

## **LiqTech International Announces Second Quarter 2021 Financial Results**

BALLERUP, Denmark, Aug. 16, 2021 — **LiqTech International, Inc.** (NASDAQ: LIQT) ("**LiqTech**"), a clean technology company that manufactures and markets highly specialized filtration technologies, today reported second quarter 2021 financial results for the period ended June 30, 2021.

# **LIQTECH**

### **Second Quarter 2021 Highlights**

- Second quarter revenue of \$4.0 million.
- Net loss of \$3.1 million.
- Positive cash flow from operations of \$0.4 million.
- Strong ending cash balance of \$25.1 million.
- Secured \$15.0 million senior unsecured convertible note to support growth plans.
- Received \$2.2 million order for acid filtration.
- Received first orders for the China marine vessel black carbon reduction market.

### **Highlights Subsequent to Second Quarter**

- Received first order for a new offshore deep-sea drilling application in the oil & gas market.
- Received several orders for new non-marine applications.
- Signed key leasing and investment agreements for the new Chinese manufacturing site.

### **Management Commentary**

Revenue was in line with our expectations as second quarter financial results continued to be affected by the slowdown in the marine scrubber industry from the COVID-19 pandemic. However, we see overall improving market trends, particularly in the marine industry. Given this improvement and coupled with our breakthrough new orders and current backlog, we expect revenue to more than double in the second half of 2021.

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 stabilized above \$100 per metric ton providing shipowners much greater confidence in achieving good investment returns on their scrubbers. As a result, 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 but the IMO have deferred committee discussion to harmonize open loop scrubber water discharge regulations until November 2021.

Mr. Sune Mathiesen, CEO, commented, “We are pleased to announce the receipt of our first commercial order for a difficult offshore deep-sea drilling application in the oil & gas market. We will be deploying our proprietary membrane technology to recover and reuse ethylene glycol. This application has historically been very challenging but our technology has proven more efficient and effective than traditional equipment in pilot trials. The order came from one of the largest oil & gas companies in the world and the application has good potential for LiqTech in the future. This first order is scheduled for delivery later in 2021.” Mr. Mathiesen further commented, “We also received our first orders for the black carbon reduction market for marine vessels in China, a market that we believe also holds significant future potential for LiqTech. Taken together, these initial new market entries highlight the diversification we are seeking to achieve as we leverage our proprietary silicon carbide filtration technology to expand beyond our historical reliance on a single market.”

“Starting from the third quarter last year, we have made significant strategic investments in our market approach and selling organization to drive revenue growth and we are pleased with our progress. We continue to gain market traction in the three primary areas of revenue growth that have been previously highlighted: 1) a rebound in the global marine scrubber market; 2) the launch of our water treatment solutions through our Middle East oil & gas joint venture and; 3) the development of the marine black carbon reduction market,” commented Sune Mathiesen, CEO of LiqTech.

## **Q2 2021 Financial Results**

Revenue for the second quarter of 2021 was \$4.0 million compared to \$4.6 million in the second quarter of 2020, representing a decrease of \$0.6 million, or 13%. The decline in revenue was a result of the negative impacts of the COVID-19 pandemic that resulted in business restrictions and lower economic activity across the globe and a substantial decline in demand for our marine scrubber water treatment systems.

Gross profit for the second quarter of 2021 was \$0.3 million, reflecting a gross profit margin of 8.0%, compared to \$0.5 million for the second quarter of 2020, or a 10.7% gross profit margin. This accompanying decline in gross profit for the second quarter of 2021 was due primarily to the decline in sales of liquid filters and water treatment systems. Gross profit was further reduced by higher costs related to the Company’s continued investments in the expansion and improvement of its production facilities, and more competitive market pricing.

Total operating expense for the second quarter of 2021 was \$2.9 million compared to \$2.4 million for the second quarter of 2020, an increase of 19%. Compared to the prior period, operating expense was substantially higher from strategic decisions taken last year to

increase selling and engineering investments to drive revenue growth.

Net other expense for the second quarter of 2021 was negative \$(0.5) million compared to a negative \$(0.6) million in the second quarter of 2020. The negative result in the second quarter of 2021 was mainly due to amortization discount and interest expense on the Convertible Note.

Net loss for the second quarter of 2021 was \$(3.1) million compared to \$(2.6) million for the second quarter of 2020, resulting primarily from the decrease in revenue and higher operating expense.

Cash on hand and restricted cash at June 30, 2021 was \$25.1 million compared to \$13.3 million at December 31, 2020. We benefited from lower working capital in the quarter due primarily to the Danish government's payment extension to Danish businesses of certain tax liabilities. The Company secured a \$15 million senior unsecured convertible note in April 2021.

