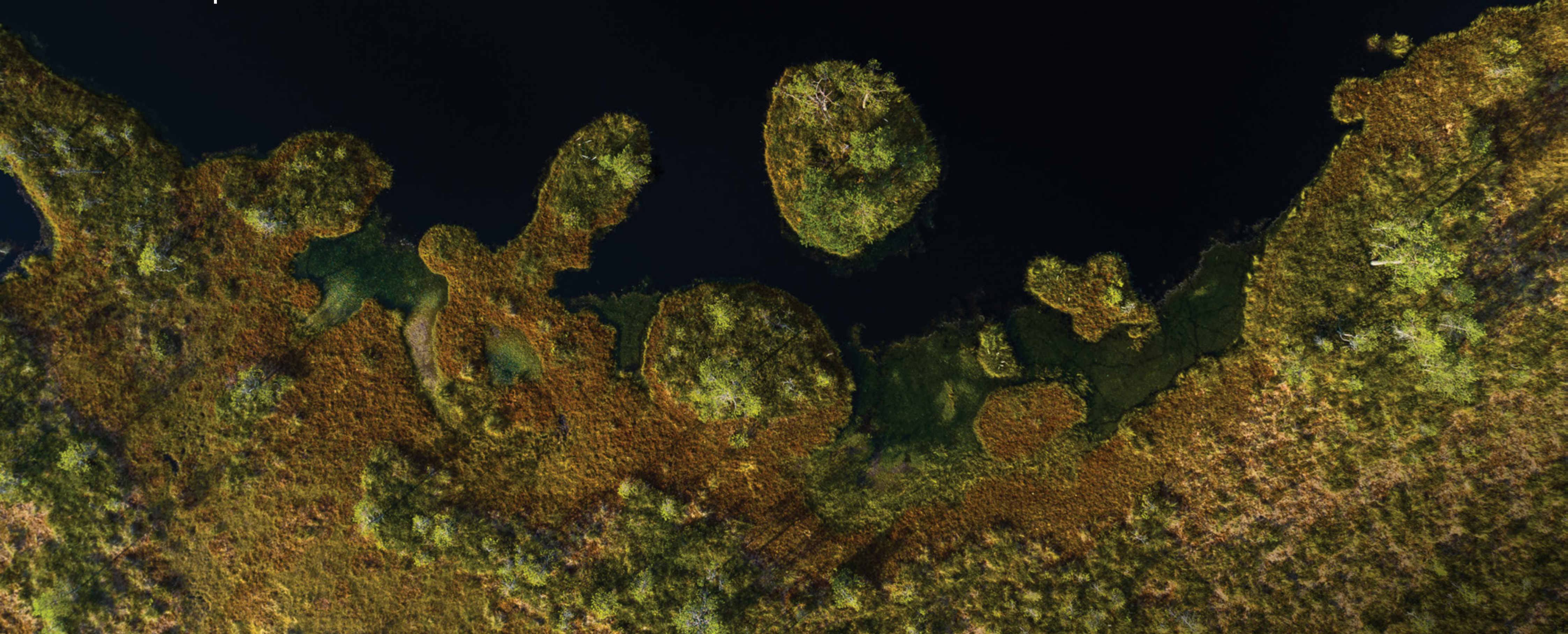
AQUAPORIN

Aquaporin A/S
Nymøllevej 78
DK-2800 Kongens Lyngby
Denmark
CVR 28315694

Rethinking water

Annual Report 2023



Content

01 2023 commentary

Letter from the Chair	5
Letter from the CEO	7
Highlights	9
Key figures	10
Key events 2023	11

02 Our business

Our strategy coming to life	13
Our values	14
Business model	15
Our business areas	16
Research & development	26
Core technology	28
Financial review	30
Outlook 2024	32

03 Sustainability

Sustainability approach	34
Adressing global challenges	35
Environment & climate	37
Social & employees	40
Governance	44
Diversity	48
ESG matrix	49
Sustainability targets	50
Glossary	51

04 Governance

Corporate governance	53
Risk management	56
Shareholder information	58
Executive Management	59
Board of Directors	60
Management's statement	62
Independent auditor's report	63

05 Consolidated financial statements

Statements	68
Notes	73

06 Parent company financial statements

Statements	102
Notes	106

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 with biotechnology

Our purpose

Aquaporin Inside®

One core technology

Energy efficiency

Technology enables up to 30% energy savings

95% revenue growth

for the full year 2023 compared to 2022

We are global

With 82 employees globally, merging biotechnological techniques and classical engineering

