



Water made by Nature

ANNUAL REPORT 2021

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Aquaporin at a glance

Our solutions are anchored in nature; based and inspired on the aquaporin protein – nature’s own water filter.

At Aquaporin, we have a unique dedication to nature and in our search for solutions we merge science, technology, and people. Aquaporin is built on an entrepreneurial mindset, creativity, and a strong desire to make a positive impact. With a unique eye towards functionality and design, we champion the next chapter in water technology and treatment.

Aquaporin aims to unlock sustainable growth for our customers, partners, and investors. Our mission is to build the pathway for better treatment of water. We provide customer -centered solutions in commercializing our biomimetic water membranes for households and industrial use.

We dare to question the status quo. By combining state-of-the-art engineering, advanced biotechnology and natural aquaporins, we tackle global environmental challenges. We see the immediate need to preserve the Earth’s most valuable resource, water. Globally, it is estimated that more than 80% of wastewater is released to the environment without safe treatment (UN WWDR, 2017). Advanced solutions are key to solving this crisis, our technology is one of them.



One core technology

Aquaporin Inside® applied in multiple applications and industries



Three main business areas

Products and Solutions for Drinking Water purification, Industrial Water treatment and Food & Beverage concentration



Biotech × Engineering

With 14 patent families and a strong innovative mindset, Aquaporin merges biotech and engineering to deliver solutions to water and process applications



Global Solutions

From Denmark to the world, Aquaporin's technology has no borders. We work with customers on all continents



01

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Letter from the Chair

2021 has been a year like no other for Aquaporin. Our initial public offering in June is a guiding star for us for years to come and we are delighted that we have been able to invite a broad ownership base into the next phase of growth for Aquaporin.

On behalf of the board, I would like to welcome all new shareholders to Aquaporin and thank you for making it possible for us to complete an IPO with a total offering of DKK 435 million, of which DKK 250 million were proceeds raised to fund the growth journey. With such fate follows great responsibility and I am very confident that we have built an organization of highly talented people to execute on the strategic plan presented in June.

Peter Holme Jensen co-founded this company in 2005 and has led Aquaporin to where it is today. With the new chapter of Aquaporin's journey opening, a new set of skills were needed in a CEO to ensure the company's long-term success. Since joining in March, Matt Boczkowski has been a significant driver of change within Aquaporin, not least through his dedicated work aligning the commercial organization with the strate-

gic plan set in motion in connection with the IPO. I am delighted that Matt has agreed to take on the role of CEO, which ensures we have the focus to steer Aquaporin forward. Furthermore, I am very pleased that Peter is continuing his journey with Aquaporin, taking on the role of Chief Innovation Officer. Peter is the embodiment of our culture in Aquaporin and his continued involvement is very important for our research efforts.

2021 provided us with a host of learnings as a commercial organization. We did not deliver the revenue we expected for the year given issues around supply chain and logistics. However, our strong finish to the financial year with contracts signed in Drinking Water and pilot projects agreed in Industrial Water gives the Board confidence in our overall commercial traction. We are confident that we are on the path towards strong revenue growth in the coming years.

As we move into 2022, our focus is on delivering on our vision of creating a sustainable water technology company with a global presence. Our strategy is built around this vision and all actions we take as a Board are aligned to this. With the changes in our senior leadership team, we have ensured that we have the right people in the right positions to execute on our strategy and commercialize our technology and product setup. Our setup also enables us to continue our frontier research and develop solutions to ensure we all have the required water resources to sustain humanity.

On behalf of the entire Board, I want to thank all employees for their hard work in 2021. Aquaporin's current and future success is the sum of significant efforts from all our employees and their dedication in these turbulent years for the planet as a whole is a testament to the culture of Aquaporin. I am grateful



to our customers and partners who show tremendous faith in our products and whom we hope to build long-lasting relationships with. Lastly, I want to thank all new and existing shareholders – we are very proud of what we have achieved so far and with the strong backing from all our owners we are confident that the journey ahead will be successful.

Niels Heering
Chair of the Board of Directors,
Aquaporin A/S



Letter from the CEO

Aquaporin's 2021 is a year to remember. Despite Covid, travel restrictions and supply chain pressures, we took important steps to ensure significant growth in future years.

Our IPO has positioned us to deliver “water filtered by nature” to tens of thousands of households around the world and re-affirmed our status as a global FO water technology provider to Industrial and Food & Beverage customers. In Q4 of 2021, we witnessed the highest level of commercial activity seen to date, driven by our key accounts in drinking water and two important industrial water customers. Our 2021 revenue, which grew by 62% came exclusively from customers purchasing Aquaporin products, in contrast to research and development milestone payments. This important fact highlights our evolution to a commercial organization, and we are extremely thankful to customers that made this achievement possible.

Over the coming years, we aim to establish Aquaporin as a recognized and trusted water technology and solutions provider. In 2021, we nearly doubled the size of our commercial team and spent time prioritizing the most promising sectors for Aquaporin to pursue. With a stronger focus and a larger commercial team, we plan on expanding our customer base by commercializing systems, providing standardized solutions, and developing a complete service offer.

There are two core pillars that define Aquaporin: innovation and people. As we operationalize our growth strategy over the coming years, my goal is to continue fostering a culture of entrepreneurialism and collaboration. With a strong shift towards commercialization, we reorganized our teams to be increasingly customer centric and at the same time provided an opportunity for employees to expand their roles and responsibilities in new focus areas. We reinforced our customer service and logistics areas, which are critical to successful order fulfillment.

Our continued investments and commitment to R&D and innovation positions us as a pioneer in bridging biotechnology and engineering to solve today's and future generation's water challenges. In 2021 we introduced more biomimetic membrane-based products to the market than in any of the previous years and every day our research teams take steps to improve our Aquaporin Inside® technology to drive innovative solutions for years to come. To enhance the discovery and development of future applications through a collaborative approach, we created an Open Innovation function that will work with public and private institutions

to solve challenges anchored in our goal of delivering new sustainable solutions globally.

2021 came with its share of challenges and our teams have demonstrated a strong level of resilience and collaboration with all our stakeholders. Working throughout the pandemic has shown what is possible in terms of remote work and establishing valuable business connections through online meetings. The reach that the online platform has given us, is something that we will continue exploring in future – not only to reduce our CO₂ emissions which comes with extensive business travel, but also to strengthen existing bonds and to establish new ones.

We remain motivated as ever to deliver better water quality in a time where fresh water is becoming an even more scarce resource. We hope to do our part in saving the planet one drop at a time through our social, environmental, technological and commercial efforts. We pledge our support and commitment to the UN Global Compact's 10 Guiding Principles and integrate them in our way of doing business today and tomorrow.

We have a commitment to all our stakeholders, to whom we would like to extend



a thank you. To our employees – talented and committed professionals, who drive the company forward through their hard work and dedication. To our customers for broadening the reach and potential of our products and for being advocates for our work. To our consumers who, in using our products, help us help the planet in ensuring clean drinking water now and in the future. Thank you all for being on the journey with us.

Matt Boczkowski
Chief Executive Officer,
Aquaporin A/S



2021 financial highlights

We achieved significant growth in 2021, a year which marked the highest revenue ever generated.

We saw positive commercial development in all our three business areas (Drinking Water, Industrial Water and Food & Beverage). Financially, the growth was mainly driven by strong momentum in order intake in Drinking Water, with revenue growing by 540% to DKK 6.4 million.

Despite our strong financial growth and strong order generation in Q4 2021, we experienced supply chain and logistics challenges, which led us to miss our initial revenue guidance for 2021 of DKK 15-20 million. We delivered on our revised revenue guidance of DKK 6-10 million.

Our operating profit metrics were in line with our financial guidance communicated at the time of our IPO in June, which includes organizational scaling investments made in the second half of 2021.

2021 revenue

8.9 DKKm

62% growth vs. 2020

EBITDA (before special items)

(74.8) DKKm

Product sales

8.9 DKKm

229% growth vs. 2020

EBIT (before special items)

(93.7) DKKm

Cash and cash equivalents


143.2 DKKm

Revenue split on business area

Food & Beverage 
5%

Industrial Water 
23%

Two standard systems developed for **Industrial Water** and **Food & Beverage**

Drinking Water 
72%

Three Strategic Key Accounts in Drinking Water are amounted to **5DKK**m



Five-year summary

DKK 1,000	2021	2020	2019	2018	2017
Income statement					
Product sales	8,922	2,709	2,314	1,605	664
Strategic Commercial Partnerships	-	2,790	3,764	6,289	1,467
Total net revenue	8,922	5,499	6,078	7,894	2,131
Sales and marketing costs	27,553	20,811	19,948	16,784	12,723
Research and development costs	51,725	56,072	57,198	51,614	40,942
Administrative costs	17,823	13,059	17,660	16,471	15,290
EBITDA before special items	(74,842)	(67,515)	(72,427)	(62,163)	(59,840)
EBIT before special items	(93,728)	(85,869)	(89,419)	(77,160)	(64,360)
Special items	(37,319)	-	-	-	-
Operating profit (EBIT)	(131,047)	(85,869)	(89,419)	(77,160)	(64,360)
Net financial items	(4,550)	(3,467)	(3,664)	(3,006)	(1,947)
Earnings for the period	(131,774)	(123,356)	(70,629)	(71,573)	(62,235)
Balance sheet					
Total non-current assets	204,542	214,017	256,558	233,889	167,209
Total current assets	180,804	32,799	32,898	33,335	59,355
Total assets	385,346	246,816	289,456	267,224	226,564
Equity	270,475	107,322	164,062	110,819	181,484
Total liabilities	114,871	139,494	125,394	156,405	45,080

DKK 1,000	2021	2020	2019	2018	2017
Cash flow					
Cash flow from operating activities	(115,189)	(59,027)	(64,064)	(78,062)	(42,829)
Cash flow from investment activities	(9,769)	(16,723)	(22,357)	(14,091)	(14,856)
- Investments in intangible assets	(9,149)	(12,162)	(13,814)	(7,641)	(7,285)
- Investments in tangible assets	(557)	(4,557)	(8,674)	(3,062)	(7,561)
- Investments in associates and joint arrangements	-	-	-	(3,326)	-
Cash flow from financing activities	266,660	75,790	86,684	46,870	34,715
Key ratios*					
Equity share	70%	43%	57%	41%	80%
Earnings per share	(14)	(15)	(10)	(10)	(9)
Diluted earnings per share	(14)	(15)	(10)	(10)	(9)
Average number of FTE's	78	83	83	73	65

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

Key events in 2021

- April** ○ Aquaporin joined the Fashion for Good South Asia Innovation program
- June** ● Initial public offering on Nasdaq Copenhagen with a total offering of DKK 435 million, raising DKK 250 million in proceeds to the company
- July** ● Announcement of strategic order from Turkish conglomerate, Vestel
- November** ● Announcement of Matt Boczkowski as CEO to further strengthen the transition to commercialization
- November** ● Significant Chinese Drinking Water order of flat sheet for Philips Water Solutions (AquaShield)
- December** ○ Joined the SME Green program, which assisted us in developing our materiality framework and defining our sustainability strategy towards Net Zero

○ Sustainability

● Commercial





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5 pillars of our strategy

1 Commercialize products and solutions

- Anchor all our activities in a customer first mentality and approach
- Invest in commercial resources and branding to generate strong market demand for our solutions
- Develop commercial engineering to support our expansion into solutions and services

2 Succeed in our three core business areas

- **Drinking Water:** grow brand value of Aquaporin Inside® through co-branding with Key Accounts
- **Industrial Water:** focus on key applications with a unique selling proposition
- **Food & Beverage:** focus on delivering solutions to specialty applications and blue-chip brands

3 Promote sustainability in everything we do

- Sustainability is a core part of our value to customers
- Commitment to drive change and solve water scarcity
- Drive energy efficiency and water preservation
- Full transparency with external stakeholders

4 Grow and scale with partners

- Use contract manufacturing to scale fast with low capex investment
- Focus on our core competences and benefit from best in class partners
- Increase local presence in key geographies
- Prioritize exclusivity in most significant win-win partnerships

5 Continue to innovate

- Continue to develop and refine our core technology – Aquaporin Inside®
- New focus on technology scouting to complement our current portfolio
- Launch Open Innovation to drive development partnerships
- Leverage existing technological foundation to develop next generation biotech solutions



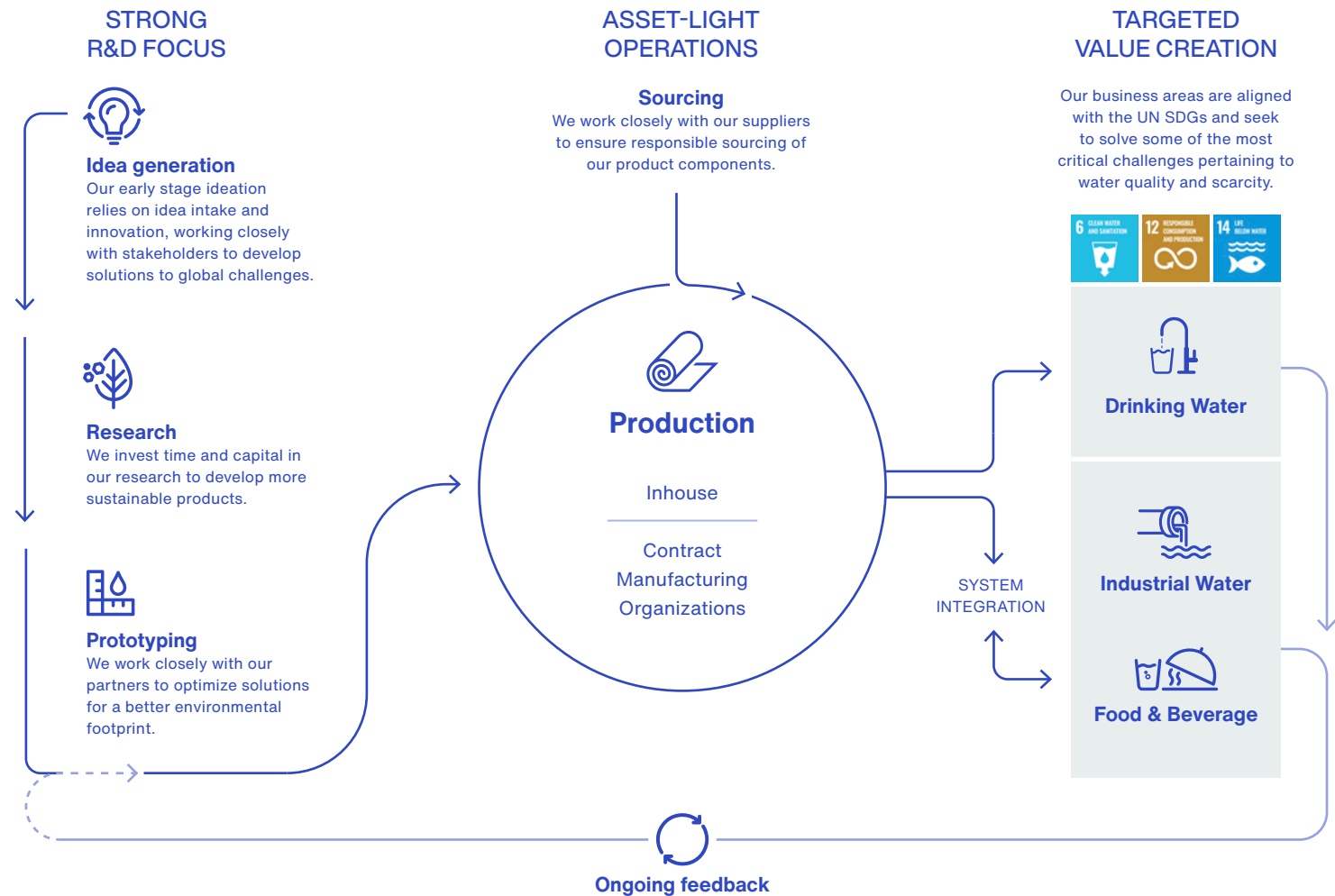
Our business model

Each business area applies a “customer first” strategy and drives execution by leveraging our unique core Aquaporin Inside® technology.

We focus on collaborations with customers and strategic partners to develop products and solutions for targeted applications. This approach ensures that value creation begins at the end-user within each business area and works its way back to our R&D efforts.

We operate an asset-light production to enhance agility and focus on core capabilities, keeping only the most value-adding production steps in-house. Our main in-house production priority is the Aquaporin Inside® technology. One part is the formulation for which we have successfully established large scale production. Membrane coating with Aquaporin Inside® technology is either applied at Contract Manufacturing Organizations (“CMO”) or at our production facility in Lyngby, Denmark.

Our CMO relationships are founded on close co-development of membranes to support the Aquaporin Inside® technology and optimize performance. Our selection process for CMOs is based on comprehensive technical, financial, geographic, and common values criteria. This approach allows us to scale without the need for large-scale investments.





Our business areas

Our technology has a broad range of potential applications across industries.

Our success will be determined by our ability to focus on applications with a unique value proposition and growing our brand. As industries increasingly face greater sustainability scrutiny from external stakeholders, companies are ever more focused on assessing their own environmental footprints and seek new, energy efficient, scalable solutions to reduce negative environmental exposure in the value chain.

Our business is split into three individual areas where we have a unique opportunity to create value for all stakeholders. Each of our three business areas is characterized by distinctive market dynamics which impact the timing of revenue contribution. Our choice of focus areas is determined by where we believe we can do “most good” and meaningfully impact the targeted industries. We expect each business area to contribute significantly to our overall business by 2024.

Drinking Water is our most mature business area where we deliver clean drinking water to end users through our flatsheet, membranes and purifiers. For Aquaporin, Drinking Water comprises the broadest portfolio of products and will be the main driver of growth in the near-term. While we commercialize our products through large Key accounts

and partners, the end consumers are often individual households. For that reason, this is the segment where we make the bulk of our marketing and branding investments.

Within our Industrial Water business area, we have products launched in the market, but application maturation requires longer testing and piloting stages. This is particularly true in forward osmosis which is a separation method that is gaining traction in specific niche applications where alternative concentration technologies are too expensive or not able to achieve the same level of separation.

In Food & Beverage, our Forward Osmosis solutions allows concentrating liquids without loss of quality or flavor, enabling unique and natural products to be introduced to consumers. Introduction of new production processes requires extensive testing but is expected to grow fast once the value is demonstrated and accepted by large brands in niche applications.

