

Transcript of initial interview with Mr. Sune Mathiesen



CEO of LiqTech International, Inc.

LiqTech
INTERNATIONAL

NYSE Market: LIQT

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Sune Mathiesen - Chief Executive Officer. Mr. Mathiesen was appointed as Chief Executive Officer and a Director of LiqTech International in July 2014. Previously, he served as CEO and Director of Masu A/S, a Danish Company, and as CEO and Director of Provital Solutions A/S. Mr. Mathiesen has also served as Country Manager of Broen Lab Group and Country Manager of GPA Flowsystem. Mr. Mathiesen has a solid background in executive management, sales and business turnarounds and has been working with technical products within the valves and fittings industry for the past 16 years. He has a degree in commercial science from Via College in Randers, Denmark.

Smallcaps Investment Research: A warm welcome everyone to a new interview on Smallcaps Investment Research. We're excited to have Mr. Sune Mathiesen with us today, the CEO of LiqTech International, to give us an update on his Company's progress. LiqTech develops gas and liquid purification systems using ceramic silicon carbide membranes. The Company is listed on the New York Stock Exchange Market with ticker symbol LIQT. Sune, it's a pleasure to have you with us, welcome.

Sune Mathiesen: Thank you very much.

Sune, could you start by giving us a recap of LiqTech International?

Liqtech is a clean technology Company. For more than a decade, we have developed unique products, which are all based on silicon carbide material.

One part of our business is Diesel Particulate Filters for trucks, buses, diesel generates, and maritime diesel engines. Another, and growing, part of the Company is our unique ceramic membranes.

The silicon carbide material is ideally suited for membranes due to its robustness and its 0-to-14 pH resistance. Especially the latter has proven to be vital in applications for the oil and gas industry, drinking water, water reclamation, swimming pool, heavy metal removal for the mining industry, scrubber wastewater for the maritime industry, and power plants.

Thank you. You were appointed as CEO of LiqTech in July 2014, shortly after the Company acquired Provital Solutions, of

which you were CEO. Would you first tell us a little bit about yourself and your background?

Yes, certainly. For the past 15 years I've had a career in different management positions, business development turnarounds and also as an investor in a few companies. I joined LiqTech through the acquisition of Provital, in which I invested in 2012.

What were your initial focus points at LiqTech after you became CEO?

My initial, and most important focus point, was to turn the Company around from being a supplier of membranes into a supplier of complete water treatment systems. Since LiqTech started commercializing its membranes in 2009, it has proven very difficult to convince system integrators to invest time and money in developing systems around our membrane technology.

The reason is simple, most engineers know how to build a system around sand filters, polymer membranes or other well-known technologies, but they don't know how to handle our silicon carbide products.

This is why LiqTech acquired Provital last year. Since Provital was founded in 2009, it has manufactured systems using LiqTech's ceramic membranes. As such, Provital gained a unique knowledge over the years of how to engineer and build ceramic-based systems.

Now that LiqTech has all those capabilities in-house, it can immediately approach end users instead of relying on other system integrators to sell our technology.

I'm proud to say that we are now seeing the first results from this refocus and I'm also

confident that we'll see further improvement in the near future.

LiqTech has two main business units, manufacturing complete filtration systems that include your proprietary silicon carbide membranes, and manufacturing Diesel Particulate Filters, or DPFs, for the automotive market. Let's discuss a few business opportunities in the filtration area. First, you announced an order from a mining company worth \$6.9 million dollars. Can you give us some more color on that deal?

The system will be used to remove heavy metals from the customer's wastewater before it's discharged. Until now, mining companies were allowed to discharge their wastewater without any treatment. However, as a result of tightening legislation, they are no longer allowed to do so.

The removal from heavy metals is not easy, as it requires an abrasion resistant membrane. Moreover, the membranes must be cleaned with tough chemicals to restore their performance as they will clog up rapidly. The mining company tested several solutions and our technology proved to be the most successful one.

