

# LiqTech Water A/S

Benshøj industrivej 24,  
Sdr. Onsild Kirkeby  
DK-9500 Hobro

CVR no. 32 56 23 02

## Annual report 2020

The annual report was presented and approved at  
the Company's annual general meeting on

14 July 2021

Claus Toftegaard  
Chairman

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## **Statement by the Board of Directors and the Executive Board**

The Board of Directors and the Executive Board have today discussed and approved the annual report of LiqTech Water A/S for the financial year 1 January – 31 December 2020.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2020 and of the results of the Company's operations for the financial year 1 January – 31 December 2020.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters, of the results for the year and of the Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Hobro, 14 July 2021  
Executive Board:

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Paw Juul  
CEO

Board of Directors:

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Sune Mathiesen  
Chairman

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Rikke Holgersen Feld

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Claus Toftegaard

## Independent auditor's report

### To the shareholders of LiqTech Water A/S

#### Opinion

We have audited the financial statements of LiqTech Water A/S for the financial year 1 January – 31 December 2020 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2020 and of the results of the Company's operations for the financial year 1 January – 31 December 2020 in accordance with the Danish Financial Statements Act.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

## Independent auditor's report

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Aalborg, 14 July 2021

**KPMG**

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

Steffen S. Hansen  
State Authorised  
Public Accountant  
mne32737

**LiqTech Water A/S**  
Annual report 2020  
CVR no. 32 56 23 02

## Management's review

### Company details

LiqTech Water A/S  
Benshøj Industrivej 24  
Sdr. Onsild Kirkeby  
9500 Hobro  
Denmark

Telephone: 7020 7258  
Website: [www.liqtech.com](http://www.liqtech.com)  
E-mail: [info@liqtech.com](mailto:info@liqtech.com)

CVR no.: 32 56 23 02  
Established: 1 September 2009  
Registered office: Sdr. Onsild Kirkeby  
Financial year: 1 January – 31 December

### Board of Directors

Sune Mathiesen, Chairman  
Rikke Holgersen Feld  
Claus Toftegaard

### Executive Board

Paw Juul, CEO

### Auditor

KPMG  
Statsautoriseret Revisionspartnerselskab  
Østre Havnegade 22D  
DK-9000 Aalborg  
Denmark  
CVR no. 25 57 81 98

## Management's review

### Financial highlights

DKK	2020	2019	2018	2017	2016
<b>Key figures</b>					
Gross profit/loss	15,328,560	26,224,180	-583,429	-5,015,917	-6,012,419
Profit/loss before financial income and expenses	-7,475,481	9,472,658	-11,510,154	-14,774,856	-6,477,385
Profit/loss from financial income and expenses	-322,847	-52,998	-410,056	-388,650	-151,497
Profit/loss for the year	-6,083,854	7,414,508	-4,669,111	-14,385,760	-7,305,844
<b>Total assets</b>					
Total assets	69,851,273	79,919,207	24,894,780	10,087,550	17,945,682
<b>Equity</b>					
Equity	26,926,634	13,010,488	5,595,980	265,089	1,550,849
Investment in property, plant and equipment	1,138,743	1,424,965	146,530	91,020	604,264
<b>Ratios</b>					
Return on invested capital	-0.34%	0.97%	-3.69%	-39.96%	0.00%
Return on equity	-30.47%	79.70%	-159.33%	-1,584.39%	-942.17%
Solvency ratio	38.55%	16.28%	22.48%	2.63%	8.64%
<b>Other key figures</b>					
Average number of full-time employees	38	37	19	19	22

The financial ratios have been calculated as follows:

Return on invested capital 
$$\frac{\text{Operating profit/loss} \times 100}{\text{Average invested capital}}$$

Return on equity 
$$\frac{\text{Profit/loss from ordinary activities after tax} \times 100}{\text{Average equity}}$$

Solvency ratio 
$$\frac{\text{Equity ex. non-controlling interests at year-end} \times 100}{\text{Total equity and liabilities at year-end}}$$

## **Management's review**

### **Operating review**

#### **Principal activities**

The principal activities in the company are development and production of fully automated water purification systems for use in the maritime industry, and for use in the energy and water supply sector.

Further the company also produces fully automated filtration systems for applications in the pool and spa market.

#### **Development in activities and financial position**

The Company's income statement for 2020 shows a loss before tax of DKK 7.8 million compared to a profit of DKK 9.5 million in 2019. The balance sheet at 31 December 2020 shows a balance sheet total of DKK 69.9 million and total equity of DKK 26.9 million.

