

LiqTech International, Inc. Announces Second Quarter 2018 Financial Results

BALLERUP, Denmark, Aug. 14, 2018 — **LiqTech International, Inc.** (NYSE AMERICAN: LIQT) ("**LiqTech**"), a clean technology company that manufactures and markets highly specialized filtration technologies, announced today its financial results for the three months ended June 30, 2018.

Recent Highlights

- Revenue in the second quarter of 2018 increased 23% to \$3.6 million compared to the prior-year period, driven by \$1.9 million from sales of water treatment systems.
- Revenue relating to the Company's marine business continues to improve and was the main driver for the growth in revenue.
- The Company is currently anticipating substantial new orders from the marine scrubber industry before the end of the year. We expect revenues from these orders to be recognized in 2018 and 2019.
- Second quarter 2018 net income was \$(0.3 million), which included \$0.3 million of cost related to the development of the company's recently launched Mark 6 filtration system.
- The Company expects to achieve operating profitability in 2018.
- Recent capital raise, efficient working capital structure on marine scrubber units, and achievement of breakeven operating results provide company with a strong balance sheet to meet growth plans.

Management Commentary

"Our results for the second quarter were in line with our expectations, as we begin to ramp up shipments of our water filtration systems in our marine segment following the recent IMO decision to implement a new lower global cap on sulphur emissions from international shipping. This growth, which we expect to accelerate in the coming quarters, will put us on track to becoming profitable on an operating basis in 2018, a significant accomplishment for the Company," commented Sune Mathiesen, CEO of LiqTech International.

Mr. Mathiesen continued, "While it is still early in the marine scrubber adoption cycle, we are continuing to see increased activity in shipyards and orders placed with scrubber manufacturers that will ultimately drive utilization of our water filtration technology. Based on conversations with shipowners, shipyard operators, and scrubber manufacturers, we are anticipating substantial new orders received from the marine scrubber industry before the end of the year. Importantly, we think 2019 has the opportunity to demonstrate significant growth due to recent scrubber orders and shipyard reservations that will likely culminate in order intake next year. While we expect order intake and delivery to be uneven and

challenging to predict on a quarterly basis due to the infancy of the industry, we are excited about our opportunity within this rapidly growing market where we maintain a leadership position.”

“While we are spending considerable time and effort capitalizing on the growth within the marine market, we are finding new applications for growth within our legacy diesel particulate filters (DPF) business. Although this business has historically focused on traditional buses and trucks, we are now witnessing increased demand for applications in new and growth areas such as luxury yachts and off-road vehicles as well as power generators. We expect revenues within our legacy operations to stabilize in 2018, providing us a platform to grow from as the marine scrubber business accelerates.”

“Based on our results to date in 2018 and outlook for the remainder of the year, which includes strong demand within the marine segment as well as new applications within our legacy diesel particulate filters (DPF) business, we expect to achieve operating profitability in 2018. These improved operating results, coupled with our solid balance sheet benefiting from the successful \$6 million offering in April 2018, efficient working capital structure, improving gross margins due to the launch of our new Mark 6 filtration system, and increased order visibility, provide us confidence that we have positioned the company for historic growth,” expanded Mr. Mathiesen.

Board and Management Appointments

As part of the LiqTech’s long-term strategy moving forward, the Company recently announced Mark Vernon as its new Chairman of the Board of Directors, replacing Aldo Peterson. Mr. Vernon has been a Board member since May 2013 and has been serving as the Chairman of the Compensation, Nominating and Governance Committees as well as a member of the Audit Committee.

Additionally, effective August 15, 2018, Claus Toftegaard will become LiqTech’s new Chief Financial Officer following Soren Degn’s retirement. Mr. Toftegaard most recently served as the Chief Financial Officer of Gabriel Holding A/S, a publicly traded fabric supply company in Denmark, since October of 2014, and as its Financial Manager from June of 2011 until his appointment as Chief Financial Officer. Mr. Toftegaard previously served as the CFO of RTX A/S, a publicly traded wireless solutions company in Denmark, from August of 2006 to March of 2011, as the Financial Manager of Glenco A/S, a HVAC solutions company in Denmark, from January of 2005 to July of 2006 and as the Financial Manager of Intego (f.k.a. Thomas Pedersen A/S and Siemens Technology Services A/S), an electrical infrastructure technology company in Denmark, from November of 2000 to December of 2004. Mr. Toftegaard also previously worked as an auditor at Ernst and Young in Denmark for U.S. GAAP reporting. Mr. Toftegaard holds a MSc. in Business Economics and Auditing from Aalborg University.

