



Rethinking water

Annual Report 2022

Aquaporin A/S
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Aquaporin at a glance

Our solutions are anchored in nature; based and inspired from the aquaporin protein – nature’s own water filter. Listed on Nasdaq Copenhagen (ticker: AQP), Aquaporin has operations in Denmark (HQ), China, Singapore, Turkey, and the US.



Rethinking water filtration

Our purpose



Aquaporin Inside®

One core technology



Removes PFAS

and other forever chemicals

243%

revenue growth

for the full year 2022 compared to 2021



86 employees

merging biotechnological techniques and classical engineering.



We are global

With customers and partners on all continents



We are in space

Our Aquaporin Inside® technology is used in the international space station

01

2022 commentary

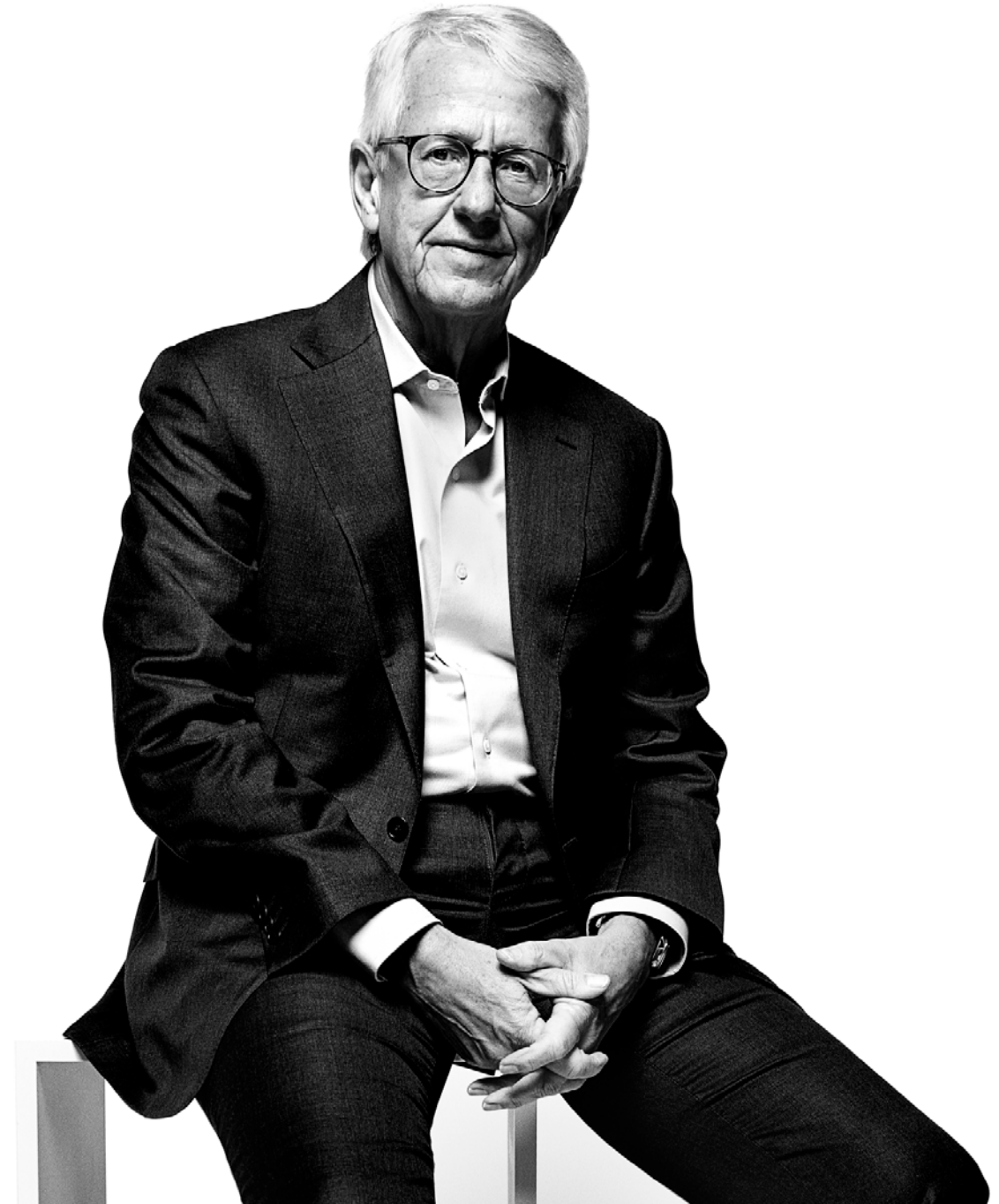


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Letter from the Chair

Building a water purification business to create a better and healthier environment for the future





“Having the right framework in place gives us the best opportunity to deliver on our ambition to create a sustainable water technology company with a global presence, building revenue growth in the coming years.”

It has been a busy and pivotal 12 months in Aquaporin’s development. Our focus in the Board of Directors was to ensure that the Company built robust processes and organizational structures appropriate to our new status as a listed company. Having the right framework in place gives us the best opportunity to deliver on our ambition to create a sustainable water technology company with a global presence, building revenue growth in the coming years. Two important building blocks to position us for the next stage of company growth was to further strengthen the leadership team with vital competencies, and to secure a financial foundation for the company – both of which we achieved with the appointment of key managerial roles and the successful capital raise carried out in February 2023.

Building a business with sustainability at its core

Protecting the environment and people’s health by creating sustainable solutions are the main drivers for the work we do at

Aquaporin. During 2022, we sharpened our strategic focus on Drinking Water, further enabling us to provide solutions for clean water globally. We were then able to leverage our understanding and know-how from that segment, to provide relevant and sustainable solutions in our other business areas of interest, Industrial Water and Food & Beverage.

Change starts with people

The team at Aquaporin is crucial to ensure that we can succeed in creating a better and healthier environment for the future. Our strong purpose and corporate culture, centered on innovation and responsibility, is key to making us an attractive employer and an interesting and enjoyable place to work. I was therefore very pleased that we were able to add vital competencies to both the Executive Management team and in areas of commercial and R&D. Our commitment to fighting the water crisis and our support of the UN’s sustainability goals are integral to our company culture, leading to a high level

of engagement of our employees. We have had a fantastic journey to date at Aquaporin and I would like to take this opportunity to thank the employees for their hard work and dedication in building the company to where it is today. The future is exciting, and we look forward to new achievements as the company continues to grow.

Challenging macro environment

As we emerged from the global pandemic, the macro environment has presented new challenges during 2022. Aquaporin, like other businesses, had to carefully navigate unpredictable financial markets, rises in the cost of living and in particular energy price hikes, as well as the broader effects of an unstable geopolitical situation. Our company is on an important development trajectory and in the Board of Directors we are highly focused on the need to ensure the company has the resources it needs to be able to deliver on our longer-term purpose. It was therefore an important milestone that we were able to inject new capital into the

business and have the support of existing and new investors as we continue to build the company.

As we look towards the next year for Aquaporin, I am both proud of what we have achieved so far – often against challenging global events beyond our control – and of what is to come. We can only achieve success with the support of our stakeholders, and I am grateful to all our customers, partners, and not least our shareholders, for joining us on our journey to create a better, healthier environment for our global society in the future.

Niels Heering

Chair of the Board of Directors,
Aquaporin A/S



Letter from the CEO

A year of growth, commercial traction, and making an impact

At the core of Aquaporin is our strong purpose of rethinking water filtration with biotechnology to benefit both the environment and health. During 2022, we sharpened our strategic focus, as we pursued our ambition to become a sustainable business delivering unique products and better quality water globally. We grew our revenue more than three-fold.





“I am confident we have laid much of the groundwork and created an organizational structure at Aquaporin to deliver on our ambition to be a leader in the revolution to provide clean, natural drinking water for all.”

We have achieved a great deal in our first full year since our Initial Public Offering in mid-2021. Despite the challenging macro-economic backdrop of a global financial downturn, the knock-on effects of the pandemic and rising energy costs, we have sharpened our strategic focus and increased our revenue more than three-fold, as we pursued our ambition to become a sustainable business and recognized brand for delivering better quality water through innovative products – globally.

During 2022, we took the strategic decision to streamline our efforts by having a primary focus on the Drinking Water (DW) segment, while continuing to invest and innovate in select areas of Industrial Water, Food & Beverage, and core technology development. We believe this decision will continue to support our revenue growth and provide a solid and continued validation of our core technology in the clean water revolution landscape.

Repeat customers are key to our growth strategy and in the Drinking Water segment our aim is to leverage collaborations with established industry players to provide us with an expanded product reach. This in turn helps us build a strong brand within the sector as a provider of innovative products that deliver clean water solutions. It also further gives us the ability to invest in product innovation and in other areas where we believe there is

potential for strong market development – Industrial Water and Food & Beverage. The Philips Water Solutions partnership is a good example of how we can leverage our collaborations. We were able to expand our collaboration with Philips, gaining access to China, one of the largest markets for water purification. In 2022, Aquaporin Inside® was introduced to more than 150,000 households and schools combined, allowing an even greater number of people to have access to clean and healthy drinking water.

We have also made significant inroads with multiple important players in Industrial Water and Food & Beverage where our Forward Osmosis technology is used to create innovative processes and products. In 2022, we piloted and sold products and systems to some of the world’s largest brands while also working on adventurous endeavors like reusing water in space. Amongst other things, we sold a pilot unit to E. & J. Gallo, which eventually led us to sign a multi-year joint development agreement with them in Q1 2023. This of significant importance as it solidifies our presence in the Food & Beverage segment, paving the way into the United States.

Ensuring we have a commercial angle when working with innovation is also key to our future success. During 2022 we invested in building an organization where key functions from our R&D organization were integrated

into product and commercial teams. Creating holistic teams allows us to create innovative products that answer a clear market need. This approach was supported throughout the year with Open Innovation projects in areas like hemodialysis and brine management – all of which have a commercial alignment with clear deliverables.

At the core of Aquaporin is our strong purpose of rethinking water filtration with biotechnology to benefit both the environment and health. I am proud that we are part of the solution to one of the key needs for providing clean water – the filtration of PFAS from drinking water supplies.

PFAS have been used in industrial production for over 70 years, but recent research has pointed to the harmful effects of these forever chemicals on both the environment and our health. Our Aquaporin Inside® technology, used in all our products to purify and clean water, effectively removes PFAS in excess of 99%. During 2022, we released data from the University of Aarhus based on our water purifier, illustrating the effectiveness of our technology. We will continue through our collaborations with universities and other stakeholders to work on solutions to remove PFAS and eventually destroy it.

We are at the beginning of an exciting journey to become a leading player in the clean water revolution. The global economic outlook for

the next 12-24 months is uncertain, but with our latest fund-raising and sharpened business focus, I believe Aquaporin is well-equipped to meet our growth objectives. Our employees work tirelessly to deliver on the promise of our technology and capabilities to benefit the planet both environmentally and in health. Our customers support and validate our market approach by purchasing products, and our shareholders support our efforts to bring cleaner water and process solutions to benefit and safeguard the future of our planet. I would like to take this opportunity to thank you all for your trust, efforts, and contributions.

Looking ahead, I am confident we have laid much of the groundwork and created an organizational structure at Aquaporin to deliver on our ambition to solve global water challenges by rethinking water filtration with biotechnology. I hope you will continue to join me and the Aquaporin team on that journey and look forward to the challenges and rewards ahead.

Matt Boczkowski
Chief Executive Officer,
Aquaporin A/S

Financial highlights

2022 was another successful year for Aquaporin, with an increasing revenue stream and continued growth across our product portfolio.

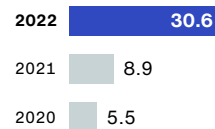
In line with communicated guidance for the year, Aquaporin's full-year 2022 revenue amounted to DKK 30.6 million. Revenue was driven by repeat sales and a growing customer base in all business areas, with Drinking Water taking the lead with an 256.9% revenue increase to DKK 23.0 million. Both Industrial Water and Food & Beverage showed positive traction with revenue increases of respectively 123.8% and 636.8% compared to the same period last year.

2022 EBITDA impacted by provisions for product replacements, write-down on slow-moving inventory, the full-year cost impact from 2021 new hires, and the full-year cost of being listed on Nasdaq Copenhagen.

In February 2023, the Company raised gross proceeds of DKK 74 million, which will serve to fund the Company's growth strategy in 2023 and beyond.

Revenue DKKm

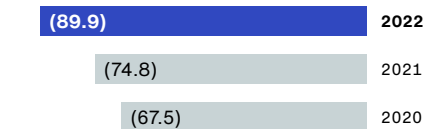
30.6



▲ 242.5% growth vs. 2021

EBITDA before special items DKKm

(89.9)



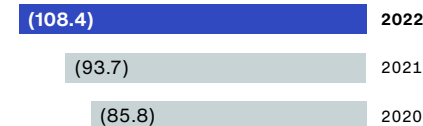
Cash and cash equivalents DKKm

29.4



EBIT before special items DKKm

(108.4)



Revenue split on business areas



Drinking Water
DKKm 23.0

75%



Industrial Water
DKKm 4.7

15%



Food & Beverage
DKKm 2.9

10%



Key figures

DKK 1,000	2022	2021	2020	2019	2018
Income statement					
Product sales	30,554	8,922	2,709	2,314	1,605
Strategic Commercial Partnerships	-	-	2,790	3,764	6,289
Total net revenue	30,554	8,922	5,499	6,078	7,894
Distribution costs	16,376	6,394	-	-	-
Sales and marketing costs	26,220	27,553	20,811	19,948	16,784
Research and development costs	49,862	45,331	56,072	57,198	51,614
Administrative costs	21,461	17,823	13,059	17,660	16,471
EBITDA before special items	(89,918)	(74,842)	(67,515)	(72,427)	(62,163)
EBITDA before special items normalized ¹	(85,186)	(74,842)	(67,515)	(72,427)	(62,163)
EBIT before special items	(108,384)	(93,728)	(85,869)	(89,419)	(77,160)
Special items	(5,007)	(37,319)	-	-	-
Operating profit (EBIT)	(113,391)	(131,047)	(85,869)	(89,419)	(77,160)
Net financial items	(4,087)	(4,550)	(3,467)	(3,664)	(3,006)
Earnings for the period	(112,119)	(131,774)	(123,356)	(70,629)	(71,573)
Balance sheet					
Total non-current assets	203,263	204,542	214,017	256,558	233,889
Total current assets	67,283	180,804	32,799	32,898	33,335
Total assets	270,546	385,346	246,816	289,456	267,224
Equity	159,135	270,475	107,322	164,062	110,819
Total liabilities	111,411	114,871	139,494	125,394	156,405

1) EBITDA normalized: EBITDA being adjusted for special items and other unusual or non-recurring items.

DKK 1,000	2022	2021	2020	2019	2018
Cash flow					
Cash flow from operating activities	(94,942)	(115,189)	(59,027)	(64,064)	(78,062)
Cash flow from investment activities	(11,404)	(9,769)	(16,723)	(22,357)	(14,091)
- Investments in intangible assets	(9,728)	(9,149)	(12,162)	(13,814)	(7,641)
- Investments in tangible assets	(1,403)	(557)	(4,557)	(8,674)	(3,062)
- Investments in associates and joint arrangements	-	-	-	-	(3,326)
Cash flow from financing activities	(7,562)	266,660	75,790	86,684	46,870
Key ratios*					
Equity share	59%	70%	43%	57%	41%
Earnings per share	(11)	(14)	(15)	(10)	(10)
Diluted earnings per share	(11)	(14)	(15)	(10)	(10)
Average number of FTE's	86	78	83	83	73

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



Key events 2022

April

Secured strategic Industrial Water partnership for North America with Forward Water Technologies

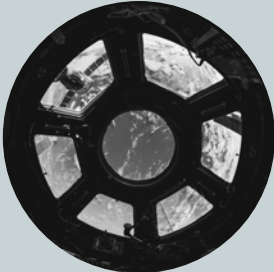


May

Reinforced Aquaporin's Executive Management team with the appointment of Klaus Juhl Wulff as Chief Financial Officer

July

Announced joint venture with Danish Aerospace Company: Danish Astronaut, Andreas Mogensen, will be going into space in 2023, to, amongst other, test the Aquaporin Inside® technology in FO and membrane distillation at the International Space Station



November

Data from Aarhus University show that Aquaporin's core technology, Aquaporin Inside®, removes >99.9% of the forever chemical, PFAS, from drinking water

May

Initiated partnership with Flavourtech to deliver high-quality natural aromas in the aroma and coffee extraction segments



June

Sold first Forward Osmosis system to E. & J. Gallo Winery, one of the most prominent global players in the alcoholic beverage industry

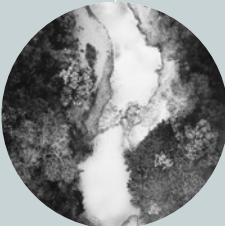


August

Announced collaboration on novel desalination and wastewater project with University of Las Palmas de Gran Canaria to develop an innovative Forward Osmosis pilot



Launched water purifier with Turkish home appliance manufacturer, Vestel, scaling up Aquaporin's commercial footprint in Turkey





Without Aquaporin, there would be no life on earth

Rethinking water filtration with biotechnology



Executive Management team

From left to right

- Peter Holme Jensen**
Founder & Chief Innovation Officer
- Klaus Juhl Wulff**
Chief Financial Officer
- Matt Boczkowski**
Chief Executive Officer
- Joerg Hess**
Chief Operating Officer

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Our business



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Our strategy coming to life

Promote sustainability in everything we do

- Focus on sustainability as a core part of our value to customers
- Commitment to drive change and solve water scarcity
- Drive energy efficiency and water preservation
- Ensure full transparency with external stakeholders

Advance game-changing protein technology

- Grow brand value of Aquaporin Inside® through co-branding with key accounts in Drinking Water
- Focus on key applications with a unique selling proposition in Industrial Water
- Focus on delivering solutions to specialty applications and blue-chip brands in Food & Beverage

Commercialize products & solutions

- Anchor all our activities in a focused 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

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

Continue to innovate

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



Our values

We **commit** to our customers who determine our success

We **collaborate** with our stakeholders to make a difference

We **focus** on key applications to drive growth

We **dare** to look for new ways to break the status-quo

We **empower** each other to act with passion and responsibility

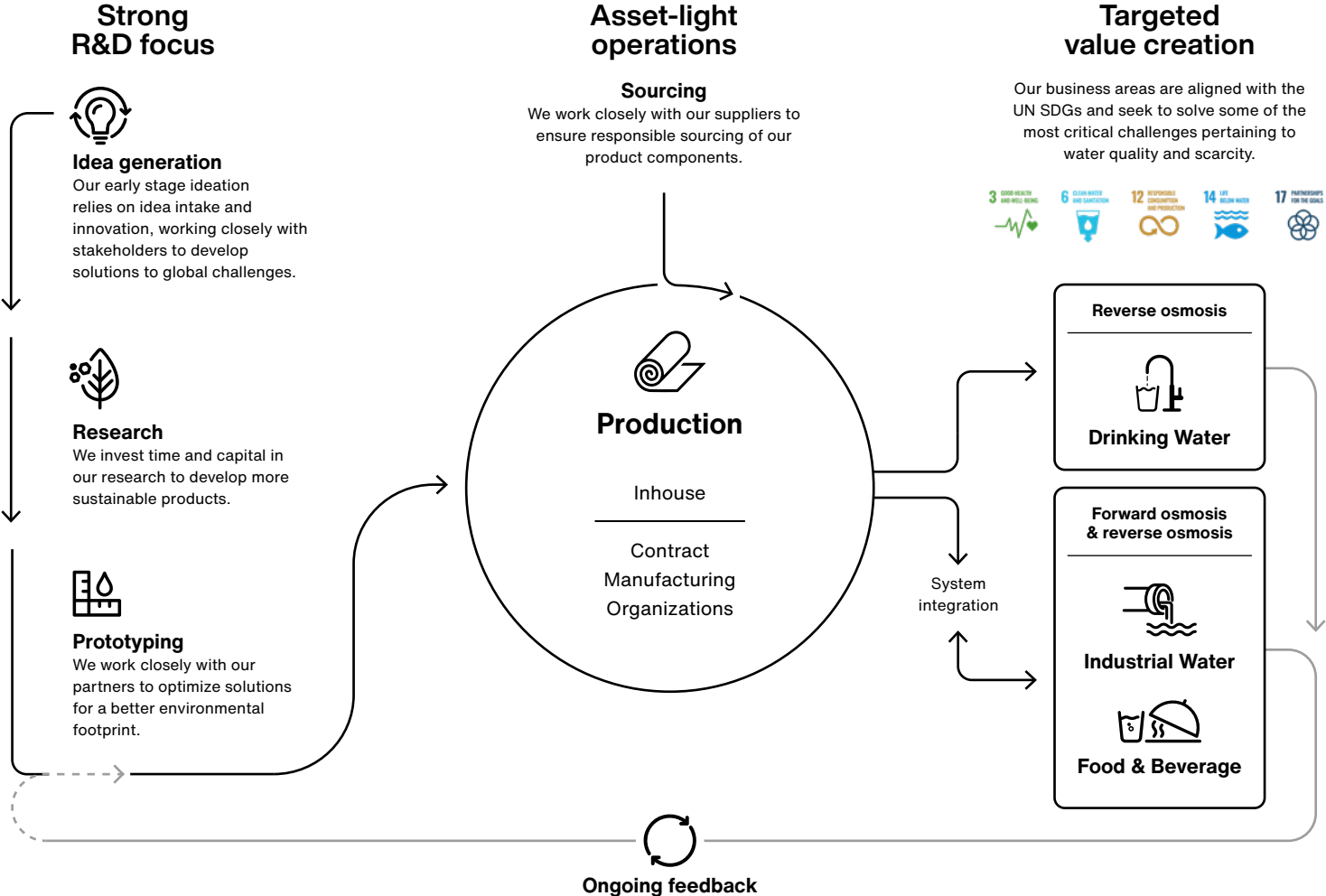
Business model

In each of our business areas, we apply a customer first strategy and we drive 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.





