

LiqTech Ceramics A/S

Industriparken 22C, 2750 Ballerup

CVR no. 41 03 80 71

Annual report 2023

Approved at the Company's annual general meeting on 28 June 2024

Chair of the meeting:

.....
Phillip Massie Price

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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of LiqTech Ceramics A/S for the financial year 1 January - 31 December 2023.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2023 and of the results of the Company's operations for the financial year 1 January - 31 December 2023.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Ballerup, 28 June 2024
Executive Board:

.....
Jacob Christoffer Kops
Pedersen
Director

Board of Directors:

.....
Fei Chen
Chairman

.....
Phillip Massie Price

.....
Jacob Christoffer Kops
Pedersen

Independent auditor's report

To the shareholder of LiqTech Ceramics A/S

Opinion

We have audited the financial statements of LiqTech Ceramics A/S for the financial year 1 January - 31 December 2023, which comprise 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 financial position of the Company at 31 December 2023 and of the results of the Company's operations for the financial year 1 January - 31 December 2023 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

Material uncertainty related to going concern

The financial statements have been prepared on a going concern assumption. We draw attention to note 2 in the financial statements, which describes that material uncertainty exists about the Company's ability to continue as a going concern. The Executive Board and Board of Director's evaluation of the events and conditions and management's plans regarding these matters are also described in note 2. The Financial Statement do not include any adjustments that might result from the outcome of this uncertainty.

We have not modified our opinion in respect of this matter.

Management's responsibilities 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 as 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 applicable in Denmark will always detect a material misstatement when it exists. Misstatements can 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 taken on the basis of the 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:

Independent auditor's report

- ▶ Identify and assess the risks of material misstatement of the 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.
- ▶ 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 note 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 Statement Act. We did not identify any material misstatement of the Management's review.

Aalborg, 28 June 2024
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Hans B. Vistisen
State Authorised Public Accountant
mne23254

Mads Obel Knøsgaard
State Authorised Public Accountant
mne49041

Management's review

Company details

Name	LiqTech Ceramics A/S
Address, Postal code, City	Industriparken 22C, 2750 Ballerup
CVR no.	41 03 80 71
Established	20 December 2019
Registered office	Ballerup
Financial year	1 January - 31 December
Website	www.liqtech.com
E-mail	info@liqtech.com
Telephone	+45 44 98 60 00
Board of Directors	Fei Chen, Chairman Phillip Massie Price Jacob Christoffer Kops Pedersen
Executive Board	Jacob Christoffer Kops Pedersen, Director
Auditors	EY Godkendt Revisionspartnerselskab Østre Havnegade 65, 9000 Aalborg, Denmark

Management's review

Business review

The Company's activities comprise development, marketing, and production of ceramic (re-SiC) membranes for the filtering of liquids, and development, marketing and production of diesel particulate filters for both road and non-road machinery.

Unusual matters having affected the financial statements

Financial review

The income statement for 2023 shows a loss of DKK 18,903 thousand against a loss of DKK 32,276 thousand last year, and the balance sheet at 31 December 2023 shows equity of DKK 5,824 thousand.

During the year, the Company has impaired plant and machinery and fixtures and fittings, other plant and equipment by DKK 2,733 thousand. Please refer to note 4.

Other than the event mentioned above, the Company's financial position at 31 December 2023 and the result of its operation for the financial year ended 31 December 2023 are not affected by unusual matters.

The financial performance improved significantly due to enhanced margins, notable cost reductions, and better utilization of production equipment, resulting in a reduced loss from operations compared to the previous fiscal year.

Material uncertainty related to going concern

As part of the LiqTech International, Inc. Group, the Company's ability to continue as a going concern depends on the Group's ability to restore profitability and raise additional funds as needed. Since such new source of funding etc. is not obtained as of the date of these financial statements, material uncertainty exists that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. Refer to note 2 as basis for the assessment that the Executive Board and Board of Directors have prepared the financial statements based on a going concern assumption as well as their description of the substantial doubt about the ability of the Company to continue as a going concern.

Events after the balance sheet date

In 2024, the Company has sold its property, plant and equipment under construction. The disposal of the property, plant and equipment under construction has resulted in a loss of DKK 3,111 thousand. The loss has not been recognized in the annual report for 2023 as it is considered as a non-adjusting event.

