

AQUAPORIN ANNOUNCES RESULTS FOR FIRST HALF 2021

Comparative figures for 2020 are shown in brackets throughout the report.

Highlights

- Successful capital raise of DKK 250 million in gross proceeds in connection with initial public offering secured funds to execute on the commercialization strategy laid out in the Prospectus published 14 June 2021.
- Revenue grew 176% to DKK 2.9 million in the first six months of 2021 (1.0 million); Drinking Water (60%) and Industrial Water (37%) were the primary revenue drivers.
- Drinking water revenue growth was driven by sales in both point-of-use (“PoU”) systems (purifiers, systems) and non-PoU (membranes, flatsheets).
- Solid traction in Industrial Water with 8 new pilot projects launched in the first six months of 2021 (currently 18 ongoing). Aquaporin was selected to collaborate with the “Fashion for Good” program in South Asia to develop innovative treatment of wastewater in the textile industry.
- Food & Beverage successfully achieved lab-scale and prototype proof of concept in H1 2021 and has commenced the next phase of development with partners and customers to scale up solutions.
- EBITDA amount to a loss of DKK 37.7 million, compared to a loss of DKK 41.7 million in 2020.
- Cash & cash equivalents at the end of the period amounted to DKK 219.9 million (1.2 million).
- Chief Commercial Officer and Deputy CEO Matt Boczkowski and Chief Operating Officer Joerg Hess became registered members of the Executive Board.
- Full-year financial outlook maintained based on ongoing positive dialogue with potential customers and positive development in the order book, underlined by large order of 2,500 point-of-use purifiers secured immediately after end of first half of 2021.

Outlook for full year 2021

Revenue	DKK 15-20 million
EBITDA (before special items)	DKK (70-80) million
EBIT (before special items)	DKK (90-100) million

Comment by Peter Holme Jensen, CEO:

“ We are excited to announce our first interim report as a listed company. As part of the IPO, we raised gross proceeds of DKK 250 million. This enables us to focus on building a strong commercial organization, continue our efforts in R&D and do our part in creating a more sustainable future. The first six months of 2021 have been satisfactory from a business perspective where we have continued development and testing of solutions in all key markets. We strengthened the organization in all areas, not least with the addition of Matt Boczkowski as Deputy CEO and CCO – Matt’s experience with sales, marketing and business development from global leaders in the industry is key to building a best-in-class commercial foundation and promote a customer-centric commercial culture at Aquaporin. We move into the second half of 2021 with a clear roadmap to grow Aquaporin’s financial footprint and execute on the strategy presented in connection with the IPO.

H1 2021 conference call on 26 August 2021 at 15.00 (CEST)

The call will be held in English and a replay will subsequently be available on Aquaporin’s website. Full details on how to join the event is available at <https://investors.aquaporin.com/investors/default.aspx>.

Contact information

Peter Holme Jensen, CEO, phj@aquaporin.com

Bo Karmark, CFO, bka@aquaporin.com

Mikkel Tanderup, Head of Investor Relations, mta@aquaporin.com, +45 53 55 55 05

FINANCIAL HIGHLIGHTS AND KEY FIGURES

<i>DKK thousand</i>	Q2 2021	Q2 2020	YTD 2021	YTD 2020
Income statement				
Revenue	636	247	2,857	1,036
Sales and distribution costs	7,100	6,111	13,826	11,259
Research and development costs	13,492	14,827	26,970	29,620
Administrative costs	3,400	5,173	6,447	9,173
EBITDA before special items	(19,397)	(22,120)	(37,703)	(41,702)
EBIT before special items	(23,624)	(25,969)	(46,262)	(49,450)
Special items	(36,369)	0	(36,369)	-
EBIT	(59,993)	(25,969)	(82,631)	(49,450)
Net financial items	(894)	(937)	(2,022)	(1,579)
Earnings for the period	(60,893)	(26,906)	(84,660)	(51,029)
Balance sheet				
Total non-current assets			209,490	255,096
Total current assets			244,340	29,271
Total assets			453,830	284,367
Equity			313,264	140,891
Total liabilities			140,566	143,476
Cash flow				
Cash flow from operating activities	(25,605)	(14,695)	(43,656)	(34,181)
Cash flow from investment activities	(2,482)	(2,780)	(5,035)	(7,686)
- Investments in intangible assets	(2,785)	(2,567)	(4,416)	(5,862)
- Investments in tangible assets	(16)	(140)	(618)	(1,824)
Cash flow from financing activities	247,412	17,630	267,102	41,712
Key ratios				
Equity share ¹			69%	50%
Earnings per share ²	(7)	(3)	(9)	(6)
Diluted earnings per share ³	(6)	(3)	(9)	(6)
Average number of FTE's	78	88	76	89

Key figures and ratios are defined and calculated in accordance with applied accounting policies.