Core technology

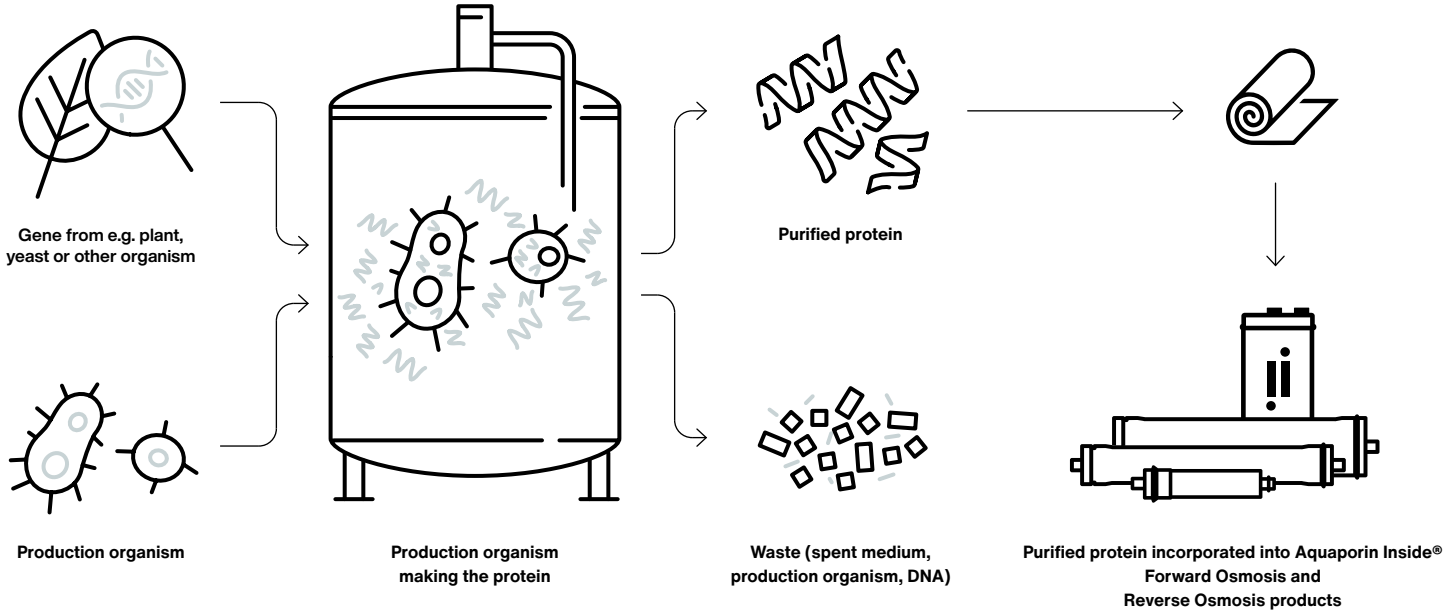
Aquaporin Inside® is the technology that drives all our products. Put simply, it's a biomimetic membrane that incorporates aquaporin proteins to filter water faster and more energy-efficiently.

Flat sheet, hollow fiber, reverse osmosis, and forward osmosis. All our membranes use Aquaporin Inside® to purify and clean water, and they are revolutionizing water treatment – in industries, homes, and even in space.

The Aquaporin Inside® technology incorporates aquaporin proteins to replicate nature's own water filtration process. Specialist water channels, aquaporin proteins exist in the membrane of all living cells. They can be found in every living organism, from plants and animals to human beings, and are essential to all life on Earth.

Placed within the cell membrane, aquaporin proteins transport water – and only water – in and out of the cell. Billions of years of evolution have made them extremely efficient and highly selective, like a superhighway for water. They are far better than any manmade water filter. One square meter of synthetic manmade membrane can filter around 50 liters of water per hour. One gram of aquaporins can filter 700 liters per second, enabling fast, energy-efficient, and natural water filtration.

Purified protein production





Business areas

The Aquaporin Inside® technology has a broad range of potential applications across industries.

During 2022, we have gained insight that enables us to conduct a more focused approach on customer-centric applications with a unique value proposition to grow our brand. We provide sustainable, energy-efficient solutions that help reduce the global environmental footprint, reducing negative environmental exposure in the value chain.

Our business is split into three areas with unique opportunities to create value for stakeholders. Each business area represents a differentiated value proposition for our customers by leveraging our unique core technology.

Drinking Water is our most mature business area in which we deliver clean drinking water to end users through our flat sheet, membranes, and purifiers. For Aquaporin, Drinking Water comprises the broadest portfolio of products and continues to be the main growth driver near-term. Our go-to-market strategy is focused on co-branding and partnerships, utilizing collaborations to build our customer base.

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 a concentration of liquids without loss of quality or flavor, enabling unique and natural products to be introduced to consumers. The 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 areas focus

	Technology		Sustainable Development Goals			
	Reverse osmosis	Forward osmosis	3 GOOD HEALTH AND WELL-BEING	6 CLEAN WATER AND SANITATION	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	14 LIFE BELOW WATER
Drinking Water Point of Use filtration systems and flat sheets	●	○				
Industrial Water Resource recovery and energy optimization	●	●				
Food & Beverage Quality assurance and reduction of chemicals	●	●				



Drinking Water

Strategy and performance

We want Aquaporin Inside® to be at the top of customers' minds when they think of a drinking water solution, delivering 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 awareness of our technology. We believe our brand contributes great value to our partners, representing high quality products and innovative technology.

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 flat sheet. We aim to develop relationships with key strategic partners to drive recurring revenue channels and ensure alignment in quality.

Key wins in 2022

- Launched water purifier with Turkish home appliance manufacturer, Vestel, scaling up Aquaporin's commercial activities in Turkey, generating repeat business and emphasizing the commercial footprint
- Grew sales orders significantly with Philips Water Solutions in China with multiple repeat orders
- Advanced dialogues with potential partners and customers in India, a key market for water treatment

Near-term focus

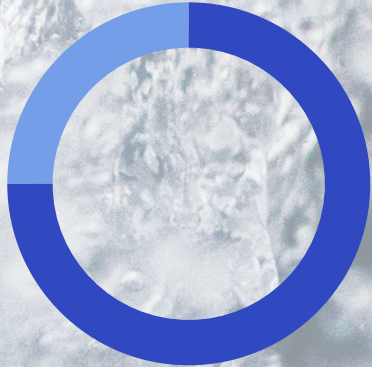
- Continue successful launch of A2O Series, including A2O Pure under-the-sink purifier (launched in February 2023) and the A2O Bar kitchen unit, equipped with IoT technology
- Support and expand relationships with strategic partners and key accounts
- Grow through a key account strategy

Performance

23DKK
Revenue

257%
Growth vs. 2021

75%
of total revenue



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.





Markets and products

We are committed to improving global access to clean drinking water and the related environmental footprint by bringing water filtration 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.

Apart from excellent water filtration, the Aquaporin Inside® technology has proven to remove the forever chemical, PFAS, or Poly and perfluoralkyl manmade substances, from drinking water. The University of Aarhus has conducted tests with our water purifier, containing the Aquaporin Inside® technology present in all products, confirming that our technology removes more than 99% of PFAS via water filtration.

In February 2023, Aquaporin launched the A2O Pure water purifier, which is an under-the-sink filtration system serving to remove toxins such as PFAS from your drinking water.





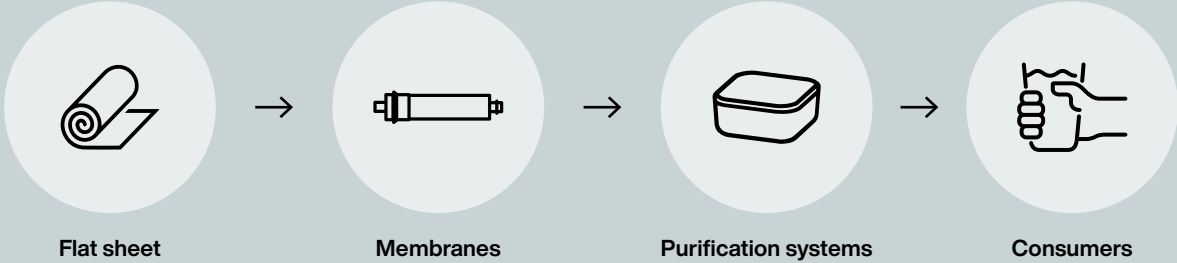
The drinking water market consists of residential, institutional, and municipal systems, all of which can be addressed with different technologies. The total addressable market exceeds DKK 250 billion. Aquaporin’s addressable segment consists of Reverse Osmosis-based solutions in the residential Point-of-Use (“PoU”) segment as well as Point-of-Entry (POE) and municipal segments. On a global scale, our addressable

market is estimated at more than DKK 60 billion – including systems and membranes. The largest geographical markets are in the Asia-Pacific region, driven by China as the largest single-country market, representing approximately 50% of the total global POU purifier market. North America and Europe are combined estimated to hold approximately 40% of the PoU Drinking Water market.



Our offerings

We have a full product offering for purification systems – in addition to own system sales, we provide Aquaporin Inside® membranes and flat sheet to third parties.

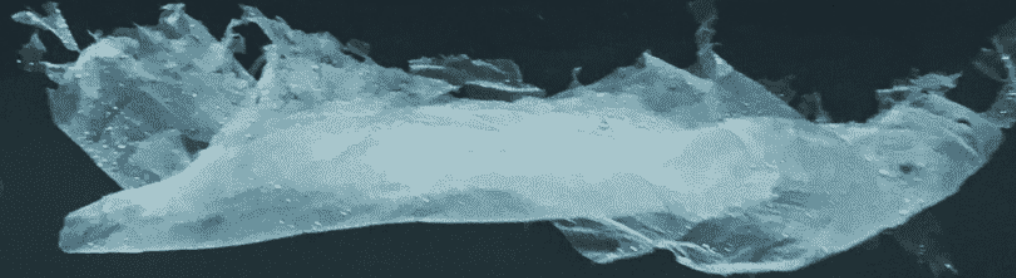


The filtration technology offered by Aquaporin effectively removes PFAS from drinking water



Taking on the PFAS challenge

Recent research suggests that continuous exposure to the forever chemical PFAS, which can be found in our drinking water, can lead to various health effects. Our purifiers equipped with our Aquaporin Inside® technology remove more than 99.9% of PFAS from residential drinking water.



PFAS is a group of more than 4,700 compounds developed and used since the 1940s. The PFAS chemicals are in a vast array of products – for instance, cooking equipment, raincoats, and fire extinguishing foam, to name a few. Now, the problem is that PFAS is showing up in drinking water all over the globe, and people are drinking contaminated water without having adequate treatment.

However, these chemicals are hard to break down in your body and the environment; rather than disappearing, they accumulate. As a result, PFAS can migrate into soil, water, and even air. PFAS is hard to break down in the environment, and its persistence means that PFAS can appear in the blood of animals and humans. Recent research has also suggested long-lasting exposure could lead to multiple health concerns.

We face the consequences of the widespread use of industrial chemicals contaminating our groundwater. Unfortunately, PFAS contamination is here to stay, so it is time to actively seek a way to avoid these “forever chemicals” infiltrating the body and the environment.

Taking a stand

PFAS chemicals are believed to be present in 98-99 percent of all human bodies, and getting rid of these chemicals is impossible once you have them in your body. You can, however, take precautions by using a water filter that removes PFAS from your drinking water.

At Aquaporin, we take the challenge of PFAS and other bacteria, viruses, and heavy metals very seriously as we strive to ensure we have the best possible drinking water available.

Therefore, we have developed two solutions – the A2O Pure, which launched in February 2023, and the A2O Bar, which is expected to launch in H1 2023.

The A2O Pure is our under-the-sink solution that removes PFAS from your drinking water. A study by Aarhus University highlights how efficient our proprietary unique Aquaporin Inside® membrane biotechnology is at removing PFAS from your drinking water.

The A2O Bar carries the same attributes as the A2O Pure but is a do-it-all solution that combines all the modern kitchen units in one innovative machine. With these two purifiers, Aquaporin is taking on the PFAS challenge by removing the damaging forever chemical from your water.

Read more about Aquaporin’s unique technology and PFAS removal [here](#).

Aquaporin’s unique proprietary membrane technology is used by many companies worldwide.

**The list includes:
Philips Water Solutions,
Andersen & Nielsen,
Diamond Drops, and Vestel.**

Industrial Water

Strategy and performance

We help customers save water and energy by with 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, which can be more 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 greenfield installations in the future.

Key wins in 2022

- Announced strategic partnership for North America with Forward Water Technologies to sell Aquaporin’s unique Aquaporin Inside® biomimetic Forward Osmosis membranes for applications associated with lithium mining and extraction as well as water management in the oil and gas industry
- Expanded potential customer base in Brackish Water Reverse Osmosis by providing ultra-low energy membranes for water treatment in the semiconductor industry
- Sold first FO system for the treatment of waste collection leachate in China
- Entered into a collaboration project with the University of Las Palmas de Gran Canaria to develop a Forward Osmosis pilot that neutralizes two waste streams by combining them as part of the same process
- Successful commissioning of first bLEAF (biomimetic Leachate & Effluent Automatic Filtration) Forward Osmosis container for leachate treatment with major Chinese customer

Performance

4.7 DKKm
Revenue

124%
Growth vs. 2021

15%
of total revenue



Impact

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





Markets and products

Industrial Water

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®2
Suitable for application development and pilot trials

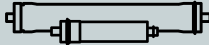


HFFO®6
Suitable for academia and application development

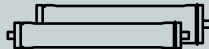


Reverse Osmosis (RO)

DWRO™ elements
Ideal for residential and commercial drinking water solutions

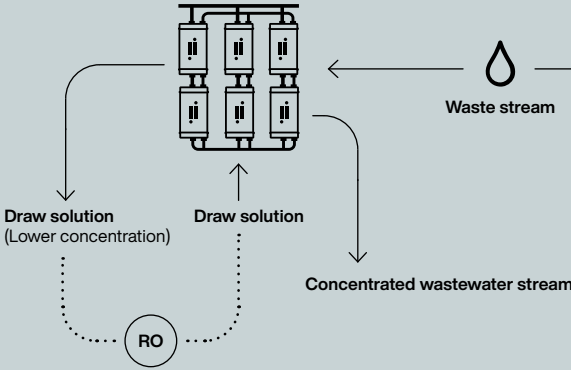


Aquaporin Inside® CLEAR membranes
Ideal for both commercial and industrial water treatment systems

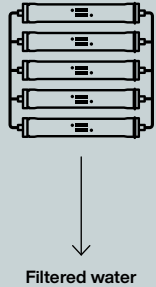


Water handling across industries

Forward Osmosis system



Reverse Osmosis system





Food & Beverage

Strategy and performance

Our goal is to provide customers with complete Forward Osmosis solutions, along with our unique Aquaporin Inside® membranes and process know-how, allowing customers to produce more 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 2022

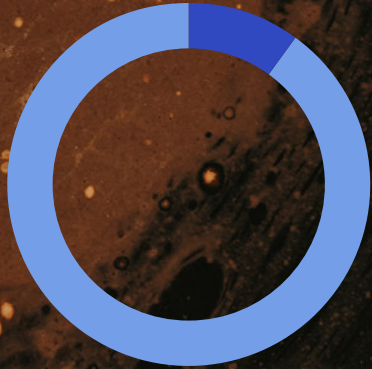
- Initiated partnership with Flavourtech to deliver high-quality natural aromas in the aroma and coffee extraction segments, utilizing Aquaporin's unique technology to push the boundaries of aroma and flavor retention
- Entered into a strategic alliance with Wafilin Systems and Berghof Membranes, strengthening Aquaporin's ability to deliver tailored solutions to the Food & Beverage industry
- Continued application testing and piloting of Forward Osmosis in niche markets with promising results in beverage concentration, digestate, and leachate treatment

Performance

2.9DKK
Revenue

637%
Growth vs. 2021

10%
of total revenue



Impact

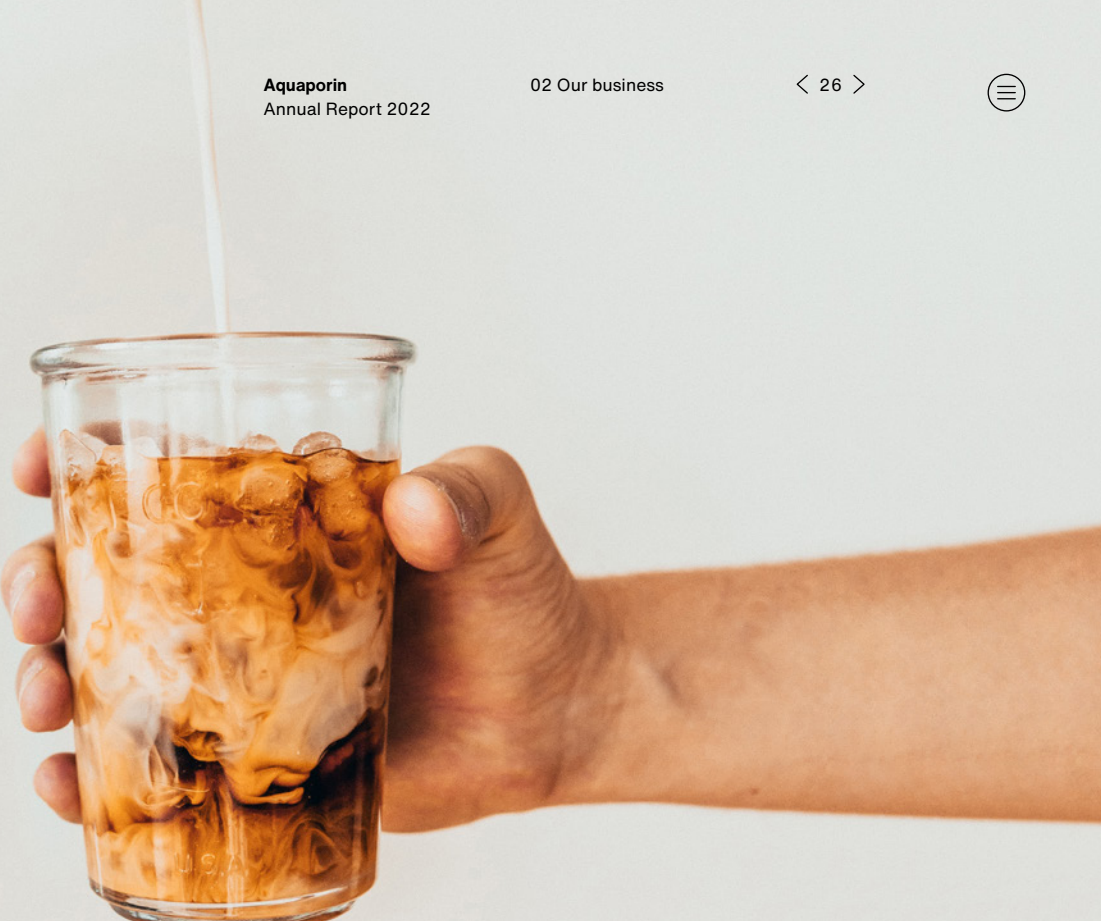
Our solutions provide brands with novel and superior concentration processes and potentially new products. Membrane concentration also offers a more energy efficient process and enables less capital-intensive production methods.





