

LiqTech International, Inc. Reports 2016 First Quarter Results

- Management to Host Conference Call Today at 11:00 am EDT -

BALLERUP, Denmark, May 12, 2016 — LiqTech International, Inc. (NYSE MKT:LIQT), a clean technology company that manufactures and markets highly specialized filtration products and systems, announces today its financial results for the three months ended March 31, 2016.

Financial highlights for the three months ended March 31, 2016

Net sales for the three months ended March 31, 2016 were \$3.6 million compared to \$2.1 million for the same period in 2015, representing an increase of \$1.5 million or 71%. The increase in net sales was driven primarily by an increase in sales of membranes and systems of \$1.2 million and an increase in sales of diesel particulate filters of \$0.5 million. The increase in sales of membranes and systems was a result of increased order inflow in the second half of 2015. The increase in sales of our diesel particulate filters (DPF) resulted from increased general sales activities compared to the same period last year.

Gross profit for the three months ended March 31, 2016 was \$0.75 million compared to a gross loss of \$0.05 million for same period in 2015, representing an increase of \$0.8 million. The increase in gross profit was due to higher sales compared to the same period in 2015. Included in gross profit is depreciation of \$0.35 million for each of the three-month periods ended March 31, 2016 and 2015.

Total operating expenses for the three months ended March 31, 2016 were \$1.70 million representing a decrease of \$0.04 million or 2.4%, compared to \$1.74 million for the same period in 2015. The decrease in operating expenses was attributable to a decrease in selling and marketing expenses of \$0.1 million or 14.7%, a decrease in general and administrative expenses of \$0.06 million or 7.4%, an increase in non-cash compensation expenses of \$0.1 million, or 129.5%, and an increase in research and development expenses of \$0.03 million or 16%, all compared to the same period in 2015.

As of March 31, 2016, the Company established a valuation allowance of \$3.0 million for the tax-paying entities of LiqTech International Inc., LiqTech NA, LiqTech Singapore and LiqTech Germany. As a part of our revised business strategy, the Company is producing and invoicing all membranes and systems from our Danish operations. As North American sales of DPF products continue to be disappointing, management has determined that it is unlikely that sufficient DPF sales income would be generated in North America to realize the resulting net operating loss carry forwards. The change in the non-cash valuation for the period ended March 31, 2016 was \$2.8 million.

The net loss attributable to the Company for the three months ended March 31, 2016 was a

loss of \$3.8 million compared to a loss of \$1.2 million for the comparable period in 2015, representing an increase in loss of \$2.6 million or 217%. This increase was primarily attributable to an increase in income tax expense of \$3.2 million due largely to the tax valuation allowance.

Cash on hand and restricted cash for the period ended March 31, 2016 was \$1.3 million compared to \$1.7 million for the year ended December 31, 2015, representing a decrease of \$0.4 million.

Working capital for the period ended March 31, 2016 was \$7.3 million compared to \$7.6 million for the year ended December 31, 2015 representing a decrease of \$0.3 million.

Total net loss of \$3.8 million for the period ended March 31, 2016 includes non-cash charges for depreciation and amortization, bad debt expense, reserve for obsolete inventory, stock compensation expense charges and a change in the valuation allowance for tax for a total of approximately \$3.4 million.

Management Commentary

We are pleased to note that sales of membranes and systems more than doubled from the prior period and continue to improve significantly on a year-on-year comparative basis. Although first quarter revenues were slightly below our expectations, as previously noted we expect some volatility in order inflow and revenue recognition for sales of membranes and systems. Incoming orders January through April were \$6.0 million (including the follow-on order for a groundwater treatment plant in Serbia announced May 4, 2016).

In the first quarter, we entered into new agent agreements in The Netherlands, Spain, Poland, Norway, France and the UK for our pool products. We are pleased to note that this has already led to several new orders this year and reinforces the importance of establishing a local presence in key markets. Our new agents have already managed to build an impressive sales pipeline and we believe that we will see further orders in these geographic areas. We continue to expand our distributor and agent network not only for the swimming pool market but also for our other target markets.

In February 2016, we announced a \$2.0 million order for a drinking water treatment plant in Serbia and we recently announced an additional \$2.0 million follow-on order for this project. The Serbian market is attractive for us and we are currently working on several new projects - we believe that these efforts will lead to further new orders.

We recently completed the final installation of the \$6.9 million order for a mining project that was announced last year. The successful completion of this order and other initial large scale orders in other target markets have led to increased levels of interest from several potential customers worldwide. We are pleased to see that our pipeline continues to improve in size,

quality and end-market diversity. We are also pleased to see that our membrane technology is gaining additional acceptance and awareness in our target markets and we believe that we will achieve continued sales progress in 2016.

