LiqTech International Announces Third Quarter 2022 Financial Results

BALLERUP, Denmark, Nov. 10, 2022 — **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 third quarter of 2022.

Q3 2022 Highlights

- Appointed Fei Chen as President and Chief Executive Officer.
- Q3 2022 revenue of $3.3 million, a decrease of 20% from Q3 2021.
- Operating expenses of $2.4 million, down 19% sequentially from the second quarter.
- Net loss of $(1.8) million compared to $(2.9) million in the year-ago quarter.
- Strong ending cash balance of $17.6 million.
- Progressed the manufacturing of membranes and filters to fulfill key year-end deliveries.
- Received and installed new production equipment, including de-binding furnaces.

Highlights Subsequent to Q3 2022

- Exceeded customer performance expectations for a produced water treatment system for the oil and gas industry deployed in the Middle East.
- Achieved successful commercial launch of filtration system for phosphoric acid application in the U.S.
- Received strategic water treatment system order for oily wastewater application in metal processing.
- Launched our Aqua Solution® membrane to address the swimming pool and spa filtration market.

Management Commentary

Fei Chen, CEO of LiqTech, stated, "We have moved quickly to accelerate several commercial and business development opportunities, while maintaining focus on critical operational efficiencies to drive profitability. We have recently received new system orders for applications in industrial wastewater and swimming pool water filtration, with expected deliveries starting in the fourth quarter of this year. We are also very pleased to announce that our first commercial, produced water treatment system in the Middle East has exceeded performance specifications initially outlined by our customer. This is a critical milestone to

support our growth ambitions in the region.”

“Looking forward, we will sharpen our commercial applications focus and communicate clear market and business strategies to our people. Specifically, we will work to grow our market share in our base, recurring business areas such as pool & spa water filtration, diesel particulate filters, membranes, plastics and our aftermarket parts and service business. Just last week, we launched our new Aqua Solution® membrane that demonstrates notable improvements both in production process stability as well as final product robustness. The launch of this improved membrane and the installation of new production equipment are helping to build a solid foundation for our future growth in recurring business. Further, we will expand our efforts to build market share in other market segments where our silicon carbide membrane technology delivers competitive advantage and a compelling value proposition. I look forward to providing additional details on this enhanced commercial strategy in the coming quarters.”

Q3 2022 Financial Results

Revenue for the third quarter of 2022 was $3.3 million compared to $4.1 million in the third quarter of 2021, representing a decrease of 20%. The decrease was primarily due to a reduction in sales of water treatment systems.

Gross profit for the third quarter of 2022 was $0.1 million, reflecting a gross profit margin of 3.2%, compared to $0.2 million, or a gross profit margin of 4.7%, for the same period in 2021. The small decrease resulted mainly from the continued negative impacts of rising input cost inflation associated with the production of our silicon carbide products and systems. Specifically, third quarter results were negatively impacted by very high electricity prices and inflationary cost increases associated with labor, freight and raw materials. The gross profit in the third quarter was further impacted by an increased provision for excess and obsolete inventory, resulting from write-downs of selected items and the implementation of revised standard cost calculations. The negative impact of all of this on gross profit was partially offset by sales of higher-margin membranes and increased aftermarket sales during the quarter.

Total operating expense for the third quarter of 2022 was $2.4 million compared to $2.8 million in the third quarter of 2021. The decrease was primarily attributable to accelerated implementation of the planned cost reduction and reorganization actions previously announced. Importantly, third quarter 2022 operating expense continued to trend lower from $3.0 million in the second quarter (excluding restructuring expense) and $3.6 million in the first quarter.

Other Income (Expense) in the third quarter of 2022 was $0.5 million compared to $(0.3) million in the third quarter of 2021. The change was mainly due to a decrease in interest expense and amortization discount of $0.4 million from the refinancing of the Convertible

Note in the second quarter, and a gain on foreign currency transactions of $0.4 million.

The Net Loss in the third quarter of 2022 was $(1.8) million compared to $(2.9) million in the third quarter of 2021, benefiting from cost reductions, gain on currency transactions, and benefits from the improved capital structure.

Cash on hand (including restricted cash) on September 30, 2022, was $17.6 million compared to $17.5 million on December 31, 2021, and $19.7 million on June 30, 2022.

Q4 Outlook

We expect that Q4 2022 revenue will be at the low end of the revenue range in the company guidance that was provided in September.

Leadership Transition

Mrs. Fei Chen became the new President and Chief Executive Officer of LiqTech on September 12, 2022. Alexander J. Buehler, a member of LiqTech's Board who had served as the Interim CEO since March 2022, continues to serve as a member of the Board of Directors.

Chen concluded, "I am excited about the opportunities I see at LiqTech to leverage our highly talented team of people, unique technological advantages, strong brand equity, durable core competencies and sustainability to grow a profitable business."

Conference Call Details

Date and Time: Thursday, November 10, 2022, 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/3N0RL0a76O5.

Replay: A teleconference replay of the call will be available until November 17, 2022, at (877) 344-7529 or (412) 317-0088, confirmation #5885779.