Markets and products

Natural concentration allows for improving the quality of existing products, but also enables new product development through higher flavor and aroma retention, with our Aquaporin Inside technology®.



Coffee concentration process

The Aquaporin value-add in coffee concentration
Using cold concentration as an alternative to traditional evaporation in coffee concentration processes greatly improves the quality by increasing the retention of natural tastes and aromas



Beans are harvested, roasted and brewed into fresh coffee ...



... but next steps determine how much quality is retained in the coffee concentration.



Aquaporin Inside® Natural Concentration



Concentration through evaporation



New product categories



Instant & professional cold brew

Existing product categories



Ready to drink coffee products



Instant coffee

Aroma retention

★ Low quality

☆ High quality

The global Food & Beverage (“F&B”) market is 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 as close to the original natural product as possible.



Research & development

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

Research & development continues to be the foundation of our company and is essential in fully utilizing the unique properties of our Aquaporin Inside® technology.

We continue to invest in our research and 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, who 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 continuously 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 and technological convergence this has unlocked to date. We see the

potential of the technology being even greater and seek to improve our formulation to create higher energy efficiency, water flux, and rejection rates of unwanted pollutants in our drinking water, such as PFAS, which today has become a global challenge.

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.



Key developments in 2022

- Development of next level state-of-the-art Point of Use water purifiers for Drinking Water, securing launch of the A2O Pure and the A2O Bar products in 2023
- BBC World Water Series episode launched, focusing on PFAS removal from drinking water
- Superior PFAS data on our drinking water products, produced together with Aarhus University
- 6 new public-private partnerships secured, with valuable collaboration partners in all parts of the value chain
- 2 successful patent filings
- Secured European Space Agency flight tests on Aquaporin Inside® technology to come in 2023
- Utilization of Aquaporin Inside® membranes in space for Water Recovery Unit (WRU) in collaboration with the European Space Agency
- Incorporated machine learning to optimize product development from lab to production scale

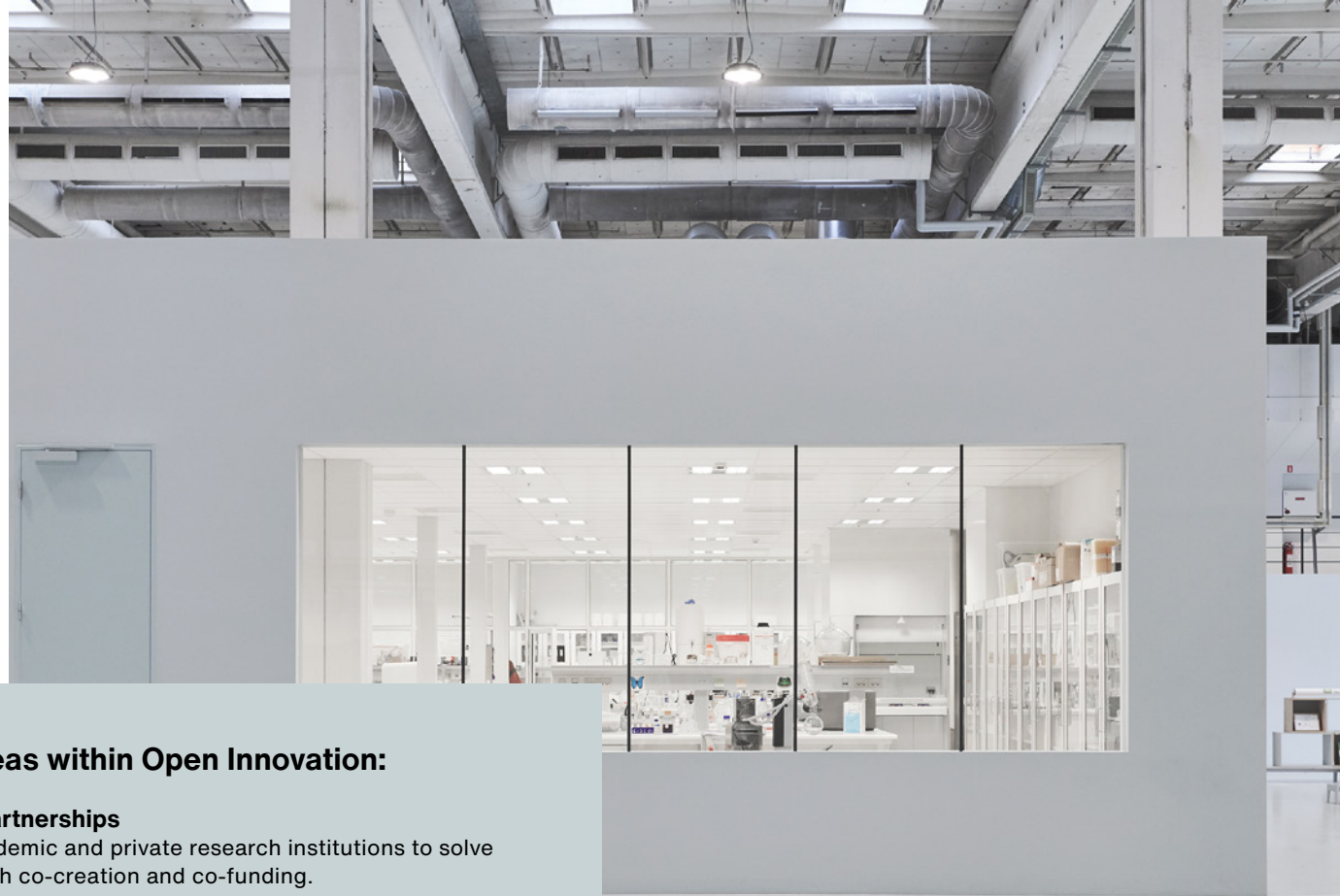


Open Innovation

Aquaporin was founded on scientific collaborations and open innovation is a tool in our technology development. 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 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.

DeepTech

In public-private partnerships and other Open Innovation activities we engage in, the competences and capabilities of our DeepTech department is an essential enabler for Aquaporin in being a valued and desired collaboration partner on a global scale.



Aquaporin x NASA

In 2010, the space organization, NASA, became Aquaporin's first paying customer, with the aim to test the Aquaporin technology by recycling water in space.

Transporting water is expensive. Taking it to space, even more so. With the Aquaporin Inside® technology, NASA will be able to recycle condensation from within the space shuttle, sweat from space suits, and the astronauts' urine, filtering it through the Aquaporin Inside® membrane, creating drinking water. Danish astronaut Andreas Mogensen first tested Aquaporin Inside® in orbit at the International Space Station, ISS, in 2015. In 2023, Aquaporin will once again join Andreas Mogensen on his journey into space.

“Our collaboration with Danish Aerospace Company within the Aquaporin Space Alliance is truly inspiring, and projects such as these are driving innovation, not only for applications in space, but also within Aquaporin for our membrane and application development.”

Jörg Vogel
VP of Open Innovation





Outlook for 2023

For 2023, we expect to see continued revenue growth across all segments, including Drinking Water, Industrial Water, and Food & Beverage.

For the full year 2023, we estimate revenue to be in the range of DKK 50-70 million, and gross profit to be at least 30%. Revenue is expected to primarily be driven by Drinking Water (70-80%), where we continue to expand the Aquaporin Inside® brand through our (co-)branding strategy and partnerships with large global customers and key accounts, capitalizing on a strong yearly global market growth of ~10% in the purifier segment. During 2022, PFAS, or Per- and polyfluoroalkyl substances, became an often-covered topic in media worldwide, with an increasing demand for solutions to remove the forever chemical from drinking water. A study conducted by Aarhus University in 2022 demonstrated that water purifiers containing the Aquaporin Inside® membrane remove 99.9% of PFAS. In February 2023, the Company launched the

A2O Pure, an under-the-sink drinking water purifier, and plans to launch the A2O Kitchen Bar, a built-in purifier, in H1 2023. Along with the existing Aquaporin product line, both A2O purifiers remove PFAS, bacteria, pesticides, and viruses. The collaboration with Phillips Water Solutions and the A2O Series launch are expected to drive solid revenue growth in 2023 and beyond.

We expect Industrial Water and Food & Beverage to contribute 20-30% of the full-year revenue in 2023. In 2022, we sold and delivered two small-scale Forward Osmosis pilot systems in Industrial Water and Food & Beverage, respectively, which could generate further revenue opportunities in the coming years. In addition, we anticipate growing our partnerships and continue to investigate new growth opportunities.

Ensuring that we deliver on our strategy in 2023 requires clear and deliberate capital allocation choices and investments. Therefore, we expect to increase our marketing and commercial resources in Drinking Water where growing brand awareness is essential to position Aquaporin Inside® with resellers and end-consumers. We will continue to develop products for other categories based on specific projects with partners, mainly focusing on our Forward Osmosis technology. We plan to continue investing in R&D with a clear short-term objective of developing the next-generation Reverse Osmosis and Forward Osmosis membranes, based on our Aquaporin Inside® technology.

Through Open Innovation, we are identifying new collaborations and partnerships that have the potential to provide ground-breaking solutions to the water industry. These endeavors are a part of our long-term strategy and are in line with our ambition to leverage our core technology to tackle health and environmental challenges with our unique technology.

To reinforce Aquaporin as we grow, we will continue to invest in training, people development, commercial staff, IT systems, and business tools. In 2023, we plan to keep

the overall headcount in line with the 2022 headcount. For 2023, we expect EBITDA of negative DKK 105-95 million before special items, which is 7.6% (mid-range) lower than the same period in 2022. As of the time of publication of this report, we do not expect any special items in 2023. Investments (CAPEX) for the year is expected to be DKK 10-15 million in 2023.

Our financial financial guidance takes into account the uncertainty characterizing the global economy, mainly driven directly or indirectly by the war in Ukraine, and rising inflation, especially in Western Europe and the United State. A worsening of the economic climate will likely also impact our business in 2023.

In February 2023, Aquaporin raised gross proceeds of DKK 74 million, which will serve to fund the journey in 2023 and beyond. In addition, the Company is continuously in active discussions with potential investors and third parties regarding raising additional equity or debt financing in the short term to finance growing the business and further commercializing operations until such operations are cash positive, which is currently expected within the next few years.

2023 financial guidance

	Unit	2023 guidance
Revenue	DKKm	50-70
Gross profit	%	>30
EBIT*	DKKm	(105)-(95)
CAPEX	DKKm	10-15

*before special items.

03

Sustainability



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Sustainability approach

At Aquaporin, we are committed to making clean drinking water accessible globally. Through our unique technology, which is based on nature's very own evolution, we offer energy efficient solutions for water purification and concentration.

A drop of nature – our DNA

We work to preserve Earth's most valuable resource: Water. Our business is highly focused on sustainability, including taking responsibility for ensuring the longevity of the resources that we use at Aquaporin. We aim to make a positive difference and challenge linear approaches to resource use.

With our drinking water purifiers, we offer solutions to increase access to clean drinking water 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.

A sustainable future

Our sustainability focus is two-fold: We aim to create value for society by delivering innovative water solutions – our “handprint” – while minimizing harm in our upstream value chain by avoiding unnecessary waste

streams and closing resource loops – our “footprint”. While we believe our “handprint”, is part of the solution to a more sustainable future, 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.

2022 marks the second year of disclosing our ESG matrix and reporting our Corporate Responsibility cf. section 99a of the Danish Financial Statements Act.

[→ ESG matrix, page 46](#)





Addressing global challenges by providing sustainable solutions

Sustainability is deeply integrated into our product solutions and our way of thinking, our strategy, work environment and business ethics.

A decade before the 17 Sustainable Development Goals (SDGs) were introduced 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.

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 and our products directly contributes to addressing 5 of the UN Sustainable Development Goals.

We continue to invest in initiatives to improve the way that we use water, and we take responsibility for delivering solutions for a more sustainable future.

Aquaporin's technology contributes to



- Improving access to clean drinking water and thus problems with waterborne diseases.
- Improving the quality of life for patients, e.g., in dialysis, by decreasing exposure to waterborne diseases, incl. removal of PFAS and micropollutants



- Improving access to clean drinking water.
- Strengthening water quality through better wastewater treatment.
- Reducing water consumption through more efficient processing.



- Optimizing customers' water consumption.
- Contributing to the sustainable management of natural resources.
- Reducing wastewater volumes.



- Reducing marine pollution by reducing the need for drinking water in plastic bottles.
- Improving desalination methods and the circular impact of brine on marine life.
- Reducing wastewater volumes.



- Focusing on knowledge sharing and entering public private partnerships.
- Offering our technology in cooperation with partners in developing countries.



Change starts with people

Science is at the core of Aquaporin. And so is diversity. In any scientific area, professionals are driven by the same goals: Regardless of gender, ethnicity, and religion, they want to answer questions and solve mysteries.

We believe that change starts with people and that female role models are key – in the world of science and at Aquaporin. At Aquaporin, we use our many scientists to mentor students through our Academy program. With Academy, we seek to develop engineers and scientists who are curious, reflective, and solution-oriented.

Aquaporin Academy is a good way of showing students as well as the industry what a strong and skilled team of mainly women engineers and scientists can do in the field of water. We aim to inspire our students by pairing them with relatable role models

Preparing the future

For the last few years, Aquaporin has taken part in developing future scientists, while also creating awareness and inspiring young girls to join the field of science. Changing the narrative and making girls more likely to explore the world of science is why we view an event such as “Girls’ Day in Science” as essential for Aquaporin.

The year 2022 marked the tenth anniversary of “Girls’ Day in Science” where young girls meet female role models and get inspired by chemistry, engineering, and science. More than 100 girls visited the Aquaporin minilab during the day, and more than 6,000 girls participated nationwide in Denmark.

One of the contributors from Aquaporin was Laboratory Officer, Erica Key, who reflected on the importance of knowledge-sharing, creating an inspirational space, and being a role model in a predominantly male field:

At Aquaporin, we believe in hiring the best candidates regardless of gender. We find it essential to ensure equality, and gender diversity remains high on our agenda as we seek to level the playing field. In our Deep Technology Center, more than 45% of employees are female, including students, PhDs, and temporary hires.

Read more about our diversity goals and initiatives on page 45.

“Seeing how the young girls light up when learning how fun science can be is a great feeling. It sparks energy with both the girls and us as contributors and is a great reminder that the work we do at Aquaporin is important at many levels,” Erica said when describing the many kids that visited the Aquaporin minilab during the “Girls’ Day in Science”.

Erica Key
Laboratory Officer





Environment & climate

We strive to minimize the impact we have on the environment and climate and work to integrate the same thinking across all our operations.

Aquaporin is located in Denmark, Singapore, the US (sales office), China, and Turkey. Our headquarters in Denmark is by far the largest site, and our focus is primarily on optimizing how we use resources at this site.

We are continuously looking to improve our supply chain - currently, we utilize external partners. Therefore, we do not link data on emissions and consumption with the number of units produced in-house, since this would not portray an accurate and comparable picture.

Our greenhouse gas emissions

Our scope 1 (primarily natural gas) and scope 2 emissions (electricity) decreased from 2019 to 2022 due to reductions in our in-house production at Nymøllevej in Denmark. These emissions have potentially been moved to our suppliers, and in the future, we plan to report on our scope 3 emissions.

To offset our footprint, we have purchased green origin certificates for the electricity utilized at our headquarters in Lyngby and have signed a PPA (Power Purchase Agreement) mandate with the aim to secure investment in- and power delivery from a newly built solar park. We cannot purchase similar certificates in Singapore, so we are not allowed to book these as 100% renewable energy resources and claim zero emissions.

Our energy consumption

Our consumption of electricity, natural gas, and water decreased from 2019 to 2022 following our reduction in in-house production. We aim to further reduce our energy consumption, as well as support the transition to renewable energy sources and this is embodied in the PPA we have signed.

We currently measure our energy consumption in absolute terms. In the future, we will link our consumption to the number of units produced or FTEs to give a more accurate picture of consumption.

Our 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. While this “handprint” on society is a potential benefit, we utilize water in our production to test our elements. We pay particular attention to this in Singapore, where water is a scarce resource and there is a high dependency on clean water from outside the country.

We currently measure and report on absolute water consumption, since it cannot yet be linked with the number of units that we produce.

