and 21,697,373 and 21,655,461 shares issued and outstanding at March 31, 2021 and December 31, 2020, respectively	21,697	21,655
Additional paid-in capital	70,000,044	69,897,698
Accumulated deficit	(44,514,397)	(42,054,968)
Other comprehensive loss	(4,357,591)	(3,046,070)
Total Stockholders' Equity	21,149,753	24,818,315
Total Liabilities and Stockholders' Equity	\$ 36,757,256	\$ 42,210,137

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

	For the three months ended March 31,	
	2021	2020
Revenue	\$ 3,997,877	\$ 10,281,844
Cost of Goods Sold	3,883,262	7,642,768
Gross Profit	114,615	2,639,076
Operating Expenses:		
Selling expenses	1,009,498	676,800
General and administrative expenses	1,474,670	1,470,393
Research and development expenses	437,607	310,954
Total Operating Expense	2,921,775	2,458,147
Income (Loss) from Operations	(2,807,160)	180,929
Other Income (Expense)		
Interest and other income	-	4,490
Interest expense	(40,419)	(104,856)
Gain on currency transactions	371,684	207,627
Total Other Income	331,265	107,261
Income (Loss) Before Income Taxes	(2,475,895)	288,190
Income Tax Provisions (Benefit)	(16,466)	(15,309)

Net Income (Loss)	(2,459,429)	303,499
Basic Income (Loss) Per Share	\$ (0.11)	\$ 0.01
Diluted Income (Loss) Per Share	\$ (0.11)	\$ 0.01
Basic Weighted Average Common Shares Outstanding	21,677,186	20,554,524
Diluted Weighted Average Common Shares Outstanding	21,677,186	20,711,035

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