BUSINESS AREA FOCUS

	Technology		Sustainable development goals
	Reverse osmosis	Forward osmosis	
Drinking Water Point of Use filtration systems and flatsheets	●	○	
Industrial Water Resource recovery and energy optimisation	●	●	
Food & Beverage Quality assurance and reduction of chemicals	○	●	



Market & products

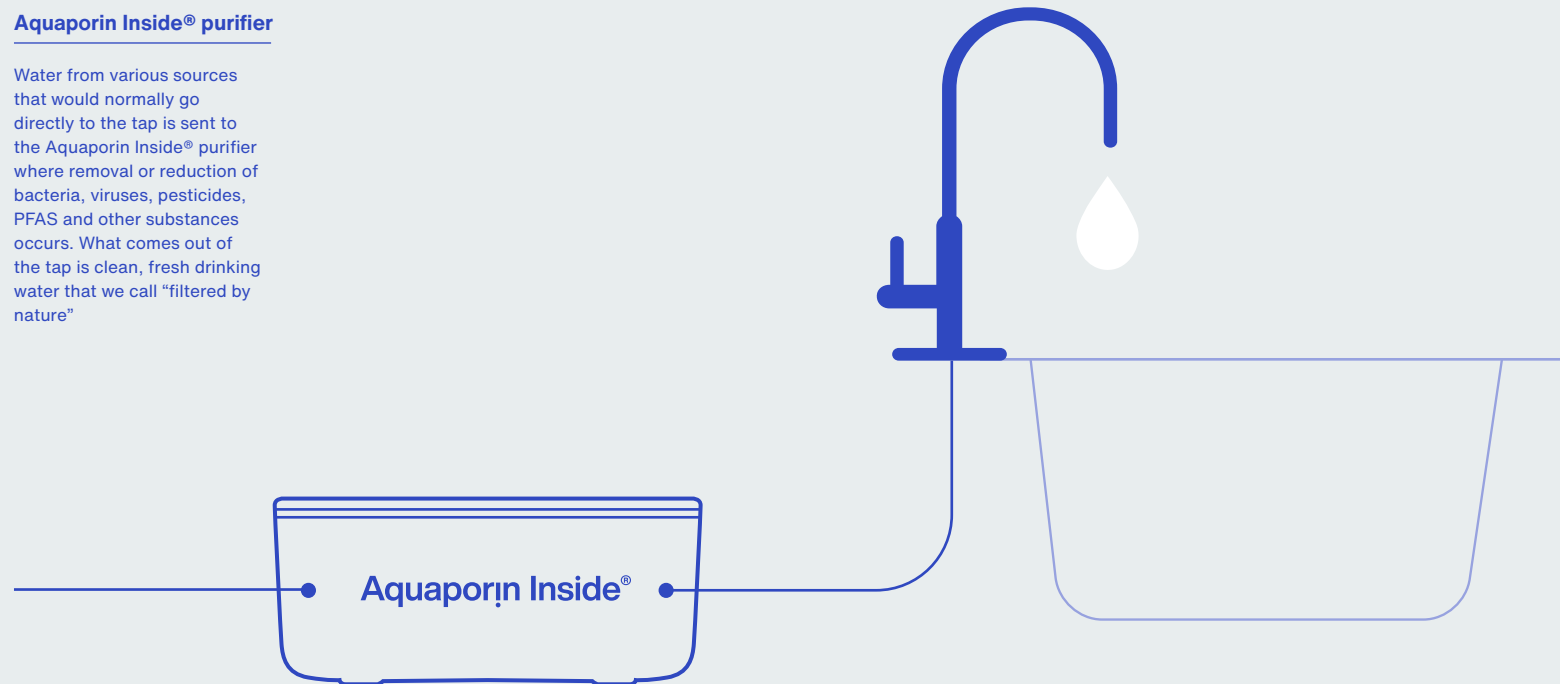
We are committed to improving global access to clean drinking water and the related environmental footprint by enabling water filtration close to the end-user. Fresh water scarcity, pollution of ground water, and resource consumption related to bottled water is a growing global challenge that is accelerated by several megatrends. Global population growth and rising living standards, coupled with global warming, and increased focus on water quality increases the need for water purification systems. In addition, the Covid pandemic has increased the focus on home hygiene which has driven higher demand for Point of Use (“PoU”) filtration systems.

Our addressable market can be defined as water purification in existing water grids, with an estimated size of DKK 60 billion. The market can broadly be split into Point of Use (“PoU”) and Point of Entry (“PoE”) systems, of which PoU purifiers and systems make up c. 70%. A secondary addressable market for us is flatsheet supply to larger systems (e.g., municipal water).

The largest geographical markets are in the Asia-pacific region, driven by China as the largest single-country market, representing c.50% of the total global market. North America and Europe are estimated to hold a combined c. 40% of the Drinking Water market.

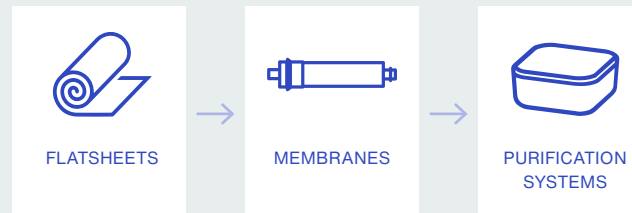
Aquaporin Inside® purifier

Water from various sources that would normally go directly to the tap is sent to the Aquaporin Inside® purifier where removal or reduction of bacteria, viruses, pesticides, PFAS and other substances occurs. What comes out of the tap is clean, fresh drinking water that we call “filtered by nature”



Our products

We have a full product offering for purification systems – in addition to own system sales we provide flatsheet and membranes to 3rd parties with our Aquaporin Inside® formulation.



The filtration technology offered by Aquaporin is widely acknowledged to effectively remove PFAS to appropriate levels

Strategy & performance

We want Aquaporin Inside® to be the first thought that comes to customer minds when they think of a drinking water solution that avoids plastic bottle consumption and delivers high quality, affordable drinking water in a well designed product.

Strategy

Growing brand awareness is a hallmark of our Drinking Water strategy, defined through Danish design, Scandinavian water quality, and our branding slogans “filtered by nature” and “water made by nature”. We seek to (co-) brand “Aquaporin Inside®” in all our products to increase the awareness of our technology. We believe our brand has a strong value to our partners as it represents the quality and uniqueness of our technology. We provide a differentiation tool towards end consumers and therefore play an important role in product positioning.

Products are commercialized through our own range of Point-of-Use (“PoU”) water purifiers, sale of membranes to major distributors and original equipment manufacturers, and co-branding with major players through the sale of our membrane flatsheet. We aim to develop relationships with key strategic partners to drive recurring revenue channels and ensure alignment in quality with our partners.

Key wins in 2021

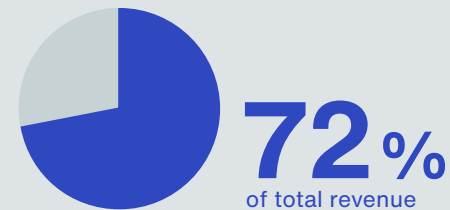
- Order of 2,500 “Zero” water purifier systems from Vestel, a large Turkish conglomerate with an extensive electronics and appliances manufacturing and distribution network
- Order of flatsheet from AquaShield, a global brand partner of the health technology company Philips in the water solutions segment that may translate to more than 10,000 purifiers with Aquaporin Inside®
- Advanced dialogues with potential partners and customers in India, a key market for water treatment

Near-term focus

- Support and expand relationships with strategic partners and key accounts
- Grow through a key account strategy
- Add commercial resources in target geographies
- Introduce new products in line with market trends and customer demand for PoU filtration systems



Performance



6.4 DKKm
Revenue

540%
Growth vs. 2020

Impact

Our Drinking Water solutions enable people to take water purification into their own hands, avoid pollution and reduce dependency on bottled water for hydration.





Market & products

Water is used in most production processes across all industries. Regardless of the type of process used, the result is a significant amount of wastewater generated. Advanced water filtration technology is required to either re-use the water in the production processes or to ensure that these wastewater streams are cleaned properly before being released into the environment. The largest markets for industrial wastewater are in Asia due to the high proportion of global production located there, but demand for solutions is global.

The market is driven by an increasing focus on sustainability, both from companies' own perspectives and from significant tightening of ESG regulation. An example of this is the Indian textile industry, where Zero Liquid Discharge programs have been introduced to avoid liquid emissions of chemicals into natural water streams. Going beyond seeing wastewater as waste, there is a shift in certain industries to see it as a resource. In some cases, we see customers looking at recovering sellable and high-value items from wastewater streams. This is the case in the mining industry, sugar mills, and digestate to name a few. Opportunities for resource recovery, a focus on energy efficiency and government-led sustainability programs create a strong demand for our filtration solutions.

Our focus is on select applications within the broader market, for example, the leachate, digestate, and textile wastewater, which are major sources of pollution and have experienced stricter regulation over a short period of time, fueling the opportunity for technology providers to introduce frontier technologies such as forward osmosis.

OUR PRODUCTS

FORWARD OSMOSIS (FO)

HFFO®14

Suitable for industrial installations



HFFO®02

Suitable for application development and pilot trials



HFFO®.6

Suitable for academia and application development



REVERSE OSMOSIS (RO)

DWRO™ elements

Ideal for residential and commercial drinking water solutions

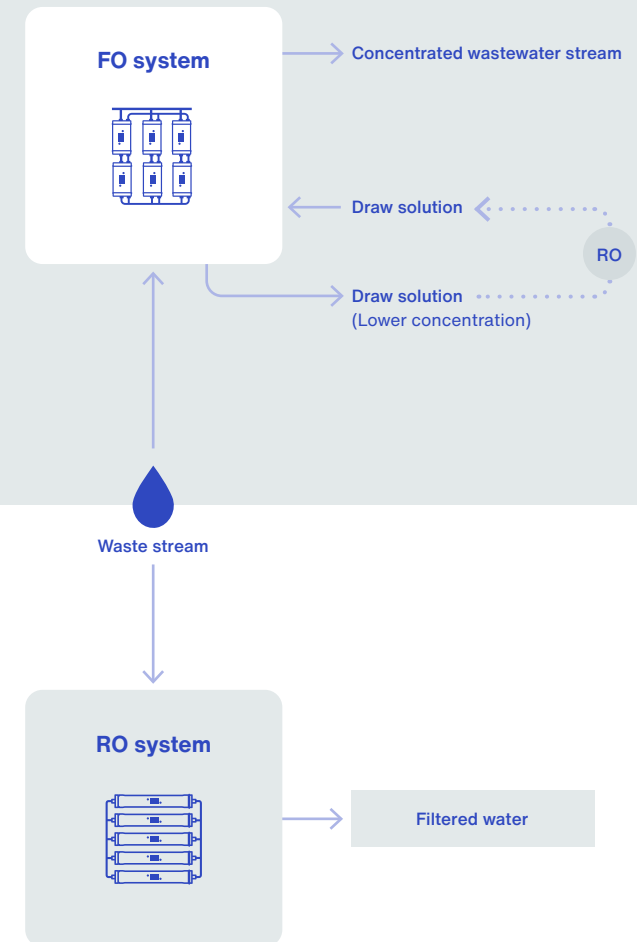


Aquaporin Inside® CLEAR membranes

Ideal for both commercial and industrial water treatment systems



WATER HANDLING ACROSS INDUSTRIES



Strategy & performance

We help customers save water and energy by commercializing our forward osmosis and reverse osmosis products and solutions.

Strategy

Our Forward Osmosis (“FO”) technology is an energy-efficient alternative to existing separation and purification methods. Many existing processes are capital intensive and require large upfront investments. Our focus is on pollution prevention, energy conservation, and resource recovery. We see a particularly significant opportunity in applying our FO technology in extracting valuable fractions from waste streams to produce sellable products while simultaneously purifying water for a safe return to the environment.

Our Reverse osmosis (“RO”) technology offers high water flow by leveraging Aquaporin Inside® for increased energy efficiency. Our products are designed as a direct replacement for existing membranes since the reverse osmosis market is well established and commoditized.

Our commercial strategy is to grow our installed base via direct sales or through distributors/OEMs. Over time, we optimize our sales cycles across applications by leveraging reference cases and data insights from prior projects. Through early pilot projects and technology evaluation partnerships, we aim to provide membranes to larger green-field installations in the future.

Key wins in 2021

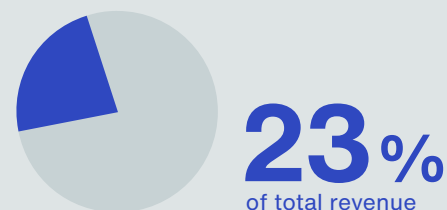
- “bLEAF” pilot project for energy-efficient solutions to leachate overflow challenges in landfills in China
- Converted a small forward osmosis pilot into a full-scale project for wastewater treatment in India
- Included in the Fashion for Good program to increase water sustainability in South Asia’s textile industry
- Launch of new Aquaporin Inside® CLEAR brackish water reverse osmosis membrane series, designed to fit into existing reverse osmosis systems
- Maturation of digestate and farm waste treatment into a new opportunity segment

Near-term focus

- Deliver full system solutions within leachate and digestate treatment
- Conduct key pilots in focus application areas
- Continue piloting and grow scale to demonstrate proof of concept
- Convert pilots to large-scale systems orders
- Grow installed base of forward and reverse osmosis modules and systems



Performance



2.1 DKKm
Revenue

25%
Growth vs. 2020

Impact

Our technology prevents pollution and contamination of water streams and enables companies to obtain energy-efficient circularity in their production processes.





Enabling resource recovery in digestate from biogas plants

Leveraging our Aquaporin Inside® technology, we can **recover valuable nutrients** and **lower trucking cost of up towards 60%** given significant volume reduction.

What?

Aquaporin has been working with partners to assess if and how Aquaporin Inside® Forward Osmosis technology can enable sustainable use of digestate from biogas. Today, digestate is associated with high trucking cost and increased regulation in EU around the use of digestate in agriculture.

How?

We follow a structured approach to our application assessment and testing to ensure we invest our resources only in the direction where both the economy and the sustainability of the process can benefit from our technology.

Forward Osmosis enables separation of clean water, leaving a highly concentrated digestate solution.

The common denominator in all steps is close collaboration with partners and end users. Our support starts from desk evaluation, develops into lab testing, finalizes in piloting and full solution design.

OUTCOME

Through testing, we established that our technology exceeded all pre-defined benchmarks:

- **Reduction of trucking cost of up to 60%, driven by significantly lower volume by concentrating the digestate**
- **High nutrients recovery – the concentrated digestate may be used for bio/organic fertilizer**
- **Recovery of clean water for re-use/irrigation**
- **Compliance with local regulation for discharge to water bodies, including compliance with EU regulations**

In addition, using Forward Osmosis earlier in the process saves significant costs in later stages of fertilizer processing through lower need for evaporation systems to solidify the concentrate into fertilizer.

What is digestate?

Digestate is the material that remains after bio-digestion of bio-degradable feedstock (food waste, sewage sludge, manure, agricultural waste) into gas, thus energy.

Instead of treating digestate as a by-product, thanks to high content of nutrients, it can be transformed into a valuable fertilizer, enabling a higher degree of sustainability through waste re-use.





Market & products

The global Food & Beverage (“F&B”) market for filtration systems is well established and growing, supported by megatrends that are increasing the demand for high-quality, natural products. Our focus is to commercialize FO solutions for concentration of liquid foods, starting with flavors, ingredients, and coffee.

Concentration is a widely used process technology to preserve and distribute food products from where it is cultivated, to the hands of the consumer. This often means costly and energy-demanding supply chains or compromises in taste or quality due to limitations in currently available technology. Today’s prevalent concentration technology is evaporation, using heat to remove water from other compounds. These processes are energy-intensive, remove the natural aromas, and irreversibly change the taste of the product. With the use of the Aquaporin Inside® FO membranes and processing know-how, it is now possible to have an easy-to-use, membrane-based cold-concentration process that protects natural aromas and quality during processing. We call it Aquaporin Inside® Natural Concentration.

Our goal in F&B is to enable food producers and brands to create high-quality products that are the closest to the original natural products.

Aquaporin Inside® Natural Concentration not only allows for better quality for existing products, but enables new product development through higher flavor and aroma retention

The Aquaporin value-add in coffee concentration

Using cold concentration as alternative to traditional evaporation in coffee concentration processes greatly improves the quality by increasing the retention of natural tastes and aromas

COFFEE CONCENTRATION PROCESS



Strategy & performance

Our goal is to provide customers with full Forward Osmosis solutions, along with our unique Aquaporin Inside® membranes and process know-how, allowing customers to produce more CO₂ efficiently and to launch exciting new and natural products to consumers.

Strategy

We aim to increase product value for our customers by making superior concentrates. Our aim is to position our Forward Osmosis technology as an alternative to evaporation, and to co-develop new product categories, enabled by natural concentration. The Food & Beverage industry is highly innovative with new products developed or positioned for customers at a high pace. At the same time, there is a high level of regulatory barriers to entry given food safety concerns. It follows that introducing new products and methods requires us to go through both a rigorous regulatory process and also a marketing and branding exercise with our customers.

Whilst developing and selling systems is new, we have always had a strong know-how and established capabilities within process and engineering design. By partnering with experienced equipment suppliers from the industry, we can now offer a complete solution to customers that are adopting the new technology, making it an easier and safer choice. The versatility of the Aquaporin Inside® Natural Concentration technology makes it possible for customers to create a fully customized process design from a standard system with few add-on options.

Key wins in 2021

- Development and delivery of mobile pilot system for demonstrating Aquaporin Inside® Forward Osmosis on-site
- Four application pilot tests with customers completed
- Two new partners signed in focus segments

Near-term focus

- Continue developing the flavor and food ingredients segment and sell full system solutions
- Piloting with customers in beverage industries
- Building execution capability for systems together with partners to add global reach



Performance



5%
of total revenue

0.4 DKKm
Revenue

(86)%
Growth vs. 2020

Impact

Our solutions provide brands with novel and superior concentration processes and potentially new products. Membrane concentration also offers a more energy efficient process and enables less capital-intensive production methods.



Aquaporin Singapore

Singapore faces significant water availability challenges and Aquaporin's Singapore office is actively working with the local authorities to develop solutions to overcome them.

Singapore has historically been heavily dependent on rainfall due to lack of natural water resources. In addition, there is limited land available for water storage facilities. To combat this challenge, the Singaporean government has launched a series of programs to strengthen and diversify the supply of clean fresh water.

Our Singapore office is working closely with Singapore's national water agency (PUB) and industrial partners to develop sustainable water treatment solutions. This approach reflects our strategy of developing solutions in close collaboration with partners and customers.

KEY WINS AND NEAR-TERM FOCUS:

We achieved significant results in 2021, including:

- **The development of our bLEAF containerized system, offering a one-stop Forward Osmosis solution to customers globally.**
- **Successful pilot of brackish water Reverse Osmosis in PUB's water treatment plant, demonstrating advantages of our membranes in saving energy.**

For 2022, the focus of our Singapore office is to lead the development of our next generation drinking water reverse osmosis membranes, take active part in our the commercialization of our Food & Beverage offerings and drive piloting opportunities within Industrial Water.





Research & Development

Comprehensive research & development is essential to fully utilizing the unique properties of our Aquaporin Inside® technology.

We continue to invest in our research and spend significant time and effort in developing better products for continued commercial growth in the future. These efforts are split between our development team who works in close collaboration with our commercial business areas to tailor solutions and our research team which focuses on improving our core technologies and early-stage research into potential new application areas. In addition, our research department is responsible for the development of alternative and more sustainable ways in our membrane manufacturing to decrease the footprint of our products.

Our Deep Tech team focuses its efforts on developing the next generation of our Aquaporin Inside® formulation. This biomimicry technology is central in our value proposition of using biotechnology to drive innovation in the water treatment industry and we are extremely proud of the milestones this has unlocked to date. We believe the potential of the technology is far greater and seek to improve our formulation to create even higher energy efficiency, water flux, and rejection rates of unwanted bacteria and pollutants.

Our close interaction with end users through pilot testing and commercial partnerships creates valuable insights for our research and

guides our development focus. It reinforces our company culture through close internal collaboration across departments and ensures high levels of efficiency in application development through transparency.



KEY DEVELOPMENTS IN 2021

- 2 successful patent filings
- Partnership commenced with large-scale Contract Manufacturing Organization (CMO) on development of future membranes for Drinking Water
- Further improvement in rejection rates of Forward Osmosis membranes
- Development of Food & Beverage mobile pilot system to accelerate application assessment on-site
- Development of next level state-of-the-art membranes for Drinking Water
- Extended development of substitution of membrane chemicals with green alternatives
- Development of new products in Drinking Water for launch in 2022
- Incorporated machine learning to optimize product development from lab to production scale
- Utilized Aquaporin Inside® membranes in space for water reuse applications



Open Innovation

Aquaporin was founded on open innovation. We engage with the surrounding society to innovate, to develop our organization, to secure funding, and to play our part in creating a circular research ecosystem.