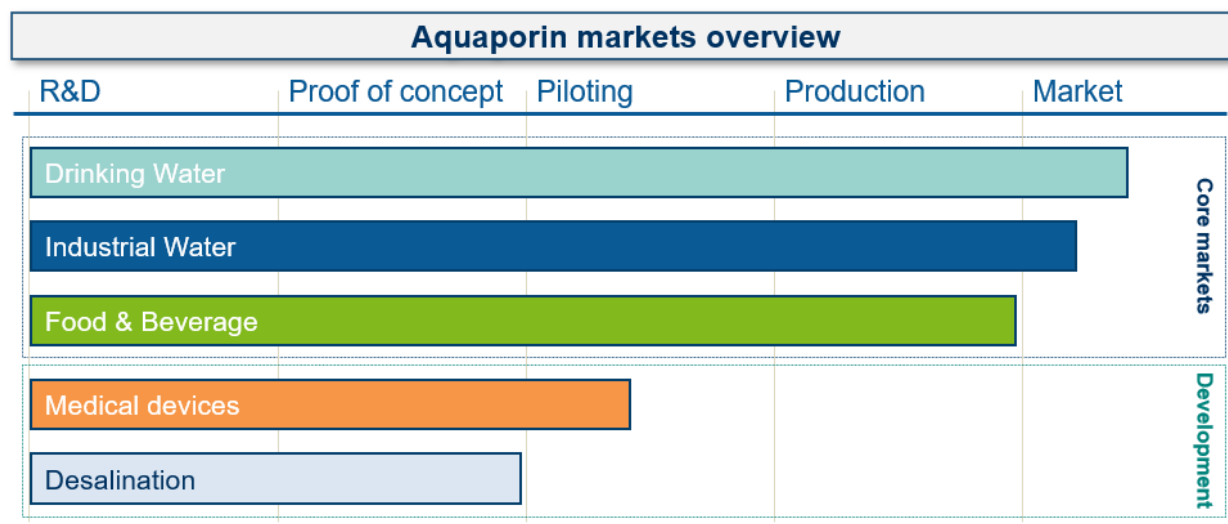
¹ Equity share is calculated as the equity divided by the total assets as of the balance sheet date.

² Earnings per share is calculated as the net result for the period divided by the weighted-average number of ordinary shares outstanding during the period.

³ Diluted earnings per share is calculated as the net result for the period divided by the weighted-average number of ordinary shares outstanding during the period adjusted by the dilutive effect of warrants.

BUSINESS REVIEW

Aquaporin is a sustainability-driven business focused on finding a solution for the world's increasing water scarcity, climate change and pollution. Our strategy is to operate an asset-light business model, leverage our core Aquaporin Inside® technology and build a strong commercial organization to target each of our target markets. Our go-to-market strategy is specifically tailored to each market, partnering with system integrators and distributors when needed.



We expect Drinking Water to be the main driver of revenue in the near-term (2021/2022), as our product line in this market is the most advanced, both within purifier sales to private households (“Zero”, “One”) and membrane and flatsheet sales into larger setups and systems. Compared to Drinking Water, sales cycles within Industrial Water and F&B are currently longer as the products are typically part of a larger setup and only few existing filtration and concentration systems use forward osmosis technology today. Given the novelty of the technologies, the pilot/test phase typically runs for an extended period, particularly in Industrial Water. We expect sales cycles to decrease as we increase our number of use cases with well-known partners and customers, which is in turn expected to increase revenue growth contribution from these business areas.

Within production, we have chosen to focus in-house efforts only in the core value-adding manufacturing steps. These primarily relates to components (aquaporin protein) and formulation (coating) which are less capital intensive and for which we have the capacity to meet demand in the foreseeable future. Other steps within manufacturing, that are more capital intensive, are outsourced to CMOs. Working with the CMOs enables greater scalability as they have a larger existing production setup with greater flexibility.

