



LIQTECH INTERNATIONAL, INC. REPORTS 2012 SECOND QUARTER FINANCIAL AND OPERATIONAL RESULTS

Liquid Membrane Sales Increased 160% Year-Over-Year

BALLERUP, DENMARK – (MARKET WIRE) – August 14, 2012 – LiqTech International, Inc. (OTCQX: LIQT) (“LiqTech”) announced today its financial and operational results for the second quarter 2012.

Financial highlights for the three and six months ended June 30, 2012:

- Net sales for the three month period ended June 30, 2012 were \$3,953,335 compared to \$3,805,816 for the same period in 2011, representing an increase of \$147,519, or 3.9%.
- Net sales for the six month period ended June 30, 2012 were \$10,295,056 compared to \$6,723,211 for the same period in 2011, representing an increase of \$3,571,845, or 53.1%.
- Gross profit for the three month period ended June 30, 2012 was \$416,167 compared to \$1,175,148 for the same period in 2011 representing a decrease of \$758,981 or 64.6%.
- Gross profit for the six month period ended June 30, 2012 was \$2,505,851 compared to \$1,854,883 for the same period in 2011 representing an increase of \$650,968 or 35.1%.
- Net income for the three month period ended June 30, 2012 was \$(552,509) compared to \$22,239 for the same period in 2011, representing a decrease of \$574,748.
- Net income for the six month period ended June 30, 2012 was \$(229,907) compared to \$(105,963) for the same period in 2011, representing a decrease of \$123,944.

Other Highlights for the quarter ended June 30, 2012:

- Jens Kampmann, Denmark’s former Minister for the Environment, was appointed to Board of Directors.
- The Company satisfied an outstanding related party debt obligation which increased the Company’s equity by USD \$3,467,750 based on March 31, 2012 statements.
- Lasse Andreassen, CEO, purchased 537,000 restricted shares of LiqTech International at \$2.65.
- Kathryn Radosevich, a green energy and environmental engineering executive with over 20 years entrepreneurial leadership, was appointed CEO of LiqTech North America.

Lasse Andreassen, CEO of LiqTech, stated, “We are pleased with the year to date growth and the many achievements that we have accomplished so far this year, which are the result of much hard work from everyone in our Company. Our efforts in sales and marketing are paying off, resulting in sales growth of 53% year to date. However, due to a temporary delay in the requirements set by the California Air Resources Board (ARB), we saw lower DPF sales in California than we expected in the second quarter. The total number of DPFs sold in California in the first half of 2012 was approximately 3,000. The ARB projected that approximately 12,000 filters would be installed in 2012 to meet a January 1, 2013 compliance deadline, and that approximately 66,000 filters overall would be installed from 2011 through 2015. Because of this, we expect sales to increase in the second half of 2012, and we have seen an increase in U.S. DPF sales in the first month of the third quarter.”

Business Highlights by Product Line:

Membranes:

Following two successful exhibitions of LiqTech’s membrane technology at the IFAT exhibition in Munich and the Singapore International Water Week, interest in the Company’s liquid membranes continues to grow with a combination of pilot unit and membrane sales into new regions as well as the exploration of new strategic supply agreements.

Highlights:

- Membrane sales increased 160% and 122% for the three and six month periods respectively over the same periods in 2011. Second quarter 2012 liquid filtration sales increased 54% over the first quarter 2012.
- LiqTech’s new presence in Singapore continues to pay dividends, as the Company now has new opportunities in the produced water market with several national and one multinational oil companies in the region, resulting in the first sales of membranes for preliminary testing in this potentially large sector.

- In Israel, LiqTech has entered into a supply agreement to supply high-performance pre reverse osmosis (RO) membranes to an Israeli technology leader and a global supplier of water desalination technology.
- In Australia, the Company has established its first sales for pilot plants with a key supplier of water treatment technology that requires the superior performance of our membranes.
- In India, LiqTech has established a partnership and initial sales with a leading manufacturer and large supplier of water treatment technology to that region.
- In Denmark, the Company has completed a successful scrubber water trial with a National Energy Supplier and expects further system sales this year.
- LiqTech International now has an agreement in Germany with SGS Aqua, an innovative water treatment company which is concluding trials with LiqTech's latest flat sheet membranes for membrane bioreactor applications.

Emission Technology:

- The UK Low Emission Zone came to an end last quarter as planned, and that together with the ongoing delays in the German retrofit program produced slower sales to our retrofit customers in Europe. The Company expects sales to Germany to increase near the end of August when Munich and other cities start their low emission zone programs.
- Sales of diesel particulate filters in California were lower than the industry expected. While the industry experienced a temporary delay in the ramp up of expected sales to comply with ARB regulations, we continue to expect that DPF sales will increase significantly in the coming quarters. The marine DPF business continues to grow, and LiqTech has established its first sales with potential for more sales this year.
- LiqTech's catalyst unit continues to deliver robust sales into customers in Korea, the Middle East and to new European customers.

Kiln Furniture:

In the second quarter, 2012, LiqTech launched the Maxfire brand of KF, a unique new light weight design of high quality ReSiC KF, which was very well received with new customers when unveiled at the Ceramitech show in Munich in June.

- KF sales continue to grow over 50% compared to the first half last year; our strategy is now to make the KF available direct to the end user via a global distribution network.
- Last quarter saw the completion of the development of a new heavy-duty slip-casted SiC membrane for mining applications, this SiC product has been developed in response to a request from a key supplier in the mining sector who is looking for better performance. LiqTech expects this to be available later this year, and expect significant sales to this customer.

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. It also manufactures kiln furniture. 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. For more information, please visit www.liqtech.com.

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.