We believe that we have a very well fitted technology for removal of heavy metal. The robustness of our membrane ensures a long lifetime, reliability and low life cycle costs.

Therefore, we feel confident that these advantages and the increased environmental focus around the world will lead to further orders in this industry.

You're also targeting the oil & gas sector with your filtration systems. Which products are you developing for these markets?

Like heavy metal removal, the oil and gas industry also requires reliable and robust solutions. Despite low oil prices, we have been successful this year in securing significant orders in this industry. Our

technology is well fitted for pre-RO (Reverse Osmosis) filtration, filtration for steam generation, and treatment of produced water and flowback frac water.

In the third quarter, we successfully delivered a \$2.4 million order for a steam generation plant. We are working closely together with several companies in this industry. And we are confident that this will become a significant part of our business.

A third application is aimed at the maritime sector. LiqTech has an agreement with a well-known company that's active in the maritime and offshore industries. Would you elaborate some more on this application and the outlook for it?

This is an application for heavy metal removal from scrubber wastewater on ships.

Also in this case, it's new legislation that forces ships to install these systems if they want to sail within 100 miles from shore in certain parts of Europe and North America. In 2020, this legislation will be expanded further into more areas around the world, including Asia and larger parts of Europe and the Americas.

Our solution is chosen for the robustness and the reliability of the technology. However, another very important reason why our systems are preferred is the fact that we're capable of treating very high volumes of water per square inch of membrane surface. This means that we can build systems with a small footprint, which is obviously very important on ships where space is always limited.

Because of the tightening legislation and because we believe that our technology offers a unique mix of attractive CAPEX and OPEX, we feel very confident about this industry.

We could go on for a while, but the final application that I would like to highlight for this business unit is the water filtration systems. Which products does

LiqTech offer in this area and what are some of the prospects for them?

In the water industry, we focus on applications for groundwater treatment, reclamation of backwash water from sand filters, and reclamation of municipal waste water for irrigation and other purposes. We spent the last year developing a number of partnerships in this industry.

One example of a solution we've developed is reclamation of backwash water from sand filters. Before drinking water is ready to be distributed in the pipeline, it's cleaned in sand filters to remove, amongst other things, iron and manganese. During that process, about three to four percent of the drinking water is wasted to backwash these sand filters. We've developed a solution, which reclaims this otherwise wasted water.

We believe that the water shortage around the world calls for solutions like this and we feel confident that we'll see the first orders for this industry soon.

All of these agreements and new business didn't miss their effect. A year and a half after you became CEO, we clearly start to see the impact of the changes that you implemented. In the third quarter for example, which ended September 30, 2015 LiqTech announced record earnings. What were the main contributors to this success?

Well, first of all, I would like to stress that the improvement we saw in the third quarter, was a result of hard work from the entire team. It was also a result of our changed strategy and focus on selling complete

systems instead of selling standalone membranes.

However, we're still just seeing the initial results from this three refocus. We are confident that we'll see further improvements in the future and we are happy to see that our sales pipeline is continuously improving in both size and quality.

How do you expect LiqTech's financials to perform in coming quarters?

Well right now, we have good visibility on the next three quarters. But as we're still just seeing the early results of our changed strategy, our business could be lumpy on a quarter to quarter basis. So as we progress, and the prospects in our sales pipeline mature into orders, we hope to see less lumpiness and more growth.

As a final question, what are some of the milestones that investors should look out for the next 12 to 18 months?

I think that investors should look for growth, stability, and profitability. And I believe that we have laid the groundwork for meeting those expectations. We're out there pushing for new orders and hopefully we'll be able to meet the expectations from the market.

Fantastic. Sune, we really appreciate the time you've taken to speak with us today to give us an update on the Company. All the best to you and LiqTech, and I look forward to speaking with you again soon.

Thank you very much.

Interview Feedback

We welcome your questions and feedback regarding this interview at:

<http://www.smallcaps.us/liqtech-international-well-on-its-way-to-complete-turnaround>

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