Drinking Water

Drinking water made up 60% of total revenue in the first six months of 2021, of which point-of-use (“PoU”) systems contributed 25% and non-PoU (membranes, flatsheets) contributed 75%. Drinking water continues to show market traction through increased sales of PoU systems. “One” PoU purifier launched in April 2021. The company is on track with product development for the kitchen segment and next generation of PoU systems.

We commercialize our products both as individual Aquaporin-branded drinking water systems for private households and through membrane product sales to major distributors and original equipment manufacturers. The short-term focus is on adding commercial resources in Europe, Asia and the United States. We are also adding warehouse capacity in the United States to serve the North American market.

Industrial Water

Industrial Water contributed 37% of total revenue in the first six months of 2021, largely driven by income from testing and piloting. We had solid traction in the market in the first six months of 2021, a total of 8 new pilot projects launched (currently 18 ongoing). Aquaporin was selected to collaborate with the “Fashion for Good” program in South Asia to develop innovative treatment of wastewater in the textile industry. In the second half of 2021, we are preparing product launch for Brackish Water RO membrane.

We will primarily grow our presence in the Industrial Water market through partnering with large actors specialized in assembling components and subsystems for complete system solutions for end customers. Short-term focus is on the textile industry in Southeast Asia, in the long-term we plan to extend our focus to include agricultural waste in the United States, leachate from landfills in China and recovery of high value and scarce resources from wastewater streams.

Food & Beverage



Within Food & Beverage, where we secured FDA Food Contact Material compliance in December 2020, we successfully achieved lab-scale and prototype proof of concept in the first six months of 2021 and have commenced the next phase of development with partners and customers to scale up solutions.

Our main strategic focus within Food & Beverage is to target the markets where Aquaporin’s forward osmosis technology offers significant value proposition vs. other concentration processes, e.g., evaporation. We focus on strategic partnerships with blue-chip brands around product development and commercialization. Short-term focus is to enter coffee, food ingredients and coconut water markets.



Development pipeline

Aquaporin continues to invest in the research and development of new and existing patented technologies. Our Deep Tech team is responsible for the early-stage development of new products and applications whereas the Technology team focuses on the final product development and integration into the product portfolio.

Our research teams work in frontier technologies and continue to learn about applications and processes for the Aquaporin formulation and membranes. This enables further development of our current product portfolio as well as longer-term advancement of potential new applications and products.

-  **Deep Tech:** The team is currently focused on development of future generations of the Aquaporin Inside® technology— this will increase the ability to use the coating on a more membrane-agnostic basis. In addition, we have commenced a partnership with large-scale CMO on development of future membranes for Drinking Water.
-  **Technology:** The Technology team currently focuses efforts on development of an in-house Food & Beverage pilot system which will speed up application assessment and time-to-market of new products.

In addition to development within our three main target markets, we have identified additional markets where our existing technology offers strong value proposition but requires further development to fit the required industry standards.

-  **Desalination:** Desalination has passed lab-scale proof of concept milestone and is progressing towards piloting stage. The expectation is that this will not be a significant revenue driver in the near-term but has good potential in future to increase Aquaporin’s total addressable market.
-  **Medical devices:** Currently in the piloting stage within dialysis, primary focus is on co-developing applications for a more sustainable dialysis treatment as well as portable medical devices to improve quality of life for patients.

Environmental, Social and Governance

At Aquaporin, we are working to preserve the Earth's most valuable resource - water - by combining advanced engineering, biotechnology, and natural aquaporins. Our products not only compete on superior performance being a nature-based technology, but they also fit the demand for more sustainable production patterns, where we do our best to serve customers' needs for reducing energy usage, reduce emissions to water streams and the need for plastic bottles. Highlights in the first half of 2021 include:

- In April, Aquaporin joined the Fashion for Good South Asia Innovation program, an initiative working to make fashion more sustainable. The program connects innovators in the textile industry, and Fashion for Good will facilitate that their partners work towards using the Aquaporin Inside® technology to treat wastewater on a pilot basis at textile factories in South Asia. This will enable factories in the water-stressed region to improve their reuse of industrial water.
- In May, Aquaporin joined the EU-financed project Grøn Cirkulær Omstilling (Green Circular Transition). The project has a 6-month duration and will assist Aquaporin in tailoring circular economy into its sustainability strategy along with identifying key ESG projects.