-Financial charts follow-

LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	As of June 30, 2012 (UNAUDITED)	As of December 31, 2011
Current Assets:		
Cash	\$ 5,166,569	\$ 1,033,057
Accounts receivable, net	4,037,126	5,299,569
Other receivables	644,502	1,528,362
Inventories	3,563,231	2,980,583
Prepaid expenses	163,067	301,375
Current deferred tax asset	41,982	17,786
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Total Current Assets	13,616,477	11,160,732
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Property and Equipment , net of accumulated depreciation	6,676,515	6,647,217
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Other Assets:		
Other intangible assets	30,609	34,167
Other investments	145,093	6,483
Deposits	144,487	146,184
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Total Other Assets	320,189	186,834
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Total Assets	\$ 20,613,181	\$ 17,994,783
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LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	As of June 30, 2012 (UNAUDITED)	As of December 31, 2011
Current Liabilities:		
Lines of credit	\$ -	\$ 1,259,936
Notes payable – current portion	-	259,396
Notes payable - related party, net of discount	-	3,328,183
Current portion of capital lease obligation	190,388	191,444
Accounts payable - trade	1,291,729	3,026,960
Accrued expenses	917,970	1,212,746
Accrued income taxes payable	81,084	3,710
Other accrued liabilities	3,994	154
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Total Current Liabilities	2,485,165	9,282,529
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Notes payable and long-term debt, less current portion	-	350,000
Long-term capital lease obligations, less current portion	828,740	950,351
Deferred tax liability	472,219	668,484
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Total Long-Term Liabilities	1,300,959	1,968,835
Total Liabilities	3,786,124	11,251,364
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Stockholders' Equity:		
Common stock; par value \$0.001, 100,000,000 shares authorized, 24,111,500 and 21,600,000 shares issued and outstanding at June 30, 2012, and December 31, 2011, respectively	24,112	21,600
Additional paid-in capital	12,680,712	5,603,517
Retained earnings	5,054,675	5,284,583
Deferred compensation	(203,079)	(268,282)
Other comprehensive income, net	(755,889)	(596,011)
Note receivable from a shareholder, net of discount	-	(3,328,183)
Non-controlled interest in subsidiaries	26,526	26,195
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Total Stockholders' Equity	16,827,057	6,743,419
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Total Liabilities and Stockholders' Equity	\$ 20,613,181	\$ 17,994,783
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LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES
(UNAUDITED) CONSOLIDATED STATEMENTS OF OPERATIONS AND
COMPREHENSIVE INCOME

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2012	2011	2012	2011
Net Sales	\$ 3,953,335	\$ 3,805,816	\$ 10,295,056	\$ 6,723,211
Cost of Goods Sold	<u>3,537,168</u>	<u>2,630,668</u>	<u>7,789,205</u>	<u>4,868,328</u>
Gross Profit	<u>416,167</u>	<u>1,175,148</u>	<u>2,505,851</u>	<u>1,854,883</u>
Operating Expenses:				
Selling expenses	599,459	230,874	1,259,377	635,205
General and administrative expenses	550,619	598,042	1,273,131	875,835
Research and development	<u>152,626</u>	<u>134,287</u>	<u>379,300</u>	<u>247,825</u>
Total Operating Expenses	<u>1,302,704</u>	<u>963,203</u>	<u>2,911,808</u>	<u>1,758,865</u>
Income from Operations	<u>(886,537)</u>	<u>211,945</u>	<u>(405,957)</u>	<u>96,018</u>
Other Income (Expense)				
Interest and other income	59,876	8,046	98,839	18,772
Interest (expense)	(41,372)	(73,464)	(125,888)	(79,243)
Gain (Loss) on currency transactions	<u>65,048</u>	<u>(7,118)</u>	<u>63,599</u>	<u>(34,490)</u>
Total Other Income (Expense)	<u>83,552</u>	<u>(72,536)</u>	<u>(36,550)</u>	<u>(94,961)</u>
Income Before Income Taxes	(802,985)	139,409	(369,407)	1,057
Income Tax Expense	(250,476)	123,888	(139,500)	97,210
Net Income (Loss)	(552,509)	15,521	(229,907)	(96,153)
Less Net Income (Loss) Attributable To Non-Controlled Interests in Subsidiaries	<u>-</u>	<u>(6,718)</u>	<u>-</u>	<u>9,810</u>
Net Income (Loss) Attributable To LiqTech	<u>\$ (552,509)</u>	<u>\$ 22,239</u>	<u>\$ (229,907)</u>	<u>\$ (105,963)</u>
Basic Earnings Per Share	<u>\$ (0.02)</u>	<u>\$ 0.00</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
Weighted Average Common Shares Outstanding	<u>24,111,500</u>	<u>9,308,333</u>	<u>23,173,137</u>	<u>9,308,333</u>
Diluted Earnings Per Share	<u>\$ (0.02)</u>	<u>\$ 0.00</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
Weighted Average Common Shares Outstanding Assuming Dilution	<u>27,253,201</u>	<u>9,308,333</u>	<u>27,041,050</u>	<u>9,308,333</u>

LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2012	2011	2012	2011
Net Income (Loss)	(552,509)	15,521	(229,907)	(96,153)
Currency Translation, Net of Taxes	<u>(377,454)</u>	<u>85,548</u>	<u>(159,879)</u>	<u>409,439</u>
Other Comprehensive Income (Loss)	\$ <u>(929,963)</u>	\$ <u>101,069</u>	\$ <u>(389,786)</u>	\$ <u>313,286</u>
Comprehensive Income (Loss) Attributable To Non-controlling Interest in Subsidiaries	-	31,281	(244)	28,830
Comprehensive Income Attributable To LiqTech International, Inc.	\$ <u>(929,963)</u>	\$ <u>69,788</u>	\$ <u>(389,542)</u>	\$ <u>284,456</u>

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