Conference Call Details

Interested parties may participate in the call by dialing (877) 407-8029 or (201) 689-8029. It is recommended to dial in approximately 10 to 15 minutes prior to the scheduled start time. The conference call will also be available on replay starting at 3:00 p.m. EST on May 12, 2016 and ending on June 2, 2016. To access the replay, please dial (877) 660-6853 or (201) 612-7415 and enter the conference id# 13636746.

Callers from Denmark can dial in using the following numbers:

Denmark (fixed) ATT 80 25 21 64

Denmark (mobile) ATT 80 25 19 17

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Financial Tables Follow

LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

	As of March 31, 2016	As of December 31, 2015
Current Assets:		
Cash	\$ 1,316,540	\$ 1,370,591
Restricted cash balances	-	292,826
Accounts receivable, net	2,691,860	3,191,858
Other receivables	198,224	505,945
Cost in excess of billing	590,949	2,519,321
Inventories	5,563,095	4,916,671
Prepaid expenses	43,505	13,670
Current deferred tax asset	175,011	172,122
Total Current Assets	10,579,184	12,983,004
Property and Equipment, net of accumulated depreciation:	3,416,000	3,538,694
Other Assets:		
Investments at costs	22,790	21,838
Long term deferred tax asset	962,795	3,684,497

Goodwill	7,913,179	7,582,749
Other intangible assets	9,641	10,386
Deposits	267,562	252,378
Total Other Assets	9,175,967	11,551,848
Total Assets	\$ 23,171,151	\$ 28,073,546

LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	As of March 31, 2016	As of December 31, 2015
Current Liabilities:		
Current portion of notes payable	\$ 17,074	\$ -
Current portion of capital lease obligations	147,792	150,157
Accounts payable	1,546,552	3,455,085
Accrued expenses	1,274,704	1,441,840
Billing in excess of cost	157,341	175,338
Accrued income taxes payable	570	570
Deferred revenue / customers deposits	101,539	117,700
Total Current Liabilities	3,245,572	5,340,690
Long-term notes payable, less current portion	51,745	165,572
Long-term capital lease obligations, less current portion	141,590	-
Total Long-Term Liabilities:	193,335	165,572
Total Liabilities	3,438,907	5,506,262
Commitment and Contingencies	-	-
Stockholders' Equity:		
Common stock; par value \$0,001, 100,000,000 shares authorized, 39,532,035 and 39,532,035 shares issued and outstanding at March 31, 2016 and December 31, 2015, respectively	39,532	39,532
Additional paid-in capital	36,120,808	36,087,808
Accumulated deficit	(11,346,404)	(7,592,709)
Deferred compensation	(456,391)	(590,742)
Other comprehensive income, net	(4,625,301)	(5,376,605)
Total Stockholders' Equity	19,732,244	22,567,284
Total Liabilities and Stockholders' Equity	\$ 23,171,151	\$ 28,073,546

LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES
(UNAUDITED) CONSOLIDATED STATEMENTS OF OPERATIONS
For the Three Months
Ended March 31,

	2016	2015
Net Sales	\$ 3,629,968	\$ 2,104,501
Cost of Goods Sold	2,884,010	2,151,467
Gross Profit	745,958	(46,966)
Operating Expenses:		
Selling expenses	591,068	692,723

General and administrative expenses	755,994	816,067
Non-cash compensation expenses	167,351	72,922
Research and development expenses	188,513	162,473
Total Operating Expense	1,702,926	1,744,185
Loss from Operations	(956,968)	(1,791,151)
Other Income		
Interest and other Income	-	243
Interest expense	(9,894)	(15,186)
Gain on investments	-	7,366
Gain on currency transactions	(12,550)	233,191
Total Other Income	(22,444)	225,614
Loss Before Income Taxes	(979,412)	(1,565,537)
Income Tax Expense (Benefit)	2,774,283	(391,529)
Net Loss	(3,753,695)	(1,174,008)
Less Net Income (Loss) Attributable To Non-Controlled Interests in Subsidiaries	-	(2,596)
Net Loss Attributable To LiqTech	\$ (3,753,695)	\$ (1,171,412)
Basic Loss Per Share	\$ (0.10)	\$ (0.03)
Weighted Average Common Shares Outstanding	39,532,035	39,404,782
Diluted Loss Per Share	\$ (0.10)	\$ (0.03)
Weighted Average Common Shares Outstanding Assuming Dilution	39,532,035	39,404,782

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, LiqTech Systems 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 longstanding systems design experience and capabilities it offers solutions to the most difficult water pollution problem.

For more information, please visit www.liqtech.com

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Forward-Looking Statements

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 our 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.

To view the original version on PR Newswire,
visit:<http://www.prnewswire.com/news-releases/liqtech-international-inc-reports-2016-first-quarter-results-300267585.html>

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