As the company embarked on a commercial journey, it was important to create a structure where Open Innovation could continue to thrive at Aquaporin. Many of the company successes stem from successful innovation partnerships and co-development projects, which we want to continue growing in the future as we take on new challenges that require a long-term research and development focus.

Through future initiatives that will be anchored in Open Innovation, we aim to ensure that we develop our talent, secure funding for our development and play our part in creating a circular research ecosystem. We believe that giving Open Innovation a clearly defined focus will reaffirm, formalize, and structure our work to ensure sustained progress in many areas of Open Innovation.

OUR THREE FOCUS AREAS WITHIN OPEN INNOVATION:

Public-private partnerships

We work with academic and private research institutions to solve challenges through co-creation and co-funding.

In-house open innovation

We share our office space and laboratories with students and start-ups to unlock their potential and allow them to take part in our innovative water technology research. As a bonus, it provides us with a pipeline of young talent. Approximately 15% of the 135 students who have participated, have transitioned into full-time positions at Aquaporin.

Technology scouting

We see an untapped potential within the water industry to co-develop new solutions with technology innovators and companies. Aquaporin has the know-how and insights to seize this opportunity and drive synergies in the development of innovative solutions.





Outlook for 2022

Our focused strategy targeting specific segments in Drinking water, Industrial Water and Food & Beverage positions us well for sustained growth in the years to come.

We expect 2022 revenue of DKK 20-30 million for the full year, primarily driven by Drinking Water (70-80%) where we continue expanding the Aquaporin Inside® brand through our (co-)branding strategy and partnerships with large global customers and key accounts. Capitalizing on a strong global market growth of ~10% per annum in the purifier segment, we will be introducing new options starting in 2022 that will broaden our product offering in new point-of-use categories with revenue materializing Q4 of 2022 or early 2023. We expect Industrial Water and Food & Beverage to contribute 20-30% where we are making good progress on completing two important pilots in China and India for Industrial Water, as well as positioning our first small scale Forward Osmosis (“FO”) system sale in the Food & Beverage flavors segment.

To increase customer proximity in Industrial Water and Food & Beverage business areas, we will transition towards becoming a solutions provider of standardized FO systems, which will increase Aquaporin’s share of revenue from projects and standardized systems. To accelerate this transition, we will explore both organic and inorganic options with the goal of positioning Aquaporin as a system solutions provider in 2023. Considering the significant level of know-how required

to deliver high quality specialty FO solutions, expanding our capabilities in this direction is a strategic decision that will help Aquaporin increase the adoption rate of FO systems. We also see this as a key enabler to offer more comprehensive solutions and strengthen our service offering for the resulting installed base.

Ensuring that we deliver on our strategy in 2022 will require clear and deliberate capital allocation choices and investments. We expect to increase our marketing and commercial resources in Drinking Water where growing brand awareness is critical to position Aquaporin Inside® with resellers and end consumers. We will continue developing products to enter in categories where we are not present today such as the kitchen segment and table-top purifiers. In Industrial Water, we will invest in 2 pilot systems that will be used to demonstrate our FO technology. We will continue investing in R&D with a clear short-term objective of developing the next generation RO and FO membranes, based on our Aquaporin Inside® technology.

Through Open Innovation, we are identifying new collaborations and partnerships that can have the potential to provide disruptive solutions in the water industry. This endeavor, with a longer-term horizon, is in line with our

2022 Financial guidance

	Unit	2022 guidance
Revenue	DKKm	20-30
EBITDA*	DKKm	(90)-(100)
EBIT*	DKKm	(105)-(115)

* before special items.





ambition to leverage our biotechnology to tackle environmental challenges from our unique angle.

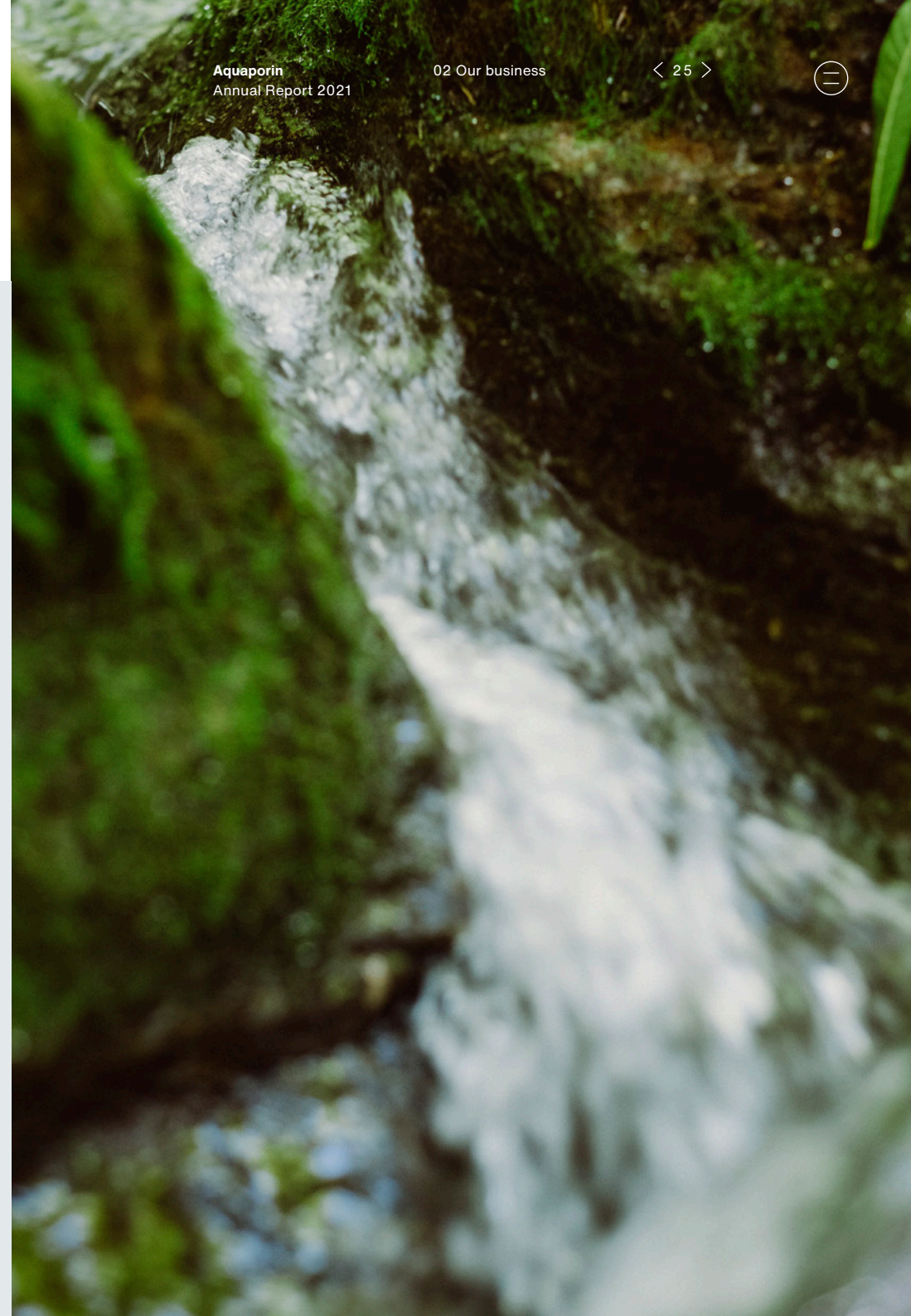
To reinforce Aquaporin as we grow, we will continue investing in training, people development, commercial staff, IT systems and tools. We expect to increase personnel by approximately 10%, mainly in our customer facing organization. For 2022, we believe these investments will amount to DKK 3-5 million. We expect to reach an EBITDA of negative DKK 90-100 million (before special items), 27%* higher than 2021, driven by listing costs, full-year effects of investments in the organization for 2021 and further organizational investments in 2022. Our EBIT is expected to be negative DKK 105-115 million.

Our financial outlook is based on the current global political and health situation. We expect to see the challenges of 2021 related to covid and supply chain to be exacerbated by the war in Ukraine. Although we don't foresee any substantial impact on product sales given our limited exposure to Russia, we will face an increase in the cost of raw materials associated with this new geopolitical context. As a direct consequence of the Russian invasion of Ukraine, we have ceased all trading activity with Russian customers, which may trigger a partial inventory write-down for products that are primarily sold on the Russian market. We are currently exploring the possibility to sell these products in other markets.

* mid-range.

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 Aquaporin A/S (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, effect of economic sanctions and trade controls restrictions on supply and customer demand, 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.





03

Sustainability

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Our sustainability approach

Aquaporin was founded on a commitment to making clean drinking water accessible to all through a technology based on nature's very own evolution. Our strategic focus lies on customizing solutions to achieve more sustainable production patterns and a more balanced use of resources.

Nature is embedded in our DNA

We work to preserve and encourage responsible consumption of Earth's most valuable resource: water. The foundation of our business rests on principles of sustainability, part of which is taking responsibility for ensuring the longevity of the resources that we use in Aquaporin. We aim to make a positive difference and challenge linear approaches to resource use.

With our drinking water purifiers, we offer solutions that are energy efficient, increase water recovery, and help reduce plastic pollution. In the industrial water segment, we recover resources from wastewater creating new revenue streams for our customers, while limiting the environmental footprint of wastewater. In the Food & Beverage segment, we create new or improved products closer to the natural taste and feel, while improving energy efficiency.

Championing our handprint, while tackling our footprint

Our sustainability focus is two-fold: we aim to create value for society, minimizing harm in our upstream value chain avoiding unnecessary waste streams and closing resource loops. While our value creation, our "handprint", is of great benefit to society, we continue to focus on our environmental footprint, as one does not balance out the other.

We consider the impact that climate change has on our company and its future resilience, while also assessing the negative impacts that we may potentially have on the climate.

We are committed to being transparent about our environmental footprint in order to be able to decrease it.

2021 marks the first year of reporting our Statement of Corporate Responsibility cf. section 99a of the Danish Financial Statements Act and disclosing Key ESG Metrics.

→ [Key ESG Metrics p. 30](#)

→ [Statement of Corporate Responsibility p. 33-34](#)





Towards a more circular approach

With innovation and R&D, we continue to improve the performance of our membranes and extend the operational lifetime. However, it is no secret that membranes are complex and resource-heavy to produce, and unfortunately most used membranes end up being incinerated or in landfills.

Currently, Aquaporin has no experience with upcycling, remanufacturing, or reselling pre-owned products. We know that solving the post-life issue would make an immense difference for the environment, and therefore we continue to do our best to tackle this challenge.

Integrating circular thinking in the way we work was a company objective in 2021. We took our first steps in this direction, with the EU-funded Green Circular Transition program. The result was a take-back model mapping a system, where membranes could potentially be recycled.

We use this model to compare environmental costs and economic benefits of taking back products and potentially remanufacturing or reusing parts in the future. We are aware that solving the problem of waste in the membrane industry is an extremely challenging task, however we insist that data and innovation will drive this agenda and hopefully we can contribute to tackling this challenge in the future.

A photograph of a dense forest with tall, thin trees and sunlight filtering through the canopy, creating a warm, golden glow. The ground is covered in fallen leaves and forest floor debris.

We want to take responsibility for our entire product life cycle.

Our work with the UN SDGs

Since 2005, Aquaporin has been on a mission to ensure better access to clean water. A decade before the 17 Sustainable Development Goals (SDGs) saw the light of day in 2015, our technology was developed to cater for the targets captured in SDG 6 of minimizing pollution, reducing the proportion of untreated wastewater, increasing water reuse efficiency, and improving recycling of water.

Integrating the SDGs through the SDG Ambition Accelerator Programme

The SDGs are deeply integrated into the way we work. Therefore, we are proud to participate in the SDG Ambition Accelerator, a six-month UN-program aiming to support UN Global Compact participants in accelerating the integration of the SDGs into core business management. The program is still in progress and we are using this process to steer us in the right direction and defining our targets on our path towards Net Zero.

Our focus on the textile industry within the industrial water segment was selected in connection with our participation in the UNDP SDG Accelerator Programme in 2019.

Overview of the SDG-targets and contribution

Our technology contributes to several of the SDGs. This naturally includes SDG 6 Clean Water and Sanitation but also SDG 14 Life Below Water, as our technology minimizes dependency on single-use plastic bottles thus reducing the risk of ocean plastic pollution. We also contribute to SDG 3 Good Health and Well-Being and SDG 12 Responsible Consumption and Production, through providing access to clean drinking water and through our work to enable more responsible water consumption. According to the UN the global fashion industry is responsible for 20% of the global wastewater discharge.




The fashion industry faces serious challenges with pollution. We empower textile factories to clean and reuse up to 95% of their wastewater.





Key ESG figures

Our ESG matrix

	Unit	2021	2020	2019	
Environment					
	Direct GhG emissions (Scope 1)	Tonnes CO ₂ e	331	396	437
	Indirect GhG emissions (Scope 2 - electricity) - Location-based*	Tonnes CO ₂ e	111	113	175
	Indirect GhG emissions (Scope 2 - electricity) - Market-based	Tonnes CO ₂ e	202	239	311
	Electricity consumption	Megawatt hours	545	647	849
	Natural gas (heating)	m ³	145,868	173,234	187,060
	Renewable energy share (scope 2)**	%	58%	66%	59%
	Water consumption	m ³	5,471	5,319	6,653
Social data					
	Full time workforce	FTE	78	83	83
	Gender diversity (percentage female)	%	39%	37%	41%
	Gender diversity in management (percentage female)	%	16%	18%	19%
	Employee turnover ratio	%	18%	30%	16%
	Sickness absence	Days per FTE annually	3.76	3.7	5.72
	Total incidents (stop-work orders)	Absolute number	2	3	1
	Lost time incident rate (LTIR)	%	0%	0%	0%
Governance					
	Gender diversity, Board	%	13%	22%	22%
	Board diversity, Nationality	%	25%	22%	22%
	CEO pay ratio	Ratio	7.79	3.65	4.74

* Data from Singapore is based on market-based methodology

** Data from the Singapore office is not included in this number



ESG key figures commentary

This year marks our first report on ESG key figures. Aquaporin has three sites located in Denmark, Singapore, and in the US (sales office) and all three sites are reflected in the ESG data. The below section serves to inform and clarify the numbers provided in ESG key figures.

Environmental data

Our environmental data is disclosed in absolute terms with 2019 as our base year. Data on emissions and consumptions is not linked to produced units since this would not portray an accurate and comparable picture from year to year, since most of our production currently depends on external partners.

Due to reductions in our in-house production at Nymøllevej, our scope 1 (primarily natural gas) and scope 2 emissions (electricity) decreased from 2019 to 2021. We note that these emissions have potentially been moved to our suppliers instead, and in the future, we intend to report on our scope 3 emissions.

We display our indirect emissions according to both the location-based method and the market-based method. Aquaporin has purchased green origin certificates for the electricity utilized at the headquarters in Lyngby. This does not allow us to book our indirect emission as zero in Denmark since we cannot purchase equivalent certificates for Singapore. For the scope 2 calculations, we used the emissions equivalent from Energinet's energy standard factors updated yearly.

The location-based method reports on the actual energy grid mix at the time of consumption. Note that data on renewable energy in the energy mix is not available for the Singapore or US offices.

Following our reduction in in-house production, our consumption of electricity, natural gas, and water decreased from 2019 to 2021. We aim to reduce our energy consumption as well as support the transition to renewable energy sources. Therefore, we are investigating opportunities to participate directly in a PPA, which will ensure that we contribute to a greener energy supply in Denmark.

A note on scope 3: other indirect emissions

Aquaporin is at an early stage in mapping greenhouse gas emissions, and for 2021 we have not been able to gather sufficient data to display our scope 3 emissions. We are aware that the scope 3 emissions take up a large share of our total emissions, and plan to monitor this going forward. For 2022, we will gather data on our most significant indirect emission categories. The aim is to have a fully transparent supply chain, where we can disclose data on all scope 3 categories.





We are currently defining and designing processes to gather scope 3 emissions data and a set of initiatives have been taken. We are engaging our suppliers on gathering and mapping data, and with our procurement partner we are looking at opportunities for greening transportation. We strive to ensure the most optimal usage of our products and encourage customers to utilize the greenest possible energy source when operating systems, where our membranes are integrated. To minimize the footprint of our products, we are turning our attention to the end-of-life treatment of products focusing on opportunities for recycling, reusing, or remanufacturing membranes.

Social data

The social category covers employment, diversity, and health and safety. For 2021, Aquaporin adopted a number of new social metrics that we will follow closely going forward.

A reorganization was undertaken leading to a decrease in the number of full-time employees (FTE's) in 2020.

During 2021, we set targets for gender metrics on the board and executive management-level, and we aim to implement similar initiatives on remaining organizational levels. Our metrics for gender diversity both on employee- and management-level remain at similar levels from 2019 to 2021.

Aquaporin remains below a rate of 5% of absence due to sickness equivalent to 11 days per FTE annually. For 2021, 2020 and 2019, we remained in this range with less than 4 days absent per FTE.

During 2021, we remained within the suggested maximum thresholds for accidents. Stop-work orders remained below five during all three years and the lost time incident rate (LTIR) in class 1 and 2 per 1000 working hours remained at zero from 2019 to 2021.

Governance data

The governance category covers CEO pay ratio and metrics on diversity of gender and nationality. On the board-level, the percentage of females have declined since 2019. During 2021, we set targets to reach 33% females in the Board by 2024 presented in our Diversity Policy. The diversity metric on gender is calculated using as a percentage of under-represented gender (women) to the total members of the Board of Directors.

The share of nationalities has increased at board level since the board size changed from nine to eight members. The number is calculated as the percentage of non-Danish members to the total number of members in the Board of Directors.

The CEO pay ratio is calculated as the ratio between the CEO salary (including cash bonuses and excluding pension and warrants) to the median FTE compensation per December 31, 2021.

Further information on our ESG governance practices can be found in the ESG Data Governance Section.