Gross profit for the year came in at DKK 15.3 million compared to DKK 26.2 million in 2019 and was highly impacted by the effects of the global COVID-19 virus. Since the first quarter of 2020, the company have introduced various precautionary procedures to avoid the potential spread of the virus, and this have had a significant effect on the business environment. The company have not experienced significant disruption or delays in the global supply chain. However, since the start of the COVID-19 pandemic in early 2020, there has been an overall decline in new orders, particularly in the shipping industry, due to reduced investment caused by demand disruption and the volatility of oil prices.

In recent years, the Company has primarily focused on the completion of products for water purification within the maritime industry. At 1 January 2020, rules were introduced for the maritime industry to reduce sulfur emission and during 2019 and 2020, the Company received major orders from this segment and is therefore well prepared for future developments. However due to the impact of the COVID-19 pandemic and the restrictions following the virus, sales have decreased significantly since the first quarter of 2020.

Further company has identified significant opportunities for companies solutions within the energy sector.

#### **New products**

During the year, the company have developed new products to extend the offerings to the customers especially within the marine industry. Among others, the company has developed a new filters press as an ad-on to the existing water filtration system used for scrubber installations. Further the company has continued the development of the existing water filtration systems offered to the marine industry and for the pool segment.

#### **Capital resources**

During the financial year 2020, additional capital of USD 8 million was raised through its listed US parent company. At 31 December 2020, cash at bank and in hand reached DKK 27.1 million. Accordingly, the Company has sound capital resources.

#### **Intellectual capital**

The company's knowledge resources are an essential factor for the continuous development of innovative solutions.

#### **Environmental matters**

The company is environmentally conscious and works continuously to limit the environmental impact of the company's operations.



## **Management's review**

### **Operating review**

#### **Outlook**

The effects of the global COVID-19 pandemic are still influencing the company's activities but the fall-back of the restrictions in many countries have now resulted in new enquiries and offers, and it is expected that the company will be back on the same level of activity as before the pandemic at the end of 2021 with profitable operation.

#### **Events after the balance sheet date**

No events has occurred after the financial year end, with an impact on the financial statements for 2020.

## Financial statements 1 January – 31 December

### Income statement

DKK	Note	2020	2019
<b>Gross profit</b>		15,328,560	26,224,180
Staff costs	2	-22,203,802	-16,434,656
Depreciation, amortisation and impairment losses		-600,239	-316,866
<b>Profit/loss before financial income and expenses</b>		-7,475,481	9,472,658
Other financial income		0	111,580
Other financial expenses		-322,847	-52,998
<b>Profit/loss before tax</b>		-7,798,328	9,531,240
Tax on profit/loss for the year	3	1,714,474	-2,116,732
<b>Profit/loss for the year</b>		-6,083,854	7,414,508

## Financial statements 1 January – 31 December

### Balance sheet

DKK	Note	31/12 2020	31/12 2019
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Intangible assets</b>	4		
Development projects in progress		515,500	0
<b>Property, plant and equipment</b>	5		
Fixtures and fittings, tools and equipment		369,779	525,771
Leasehold improvements		1,714,647	1,051,909
		2,084,426	1,577,680
<b>Investments</b>			
Deposits		994,484	994,484
<b>Total fixed assets</b>		3,594,410	2,572,164
<b>Current assets</b>			
<b>Inventories</b>			
Raw materials and consumables		4,045,304	6,376,322
Work in progress		10,726,397	16,561,816
Finished goods and goods for resale		495,783	1,104,428
		15,267,484	24,042,566
<b>Receivables</b>			
Trade receivables		12,909,346	28,184,135
Construction contracts	6	6,154,385	13,158,904
Other receivables		278,393	4,956,382
Deferred tax asset	7	1,144,949	236,018
Corporation tax		2,839,165	2,033,622
Prepayments		520,343	0
		23,846,581	48,569,061
<b>Cash at bank and in hand</b>		27,142,798	4,735,416
<b>Total current assets</b>		66,256,863	77,347,043
<b>TOTAL ASSETS</b>		69,851,273	79,919,207

## Financial statements 1 January – 31 December

### Balance sheet

DKK	Note	31/12 2020	31/12 2019
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Contributed capital		1,575,000	1,575,000
Retained earnings		<u>25,351,634</u>	<u>11,435,488</u>
<b>Total equity</b>		<u>26,926,634</u>	<u>13,010,488</u>
<b>Provisions</b>			
Warranty provision	8	<u>6,400,539</u>	<u>3,692,780</u>
<b>Total provisions</b>		<u>6,400,539</u>	<u>3,692,780</u>
<b>Liabilities other than provisions</b>			
<b>Current liabilities other than provisions</b>			
Trade payables		2,860,855	19,544,897
Payables to group entities		17,333,296	27,644,138
Other payables		4,557,861	3,362,191
Deferred income		5,250,000	5,850,000
Prepayments received regarding work in progress	6	<u>6,522,088</u>	<u>6,814,713</u>
		<u>36,524,100</u>	<u>63,215,939</u>
<b>Total liabilities other than provisions</b>		<u>36,524,100</u>	<u>63,215,939</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>69,851,273</u>	<u>79,919,207</u>
<b>Contractual obligations, contingencies, etc.</b>	9		
<b>Mortgages and collateral</b>	10		
<b>Related party disclosures</b>	11		
<b>Disclosure of events after the balance sheet date</b>	12		