Key figures

35%

Reduction in scope 1 emissions
2019-2022

68%

Share of renewables
(scope 2*)

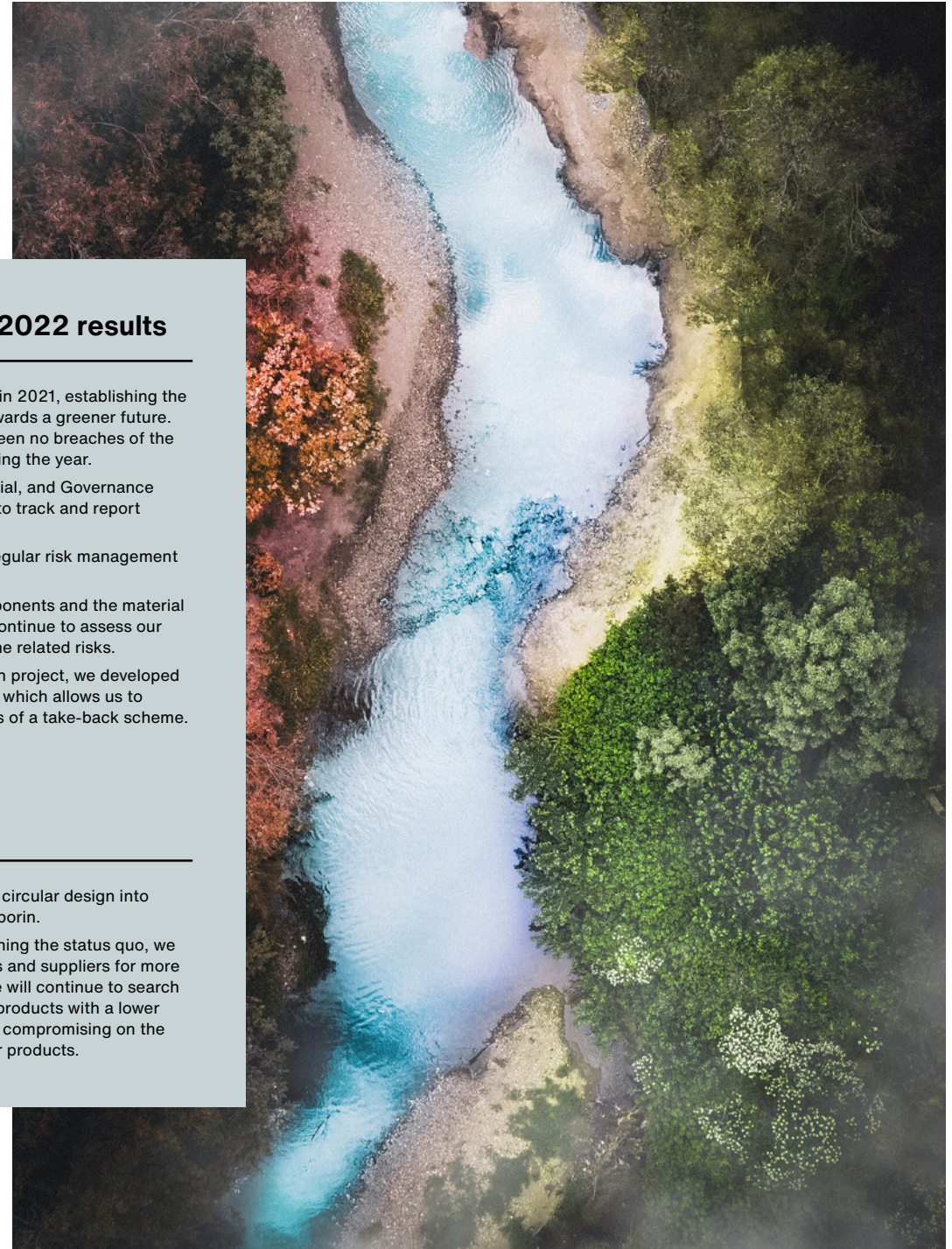
48%

Reduction of electricity
consumption 2019-2022



Our responsibility

Environment & climate



Material risks

- Aquaporin's most material environmental impact is likely to originate from scope 3 emissions, which we aim to map and monitor in the future.
- 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, flat sheet, and endcaps.
- In the production of our membranes, chemicals with potential negative environmental impact are currently necessary and irreplaceable.
- See pages 16-18 for more information on our business model, and how we integrate environmental and social issues in our decision making.

Policies

- Sustainability policy

Mitigating actions & 2022 results

- Adopted a Sustainability Policy in 2021, establishing the foundation for our approach towards a greener future. To our knowledge, there have been no breaches of the policy nor our Supplier CoC during the year.
- Adopted an Environmental, Social, and Governance (ESG) performance framework to track and report development.
- Integrated ESG risks with our regular risk management process.
- Reviewed our key product components and the material lists of our 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.

Future plans

- Aim to integrate innovation and circular design into products and practices at Aquaporin.
- Even though it requires questioning the status quo, we will continue to ask our partners and suppliers for more sustainable alternatives, and we will 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.



Our impact

Environment & climate

Rethinking water filtration using biotechnology

During 2022, Aquaporin launched a pilot project with a large Chinese landfill operator. Our solution will filter wastewater from landfill sites to concentrate the waste which then can be sent for incineration and treatment while the clean water can be reused. This process is done in an energy efficient way. During 2023, we aim to start rolling this solution out to a number of landfill sites in China, cleaning wastewater and removing pollution of drinking water.



Reducing our carbon footprint

Our solutions to clean drinking water for municipalities have proven to require up to 30% less energy than other solutions on the market. This allows to reduce the CO₂ impact from water filtration significantly. These energy efficiencies have been validated by various projects in China, Japan, and more.



Helping to protect marine life

Aquaporin's drinking water solutions aim to reduce the number of plastic bottles used in the World through ensuring clean drinking water in households, schools, and workplaces. By the end of 2022, Aquaporin Inside® will be helping to ensure clean drinking water in more than 140,000 homes, in China, which is expected to be increasing to more than 500,000 in 2023. We have also sold point-of-use water purifiers to several other countries, ensuring clean drinking water and decreased usage of plastic bottles.



Integrating the SDGs through the SDG Ambition Accelerator Program

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 Program in 2019.





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, membranes are complex and resource-heavy to produce and, unfortunately, most used membranes end up being incinerated or in landfills.

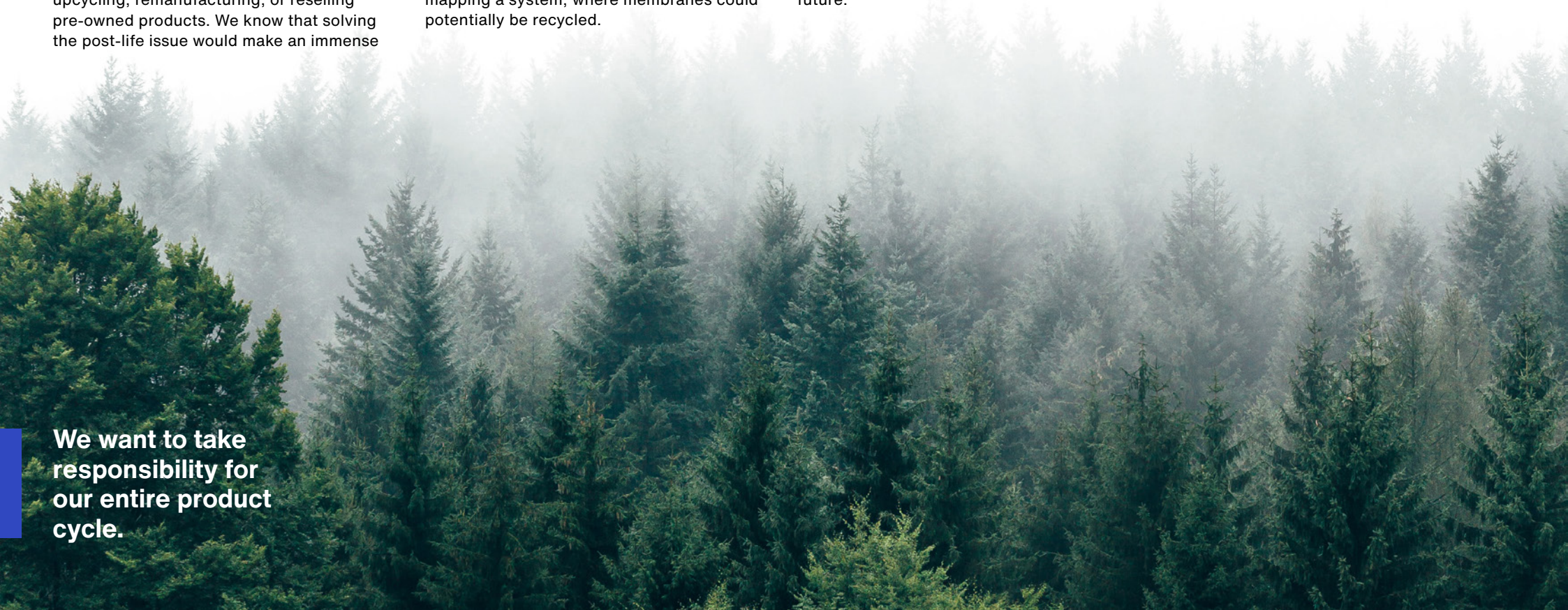
Currently, Aquaporin has no experience with upcycling, remanufacturing, or reselling pre-owned products. We know that solving the post-life issue would make an immense

difference for the environment, and therefore we continue to do our best to tackle this challenge.

Integrating circular thinking in the way we work is a key company objective and, since 2021, we have been working 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 continue to 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 is a challenging task, however we insist that data and innovation will drive this agenda and hopefully we can contribute to addressing this challenge in the future.

We want to take responsibility for our entire product cycle.





Social & employees

At Aquaporin we are here to make a difference.

Our employees are our most important asset. They are central to our development and as such we are focused on creating a safe, diverse, and inclusive workplace.

We have a pioneering spirit and value inclusive collaborations between departments, cultures, people, and companies.

We strive for technological development, and are committed to being environmentally and financially sustainable.

Health & safety

The health and safety of our employees is crucial for our raison d'être, and we continue to monitor this very closely. In Aquaporin, we aspire to achieve the highest possible safety standards – this is particularly crucial in our R&D, laboratories, and production facilities.

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 health, safety and environmental (HSE) management system ensures that we log and define procedures, conduct regular risk assessments, internal spot checks and track our monitoring and reporting.

Aquaporin remains below a rate of 5% of absence due to sickness equivalent to 11 days per FTE annually. For 2022, 2021, 2020, and 2019, we remained in this range with less than 4 days absent per FTE.

Internally we monitor accident-free time (AFT), which is 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 2022.

Human rights

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.

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. Further, we aim to improve communication and requirements towards our suppliers on human rights and related issues.

[→ Health & safety, page 40](#)

[→ Sustainability targets, page 47](#)



Our responsibility

Social & employees – health & safety



Material risks

- Negative impacts on our employee conditions would pose a threat to our business and continuous operations. We do our best to avoid any such impacts.
- Our employees are our most important asset, and they are central to our development. Should we be unable to retain and 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.

Policies

- Health & Safety policy and internal procedures that are in place to minimize the risk of safety-related issues
- Aquaporin A/S is certified ISO 9001:2015 which requires us to operate to high-quality management standards for product development, production, and customer service.

Mitigating actions & 2022 results

- Implemented the Aquaporin health, safety, and environment initiative towards zero severe accidents. 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 2022, we remained below the thresholds for each category.
- Conducted a safety tour for all new employees in 2022.
- Remained below our threshold of a maximum of 5 yearly stop-work orders over the past three years.
- Continued to monitor our lost time incident rate (LTIR) per 1000 working hours, where we include incidents categorized as either class 1 or 2.

Future plans

- Continue to work closely with health and safety and the well-being of our employees.
- In the beginning of 2023, our annual health and safety target setting session took place, where the management agreed on targets for health, environment & safety measures. Further details on these targets can be found in our sustainability targets summary on page 47.





Our responsibility

Social & employees – human rights



Material risks

- 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.

Policies

- Supplier Code of Conduct (CoC)
- Human Rights Policy
- Whistleblower scheme
- Employee handbook

Mitigating actions & 2022 results

- 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 2022.
- In 2021, we formulated and adopted a Human Rights policy. Work with this has continued in 2022.
- In December 2021, we implemented a Whistleblower Scheme. No incidents were reported in 2022.

Future plans

- Continue to closely monitor the whistleblower scheme and the Executive Management report, and update the Board of Directors at every board-meeting.
- Improve our focus on avoiding human rights violations in our value chain by focusing on our responsible supplier strategy.
- Aim to promote diversity going beyond gender, and are considering implementing additional metrics going forward.



Our impact

Social & employees

We see access to clean water and sanitation as a basic human right.

We are working to secure access to and promote rights to clean water.

Securing clean, healthy water

Our drinking water solutions ensure that households, schools, and workplaces can have clean drinking water, cleared for Perfluoroalkyl and Polyfluoroalkyl Substances (PFAS), bacteria, pesticides, and viruses.

Through partnership with e.g. Phillips Water Systems in China our drinking water solutions will be securing clean and healthy drinking water in more than 140,000 homes. At the end of 2023 the number of homes getting clean drinking water from Aquaporin's solutions is expected to be more than 500,000.

In addition, we work with a partner in India to secure clean and healthy drinking water in schools and local sports hostels by installing our water purifiers. By the end of 2022 there will be installed 300 systems in India, and this number will increase to above 1,000 during 2023.

We are working together with the University of Las Palmas de Gran Canaria, and Canary Islands Institute of Technology to combine desalination and wastewater treatment to ensure sufficient clean water supplies.

Desalination brine is a significant challenge to marine life, and a shared project is focused on removing the concentrated desalination brine from the ocean and using it to filtrate wastewater.

Potential health benefits associated with clean water

Our goal to secure clean and healthy drinking water also brings a strong focus on health.

Our Aquaporin Inside® membranes are documented by Aarhus University to remove all Perfluoroalkyl and Polyfluoroalkyl Substances (PFAS). PFAS are a forever chemical that accumulate in human bodies and are believed to cause cancer, liver damage, decreased fertility, and increased risk of asthma and thyroid disease. With more than 140,000 households Worldwide with a water filtration system with Aquaporin Inside® by the end of 2022, and an anticipated 500,000 by the end of 2023, means that Aquaporin is ensuring that PFAS, bacteria, pesticides, and viruses are removed from drinking water, hence contributing to good health and wellbeing.

Further, we are working closely together with two of the world-leading hemodialysis solution producers to improve the hemodialysis process with a more energy-efficient, portable solution that patients can operate at home. This will add significantly to the life quality of hemodialysis patients. These solutions are still in the early stage, but something Aquaporin is focusing on and hope to succeed with.





Governance

Diligent governance is key to ensure a sustainable business in compliance with relevant regulations.

There are several key aspects to governance at Aquaporin – our general governance practices, which relate to how we operate the business, including anti-corruption & bribery.

Read more about Corporate Governance, including Executive Management and Board of Directors, governance structure, and ownership in Section 04, page 49.

Anti-corruption & bribery

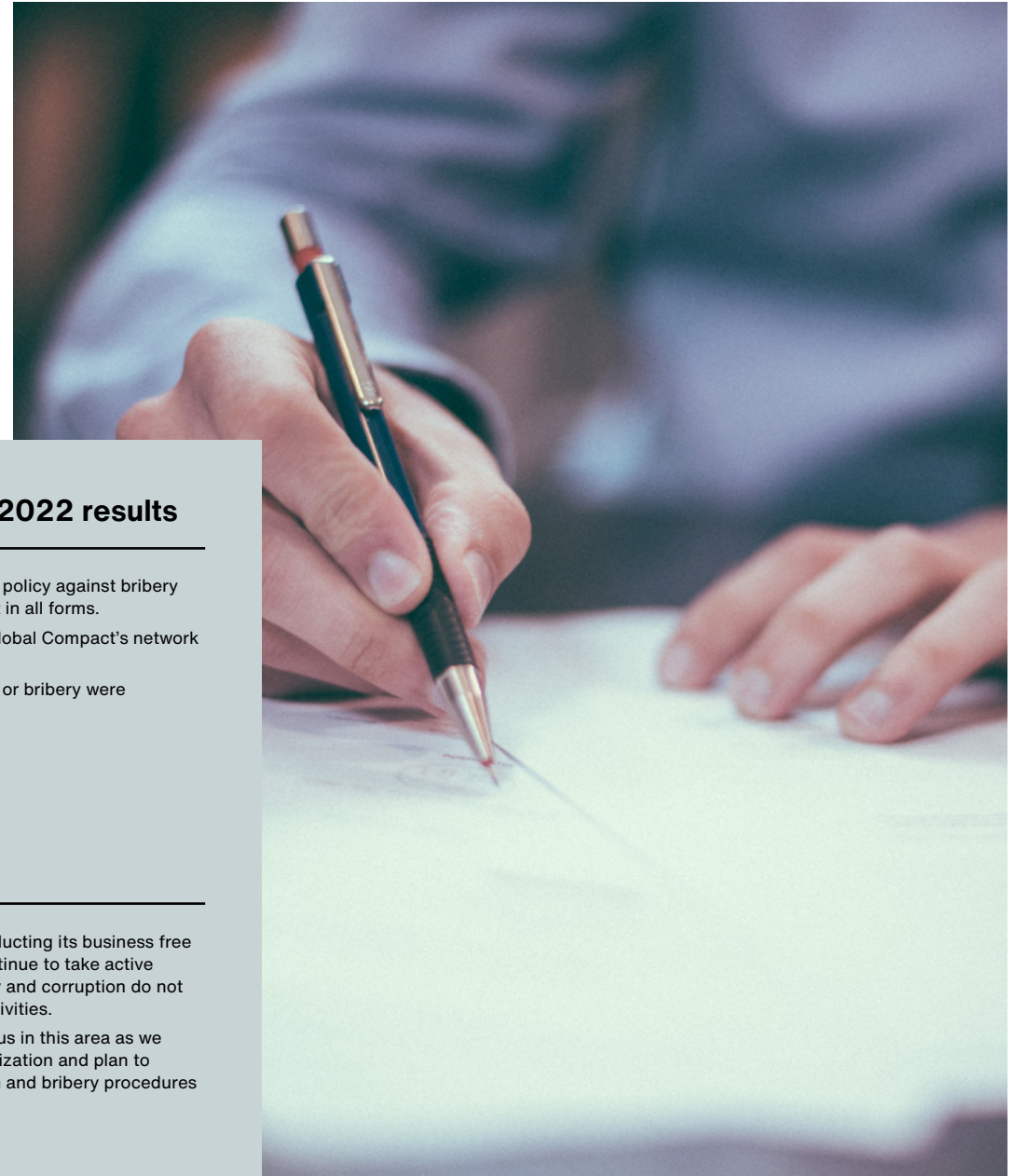
At Aquaporin, we promote an ethical business environment. Subsequently, we have a zero-tolerance policy on anti-corruption and bribery, and aim to ensure our business practices comply with all relevant laws and regulations.

Given our extensive global supply chain, there are potential risks of corruption and bribery within our business. These are described in more detail under Risk management on page 53.



Our responsibility

Governance



Material risks

- Aquaporin 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.

Policies

- Anti-corruption Policy.
- Sanctions and Anti-money Laundering Policy.
- Our Employee Handbook contains information on gifts and anti-bribery measures.

Mitigating actions & 2022 results

- Aquaporin has a zero-tolerance policy against bribery and corruption and condemns it in all forms.
- Employee participation in UN Global Compact's network on anti-corruption.
- In 2022, no cases of corruption or bribery were identified or reported.