→ [Information on our ESG governance practice p. 44-45](#)



Statement of Corporate Responsibility cf. section 99a in the Danish Financial Statements Act

	Material risks	Policies	Mitigating actions and results in 2021	Expectations for the future
Human rights	<ul style="list-style-type: none"> Human rights violations related to child labor, living wages, and forced labor represent a risk in Aquaporin's supply chain. This is not a high risk in Denmark, but we acknowledge that a global supply chain introduces higher uncertainty and more limited transparency. Human rights violations related to discrimination and diversity pose a minor risk at our offices in Denmark, Singapore, and the US. 	<p>Aquaporin's core business is centered around water and process purification, but as a company with global activities and a strong sustainability culture, we also work to promote rights to clean water as well as to protect and respect human rights in general. Our employment terms are fair to all, non-discriminating and in compliance with international labor rights. We work to avoid infringement on human rights, and we strive to address any adverse human rights impact in which we, or our business partnerships, are involved.</p> <p>Our policies governing this area include: Supplier Code of Conduct (CoC), Employee Handbook, Human Rights policy and Whistleblower Scheme.</p>	<ul style="list-style-type: none"> Our Supplier CoC describes requirements towards our suppliers related to human rights and general labor conditions. The CoC was reviewed and updated during 2021. No breaches of our CoC or other policies took place in 2021. In 2021, we formulated and adopted a Human Rights policy. In December 2021, we implemented a Whistleblower Scheme. No incidents were reported in 2021. Measures taken during 2021 to encourage equal employment terms include setting goals for under-represented gender on the company's board and management level and reviewing job postings. 	<p>During 2022, we will closely monitor the newly implemented whistleblower scheme. Further, we want to improve our focus on avoiding human rights violations in our value chain by focusing on our responsible supplier strategy. We also aim to promote diversity going beyond gender and are considering implementing additional metrics going forward.</p>
Environmental & climate issues	<ul style="list-style-type: none"> Risks related to the negative environmental impact of our products post-use and limited options for recycling and reuse of membranes in general. In many cases, due to complex composition, incineration is currently the only option post-use to avoid landfills. Dependency on non-recycled materials in product components such as plastic casing, flatsheet, and endcaps. In the production of our membranes, chemicals with potential negative environmental impact are currently necessary and irreplaceable. Aquaporin's most material environmental impact is likely to originate from scope 3 emissions, which we aim to map and monitor in the future. See page 27-28 for more information on our business model, and how we integrate environmental and social issues in our decision making. 	<p>Sustainability is not only deeply integrated into Aquaporin's solutions, but also incorporated in the way we conduct business with respect to product development, commercial strategy, production processes, work environment, and business ethics.</p> <p>Aquaporin supports UN Global Compact to drive business awareness and action in support of achieving the SDGs by 2030. The ten Global Compact principles frame Aquaporin's ambition of contributing to a more sustainable future and integrating the SDGs in the way we operate.</p> <p>Policies governing this area include our Sustainability Policy.</p> <p>The ESG data on key metrics related to CO2 emissions, waste, water usage and other environmental targets are displayed on page 30.</p>	<ul style="list-style-type: none"> A Sustainability Policy was adopted, establishing the foundation for our approach towards contributing to a greener future. To our knowledge, there have been no breaches of the policy nor our Supplier CoC during the year. Aquaporin has adopted an Environmental, Social, and Governance (ESG) performance framework to track and report development. ESG risks became integrated with our regular risk management process. We reviewed our key product components and the material lists of main products. We continue to assess our dependency on materials and the related risks. Via the Green Circular Transition project, we developed a take-back assessment model, which allows us to analyze the environmental costs of a take-back scheme. 	<p>We aim to integrate innovation and circular design into products and practices at Aquaporin. Even though it requires questioning of the status quo, we ask our partners and suppliers for more sustainable alternatives, and we continue to search for alternative ways to develop products with a lower environmental footprint without compromising on the safety or the functionality of our products.</p>



Statement of Corporate Responsibility cf. section 99a in the Danish Financial Statements Act

	Material risks	Policies	Mitigating actions and results in 2021	Expectations for the future
Social & employee conditions	<ul style="list-style-type: none"> Negative impacts on our employee conditions would pose a threat to business and continuous operations. We do our best to avoid any of such impacts. Should we be unable to attract qualified and skilled employees this would represent a risk to the Company's growth as it could impact our ability to innovate and adapt to an ever-changing environment. Our employees are our most important asset, and they are central to our development. 	<p>The health and safety of our employees is crucial for our raison d'être, and we continue to monitor this very closely. Policies governing this area include our Health & Safety Policy and internal procedures that are in place to minimize the risk of safety-related issues.</p> <p>The ESG data on key metrics related to accidents and general employee safety are displayed on page 30.</p> <p>Aquaporin A/S is certified ISO 9001:2015 ensuring that Aquaporin continues to keep high-quality management standards for product development, production, and customer service.</p>	<ul style="list-style-type: none"> The Aquaporin health, safety, and environment initiative towards zero severe accidents has been implemented. It is an initiative that strives towards an incident- and injury-free work environment, which promotes a positive safety culture and zero incidents goal. Our internal Health & Safety division continues to monitor safety to prevent accidents. We distinguish between three accident classes and set targets for each one of them. In 2021, we remained below the thresholds for each category. We conducted a safety tour for all new employees in 2021. To minimize incidents and annual stop-work orders in our operations, we have set thresholds of maximum five yearly stop-work orders that we managed to stay below the past three years. Lastly, we monitor our lost time incident rate (LTIR) per 1000 working hours, where we include incidents categorized as either class 1 or 2. 	<p>We continue to work closely with health and safety and the well-being of our employees. In the beginning of 2022, our annual health and safety target setting session took place, where the management agreed on targets for health, environment & safety measures.</p>
Anti-corruption	<ul style="list-style-type: none"> Our greatest risks related to corruption lie within our global supply chain. We recognize that unethical behavior may present a risk, when dealing with third parties while operating in a global setting. We see a minor risk related to our own commercial and customer facing functions, but these are mitigated by our business principles and rules in our Employee Handbook. 	<p>Aquaporin has a zero-tolerance policy against bribery and corruption and condemns it in all forms. Aquaporin is committed to conducting its business free from corruption and we take active measures to ensure that bribery and corruption do not occur in any of our business activities.</p>	<ul style="list-style-type: none"> Anti-corruption Policy adopted in 2021. Sanctions and Anti-money Laundering Policy adopted in 2021. Our Employee Handbook contains information on gifts and anti-bribery measures. Employee participation in UN Global Compact's network on anti-corruption. In 2021, no cases of corruption or bribery were identified or reported. 	<p>Anti-corruption is an area that we continue to improve our focus on as we scale up as a commercial organization. We aim to establish further procedures in 2022.</p>
Covid-19	<ul style="list-style-type: none"> Risks related to the health of our employees and stakeholders whom we may hold physical meetings with Commercial risks from extended periods of travel restrictions may prevent our commercial team from engaging in advanced dialogues with existing and potential clients 		<ul style="list-style-type: none"> We have followed guidelines from national health authorities at all times, introducing increased "working from home" opportunities, health measures in areas with high volumes of physical interaction. We have imposed restrictions on travel, in line with national guidelines, and sought to move meeting to software platforms as alternative to physical meetings. 	<p>We strive to comply with national guidelines and we keep the health of our employees as the highest priority at all times. With time, we expect we will increase travel frequency from current levels, albeit use the general change in meeting dynamics to have more interactions online which will have a positive impact on the environment.</p>



04

Governance

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Executive management



Matt Boczkowski
Chief executive officer (CEO)

Year of birth

1978

Gender

Male

Other positions
and management
duties

No other management positions.



Peter Holme Jensen
Chief innovation officer (CIO)

1970

Male

Artefakt Holding ApS, Executive management
Aquaporin Space Alliance ApS, Board member
Aquaporin Co. Ltd, Board member, Board member
Innovation Fund Denmark.



Bo Løkke Karmark
Chief financial officer (CFO)

1965

Male

CEO of ZITO ApS, CEO and Board member of
BOK Holding A/S.



Joerg Hess
Chief operating officer (COO)

1967

Male

No other management positions.



Board of directors



Niels Heering
Chairman

Nationality

Danish

Year of birth

1955

First elected

2015

Board positions

Senior General Counsel at Danske Bank.

Positions

Chair: Aquaporin Space Alliance ApS, Arborethusene A/S, Civilingeniør N.T. Rasmussens Fond, Danish Aerospace Company A/S, Danish Aerospace Medical Company A/S, JEU Holding ApS, Nesdaugaard Holding ApS (and 1 subsidiary), Viga Re Aps, Viga Re Management ApS, Holdingselskabet AGIV ApS and WAMA Consult ApS.

Deputy Chair: 15. Juni Fonden.

Member: 15. JF Invest A/S, Global Equestrian Group Holding ApS (and 1 subsidiary) and Lise og Valdemar Kählers Familiefond.

Other: Managing Director of CCKN Holding ApS (and 1 subsidiary), Executive management in Heering Invest ApS and 15. JF Invest A/S.

Qualifications

Extensive board experience from listed and private companies and in capital markets, mergers & acquisitions (M&A) and corporate law including corporate governance. Expertise within real estate and the financial sector along with broad international experience.



Søren Bjørn Hansen
Deputy Chairman

Danish

1972

2007

CEO at M. Goldschmidt Holding A/S, M. Goldschmidt Ejendomme A/S and M. Goldschmidt Capital A/S.

Positions

Deputy chair: Danish Aerospace Company A/S and Imerco Holding A/S.

Member: Aquaporin Space Alliance and Aquapoten Co Ltd., China.

Other: CEO of Atlas Ejendomme A/S, Executive management of SILVER BEAR HOLDINGS ApS and Komplementarselskabet MGE Frederiksbro II ApS.

Extensive experience within investments, financing, and business strategy along with significant international experience.



Anne Broeng
Member

Danish

1961

2018

Professional Board member.

Positions

Chair: Velliv, Pension & Livsforsikring A/S and Asta & Jul.P. Justesen Fond.

Member: Rambøll Gruppen A/S, NNIT A/S, VKR Holding A/S, ATPand Sleep Cycle AB.

Other: Special advisor to NASDAQ Europe.

Highly experienced executive with extensive board knowledge. More than 30 years of experience in the financial service industry as Executive Director, CFO and Chief Investment Officer. Further Board experience within the IT, energy, garment, building material and retail sectors as well as financial services.



Lars Christian Hansen
Member

Danish

1967

2015

Executive Director at Villum Foundation.

Positions

Chair: Danish Foundations Knowledge Center.

Extensive industry experience within biotechnology along with significant management expertise and global experience from a large international company.



Board of directors



Jens Denkov
Member

Nationality

Danish

Year of birth

1981

First elected

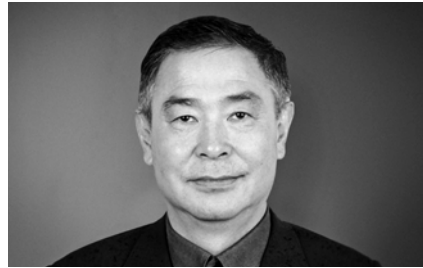
2019

Board positions

Head of Private Equity & Chief Investment Director at Danske Bank.

Qualifications

Corporate finance og private markets investments.



Weiming Jiang
Member

Danish

1956

2018

Senior Corporate Vice President of DSM.

Positions

Member: Aptar Group Asia, Huisman B.V..

Experienced management professional with a global outlook and experience with the Chinese market. Extensive experience with bio-technology and the water sector.



Anupam Bhargava
Member

American, Canadian

1967

2021

Senior Vice President of Industry at GRUNDFOS.

Positions

Member: MECO Inc., SilHorko-Eurowater A/S.

Senior executive with 30 years of experience commercializing sustainable technology, deploying service-based solutions, and introducing new business models to accelerate market adoption of innovation in aviation, energy and water sectors.



Jianlong Zhuang
Member

Chinese

1964

2021

Vice President, Chief Risk Officer & Board Secretary of Interchina Water Treatment Co. Ltd.

Experienced industry professional and board member. Extensive experience within water treatment and food agriculture industries.



Board of directors

Committee composition

	Audit Committee	Remuneration Committee	Nomination Committee
Niels Heering Chair of the Board Independent Director			
Søren Bjørn Hansen Deputy Chair			
Anne Broeng Independent Director			
Lars Christian Hansen Independent Director			
Jens Denkov Independent Director			
Weiming Jiang Independent Director			
Anupam Bhargava Independent Director			
Jianlong Zhuang			

Committee Chair
 Committee Member





Shareholder information

Share and ownership structure

Aquaporin has been listed on Nasdaq Copenhagen stock exchange since 28 June 2021, with a total of 10,130,801 shares outstanding, as at 31 December 2021. The company does not hold treasury shares. The company has one share class, with each share representing one vote in company matters.

The shareholders have authorised the Board of Directors to issue new shares and warrants, in accordance with the Articles of Association.

Our share price closed at DKK 111 on the last day of trading in the financial year 2021, representing a 36% decrease in share price versus the opening on 28 June 2021, the date of our initial public offering. In the same period, the OMX Copenhagen C25 index returned 6%.

In total, Aquaporin had 2,622 unique identified shareholders*. Aquaporin has received notifications of holdings of 5% or more of the share capital or voting rights from the following 4 shareholders as of 31 December 2021:

- M. Goldschmidt Capital A/S
- Danica Pension, Livsforsikringsaktieselskab
- InterChina Water Treatment Hong Kong Company Ltd
- VP Capital N.V.

Shareholder return policy

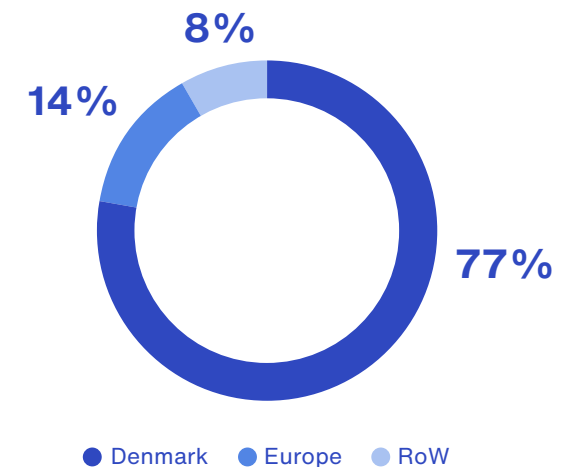
Distributions to shareholders are subject to Board of Director's proposals. Aquaporin raised DKK 250 million in 2021 to fund the growth journey and remains cash generation negative. As a natural result hereof, Aquaporin expects to re-invest any capital generated in the year into the business to further fund the growth of the company.

Share capital	10,130,801
Outstanding shares	10,130,801
Classes of shares	One class
Voting and ownership restrictions	Each share has 1 vote
Stock exchange ticker / ISIN	AQP / DK0061555109
Market capitalization (end of year)	DKK 1,063,734,105

Share price development - June 28 to December 31, 2021



Shareholder split by geography*



* Shareholder data based on unique VP Securities accounts with name registration in the share register.



Corporate governance

We apply adequate corporate governance practices to ensure transparency and accountability to the benefit of customers, shareholders, partners, employees, authorities, and other stakeholders. As a Danish company listed on Nasdaq Copenhagen Main Market, our corporate governance efforts are subject to the Recommendations on Corporate Governance issued by the Danish Committee on Corporate Governance.

The governing body of Aquaporin is comprised of a two-tier management structure consisting of a non-executive Board of Directors and the Executive Management team. The allocation of responsibilities between the Board of Directors and Executive Management are outlined in the Rules of Procedure. The two bodies are independent, and no person serves as a member of both. Information concerning remuneration of the Board of Directors and Executive Management is disclosed in note 4 and 5 in the consolidated financial statements.

Meeting attendance

	Board of Directors	Audit Committee	Nomination Committee	Remuneration Committee
Niels Heering Chair	●●●●●●●●	●●●●●	●●	●●
Søren Bjørn Hansen Deputy Chair	●●●●●●●●	●●●●●	●●	●●
Anne Broeng	●●●●●●●●	●●●●●		
Lars Christian Hansen	●●●●●●●●		●●	●●
Jiang Weiming	●●●●●●●●			
Jens Denkov	●●●●●●●●			
Anupam Bhargave*	○●●●●●●●			
Jianlong Zhuang	○●●●●●●●			
Cai Jianwen**	○●●●●●●●			
Michael Frank***	○●●●●●●●			
Lei Zhang****	○●●●●●●●			

Chair

The dots indicate the attendance in meetings held in 2021 by member.

- * Member of the Board of Directors since election at the Extraordinary General Meeting held 8 November 2021
- ** Resigned as member at the Extraordinary General Meeting held 8 November 2021
- *** Resigned as member on 28 June 2021
- **** Was not nominated for re-election at the Annual General Meeting held 11 June 2021



Corporate governance

Board of Directors

The Board of Directors has the responsibility to ensure the right management and organizational structure of the company. It supervises the overall and strategic management of Aquaporin's business and operations, and together with the Executive Management develops the Group's corporate strategy, oversees progress, financial performance as well as the operational management of Aquaporin. The Board of Directors consists of eight members, of which seven are independent. All Board members are elected at the Annual General Meeting. They serve a one-year term and are eligible for re-election.

Diversity

The Board of Directors currently has a representation of one female member elected by the shareholders, corresponding to 13%, which is below the current target of 33% in 2024. The Board of Directors remains committed to having international members of the Board. Currently, three shareholder-elected board members are of non-Danish nationality.

Audit Committee

The Audit Committee assists the Board of Directors in handling and auditing matters, which by decision of the Board or the Audit Committee require a more thorough evaluation. Among its duties are the supervision of the Company's financial reporting and the Group's external auditors, the assessment of the internal controls and the risk management systems of Aquaporin.

Remuneration Committee

The role of the Remuneration Committee is to ensure that the Company maintains a remuneration policy for the members of the Board and Executive Management, including overall guidelines on incentive pay to the Board and Executive Management, and to evaluate and make recommendations for the remuneration of the members of the Board and the Executive Management. The remuneration policy and any changes thereto must be approved both by the Board as well as on a general meeting. The 2021 Remuneration report is available [here](#).

Nomination Committee

The Nomination Committee assists the Board of Directors with ensuring that appropriate plans and processes are in place for the nomination of candidates to the Board, the Executive Management, and the board committees. The Nomination Committee must also evaluate the composition of and make recommendations to the nomination or appointment of members of the Board, the Executive Management, and the board committees.

Executive Management

The Executive Management consists of the CEO, CIO, CFO and COO and is appointed by the Board of Directors. The Executive Management is responsible for strategy execution and day-to-day management in accordance with the guidelines issued by the Board of Directors. The Executive Management also presents and recommends proposals to the overall strategy and objectives to the Board of Directors. Duties, obligations, and liabilities of the Executive Management, including specific authorizations within which the Executive Management may transact business, are laid down in the Management Instructions for the Executive Management.



Risk management

Managing risks rigorously and systematically is key for us to create and protect value, short, medium, and long term. This requires a shared understanding of our risk exposure across the organization. In consequence of working as a sustainable business, we must anticipate and adapt to our surrounding environment to create new strategic opportunities.

Risk governance structure

Aquaporin has a strong focus on risk management to ensure that it remains an integrated part of our decision-making. The Board of Directors holds the final responsibility for risk management in the Aquaporin Group and determines the overall framework for identifying and mitigating risks. The Audit Committee supervises compliance within the agreed risk management strategy.

The Executive Management is responsible for the day-to-day implementation of risk-mitigating actions as well as the continuous development of risk management activities to ensure a proactive approach to potential risk scenarios.

Our risk management process

Each quarter, all Group departments are involved in a bottom-up risk analysis. At these meetings, we identify and define Aquaporin's gross risks to ensure an updated risk overview. Each risk is described, and potential risk mitigating actions are discussed. The risk overview is then presented to the Audit

Committee, who discusses the risk situation and decides on further mitigating actions. The process of identifying, handling, and reporting risks is continuously addressed by the Audit Committee to ensure that the underlying risk identification methodology is appropriate and that it reflects the current risk picture.

Internal control

Risk management and internal controls related to financial reporting are designed to limit the risk of material misstatements. Standard procedures for the month-end closing process are implemented to ensure an in-depth analysis of potential deviations between actual performance, business plans, budgets, and quarterly estimate updates.

Commercial risk

Aquaporin is highly dependent on delivering relevant and value-creating solutions to customers and end users. The Company has established a global sales organization as it is important to understand regional preferences and to build value creating solutions for all

customers. If the Company fails to deliver on quality and stability, the potential downside of losing customers and not growing our business increases.

Product supply and product safety

The main risk is the dependency on third parties for manufacturing product components and the supply of raw materials, semi-finished and finished goods. If such third-party manufacturers or suppliers do not deliver their products or services in time, this could have adverse effects on the ability to service customers. Aquaporin prioritizes a preventative approach to secure dual suppliers for critical products and inventory management, including build-up of contingency inventories of critical raw materials. The highest product safety is ensured through an extensive quality assurance program covering the entire value chain. Production and manufacturing processes are subject to periodic and routine inspections to ensure that production and product quality standards are met. Aquaporin's product safety program is certified according to internationally recognized standards, including ISO 9001:2015 and NSF.