Subsequent events

- In July, Aquaporin secured the largest single order to date with a large Turkish conglomerate, with an extensive electronics and appliances manufacturing and distribution network, of 2,500 Point-of-Use water purifiers. The systems will be delivered in increments beginning from September 2021 and into 2022.
- In July, Aquaporin announced that it had issued a total of 61,408 warrants under a new long-term incentive plan ("2021 LTIP"). The grant of the 61,408 warrants is the first grant of three in the 2021 LTIP over a three-year period with where a maximum number of 184,224 warrants and a target number 138,162 warrants are contemplated to be issued to the Executive Management and certain employees over the three years. The two subsequent grants will occur in 2022 and 2023 following approval of the annual reports and subject to satisfaction of certain KPIs relating to Revenue and EBITDA.
- The initial public offering was formally concluded on July 26 with the end of the stabilization period.

Risk and assumptions

As of June 30, 2020, Aquaporin held total cash of DKK 219.9 million, which is anticipated to be sufficient to execute the commercial strategy for the coming years. The execution of the commercial strategy continuously depends on the ability to build the commercial infrastructure needed to raise the commercial profile and ensure market acceptance of the products. Furthermore, the revenue outlook for 2021 contains uncertainties related to the ability to convert current partners and leads to customers and orders.

A more extensive description of risk factors can be found in the 2020 Annual Report under the section Risk management and internal control and is furthermore outlined in the prospectus published 14 June 2021.

COVID-19

Covid has been a global crisis with impact on all businesses and societies, and as Aquaporin's commercial focus is global there are some travel-related risks that can prevent in-person meetings and training of new partners. The impact for Aquaporin in the first half of 2021 has predominately impacted commercialization given regional lockdowns, particularly within Industrial Water.

We continuously monitor the development in the COVID-19 pandemic to ensure necessary precautions to keep employees, partners and all other stakeholders safe. We aim to maintain compliance with guidance from relevant government and health authorities.

MANAGEMENT STATEMENT ON THE INTERIM STATEMENT

The Board of Directors and the Executive Board have considered and approved the interim financial report of Aquaporin A/S for the period 1 January to 30 June 2021.

The interim report, which is unaudited and has not been reviewed by the company's auditors, has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and further requirements in accordance with Danish Financial Statement Act.

The accounting policies used in the interim financial report are consistent with those accounting policies used in Aquaporin A/S' 2020 Annual Report.

In our opinion, the interim condensed consolidated financial statements give a true and fair view of Aquaporin A/S' assets, liabilities, and financial position at 30 June 2021 and of the results of its operations and cash flows for the period 1 January to 30 June 2021.

We further consider that the Management's Review in the preceding pages includes a true and fair account of the development and performance of the Group, the results for the period and the financial position, together with a description of the principal risks and uncertainties that the Group faces, in accordance with Danish disclosure requirements for listed companies.

Copenhagen, 26 August 2021

Executive Board

Peter Holme Jensen
Chief Executive Officer
(CEO)

Matt Boczkowski
Deputy CEO and Chief
Commercial Officer (CCO)

Bo Karmark
Chief Financial Officer
(CFO)

Joerg Hess
Chief Operating Officer
(COO)

Board of Directors

Niels Heering
Chairman

Søren Bjørn Hansen
Deputy Chairman

Anne Broeng

Lars Christian Hansen

Jens Denkov

Weiming Jiang

Cai Jianwen

FINANCIAL REVIEW

The financial review is based on the Group's consolidated financial information for the first six months of 2021, with comparative figures for the same period in 2020.

Income statement

Revenue

Revenue amounted to DKK 2.9 million for the first six month of 2021 (1.0 million). The main driver for the increase was product sales in the Drinking Water market, primarily point-of-use ("PoU") systems (purifiers, systems) and non-PoU (membranes, flatsheets).

Costs

Our fixed cost base decreased 6% to DKK 47.2 million (DKK 50.1 million), driven by a decrease in FTEs in R&D and administration, partially offset by an increase in the employee cost base within sales & marketing as we started investments into our commercial organization.

Sales and marketing costs amounted to DKK 13.8 million for the first six month of 2021 (11.3 million). The increase of DKK 2.5 million was primarily due to investments in the commercial infrastructure, including new employees.

Research and development costs amounted to DKK 27.0 million for the first six months of 2021 (29.6 million). The decrease was mainly due to financial impact of a reduction in FTEs in 2020.

Administrative costs amounted to DKK 6.4 million for the first half of 2021 (9.2 million). The decrease was mainly due to financial impact of a change to the organization made in the first half of 2020.