There are no other events materially affecting the Company's financial position subsequent to the financial year-end.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2023	2022
	Gross profit/loss	13,252	-266
5	Staff costs	-20,766	-26,018
	Amortisation/depreciation and impairment of property, plant and equipment	-10,177	-6,076
	Profit/loss before net financials	-17,691	-32,360
	Financial income	48	134
	Financial expenses	-1,206	-696
	Profit/loss before tax	-18,849	-32,922
6	Tax for the year	-54	646
	Profit/loss for the year	-18,903	-32,276
	Recommended appropriation of profit/loss		
	Retained earnings/accumulated loss	-18,903	-32,276
		-18,903	-32,276

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2023	2022
	ASSETS		
	Non-current assets		
7	Property, plant and equipment		
	Plant and machinery	39,056	40,449
	Fixtures and fittings, other plant and equipment	798	1,517
	Leasehold improvements	1,896	293
	Property, plant and equipment under construction	9,647	0
	Prepayments for property, plant and equipment	952	14,096
		<u>52,349</u>	<u>56,355</u>
8	Financial assets		
	Deposits	1,272	0
		<u>1,272</u>	<u>0</u>
	Total non-current assets	<u>53,621</u>	<u>56,355</u>
	Current assets		
	Inventories		
	Raw materials and consumables	4,383	1,512
	Work in progress	7,001	6,301
	Finished goods and goods for resale	6,820	7,270
		<u>18,204</u>	<u>15,083</u>
	Receivables		
	Trade receivables	3,412	2,977
9	Receivables from group enterprises	18,429	7,306
	Corporation tax receivable	0	700
	Other receivables	1,076	516
	Prepayments	329	584
		<u>23,246</u>	<u>12,083</u>
	Cash	<u>10,520</u>	<u>16,071</u>
	Total current assets	<u>51,970</u>	<u>43,237</u>
	TOTAL ASSETS	<u>105,591</u>	<u>99,592</u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2023	2022
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	5,000	5,000
	Retained earnings	824	769
	Total equity	5,824	5,769
	Liabilities		
10	Non-current liabilities		
	Lease liabilities	19,150	15,774
	Total non-current liabilities	19,150	15,774
	Current liabilities		
10	Lease liabilities	3,734	2,900
	Prepayments received from customers	526	197
	Trade payables	6,648	3,107
11	Payables to group enterprises	67,089	67,050
	Other payables	2,620	4,795
	Total current liabilities	80,617	78,049
	Total liabilities	99,767	93,823
	TOTAL EQUITY AND LIABILITIES	105,591	99,592

- 1 Accounting policies
- 2 Going concern uncertainties
- 3 Events after the balance sheet date
- 4 Special items
- 12 Contractual obligations and contingencies, etc.
- 13 Contingent assets
- 14 Security and collateral

Financial statements 1 January - 31 December

Statement of changes in equity

DKK'000	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2023	5,000	769	5,769
Transfer through appropriation of loss	0	-18,903	-18,903
Other value adjustments of equity	0	958	958
Capital contribution	0	18,000	18,000
Equity at 31 December 2023	<u>5,000</u>	<u>824</u>	<u>5,824</u>

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of LiqTech Ceramics A/S for 2023 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

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

Reclassification misstatement

Management found a reclassification misstatement between "Property, plant and equipment" and "Prepayments" in previous years, as "Prepayments" under current assets incorrectly includes prepayments for property, plant and equipment. Further, Management found a reclassification misstatement between "Staff costs" and "Own work capitalised" under Gross profit in previous years, as "Staff costs" incorrectly includes staff costs transferred to inventories. Comparative figures for 2022 have been adjusted to the changed classification in the annual accounts for 2023. The reclassification entails a reduction of "Prepayments" by DKK 14,096 thousand and a corresponding increase of "Prepayments for property, plant and equipment" and an increase in "Staff costs" by DKK 4,773 thousand and a corresponding increase in "Own work capitalized"/"Gross profit" in the comparative figures for 2022. The changed classification has no impact on the profit for the year 2022 as well as the balance sheet total and equity as of 31 December 2022.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate 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 and payables and other monetary items denominated in foreign currencies are translated at the exchange rate 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 most recent financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

Income from the sale of goods for resale and finished goods, including diesel particulate filters and membranes, is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2020.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Gross profit/loss

The items revenue, cost of sales, work performed for own account and capitalised, other operating income and external expenses have been aggregated into one item in the income statement called gross profit/loss in accordance with section 32 of the Danish Financial Statements Act.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains on the sale of non-current assets.

Work performed for own account and capitalised

Work performed on own account and risk and recognised as assets includes staff costs regarding work performed in the financial year in relation to the construction of one or more assets recognised in the balance sheet.

Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Depreciation and impairment

The item comprises depreciation and impairment of property, plant and equipment.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Plant and machinery	2-15 years
Fixtures and fittings, other plant and equipment	2-10 years
Leasehold improvements	3-5 years

Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In the case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The entity is jointly taxed with other group entities. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Balance sheet

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

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

Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

On initial recognition, leases for assets that transfer substantially all the risks and rewards incident to the ownership to the Company (finance leases) are measured in the balance sheet at the lower of fair value and the present value of the future lease payments. In calculating the net present value, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently accounted for in the same way as the Company's other assets.