Health, safety, and security

Risks associated with health and safety at Aquaporin mainly relates to ergonomic and physical hazards. Aquaporin's business is a low intense production with limited manual interaction, noise, smell, and vibration. The company is committed to ensuring a healthy psychosocial and physical working environment for its employees and has implemented several initiatives to underline the importance

of a safe working environment. Incidents are monitored and handled both on department and Executive Management level.

Intellectual property rights

Aquaporin maintains a proactive patent strategy and protects new knowledge created to support the business. Aquaporin actively monitors third party patent positions within our relevant fields to secure freedom-to-operate for our products and technologies. Aquaporin currently has 18 granted patents within 14 different patent families.

Financial risk

Due to the nature of its operations, investments, and financing, Aquaporin is exposed to risks related to currencies, funding, liquidity, credit, and counterparties. Aquaporin aims to actively address financial risks to mitigate potential material impacts on the Group's financial position. The financial risks are managed centrally with an objective to reduce the impact and sensitivity on earnings from fluctuations in exchange rates, interest rates and liquidity.

Data ethics

Aquaporin actively seeks to leverage technology and data to generate better insights and decision making on all levels. As part of this, the company has defined a set of data ethics principles to ensure data is used and stored in a socially responsible manner. Please find more information at aquaporin.com.



ESG data governance

Aquaporin's ESG approach is captured in the three categories of Environment, Social and Governance (ESG).

Aquaporin has three different sites in Denmark, Singapore, and a sales office in the US. All are included in the methodology, although a majority of the business activities take place in Denmark. For some data points, we have not been able to gather sufficient data. If this is the case, it has been clearly stated that the number is based on estimates or data from previous time periods. The ESG data is collected using the same methodologies as financials such as following the same time period, mean and addition of data.

Environment

The environmental category covers our business practices in R&D, production, logistics, marketing, and general administration. We are in the process of developing our key figures to give insights into the environmental performance of Aquaporin. Currently, we are building our network of production facilities in strategic locations. Therefore, our environmental ESG data has not been linked with the number of units produced in-house, since it would not portray an accurate and comparable picture.

Energy consumption and share of renewable energy

The headquarters in Denmark is by far the largest site, and therefore our focus has primarily been on optimizing resource use here, however we work to integrate the same thinking across all of Aquaporin's three sites.

We always strive to minimize the greenhouse gas emissions from all our operations.

We display our indirect scope 2 emissions from electricity both according to the location-based method and the market-based method. The location-based method reports on the actual energy grid mix at the time of consumption. To calculate this metric, we have paired up with the Danish start-up Reel, who have calculated our real time energy emissions based on hourly data from 2019, 2020 and 2021 in Denmark.

To calculate our emissions according to the market-based method, we have used the emissions equivalent from Energinet's energy standard factors updated yearly. For Singapore, we have used the emission factors from the International Energy Agency (IEA).

In 2020, we shifted to an energy supplier at Nymøllevej, who purchases green origin certificates for the electricity utilized at the headquarters in Lyngby. However, since we cannot purchase similar certificates in Singapore, we are not allowed to book these as 100% renewable energy resources and claim zero emissions.

We measure our energy consumption in absolute terms and total MWh consumption. In the future, we will link our consumption

to the number of units produced or FTEs to portray a more accurate picture.

Note that it was not possible to gather data on the share of renewable energy in the energy mix in Singapore according to the location-based method, and for the indirect emissions using the location-based method in Singapore, we have therefore used the market-based emission factors.

Water usage

Our products aim to reduce the negative impact that polluted wastewater has on biodiversity and the water quality worldwide – and to provide clean drinking water without dependency on single-use plastic. In our production, we also utilize water to test our elements. We pay particular attention towards our own water consumption in Singapore, since this is a geographical area, where water is a particular scarce resource with high dependency on clean water from outside the country's borders. We have no production in the US, and therefore minimal water usage.

We disclose our absolute water consumption, since it cannot yet be linked with the number of units that we produce. Our sales office in the US has been excluded from this metric due to insignificant water consumption during 2021 due to working from home initiatives.

Social

Social capital covers our terms of employment, working conditions and labor rights. Our employment terms are non-discriminating, fair to all and in compliance with international labor rights. We support a safe

and healthy work environment for all employees anchored in our occupational safety and health group, and we aim to improve communication and requirements towards our suppliers on human rights and related issues.

Diversity measures

Our full-time work force is calculated as average number of FTEs. In Denmark the average FTEs are calculated as the annual total payments to ATP divided by the standard rate paid to ATP for each employee. For Singapore and the USA, the average FTEs are calculated from all full-time employees and trainees relative to their period of employment for the year.

Gender diversity (all employees, Board and Management) is calculated as the percentage of under-represented employees (women) to total employees employed as at December 31, 2021.

Gender diversity on management-level is calculated as the percentage of under-represented gender amongst managers (women) to total managers employed as at December 31, 2021. Managers are categorized as employees with leadership responsibilities and a minimum of one employee referring to them.

The employee turnover rate is calculated as the year-over-year change for FTEs.

Health & safety

In Aquaporin, we aspire to achieve the highest possible safety standards. Excellence in health & safety is particularly crucial in our R&D, laboratories and production facilities.



Safety is a major concern and continuous risk for us, and we have a strong focus on preventing and mitigating health & safety risks through mandatory safety walks for all new employees, training and registration of near miss accidents. Our internal QEHS function in Denmark is spearheading our efforts on health and safety excellence for Aquaporin.

We strive towards a zero serious accidents culture. We distinguish between three classes in categorizing accidents. Our targets for accidents in class 1 (accidents causing death or serious deterioration) is 0%, class 2 (all other accidents reported to the work environment authority) target is below 0.1% and class 3 (all other accidents) is below 1%.

Absence due to sickness is calculated as an annual percentage, defined as all days absent reported as sick leave in our system for registering sick leave to the total number of workdays a year. We aim to remain below a rate of 5% absence due to sickness.

We aim to stay below five total stop-work orders in the relevant year, measured as the number of stop-work orders related to production or sales that can be associated with a H&S deviation.

Lastly, we monitor our lost time incident rate (LTIR) per 1000 working hours, where we include incidents categorized as either class 1 or 2 accidents. Working hours are defined from average number of FTEs and the estimated average working hours. Internally,

we also monitor our accident-free time (AFT) reported as the total number of days since the last accident occurrence in class 1 or 2, and our target is to have no decrease in the AFT more than once a year. We remained within this threshold in 2021. Our internal health, safety and environmental (HSE) management system ensures that we log and define procedures, conduct regular risk assessments, internal spot checks, monitoring and reporting.

Governance

Our governance work includes anti-corruption and bribery. We aim for our business practices to comply with all relevant laws and regulations. Note that further information on governance practices can be found in the [Corporate Governance Statement](#).

The governance data points include board diversity on gender and nationality. For this metric, we use the methodology of percentage of under-represented gender (women) to total members in the Board of Directors and percentage of non-Danish members to total members in the Board of Directors.

Lastly, the CEO pay ratio is calculated as the ratio between the CEO salary (including cash bonuses and excluding pension and warrant programs) to the median FTE compensation as at December 31, 2021.



The future of Drinking Water is not only green, but pure and simple.
Stay tuned.



Financial statements



05

Consolidated financial statements

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Financial Review

The financial review is based on the Group's consolidated financial information for the year ended 31 December 2021, with comparative 2020 figures for the Group in brackets.

We increased our shareholder base significantly via our initial public offering in June 2021 on Nasdaq Copenhagen. In total we succeeded with an offering of DKK 435 million, of which DKK 250 million were proceeds to Aquaporin.

In 2021, the Group generated revenues of DKK 8.9 million (DKK 5.5 million) compared to a guidance of DKK 6-10 million. EBITDA before special items was a loss of DKK 74.8 million (DKK 67.5 million) compared to a guidance of DKK 70 - 80 million, and EBIT before special items was a loss of DKK 93.7 million (loss of DKK 85.9 million) compared to a guidance of DKK 90 - 100 million.

Income statement

Revenue

Revenue for the year was DKK 8.9 million (DKK 5.5 million) an increase of 62.2%. In 2020 revenue was influenced by a milestone payment of DKK 2.8 million from a strategic commercial partnership. Revenue from product sales increased by 229.3%. The increase in revenue is a result of the commercial acceleration, primarily in the Drinking Water market.

Aquaporin operates in three markets; Drinking Water, Industrial Water and Food & Beverage.

Drinking Water

Revenue in 2021 increased to DKK 6.4 million (DKK 1.0 million), a significant increase of 540.3%.

The sale to customers, primarily in Europe and Asia, was mainly driven by the commercial launch of the point of use systems and an improved reverse osmosis membrane.

Industrial Water

Revenue in 2021 was DKK 2.1 million (DKK 1.7 million), an increase of 24.5%.

The revenue was generated by piloting and testing within various industries across the world. The sale is based on product sale from both HFFO products and BWRO products.

Food & Beverage

Revenue in 2021 was DKK 0.4 million (DKK 2.8 million).

In 2020 we received a milestone through a co-developed project on BWRO products for the dairy industry. No milestone payments were planned for 2021. In 2021 the revenue was mainly based on FO product sale through an increasing number of pilots and testing services.

Food & Beverage

DKK 1,000	2021	2020	% change
Product sales	384	23	1,570%
Milestone payments	0	2,790	(100%)
Total	384	2,813	(86%)



Financial Review

Gross profit

Gross profit amounts to DKK 3.4 million (DKK 4.1 million). Adjusted for the milestone payment in 2020 the gross profit for 2020 amounts to DKK 1.3 million. Mixed margin on product sales for 2021 was 37.8% (47.4%). The decrease in mixed margin was primarily driven by increase in Drinking Water revenue.

Operating costs

Operating expenses totaled DKK 97.1 million (DKK 89.9 million), an increase of DKK 7.2 million. The main driver of the cost increase relates to building the commercial infrastructure and improving the administrative organization.

Sales & marketing costs

Sales & marketing expenses amounted to DKK 27.6 million (DKK 20.8 million). The increase is in line with the strategy and driven by an expansion of the commercial organization and infrastructure.

Research and development costs

Research & development expenditures amounted to DKK 51.7 million (DKK 56.1 million). The reduced research and development expenses are driven by converting resources towards commercialization, and the transition from a research-based biotech company to a water technology company.

Administrative costs

Administrative expenses amounted to 17.8 million (DKK 13.1 million). The increased administrative expenses arise through the strengthening of the organization to accommodate the requirements for being a listed company and cost for being listed.

EBITDA before special items

EBITDA before special items amounted to a loss of DKK 74.8 million (loss of DKK 67.5 million).

Depreciations of tangible assets and amortization of finished development projects amounted to DKK 18.9 million (DKK 18.4 million).

Special items

Special items were an expense of DKK 37.3 million in 2021 (DKK 0 million), primarily related to the IPO completed in June 2021.

Net financial items and shares of associates

Net financial items amounted to DKK -4.6 million (DKK -3.5 million).

The Aquapoten Company Limited has been written down impacting income statement by DKK 1.6 million.

Income Tax

Income tax for the year ended 31 December 2021 amounts to DKK 5.4 million (DKK -34.0 million). An income tax benefit for both years include a tax credit for research and development costs at the applicable tax rate under the Danish Corporate Income Tax Act. Additionally, the year 2020 was affected by deferred tax assets not being recognized.

Cash flow

Cash flow from operating activities

Net cash used in operating activities was DKK 115.2 million (DKK 59.0 million). The increased use of cash was primarily costs used in the initial public offering, impacting the operating activities with DKK 37.3 million.

Cash flow from investing activities

Cash flow used for operational investing activities was DKK 9.8 million (DKK 16.7 million). The decrease was mainly due to a decrease in developing projects and less capital expenditures used on tangible assets.

Cash flow from financing activities

Net cash provided by financing activities was DKK 266.7 million (DKK 75.8 million). The increased cash from financing activities was mainly driven by the gross proceeds from the initial public offering in June 2021 which amounted to DKK 250.0 million.

Balance sheet

The balance sheet total was DKK 385.3 million as of 31 December 2021 (DKK 246.8 million).

Assets

Total non-current assets amounted to DKK 204.5 million (DKK 214.0 million). Intangible assets amounted to DKK 89.5 million (DKK 86.2 million), an increase of DKK 3.2 million driven by increased capitalized costs for development projects. Tangible assets amounted to DKK 112.9 million (DKK 124.0 million), a decrease of DKK 11.1 million due to depreciations and reduced capital expenditures. Rights-of-use assets amounts to DKK 49.2 million (DKK 52.4 million).

Inventory amounted to DKK 17.6 million (DKK 16.6 million), of which finished goods amounted to DKK 11.5 million, with a majority comprising Drinking Water products.

Trade receivables amounted to DKK 5.2 million (DKK 3.1 million), mainly related to Drinking Water customers.

Aquaporins cash and cash equivalents amounted to DKK 143.3 million (DKK 1.5 million) and are invested in deposit accounts with highly rated banks.

Equity

Total equity amounted to DKK 270.5 million (DKK 107.3 million). The increase in equity is related to the initial public offering in June 2021.



Consolidated statement of profit and loss

DKK 1,000	Note	2021	2020
Net revenue	2.2	8,922	5,499
Cost of goods sold	2.3	(5,549)	(1,426)
Gross profit		3,373	4,073
Sales and marketing costs	2.4, 2.5, 5.1, 5.2	(27,553)	(20,811)
Research and development costs	2.4, 2.5, 5.1, 5.2	(51,725)	(56,072)
Administrative costs	2.4, 2.5, 5.1, 5.2	(17,823)	(13,059)
Operating profit before special items		(93,728)	(85,869)
Special items	2.6	(37,319)	-
Operating profit (EBIT)		(131,047)	(85,869)
Share of net earnings of associates	3.4	(1,602)	24
Finance income	2.7	243	3,587
Finance costs	2.7	(4,793)	(7,054)
Earnings before income tax		(137,199)	(89,312)
Income tax	2.8	5,425	(34,044)
Earnings for the period		(131,774)	(123,356)
Earnings per share in DKK			
Earnings per share		(14)	(15)
Diluted earnings per share		(14)	(15)

Consolidated statement of comprehensive income

DKK 1,000	Note	2021	2020
Earnings for the period		(131,774)	(123,356)
Other comprehensive income			
Items that can be reclassified to profit and loss:			
Translation adjustments regarding foreign operations		366	(246)
Other comprehensive income, net of tax		366	(246)
Total comprehensive income (Loss)		(131,408)	(123,602)



Cash flow statement

§ Accounting policy

The cash flow statement is prepared in accordance with the indirect method on the basis of the Group's profit before tax for the year. The statement shows the Group's cash flow broken down into operating, investment and financing activities, and cash and cash equivalents at year end.

Cash flows in foreign currencies are translated into Danish kroner at the exchange rate on the transaction date. Cash flows from operating activities includes adjustment for non-cash items and changes in working capital. Cash flow from investing activities include investments in non-current assets and associates. Cash flow from financing activities primarily include cash flows from capital injections.

DKK 1,000	Note	2021	2020
Operating profit (EBIT)		(131,047)	(85,869)
Non-cash items	4.2	26,488	21,226
Change in net working capital	4.3	(6,004)	1,739
Cash flow from primary operating activities		(110,563)	(62,904)
Received interests and other financial income		243	-
Paid interests and other financial expenses		(4,793)	(1,309)
Received tax		(76)	5,186
Cash flow from operating activities		(115,189)	(59,027)
Investments in intangibles assets		(9,149)	(12,162)
Investments in tangibles assets		(557)	(4,557)
Deposits		(63)	(4)
Cash flow from investing activities		(9,769)	(16,723)
Credit facility	3.12	(28,635)	11,841
Non-current liabilities		1,801	-
Repayment of lease liabilities		(3,160)	(2,693)
Proceed from sale of tax receivable		5,367	-
Proceeds from warrant programs exercised		45,325	-
Proceeds from capital increase		250,000	66,642
Cost related to issue of new shares		(4,038)	-
Cash flow from financing activities		266,660	75,790
Net cash flow		141,702	40
Cash and cash equivalents, beginning of the year		1,504	1,382
Currency adjustment of cash and cash equivalents		51	82
Cash and cash equivalents, end of the year		143,257	1,504



Consolidated balance sheet 31 December

DKK 1,000	Note	2021	2020
Know-how	3.1	2,899	2,899
Development projects	3.1	86,255	83,337
Other intangibles	3.1	313	-
Total intangible assets		89,467	86,236
Plant and machinery	3.2	42,547	47,940
Right-of-use assets	3.2, 3.3	49,209	52,432
Other equipment	3.2	2,772	3,777
Leasehold improvements	3.2	18,336	19,882
Total tangible assets		112,864	124,031
Investments in associates	3.4	47	1,649
Deposits		2,164	2,101
Financial assets		2,211	3,750
Total non-current assets		204,542	214,017
Prepayments		2,901	1,177
Inventories	3.5	17,593	16,565
Trade receivables	3.6	5,152	3,131
Other receivables		6,396	4,918
Income tax receivables		5,505	5,504
Cash and cash equivalents	3.7	143,257	1,504
Total current assets		180,804	32,799
Total assets		385,346	246,816

DKK 1,000	Note	2021	2020
Share capital	3.9	10,131	8,174
Retained earnings	3.9	192,275	59,615
Reserve for translation adjustments	3.9	790	424
Reserve on development projects	3.9	67,279	39,109
Total Equity		270,475	107,322
Lease liability	3.3	51,739	53,809
Other payables		5,284	3,483
Total non-current liabilities		57,023	57,292
Provision	3.10	111	-
Lease liability	3.3	3,077	3,093
Trade payables		7,214	2,659
Other payables		12,319	12,066
Deferred government grants	3.11	35,127	35,749
Borrowings	3.12	-	28,635
Total current liabilities		57,848	82,202
Total liabilities		114,871	139,494
Total equity and liabilities		385,346	246,816



Consolidated statement of changes in equity

DKK 1,000	Share capital	Retained earnings	Reserve for translation adjustments	Reserve on development projects	Total equity
Balance at 31 December 2019	7,789	125,990	670	29,613	164,062
Profit/Loss for the period	-	(132,852)	-	9,496	(123,356)
Other comprehensive income	-	-	(246)	-	(246)
Total comprehensive income for the period	-	(132,852)	(246)	9,496	(123,602)
Transactions with owners in their capacity as owners					
Increase in share capital	385	66,257	-	-	66,642
Share-based payment	-	220	-	-	220
Balance at 31 December 2020	8,174	59,615	424	39,109	107,322
Profit/Loss for the period	-	(159,944)	-	28,170	(131,774)
Other comprehensive income	-	-	366	-	366
Total comprehensive income for the period	-	(159,944)	366	28,170	(131,408)
Transactions with owners in their capacity as owners					
Increase in share capital	1,957	293,368	-	-	295,325
IPO expenses	-	(4,038)	-	-	(4,038)
Share-based payment	-	3,274	-	-	3,274
Balance at 31 December 2021	10,131	192,275	790	67,279	270,475



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Basis of preparation of consolidated financial statements

1.1 Significant accounting policies

The Consolidated Financial Statements for the Aquaporin Group have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union as well as additional requirements set out in the Danish Financial Statements Act.

The general accounting policies are described below and in extension to this, specific accounting policies have been incorporated to the respective notes.

Impact of new accounting standards

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.