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.

Company Contact: Simon Stadil, Chief Financial Officer, LiqTech International, Inc., Phone: +45 3140 9128, www.liqtech.com;

Investor Contact: Robert Blum, Lytham Partners, LLC, Phone: (602) 889-9700, liqt@lythampartners.com, www.lythampartners.com

LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	As of September 30, 2022 (Unaudited)	As of December 31, 2021
Assets		
Current Assets:		
Cash and restricted cash	$ 17,605,377	$ 17,489,380
Accounts receivable, net of allowance for doubtful accounts of $161,311 and $409,076 at September 30, 2022 and December 31, 2021, respectively	2,843,864	1,957,579
Inventories, net of allowance for excess and obsolete inventory of $578,076 and $268,470 at September 30, 2022 and December 31, 2021, respectively	4,657,188	5,421,027
Contract assets	2,078,472	1,906,510
Prepaid expenses and other current assets	2,653,978	1,292,285

Total Current Assets	29,838,879	28,066,781
Long-Term Assets:		
Property and equipment, net of accumulated depreciation of $7,848,569 and $7,554,803 at September 30, 2022 and December 31, 2021, respectively	6,877,185	8,858,993
Operating lease right-of-use assets	3,119,806	6,925,807
Deposits and other assets	390,634	628,109
Intangible assets, net of accumulated amortization of $376,954 and $357,231 at September 30, 2022 and December 31, 2021, respectively	218,190	334,743
Goodwill	206,639	240,259
Total Long-Term Assets	10,812,454	16,987,911
Total Assets	**$ 40,651,333**	**$ 45,054,692**

LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	As of September 30, 2022 (Unaudited)	As of December 31, 2021
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	$ 1,617,452	$ 1,646,662
Accrued expenses	3,447,107	4,685,665
Current portion of finance lease obligations	321,788	373,824
Current portion of operating lease liabilities	511,240	846,544
Current portion of Convertible Note payable	–	8,400,000
Contract liabilities	635,167	914,828
Total Current Liabilities	6,532,754	16,867,523
Deferred tax liability	154,478	224,779
Other liabilities, net of current portion	–	346,939
Finance lease obligations, net of current portion	1,911,361	2,499,591
Operating lease liabilities, net of current portion	2,608,566	6,154,064
Senior Promissory Notes, net	5,395,240	–
Convertible Note payable, less current portion	–	6,186,936
Total Long-term Liabilities	10,069,645	15,412,309
Total Liabilities	16,602,399	32,279,832
Stockholders' Equity:		
Preferred stock; par value $0.001, 2,500,000 shares authorized, 0 shares issued and outstanding at September 30, 2022 and December 31, 2021	**-**	**-**
Common stock; par value $0.001, 100,000,000 shares authorized, 43,896,871 and 21,285,706 shares issued and outstanding at September 30, 2022 and December 31, 2021, respectively	43,896	21,285
Additional paid-in capital	96,785,016	70,910,902
Accumulated deficit	(65,188,075)	(53,181,928)
Accumulated other comprehensive loss	(7,591,903)	(4,975,399)
Total Stockholders' Equity	24,048,934	12,774,860
Total Liabilities and Stockholders' Equity	**$ 40,651,333**	**$ 45,054,692**

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue	$ 3,305,534	$ 4,142,954	$ 11,961,062	$ 12,157,394
Cost of Goods Sold	3,198,255	3,946,732	11,460,102	11,525,847
Gross Profit	107,279	196,222	500,960	631,547
Operating Expenses:				
Selling expenses	676,420	1,205,849	2,932,881	3,417,933
General and administrative expenses	1,429,315	1,102,772	4,611,375	3,824,574
Research and development expenses	283,524	497,823	1,377,097	1,370,059
Restructuring costs	(1,964)	–	1,786,863	–
Total Operating Expense	2,387,295	2,806,444	10,708,216	8,612,566
Loss from Operations	(2,280,016)	(2,610,222)	(10,207,756)	(7,981,019)
Other Income (Expense)				
Interest and other income	1,870	–	344,593	–
Interest expense	(28,514)	(235,318)	(394,532)	(491,335)
Amortization discount on Notes	(84,098)	(292,129)	(2,304,054)	(543,933)
Gain (Loss) on currency transactions	628,137	218,030	361,928	506,018
Gain on lease termination	(3,317)	–	150,258	–
Gain on sale of fixed assets	(19)	(8)	642	1,126
Total Other Income (Expense)	514,059	(309,425)	(1,841,165)	(528,124)
Loss Before Income Taxes	(1,765,957)	(2,919,647)	(12,048,421)	(8,509,143)
Income Tax Benefit	(13,293)	(15,691)	(42,274)	(47,650)
Net Loss	$ (1,752,664)	$ (2,903,956)	$ (12,006,147)	$ (8,461,493)

Basic and Diluted Loss Per Share	$ (0.04)	$ (0.13)	$ (0.37)	$ (0.39)
Basic and Diluted Weighted Average Common Shares Outstanding	43,891,799	21,769,461	32,529,152	21,661,945

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