

LiqTech Emission Control A/S

Benshøj Industrivej 24
DK-9500 Hobro

CVR no. 42 18 63 09

Annual report for the period 1 March – 31 December 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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LiqTech Emission Control A/S
Annual report 2021
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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 Emission Control A/S for the financial period 1 March – 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 period 1 March – 31 December 2021.

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, 13 July 2022
Executive Board:

Simon Seidelin Stadil
CEO

Board of Directors:

Alexander Jon Buehler
Chairman

Rikke Holgersen Feld

Simon Seidelin Stadil

Independent auditor's report

To the shareholder of LiqTech Emission Control A/S

Opinion

We have audited the financial statements of LiqTech Emission Control A/S for the financial period 1 March – 31 December 2021 comprising income statement, balance sheet 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 period 1 March – 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 Emission Control A/S
Annual report 2021
CVR no. 42 18 63 09

Management's review

Company details

LiqTech Emission Control A/S
Benshøj Industrivej 24
9500 Hobro
Denmark

Telephone: 44986600
Fax: 44986061
Website: www.liqtech.com
E-mail: info@liqtech.com

CVR no.: 42 18 63 09
Established: 1 March 2021
Registered office: Hobro
Financial period: 1 March – 31 December

Board of Directors

Alexander Jon Buehler, Chairman
Rikke Holgersen Feld
Simon Seidelin Stadil

Executive Board

Simon Seidelin Stadil, CEO

Auditor

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

Management's review

Operating review

Principal activities

The Company's principal activity is to conduct trade, industry and investment activities within commercial water treatment as well as activities which, in Management's opinion, are related to this.

Development in activities and financial position

During financial year new production facility was started in China through subsidiary with a total investment of DKK 19,5 million.

After balance day a close down of production facility is decided so production is to be carried out in Danish production site.

Consequently, investment is written down to realization value compromising machines and cash deposits.

Based here on the Company's income statement for 2021 shows a loss of DKK -10,5 million.

Equity in the Company's balance sheet at 31 December 2021 stood at DKK 0,9 million.

Capital resources

Company is funded through intercompany loan from parent company amounting to DKK 9,0 million at 31 December 2021 after the Company received a group grant of DKK 11 million by debt forgiveness.

Loan will be repaid as part of closing of Chinese subsidiary.

Further, additional capital of USD 26 million was raised during the financial year 2022 through the group parent company LiqTech International Inc. hence the group has sound capital resources available.

Events after the balance sheet date

Except close of production in China and raise of capital no events have occurred after the financial year end, with an impact on the financial statements for 2021.

Financial statements 1 March – 31 December

Income statement

DKK	Note	01.03.21- 31.12.21
Gross loss		<u>-476,934</u>
Loss before financial income and expenses		<u>-476,934</u>
Income from equity investments in group entities		-10,074,942
Other financial expenses		<u>-3,123</u>
Loss before tax		-10,554,999
Tax on loss for the year		<u>0</u>
Loss for the period		<u><u>-10,554,999</u></u>
Proposed profit appropriation/distribution of loss		
Retained earnings		<u><u>-10,554,999</u></u>

Financial statements 1 March – 31 December

Balance sheet

DKK	Note	31/12 2021
ASSETS		
Fixed assets		
Investments	2	
Equity investments in group entities		<u>9,468,158</u>
Total fixed assets		<u>9,468,158</u>
Current assets		
Cash at bank and in hand		<u>487,028</u>
Total current assets		<u>487,028</u>
TOTAL ASSETS		<u><u>9,955,186</u></u>
EQUITY AND LIABILITIES		
Equity		
Contributed capital		500,000
Retained earnings		<u>445,001</u>
Total equity		<u>945,001</u>
Liabilities		
Current liabilities		
Payables to group entities		<u>9,010,185</u>
Total liabilities		<u>9,010,185</u>
TOTAL EQUITY AND LIABILITIES		<u><u>9,955,186</u></u>
Contractual obligations, contingencies, etc.	3	

Financial statements 1 March – 31 December

Notes

1 Accounting policies

The annual report of LiqTech Emission Control A/S for 2021 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act.

Omission of consolidated financial statements

Pursuant to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared. The financial statements of LiqTech Emission Control A/S and group entities are included in the consolidated financial statements of Liqtech International Inc., 1804 Buerkle Road, White Bear Lake, MN 55110, United States of America, SEC 0001307579

Income statement

Gross profit

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

Other external costs

Other external costs comprise distribution costs and costs related to administration, etc.

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.

Balance sheet

Investments

Equity investments in group entities and participating interests (including associates) are measured at cost. In case of indication of impairment, an impairment test is conducted. When the cost exceeds the recoverable amount, write-down is made to this lower value. The cost is reduced by dividends received exceeding accumulated earnings after the acquisition date.

Cash at bank and in hand

Cash at bank and in hand comprises cash.

Financial statements 1 March – 31 December

Notes

1 Accounting policies (continued)

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment as well as equity investments in group entities and associates 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.

Equity

Equity comprise contributed capital and retained earnings.

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.

Liabilities

Financial liabilities are recognised at cost at the date of borrowing, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Finance lease obligation comprise the capitalised residual lease obligation of finance leases.

Other liabilities are measured at net realisable value.

Financial statements 1 March – 31 December

Notes

2 Investments

Additions for the year	<u>19,543,100</u>
Cost at 31 December 2021	<u>19,543,100</u>
Net profit/loss for the year and write down for the year	<u>-10,074,942</u>
Revaluations 31 December 2021	<u>-10,074,942</u>
Carrying amount at 31 December 2021	<u>9,468,158</u>

3 Contractual obligations, contingencies, etc.

Contingent liabilities

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

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Rikke Holgersen Feld

Bestyrelsesmedlem

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Adm. direktør

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Mit  

Simon Seidelin Stadil

Bestyrelsesmedlem

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Mit  

Alexander Jon Buehler

Bestyrelsesformand

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2022-07-13 14:12:22 UTC



Steffen Sjørslev Hansen

Statsautoriseret revisor

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