At the date of publication of the consolidated financial statements, a number of new and amended standards and interpretations have not yet entered into force or have not yet been adopted by the EU. Therefore, they are not incorporated in the consolidated financial statements.

None of the new or amended standards and interpretations are expected to have a material impact on the consolidated financial statements.

General information on recognition and measurement

The Financial Statements have been prepared

under the historical cost method, except for the measurement of certain financial instruments at fair value.

The accounting policies set out below have been applied consistently in respect of the financial year and the comparative figures.

Basis of consolidation

The Consolidated Financial Statements comprise Aquaporin A/S (the Parent Company) and entities over which the Parent Company exercise control either through direct or indirect shareholdings or some other way of control and has the right to variable returns from the entity. Enterprises, which are not subsidiaries, over which the Group exercises significant influence, but which it does not control, are considered associates. Significant influence is generally obtained by direct or indirect ownership or control of more than 20% of the voting rights but less than 50%.

The Consolidated Financial Statements are based on the financial statements of the Parent Company and the controlled entities prepared in accordance with the Groups accounting policies. In the consolidation items of uniform nature are combined and intercompany income and expenses and internal stockholdings, receivables and payables are eliminated on consolidation. Book value of the interests in the controlled entities held by the parent company is set off against the equity in the entities.

Translation from functional currency to presentation currency

Items in the financial statements of each of the reporting entities of the Group are measured in

the currency of the primary economic environment in which the entity operates (the functional currency).

Assets, liabilities and equity items are translated from each group entity's functional currency to DKK at the balance sheet date. The income statements are translated from the functional currency into the presentation currency based on the average exchange rate for the individual months. Differences arising on the translation of the equity at the beginning of the period, and translation of the income statement from the average rates to the exchange rate at the balance sheet date, are recognized in other comprehensive income and presented as a separate reserve in equity.

The functional currency of the Parent Company is the Danish krone (DKK) and the Consolidated Financial Statements are likewise presented in Danish kroner (DKK).

Translations and transactions

Transactions in foreign currencies are initially translated into the functional currency at the exchange rates at the transaction date.

Translation adjustments arising from differences between the transaction date rates and the rates at the payment date are recognized in financial income or financial expenses in the income statement. Receivables, payables and other monetary items in foreign currencies not settled at the balance sheet date are translated at the exchange rates at the balance sheet date.

Translation adjustments arising from differences between the rates at the balance sheet date

and the transaction date rates are recognized in financial income or financial expenses in the income statement.

Calculation of key figures and financial ratios

EBITDA before special items

Operating profit adjusted for amortization, depreciation and special items.

EBIT before special items

Operating profit adjusted for special items.

Operating profit (EBIT)

Operating profit.

Equity share

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

Earnings per share

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.

Diluted earnings per share

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.



Basis of preparation of consolidated financial statements – continued

1.2 Significant accounting estimates and assessments

In preparing the Consolidated Financial Statements, Management makes various accounting estimates and assumptions, which form the basis of presentation, recognition and measurement of the Group's assets and liabilities.

In applying the Group's accounting policies, Management makes judgments which may significantly influence the amounts recognized in the Consolidated Financial Statements. Determining the carrying amount of some assets and liabilities requires judgments, estimates and assumptions concerning future events.

The judgments, estimates and assumptions made are based on historical experience and

other factors that Management considers to be reliable, but which by their very nature are associated with uncertainty and unpredictability. These assumptions may prove incomplete or incorrect, and unexpected events or circumstances may arise. Informations on key judgments, estimates and assumptions where a change will significantly impact the consolidated financial statements are included in the following notes:

- Capitalized development costs (note 3.1)
- Impairment of intangible assets (note 3.1)
- Deferred tax (note 3.8)

The Group is also subject to risks and uncertainties that may lead to actual results differing from these estimates, both positively and negatively.



Operating activities

2.1 Segment information

Aquaporin is managed and operated as one business unit, which means that no structural or organizational aspects allow for an alternative presentation 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

The vast majority of the groups assets are situated in Denmark.

Sales to 3 of the groups customers exceed individually 10% of the total revenue. In 2020 this was only 1 customer.

2.2 Net revenue

§ Accounting policy

Revenue from sale of goods is recognized in the income statement when transfer of control of products has taken place. Meaning when the goods are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Revenue is measured at the fair value of the consideration received excluding VAT and less commission and discounts granted in connection with the sales.

The revenue derives primarily from transfer of goods and Strategic Commercial Partnerships. The main product lines consist of Drinking Water products, Industrial Water products and Food and Beverage products. This split reflects Management's view and is in line with internal reporting.

Sale of products

Revenue is generated within the water treatment industry using the technologies reversed- and forward osmosis. Sale of products consist of flat sheet membranes, elements and point of use

systems. Revenue from sale of products is recognized when control is transferred to customers which is ex works in standard delivery terms. Thereby, the sale is recognized at point in time.

Revenue is recognized based on the price specified in the contract. The payment terms reflect the market in which the sales take place, which varies from 30 to 120 days. The standard payment terms of the transaction is due within 30 days from invoice date. There is no financing elements in the contracts, why the price is fixed.

Strategic Commercial Partnerships

Revenue from Strategic Commercial Partnerships solely relates to Food & Beverage. Revenue is recognized in accordance with the agreement, which are at a specific point in time. The continuous transfer of control is reflected in the customers' obligation to pay for the performed work when all performance obligations according to the milestone have been fulfilled.

The revenue is recognized based on the price specified in the contract. The contract contains no financial elements. Normal payment terms are 30 days from invoicing date.

Revenue

DKK 1,000	2021	2020
Drinking Water	6,435	1,005
Industrial Water	2,093	1,681
Food and Beverage	394	2,813
Total revenue	8,922	5,499



Operating activities – continued

2.3 Cost of sales

§ Accounting policy

Cost of sales comprises the cost of products sold. Cost comprises the purchase price of raw materials, consumables and goods for resale,

direct labor costs and a share of indirect production costs, including costs of operation and depreciation of production facilities as well as operation, administration and management of factories.

2.4 Amortizations and depreciations

Investments in intangible and tangible assets are amortized and depreciated on a straight line pattern over estimated useful lives as described in note 3.1 and 3.2.

Amortizations and depreciations for the year are included in the line items of the statement of profit and loss with the following amounts:

DKK 1,000	2021	2020
Sales and marketing costs	1,241	1,265
Research and development costs	16,728	15,998
Administrative costs	917	1,091
Total amortizations and depreciations	18,886	18,354

2.5 Staff costs

§ Accounting policy

Staff costs comprise of wages and salaries, fees, expenses under long-term incentive programs and costs to social security such as pensions, insurance etc.

DKK 1,000	2021	2020
Salaries	64,013	50,244
Pension costs, defined contribution plans	988	573
Other expenses to social security	1,123	1,005
Share-based payments (Note 5.2)	3,274	220
	69,398	52,042
Average number of full-time employees	78	83
Included in the Income statement:		
Sales and marketing costs	14,004	9,705
Research and development costs	23,313	25,146
Administrative costs	12,917	11,836
Special Items	14,684	-
Total staff costs in Consolidated statement of profit and loss	64,918	46,687
Staff costs capitalized as part of development projects	4,480	5,355
Total staff costs for the period	69,398	52,042



Operating activities – continued

2.6 Special Items

§ Accounting policy

Special items are classified as material non-recurring items, which cannot be attributed to the recurring operations.

Special items for 2021 consist of 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.

In 2021 Special Items recognized in the profit and loss amounted to DKK 37.3 million (2020: DKK 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 4.0 million (2020: DKK 0.0 million).

DKK 1,000	2021	2020
Consultancy costs	12,988	-
Bank engagement	8,520	-
Insurance	4,087	-
Registration costs	1,078	-
Bonus	11,106	-
Warrants	3,578	-
Total	41,357	-
Special items are recognized as follows:		
Statement of profit and loss	37,319	-
Equity	4,035	-
Total	41,357	-

2.7 Financial income and expenses

§ Accounting policy

Financial income and expenses comprise interest receivable and interest payable, surcharges and refunds under Denmark's on-account tax scheme, and items denominated in a foreign currency.

DKK 1,000	2021	2020
Financial income		
Interest income, banks	-	-
Exchange rate adjustments	243	3,587
Total	243	3,587
Financial expenses		
Interest expenses, banks	1,508	561
Interest expenses, right of use assets	1,805	1,901
Exchange rate adjustments	411	3,820
Other financial expenses, including bank fees	1,069	772
Total	4,793	7,054



Operating activities – continued

2.8 Income taxes

§ Accounting policy

Income tax for the year consists of current tax and deferred tax for the year. It is recognized in the income statement with the portion attributable to the earnings for the year, and the part attributable to items in other comprehensive income is recognized in the statement of comprehensive income.

Current tax liabilities and receivables are recognized in the balance sheet at the amounts calculated on the taxable income for the year adjusted for tax on taxable incomes for prior years and for taxes paid on account.

Deferred tax is measured using the balance sheet liability method. All temporary differences between the carrying amount and the tax base of assets and liabilities are recognized, apart from temporary differences arising on the initial recognition of an asset or a liability if the transaction affects neither accounting profit nor taxable income. In cases where the computation of the tax base may be performed according to different tax rules, deferred tax is measured on the basis of Management's intended use of the asset or settlement of the liability.

Deferred tax assets arising from temporary deductible differences and tax losses carried forward are recognized when it is sufficiently probable that they can be realized by offset against future taxable profits. At each balance sheet date, it is assessed whether an offset is likely in a foreseeable future.

DKK 1,000	2021	2020
Tax for the year comprises:		
Deferred tax for the year	-	(39,245)
R&D Tax credit	5,500	5,500
Adjustment, previous years	-	(248)
Other taxes	(75)	(51)
Total	5,425	(34,044)

	2021		2020	
	DKK 1,000	%	DKK 1,000	%
Profit before tax	(137,199)	22%	(89,312)	22%
Calculated 22% (2020: 22%) of profit before tax	30,184	22%	19,649	22%
Tax effect of:				
Regulation of calculated tax in foreign affiliated companies in relation to 22% (2020: 22%)	33	0.0%	(460)	(0.5%)
Non-deductible expenses	(10,788)	(7.8%)	1,566	1.8%
Adjustments regarding previous years	-	-	(248)	(0.3%)
Withholding taxes	(75)	(0.1%)	(51)	(0.1%)
Other corrections	2,289	1.7%	2,061	2.3%
Deferred tax assets not capitalized	(16,218)	(11.8%)	(56,561)	(63.3%)
Tax on profit/loss for the year	5,425	4.0%	(34,044)	(38.1%)



Assets and liabilities

3.1 Intangible assets

§ Accounting policy

Know-how related to the development of the company's products is assessed to have an indefinite useful life, and is tested for impairment on an annual basis.

Research and development costs are recognized in the income statement as they are incurred.

The costs mainly comprise of salaries and costs which, directly or indirectly, can be attributed to product improvements, the development of new products, to the ongoing optimization of production processes for existing products and support of commercial projects, including pilots and testing processes facilitated by external partners. In addition, the amortization and depreciation related to intangible assets and property, plant and equipment used in the research and development activities are recognized.

Development projects that are clearly defined and identifiable and where the technical utilization degree, sufficient resources and a potential future market or scope for use in the group can be proven, and where the group intends to produce, market or use the project, are recognized as intangible assets where the cost of the project can be calculated reliably and there is sufficient certainty that the future earnings or the net selling price can cover the production costs, selling and distribution costs as well as management and administrative expenses. Other development costs are recognized in the income statement as incurred.

DKK 1,000	Know-how	Finished development projects	Development projects in progress	Other intangibles	Total
Cost price at 1 January 2021	2,899	57,090	37,722	-	97,711
Additions during the year	-	-	8,743	406	9,149
Transfer	-	189	(189)	-	-
Purchase price at 31 December 2021	2,899	57,279	46,276	406	106,860
Amortizations at 1 January 2021	-	11,475	-	-	11,475
Amortizations	-	5,825	-	93	5,918
Amortizations at 31 December 2021	-	17,300	-	93	17,393
Carrying amount at 31 December 2021	2,899	39,979	46,276	313	89,467
Cost price at 1 January 2020	2,899	53,419	29,231	-	85,549
Additions during the year	-	-	12,162	-	12,162
Transfer	-	3,671	(3,671)	-	-
Purchase price at 31 December 2020	2,899	57,090	37,722	-	97,711
Amortizations at 1 January 2020	-	6,285	-	-	6,285
Amortizations	-	5,190	-	-	5,190
Amortizations at 31 December 2020	-	11,475	-	-	11,475
Carrying amount at 31 December 2020	2,899	45,615	37,722	-	86,236



Assets and liabilities – continued

3.1 Intangible assets – continued

Amortization is based on the straight-line method over the expected useful lives of the assets:

- Development projects: 10 years
- Other intangibles: 3 years

The amortization begins when the development project is at a stage where its commercial potentials can be utilized in the manner intended by Management.

Finished development projects are reviewed at the time of completion and on an annual basis to determine whether there is any indication of impairment. If there is, an impairment test is carried out for the individual development projects. For development projects in progress, however, an annual impairment test is always performed. The impairment test is performed on the basis of various factors, including future use of the project, the fair value of estimated future earnings or savings, interest rates and risks.

Material intangible assets:

For development projects in progress an impairment test is performed annually. The impairment test is performed on the basis of various factors, including: future expected use of the outcome of the project, the fair value of the estimated future earnings, interest rates and risks.

Management evaluates budgets and business plans and finds that sufficient resources are available to complete the ongoing development projects and expects them to generate future profits. Development projects in progress amount to DKK 46.3 million at 31 December 2021 (2020: DKK 37.7 million).

Development projects in progress comprise direct costs related to development of membrane products. Development projects in progress and know-how are tested at least annually to identify any further need for impairments.

The basis for the impairment test is the groups financial planning model consisting of estimated future cash flows etc. for a 10-year period. The projections are based on managements expectations and risks, including dependencies such as development of market channels, supply chain and the organization in general as described in connection with the IPO.

Determining future cashflows is dependend on management judgement and estimates.

The impairment test is prepared in order to validate whether the recoverable amount surpass the carrying amount for the cash generating unit. The 10-year planning period is used due to the complexity of the products. The growth rate in the terminal period is estimated to be 2% and a WACC on 14% is used as discount factor. The growth rate and WACC are unchanged from last year. The tests has not given any indications of impairment.

The amortization begins when the development project is at a stage where its commercial potentials can be utilized in the manner intended by Management.

In 2021 DKK 0.2 million have been transferred to finished development projects and amortization of these projects have started. Amortization period is 10 years due to the unique character of the product.



Assets and liabilities – continued

3.2 Property, plant and equipment

§ Accounting policy

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment charges. Property, plant and equipment in progress are measured at cost. Cost comprises expenses for materials, other expenses directly related to making the asset ready for use and reestablishment expenses, provided that a corresponding provision is made at the same time.

The useful lives of the individual groups of assets are estimated as follows:

- Plant and Machinery: 4 - 20 years
- Land and buildings
(Right-of-use assets): 2 - 20 years
- Other equipment: 2 - 8 years
- Leasehold improvements: 8 - 20 years

Depreciation is based on a straight-line pattern.

Gains and losses on the disposal of property, plant and equipment are recognized in the income statement under other operating income and other operating expenses.

At the end of each reporting period, the Group reviews the carrying amount of property, plant and equipment to determine whether there is an indication of impairment. If any such indications exist, a revaluation of the assets is performed and if necessary the assets are written down to the recoverable amount, defined as the higher of its fair value less costs to sell and its value in use. Impairment losses are recognized under the same line item as depreciation of the assets.

DKK 1,000	Plant and machinery	Right-of-use assets	Other equipment	Leasehold improvements	Total
Purchase price at 1 January 2021	66,956	66,418	12,119	27,916	173,409
Exchange rates	372	190	23	48	633
Additions during the year	486	1,035	71	-	1,592
Disposal during the year	-	-	-	-	-
Purchase price at 31 December 2021	67,814	67,643	12,213	27,964	175,634
Depreciations at 1 January 2021	19,016	13,986	8,342	8,034	49,378
Exchange rates	202	153	23	45	423
Depreciations	6,049	4,295	1,076	1,549	12,969
Depreciations disposal	-	-	-	-	-
Depreciations at 31 December 2021	25,267	18,434	9,441	9,628	62,770
Carrying amount at 31 December 2021	42,547	49,209	2,772	18,336	112,864
Purchase price at 1 January 2020	67,015	66,086	9,910	27,657	170,668
Exchange rates	(470)	(168)	(30)	(61)	(729)
Additions during the year	1,101	935	2,239	320	4,595
Disposal during the year	(690)	(435)	-	-	(1,125)
Purchase price at 31 December 2020	66,956	66,418	12,119	27,916	173,409
Depreciations at 1 January 2020	13,421	9,574	6,893	6,493	36,381
Exchange rates	(185)	(103)	(27)	(52)	(367)
Depreciations	6,120	4,705	1,476	1,593	13,894
Depreciations disposal	(340)	(190)	-	-	(530)
Depreciations at 31 December 2020	19,016	13,986	8,342	8,034	49,378
Carrying amount at 31 December 2020	47,940	52,432	3,777	19,882	124,031



Assets and liabilities – continued

3.3 Leases

§ Accounting policy

Lease assets

Right-of-use assets are recognized on the balance sheet when the assets are made available for the entity.

Right-of-use assets with low value or short-term are recognized as an expense in the income statement on a straight line-basis over the lease term.

Right-of-use assets are measured at cost comprising:

- amount of the initial measurement of lease liability
- lease payments made at or before the commencement date
- initial costs
- restoration costs

The right-of-use assets are depreciated over the shorter of the underlying asset's expected useful life and the lease term on a straight-line basis.

Lease liabilities

The lease liability is initially measured at the present value of the future lease payment including payments from extension that are considered reasonably certain to be exercised. The lease liability is measured by using a specific borrowing rate at 3.15% (2020: 3.15%).

The lease liability is subsequently measures by increasing the carrying amount to reflect interest on the lease liability using the effective interest method and by reducing the carrying amount to reflect the lease payments made.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases recognized on the balance sheet per asset class:

DKK 1,000	2021	2020
Right-of-use assets		
Land and buildings	48,315	52,018
Other equipment	894	414
Carrying amount of lease assets	49,209	52,432
Lease liabilities		
Within one year from the balance sheet date	3,077	3,093
Between one and five years from the balance sheet date	11,871	10,990
After five years from the balance sheet date	39,868	42,819
Total	54,816	56,902

In note 4.1 majority of lease liability including interest is shown.



Assets and liabilities – continued

3.3 Leases – continued

Aquaporin's leases are primarily composed by land, buildings, vehicles and office equipment. Rental contracts are typically made for a fixed period and the right of use assets are calculated

on behalf of this fixed period. There are no options in the lease agreements. The main rental agreement is included until 2036 when the agreement expires.

Amounts recognized in the income statement, relating to leases:

DKK 1,000	2021	2020
Interest expenses	1,805	1,845
Expenses related to short-term leases (Sales & Marketing)	64	61
Expenses related to short-term leases (Research & Development)	392	37
Expenses related to low value assets (Administrative)	28	9
Depreciation related to right-of-use assets		
Land and buildings	3,363	4,263
Other equipment	334	442
Depreciation of right-of-use assets	3,697	4,705
Amounts recognized in the cash flow statement, relating to leases:		
The total cash outflow for leases	4,313	5,304

3.4 Investments in associates

§ Accounting policy

Investments in associates and joint ventures are recognized according to the equity method and are measured at the proportionate share of the entities' net asset values calculated in accordance with Aquaporin's accounting policies.

