

LiqTech Water A/S

Benshøj Industrivej 24
DK-9500 Hobro

CVR no. 32 56 23 02

Annual report 2021

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

13 July 2022

Chairman of the annual general meeting

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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 2021.

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 2021 and of the results of the Company's operations for the financial year 1 January – 31 December 2021.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's activities 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, 13 July 2022

Executive Board:

Morten Dyrland Damgaard
CEO

Board of Directors:

Alexander Jon Buehler
Chairman

Simon Seidelin Stadil

Rikke Holgersen Feld

Independent auditor's report

To the shareholder 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 2021 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 2021 and of the results of the Company's operations for the financial year 1 January – 31 December 2021 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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, 13 July 2022

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

Steffen S. Hansen
State Authorised
Public Accountant
mne32737

LiqTech Water A/S
Annual report 2021
CVR no. 32 56 23 02

Management's review

Company details

LiqTech Water A/S
Benshøj Industrivej 24
9500 Hobro
Denmark

Telephone: 7020 7258
Website: www.liqtech.com
E-mail: 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

Alexander Jon Buehler, Chairman
Simon Seidelin Stadil
Rikke Holgersen Feld

Executive Board

Morten Dyrland Damgaard, CEO

Auditor

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

Management's review

Financial highlights

DKK	2021	2020	2019	2018	2017
Key figures					
Gross profit/loss	7,321,502	15,328,560	26,224,180	-583,429	-5,015,917
Profit/loss before financial income and expenses	-9,077,813	-7,475,481	9,472,658	-11,510,154	-14,774,856
Profit/loss from financial income and expenses	-57,413	-322,847	-52,998	-410,056	-388,650
Profit/loss for the year	-9,135,226	-6,083,854	7,414,508	-4,669,111	-14,385,760
Total assets					
Total assets	37,189,651	69,851,273	79,919,207	24,894,780	10,087,550
Equity					
Equity	17,791,408	26,926,634	13,010,488	5,595,980	265,089
Investment in property, plant and equipment	83,883	1,138,743	1,424,965	146,530	91,020
Ratios					
Return on invested capital	-0.35%	-0.34%	0.97%	-3.69%	-39.96%
Return on equity	-40.86%	-30.47%	79.70%	-159.33%	-1,584.39%
Solvency ratio	47.84%	38.55%	16.28%	22.48%	2.63%
Other key figures					
Average number of full-time employees	26	38	37	19	19

The financial ratios have been calculated as follows:

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

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

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

Management's review

Operating review

Principal activities

The principal activities of the Company are to develop and produce fully automated water purification systems for use in the maritime industry and in the energy and water supply sectors.

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 2021 shows a loss before tax of DKK -9,1 million compared to a loss of DKK 7,8 million in 2020. The balance sheet on December 31 2021, shows a total of DKK 37,2 million and total equity of DKK 17,8 million.

Gross profit for the year came in at DKK 7,3 million compared to DKK 15,3 million in 2020 and was negatively affected by rising inflation and supply chain constraints. Furthermore, 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 investments caused by demand disruption and the volatility of oil prices.

However, the Company has identified significant opportunities for its solutions within several industries: acid purification, oil & gas filtration, food & beverage filtration and within pool filtration systems.

Capital resources

During the financial year 2022, additional capital of USD 26 million has been raised through the Company's listed US parent company, LiqTech International Inc. Accordingly, the Company has sound capital resources and furthermore committed to support LiqTech Water A/S as a key operating entity.

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 its operations.

Events after the balance sheet date

Except raise of capital no other events have occurred after the balance sheet date of material importance to the annual report for 2021.

Financial statements 1 January – 31 December

Income statement

DKK	Note	2021	2020
Gross profit		7,321,502	15,328,560
Staff costs	2	-15,733,657	-22,203,802
Depreciation, amortisation and impairment losses		-665,658	-600,239
Loss before financial income and expenses		-9,077,813	-7,475,481
Other financial income		186,148	0
Other financial expenses		-243,561	-322,847
Loss before tax		-9,135,226	-7,798,328
Tax on loss the year	3	0	1,714,474
Loss for the year		-9,135,226	-6,083,854