Future plans

- Aquaporin is committed to conducting its business free from corruption and we will continue to take active measures to ensure that bribery and corruption do not occur in any of our business activities.
- We continue to improve our focus in this area as we scale up as a commercial organization and plan to establish further anti-corruption and bribery procedures in 2023.



Diversity

We believe in the power of diversity. We aspire to provide equal opportunities and focus on respecting differences.

Gender diversity

As of December 31, 2022, Aquaporin's joint workforce consisted of 38% females and 62% males; in Management (Executive, Management and direct report Managers), 13% were female and 87% male; the Board of Directors consisted of seven members – one (14%) woman and six (86%) men.

We aim to increase the under-represented gender of our overall workforce to 45% by 2024. Moreover, we, in accordance with our Diversity Policy, aim to increase the number of females on the Board of Directors to 33% by 2024 – this goal remains unchanged from the goal set in 2021. In 2022, we decided to implement a goal of 33% females in Management by 2024.

Aquaporin works to achieve and maintain gender balance and increase the percentage of the underrepresented gender. Our ambition is to be an attractive workplace for all genders and that all genders shall have equal opportunities in relation to

employment, conditions of employment, education, and promotions. Aquaporin seeks to achieve a more well-balanced distribution of genders on all levels within the Group through the Company's initiatives to increase diversity as stated below.

In addition, Aquaporin continues to focus on diversity in terms of nationalities. As of the end of 2022, 24 nationalities were represented among our employees.

Initiatives

In 2021, we took measures to encourage equal employment terms. These initiatives are at the core of a diverse and differentiated workforce and in 2022 we continued the work with these to provide equal opportunity within the Group:

- Our hiring process is based solely on individual, professional qualifications and we encourage applicants to apply for positions irrespective of gender, age, religion, ethnicity, and sexual orientation.

- We conduct half-yearly performance reviews to ensure career development for all employees, seeking to empower the individual.
- Leadership development is a central focus area, where we strive to ensure equal opportunity on several levels of management, through training and coaching.
- Through tailor-made projects, Aquaporin Academy offers national and international students a unique opportunity to become a part of the development of Aquaporin.

In addition, in 2023, we plan to implement a Young Professionals Program to strengthen and develop our younger talent pool.

Governance data

Included in our ESG reporting are key governance metrics, including board diversity on gender and nationality.

At the board-level, the percentage of females has declined since 2019. In 2021, and again

in 2022, we confirmed the target of reaching 33% females in the Board of Directors by 2024, cf. our Diversity Policy. In 2022, we were not able to identify any relevant female candidates suitable and able to join Aquaporin's Board of Directors. Thus, no changes were made to the Board of Directors in 2022.

The share of nationalities represented at the board-level has increased since the board size changed from nine to seven members. Currently, three shareholder-elected board members are of non-Danish nationality. The Board of Directors remains committed to having international members.

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 of December 31, 2022.

Statement of Corporate responsibility cf. section 99b in the Danish Financial Statements Act





ESG matrix

	Unit	2022	2021	2020	2019
Environment					
Direct GhG emissions (Scope 1)	Tons CO ₂ e	285	331	396	437
Indirect GhG emissions (Scope 2 - electricity) - location-based*	Tons CO ₂ e	76	111		
Indirect GhG emissions (Scope 2 - electricity) - market-based	Tons CO ₂ e	178	202	239	311
Electricity consumption	Megawatt hours	443	545	647	849
Natural gas (heating)	m ³	124,570	145,868	173,234	187,060
Renewable energy share (scope 2)**	%	68%	58%	66%	59%
Water consumption	m ³	3,439	5,471	5,319	6,653
Social data					
Full time workforce	FTE	86	78	83	83
Gender diversity (percentage female)	%	38%	39%	37%	41%
Gender diversity in management (percentage female)***	%	13%	17%	18%	19%
National diversity (number of nationalities)	Absolute number	24	24	23	21
Employee turnover ratio	%	25%	18%	30%	16%
Sickness absence	Days per FTE annually	4.5	3.76	3.7	5.72
Total incidents (stop-work orders)	Absolute number	0	2	3	1
Lost time incident rate (LTIR)	%	0%	0%	0%	0%
Governance					
Gender diversity, Board of Directors	%	14%	13%	22%	22%
Nationality diversity, Board of Directors	%	29%	25%	22%	22%
CEO pay ratio	Ratio	7.30	7.79	3.65	4.74



Notes

Emissions. Scope 1 emissions are direct emissions from owned or controlled sources. Scope 2 emissions are indirect emissions from electricity displayed using both location-based method and market-based method. Our location-based method reports on the actual energy grid mix at the time of consumption and is sourced from Reel, who has calculated our real-time energy emissions based on hourly data in Denmark from 2019 - 2022. For emissions using the market-based method, we used the emissions equivalent from Energinet's energy standard factors updated yearly. For Singapore, we used emission factors from the International Energy Agency (IEA). Renewable energy share: Singapore data is not included in this number. Water usage: Excludes US office. For more details on how we calculate our ESG data, please refer to Glossary on page 48.

* Data from Singapore is based on market-based methodology

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

*** Management is here defined as Executive Management and Managers reporting to Executive Management



Sustainability targets

We continue to invest in initiatives to improve the way in which we use water, and we take responsibility for delivering solutions for a more sustainable future.

For 2023 and beyond, we have introduced several new targets, including environmental metrics covering emissions and consumption and a target for under-represented gender diversity across all employees*.

We remain committed to our other targets and initiatives as outlined.

Continued commitment to sustainability:

Environment



Emissions	20% reduction in scope 1 (direct greenhouse gas) emissions by 2030
Energy consumption	5% yearly reduction in MWh/FTE

Social



Diversity/inclusion	Increase under-represented gender to 45% for all employees*
	Increase under-represented gender to 33% in Board of Directors and Management** by 2024
Employee turnover	Reduce volunteer leavers to <15% by 2024
Accidents	Class 1 (accidents causing death or serious deterioration) maintain at 0%
	Class 2 (all other accidents reported to WEA) to below 0.1%
	Class 3 (all other accidents) of below 1%
Incidents	Below 5 total stop-work orders in the relevant year
Absence	Maintain absence due to sickness at <5%

Governance



Diversity/inclusion	Increase under-represented gender to 33% in Board of Directors and Management** by 2024
	Increase under-represented gender to 45% for all employees*

* "All employees" excluding Executive Management, student workers, and temporary hires

** "Management" defined as Executive Management and Managers reporting to Executive Management



Glossary

Environment & Climate

Scope 1 emissions

are direct emissions from owned or controlled sources.

Scope 2 emissions

are indirect emissions from electricity displayed using both location-based method and market-based method. Our location-based method reports on the actual energy grid mix at the time of consumption and is sourced from Reel, who have calculated our real time energy emissions based on hourly data in Denmark from 2019 - 2022. For emissions using the market-based method, we used the emissions equivalent from Energinet's energy standard factors updated yearly. For Singapore, we used emission factors from the International Energy Agency (IEA).

Social & Employee

Full-time workforce

is calculated as the average number of FTEs. In Denmark, average FTEs = annual total payments to ATP / the standard rate paid to ATP for each employee. For Singapore and the USA, average FTEs = 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 of December 31, 2022.

Gender diversity at the management-level is calculated as the percentage (%)

of under-represented gender amongst managers (women) to total managers employed as of December 31, 2022. Managers are categorized as employees with leadership responsibilities and a minimum of one [reporting] employee.

Employee turnover

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

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.

Lost time incident rate (LTIR) per 1000 working hours

includes incidents categorized as either class 1 or 2 accidents. Working hours are defined from average number of FTEs and the estimated average working hours.

Accident-free time (AFT)

is reported as the total number of days since the last accident occurrence in class 1 or 2.

Governance

Board diversity on gender

is calculated as percentage of under-represented gender (women) to total members in the Board of Directors.

Board diversity on nationality

is calculated as percentage of non-Danish members to total members in the Board of Directors.

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 of December 31, 2022.

04

Governance



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Corporate governance

We apply 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.

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 seven members, of which five are independent. All Board members are elected at the Annual General Meeting. They serve a one-year term and are eligible for re-election.

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 2022 Remuneration report is available on the Company's website.

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 Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, and Chief Innovation Officer, 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.



Corporate governance

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 Hansen Independent Director			
Weiming Jiang Independent Director			
Anupam Bhargava Independent Director			
Jianlong Zhuang			

Committee Chair Committee Member







Corporate governance


Board of Directors

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, 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 Procedures. 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 5.1 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 Hansen	● ● ● ● ● ●		● ●	● ● ●
Jiang Weiming	● ● ● ● ● ○			
Anupam Bhargava	● ● ● ● ● ●			
Jianlong Zhuang	○ ○ ○ ○ ●			
Jens Denkov**		○		

 Chair

The dots indicate the individual member's attendance in meetings held in 2022.

* Stepped out of the Audit Committee on April 27, 2022

** Stepped down from the Board of Directors on April 27, 2022.



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, the Executive Management performs a risk analysis. While conducting these analyses, 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. In addition, all Group departments are involved in performing bottom-up risk

analyses on a half-year basis. The risk overview is 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, it could have adverse effects on the ability to service customers. To the extent possible, 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 relate 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.



Shareholder information

Share and ownership structure

Aquaporin was listed on the Nasdaq Copenhagen stock exchange on June 28, 2021. The total number of shares as of December 31, 2022 was 10,130,801. The company does not hold treasury shares. The company has one share class, with each share representing one vote in company matters. On February 21, 2023, Aquaporin completed a capital increase, resulting in the total number of shares being 10,946,154.

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

Our share price closed at DKK 72 on the last day of trading in the financial year 2022, representing a 35% decrease in share price compared to the share price on the last day of trading in the financial year 2021. In the same period, the OMX Copenhagen C25 index fell by 13%.

In total, Aquaporin had 2,868 name-registered shareholders* as of December 31, 2022. Aquaporin has received notifications of holdings of 5% or more of the share capital or voting rights from the following 4 shareholders as of December 31, 2022:

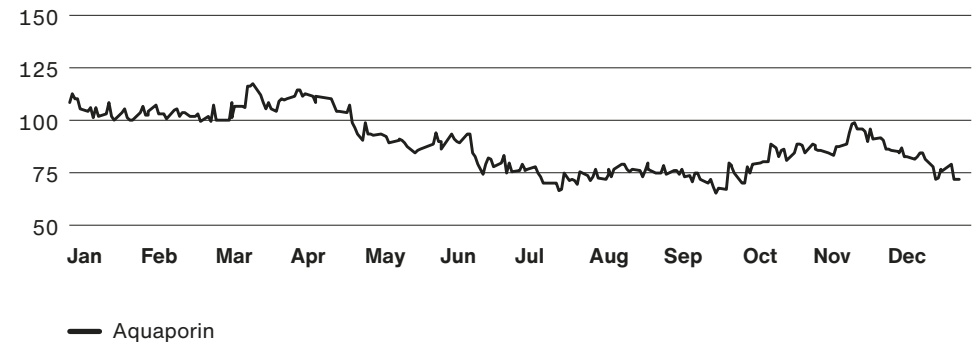
- M. Goldschmidt Capital A/S
- Danica Pension, Livsforsikringsaktieselskab
- InterChina Water Treatment Hong Kong Company Ltd
- VP Capital N.V.

On March 7, 2023, Topsøe Holding A/S became a major shareholder.

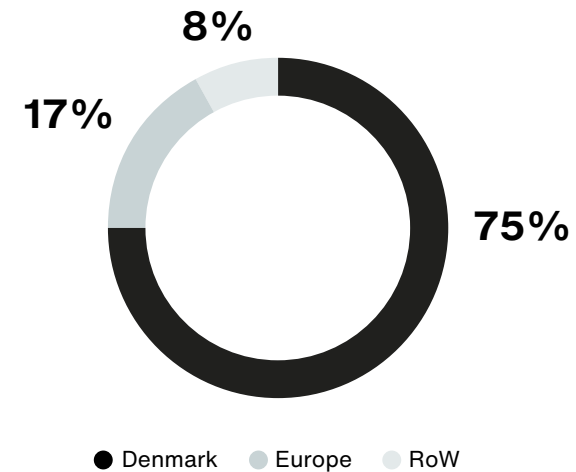
Shareholder return policy

Distributions to shareholders are subject to Board of Directors' proposals. In February 2023, the Company raised DKK 74 million, which will be used to fund the ongoing business on its journey towards profitability.

Share price development - January 1 to December 31, 2022



Geographical shareholder split



Share capital (end of year)	10,130,801
Outstanding shares (end of year)	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 729,417,672



Executive Management



Matt Boczkowski
Chief Executive Officer (CEO)



Klaus Juhl Wulff
Chief Financial Officer (CFO)



Joerg Hess
Chief Operating Officer (COO)



Peter Holme Jensen
Chief Innovation Officer (CIO)

Nationality	Canadian, Polish	Danish	German	Danish
Year of birth	1978	1973	1967	1970
Gender	Male	Male	Male	Male
Joined	2021	2022	2019	2005
Other positions and management duties	No other management positions.	Wulff Consulting (Owner)	No other management positions.	Artefakt Holding ApS (Executive Management), Aquaporin Space Alliance ApS (Board Member), Aquapoten Co. Ltd (Board Member), Innovation Fund Denmark (Board Member).
Qualifications	Broad experience in global growth initiatives in both water and waste treatment with global companies in senior leadership roles – including Suez and GE Water & Process Technologies – encompassing corporate account management, business development, strategic marketing, technology development and business management. Holds an MBA from HEC Montreal, a BEng in Chemical Engineering, and a BSc in Microbiology and Biotechnology from McGill University, Canada.	Experience with various growth companies with exposure to M&A and global business strategy. Brings extensive knowledge from several corporate finance functions in international companies which include positions in FLSmidth, Cobham Satcom, Berendsen Facility Division, and Stena Recycling. Holds an MSc in Economics and Business Administration from University of Aarhus.	Experienced engineering and operations executive from the water industry, including Siemens Water Technologies, Mann+Hummel, and SMEs in Australia, the United States, and Europe. Holds an MBA in International Marketing from European School of Business in Reutlingen and an MSc in Civil Engineering from Technical University Stuttgart.	Founder of Aquaporin in 2005. Instrumental in bringing Aquaporin from a research-based to a commercial company, serving as Chief Executive Officer until 2021. Various board member positions held, including Innovation Fund Denmark. Holds a PhD in Structural Biochemistry from University of Copenhagen and an MSc in Biochemistry and Chemistry from University of Southern Denmark.



Board of Directors



Niels Heering
Chair
Nationality Danish
Year of birth 1955
First elected 2015



Søren Bjørn Hansen
Deputy Chair
Nationality Danish
Year of birth 1972
First elected 2007



Anne Broeng
Board Member
Nationality Danish
Year of birth 1967
First elected 2018



Lars Hansen
Board Member
Nationality Danish
Year of birth 1967
First elected 2015

Independency assessment	Independent	Non-independent	Independent	Independent
Board committee(s)	Remuneration Committee (Chair) Nomination Committee (Chair)	Audit Committee (Member) Remuneration Committee (Member) Nomination Committee (Member)	Audit Committee (Chair)	Remuneration Committee (Member) Nomination Committee (Member)
Aquaporin shares as of December 31, 2022	11,233	14,500	7,491	9,001
Primary position	Senior General Counsel, Danske Bank	CEO, M. Goldschmidt Holding A/S, M. Goldschmidt Ejendomme A/S and M. Goldschmidt Capital A/S	Professional Board Member	Executive Director/Chief Executive Officer, Villum Foundation
Other appointments and board 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, Nesdugaard 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	Deputy Chair: Aquaporin Space Alliance, and Aquapoten Co. Ltd., China Member: Aquaporin Space Alliance and Aquapoten Co Ltd., China. Other: Chief Executive Officer of Atlas Ejendomme A/S, Komplementarselskabet MGE Frederiksbro II ApS, MGE16 ApS, MGE Frederiksbro II P/S, Kokkedal Slot ApS, M. Goldschmidt Ejd., Ringsted ApS, MGE Frederiksbro II Holding A/S, MGE Frederiksbro ApS, MGE Hornbæk ApS. Executive Management of SILVER BEAR HOLDINGS ApS, MGE Marienbergvej 108, Vordingborg ApS, Slotshotellet ApS, MGE Trekronergården ApS, MGE13 ApS, MGE14 ApS	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 Group	Other: None
Special qualifications	Extensive board experience from listed and private companies as well as within capital markets, mergers & acquisitions, and corporate law, including corporate governance. Expertise within real estate and the financial sector along with broad international experience.	Extensive experience within investments, financing, and business strategy along with significant international experience.	Experienced executive with extensive board knowledge. More than 30 years' experience in the financial service industry as Executive Director, CFO, and Chief Investment Officer. Board experience within the IT, energy, garment, building material, and retail sectors and financial services.	Extensive industry experience within biotechnology along with significant management expertise and global experience from a large international company.



Board of Directors



Anupam Bhargava
Board Member
Nationality Canadian
Year of birth 1967
First elected 2021



Weiming Jiang
Board Member
Nationality Danish
Year of birth 1956
First elected 2018



Jianlong Zhuang
Board Member
Nationality Chinese
Year of birth 1964
First elected 2021

Independency assessment	Independent	Independent	Independent
Board committee(s)	-	-	-
Aquaporin shares as of December 31, 2022	-	3,167	-
Primary position	Executive Vice President, Head of Global Service, NILFISK	Founder, Shanghai EOS Consulting Company	Vice President, Chief Risk Officer and Board Secretary, Interchina Water Treatment Co. Ltd.
Other appointments and board positions	None	Member: Aptar Group Asia, Huisman B.V. Other: Operating Partner at GL Capital Group, Advisor Group (NAG) at Novo Holdings, Advisor to Royal DSM	None
Special qualifications	Senior executive with 30 years' 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.	Experienced management professional with a global outlook and experience with the Chinese market. Extensive experience with biotechnology and the water sector.	Experienced industry professional and board member. Extensive experience within water treatment and food agriculture industries.



RECLAIM PURE WATER

Aquaporin Inside®



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 December 31, 2022, with comparative 2021 figures for the Group in brackets.

In 2022, the Group succeeded with the commercial growth strategy as guided in March 2022 and generated revenues of DKK 30.6 million compared to a guidance of DKK 20-30 million. EBITDA before special items was a loss of DKK 89.9 million compared to a guidance of loss of DKK 90-100 million, and EBIT before special items was a loss of DKK 108.4 million compared to a guidance of DKK 105-115 million.

Income statement

Revenue

Revenue for the year was DKK 30.6 million (DKK 8.9 million), an increase of 242.5%. The increase in revenue was a result of strong partnerships across all markets. In the Drinking Water market, the continuous commercial acceleration and launch of new products contributes to the increase in revenue. Within both Industrial Water and Food & Beverage, there has been an increasing interest in the Forward Osmosis (FO) technology, which has materialized in sales of large industrial pilot systems.

Drinking Water

Revenue in 2022 increased to DKK 23.0 million (DKK 6.4 million), an increase of 256.9%.