The proportionate share of the results of associates and joint ventures after tax is recognized in the consolidated income statement after elimination of the proportionate share of unrealized intra-group profits/losses.

The investment in Aquapoten Company Limited is written down due to continuously low business activity.

DKK 1,000	2021	2020
Purchase price at 1 January	26,679	26,679
Additions during the year	-	-
Purchase price at 31 December	26,679	26,679
Accumulated write-ups and write-downs at 1 January	(25,030)	(25,008)
Unrealized gain on sale of assets from Aquaporin	407	396
Share of result after tax	(211)	(372)
Exchange rate adjustments	0	(46)
Write-down	(1,798)	-
Accumulated write-ups and write-downs at 31 December	(26,632)	(25,030)
Carrying amount at 31 December	47	1,649



Assets and liabilities – continued

3.4 Investments in associates – continued

Investments in associates includes:

DKK 1,000	2021			2020		
	Aquapoten Company Limited	Aquaporin Space Alliance ApS	Total	Aquapoten Company Limited	Aquaporin Space Alliance ApS	Total
Country	China	Denmark		China	Denmark	
Ownership share	45%	50%		45%	50%	
Share of equity in local accounts 31 December	3,053	47	3,100	4,647	56	4,703
Share of intangible assets related to IP-transfer at 1 January	(2,154)	-	(2,154)	(2,391)	-	(2,391)
Reversal of share of depreciation of intangible assets related to IP-transfer in 2016 during the year	432	-	432	456	-	456
Elimination of value from group internal IP-transfer at 31 December	(1,722)	-	(1,722)	(1,935)	-	(1,935)
Additional paid-in capital	659	-	659	593	-	593
Write down	(1,990)	-	(1,990)	(1,712)	-	(1,712)
Carrying amount at 31 December	-	47	47	1,593	56	1,649



Assets and liabilities – continued

3.6 Trade receivables

§ Accounting policy

Receivables are initially recognized at fair value adjusted for any transaction costs. Subsequently, receivables are measured at amortized cost less provisions for bad debts. Provisions for bad debts are determined on the basis of a simplified expected credit loss-model.

See note 4.1 for elaboration of credit risk.

3.7 Cash

§ Accounting policy

Cash and cash equivalents comprise cash balances and unrestricted deposits with banks.

3.8 Deferred tax

DKK 1,000	2021	2020
Intangible assets	(4,336)	(1,501)
Property, plant and equipment	(3,215)	(5,417)
Current assets	2,601	1,744
Lease liability	11,966	12,298
Current liabilities	310	1,190
Tax loss carry forwards	65,585	48,379
Total	72,911	56,693
Not recognized	(72,911)	(56,693)
Total deferred tax recognized	-	-

Deferred tax assets arising from temporary deductible differences and tax losses carried forward are recognized to the extent they are expected to be offset against taxable income in a foreseeable future.

Due to the risk that the deferred tax assets are not utilized within a foreseeable future no

deferred tax asset has been recognized. As per 31 December 2021, the unrecognized deferred tax assets in Denmark amounted to 72.9 million. The tax losses can be carried forward infinitely subject to the general rules on limited deductibility due to ownership changes.



Assets and liabilities – continued

3.9 Equity

Share capital

Five capital increases were completed during the period March to June 2021 in connection with the exercise of warrants granted respectively 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.

A capital increase was completed in September 2021 in connection with the exercise of warrants allocated in 2014, 2016 and 2017. In consequence hereof, the share capital increased by 51,500 shares with a nominal value of DKK 1. 13,000 shares each at a price of DKK 20 and 38,500 shares each at a price of DKK 119.86.

The shares are not divided into classes and each share carries on vote. No shares carry any special rights and restrictions. The share capital is fully paid up.

Pending approval at the Annual General Meeting no dividend is declared for 2021.

Number of shares	Ordinary shares
31 December 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
Capital increase related to exercise of warrants in September 2021	51,500
31 December 2021	10,130,801

Other reserves

Other reserves on equity consist of a reserve regarding capitalized development projects. This reserve is reduced as the asset are written down or depreciated. The reserve is calculated net of tax.

3.10 Provision

§ Accounting policy

Provision are recognized when, as a consequence of an event occurring on or before the balance sheet date, the Group has a legal or

constructive obligation and it is probable that economics benefits must be given to settle the obligation. The obligation is measured on the basis of Management's best estimate of the discounted amount at which the obligation is expected to met.

DKK 1,000	2021	2020
Provision at 1 January	-	-
Additions	111	-
Provision at 31 December	111	-

The provision covers the warranty obligation for sold products. The obligation covers costs relating to the warranty period of 12 months after delivery or shelf life of the products whichever period expires first.



Assets and liabilities – continued

3.11 Deferred government grants

§ Accounting policy

Government grants comprises of grants for investments, research and development projects, etc. Grants are recognized when there is a reasonable certainty that they will be received.

Grants are recognized as other liabilities under current liabilities and will be recognized in the income statement as the related development projects are recognized in the income statement (depreciation / written down).

The Group did not receive any government grants for research and development purposes in 2021 that were recognized directly in the statement of profit and loss, whereas such grants were received with DKK 0.1 million in 2020. Similarly the Group did not receive government grants related to Covid-19 in 2021 were such grants amounted to DKK 0.6 million in 2020

In 2021 the Group did not receive government grants related to projects that qualified for capitalization whereas DKK 4.8 million were received in 2020.

Deferred governments grants were recognized in the statement of profit and loss with DKK 2.0 million in 2021 increased from DKK 1.4 million in 2020.

3.12 Borrowings

§ Accounting policy

Financial liabilities are initially measured at fair value less transaction costs incurred. Subsequently, the loans are measured at amortized cost. Amortized cost is calculated as original

cost less instalments plus/less the accumulated amortization of the difference between cost and nominal value. Losses and gains on loans are thus allocated over the term so that the effective interest rate is recognized in the income statement over the loan period. Financial liabilities are derecognized when settled.

DKK 1,000	Due within one year	Total
31 December 2021		
Credit facility	0	0
Total	0	0
31 December 2020		
Credit facility	28,635	28,635
Total	28,635	28,635

The credit facility are in DKK, has a variable interest on 3.15% and expires 30 June 2022 (2020: 3.15%).



Cash, capital structure and financing

4.1. Financial risks

General risk management

Due to its activities, the Group is exposed to various financial risks, including foreign exchange, interest, liquidity and credit risks. The Group manages the risks centrally and follows the policies approved by the Board of Directors. The Group does not actively engage in hedging of financial risks.

Credit risks

The Group's credit risks mainly relates to trade receivables and other receivables with a total of DKK 11.5 million (2020: DKK 8 million). Maximum exposure corresponds to the carrying amount.

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and other receivables.

Foreign exchange risks

The Groups sales, cost of goods sold, and expenses are mainly incurred in DKK, EUR, SGD or USD. The Group has transactions in other currencies, but the foreign exchange risks related to this are not considered materia

The group policy related to foreign exchange risks is not to use hedging instruments as the groups value chain to a large extend secures a natural hedge.

The table below shows the net effect on the equity and profit/loss for the year, if the year-end exchange rates for EUR, USD and SGD had been higher than the actual exchange rate.

DKK 1,000	Possible change in exchange rate (+/-)	Hypothetical change in equity	Hypothetical change in profit/loss
2021			
EUR/DKK	1%	(12)	41
USD/DKK	15%	373	(412)
SGD/DKK	15%	2,610	(1,403)
2020			
EUR/DKK	1%	27	(39)
USD/DKK	15%	400	(572)
SGD/DKK	15%	2,470	(1,241)

A similar fall in the exchange rate would have had the opposite effect.

Interest rate risk

The Group's credit facility carry a variable interest rate. The Group is not exposed to material interest rate risks.

Liquidity risk

The management of the liquidity risk is ensured through consistent focus on budgeted and realized cash flow. To cover the short-term liquidity need, a credit facility has been established of DKK 35 million (2020: DKK 35 million). The credit facility has not been utilized as of 31 December 2021.

Capital management

Management evaluates the needs for capital on an ongoing basis. The objectives when maintaining capital are to maintain sufficient capital in order to meet short term obligations and at the same time preserve the confidence of the investors required to sustain future development of the business.



Cash, capital structure and financing – continued

4.1. Financial risks – continued

Undiscounted financial instruments

DKK 1,000	Maturity			Total	Carrying amount
	0-1 year	1-5 years	>5 years		
31 December 2021					
Trade and other receivables	11,548	-	-	11,548	11,548
Cash and cash equivalents	143,257	-	-	143,257	143,257
	154,805	-	-	154,805	154,805
Lease liability	4,801	17,837	46,842	69,480	54,816
Trade and other payables	8,618	-	-	8,618	8,618
	13,419	17,837	46,842	78,098	63,434
31 December 2020					
Trade and other receivables	8,049	-	-	8,049	8,049
Cash and cash equivalents	1,504	-	-	1,504	1,504
	9,553	-	-	9,553	9,553
Lease liability	4,886	17,255	51,118	73,259	56,902
Trade and other payables	9,374	-	-	9,374	9,374
Short-term borrowings	28,635	-	-	28,635	28,635
	42,895	17,255	51,118	111,268	94,911

Financial instruments per category

DKK 1,000	2021	2020
Trade and other receivables	11,548	8,049
Cash and cash equivalents	143,257	1,504
Financial assets measured at amortized cost	154,805	9,553
Lease liability	69,480	73,259
Trade and other payables	8,618	9,374
Short-term borrowings	-	28,635
Financial liabilities measured at amortized cost	78,098	111,268



Cash, capital structure and financing – continued

4.2 Non-cash items

DKK 1,000	2021	2020
Amortization, depreciation and impairment losses	18,886	18,354
Share-based payment	3,274	220
Change in write-down of inventories for the year	3,894	2,403
Change in provisions	111	-
Other non-cash adjustments	323	249
Total non-cash items	26,488	21,226

4.3 Changes in net working capital

DKK 1,000	2021	2020
Changes in inventories	(4,967)	2,601
Changes in prepayments	(1,724)	-
Changes in trade receivables	(2,021)	(2,838)
Changes in other receivables	(1,478)	458
Changes in trade payables	4,555	(3,250)
Changes in contract Liabilities	-	(400)
Changes in other payables	253	1,419
Changes in deferred government grants	(622)	3,749
Total changes in net working capital	(6,004)	1,739



Cash, capital structure and financing – continued

4.4 Change in financial liabilities

DKK 1,000	Dec 31, 2020	Cash flow	Non-cash changes			Dec 31, 2021
			Additions	Disposals	Currency effects	
Borrowings	28,635	(28,635)	-	-	-	-
Lease liabilities	56,902	(3,160)	1,035	-	39	54,816
Total liabilities from financing activities	85,537	(31,795)	1,035	-	39	54,816

DKK 1,000	Dec 31, 2019	Cash flow	Non-cash changes			Dec 31, 2020
			Additions	Disposals	Currency effects	
Borrowings	16,794	11,841	-	-	-	28,635
Lease liabilities	59,644	(2,693)	-	-	(49)	56,902
Total liabilities from financing activities	76,438	9,148	-	-	(49)	85,537



Other notes

5.1 Remuneration of the Executive Board and the Board of Directors

Key management personnel consist of Board of Directors and executive management.

Total remuneration of Board of Directors and the executive management amounts to DKK 21.9 million (2020: DKK 7.8 million).

Remuneration to Board of Directors

DKK 1,000	2021	2020
Fixed base fee		
Niels Thomas Heering	600	180
Søren Bjørn Hansen	300	-
Anne Broeng	225	100
Anupam Bhargava ¹	42	-
Jens Hahn Denkov	125	-
Jianlong Zhuang ¹	42	-
Lars Christian Hansen	200	100
Weiming Jiang	175	100
Cai Jianwen ²	83	-
Lei Zhang ³	-	-
Michael Frank ³	-	-
Total	1,792	480

¹ Since November 2021

² Until November 2021

³ Until June 2021

Remuneration to Executive Board

DKK 1,000	Fixed base salary	Bonus ¹	Pension expenses	Benefits	Share based incentive ¹	Total
2021						
Executive Board						
Peter Holme Jensen	2,101	2,574	42	116	701	5,534
Matt Boczkowski ²	1,913	2,927	140	286	692	5,958
Bo Karmark	1,592	1,950	32	77	529	4,179
Joerg Hess ³	1,849	1,930	31	89	529	4,429
Total	7,455	9,381	245	568	2,452	20,101
2020						
Executive Board						
Peter Holme Jensen	2,080	102	22	126	-	2,330
Bo Karmark	1,576	97	17	94	273	2,057
Non-registered member of Executive Management						
Joerg Hess	1,500	-	12	109	171	1,792
Jacob Hagemann ⁴	1,150	-	9	1	-	1,160
Total	6,306	199	60	330	444	7,339

¹ For 2021, the IPO bonus accounts for DKK 7.4 million and the IPO related share based incentive accounts for DKK 2.5 million

² Since March 2021

³ Joined the Executive Management in April 2021

⁴ Until April 2020



Other notes – continued

5.2 Shared-based payments

§ Accounting policy

Aquaporin operates equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (warrants) of the group. The fair value of the employee services received in exchange for the grant of the warrants is recognized as a compensation expense and allocated over the vesting period. The total amount to be expensed is determined by reference to the grant date fair value of the warrants granted including any market performance conditions, excluding the impact of any service and non-market performance vesting conditions and including the impact of any non-vesting conditions.

At the end of each reporting period, the group revises its estimates of the number of warrants that are expected to vest based on the service and non-market vesting conditions. The impact of the revision to original estimates, if any, is

recognized in the income statement, with a corresponding adjustment to equity.

When the warrants are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

Employee warrant program

Aquaporin has established incentive plans based on warrant programs for Executive Management and certain key employees. The purpose of these programs is to ensure common goals for management, employees and shareholders. Allocation of programs is set by the Board of Directors.

The warrant program comprises a total of 100,636 warrants at 31 December 2021 (2020: 318,811). Each warrant gives the holder right to buy one ordinary share of nominally 1 DKK in Aquaporin A/S. The outstanding warrants amount to 1% of the share capital if they are all exercised (2020: 4%).

The number of warrants granted is determined annually by the Board of Directors in accordance with the company's articles of association.

In 2021 the recognized expense related to share-based payments amount to DKK 3,274 thousand (2020: DKK 220 thousand).

For the warrants granted in 2021 a share market price of DKK 173 has been used. The fair value of warrants granted in 2021 is DKK 59.0 (no warrants were granted in 2020) equal to an average value of DKK 59.8 for each warrant outstanding. The value was calculated using the Black-Scholes option valuation model. The vesting period for the warrants granted in 2021 is 3 years and exercise of warrants can take place after the vesting period and within 5 years from the date of the grant.

Warrants from 2018 and 2019 were granted before the company was listed. The market price of shares used to calculate the fair value

of the warrants was determined to be equal to the share price paid by the new investors at the capital increase in February 2018 and July 2019. The expected volatility was determined as the observable volatility for the expected life of the warrants for a peer group of listed companies. The warrants can be exercised at any time within 5 years from the date of the Board resolution. There are no other conditions for vesting or exercise.

For further details on each warrant program please refer to note 3.9 Equity.

Key information

Year of Grant	Original grant Number	Outstanding Number	Exercise price	Expected volatility	Risk-free interest rate	Expected dividend	Fair value per warrant	Vesting period	Expiring date
2021	61,408	60,636	173	45%	(0.49%)	-	59	3 years	Q2 2026
2019	40,000	30,000	157.8	67%	(0.73%)	-	68	3 years	Q2 2024
2018	10,000	10,000	119.9	50%	(0.29%)	-	40	3 years	Q1 2023

The warrants are classified as equity instruments.



Other notes – continued

5.2 Shared-based payments – continued

Number of Warrants

	Board of Directors & Executive Management Number	Other employees Number	Shareholders Number	Resigned board members and employees Number	Total Number	Average exercise price DKK
2021						
Outstanding at 1 January	174,500	62,000	330,950	82,311	649,761	88
Transfer between categories	-	(16,773)	-	16,773	-	-
Granted during the year	41,554	19,855	-	-	61,409	173
Exercised during the year	(155,000)	(21,000)	(272,945)	(62,500)	(511,445)	89
Fortfeited during the year	-	(6,000)	(58,005)	(35,084)	(99,089)	58
Outstanding at 31 December	61,054	38,082	-	1,500	100,636	163

	Board of Directors & Executive Management Number	Employees Number	Shareholders Number	Resigned board members and employees Number	Total Number	Average exercise price DKK
2020						
Outstanding at 1 January	332,000	77,000	369,159	73,811	851,970	74
Transfer between categories	(7,500)	(15,000)	-	22,500	-	-
Granted during the year	-	-	-	-	-	-
Exercised during the year	-	-	-	-	-	-
Fortfeited during the year	(150,000)	-	(38,209)	(14,000)	(202,209)	30
Outstanding at 31 December	174,500	62,000	330,950	82,311	649,761	88



Other notes – continued

5.2 Shared-based payments – continued

Shares and warrants held by members of the Board of Directors and Executive Management.

DKK 1,000	2021			2020		
	01 January	Change during the year	31 December	01 January	Change during the year	31 December
Shareholdings						
Niels Heering	8,343	2,890	11,233	8,343	-	8,343
Søren Bjørn Hansen	8,343	5,657	14,000	8,343	-	8,343
Anne Broeng	6,335	1,156	7,491	6,335	-	6,335
Lars Christian Hansen	10,001	(1,000)	9,001	10,001	-	10,001
Jiang Weiming	3,167	-	3,167	3,167	-	3,167
Peter Holme Jensen	159,659	51,000	210,659	159,659	-	159,659
Matt Boczkowski ¹	-	1,000	1,000	-	-	-
Bo Karmark	4,171	4,000	8,171	4,171	-	4,171
Joerg Hess	-	800	800	-	-	-
Warrants						
Lars Christian Hansen	15,000	(15,000)	-	15,000	-	15,000
Peter Holme Jensen	125,000	(113,123)	11,877	275,000	(150,000)	125,000
Matt Boczkowski ¹	-	11,729	11,729	-	-	-
Bo Karmark	27,000	(6,026)	20,974	27,000	-	27,000
Joerg Hess	7,500	8,974	16,474	7,500	-	7,500

¹ Since March 2021



Other notes – continued

5.3 Fees to auditors

DKK 1,000	2021	2020
Statutory audit	468	405
Other assurance services	150	650
Tax advisory services	87	10
Other services	2,405	126
Total	3,110	1,191

In 2021, PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab provided services other than statutory audit in the amount of DKK 2.6 million of which DKK 2.3 million relates to the IPO. The remaining fee

relate to tax compliance and transfer pricing and other assurance assessments and opinions. In 2020 fees for similar types of services amounted to DKK 0.8 million.

5.4 Commitments and contingent liabilities

There are no pending court and arbitration cases or other contingent liabilities.

DKK 1,000	2021	2020
The total future minimum lease payments:		
Within one year from the balance sheet date	119	9
Between one and five years from the balance sheet date	0	9
Total	119	18

The increased lease obligation relates to prolonged leasing contracts previously recognised as liabilities in the balance sheet.

5.5 Related parties

Related parties

Related parties comprise Aquaporin A/S' Board of Directors and Executive Board, their close family members and companies in which these persons have significant influence.

During the year, the Group was not involved in any transactions with the shareholder, members

of the Board of Directors, members of the Executive Board or companies outside the Group in which these parties have significant influence, except for the payment of the Management's remuneration and the transactions listed below.