## Financial statements 1 January – 31 December

### Statement of changes in equity

DKK	Contributed capital	Retained earnings	Total
Equity at 1 January 2020	1,575,000	11,435,488	13,010,488
Transferred over the distribution of loss	0	-6,083,854	-6,083,854
Contribution from group	0	20,000,000	20,000,000
<b>Equity at 31 December 2020</b>	<b>1,575,000</b>	<b>25,351,634</b>	<b>26,926,634</b>

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies

The annual report of LiqTech Water A/S for 2020 has been prepared in accordance with the provisions applying to reporting class C medium-sized entities under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

#### Omission of cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of LiqTech International Inc., 1804 Buerkle Road, White Bear Lake, MN 55110, United States of America.

#### Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

### Income statement

#### Gross profit

Pursuant to Section 32 of the Danish Financial Statements Act, the Company has decided only to disclose gross profit.

#### Revenue

Income from the sale of goods, comprising the sale of goods, is recognised in revenue when delivery and transfer of risk to the buyer have taken place, and the income may be measured reliably and is expected to be received. The date of transfer of the most significant benefits and risks is determined using standard Incoterms © 2020. Income is recognised with the reference to stage of completion.

#### Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees, excluding reimbursements from public authorities.

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

##### Financial income and expenses

Financial income and expenses comprise interest income and expense, financial costs regarding finance leases, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

##### Tax on profit/loss for the year

The Parent Company is subject to the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. The subsidiaries are included in the joint taxation from the date when they are included in the consolidated financial statements and up to the date when they are excluded from the consolidation.

The Parent Company is the administrative company for the joint taxation and accordingly settles all payments of corporation tax to the tax authorities.

On payment of joint taxation contributions, current Danish corporation tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have used the losses to reduce their own taxable profit.

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

### Balance sheet

#### Intangible assets

##### *Development projects*

Development costs comprise costs, wages, salaries and amortisation directly and indirectly attributable to development activities.

#### Property, plant and equipment

Fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

#### Impairment of fixed assets

The carrying amount of property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

#### Deposits

Deposits are measured at amortised cost.

#### Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads. Indirect production overheads comprise indirect materials and wages and salaries as well as the maintenance of depreciation of production machinery, buildings and equipment as well as factory administration and management. Borrowing costs are not included in cost.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.



## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

##### Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a portfolio of receivables has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of forecast cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

##### Construction contracts

Construction contracts are measured at the selling price of the work performed less progress billings and expected losses. The selling price is measured on the basis of the stage of completion at the balance sheet date and the projected income from the individual construction contract. The stage of completion is stated as the share of costs incurred in proportion to estimated total costs relating to the individual construction contract.

When the selling price of a construction contract cannot be estimated reliably, the selling price is measured at the lower of costs incurred and net realisable value.

The individual construction contract is recognised in the balance sheet as receivables or payables, respectively. Net assets comprise the total of construction contracts where the selling price of the work performed exceeds progress billings. Net liabilities comprise the total of construction contracts where progress billings exceed the selling price.

Costs arising from sales work and contracting are recognised in the income statement as incurred.

##### Cash at bank and in hand

Cash and cash equivalents comprise cash.

##### Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

#### Liabilities other than provisions

Liabilities are measured at net realisable value, which usually is equivalent to nominal value.

#### Provisions

Provisions comprise anticipated costs of provisions. Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation, and it is probable that there may be outflow of resources embodying economic benefits to settle the obligation. Provisions are measured at value in use.

Warranties comprise obligations to make good any defects within the warranty period of 2-5 years. Provisions are recognised based on the Company's experience with warranties. Provisions expected to be maintained for more than one year from the balance sheet date are discounted at a rate reflecting risk and the due date for payment.

#### Prepayments and deferred income

Deferred income comprises advance invoicing regarding income in subsequent years.

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

## Financial statements 1 January – 31 December

### Notes

DKK	<u>2020</u>	<u>2019</u>
<b>2 Staff costs</b>		
Wages and salaries	20,860,260	15,093,841
Pensions	934,130	804,035
Other social security costs	272,666	245,027
Other staff costs	<u>136,746</u>	<u>291,753</u>
	<u>22,203,802</u>	<u>16,434,656</u>
Average number of full-time employees	<u>38</u>	<u>37</u>

In accordance with section 98b(3)(II) of the Danish Financial Statements Act, remuneration of the Company's management and Board of Directors is not disclosed.