The biggest markets have been Europe and Asia. The sales in Europe have been off to a good start with the commercial partnership with Turkish conglomerate Vestel and was mainly driven by sales of the point-of-use purifiers. AquaShield, the global brand partner of Philips Water Solutions in the water solutions segment, has been the main driver of the commercial penetration in the drinking water market through sales of the Reverse Osmosis (RO) membrane in Asia.

Industrial Water

Revenue in 2022 was DKK 4.7 million (DKK 2.1 million), an increase of 123.8%.

The revenue was partly generated by large containerized pilot systems and partly by

product sales from both Hollow Fiber Forward Osmosis (HFFO) products and Brackish Water Reverse Osmosis (BWRO) products. The biggest market was Asia.

Food & Beverage

Revenue in 2022 was DKK 2.9 million (DKK 0.4 million), an increase of 636.7%.

In 2022, the first pilot solution was sold to a large customer in the US, which has been the main driver for the revenue generated in 2022. Additionally, revenue was driven by FO product sales through pilots and testing services.

Gross profit

Gross profit amounted to DKK 5.5 million (DKK 3.4 million). Mixed margin on product sales for 2022 was 18% (38%).

Gross profit normalized

In 2022 a sale of slow-moving inventory was made on DKK 1.0 million with 0% gross margin. Additionally, a provision for the potential replacement of early modules has been made on sales totaling DKK 4.7 million impacting cost of goods sold by negative DKK 2.7 million. Adjusted for these two factors, the realized normalized gross margin was 28% (38%).

Operating costs

Operating costs totalled DKK 113.9 million (DKK 97.1 million), an increase of DKK 16.8 million. The main driver of the cost increase relates to building the commercial infrastructure, increasing the distribution and warehousing function, and the write-down of non-moving inventory.



Financial review

Distribution costs

Distribution costs amounted to DKK 16.4 million (DKK 6.4 million). The distribution costs comprise warehousing, procurement, and logistic functions. It was previously an integrated part of R&D, supporting the materials used in development projects. The function now supports the commercial activities, which is why the cost is presented separately. The comparative figures have been adjusted accordingly to reflect the changed function of the supply chain infrastructure to commercial support as of Q4 2021. Additionally, the increasing costs derives from higher sales volumes in 2022.

Sales & marketing costs

Sales & marketing costs amounted to DKK 26.2 million (DKK 27.6 million). The decrease is mainly driven by the reduced costs related to rotation in the executive management and the separation of distribution costs. The expansion of the commercial organization and infrastructure has been further developed in 2022.

Research and development costs

Research & development (R&D) costs amounted to DKK 49.9 million (DKK 45.3 million). The R&D costs are adjusted in relation to the separation of distribution costs. The increased costs were driven by increased activities and resources used for commercial engineering intended to support sales of pilot solutions.

Administrative costs

Administrative costs amounted to 21.5 million (DKK 17.8 million). The increased administrative

costs arose partly through strengthening of the organization to accommodate the requirements for being a listed company and the cost of being listed. In addition, the hire of a new Chief Financial Officer contributed to the increase.

EBITDA before special items

EBITDA before special items amounted to a loss of DKK 89.9 million (loss of DKK 74.8 million).

Depreciations of tangible assets and amortization of finished development projects amounted to DKK 18.5 million (DKK 18.9 million).

EBITDA before special items normalized

EBITDA before special items normalized amounted to a loss of DKK 85.2 million (loss of DKK 74.8 million). EBITDA before special items normalized is a result of one-time costs related to replacement of first generation point-of-use systems amounting to DKK 4.7 million.

Special items

Special items were an expense of DKK 5.0 million in 2022 (DKK 37.3 million). In 2022, inventory intended for the Russian market was written down. In 2021, special items were related to the Initial Public Offering (IPO) completed in June 2021.

Net financial items and shares of associates

Net financial items amounted to DKK -4.1 million (DKK -4.6 million).

Net financial items comprise interest received and interest paid, interest component of payments under finance leases, surcharges and refunds under Denmark's on-account tax

scheme, and items denominated in a foreign currency.

Income tax

Income tax for the year ended December 31, 2022 amounted to an income of DKK 5.4 million (an income of DKK 5.4 million). An income tax benefit for both years include a tax credit for R&D costs at the applicable tax rate under the Danish Corporate Income Tax Act.

Cash flow

Cash flow from operating activities

Net cash used in operating activities was DKK 94.9 million (DKK 115.2 million). The improved cash flow from operating activities was primarily due to the decrease in special items in 2022 compared to 2021 where the costs were driven by the IPO.

Cash flow from investing activities

Cash flow used for operational investment activities was DKK 11.4 million (DKK 9.8 million). The increase was due to both an increase in development projects and more capital expenditures used on tangible assets.

Cash flow from financing activities

Net cash provided by financing activities was negative by DKK 7.6 million (DKK 266.7 million). The cash from financing activities in 2022 was mainly driven by repayments of lease liabilities whereas 2021 was driven by the gross proceeds from the IPO in June 2021, which amounted to DKK 250.0 million.

Balance sheet

As of December 31, 2022, the balance sheet total was DKK 270.5 million (DKK 385.3 million).

Assets

Total non-current assets amounted to DKK 203.3 million (DKK 204.5 million). Intangible assets amounted to DKK 93.2 million (DKK 89.5 million), an increase of DKK 3.7 million driven by increased capitalized costs for development projects. Tangible assets amounted to DKK 107.6 million (DKK 112.9 million), a decrease of DKK 5.3 million due to depreciations and reduced capital expenditures. Rights-of-use assets amounted to DKK 50.2 million (DKK 49.2 million).

Inventory amounted to DKK 10.7 million (DKK 17.6 million), of which finished goods amounted to DKK 8.3 million, with a majority comprising Drinking Water products.

Trade receivables amounted to DKK 12.4 million (DKK 5.2 million), mainly related to Drinking Water customers.

Aquaporin's cash and cash equivalents amounted to DKK 29.4 million (DKK 143.3 million) and are invested in deposit accounts with highly rated banks.

Equity

Total equity amounted to DKK 159.1 million (DKK 270.5 million).



Consolidated income statement

DKK 1,000	Note	2022	2021
Net revenue	2.2	30,554	8,922
Cost of goods sold	2.3	(25,019)	(5,549)
Gross profit		5,535	3,373
Distribution costs	2.4, 2.5, 5.1, 5.2	(16,376)	(6,394)
Sales and marketing costs	2.4, 2.5, 5.1, 5.2	(26,220)	(27,553)
Research and development costs	2.4, 2.5, 5.1, 5.2	(49,862)	(45,331)
Administrative costs	2.4, 2.5, 5.1, 5.2	(21,461)	(17,823)
Operating profit/loss before special items		(108,384)	(93,728)
Special items	2.6	(5,007)	(37,319)
Operating profit/loss (EBIT)		(113,391)	(131,047)
Share of net earnings of associates	3.4	(23)	(1,602)
Finance income	2.7	105	-
Finance costs	2.7	(4,192)	(4,550)
Earnings before income tax		(117,501)	(137,199)
Income tax	2.8	5,382	5,425
Earnings for the period		(112,119)	(131,774)
Earnings per share in DKK			
Earnings per share		(11)	(14)
Diluted earnings per share		(11)	(14)

Consolidated statement of comprehensive income

DKK 1,000	Note	2022	2021
Earnings for the period		(112,119)	(131,774)
Other comprehensive income			
Items that can be reclassified to income statement:			
Translation adjustments regarding foreign operations		1,521	366
Other comprehensive income, net of tax		1,521	366
Total comprehensive income (loss)		(110,598)	(131,408)



Consolidated cash flow statement

§ Accounting policy

The cash flow statement is prepared in accordance with the indirect method on the basis of the Group's earnings before financial items and 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 from operating activities consists of earnings before financial items and tax (EBIT) adjustment for non-cash items and changes in working capital, financial items received and paid from the lease liabilities and taxes paid.

Cash flow from investing activities include investments in non-current assets and associates.

Cash flow from financing activities primarily include cash flows from repayments of lease liabilities and capital injections.

Cash flows in foreign currencies are translated into Danish kroner at the exchange rate on the transaction date.

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

DKK 1,000	Note	2022	2021
Operating profit (EBIT)		(113,391)	(131,047)
Non-cash items	4.2	23,951	26,488
Change in net working capital	4.3	(6,905)	(6,004)
Cash flow from primary operating activities		(96,345)	(110,563)
Received interests and other financial income		105	243
Paid interests and other financial expenses		(4,192)	(4,793)
Received tax		5,490	(76)
Cash flow from operating activities		(94,942)	(115,189)
Investments in intangibles assets		(9,728)	(9,149)
Investments in tangibles assets		(1,403)	(557)
Deposits		(273)	(63)
Cash flow from investing activities		(11,404)	(9,769)
Credit facility		-	(28,635)
Non-current liabilities		(1,688)	1,801
Repayment of lease liabilities		(5,874)	(3,160)
Proceeds from sale of tax receivables		-	5,367
Proceeds from warrant programs exercised		-	45,325
Proceeds from capital increase		-	250,000
Cost related to issue of new shares		-	(4,038)
Cash flow from financing activities		(7,562)	266,660
Net cash flow		(113,908)	141,702
Cash and cash equivalents, beginning of year		143,257	1,504
Currency adjustment of cash and cash equivalents		68	51
Cash and cash equivalents, end of year		29,417	143,257



Consolidated balance sheet December 31

DKK 1,000	Note	2022	2021	DKK 1,000	Note	2022	2021
Goodwill	3.1	2,899	2,899	Share capital	3.9	10,131	10,131
Development projects	3.1	89,846	86,255	Retained earnings	3.9	146,693	259,554
Other intangibles	3.1	452	313	Reserve for translation adjustments	3.9	2,311	790
Total intangible assets		93,197	89,467	Total equity		159,135	270,475
Plant and machinery	3.2	38,547	42,547	Lease liability	3.3	52,774	51,739
Right-of-use assets	3.2, 3.3	50,233	49,209	Other payables		3,596	5,284
Other equipment	3.2	2,026	2,772	Total non-current liabilities		56,370	57,023
Leasehold improvements	3.2	16,799	18,336	Provision	3.10	3,735	111
Total tangible assets		107,605	112,864	Lease liability	3.3	4,032	3,077
Investments in associates	3.4	24	47	Prepayments from customers		469	-
Deposits		2,437	2,164	Trade payables		3,167	7,214
Financial assets		2,461	2,211	Other payables		11,003	12,319
Total non-current assets		203,263	204,542	Deferred government grants	3.11	32,635	35,127
Inventories	3.5	10,738	17,593	Total current liabilities		55,041	57,848
Trade receivables	3.6	12,430	5,152	Total liabilities		111,411	114,871
Other receivables		4,132	6,396	Total equity and liabilities		270,546	385,346
Income tax receivables		5,500	5,505				
Prepayments		5,066	2,901				
Cash and cash equivalents	3.7	29,417	143,257				
Total current assets		67,283	180,804				
Total assets		270,546	385,346				



Consolidated statement of changes in equity

DKK 1,000	Share capital	Retained earnings	Reserve for translation adjustments	Total equity
Balance at December 31, 2020	8,174	98,724	424	107,322
Profit/loss for the period	-	(131,774)	-	(131,774)
Other comprehensive income	-	-	366	366
Total comprehensive income for the period	-	(131,774)	366	(131,408)
Transactions with owners in their capacity as owners				
Increase in share capital	1,957	293,368	-	295,325
IPO costs	-	(4,038)	-	(4,038)
Share-based payment	-	3,274	-	3,274
Balance at December 31, 2021	10,131	259,554	790	270,475
Profit/loss for the period	-	(112,119)	-	(112,119)
Other comprehensive income	-	-	1,521	1,521
Total comprehensive income for the period	-	(112,119)	1,521	(110,598)
Transactions with owners in their capacity as owners				
Share-based payment	-	(742)	-	(742)
Balance at December 31, 2022	10,131	146,693	2,311	159,135



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Basis of preparation of consolidated financial statements

1.1 Significant accounting policies

The Consolidated Financial Statements for the Aquaporin Group has 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.

Adjustments to comparative figures

Distribution costs amounted to a significant amount in 2022 and are therefore presented separately in the income statement. In 2021, the costs were included as part of R&D, but have for 2022 been changed and the comparative figures has been adjusted accordingly. The adjustment does not have any net impact on the income statement, balance sheet, cash flow, or equity

Impact of new accounting standards

As of January 1, 2022, 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.

Reporting under the ESEF regulation

With securities listed on a regulated market within the EU, Aquaporin is required to prepare the Annual Report using a combination of the HTML format and to tag the primary consolidated financial statements using iXBRL (Inline eXtensible Business Reporting Language).

The Group's iXBRL tags have been prepared in accordance with the ESEF taxonomy, which is included in the ESEF regulation and developed based on the IFRS taxonomy published by the IFRS Foundation.

The line items in the consolidated financial statements are tagged to elements in the ESEF taxonomy. For financial line items that are not directly defined in the ESEF taxonomy, an extension to the taxonomy has been created. Extensions are anchored to elements in the ESEF taxonomy, except for extensions that are subtotals.

The Annual Report submitted to the Danish Financial Supervisory Authority (the Officially Appointed Mechanism) is included in the zip file 894500AW5ZWMYUZN1V70-2022-12-31-en.zip.

Applying materiality

The consolidated income statement and the consolidated balance sheet separately present items that are considered individually significant or are required under the minimum presentation of IAS 1. When determining whether an item is individually significant, both quantitative and qualitative factors are considered. If the presentation or disclosure of an item is not decision-useful, the information is considered insignificant. Explanatory disclosure notes related to the consolidated financial statements are presented for individually significant items. Where separate presentation of a line item is made solely due to minimum presentation requirements in IAS 1, no further disclosures are provided in respect of that line item.

General information on recognition and measurement

The Consolidated 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 Group's 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.



Basis of preparation of consolidated financial statements – continued

1.1 Significant accounting policies – continued

The functional currency of the Parent Company is the Danish kroner (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 of intangible assets, depreciation of tangible assets, 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.

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 by which 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.

The Group has assessed the current macroeconomic situation, the situation between Ukraine and Russia, and the current impact of climate risks on its financial reporting. The impact assessment was primarily focused on the valuation and useful lives of intangible assets, and the identification and valuation of provisions and contingent liabilities, as these are judged to be the key areas that could be impacted by such risks. Apart from the measurement already included and highlighted in the financial report, no material accounting impacts or changes to judgments or other required disclosures were noted.



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 categories 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 Group's assets is situated in Denmark as the parent company owns the Group's intellectual property rights.

Sales to two of the Group's customers respectively exceeded 10% of the total revenue. In 2021, three customers respectively exceeded 10% of the total revenue.

DKK 1,000	2022	2021
Intangible and tangible assets less goodwill by geographical region:		
Denmark	189,614	196,376
Asia-Pacific	3,833	3,056
Total	193,447	199,432

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. 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 Reverse Osmosis 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, but can vary depending on the specific agreement. 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.

This varies between prepayment to a partly or fully credit with payment terms varying from 30 to 120 days. The standard payment terms of the transaction is due within 30 days from invoice date. There are no financing elements in the contracts, which is why the price is fixed.

Revenue

DKK 1,000	2022	2021
Drinking Water	22,967	6,435
Industrial Water	4,684	2,093
Food and Beverage	2,903	394
Total revenue by activities	30,554	8,922
Total revenue recognized at a point in time	30,554	8,922
	2022	2021
Western Europe	3,340	2,576
Eastern Europe	4,983	2,348
APAC	18,448	3,422
Americas	3,783	576
Total revenue by markets	30,554	8,922



Operating activities – continued

2.3 Cost of goods sold

§ Accounting policy

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

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 Notes 3.1 and 3.2.

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

DKK 1,000	2022	2021
Distribution costs	4,371	956
Sales and marketing costs	1,178	1,241
Research and development costs	12,254	15,772
Administrative costs	663	917
Total amortizations and depreciations	18,466	18,886

Deferred government grants were recognized with DKK 3.1 million in 2022 (2021: DKK 2.0 million).

2.5 Staff costs

§ Accounting policy

Staff costs comprise wages and salaries, expenses under Long-Term Incentive Programs, and costs to social security such as pensions, insurance, etc. Staff costs are offset by social benefits.

DKK 1,000	2022	2021
Salaries	63,726	64,013
Pension costs, defined contribution plans	1,475	988
Other expenses to social security	1,383	1,123
Share-based payments (Note 5.2)	(742)	3,274
Total	65,842	69,398
Average number of full-time employees	86	78
Included in the consolidated income statement:		
Distribution costs	6,213	1,782
Sales and marketing costs	14,618	14,004
Research and development costs	24,697	21,531
Administrative costs	13,034	12,917
Special items	-	14,684
Total staff costs in consolidated income statement	58,562	64,918
Staff costs capitalized as part of development projects	7,280	4,480
Total staff costs for the period	65,842	69,398



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 2022 consist of inventory write-down of products that were intended for the Russian market. It has been chosen to cease the activities in the region due to the current conflict in Ukraine.

In 2021, IPO costs comprised various consultancy fees as part of the IPO preparation, insurances, bank engagement and bonuses for a number of employees for a successful transaction.

In 2022, special items recognized in the income statement amounted to DKK 5.0 million (2021: DKK 37.3 million).

DKK 1,000	2022	2021
Consultancy costs	-	12,988
Bank engagement	-	8,520
Insurance	-	4,087
Registration costs	-	1,078
Bonus	-	11,106
Warrants	-	3,578
Write-down inventory	5,007	-
Total	5,007	41,357
Special items are recognized as follows:		
Income statement	5,007	37,319
Equity	-	4,035
Total	5,007	41,357

2.7 Financial income and expenses

§ Accounting policy

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

DKK 1,000	2022	2021
Financial income		
Interest income, banks	105	-
Total	105	-
Financial expenses		
Interest expenses, banks	214	1,508
Interest expenses, lease liabilities	1,764	1,805
Exchange rate adjustments, net	1,396	168
Other financial expenses, including bank fees	818	1,069
Total	4,192	4,550



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 as described in Note 3.8.

DKK 1,000	2022	2021
Tax for the year comprises:		
R&D tax credit	5,500	5,500
Other taxes	(118)	(75)
Total	5,382	5,425

	2022		2021	
	DKK 1,000	%	DKK 1,000	%
Profit before tax	(117,501)	22%	(137,199)	22%
Calculated 22% (2021: 22%) of profit before tax	25,850	22%	30,184	22%
Tax effect of:				
Regulation of calculated tax in foreign affiliated companies in relation to 22% (2021: 22%)	(20)	(0.0%)	33	0.0%
Permanent differences	2,420	2.1%	(10,788)	(7.8%)
Withholding taxes	(118)	(0.1%)	(75)	(0.1%)
Other corrections	(491)	(0.4%)	2,289	1.7%
Deferred tax assets not capitalized	(22,259)	(19.0%)	(16,218)	(11.8%)
Tax on profit/loss for the year	5,382	4.6%	5,425	4.0%

2.9 Earnings per share

As a result of the Group's losses for 2022 and 2021, the potential shares issuable related to outstanding share-based awards have been excluded from the calculation of diluted per

share amounts, as the effect of such shares is anti-dilutive.

