

# LiqTech Water Projects A/S

Benshøj Industrivej 24, 9500 Hobro

CVR no. 41 56 53 81

## 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 Water Projects 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.

Hobro, 28 June 2024  
Executive Board:

.....  
Kim Michael Hansen  
Director

Board of Directors:

.....  
Fei Chen  
Chairman

.....  
Phillip Massie Price

.....  
Kim Michael Hansen

## Independent auditor's report

To the shareholder of LiqTech Water Projects A/S

### Opinion

We have audited the financial statements of LiqTech Water Projects 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 Water Projects A/S
Address, Postal code, City	Benshøj Industrivej 24, 9500 Hobro
CVR no.	41 56 53 81
Established	28 July 2020
Registered office	Mariagerfjord
Financial year	1 January - 31 December
Website	<a href="http://www.liqtech.com">www.liqtech.com</a>
E-mail	<a href="mailto:info@liqtech.com">info@liqtech.com</a>
Telephone	+45 44 98 66 00
Board of Directors	Fei Chen, Chairman Phillip Massie Price Kim Michael Hansen
Executive Board	Kim Michael Hansen, Director
Auditors	EY Godkendt Revisionspartnerselskab Østre Havnegade 65, 9000 Aalborg, Denmark

## Management's review

### Business review

The Company's principal activity is to engage into commercial partnerships and conduct general sales and aftermarket activities within commercial water treatment as well as activities which, in Management's opinion, are related thereto.

### Financial review

The income statement for 2023 shows a loss of DKK 6 thousand against a loss of DKK 5 thousand last year, and the balance sheet at 31 December 2023 shows equity of DKK 486 thousand.

### *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

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

## Financial statements 1 January - 31 December

### Income statement

Note	DKK'000	2023	2022
	<b>Gross profit/loss</b>	-5	-5
	Financial income	4	0
	Financial expenses	-5	0
	<b>Profit/loss before tax</b>	-6	-5
	Tax for the year	0	0
	<b>Profit/loss for the year</b>	-6	-5
	 <b>Recommended appropriation of profit/loss</b>		
	Retained earnings/accumulated loss	-6	-5
		-6	-5



## Financial statements 1 January - 31 December

### Balance sheet

Note	DKK'000	2023	2022
	<b>ASSETS</b>		
	<b>Current assets</b>		
	<b>Receivables</b>		
3	Receivables from group enterprises	450	445
	Other receivables	538	0
		988	445
	<b>Cash</b>	47	47
	<b>Total current assets</b>	1,035	492
	<b>TOTAL ASSETS</b>	1,035	492
	<b>EQUITY AND LIABILITIES</b>		
	<b>Equity</b>		
	Share capital	500	500
	Retained earnings	-14	-8
	<b>Total equity</b>	486	492
	<b>Liabilities</b>		
	<b>Current liabilities</b>		
4	Payables to group enterprises	549	0
	<b>Total current liabilities</b>	549	0
	<b>Total liabilities</b>	549	0
	<b>TOTAL EQUITY AND LIABILITIES</b>	1,035	492

- 1 Accounting policies
- 2 Going concern uncertainties
- 5 Contractual obligations and contingencies, etc.

## Financial statements 1 January - 31 December

### Statement of changes in equity

DKK'000	Share capital	Retained earnings	Total
Equity at 1 January 2023	500	-8	492
Transfer through appropriation of loss	0	-6	-6
Equity at 31 December 2023	500	-14	486

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies

The annual report of LiqTech Water Projects 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.

#### 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 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 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.

##### 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 administration, etc.

##### 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

##### 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.

##### Cash

Cash at bank and in hand comprise cash.

##### Equity

##### 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.

## 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 Receivables from group enterprises

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

#### 4 Payables to group enterprises

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

#### 5 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.

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## Phillip Massie Price

### Board of Directors

On behalf of: LiqTech Water Projects AS

Serial number: b49e8e7f-52b4-47b0-9e32-4063a02ae761

IP: 2.130.xxx.xxx

2024-06-28 14:46:06 UTC



## Phillip Massie Price

### Chairman

On behalf of: LiqTech Water Projects AS

Serial number: b49e8e7f-52b4-47b0-9e32-4063a02ae761

IP: 2.130.xxx.xxx

2024-06-28 14:48:49 UTC



## Fei Chen

### Board of Directors

On behalf of: LiqTech Water Projects AS

Serial number: 9b2820bd-9cf9-4914-b3ce-511d33869b1e

IP: 80.208.xxx.xxx

2024-06-30 09:10:09 UTC



## Kim Michael Hansen

### Executive Board

On behalf of: LiqTech Water Projects AS

Serial number: bdc12b00-dc1e-4dba-adb5-97994d59721e

IP: 80.208.xxx.xxx

2024-07-01 06:26:20 UTC



## Kim Michael Hansen

### Board of Directors

On behalf of: LiqTech Water Projects AS

Serial number: bdc12b00-dc1e-4dba-adb5-97994d59721e

IP: 80.208.xxx.xxx

2024-07-01 06:26:20 UTC



## Hans Børge Sinding Vistisen

EY Godkendt Revisionspartnerselskab CVR: 30700228

State Authorised Public Accountant

On behalf of: EY Godkendt Revisionspartnerselskab

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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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