

LiqTech International, Inc. Reports 2016 Second Quarter Results

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

BALLERUP, Denmark, Aug. 11, 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 and six months ended June 30, 2016.

Financial highlights for the three months ended June 30, 2016

Net sales for the three months ended June 30, 2016 were \$4.0 million compared to \$1.7 million for the same period in 2015, representing an increase of \$2.3 million or 135%. The increase in net sales was driven primarily by an increase in sales of membranes and systems of \$2.1 million and an increase in sales of diesel particulate filters of \$0.2 million.

Gross profit for the three months ended June 30, 2016 was \$1.1 million compared to a gross loss of \$0.6 million for same period in 2015, representing an increase of \$1.7 million. Included in gross profit is depreciation of \$0.3 million for each of the three-month periods ended June 30, 2016 and 2015.

Total operating expenses for the three months ended June 30, 2016 were \$1.4 million representing a decrease of \$0.4 million or 23.5%, compared to \$1.7 million for the same period in 2015. The decrease in operating expenses was attributable to a decrease in selling and marketing expenses of \$0.2 million or 31.3%, a decrease in general and administrative expenses of \$0.1 million or 15.7%, an increase in non-cash compensation expenses of \$0.02 million, or 24.4%, and a decrease in research and development expenses of \$0.04 million or 19.2%, all compared to the same period in 2015.

The net loss attributable to the Company for the three months ended June 30, 2016 was a loss of \$0.3 million compared to a loss of \$1.8 million for the comparable period in 2015, representing an improvement of \$1.5 million or 83.3%. This improvement was primarily attributable to a higher sales, higher gross profit and lower total operating expenses. This was partly offset by an increase in income tax expense of \$0.7 million, all compared to the same period in 2015.

Total net loss of \$0.3 million for the period ended June 30, 2016 includes non-cash charges for depreciation and amortization, bad debt expense, reserve for obsolete inventory and stock compensation expense charges for a total of approximately \$0.4 million.

Financial highlights for the six months ended June 30, 2016

Net sales for the six months ended June 30, 2016 were \$7.6 million compared to \$3.8 million for the same period in 2015, representing an increase of \$3.8 million or 100%. The increase

in net sales was driven primarily by an increase in sales of membranes and systems of \$3.4 million and an increase in sales of diesel particulate filters of \$0.7 million.

Gross profit for the six months ended June 30, 2016 was \$1.9 million compared to a gross loss of \$0.6 million for same period in 2015, representing an increase of \$2.5 million. Included in gross profit is depreciation of \$0.7 million for each of the six-month periods ended June 30, 2016 and 2015.

Total operating expenses for the six months ended June 30, 2016 were \$3.1 million representing a decrease of \$0.4 million or 11.4%, compared to \$3.5 million for the same period in 2015. The decrease in operating expenses was attributable to a decrease in selling and marketing expenses of \$0.3 million or 23.3%, a decrease in general and administrative expenses of \$0.2 million or 11.2%, an increase in non-cash compensation expenses of \$0.1 million, or 73.0%, and a decrease in research and development expenses of \$0.01 million or 0.4%, all compared to the same period in 2015.

The net loss attributable to the Company for the six months ended June 30, 2016 was a loss of \$4.1 million compared to a loss of \$3.0 million for the comparable period in 2015, representing a worsening of the loss of \$1.1 million or 37%. This loss was primarily attributable to an increase in income tax expense of \$3.8 million largely due to the decision to change the valuation allowance for the tax-paying entities of LiqTech International Inc., LiqTech NA, LiqTech Singapore and LiqTech Germany in the first quarter of 2016. This was partly offset by an increase in sales, higher gross profit and lower total operating expenses.

Cash on hand and restricted cash for the period ended June 30, 2016 was \$0.6 million compared to \$1.7 million for the year ended December 31, 2015, representing a decrease of \$1.1 million. This decrease is partially due to the production and delivery of a large system for which we expect to receive payment in the third quarter.

Working capital for the period ended June 30, 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 \$4.1 million for the period ended June 30, 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 \$3.9 million.

Management Commentary

We are pleased to see continued improvement in our sales of water treatment systems. The sales of our water related products more than doubled from the prior period and continue to improve on a year-on-year comparative basis. We still expect some volatility in order inflow and revenue recognition, we are, however, pleased to see that the stability of our business is

improving. Incoming orders through July, 2016 were \$8.5 million.

As earlier discussed we have invested significant efforts in entering into the Chinese DPF market. We believe that the recently announced \$2.2 million framework agreement marks a breakthrough in our efforts and we will continue our efforts to further develop the market together with our partner, Kailong High Technology Co. Ltd.

Earlier this year we announced two orders for a drinking water treatment plant in Serbia. The first part of the order has already been delivered and the second part, a reverse osmosis system, is scheduled to be delivered in the third quarter of this year. This will be our first large scale reverse osmosis system and we believe that it will be an important reference for future projects. The development and introduction of reverse osmosis systems is an important step in our ambition to be a complete supplier of water treatment systems.