The capitalised residual lease liability is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

Deposits

Deposits are measured at amortised cost.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Impairment of non-current assets

The carrying amount of property, plant and equipment is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists.

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

The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct labour and indirect production overheads.

Indirect production overheads include the indirect cost of material and labour as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management. Borrowing costs are not recognised in the sales price.

Receivables

The Company has chosen IAS 39 as interpretation for impairment write-down of financial receivables.

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable is impaired.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Cash

Cash at bank and in hand comprises cash.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to 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. Deferred tax assets are recognised at the expected value of their utilisation; 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. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities

The Company has chosen IAS 39 as interpretation for liabilities.

Other liabilities are measured at net realisable value.

Lease liabilities

Lease liabilities are measured at the net present value of the remaining lease payments including any guaranteed residual value based on the interest rate implicit in the lease.

Prepayments received from customers

Prepayments received from customers recognised under 'Current liabilities' comprises payments received concerning income in the subsequent financial years.

Financial statements 1 January - 31 December

Notes to the financial statements

2 Going concern uncertainties

In connection with the preparation of the 2023 annual report, the Executive Board and Board of Directors have assessed whether it is justified that the going concern assumption is taken as a basis for preparation of the financial statements.

The Danish entities within the LiqTech International, Inc. Group, are all ultimately financed via the parent company, LiqTech International, Inc. The Danish entities have received a letter of support from the parent company which commit itself, for the period of at least 12 months from 24 June 2024, to continue to financially support the Danish entities.

As per the condensed consolidated interim financial statements as of 31 March 2024 for LiqTech International, Inc. (hereinafter "LiqTech Group"), the group had cash and cash equivalents of DKK 52,110 thousand (USD 7,726 thousand), net working capital of DKK 86,184 thousand (USD 12,778 thousand), an accumulated deficit of DKK 528,177 thousand (USD 78,310 thousand), total assets and liabilities of DKK 211,554 thousand (USD 31,366 thousand) and DKK 113,507 thousand (USD 16,829 thousand), respectively.

LiqTech Group has incurred significant recent losses, which raises substantial doubt about the ability of the Group to continue as a going concern. Executive Board and the Board of Directors in LiqTech International, Inc. have concluded that the Group's future success depends on its ability to restore profitability and raise capital as needed.

The Danish entities represent the majority of the LiqTech Group. The Danish entities do not have any overdraft facilities in credit institutions. The Danish entities have provided guarantees for each other to secure for any bank debt and lease liabilities. Consequently, the Danish entities within the LiqTech Group are dependent of financing from the parent company, LiqTech International, Inc. Therefore, the Executive Board and Board of Directors have concluded that there is significant doubt about the Danish entities ability to continue as a going concern.

In 2023, LiqTech Group initiated substantial cost reductions and measures to improve profitability, aiming to right-size the business and establish a clear, sustainable path to profitability. These efforts were further supported by an updated strategy and the recruitment of key executives. However, there is no guarantee that LiqTech Group will successfully restore profitability, secure additional funding, or implement the proposed cost reductions, strategy, and margin improvement measures to achieve profitable operations.

Since such new source of funding etc. is not obtained as of the date of these financial statements, material uncertainty exists that may cast significant doubt on the Group's and the Company's ability to continue as a going concern, and therefore LiqTech Group and the Company may be unable to realize its assets and discharge its liabilities in the normal course of business.

If the scenarios above are carried out and succeeds according to plan, the Executive Board and Board of Directors assess sufficient financing and cash resources for the planned activities and operations for the year according to the budget for 2024 and beyond. The conclusion has been made based on knowledge of the Group, the estimated outlook, and the identified uncertainties and risks related to them.

Financial statements 1 January - 31 December

Notes to the financial statements

3 Events after the balance sheet date

In 2024, the Company has sold its property, plant and equipment under construction. The disposal of the property, plant and equipment under construction has resulted in a loss of DKK 3,111 thousand. The loss has not been recognized in the annual report for 2023 as it is considered as a non-adjusting event.

There are no other events materially affecting the Company's financial position subsequent to the financial year-end.

4 Special items

Special items include significant income and expenses that are of a special nature in relation to the company's profit-generating operating activities. Special items also include other significant lump sums which, in the opinion of management, are not part of the company's primary operations and which are not assumed to be recurrent.

As mentioned in the management's report, the result for the year is affected by a number of factors that differ from what management assesses as part of the primary operation.

Special items for the year are specified below just as are the items under which they are recognised in the income statement.

DKK'000	2023	2022
Expenses		
Impairment loss on property, plant and machinery and fixtures, fittings, other plant and equipment	2,733	0
	2,733	0
Special items are recognised in the below items of the financial statements		
Amortisation/depreciation and impairment of property, plant and equipment	2,733	0
Net profit on special items	2,733	0

In current year, the useful life of plant and machinery and fixtures and fittings, other plant and equipment have been impaired due to spare parts have been fully used in production and expected useful life was 2 years.