Earnings

EBIT before special items was a loss of DKK (46.3) million, compared to a loss of DKK 49.5 million in 2020. Net result amounted to a loss of DKK (84.7) million, compared to a loss of DKK 51.0 million in 2020. The main driver for this increase relates to the listing on Nasdaq Copenhagen in June 2021 which is classified as special items.

Special items

Special items amounted to DKK 36.4 million for the first six months of 2021 (0.0 million). The amount consists of costs related to the listing on Nasdaq Copenhagen in June 2021.

Liquidity and capital resources

Cash position

As of June 30, 2021, Aquaporin A/S held cash of DKK 219.9 million (1.2 million). The increase relates to proceeds from the listing on Nasdaq in June 2021.

Equity

The group's equity as of June 30, 2021 amounted to DKK 313.3 million (140.9 million). The increase was primarily driven by the capital raise of DKK 250 million in gross proceeds in connection with the initial public offering.

Cash flow

Cash flow from operating activities

The cash flow generated by operating activities amounted to an outflow of DKK 43.7 million in the six-month period ending June 30, 2021 (34.2 million). The cash flow from operating activities was primarily attributable to investments in the commercial infrastructure in 2021, costs related to the IPO, partially offset by cost savings as a result from the change to the organization made in 2020.

Cash flow from investing activities

The cash flow from investing activities amounted to an outflow of DKK 5.0 million for the six-month period ending June 30, 2021 (outflow of DKK 7.7 million). The reduced cash flow from investing activities was due to lower capital expenditures of DKK 1.7 million.

Cash flow from financing activities

The cash flow from financing activities contributed to an inflow of DKK 267.1 million in the six-month period ending June 30, 2021 (inflow of DKK 41.7 million). The cash flow from financing activities primarily reflects gross proceeds from the initial public offering in June 2021 of DKK 250.0 million and proceeds from exercise of warrants of DKK 40.5 million.

Outlook

Based on the financial performance in the first 6 months of fiscal year 2021, along with a strong start to the order book for the second half of 2021, we maintain the full-year outlook described in the Prospectus of 14 June 2021:

- Revenue is expected to be in the range of DKK 15-20 million
- EBITDA (before special items) is expected to be negative in the range of DKK (70-80) million
- EBIT (before special items) is expected to be negative in the range of DKK (90-100) million

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS H1 2021

Content

Consolidated interim statement of profit and loss	11
Consolidated interim statement of comprehensive income	11
Consolidated interim balance sheet	12
Consolidated interim statement of changes in equity	14
Consolidated interim statement of Cash flow	15
Notes to the interim statement	16



Consolidated Interim Statement of Profit and Loss

<i>DKK thousand</i>	<i>Notes</i>	Q2 2021	Q2 2020	YTD 2021	YTD 2020
Net revenue	4	636	247	2,857	1,036
Cost of goods sold		(268)	(105)	(1,876)	(434)
Gross profit		368	142	981	602
Sales and marketing costs		(7,100)	(6,111)	(13,826)	(11,259)
Research and development costs		(13,492)	(14,827)	(26,970)	(29,620)
Administrative costs		(3,400)	(5,173)	(6,447)	(9,173)
Operating profit before special items		(23,624)	(25,969)	(46,262)	(49,450)
Special items	5	(36,369)	-	(36,369)	-
Operating profit (EBIT)		(59,993)	(25,969)	(82,631)	(49,450)
Finance income		201	1,853	327	1,931
Finance costs		(1,095)	(2,790)	(2,349)	(3,510)
Earnings before income tax		(60,887)	(26,906)	(84,653)	(51,029)
Income tax		(6)	-	(7)	-
Earnings for the period		(60,893)	(26,906)	(84,660)	(51,029)
Earnings per share in DKK					
Earnings per share		(7)	(3)	(9)	(6)
Diluted earnings per share		(6)	(3)	(9)	(6)

Consolidated Statement of Comprehensive Income

<i>DKK thousand</i>	Q2 2021	Q2 2020	YTD 2021	YTD 2020
Earnings for the period	(60,893)	(26,906)	(84,660)	(51,029)
Other comprehensive income				
<i>Items that can be reclassified to profit and loss:</i>				
Exchange differences regarding foreign operations	(119)	(6)	123	(199)
Other comprehensive income for the period, net of tax	(119)	(6)	123	(199)
Total comprehensive income (Loss) for the period	(61,012)	(26,912)	(84,537)	(51,228)