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	31/12 2021	31/12 2020
ASSETS			
Fixed assets			
Intangible assets	5		
Development projects		<u>345,185</u>	<u>515,500</u>
Property, plant and equipment	6		
Fixtures and fittings, tools and equipment		355,778	369,779
Leasehold improvements		<u>1,317,187</u>	<u>1,714,647</u>
		<u>1,672,965</u>	<u>2,084,426</u>
Investments	7		
Deposits		<u>994,484</u>	<u>994,484</u>
Total fixed assets		<u>3,012,634</u>	<u>3,594,410</u>
Current assets			
Inventories			
Raw materials and consumables		6,840,095	4,045,304
Work in progress		1,969,595	10,726,397
Finished goods and goods for resale		<u>1,594,844</u>	<u>495,783</u>
		<u>10,404,534</u>	<u>15,267,484</u>
Receivables			
Trade receivables		4,552,477	12,909,346
Receivables from group entities		6,669,063	0
Contract work in progress	8	2,979,824	6,154,385
Other receivables		1,663,075	278,393
Deferred tax asset	9	1,144,949	1,144,949
Corporation tax		0	2,839,165
Prepayments	10	<u>0</u>	<u>520,343</u>
		<u>17,009,388</u>	<u>23,846,581</u>
Cash at bank and in hand		<u>6,763,095</u>	<u>27,142,798</u>
Total current assets		<u>34,177,017</u>	<u>66,256,863</u>
TOTAL ASSETS		<u><u>37,189,651</u></u>	<u><u>69,851,273</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	31/12 2021	31/12 2020
EQUITY AND LIABILITIES			
Equity			
Contributed capital		1,575,000	1,575,000
Reserve for development costs		269,244	0
Retained earnings		<u>15,947,164</u>	<u>25,351,634</u>
Total equity		<u>17,791,408</u>	<u>26,926,634</u>
Provisions			
Warranty provision	11	<u>6,313,928</u>	<u>6,400,539</u>
Total provisions		<u>6,313,928</u>	<u>6,400,539</u>
Liabilities other than provisions			
Current liabilities other than provisions			
Trade payables		3,952,447	2,860,855
Payables to group entities		1,671,057	17,333,296
Other payables		3,215,885	4,557,861
Deferred income		3,275,000	5,250,000
Prepayments received regarding work in progress	8	<u>969,926</u>	<u>6,522,088</u>
		<u>13,084,315</u>	<u>36,524,100</u>
Total liabilities other than provisions		<u>13,084,315</u>	<u>36,524,100</u>
TOTAL EQUITY AND LIABILITIES		<u><u>37,189,651</u></u>	<u><u>69,851,273</u></u>
Contractual obligations, contingencies, etc.	12		
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Statement of changes in equity

DKK	<u>Contributed capital</u>	<u>Reserve for development costs</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2021	1,575,000	0	25,351,634	26,926,634
Transfers, reserves	0	269,244	-269,244	0
Transferred over the distribution of loss	<u>0</u>	<u>0</u>	<u>-9,135,226</u>	<u>-9,135,226</u>
Equity at 31 December 2021	<u><u>1,575,000</u></u>	<u><u>269,244</u></u>	<u><u>15,947,164</u></u>	<u><u>17,791,408</u></u>

Financial statements 1 January – 31 December

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1 Accounting policies

The annual report of LiqTech Water A/S for 2021 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.

Other operating income

Other operating income comprises items secondary to the activities of the entity, including gains on the disposal of intangible assets and property, plant and equipment.

Other external costs

Other external costs comprise distribution costs and costs related to sales, sales campaigns, administration, office premises, operating leases, etc.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

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 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.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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.

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 intangible assets and 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

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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.

Contract work in progress

Contract work in progress is 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 contract work in progress. The stage of completion is stated as the share of costs incurred in proportion to estimated total costs relating to contract work in progress.

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.

Prepayments

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

Cash at bank and in hand

Cash at bank and in hand comprises cash.

Equity

Reserve for development costs

The reserve for development costs comprises capitalised development costs. The reserve cannot be used for dividends, distribution or to cover losses. If the recognised development costs are sold or in other ways excluded from the Company's operations, the reserve will be dissolved and transferred directly to the distributable reserves under equity. If the recognised development costs are written down, the part of the reserve corresponding to the write-down of the development costs will be reversed. If a write-down of development costs is subsequently reversed, the reserve will be re-established. The reserve is reduced by amortisation of capitalised development costs on an ongoing basis.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

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.

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.

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.

Liabilities other than provisions

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

Deferred income

Deferred income comprises advance invoicing regarding income in subsequent years.