Second Quarter 2018 Financial Results

Net sales for the three months ended June 30, 2018 were \$3.6 million compared to \$2.9 million for the same period in 2017, representing an increase of \$0.7 million, or 23%. The increase in sales was due to the continued growth in our marine segment, which had revenues of \$1.9M in the second quarter, or a 100% increase compared to the prior-year period. Sales in our legacy DPF business were \$1.7 million, a decline of \$0.3 million compared to the second quarter of 2017, reflecting a decrease in market activity in the Company's traditional bus and truck industries.

Gross profit for the three months ended June 30, 2018 was \$0.7 million compared to \$0.2 million for the same period in 2017. Gross margin increased 1,180 bps to 18.3% compared to 6.5% for the same period in 2017, reflecting strong sales of higher-margin marine products as well as positive operating leverage related to fixed costs. We expect gross margins to further improve as marine products become a larger part of the sales mix and further operating leverage is achieved.

Included in gross profit is depreciation of \$0.2 million and \$0.2 million for the three months ended June 30, 2018 and 2017, respectively.

Total operating expenses for the three months ended June 30, 2018 were \$1.2 million, an increase of 4.5% compared to the prior-year quarter. Selling expenses declined \$70,361, or 13.2%, compared to the same period of 2017 due to a centralization of the sales structure. General and administrative expenses increased \$81,118, or 146.5%, compared to the prior-year quarter, reflecting an increase in general costs, some timing issues and the general ramp-up of our business. Non-cash compensation expenses decreased \$20,619, or 69.2%, compared to the prior-year period as a result of lower non-cash compensation expense for options, shares and warrants for employees. Research and development expenses increased \$62,271, or 54.6%, compared to the same period of 2017 due to elevated costs to support the commercialization of our scrubber solution.

Net income for the three months ended June 30, 2018 was \$(0.3 million) versus \$(0.7 million) for the same period in 2017. Net income for the three months ended June 30, 2018 included \$0.3 million of incremental costs related to the development of the Mark 6 system. Excluding these costs, net income for the second quarter of 2018 would have been approximately breakeven.

Cash on hand and restricted cash for the period ended June 30, 2018 was \$4.5 million compared to \$2.5 million for the year ended December 31, 2017, due to improved financial results and the \$6 million capital raise in April 2018.

"We are pleased to note the positive development in our business. We have invested significant resources in the development of our new standardized Mark 6 water treatment system. The system is now ready for sale and will be marketed for treatment of scrubber water from marine and power plant applications. The system offers significant cost reductions

as well as performance improvements. We believe that we are well positioned in the marine scrubber industry and that we are on track to meet our expectation of achieving operating profitability in 2018," Mr. Mathiesen concluded.

Conference Call Details

Date and Time: Tuesday, August 14, 2018 at 11:00am ET

Call-in Information: Interested parties can access the conference call by dialing (877) 270-2148 or (412) 902-6510.

To Ask a Question: Questions can be asked live during the call-in portion of the conference call or submitted in advance to LIQT@lythampartners.com.

Replay: A teleconference replay of the call will be available until August 21, 2018 at (877) 344-7529 or (412) 317-0088, confirmation #10122766.

About LiqTech International, Inc.

LiqTech International, Inc., a Nevada corporation, is a clean technology company that for more than a decade has developed and provided state-of-the-art technologies for gas and liquid purification using ceramic silicon carbide filters, particularly highly specialized filters for the control of soot exhaust particles from diesel engines and for liquid filtration. Using nanotechnology, LiqTech develops products using proprietary silicon carbide technology.

LiqTech's products are based on unique silicon carbide membranes which facilitate new applications and improve existing technologies. In particular, Provital Solutions A/S (www.provital.dk), the Company's subsidiary, has developed a new standard of water filtration technology to meet the ever-increasing demand for higher water quality. By incorporating LiqTech's SiC liquid membrane technology with its long-standing systems design experience and capabilities, it offers solutions to the most difficult water pollution problems.

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
 (UNAUDITED) CONSOLIDATED STATEMENTS OF OPERATIONS**

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Net Sales	\$ 3,598,028	\$ 2,926,200	\$ 5,989,410	\$ 5,894,274
Cost of Goods Sold	2,938,206	2,733,526	5,389,180	5,430,183
Gross Profit	659,822	192,674	600,230	464,091
Operating Expenses:				
Selling expenses	463,998	534,359	873,790	984,742