Consolidated Interim Balance Sheet

<i>DKK thousand</i>	Notes	Jun 30, 2021	Jun 30, 2020	Dec 31, 2020
Know-how		2,899	2,899	2,899
Development projects		84,814	80,283	83,337
Intangible assets		87,713	83,182	86,236
Plant and machinery		45,229	50,218	47,940
Right-of-use assets		50,420	53,991	52,432
Other equipment		3,185	4,083	3,777
Leasehold improvements		19,103	20,567	19,882
Tangible assets		117,937	128,859	124,031
Investments in associates		1,719	1,671	1,649
Financial assets		1,719	1,671	1,649
Deposits		2,121	2,145	2,101
Deferred tax assets		-	39,239	-
Other non-current assets		2,121	41,384	2,101
Total non-current assets		209,490	255,096	214,017
Prepayments		679	680	1,177
Inventories		17,432	18,211	16,565
Trade receivables		862	127	3,131
Other receivables		5,433	3,560	4,918
Income tax receivables		4	5,504	5,504
Cash and cash equivalents		219,930	1,189	1,504
Total Current assets		244,340	29,271	32,799
Total assets		453,830	284,367	246,816

Consolidated Interim Balance Sheet (continued)

<i>DKK thousand</i>	Notes	Jun 30, 2021	Jun 30, 2020	Dec 31, 2020
Share capital		10,079	7,948	8,174
Retained earnings		247,206	87,319	49,015
Reserve for exchange rate transactions		547	471	424
Reserve for share-based payments		14,564	10,846	10,600
Other reserves		40,868	34,307	39,109
Total equity		313,264	140,891	107,322
 Borrowings		 1,337	 -	 -
Lease liability		52,373	54,273	53,809
Other payables		3,483	3,893	3,483
Total non-current liabilities		57,193	58,166	57,292
 Borrowings		 2,334	 32,720	 28,635
Lease liability		3,074	3,537	3,093
Trade payables		2,850	2,145	2,659
Other payables		39,668	15,828	12,066
Other liabilities		35,447	31,080	35,749
Total current liabilities		83,373	85,310	82,202
 Total liabilities		 140,566	 143,476	 139,494
 Total equity and liabilities		 453,830	 284,367	 246,816

Consolidated Interim Statement of changes in Equity

<i>DKK thousand</i>	Share capital	Retained earnings	Reserve for exchange rate translation	Reserve for share-based payment	Other reserves	Total equity
Balance as of 31.12.2019	7,789	115,610	670	10,380	29,613	164,062
Profit/Loss for the period	-	(55,723)	-	-	4,694	(51,029)
Other comprehensive income	-	-	(199)	-	-	(199)
Total comprehensive income for the period	-	(55,723)	(199)	-	4,694	(51,228)
<i>Transactions with owners in their capacity as owners</i>						
Increase in share capital	159	27,432	-	-	-	27,591
Share-based payment	-	-	-	466	-	466
Balance as of 30.06.2020	7,948	87,319	471	10,846	34,307	140,891
Balance as of 31.12.2020	8,174	49,015	424	10,600	39,109	107,322
Profit/Loss for the period	-	(86,419)	-	-	1,759	(84,660)
Other comprehensive income	-	-	123	-	-	123
Total comprehensive income for the period	-	(86,419)	123	-	1,759	(84,537)
<i>Transactions with owners in their capacity as owners</i>						
Increase in share capital	1,905	288,545	-	-	-	290,450
Capital increase costs	-	(3,935)	-	-	-	(3,935)
Share-based payment	-	-	-	3,964	-	3,964
Balance as of 30.06.2021	10,079	247,206	547	14,564	40,868	313,264