### **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 stabilized above \$100 per metric ton. The subsequent improvement in the economic fundamentals of scrubbers has resulted in increased customer interest and higher inquiry levels. We continue to believe that this stabilization 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 continue to 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, 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 have now completed the site selection and signed the key lease and investment agreements. We have also hired a Danish executive with excellent prior experience in China to lead our efforts there on the ground. We remain on track to be operational in the second half of 2022. 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. Today's announcement of our first order for ethylene glycol recovery in the deep-sea oil & gas market is another important and exciting step towards establishing our technology in this market.

## **Conference Call Details**

**Date and Time:** Monday, August 16, 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 August 23, 2021 at (877) 344-7529 or (412) 317-0088, confirmation #10158929.

## **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](http://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**

	<b>As of June 30, 2021 (Unaudited)</b>	<b>As of December 31, 2020</b>
<b>Current Assets:</b>		
Cash, Cash equivalent and Restricted Cash	\$ 25,116,746	\$ 13,264,449
Accounts receivable, net	2,404,608	3,129,109
Inventories, net	5,574,487	5,522,038
Contract assets	1,787,259	2,708,136
Prepaid expenses and other current assets	828,881	1,031,194

Total Current Assets	35,711,981	25,654,926
<b>Long-term Assets:</b>		
Property and Equipment, net	9,823,625	10,321,511
Operating lease right-of-use assets	4,678,293	4,947,734
Deposits and other assets	530,419	545,673
Intangible assets, net	408,186	480,060
Goodwill	251,928	260,233
Total Long-Term Assets	15,692,451	16,555,211
<b>Total Assets</b>	<b>\$ 51,404,432</b>	<b>\$ 42,210,137</b>


**LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET**

	<b>As of June 30, 2021 (Unaudited)</b>	<b>As of December 31, 2020</b>
<b>Current Liabilities:</b>		
Accounts payable	\$ 1,761,217	\$ 2,332,151
Accrued expenses	5,925,004	4,908,961
Contract liabilities	1,907,343	1,152,748
Current portion of finance lease obligation	387,999	394,839
Current portion of operating lease obligations	698,645	1,026,235
Current portion of Convertible Note payable	3,360,000	-
Total Current Liabilities	14,040,208	9,814,934
Deferred tax liability	267,564	305,167
Convertible Note payable, net of current portion	10,643,409	-
Other liabilities, net of current portion	579,482	-
Finance lease obligation, net of current portion	2,817,567	3,112,496
Operating lease liability, net of current portion	3,979,648	4,159,225
Total Long-Term Liabilities	18,287,670	7,576,888
Total Liabilities	32,327,878	17,391,822
<b>Stockholders' Equity:</b>		
Common stock; par value \$0,001, 25,000,000 shares authorized and 21,777,373 and 21,655,461 shares issued and outstanding at June 30, 2021 and December 31, 2020, respectively	21,777	21,655
Additional paid-in capital	70,656,769	69,897,698
Accumulated deficit	(47,612,505)	(42,054,968)
Other comprehensive loss	(3,989,487)	(3,046,070)
Total Stockholders' Equity	19,076,554	24,818,315
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 51,404,432</b>	<b>\$ 42,210,137</b>

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

	<b>For the Three Months Ended June 30,</b>		<b>For the Six Months Ended June 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Revenue</b>	\$ 4,016,563	\$ 4,641,483	\$ 8,014,440	\$ 14,923,327
Cost of Goods Sold	3,695,853	4,147,020	7,579,115	11,789,788
<b>Gross Profit</b>	320,710	494,463	435,325	3,133,539
<b>Operating Expenses:</b>				
Selling expenses	1,202,586	605,947	2,212,084	1,282,747
General and administrative expenses	1,247,132	1,509,772	2,721,802	3,059,530
Research and development expenses	434,629	316,559	872,236	627,513
Total Operating Expense	2,884,347	2,432,278	5,806,122	4,969,790
<b>Loss from Operations</b>	(2,563,637)	(1,937,815)	(5,370,797)	(1,836,251)
<b>Other Income (Expense)</b>				
Interest and other income	-	247	-	4,737
Interest expense	(215,598)	(36,047)	(256,017)	(61,538)
Amortization discount on Convertible note	(251,804)	-	(251,804)	-
Gain (Loss) on currency transactions	(83,696)	(368,561)	287,988	(160,934)
Gain on sale of fixed assets	1,134	-	1,134	-
Adjustment fair value Warrants	-	(236,900)	-	(236,900)

Total Other Income (Expense)	(549,964)	(641,261)	(218,699)	(454,635)
<b>Loss Before Income Taxes</b>	(3,113,601)	(2,579,076)	(5,589,496)	(2,290,886)
Income Tax Benefit	(15,493)	(15,265)	(31,959)	(30,574)
<b>Net Loss</b>	\$ (3,098,108)	\$ (2,563,811)	\$ (5,557,537)	\$ (2,260,312)
<b>Basic and diluted Loss Per Share</b>	\$ (0.14)	\$ (0.12)	\$ (0.26)	\$ (0.11)
<b>Basic and Diluted Weighted Average Common Shares Outstanding</b>	21,769,461	20,963,186	21,723,578	20,758,855

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