### 3 Tax on profit/loss for the year

Current tax for the year	-805,543	-2,033,622
Deferred tax for the year	<u>-908,931</u>	<u>4,150,354</u>
	<u>-1,714,474</u>	<u>2,116,732</u>

Deferred tax asset is recognised based on anticipated earnings for the coming five years.

### 4 Intangible assets

DKK	Development projects in progress
Cost at 1 January 2020	0
Additions for the year	<u>515,500</u>
Cost at 31 December 2020	515,500
<b>Carrying amount at 31 December 2020</b>	<u>515,500</u>

## Financial statements 1 January – 31 December

### Notes

#### 5 Property, plant and equipment

DKK	Fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 January 2020	1,678,468	1,397,580	3,076,048
Additions for the year	70,000	1,068,743	1,138,743
Disposals for the year	-642,460	0	-642,460
Cost at 31 December 2020	1,106,008	2,466,323	3,572,331
Depreciation and impairment losses at 1 January 2020	-1,152,697	-345,671	-1,498,368
Depreciation for the year	-194,234	-406,005	-600,239
Depreciation for the year on assets sold	610,702	0	610,702
Depreciation and impairment losses at 31 December 2020	-736,229	-751,676	-1,487,905
<b>Carrying amount at 31 December 2020</b>	<b>369,779</b>	<b>1,714,647</b>	<b>2,084,426</b>

#### 6 Construction contracts

DKK	31/12 2020	31/12 2019
Contract work in progress, selling price	130,550,731	161,525,529
Contract work in progress, progress billing	-130,918,434	-155,181,338
	-367,703	6,344,191

recognised as follows:

Sales price work in progress projects	6,154,385	13,158,904
Prepayments and advance invoicing	-6,522,088	-6,814,713
	-367,703	6,344,191

#### 7 Deferred tax assets

DKK	31/12 2020	31/12 2019
Deferred tax at 1 January	236,018	4,381,247
Deferred tax adjustment for the year in the income statement	908,931	-4,145,229
	1,144,949	236,018

#### 8 Warranty Provisions

Warranty provisions amounts to DKK 6.401 thousand (2019: DKK 3.693 thousand). The provision is mainly to cover for costs related to delivered water systems by Liqtech Water A/S.

## Financial statements 1 January – 31 December

### Notes

#### 9 Contractual obligations, contingencies, etc.

##### Contingent liabilities

Liqtech Water A/S is taxed jointly with other Danish companies in the Liqtech Holding Group. As a 100% owned subsidiary, the Company has joint and unlimited liability with the other companies in the joint taxation for Danish corporation taxes within the joint taxation group.

##### Operating lease obligations

The Company has entered into lease agreements with a residual commitment in the amount of DKK 2,188 thousand, of which DKK 779 thousand falls due within a year.

Furthermore, the Company has entered into a commercial tenancy agreement with a remaining term of 165 months and a residual commitment in the amount of DKK 21,381 thousand, of which DKK 2,073 thousand falls due within a year.

#### 10 Mortgages and collateral

Together with its Parent Company, the Company has issued performance guarantees of up to DKK 10.0 million for customer projects provided by the Company's bankers. Current guarantees made up DKK 3.7 million at 31 December 2020.

Out of cash at bank and in hand, DKK 94 thousand has been provided as collateral for the guarantee.

The Company has guaranteed for the Parent Company's bank debt. Apart from the guarantee, the Parent Company had no bank debt at 31 December 2020.

#### 11 Related party disclosures

##### Related party transactions

DKK	2020
Sales	723,354
Purchase	-11,625,726
	<u>-10,902,372</u>

## Financial statements 1 January – 31 December

### Notes

#### Ownership

The following shareholders are registered in the Company's register of shareholders as holding 100% of the contributed capital:

Liqtech Holding A/S, Benschøj Industrivej 24, 9500 Hobro

LiqTech Water A/S is part of the consolidated financial statements of LiqTech International Inc., 1804 Buerkle Road, White Bear Lake, MN 55110, United States of America. The consolidated financial statements of LiqTech International Inc. can be obtained at the Company's website:  
<https://www.liqtech.com/>

#### 12 Disclosure of events after the balance sheet date

The effects of the global COVID-19 pandemic are still influencing the company's activities but the fall-back of the restrictions in many countries have now resulted in new enquiries and offers, and it is expected that the company will be back on the same level of activity as before the pandemic at the end of 2021.