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	<u>2023</u>	<u>2022</u>
5 Staff costs		
Wages/salaries	18,363	23,696
Pensions	1,754	2,058
Other social security costs	649	264
	<u>20,766</u>	<u>26,018</u>
Average number of full-time employees	<u>39</u>	<u>48</u>
6 Tax for the year		
Estimated tax charge for the year	0	-700
Deferred tax adjustments in the year	0	54
Tax adjustments, prior years	54	0
	<u>54</u>	<u>-646</u>

Estimated tax charge for the year comprise of income tax credit in accordance with LL 8X.

According to the Danish tax legislation, the tax value (22%) of development- and research costs can be paid out after the year's taxable income is filed. Accordingly, the tax loss carried forward is reduced.

Financial statements 1 January - 31 December

Notes to the financial statements

7 Property, plant and equipment

DKK'000	Plant and machinery	Fixtures and fittings, other plant and equipment	Leasehold improvements	Property, plant and equipment under construction	Prepayments for property, plant and equipment	Total
Cost at 1 January 2023	57,471	3,982	633	0	14,096	76,182
Additions	2,490	806	1,952	0	952	6,200
Disposals	0	-30	0	0	0	-30
Transferred	4,449	0	0	9,647	-14,096	0
Cost at 31 December 2023	64,410	4,758	2,585	9,647	952	82,352
Impairment losses and depreciation at 1 January 2023	17,022	2,465	340	0	0	19,827
Impairment losses	2,561	172	0	0	0	2,733
Depreciation	5,771	1,323	349	0	0	7,443
Impairment losses and depreciation at 31 December 2023	25,354	3,960	689	0	0	30,003
Carrying amount at 31 December 2023	39,056	798	1,896	9,647	952	52,349
Property, plant and equipment include finance leases with a carrying amount totalling	25,231	0	0	9,647	0	34,878
Depreciated over	2-15 years	2-10 years	3-5 years			

In 2023, management carried out an impairment test of the carrying amount of tangible assets. The recoverable amount in form of the value in use is deemed to exceed the carrying amount.

Financial statements 1 January - 31 December

Notes to the financial statements

8 Financial assets

DKK'000	Deposits
Cost at 1 January 2023	0
Additions	1,272
Cost at 31 December 2023	1,272
Carrying amount at 31 December 2023	1,272

9 Receivables from group enterprises

Receivables from group enterprises consists of loan to LiqTech Water A/S. It has been agreed between the parties, that the loan is free of interest.

10 Non-current liabilities

DKK'000	Total debt at 31/12 2023	Short-term portion	Long-term portion	Outstanding debt after 5 years
Lease liabilities	22,884	3,734	19,150	814
	22,884	3,734	19,150	814

11 Payables to group enterprises

Payables to group enterprises consist of loans from the parent company, LiqTech Holding A/S and group companies, LiqTech Plastics A/S and LiqTech Water Projects A/S. It has been agreed between the parties, that the loans are free of interest.

12 Contractual obligations and contingencies, etc.

Contingent liabilities

The Company is jointly taxed with its parent company, LiqTech Holding A/S, CVR-no. 25 12 10 31, which acts as management company, and is jointly and severally liable with other jointly taxed group entities for payment of income taxes as well as withholding taxes on interest, royalties and dividends falling due for payment.

Other financial obligations

The Company has entered into a commercial tenancy agreement with a remaining contract period of 15 months and a residual commitment in the amount of DKK 4,563 thousand, of which DKK 3,651 thousand falls due within a year.

13 Contingent assets

The company has tax loss carry-forwards totalling DKK 60,000 thousand. The nominal value thereof is 22%, totalling DKK 13,200 thousand. The deferred tax asset has not been recognised in the balance sheet due to the uncertainty as to application of the tax losses in the next 3-5 years.

14 Security and collateral

Out of cash at bank and cash in hand, DKK 6,349 thousand has been provided as collateral for bank debt and lease liabilities. At 31 December 2023, the Company had no bank debt, whereas lease liabilities amounts to DKK 22,884 thousand.

Financial statements 1 January - 31 December

Notes to the financial statements

14 Security and collateral (continued)













A company charge of DKK 9,500 thousand secured on the Company's assets, has been provided as collateral for bank debt and lease liabilities. At 31 December 2023, the Company had no bank debt, whereas lease liabilities amounts to DKK 22,884 thousand.

The Company has provided guarantees for the Parent Company and group entities to secure for bank debt. At 31 December 2023, the bank debt amount to DKK 0.

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Mads Obel Knøsgaard

EY Godkendt Revisionspartnerselskab CVR: 30700228

State Authorised Public Accountant

On behalf of: EY Godkendt Revisionspartnerselskab

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