Consolidated Interim Statement of Cash flow

<i>DKK thousand</i>	Q2 2021	Q2 2020	YTD 2021	YTD 2020
Operating profit	(59,993)	(25,969)	(82,631)	(49,450)
Depreciations and amortizations	4,227	3,849	8,559	7,748
Non-cash items	319	(876)	565	691
Change in net working capital	30,331	8,676	30,927	7,427
Cash flow from primary operating activities	(25,116)	(14,320)	(42,580)	(33,584)
Received interests and other financial income	-	-	-	-
Paid interests and other financial expenses	(489)	(375)	(1,076)	(597)
Cash flow from operating activities	(25,605)	(14,695)	(43,656)	(34,181)
Investments in non-current assets	(2,482)	(2,780)	(5,035)	(7,686)
Cash flow from investing activities	(2,482)	(2,780)	(5,035)	(7,686)
Credit facility	(36,104)	18,563	(28,635)	15,926
Borrowings	3,671	-	3,671	-
Repayment of lease liabilities	(826)	(933)	(1,471)	(1,805)
Proceed from sale of tax receivable	-	-	5,367	-
Proceeds from warrant programs exercised	32,950	-	40,450	-
Proceeds from capital increase	250,000	-	250,000	27,591
Cost related to issue of new shares	(3,935)	-	(3,935)	-
- hereof accrued costs	1,656	-	1,656	-
Cash flow from financing activities	247,412	17,630	267,102	41,712
Net cash flow for the period	219,325	153	218,412	(155)
Cash and cash equivalents, beginning of the year	605	1,055	1,504	1,382
Foreign exchange adjustment of cash and cash equivalents	-	(19)	14	(38)
Cash and cash equivalents, end of the period	219,930	1,189	219,930	1,189

Notes to the interim statement

Note 1 - Basis of preparation of the interim statement

The interim condensed consolidated financial statements of Aquaporin A/S (“the Company”) have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (IASB) and as adopted by EU and disclosure requirements for Danish listed companies. The interim condensed consolidated financial statements are presented in Danish kroner (DKK) which is also the functional currency of the parent company.

The accounting policies used in the interim condensed consolidated financial statements are consistent with those used in the Company’s Annual report for the year ended December 31, 2020.

Changes of accounting policies

The Company has implemented the latest IFRS amendments, which took effect on 1 January 2021 and have been approved by the EU. None of those amendments have significantly affected recognition and measurement, nor are they expected to have a material effect in the near future.

As of 1 January 2021, a number of amendments to the accounting standards were implemented. None of the amendments have a material impact on the accounting policies or on the consolidated financial statements, consequently, no changes to the accounting policies or retrospective adjustments have been made as a result of adopting these standards.

Note 2 - Changes in accounting estimates

In connection with the preparation of the interim statement, the management makes accounting estimates, assessments and assumptions which form the basis of the presentation, recognition and measurement of the group’s assets and liabilities for accounting purposes. There are no changes in the estimates or assessments reported in the annual report for 2020.

Information on the most critical judgments, estimates and assumptions where a change will significantly impact the consolidated financial statements are included in the following notes in the annual report 2020:

- Impairment of intangible assets (Note 3.1)
- Deferred tax (Note 3.5)

Note 3 - Segment information

Aquaporin is managed and operated as one business unit, which means that no structural or organizational aspects allow for a different division of earnings from individual product candidates or geographical markets due to the fact that sales channels, customer types and sales organizations are identical for all important markets. Hence, no segment information is currently included in the internal reporting.

Note 4 - Net revenue

The group has the revenue divided into three main markets: the drinking water market, the industrial water market, and the food and beverage market, as each of these markets relate to the sale of products and strategic commercial partnerships.

Revenue	YTD 2021	YTD 2020
<i>DKK thousand</i>		
Drinking Water	1,715	196
Industrial Water	1,050	840
Food and Beverage	92	-
Total Revenue	2,857	1,036

Note 5 – Special Items

Special items are classified as significant non-recurring items, which cannot be attributed to the recurring operations. Special items for the first six month of 2021 include costs for exercise of warrants and IPO costs which comprise various consultancy fees as part of the IPO preparation, insurances, bank engagement and bonuses for a number of employees for a successful transaction. Special items for the first six month of 2021 amounted to DKK 36.4 million (0.0 million). An additional part of the transaction fees related to the items listed above is recognized directly as equity, which amounted to DKK 3.9 million for the first six month of 2021 (0.0 million).

Note 6 – Share-Based Payments

Aquaporin has established long-term share-based incentive programs based on warrants, which are granted to the Executive Management and certain key employees. The number of warrants granted is determined annually by the Board of Directors in accordance with the company's articles of association.

For the first six month of 2021 the recognized expenses related to share-based payments amount to DKK 3.9 million. The expense for share-based payments comprises the following warrant programs:

The 2019 warrant program where DKK 0.3 million (DKK 0.3 million) is recognized as operating expenses in the first six month of 2021.