The result and weighted-average number of ordinary shares used in the calculation of basic and diluted result per share is as follows:

DKK 1,000	2022	2021
Earnings for the period	(112,119)	(131,774)
Average number of shares	10,131	9,153
Earnings per share	(11)	(14)



Assets and liabilities

3.1 Intangible assets

§ Accounting policy

Goodwill is assessed to have an indefinite useful life, and is tested for impairment on annual basis.

Research and development costs are recognized in the income statement as they are incurred. Costs mainly comprise of salaries and other 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. Additionally, development projects are only recognized as intangible asset when the cost of the project can be calculated reliably and where 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	Goodwill	Finished development projects	Development projects in progress	Other intangibles	Total
Cost price at January 1, 2022	2,899	57,279	46,276	406	106,860
Additions during the year	-	-	9,439	289	9,728
Transfer	-	483	(483)	-	-
Purchase price at December 31, 2022	2,899	57,762	55,232	695	116,588
Amortizations at January 1, 2022	-	17,300	-	93	17,393
Amortizations	-	5,848	-	150	5,998
Amortizations at December 31, 2022	-	23,148	-	243	23,391
Carrying amount at December 31, 2022	2,899	34,614	55,232	452	93,197
Cost price at January 1, 2021	2,899	57,090	37,722	-	97,711
Additions during the year	-	-	8,743	406	9,149
Transfer	-	189	(189)	-	-
Purchase price at December 31, 2021	2,899	57,279	46,276	406	106,860
Amortizations at January 1, 2021	-	11,475	-	-	11,475
Amortizations	-	5,825	-	93	5,918
Amortizations at December 31, 2021	-	17,300	-	93	17,393
Carrying amount at December 31, 2021	2,899	39,979	46,276	313	89,467



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

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

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 and support the valuation of goodwill.

Goodwill amounted to DKK 2.9 million at December 31, 2022 (2021: DKK 2.9 million) and development projects in progress amounted to DKK 55.2 million at December 31, 2022 (2021: DKK 46.3 million). Development projects in

progress comprise direct costs related to development of membrane products. Goodwill and development projects in progress are tested at least annually to identify whether any need for impairment is present.

The impairment test is performed at the lowest level of the CGU and calculated on a value-in-use basis. The value-in-use calculation is based on a 10-year forecast period in accordance with the Group's financial planning model and accommodates the expected useful life of development projects in progress.

Key assumptions

The determination of the recoverable amount of a CGU requires significant management judgment in determining various assumptions, such as:

- Revenue growth in the forecasted period
- Gross profit
- Development in net working capital
- Discount rate
- Growth rate in terminal period

The assumptions are based on the budget for 2023 approved by the Board of Directors. The remaining forecast period is based on a strategy board model (2024-2026) approved by the Board of Directors and projections (2027-2032) prepared by Management.

Revenue is on average estimated to grow within the range of 20-50% percentage (2022: 242%), whereas total gross margin is estimated to reach 38% (2022: 18%) during the projected period.

Determining future cash flows is dependent on Management's judgment and estimates. In nature, these projections are subject to judgment and estimates that are uncertain.

The WACC applied in the impairment test is 16% (2021: 14%), and has increased due to changes in macroeconomics uncertainties. The terminal growth is 2% (2021: 2%) and thus remain unchanged.

The impairment test in 2022 did not give rise to impairment loss.

In 2022, DKK 0.5 million (2021: DKK 0.2 million) was transferred to finished development projects and amortization has started. The 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
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 the respective cost line.

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, an assessment of the asset value 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 January 1, 2022	67,814	67,643	12,213	27,964	175,634
Remeasurement	-	4,456	-	-	4,456
Exchange rates	438	218	26	55	737
Additions during the year	1,157	2,018	246	-	3,421
Disposal during the year	-	(3,052)	-	-	(3,052)
Purchase price at December 31, 2022	69,409	71,283	12,485	28,019	181,196
Depreciations at January 1, 2022	25,267	18,434	9,441	9,628	62,770
Exchange rates	260	190	26	52	528
Depreciations	5,335	4,673	992	1,540	12,540
Depreciations disposal	-	(2,247)	-	-	(2,247)
Depreciations at December 31, 2022	30,862	21,050	10,459	11,220	73,591
Carrying amount at December 31, 2022	38,547	50,233	2,026	16,799	107,605
Purchase price at January 1, 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
Purchase price at December 31, 2021	67,814	67,643	12,213	27,964	175,634
Depreciations at January 1, 2021	19,016	13,986	8,342	8,043	49,378
Exchange rates	202	153	23	45	423
Depreciations	6,049	4,295	1,076	1,549	12,969
Depreciations at December 31, 2021	25,267	18,434	9,441	9,628	62,770
Carrying amount at December 31, 2021	42,547	49,209	2,772	18,336	112,864



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

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% (2021: 3.15%).

The lease liability is subsequently measured 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 income statement 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	2022	2021
Right-of-use assets		
Land and buildings	49,356	48,315
Other equipment	877	894
Carrying amount of lease assets	50,233	49,209
Lease liabilities		
Within one year from the balance sheet date	4,032	3,077
Between one and five years from the balance sheet date	13,628	11,871
After five years from the balance sheet date	39,146	39,868
Total	56,806	54,816

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. Remeasurement was made in 2022 due to an increase in rental cost.

Amounts recognized in the income statement, relating to leases:

DKK 1,000	2022	2021
Interest expenses	1,764	1,805
Expenses related to short-term leases (sales & marketing)	84	64
Expenses related to short-term leases (research & development)	186	392
Expenses related to short-term leases (administrative)	34	-
Expenses related to low value assets (administrative)	-	28
Depreciation related to right-of-use assets		
Land and buildings	4,613	3,363
Other equipment	471	334
Depreciation of right-of-use assets	5,084	3,697
Amounts recognized in the cash flow statement, relating to leases:		
The total cash outflow for leases	5,874	4,313

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.

Management has due to continuously low business activity in Aquapoten performed an impairment test of the fair value in Aquapoten. Consequently the investment in Aquapoten has been written down with DKK 357 thousand, as the fair value of underlying assets in Aquapoten are not supporting the recognized carrying values.

DKK 1,000	2022	2021
Purchase price at January 1	26,679	26,679
Purchase price at December 31	26,679	26,679
Accumulated write-ups and write-downs at January 1	(26,632)	(25,030)
Unrealized gain on sale of assets from Aquaporin	-	407
Share of result after tax	(23)	(211)
Write-down	-	(1,798)
Accumulated write-ups and write-downs at December 31	(26,655)	(26,632)
Carrying amount at December 31	24	47



Assets and liabilities – continued

3.4 Investments in associates – continued

Investments in associates includes:

DKK 1,000	2022			2021		
	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 December 31	1,624	24	1,648	3,053	47	3,100
Share of intangible assets related to IP-transfer at January 1	(1,722)	-	(1,722)	(2,154)	-	(2,154)
Reversal of share of depreciation of intangible assets related to IP-transfer in 2016 during the year	455	-	455	432	-	432
Elimination of value from Group internal IP-transfer at December 31	(1,267)	-	(1,267)	(1,722)	-	(1,722)
Write down	(357)	-	(357)	(1,331)	-	(1,331)
Carrying amount at December 31	-	24	24	-	47	47



Assets and liabilities – continued

3.4 Investments in associates – continued

Summarized financial information for included associates:

	2022		2021	
	Aquapoten Company Limited	Aquaporin Space Alliance ApS	Aquapoten Company Limited	Aquaporin Space Alliance ApS
Country	China	Denmark	China	Denmark
Ownership share	45%	50%	45%	50%
Comprehensive income				
Earnings for the period	(3,025)	(45)	(4,558)	(19)
Balance sheet				
Total non-current assets	2,815	-	3,838	-
Total current assets	2,174	63	3,455	108
Total liabilities	(1,380)	(15)	(508)	(14)
Total equity	3,609	48	6,785	94

3.5 Inventories

§ Accounting policy

Inventories are measured at the lower of cost and net realizable value. Cost is determined using the first-in, first-out convention.

The cost of goods for resale and raw materials and consumables comprises purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising costs incurred to

bring the product to the current completion rate and location. Costs include the cost of raw materials, consumables, direct wages and salaries, and indirect production overheads. Indirect production overheads comprise indirect materials, wages and salaries, maintenance and depreciation of production machinery and equipment, as well as production administration and management.

We review our inventory for excess and obsolescence and write down inventory that has no alternative uses to its net realizable value.

	2022	2021
DKK 1,000		
Raw material and consumables	2,363	3,778
Goods in progress	104	2,275
Finished goods	8,271	11,540
Total inventories	10,738	17,593
<i>Amounts recognized in income statement</i>		
Cost of materials included in cost of goods sold	22,448	5,549
Warranty provisions	2,571	-
Total costs of goods sold	25,019	5,549
Write-down on inventories at December 31	6,424	3,894



Assets and liabilities – continued

3.6 Trade receivables

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.

§ Accounting policy

Receivables are initially recognized at fair value adjusted for any transaction costs.

Subsequently, receivables are measured at

DKK 1,000	2022	2021
Trade receivables	12,728	5,154
Loss allowance	(298)	(2)
Total trade receivables	12,430	5,152
Changes in allowances for trade receivables		
Allowance at January 1	2	-
Write-down for the year	296	2
Allowance at December 31	298	2

In 2021, there were no material overdue trade receivables and the write-down for expected losses was not material.

3.7 Cash

§ Accounting policy

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

Cash and cash equivalents are measured at amortized cost.

3.8 Deferred tax

DKK 1,000	2022	2021
Intangible assets	(9,297)	(4,336)
Property, plant, and equipment	(743)	(3,215)
Current assets	2,601	2,601
Lease liability	11,263	11,966
Current liabilities	1,162	310
Deferred government grants	6,259	-
Tax loss carry forwards	83,406	65,585
Total	94,651	72,911
Not recognized	(94,651)	(72,911)
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 December 31, 2022, the unrecognized deferred tax assets in Denmark amounted to DKK 94.7 million (2021: DKK 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

There were no capital increases in 2022.

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 2022.

Number of shares	Ordinary shares
December 31, 2021	10,130,801
December 31, 2022	10,130,801

3.10 Provision

§ Accounting policy

Provisions 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 more likely than not that economic 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 be met.

DKK 1,000	2022	2021
Provision at January 1	111	-
Additions	3,624	111
Provision at December 31	3,735	111

The provision covers the warranty obligation for sold products. The obligation covers costs relating to the warranty period of 6-12 months after delivery or shelf life of the products whichever period expires first amounting to DKK 0.4 million. Furthermore, a provision regarding replacement of first generation Point-of-use systems has been made amounting to DKK 3.3 million.



Assets and liabilities – continued

3.11 Deferred government grants

§ Accounting policy

Government grants comprise 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 deferred government grants 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 received 4.1 million in government grants for research and development purposes in 2022 that were recognized directly in the income statement, whereas such grants were received with DKK 0.0 million in 2021.

In 2022, the Group received DKK 0.5 million in government grants related to projects that qualified for capitalization, whereas DKK 0 million were received in 2021.

Deferred government grants were recognized in the income statement with DKK 3.1 million in 2022 (2021: DKK 2.0 million).



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 16.6 million (2021: DKK 11.5 million). The Group carries a credit insurance which aims to secure the main credit risks. 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 Group's 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 these are not considered material.

The Group policy related to foreign exchange risks is not to use hedging instruments as the Group's value chain to a large extent secures a natural hedge.

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

Interest rate risk

The Group's credit facility carries a variable interest rate. The average interest rate in 2021 was 3.15% and grew to 5.00% by the end of 2022. The Group is not exposed to material interest rate risks, as the credit facility was not utilized.

Liquidity risk

Management of the liquidity risk is ensured through consistent focus on budgeted and realized cash flow. To cover the liquidity needs Aquaporin A/S completed an Offering of new shares in connection with a private placement in February 2023, raising gross proceeds of DKK 74 million. See Note 5.6 for further details.

Capital management

Management evaluates the need 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.

DKK 1,000	Possible change in exchange rate (+/-)	Hypothetical change in equity	Hypothetical change in profit/loss
2022			
EUR/DKK	1%	(3)	28
USD/DKK	15%	1,360	(159)
SGD/DKK	15%	2,656	(1,605)
2021			
EUR/DKK	1%	(12)	41
USD/DKK	15%	373	(412)
SGD/DKK	15%	2,610	(1,403)



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		
December 31, 2022					
Trade and other receivables	16,562	-	-	16,562	16,562
Cash and cash equivalents	29,417	-	-	29,417	29,417
	45,979	-	-	45,979	45,979
Lease liability	5,884	19,660	45,220	70,764	56,806
Trade and other payables	6,624	-	-	6,624	6,624
	12,508	19,660	45,220	77,388	63,430
December 31, 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

Financial instruments per category

DKK 1,000	2022	2021
Trade and other receivables	16,562	11,548
Cash and cash equivalents	29,417	143,257
Financial assets measured at amortized cost	45,979	154,805
Lease liability	70,764	69,480
Trade and other payables	6,624	8,618
Financial liabilities measured at amortized cost	77,388	78,098



Cash, capital structure and financing – continued

4.2 Non-cash items

DKK 1,000	2022	2021
Amortization, depreciation, and impairment losses	18,466	18,886
Share-based payment	(742)	3,274
Change in write-down of inventories for the year	6,424	3,894
Change in provisions	3,624	111
Changes in deferred government grants	(2,492)	(622)
Other non-cash adjustments	(1,329)	323
Total non-cash items	23,951	25,866

4.3 Changes in net working capital

DKK 1,000	2022	2021
Changes in inventories	6,855	(4,967)
Changes in prepayments	(2,165)	(1,724)
Changes in trade receivables	(7,278)	(2,021)
Changes in other receivables	2,265	(1,478)
Changes in trade payables	(4,047)	4,555
Changes in prepayments	469	-
Changes in other payables	(3,004)	253
Total changes in net working capital	(6,905)	(5,382)



Cash, capital structure, and financing – continued

4.4 Change in financial liabilities

DKK 1,000	Dec 31, 2021	Cash flow	Non-cash changes				Dec 31, 2022
			Additions	Remeasurement	Disposals	Currency effects	
Lease liabilities	54,816	(3,658)	2,018	4,456	(855)	29	56,806
Total liabilities from financing activities	54,816	(3,658)	2,018	4,456	(855)	29	56,806

DKK 1,000	Dec 31, 2020	Cash flow	Non-cash changes				Dec 31, 2021
			Additions	Remeasurement	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



Other notes

5.1 Remuneration of the Executive Management and the Board of Directors

Key management personnel consist of Board of Directors and Executive Management due to

size of the organization. Total remuneration of Board of Directors and the Executive Management amounted to DKK 17.6 million (2021: DKK 21.9 million).

Remuneration to Board of Directors

DKK 1,000	2022	2021
Fixed base fee		
Niels Heering	866	600
Søren Bjørn Hansen	600	300
Anne Broeng	350	225
Lars Hansen	300	200
Weiming Jiang	250	175
Anupam Bhargava ¹	250	42
Jianlong Zhuang ¹	250	42
Jens Denkov ²	125	125
Cai Jianwen ³	-	83
Lei Zhang ⁴	-	-
Michael Frank ⁴	-	-
Total	2,991	1,792

1 Since November 2021

2 Until April 2022

3 Until November 2021

4 Until June 2021

Remuneration to Executive Management

DKK 1,000	Fixed base salary	Bonus ¹	Pension expenses	Benefits	Share based incentive ¹	Total
2022						
Executive Management						
Matt Boczkowski	2,586	1,355	186	115	344	4,586
Klaus Juhl Wulff ²	1,144	408	34	2	124	1,712
Joerg Hess	2,016	1,039	47	117	134	3,353
Peter Holme Jensen	2,101	1,318	60	143	76	3,698
Bo Karmark ³	850	331	22	32	-	1,235
Total	8,697	4,451	349	409	678	14,584
2021						
Executive Management						
Matt Boczkowski ⁴	1,913	2,927	140	286	692	5,958
Joerg Hess ⁵	1,849	1,930	31	89	529	4,429
Peter Holme Jensen	2,101	2,574	42	116	701	5,534
Bo Karmark	1,592	1,950	32	77	529	4,179
Total	7,455	9,381	245	568	2,452	20,101

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 Joined May 2022

3 Until May 2022

4 Since March 2021

5 Joined the Executive Management in April 2021



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. The costs is allocated either over the vesting period or in the period in which the receiver obtains the right to the warrant. 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 comprise a total of 278,159 warrants at December 31, 2022 (2021: 100,636). Each warrant gives the holder right to buy one ordinary share of nominally 1 DKK in Aquaporin A/S. The outstanding warrants amount to 2.7% of the share capital if they are all exercised (2021: 1.0%).

The number of warrants granted is determined annually by the Board of Directors in accordance with the Company's Articles of Association.

In 2022, the recognized impact on the income statement related to share-based payments was positive with an amount of DKK 0.7 million (2021 was impacted by an expense on DKK 3.3 million). The positive impact was related to forfeited warrants and a revaluation on the value of the warrants granted in 2022 under the LTIP program.

Two warrant programs were granted in 2022, the LTIP program and the May 2022 program.

For the warrants granted in the LTIP program in 2022, a share market price of DKK 173 was used. The fair value of the LTIP warrants granted in 2022 is DKK 18.7.

The vesting period for the LTIP warrants granted in 2022 is 3 years and exercise of warrants can take place after the vesting period and within 5 years from the date of the grant.

For the warrants granted in the May program in 2022, a share market price of DKK 100.6 was used. The fair value of the warrants in the May program granted in 2022 is DKK 27.4. The vesting period for the warrants in the May program granted in 2022 is 2 years, which deviates from the Company's Remuneration Policy, and exercise of warrants can take place after the vesting period and within 4 years from the date of the grant. Contrary to Aquaporin's 2021 LTIP, the May 2022 program is not subject to satisfaction of KPIs or targets since the grant was made for the purpose of retaining the Company's management and employees, create long-term shareholder value, and ensure achievement of Aquaporin's long-term strategic goals. Additionally, the program was intended to further align interests by allowing participants to exercise warrants within the foreseeable future.

The total outstanding number of warrants have an average value of DKK 35.8 (2021: DKK 59.8). The value was calculated using the Black-Scholes option valuation model.

For the warrants granted in 2021, a share market price of DKK 173 was 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.



Other notes

 – continued

5.2 Shared-based payments – continued

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
2022	15,497	15,497	173.0	47%	1.01%	-	18.7	3 years	Q2 2027
2022	189,000	183,000	100.6	47%	0.92%	-	27.4	2 years	Q2 2026
2021	61,408	60,636	173.0	45%	(0.49%)	-	59.0	3 years	Q2 2026
2019	40,000	30,000	157.8	67%	(0.73%)	-	68.2	3 years	Q2 2024
2018	10,000	10,000	119.9	50%	(0.29%)	-	39.8	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
2022						
Outstanding at January 1	61,054	38,082	-	1,500	100,636	163
Granted during the year	87,274	117,223	-	-	204,497	106
Forfeited during the year	(20,974)	(6,000)	-	-	(26,974)	-
Outstanding at December 31*	127,354	149,305	-	1,500	278,159	123
Exercisable at the end of the period	7,500	19,000	-	1,500	28,000	144.3

*The total outstanding warrants in 2022 amount to 2.7% of the share capital, if they are all exercised.