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

DKK 1,000	2021	2020
Revenue received from associated companies	206	4
Short-term lease costs to related parties ¹	30	46
Trade receivables to related parties ¹	5	-
Trade payables to related parties ¹	2	4
Finance costs to significant shareholders	251	-

¹ The parent company has had transactions with a subsidiary of a significant shareholder. The transactions are done using market prices according to arm-length principles

5.6 Events after the balance sheet date

As a direct consequence of the Russian invasion of Ukraine, Aquaporin has ceased all trading activity with Russian customers, which may trigger a partial inventory write-down for products that are primarily sold on the Russian market. Aquaporin is currently exploring the possibility to sell this inventory in other markets.

Apart from the above and other events recognized or disclosed in the consolidated financial statements, no events have occurred after the reporting date of importance to the consolidated financial statements.



Other notes – continued

5.7 List of Group companies at 31 December

<u>Company</u>	<u>Country</u>	<u>Currency</u>	<u>Nominal capital</u>	<u>Aquaporin's holding</u>
2021				
Aquaporin Asia Pte. Ltd.	Singapore	SGD	103	100%
Aquaporin Membrane Protein ApS	Denmark	DKK	128,206	100%
Aquaporin US Inc.	USA	USD	1	100%
Aquapoten Company Limited	China	CNY	49,349	45%
Aquaporin Space Alliance ApS	Denmark	DKK	80,000	50%



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Parent company financial statements

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Statement of profit and loss

DKK 1,000	Note	2021	2020
Net revenue		9,090	5,670
Cost of goods sold		(5,549)	(1,426)
Gross profit		3,541	4,244
Sales and marketing costs	2.1	(26,600)	(21,203)
Research and development costs	2.1	(58,824)	(59,143)
Administrative costs	2.1	(15,222)	(11,145)
Costs related to IPO, administrative costs		(37,319)	-
Other operating income		1,975	2,273
Operating Profit (EBIT)		(132,449)	(84,974)
Share of net profit of associates		(1,602)	24
Finance income	2.2	2,252	8,113
Finance costs	2.2	(4,756)	(12,194)
Earnings before income tax		(136,555)	(89,031)
Income tax expenses		5,430	(34,039)
Earnings for the period		(131,125)	(123,070)



Balance Sheet 31 December 2021

DKK 1,000	Note	2021	2020	DKK 1,000	Note	2021	2020
Know-how	3.1	-	580	Share capital		10,131	8,174
Finished development projects	3.1	39,979	45,615	Retained earnings		206,699	73,390
Development projects in progress	3.1	46,276	37,722	Reserve for exchange rate translation		(2,089)	(2,089)
Other intangibles	3.1	313	-	Reserve for development projects		67,279	39,109
Total intangible assets		86,568	83,917	Total equity		282,020	118,584
Machinery	3.2	39,942	44,953	Lease liability		51,735	53,412
Right-of-use assets	3.2	48,802	51,464	Other payables		5,284	3,483
Other equipment	3.2	2,773	3,777	Total non-current liabilities		57,019	56,895
Leasehold improvements	3.2	18,291	19,816	Provisions		111	-
Total tangible assets		109,808	120,010	Lease liability		2,659	2,487
Investments in subsidiaries	3.3	3,147	3,148	Trade payables		7,107	2,510
Investments in associates	3.4	47	1,649	Other payables		11,128	11,282
Deposits		2,005	1,952	Payables to group enterprises		18,972	6,346
Financial assets		5,199	6,749	Borrowings		-	34,119
Total non-current assets		201,575	210,676	Deferred income	3.7	32,251	28,635
Income tax receivable		5,500	5,500	Total current liabilities		72,228	85,379
Inventories		17,593	16,565	Total liabilities		129,247	142,274
Receivables from group enterprises		34,656	21,151	Total equity and liabilities		411,267	260,858
Trade receivables		5,152	3,131				
Other receivables		2,166	1,864				
Prepayments	3.6	2,155	1,157				
Cash and cash equivalents		142,470	814				
Total current assets		209,692	50,182				
Total assets		411,267	260,858				



Statement of changes in equity

DKK 1,000	Share capital	Retained earnings	Reserve for exchange rate	Reserve for development projects	Total equity
Balance at 31 December 2019	7,789	139,479	(2,043)	29,613	174,838
Profit for the period	-	(123,070)	-	-	(123,070)
Capitalized development costs	-	(9,496)	-	9,496	-
Exchange rate translation	-	-	(46)	-	(46)
Increase in share capital	385	66,257	-	-	66,642
Share-based payment	-	220	-	-	220
Balance at 31 December 2020	8,174	73,390	(2,089)	39,109	118,584
Profit for the period	-	(131,125)	-	-	(131,125)
Capitalized development costs	-	(28,170)	-	28,170	-
Increase in share capital	1,957	293,368	-	-	295,325
IPO expenses	-	(4,038)	-	-	(4,038)
Share-based payment	-	3,274	-	-	3,274
Balance at 31 December 2021	10,131	206,699	(2,089)	67,279	282,020



Notes to the parent company financial statements

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Basis of preparation of financial statements of parent company

1.1 Accounting policies

The Financial Statements of Aquaporin A/S as parent company have been prepared in accordance with the Danish Financial Statements Act (accounting class D).

The accounting policies applied remain unchanged from last year.

The Financial Statements are presented in DKK.

Description of accounting policies

In relation to the accounting policies described for the financial statements of the Aquaporin Group (see Note 1.1 in the consolidated financial statement), the accounting policies of the parent company differ in the following:

Dividends

Dividends from the Group companies are recognized as income in the income statement of the Parent Company in the financial year in which the dividend is declared. If the carrying amount of an investment in a subsidiary exceeds the carrying amount of the net assets in the subsidiary's financial statements or the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared, the carrying amount of the subsidiary is tested for impairment.

Tax

Aquaporin A/S and its Danish subsidiary are subject to mandatory joint taxation. As the ultimate parent company in the Aquaporin Group, Aquaporin A/S acts as the administration company of the joint taxation scheme and consequently settles all payments of tax with the tax authorities. Joint taxation contributions to/from subsidiary are recognized under income tax related to net profit. Tax payable and tax receivable are stated under current assets/liabilities. Companies that use tax losses in other companies pay joint taxation contributions to the parent company equivalent to the tax base of the tax losses utilized. Companies whose tax losses are used by other companies receive joint taxation contributions from the parent company equivalent to the tax base of the tax losses utilized (full absorption).

Management review

With reference to Danish Financial Statements Act § 78 (6) Management review of the Parent company is not prepared.

Cash Flow Statement

With reference to Danish Financial Statements Act § 86 (4) cash flow statement is not prepared.



Operating activities

2.1 Staff costs

DKK 1,000	2021	2020
Salaries	58,000	45,829
Pension costs, defined contribution plans	988	573
Other expenses to social security	589	577
Share-based payments	3,274	220
Total	62,851	47,199
Average number of full-time employees	65	70

Please refer to note 5.1 in the consolidated financial statements for information related to remuneration of Board of Directors and Executive Board.

2.2 Financial income and expenses

DKK 1,000	2021	2020
Financial income		
Interest income, banks	-	-
Interest income, intercompanies	637	494
Exchange rate adjustments	1,615	7,619
Total	2,252	8,113
Financial expenses		
Interest expenses, banks	(1,507)	561
Interest expenses, right-of-use assets	(1,773)	1,845
Interest expenses, group entities	(3)	-
Exchange rate adjustments	(449)	9,057
Other financial expenses, including bank fees	(1,024)	731
Total	(4,756)	12,194



Assets and liabilities

3.1 Intangible assets

§ Accounting policy

Acquired know-how is measured at cost less accumulated depreciation. Know-how is amortized linearly over the estimated useful life estimated at 5 years.

DKK 1,000	Know-how	Finished development projects	Development projects in progress	Other intangibles	Total
Cost price at 1 January 2021	2,899	57,090	37,722	-	97,711
Additions during the year	-		8,743	406	9,149
Transfer	-	189	(189)	-	-
Purchase price at 31 December 2021	2,899	57,279	46,276	406	106,860
Amortizations at 1 January 2021	2,319	11,475	-	-	13,794
Amortizations	580	5,825	-	93	6,498
Amortizations at 31 December 2021	2,899	17,300	-	93	20,292
Carrying amount 31 December 2021	-	39,979	46,276	313	86,568
Cost price at 1 January 2020	2,899	53,419	29,231	-	85,549
Additions during the year	-		12,162	-	12,162
Transfer	-	3,671	(3,671)	-	-
Purchase price at 31 December 2020	2,899	57,090	37,722	-	97,711
Amortizations at 1 January 2020	1,739	6,285	-	-	8,024
Amortizations	580	5,190	-	-	5,770
Amortizations at 31 December 2020	2,319	11,475	-	-	13,794
Carrying amount 31 December 2020	580	45,615	37,722	-	83,917

Material intangible assets:

With reference to Danish Financial Statements Act § 78 (6) please see note 3.1 in consolidated financial statement.



Assets and liabilities – continued

3.2 Property, plant and equipment

DKK 1,000	Plant and machinery	Right-of-use assets	Other equipment	Leasehold improvements	Total
Purchase price at 1 January 2021	61,284	63,426	11,759	27,268	163,737
Additions during the year	127	1,035	71	-	1,233
Disposal during the year	-	-	-	-	-
Purchase price at 31 December 2021	61,411	64,461	11,830	27,268	164,970
Depreciations at 1 January 2021	16,331	11,962	7,982	7,452	43,727
Depreciations	5,138	3,697	1,075	1,525	11,436
Depreciations disposal	-	-	-	-	-
Depreciations at 31 December 2021	21,469	15,659	9,058	8,977	55,163
Carrying amount 31 December 2021	39,942	48,802	2,772	18,291	109,807
Purchase price at 1 January 2020	60,792	63,861	9,521	26,948	161,122
Additions during the year	492	-	2,238	320	3,050
Disposal during the year	-	(435)	-	-	(435)
Purchase price at 31 December 2020	61,284	63,426	11,759	27,268	163,737
Depreciations at 1 January 2020	10,959	8,218	6,540	5,905	31,622
Depreciations	5,372	3,934	1,442	1,547	12,295
Depreciations disposal	-	(190)	-	-	(190)
Depreciations at 31 December 2020	16,331	11,962	7,982	7,452	43,727
Carrying amount 31 December 2020	44,953	51,464	3,777	19,816	120,010



Assets and liabilities – continued

3.3 Investments in subsidiaries

§ Accounting policy

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, a write down is made to this lower value.

In connection with acquisition of further equity investments in a subsidiary, Management assesses the equity method as a method of consolidation, where recognition in the Parent company reflects the accounting treatment in the consolidated financial statements. Acquisition of further equity investments in subsidiaries as a consequence are recognized directly in equity.

DKK 1,000	2021	2020
Purchase price at 1 January	3,148	3,148
Additions during the year	-	-
Disposals during the year	-	-
Purchase price at 1 January	3,148	3,148

Investments in subsidiaries are specified as followed:

	Aquaporin's holding
Aquaporin Asia Pte. Ltd.	100%
Aquaporin Membrane Protein ApS	100%
Aquaporin US Inc.	100%

3.4 Investments in associates

DKK 1,000	2021	2020
Purchase price at 1 January	26,679	26,679
Additions during the year	-	-
Purchase price at 31 December	26,679	26,679
Accumulated write-ups and write-downs at 1 January	(25,030)	(25,008)
Unrealized gain on sale of assets from Aquaporin	407	396
Share of result after tax	(211)	(372)
Exchange rate adjustments	-	(46)
Write-down	(1,798)	-
Accumulated write-ups and write-downs at 31 December	(26,632)	(25,030)
Carrying amount 31 December	47	1,649

Investments in associates are specified as followed:

	Aquaporin's holding
Aquapoten Company Limited	45%
Aquaporin Space Alliance ApS	50%



Assets and liabilities – continued

3.5 Deferred tax

DKK 1,000	2021	2020
Intangible assets	(3,698)	(1,501)
Property, plant and equipment	(3,215)	(5,417)
Current assets	2,601	1,744
Lease liability	11,966	12,298
Current liabilities	310	1,190
Tax loss carryforwards	65,585	48,379
Total	73,549	56,693
Not recognised	(73,549)	(56,693)
Total	-	-
Deferred tax is calculated at a tax rate of 22%		
Deferred tax at 1 January	-	39,239
Deferred tax recognized in the profit and loss	-	(39,239)
Deferred tax at 31 December	-	-

Deferred tax assets arising from temporary deductible differences and tax losses carried forward are recognized to the extent they are expected to be offset against taxable income in a foreseeable future.

Due to the risk that the deferred tax assets are not utilized within a foreseeable future no deferred tax asset has been recognized.

As per 31 December 2021, the unrecognized deferred tax assets in Denmark amounted to 73.5 million. The tax losses can be carried forward infinitely subject to the general rules on limited deductibility due to ownership changes.

3.6 Prepayments

Consist mainly of prepaid expenses related to production, service agreement, rental fee etc.

3.7 Deferred income

Consist of received prepayments relating to income in following years.



Other notes

4.1 Related parties

The following shareholders are recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

- M. Goldschmidt Capital A/S, Grønningen 25, DK-1270 København K
- Danica Pension, Livsforsikringsaktieselskab, Parallelvej 17, DK-2800 Kongens Lyngby
- InterChina Water Treatment Hong Kong Company Ltd, 15/F, CBB Tower, 3 Connaught Road, Central Hong Kong
- VP Capital N.V., Parklaan 46 / 201, 2300 Turnhout, Belgium

Other matters of interest in relation to related parties are disclosed in the notes to the consolidated financial statements.

4.2 List of Group companies at 31 December

Company	Country	Currency	Nominal capital	Aquaporin's holding
Aquaporin Asia Pte. Ltd.	Singapore	SGD	103	100%
Aquaporin Membrane Protein ApS	Denmark	DKK	128,206	100%
Aquaporin US Inc.	USA	USD	1	100%
Aquapoten Company Limited	China	CNY	49,349	45%
Aquaporin Space Alliance ApS	Denmark	DKK	80,000	50%

4.3 Commitments and contingent liabilities at 31 December

There are no pending court and arbitration cases or other contingent liabilities.

DKK 1,000	2021	2020
The total future minimum lease payments:		
Within one year from the balance sheet date	9	9
Between one and five years from the balance sheet date	-	9
Total	9	18

4.4 Events after the balance sheet date

Please see subsequent events after the balance sheet date in note 5.6 in consolidated financial statement.



Management's Statement

The Executive Management and Board of Directors have today considered and adopted the Annual Report of Aquaporin A/S for the financial year; 1 January 2021 to 31 December 2021.

The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements and the Financial Statements give a true and fair view of the financial position at 31 December 2021 of the Group and the Company and of the result of the Group's and the Company's operations and consolidated cash flows for the financial year 1 January 2021 to 31 December 2021.

In our opinion, the Management's review includes a true and fair account of; the developments in the operational and finan-

cial circumstances of the Group and the Company, of the results for the year and of the financial position of the Group and the Company as well as a description of the most significant risks and elements of uncertainty that the Group and the Company are facing.

In our opinion, the Annual Report of the Group and the Parent Company for the financial year 1 January to 31 December 2021, identified as 894500AW5ZWMYUZN1V70-2021-12-31-en.zip, has been prepared, in

all material respects, in compliance with the ESEF Regulation.

We recommend that Annual Report to be adopted at the Annual General Meeting.

Copenhagen, 29 March 2022

Executive Management

Matt Boczkowski
Chief Executive Officer

Bo Løkke Karmark
Chief Financial Officer

Peter Holme Jensen
Chief Innovation Officer

Joerg Hess
Chief Operating Officer

Board of Directors

Niels Heering
Chairman

Anne Broeng
Board member

Jens Denkov
Board member

Lars Hansen
Board member

Søren Bjørn Hansen
Deputy Chairman

Anupam Bhargava
Board member

Jianlong Zhuang
Board member

Weiming Jiang
Board member



Independent Auditor's Reports

To the shareholders of Aquaporin A/S

Report on the audit of the Financial Statements

Our opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2021 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2021 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at 31 December 2021 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2021 in accordance with the Danish Financial Statements Act.

Our opinion is consistent with our Auditor's Long-form Report to the Audit Committee and the Board of Directors.

What we have audited

The Consolidated Financial Statements of Aquaporin A/S for the financial year 1 January to 31 December 2021, pp 51-81, comprise the consolidated statement of profit and loss, the consolidated statement of comprehensive income, the cash flow statement, the consolidated balance sheet, the consolidated statement of changes in equity, and the notes, including summary of significant accounting policies.

The Parent Company Financial Statements of Aquaporin A/S for the financial year 1 January to 31 December 2021, pp 83-93, comprise the statement of profit and loss, the balance sheet, the statement of changes in equity and the notes, including summary of significant accounting policies.

Collectively referred to as the "Financial Statements".

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 Group 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. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment

On 28 June 2021, Aquaporin A/S completed its Initial Public Offering and was admitted to trading and official listing on Nasdaq Copenhagen. We were appointed as auditor of Aquaporin A/S prior to the official listing on Nasdaq Copenhagen.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements for 2021. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

Capitalisation of development cost

The group capitalise development costs when certain criteria according to IFRS are met. The criteria for recognition and measurements of development costs is subject to Management's judgment and assumptions, which is uncertain by nature. Completed development projects are assessed for impairment and tests are performed at least annually. The impairment tests are based on the strategy plan approved by Management

and value-in-use calculations based on expected future cash flows.

We focused on this area because the criteria for recognition and measurement of development projects are subject to Management judgments and assumptions.

We refer to note 3.1 in the Consolidated Financial Statements.

How our audit addressed the key audit matter

We have assessed whether the Group's accounting policies are in accordance with IFRS.

We selected a sample of in-progress development projects and considered whether all criteria described in IFRS were met as basis for capitalisation. We assessed relevant internal controls and performed substantive audit procedures to verify capitalised amounts.

We evaluated and challenged Management's assessment of impairment indicators of completed development projects based on the commercial prospects of the projects. For in-progress development projects, we challenged the key assumptions applied in the value-in-use calculations. Our work was based on our understanding of the business cases and key assumptions applied.

We challenged whether the intent to finalise the projects remain and whether the projects



are expected to generate future economic benefits exceeding the carrying value.

Statement on Management's Review

Management is responsible for Management's Review, pp 3-46 and 49-50.

Our opinion on the Financial Statements does not cover 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 Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act and for the preparation of parent company 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 Group's and the Parent 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 unless Management either intends to liquidate the Group or the Parent 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 about 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 these Financial Statements.

As part of an audit 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 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 Group's and the Parent 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 and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent 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 Group or the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on compliance with the ESEF Regulation

As part of our audit of the Financial Statements we performed procedures to express an opinion on whether the annual report of Aquaporin A/S for the financial year 1 January to 31 December 2021 with the file name 894500AW5ZWMYUZN1V70-2021-12-31-en.zip is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the Consolidated Financial Statements.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:

- The preparing of the annual report in XHTML format;
- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for all financial information required to be tagged using judgement where necessary;
- Ensuring consistency between iXBRL tagged data and the Consolidated Financial Statements presented in human-readable format; and
- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the

evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the annual report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the Consolidated Financial Statements;
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited Consolidated Financial Statements

In our opinion, the Annual Report of the Group and the Parent Company for the financial year 1 January to 31 December 2021, identified as 894500AW5ZWMYUZN1V70-2021-12-31-en.zip, has been prepared, in all material respects, in compliance with the ESEF Regulation.

Copenhagen, 29 March 2022

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 3377 1231

Gert Fisker Tomczyk
State Authorised Public Accountant
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Mads Melgaard
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