After our revised strategy and decision of transforming the Company into a systems supplier two years ago, we have been able to secure a number of large scale projects in the oil & gas industry, heavy metal removal from industrial waste water and drinking water treatment. More importantly we have been able to execute these first large scale projects according to plan and deliver excellent results for our customers. We are pleased with this first stage of the transformation of the Company and, we believe that with this proof of concept on a large scale, we are now ready for the next stage in the development of our water treatment business.

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. EDT on August 11, 2016 and ending on September 1, 2016. To access the replay, please dial (877) 660-6853 or (201) 612-7415 and enter the conference id# 13642943.

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 June 30, 2016	As of December 31, 2015
	Unaudited	
Current Assets:		
Cash	\$ 637,035	\$ 1,370,591
Restricted cash balances	-	292,826
Accounts receivable, net	3,057,310	3,191,858
Other receivables	307,886	505,945
Cost in excess of billing	1,174,731	2,519,321
Inventories	5,207,094	4,916,671
Prepaid expenses	79,267	13,670
Current deferred tax asset	163,965	172,122
Total Current Assets	10,627,288	12,983,004
Property and Equipment, net of accumulated depreciation:	3,119,151	3,538,694
Other Assets:		
Investments at costs	22,259	21,838
Long term deferred tax asset	851,021	3,684,497
Goodwill	7,728,839	7,582,749
Other intangible assets	8,260	10,386
Deposits	259,416	252,378
Total Other Assets	8,869,795	11,551,848
Total Assets	\$ 22,616,234,	\$ 28,073,546

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

	As of June 30, 2016	As of December 31, 2015
Current Liabilities:		
Current portion of notes payable	\$ 15,024	\$ -
Current portion of capital lease obligations	116,663	150,157
Accounts payable	1,594,655	3,455,085
Accrued expenses	1,269,820	1,441,840
Billing in excess of cost	126,753	175,338
Accrued income taxes payable	570	570
Deferred revenue / customers deposits	226,289	117,700
Total Current Liabilities	3,349,774	5,340,690
Long-term notes payable, less current portion	48,695	-
Long-term capital lease obligations, less current portion	126,182	165,572
Total Long-Term Liabilities:	174,877	165,572
Total Liabilities	3,524,651	5,506,262
Commitment and Contingencies See Note 11	-	-
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 June 30, 2016 and
December 31, 2015, respectively

	39,532	39,532
Additional paid-in capital	36,120,808	36,087,808
Accumulated deficit	(11,675,781)	(7,592,709)
Deferred compensation	(351,018)	(590,742)
Other comprehensive income, net	(5,041,958)	(5,376,605)
Total Stockholders' Equity	19,091,583	22,567,284
Total Liabilities and Stockholders' Equity	\$ 22,616,234	\$ 28,073,546

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

	Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
Net Sales	\$ 4,019,338	\$ 1,701,055	\$ 7,649,306	\$ 3,805,556
Cost of Goods Sold	2,890,984	2,259,497	5,774,994	4,410,964
Gross Profit	1,128,354	(558,442)	1,874,312	(605,408)
Operating Expenses:				
Selling expenses	512,179	745,212	1,103,247	1,437,935
General and administrative expenses	575,908	683,061	1,331,902	1,499,128
Non-cash compensation expenses	105,373	84,724	272,724	157,646
Research and development expenses	164,056	202,984	352,569	365,457
Total Operating Expense	1,357,516	1,715,981	3,060,442	3,460,166
Loss from Operations	(229,162)	(2,274,423)	(1,186,130)	(4,065,574)
Other Income (Expense)				
Interest and other income	-	49,459	-	49,702
Interest expense	(6,602)	(19,641)	(16,496)	(34,827)
Gain (loss) on investments	-	(71)	-	7,295
Gain (loss) on currency transactions	391	(100,450)	(12,159)	132,741
Total Other Income (Expense)	(6,211)	(70,703)	(28,655)	154,911

Income (Loss) Before (Income) Taxes				
	(235,373)	(2,345,126)	(1,214,785)	(3,910,663)
Income Tax Expense (Income)	94,003	(575,575)	2,868,286	(967,104)
Net Loss	(329,376)	(1,769,551)	(4,083,071)	(2,943,559)
Less Net Loss Attributable To Non-Controlled Interests in Subsidiaries	-	24,356	-	21,760
Net Loss Attributable To LiqTech	\$ (329,376)	\$ (1,793,907)	\$ (4,083,071)	\$ (2,965,319)
Basic Loss Per Share	\$ (0.01)	\$ (0.05)	\$ (0.10)	\$ (0.08)
Weighted Average Common Shares Outstanding	39,532,035	39,490,496	39,532,035	39,447,876
Diluted Loss Per Share	\$ (0.01)	\$ (0.05)	\$ (0.10)	\$ (0.08)
Weighted Average Common Shares Outstanding Assuming Dilution	39,532,035	39,490,496	39,532,035	39,447,876

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.

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