General and administrative expenses	573,047	491,929	1,257,213	1,085,567
Non-cash compensation expenses	9,161	29,780	87,434	125,958
Research and development expenses	176,281	114,010	345,677	253,346
Total Operating Expense	1,222,487	1,170,078	2,564,114	2,449,613
Loss from Operations	(562,665)	(977,404)	(1,963,884)	(1,985,522)
Other Income (Expense)				
Interest and other income	7,173	77	10,457	303
Interest expense	(4,174)	(8,706)	(60,474)	(19,527)
Gain (Loss) on currency transactions	296,140	(206,362)	217,086	(27,687)
Gain on sale of fixed assets	-	-	-	6,768
Total Other Income (Expense)	299,139	(214,991)	167,069	(40,143)
Loss Before Taxes	(263,526)	(1,192,395)	(1,796,815)	(2,025,665)
Income Tax Expense (Income)	-	-	-	-
Net Loss	\$ (263,526)	\$ (1,192,395)	\$ (1,796,815)	\$ (2,025,665)
Basic Loss Per Share	\$ (0.004)	\$ (0.03)	\$ (0.03)	\$ (0.05)
Weighted Average Common Shares Outstanding	64,859,333	40,667,107	54,729,618	38,761,647
Diluted Loss Per Share	\$ (0.004)	\$ (0.03)	\$ (0.03)	\$ (0.05)
Weighted Average Common Shares Outstanding Assuming Dilution	64,859,333	40,667,107	54,729,618	38,761,647

LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	As of June 30, 2018 Unaudited	As of December 31, 2017
Current Assets:		
Cash	\$ 4,491,500	\$ 2,486,199
Accounts receivable, net	1,444,794	1,124,842
Other receivables	314,025	636,539
Contract assets	1,320,938	490,100
Inventories	4,494,522	4,661,866
Prepaid expenses	66,323	28,151
Total Current Assets	12,132,102	9,427,697
Property and Equipment, net accumulated depreciation	1,633,984	1,959,205
Other Assets:		
Investments at costs	5,827	6,001
Other intangible assets	1,978	3,349
Deposits	353,833	283,686
Total Other Assets	361,638	293,036
Total Assets	\$ 14,127,724	\$ 11,679,938
Current Liabilities:		
Current portion of capital lease obligations	\$ 11,476	\$ 26,186
Accounts payable	1,524,403	1,775,230
Accrued expenses	1,098,876	1,724,986
Contract liabilities	454,863	306,845
Accrued income taxes payable	580	580
Deferred revenue / customers deposits	428,271	933,994
Total Current Liabilities	3,518,469	4,767,821
Total Liabilities	3,518,469	4,767,821
Agreements and Contingencies See Note 9		
Stockholders' Equity:		
Series A Convertible Preferred stock; par value \$0.001, 10,000,000 shares authorized, 2,200,837 and 2,200,837 shares issued and 0 and 2,200,837 outstanding at June 30, 2018 and December 31, 2017 respectively	-	2,201
Common stock; par value \$0,001, 100,000,000 shares authorized and 72,740,547 and 44,429,264 shares issued and outstanding at June 30, 2018 and December 31, 2017, respectively	72,741	44,430
Additional paid-in capital	46,356,874	40,457,907
Accumulated deficit	(30,268,509)	(28,471,696)
Deferred compensation	(52,499)	(79,933)
Other comprehensive income, net	(5,499,352)	(5,040,792)
Total Stockholders' Equity	10,609,255	6,912,117
Total Liabilities and Stockholders' Equity	\$ 14,127,724	\$ 11,679,938

LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES
(UNAUDITED) CONSOLIDATED STATEMENTS OF CASH FLOWS
Increase (Decrease) in Cash and Cash Equivalents
For the six months ended
June 30,

	2018	2017
Cash Flows from Operating Activities:		
Net Loss	\$ (1,796,815)	\$ (2,025,665)
Adjustments to reconcile net (loss) to net cash provided (used) by operations:		
Depreciation and amortization	430,081	503,276
Non-cash compensation	87,434	125,958
Reserve for obsolete inventory	(76,867)	-
Loss on sale of equipment	-	(6,768)
Changes in assets and liabilities:		
Accounts receivable	2,562	(479,496)
Inventory	166,621	(13,972)
Prepaid expenses/deposits	(78,882)	(77,275)
Accounts payable	(250,828)	(195,763)
Accrued expenses	(1,131,833)	515,928
Long-term contracts	(682,820)	(175,982)
Total Adjustments	(1,534,532)	195,906
Net Cash Used in Operating Activities	(3,331,347)	(1,829,759)
Cash Flows from Investing Activities:		
Purchase of property and equipment	(82,992)	(70,679)
Proceeds from sale/recovery of property and equipment	-	10,349
Net Cash Used by Investing Activities	(82,992)	(60,330)
Cash Flows from Financing Activities:		
Net payments on capital lease obligation	(14,710)	(109,007)
Payments on loans payable	-	(4,153)
Proceeds from issuance of common stock and warrants	6,612,500	1,825,000
Payment of stock offering costs	(747,423)	-
Net Cash Provided by Financing Activities	5,850,367	1,711,840
Gain (Loss) on Currency Translation	(430,727)	250,269
Net in Cash and Cash Equivalents	2,005,301	72,020
Cash and Cash Equivalents at Beginning of Period	2,486,199	1,208,650
Cash and Cash Equivalents at End of Period	\$ 4,491,500	\$ 1,280,670

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