	Board of Directors & Executive Management number	Employees number	Shareholders number	Resigned board members and employees number	Total number	Average exercise price DKK
2021						
Outstanding at January 1	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
Forfeited during the year	-	(6,000)	(58,005)	(35,084)	(99,089)	58
Outstanding at December 31*	61,054	38,082	-	1,500	100,636	163
Exercisable at the end of the period	-	10,000	-	-	10,000	119.9

*The total outstanding warrants in 2021 amounts to 1.0% of the share capital, if they were all exercised.



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	2022			2021		
	January 1	Change during the year	December 31	January 1	Change during the year	December 31
Shareholdings						
Board of Directors						
Niels Heering	11,233	-	11,233	8,343	2,890	11,233
Søren Bjørn Hansen	14,000	500	14,500	8,343	5,657	14,000
Anne Broeng	7,491	-	7,491	6,335	1,156	7,491
Lars Hansen	9,001	-	9,001	10,001	(1,000)	9,001
Weiming Jiang	3,167	-	3,167	3,167	-	3,167
Executive Management						
Matt Boczkowski ¹	1,000	-	1,000	-	1,000	1,000
Klaus Juhl Wulff ²	-	-	-	-	-	-
Joerg Hess	800	-	800	-	800	800
Peter Holme Jensen	210,659	-	210,659	159,659	51,000	210,659
Warrants						
Board of Directors						
Lars Hansen	-	-	-	15,000	(15,000)	-
Executive Management						
Matt Boczkowski ¹	11,729	43,519	55,248	-	11,729	11,729
Klaus Juhl Wulff ²	-	15,000	15,000	-	-	-
Joerg Hess	16,474	17,692	34,166	7,500	8,974	16,474
Peter Holme Jensen	11,877	11,063	22,940	125,000	(113,123)	11,877
Bo Karmark ³	16,474	(16,474)	-	7,500	8,974	16,474

¹ Since March 2021

² Joined May 2022

³ Until May 2023



Other notes

 – continued

5.3 Fees to auditors

DKK 1,000	2022	2021
Statutory audit	456	468
Other assurance services	179	150
Tax advisory services	25	87
Other services*	104	2,405
Total	764	3,110

In 2022, EY Godkendt Revisionspartnerselskab was chosen at the general meeting as new group auditor. In 2022 PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab provided services that amounted to DKK 122 thousand in Other assurance services and Other services.

* In 2021, PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab provided other services 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, transfer pricing and other assurance assessments and opinions.

5.4 Commitments and contingent liabilities

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

DKK 1,000	2022	2021
The total future minimum lease payments:		
Within one year from the balance sheet date	10	119
Total	10	119

5.5 Related parties

Related parties

Related parties comprise Aquaporin A/S' Board of Directors and Executive Management, 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 Management or companies outside the Group in which these parties have significant influence, except for the payment of the Management's remuneration disclosed in note 5.1 and the transactions listed below.

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

DKK 1,000	2022	2021
Revenue received from associated companies	4	206
Short-term lease costs paid to related parties ¹	-	30
Trade receivables from related parties ¹	-	5
Trade payables paid to related parties ¹	-	2
Finance costs paid to significant shareholders	-	251

¹) The parent company has had transactions in 2021 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

In January 2023, an establishment of the company Aquaporin China Co. Ltd. was completed. Aquaporin China Co. Ltd. is fully owned by Aquaporin A/S.

In February 2023, Aquaporin A/S completed an Offering of new shares in connection with a private placement, raising gross proceeds of DKK 74 million.

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 December 31

Company	Type	Country	Currency	Nominal capital	Aquaporin's holding
2022					
Aquaporin Asia Pte. Ltd.	Subsidiary	Singapore	SGD	103	100%
Aquaporin US Inc.	Subsidiary	USA	USD	1	100%
Aquapoten Company Limited	Associate	China	CNY	49,349	45%
Aquaporin Space Alliance ApS	Associate	Denmark	DKK	80,000	50%
Aquaporin A/S Türkiye (İstanbul) İrtinat Bürosu*	Branch of Aquaporin A/S	Turkey	DKK		

*Aquaporin A/S Türkiye (İstanbul) İrtinat Bürosu is a branch of Aquaporin A/S and registered in Turkey in June 2022.

The fully owned Danish subsidiary Aquaporin Membrane Protein ApS was liquidated on October 26, 2022.

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Parent company financial statements



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Income statement

DKK 1,000	Note	2022	2021
Net revenue		28,709	9,090
Cost of goods sold		(23,435)	(5,549)
Gross profit		5,274	3,541
Distribution costs	2.1	(16,366)	(6,394)
Sales and marketing costs	2.1	(27,093)	(26,600)
Research and development costs	2.1	(52,211)	(52,430)
Administrative costs	2.1	(21,462)	(15,222)
Costs related to IPO, administrative costs	2.2	-	(37,319)
Other operating income	2.3	1,969	1,975
Other operating expenses	2.3	(5,007)	-
Operating Profit (EBIT)		(114,896)	(132,449)
Share of net profit of associates		(23)	(1,602)
Share of net profit of subsidiaries		(24)	-
Finance income	2.4	2,047	2,252
Finance costs	2.4	(2,690)	(4,756)
Earnings before income tax		(115,586)	(136,555)
Income tax expenses		5,391	5,430
Earnings for the period		(110,195)	(131,125)



Balance sheet December 31, 2022

DKK 1,000	Note	2022	2021	DKK 1,000	Note	2022	2021
Finished development projects	3.1	34,614	39,979	Share capital		10,131	10,131
Development projects in progress	3.1	55,232	46,276	Retained earnings		109,553	230,251
Other intangibles	3.1	452	313	Reserve for exchange rate translation		(2,089)	(2,089)
Total intangible assets		90,298	86,568	Reserve for development projects		53,488	43,727
Plant and machinery	3.2	35,872	39,942	Total equity		171,083	282,020
Right-of-use assets	3.2	49,105	48,802	Lease liability		52,541	51,735
Other equipment	3.2	2,027	2,773	Other payables		3,596	5,284
Leasehold improvements	3.2	16,766	18,291	Total non-current liabilities		56,137	57,019
Total tangible assets		103,770	109,808	Provisions		3,735	111
Investments in subsidiaries	3.3	3,012	3,147	Lease liability		3,110	2,659
Investments in associates	3.4	24	47	Prepayments		469	-
Deposits		2,230	2,005	Trade payables		2,870	7,107
Financial assets		5,266	5,199	Other payables		9,798	11,128
Total non-current assets		199,334	201,575	Deferred government grants	3.7	29,924	32,251
Inventories		10,738	17,593	Total current liabilities		49,906	53,256
Trade receivables		12,430	5,152	Total liabilities		106,043	110,275
Receivables from group enterprises		13,358	15,684	Total equity and liabilities		277,126	392,295
Other receivables		2,209	2,166				
Income tax receivable		5,500	5,500				
Prepayments	3.6	5,066	2,155				
Cash and cash equivalents		28,491	142,470				
Total current assets		77,792	190,720				
Total assets		277,126	392,295				



Statement of changes in equity

DKK 1,000	Share capital	Retained earnings	Reserve for exchange rate	Reserve for development projects	Total equity
Balance at December 31, 2020	8,174	73,390	(2,089)	39,109	118,584
Profit for the period	-	(131,125)	-	-	(131,125)
Capitalized development costs	-	(4,618)	-	4,618	-
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 December 31, 2021	10,131	230,251	(2,089)	43,727	282,020
Profit for the period	-	(110,195)	-	-	(110,195)
Capitalized development costs	-	(9,761)	-	9,761	-
Share-based payment	-	(742)	-	-	(742)
Balance at December 31, 2022	10,131	109,553	(2,089)	53,488	171,083



Notes to the parent company financial statements

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Basis of preparation of financial statements of parent company

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Operating activities

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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 provisions of the Danish Financial Statements Act (accounting class D).

The accounting policies applied remain unchanged from last year.

The Financial Statements are presented in DKK.

Adjustments to comparative figures

Distribution cost has become a significant amount in 2022 and therefore presented separately in the income statement. In 2021 the costs were included as part of Research and development costs, but have for 2022 been corrected and included in the comparative figures for 2021. The adjustment does not have any net impact on the income statement, balance sheet, cash flow or equity.

In the equity statement for the parent company for 2021, a correction has been made between retained earnings and development projects. The adjustment does not have any net impact on the income statement, balance sheet, cash flow or total equity, but only on presentation in the equity.

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	2022	2021
Salaries	56,483	58,000
Pension costs, defined contribution plans	1,475	988
Other expenses to social security	654	589
Share-based payments	(742)	3,274
Total	57,870	62,851
Staff costs capitalized as part of development projects	4,224	4,480
Average number of full-time employees	69	65

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

2.2 Costs related to IPO, administrative costs

In 2021, IPO costs comprised various consultancy fees as part of the IPO preparation, insurances, bank engagement, and bonuses for a number of employees for a successful transaction.

2.3 Other operating income and expenses

§ Accounting policy

Other operating income and expenses include items of a secondary nature in relation to the companies' main activity.

Other operating income consist of deferred governments grants recognized in the income statement with DKK 2.0 million in 2022 (2021: DKK 2.0 million). It is recognized in the income

statement as the related development projects are recognized in the income statement (depreciation/written down).

Other operating expenses consist of write-down on inventory of products that were intended for the Russian market. It has been decided to cease the activities in the region due to the current conflict in Ukraine.

2.4 Financial income and expenses

DKK 1,000	2022	2021
Financial income		
Interest income, banks	109	-
Interest income, intercompanies	999	637
Exchange rate adjustments, net	939	1,166
Total	2,047	1,803
Financial expenses		
Interest expenses, banks	213	1,507
Interest expenses, lease liabilities	1,712	1,773
Interest expenses, group entities	-	3
Other financial expenses, including bank fees	765	1,024
Total	2,690	4,307



Assets and liabilities

3.1 Intangible assets

§ Accounting policy

Acquired goodwill is measured at cost less accumulated depreciation. Goodwill is amortized linearly over the estimated useful life estimated at 5 years.

DKK 1,000	Goodwill	Finished development projects	Development projects in progress	Other intangibles	Total
Cost price at January 1, 2022	2,899	57,279	46,276	406	106,860
Additions during the year	-	-	9,439	289	9,728
Transfer	-	483	(483)	-	-
Purchase price at December 31, 2022	2,899	57,762	55,232	695	116,588
Amortizations at January 1, 2022	2,899	17,300	-	93	20,292
Amortizations	-	5,848	-	150	5,998
Amortizations at December 31, 2022	2,899	23,148	-	243	26,290
Carrying amount December 31, 2022	-	34,614	55,232	452	90,298
Cost price at January 1, 2021	2,899	57,090	37,722	-	97,711
Additions during the year	-	-	8,743	406	9,149
Transfer	-	189	(189)	-	-
Purchase price at December 31, 2021	2,899	57,279	46,276	406	106,860
Amortizations at January 1, 2021	2,319	11,475	-	-	13,794
Amortizations	580	5,825	-	93	6,498
Amortizations at December 31, 2021	2,899	17,300	-	93	20,292
Carrying amount December 31, 2021	-	39,979	46,276	313	86,568

Material intangible assets:

See Note 3.1 in the 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 January 1, 2022	61,411	64,461	11,830	27,268	164,970
Remeasurement	-	4,456	-	-	4,456
Additions during the year	221	419	246	-	886
Disposal during the year	-	(3,052)	-	-	(3,052)
Purchase price at December 31, 2022	61,632	66,284	12,076	27,268	167,260
Depreciations at January 1, 2022	21,469	15,659	9,058	8,977	55,163
Depreciations	4,291	3,767	991	1,525	10,574
Depreciations disposal	-	(2,247)	-	-	(2,247)
Depreciations at December 31, 2022	25,760	17,179	10,049	10,502	63,490
Carrying amount December 31, 2022	35,872	49,105	2,027	16,766	103,770
Purchase price at January 1, 2021	61,284	63,426	11,759	27,268	163,737
Additions during the year	127	1,035	71	-	1,233
Purchase price at December 31, 2021	61,411	64,461	11,830	27,268	164,970
Depreciations at January 1, 2021	16,331	11,962	7,982	7,452	43,727
Depreciations	5,138	3,697	1,075	1,525	11,436
Depreciations at December 31, 2021	21,469	15,659	9,058	8,977	55,163
Carrying amount December 31, 2021	39,942	48,802	2,772	18,291	109,807



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.

DKK 1,000	2022	2021
Purchase price at January 1	3,148	3,148
Disposals during the year	(136)	-
Purchase price at December 31	3,012	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%

* Liquidated on October 26, 2022

3.4 Investments in associates

DKK 1,000	2022	2021
Purchase price at January 1	26,679	26,679
Purchase price at December 31	26,679	26,679
Accumulated write-ups and write-downs at January 1	(26,632)	(25,030)
Unrealized gain on sale of assets from Aquaporin	-	407
Share of result after tax	(23)	(211)
Write-down	-	(1,798)
Accumulated write-ups and write-downs at December 31	(26,655)	(26,632)
Carrying amount December 31	24	47

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	2022	2021
Intangible assets	(10,477)	(3,698)
Property, plant, and equipment	(743)	(3,215)
Current assets	2,601	2,601
Lease liability	11,263	11,966
Current liabilities	1,162	310
Deferred government grants	6,259	-
Tax loss carryforwards	84,586	65,585
Total	94,651	73,549
Not recognized	(94,651)	(73,549)
Total	-	-

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 December 31, 2022, the unrecognized deferred tax assets in Denmark amounted to DKK 94.7 million (2021: DKK 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 government grants

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 deferred government grants 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).



Other notes

4.1 Fees to auditors

DKK 1,000	2022	2021
Statutory audit	400	356
Other assurance services	179	150
Tax advisory services	25	87
Other services*	104	2,405
Total	708	2,998

In 2022, EY Godkendt Revisionspartnerselskab was chosen at the general meeting as new group auditor. In 2022 PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab provided services that amounted to DKK 122 thousand in Other assurance services and Other services.

* In 2021, PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab provided other services 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, transfer pricing and other assurance assessments and opinions.

4.2 Commitments and contingent liabilities at December 31

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

DKK 1,000	2022	2021
The total future minimum lease payments:		
Within one year from the balance sheet date	-	9
Total	-	9

4.3 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

- VP Capital N.V., Parklaan 46 / 201, 2300 Turnhout, Belgium
- InterChina Water Treatment Hong Kong Company Ltd, 15/F, CBB Tower, 3 Connaught Road, Central Hong Kong

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

4.4 Events after the balance sheet date

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

4.5 List of Group companies at December 31

Company	Type	Country	Currency	Nominal capital	Aquaporin's holding
Aquaporin Asia Pte. Ltd.	Subsidiary	Singapore	SGD	103	100%
Aquaporin US Inc.	Subsidiary	USA	USD	1	100%
Aquapoten Company Limited	Associate	China	CNY	49,349	45%
Aquaporin Space Alliance ApS	Associate	Denmark	DKK	80,000	50%
Aquaporin A/S Türkiye (İstanbul) İrtinat Bürosu*	Branch of Aquaporin A/S	Turkey	DKK		

*Aquaporin A/S Türkiye (İstanbul) İrtinat Bürosu ia a branch of Aquaporin A/S and registered in Türkiye in June 2022.

The fully owned Danish subsidiary Aquaporin Membrane Protein ApS was liquidated on October 26, 2022.



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; January 1, 2022 to December 31, 2022.

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 December 31, 2022 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 January 1, 2022 to December 31, 2022.

In our opinion, the Management's review includes a true and fair account of; the developments in the operational and financial 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 January 1 to December 31, 2022, identified as 894500AW5ZWMYUZN1V70-2022-12-31-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, March 23, 2023

Executive Management

Matt Boczkowski
Chief Executive Officer

Klaus Juhl Wulff
Chief Financial Officer

Joerg Hess
Chief Operating Officer

Peter Holme Jensen
Chief Innovation Officer

Board of Directors

Niels Heering
Chair

Søren Bjørn Hansen
Deputy Chair

Anne Broeng
Board member

Lars Hansen
Board member

Weiming Jiang
Board member

Anupam Bhargava
Board member

Jianlong Zhuang
Board member



Independent auditor's report

To the shareholders of Aquaporin A/S

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of Aquaporin A/S for the financial year January 1 – December 31, 2022, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at December 31, 2022 and of the results of the Company's operations and cash flows for the financial year January 1 – December 31, 2022 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Our opinion is consistent with our long-form audit report to the Audit Committee and the Board of Directors.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We

believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

To the best of our knowledge, we have not provided any prohibited non-audit services as described in article 5(1) of Regulation (EU) no. 537/2014.

Appointment of auditor

We were initially first time appointed as auditor of Aquaporin A/S on April 27, 2022 for the financial year 2022.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year 2022. These matters were addressed during our audit of the financial statements as a whole and in forming our opinion thereon. We do not provide a separate opinion on these matters. For each matter below, our description of how our audit

addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section, including in relation to the key audit matters below. Accordingly, our audit included the design and performance of procedures to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Capitalisation of development cost

Development projects are capitalised when criteria's according to IAS 38 are met. This includes whether the development projects are clearly defined and identifiable and if technical feasibility, sufficient resources, and probable future economic benefits can be demonstrated. The recognition and measurement of capitalised development projects require internal procedures and significant management judgements and assumptions, which in nature are uncertain and increases the inherent risk of misstatements.

The Group monitors the expected value-in-use of development projects in progress and evaluates the carrying amount of completed development projects for indications of impairment. Development projects in progress and completed projects are tested for impairment at least

annually and based on the strategy plan approved by Management and value-in-use calculations on expected future cash flows.

We focused on this area as the criteria's for recognition and measurement of development projects are subject to significant Management judgements and assumptions. We refer to Note 3.1 in the Consolidated Financial Statements.

How our audit addressed the key audit matter

We assessed whether the Group's accounting policies are in accordance with IFRS. We selected a sample of development projects in progress and considered whether the criteria's in IAS 38 were met as basis for capitalisation. We tested on a sample basis recognised salary costs to timesheets and salary information. We evaluated on a sample basis the accuracy of capitalised costs and that the recognised costs were directly attributable to development projects.

We evaluated Management's assessment of impairment indicators of completed development projects based on the commercial prospects of the projects. We discussed with management the value-in-use calculations of development projects in progress and used professional skepticism to evaluate key assumptions applied in the impairment test. As part of our evaluation, we compared the applied budgets in the impairment test with the strategy plan approved by management and assessed the key assumptions in the impairment test based on



discussions with management related to strategic initiatives.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements, or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial

Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our

conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.



Report on compliance with the ESEF Regulation

As part of our audit of the Financial Statements of Aquaporin A/S, we performed procedures to express an opinion on whether the annual report of Aquaporin A/S for the financial year January 1 – December 31, 2022 with the file name [name of file] 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.

In our opinion, the annual report of Aquaporin A/S for the financial year January 1 – December 31, 2022 with the file name 894500AW5ZWMYUZN1V70-2022-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Copenhagen, March 23, 2023

EY Godkendt Revisionspartnerselskab
CVR No 3070 0228

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.

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 procedures consist of testing whether the annual report is prepared in XHTML format.

Mikkel Sthyr

State Authorized Public Accountant
mne26693

Ole Becker

State Authorized Public Accountant
mne33732

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 commerciali-

zation 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 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.

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Auditors

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