Financial statements 1 January – 31 December

Notes

DKK	<u>2021</u>	<u>2020</u>
2 Staff costs		
Wages and salaries	14,711,476	20,860,260
Pensions	813,591	934,130
Other social security costs	208,590	272,666
Other staff costs	<u>0</u>	<u>136,746</u>
	<u>15,733,657</u>	<u>22,203,802</u>
Average number of full-time employees	<u>26</u>	<u>38</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 loss for the year		
DKK	<u>2021</u>	<u>2020</u>
Current tax for the year	0	-805,543
Deferred tax for the year	<u>0</u>	<u>-908,931</u>
	<u>0</u>	<u>-1,714,474</u>
Deferred tax asset is recognised based on anticipated earnings for the coming five years.		
4 Proposed distribution of loss		
DKK	<u>2021</u>	<u>2020</u>
Retained earnings	<u>-9,135,226</u>	<u>-6,083,854</u>
5 Intangible assets		
DKK		<u>Development projects</u>
Cost at 1 January 2021		515,500
Transfers for the year		<u>-108,865</u>
Cost at 31 December 2021		<u>406,635</u>
Amortisation for the year		<u>-61,450</u>
Amortisation and impairment losses at 31 December 2021		<u>-61,450</u>
Carrying amount at 31 December 2021		<u>345,185</u>

Financial statements 1 January – 31 December

Notes

6 Property, plant and equipment

DKK	Fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 January 2021	1,106,008	2,466,323	3,572,331
Additions for the year	66,306	17,577	83,883
Transfers for the year	108,865	0	108,865
Cost at 31 December 2021	1,281,179	2,483,900	3,765,079
Depreciation and impairment losses at 1 January 2021	-736,229	-751,676	-1,487,905
Depreciation for the year	-189,172	-415,037	-604,209
Depreciation and impairment losses at 31 December 2021	-925,401	-1,166,713	-2,092,114
Carrying amount at 31 December 2021	355,778	1,317,187	1,672,965

7 Investments

DKK	Deposits
Cost at 1 January 2021	994,484
Cost at 31 December 2021	994,484
Carrying amount at 31 December 2021	994,484

8 Contract work in progress

DKK	31/12 2021	31/12 2020
Contract work in progress, selling price	35,309,806	130,550,731
Contract work in progress, progress billing	-33,299,908	-130,918,434
	2,009,898	-367,703

recognised as follows:

Sales price work in progress projects	2,979,824	6,154,385
Prepayments and advance invoicing	-969,926	-6,522,088
	2,009,898	-367,703

Financial statements 1 January – 31 December

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9 Deferred tax assets

DKK	31/12 2021	31/12 2020
Deferred tax at 1 January	1,144,949	236,018
Deferred tax adjustment for the year in the income statement	0	908,931
	<u>1,144,949</u>	<u>1,144,949</u>

Company has tax asset due to tax losses. Management expects to utilize tax assets from profitable operations going forward but due to uncertainty and expected losses in 2022 management has found it fair not to recognize tax assets except tax losses related to R&D costs for which tax refund will be claimed.

10 Prepayments

DKK	31/12 2021	31/12 2020
Prepayments	0	520,343
	<u>0</u>	<u>520,343</u>

11 Warranty provisions

Warranty provisions represented DKK 6,314 thousand (2020: DKK 6,401 thousand). The provision is mainly to cover costs arising from water systems delivered by Liqtech Water A/S.

12 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 tax within the joint taxation group.

Operating lease obligations

The Company has entered into lease agreements with a residual commitment in the amount of DKK 1,347 thousand, of which DKK 453 thousand falls due within a year.

Furthermore, the Company has entered into a commercial tenancy agreement with a remaining term of 143 months and a residual commitment in the amount of DKK 22,512 thousand, of which DKK 2,094 thousand falls due within a year.

13 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 2021.

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 2021.

Financial statements 1 January – 31 December

Notes

14 Related party disclosures

LiqTech Water A/S' related parties comprise the following:

Related party transactions

DKK	2021	2020
Sales	256,500	723,354
Purchase	-14,523,319	-11,625,726
	<u>-14,266,819</u>	<u>-10,902,372</u>

Ownership

The following shareholders are registered in the Company's register of shareholders as holding a minimum of 5% of the votes or a minimum of 5% 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 from the company's website: <https://www.liqtech.com/>

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Adm. direktør

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On behalf of: KPMG Statsautoriseret Revisionspartners...

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