A new long-term share-based incentive program was established in June 2021 in connection with the initial public offering, where a total expenses for share-based compensations amounted to DKK 3.6 million, which was recognized as special items.

Note 7 – Share capital

Five capital increases were completed during the period March to June 2021 in connection with the exercise of warrants allocated in 2016 and 2017. In consequence hereof, the share capital increased by 312,945 shares with a nominal value of DKK 1 each at a price of DKK 119.86.

A capital increase was completed in June 2021 in connection with the exercise of warrants allocated in 2014. In consequence hereof, the share capital increased by 147,000 shares with a nominal value of DKK 1 each at a price of DKK 20.

On June 30, 2021 Aquaporin completed an initial public offering of 1,445,087 shares and raised gross proceeds of DKK 250 million. In consequence hereof, the share capital increased by 1,445,087 shares with a nominal value of DKK 1 each at a price of DKK 173.

<i>Number of shares</i>	Ordinary shares
December 31, 2020	8,174,269
Capital increases related to exercise of warrants in the period March – June 2021	312,945
Capital increase related to exercise of warrants in June 2021	147,000
Capital increase related to the initial public offering	1,445,087
June 30, 2021	10,079,301

Following the above activities, the share capital comprises 10,079,301 shares of a nominal value of DKK 1 each as of June 30, 2021. The shares are not divided into share classes, and each share carries one vote. No shares carry any special rights.

Note 8 – Related party transactions

Aquaporin A/S has had the following transactions and balances with related parties:

<i>DKK thousand</i>	YTD 2021	YTD 2020
Revenue received from associated companies	136	-
Short-term lease costs to related parties	17	18
Trade payables to related parties	3	4
Finance costs	251	-

Members of the board, management and other related parties have for the first six month of 2021 exercised 405,292 warrants in exchange for DKK 36.1 million.

In the first half of 2021 Aquaporin A/S has disposed tax receivables nominal DKK 5.5 million to a related party from which finance cost occurred. The receivables were disposed at index 97.6.

Note 9 - Events after the balance sheet date

In July, Aquaporin secured the largest single order to date with a large Turkish conglomerate, with an extensive electronics and appliances manufacturing and distribution network, of 2,500 Point-of-Use water purifiers. The systems will be delivered in increments beginning from September 2021 and into 2022.

In July, Aquaporin announced that it had issued a total of 61,408 warrants under a new long-term incentive plan ("2021 LTIP"). The grant of the 61,408 warrants is the first grant of three in the 2021 LTIP over a three-year period with where a maximum number of 184,224 warrants and a target number 138,162 warrants are contemplated to be issued to the Executive Management and certain employees over the three years. The two subsequent grants will occur in 2022 and 2023 following approval of the annual reports and subject to satisfaction of certain KPIs relating to Revenue and EBITDA.

The initial public offering was formally concluded on July 26 with the end of the stabilization period.

Besides the above the management is not aware of other events of importance to the interim statement, which have occurred after the balance sheet date.

Forward looking statements

Matters discussed in this report may constitute forward-looking statements. Forward-looking statements are statements that are not historical facts and that can be identified by words such as “believe”, “expect”, “anticipate”, “intends”, “estimate”, “will”, “may”, “continue”, “should”, and similar expressions, as well as other statements regarding future events or prospects. Specifically, this report includes information with respect to projections, estimates and targets that also constitute forward-looking statements. The forward-looking statements in this report are based upon various assumptions, many of which are based, in turn, upon further assumptions. Although the Company believes that these assumptions were reasonable when made, these assumptions are inherently subject to significant known and unknown risks, uncertainties, contingencies and other important factors which are difficult or impossible to predict and are beyond its control. Such risks, uncertainties and other important factors include, among others: limited experience in commercialization of the Company’s products, failure to successfully implement strategies, dependence on third parties for manufacturing certain product components and the supply of certain raw materials, the ongoing COVID-19 pandemic, manufacturing disruptions, strategic collaboration, protection of the Company’s intellectual property rights and other risks disclosed in Aquaporin’s annual reports and company announcements. Such risks, uncertainties, contingencies and other important factors could cause actual events to differ materially from the expectations, projections, estimates and targets expressed or implied in this report by such forward-looking statements. The information, opinions and forward-looking statements contained in this report speak only as at its date, and are subject to change without notice. Aquaporin expressly disclaims any obligation to update or revise any forward-looking statements, except as required by law.