Sustainability

24% reduction in scope 1 emissions 2019-2023

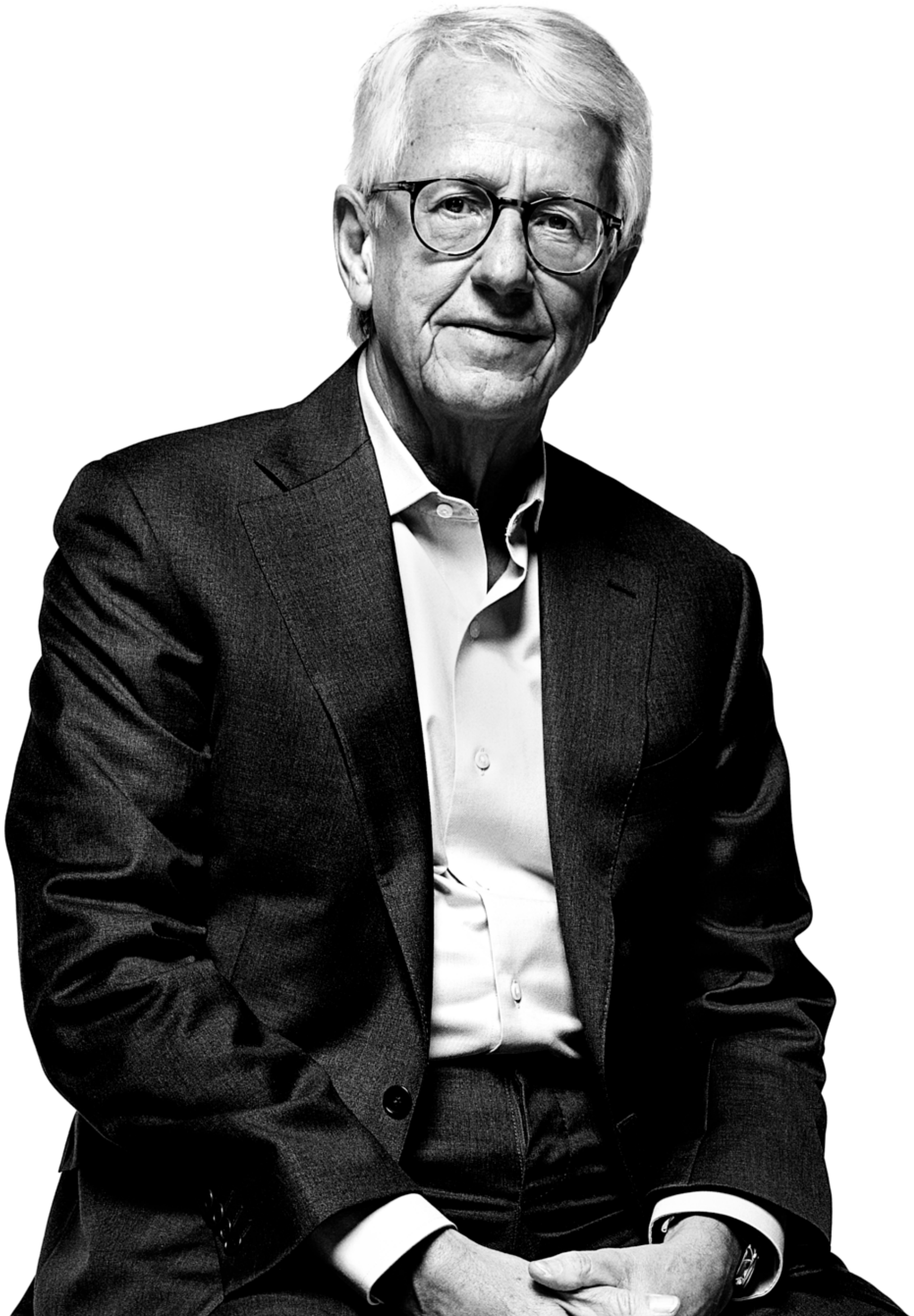
We are in space

Our Aquaporin Inside® technology is tested on the international space station

01

2023 Commentary

Letter from the Chair	5
Letter from the CEO	7
Highlights	9
Key figures	10
Key events 2023	11



Letter from the Chair

R&D drives our mission for cleaner water

The environmental and health benefits of ensuring we have clean water supplies are becoming more and more understood globally. Industry, policy makers, and consumers are searching for solutions that can meet our needs in this area. In the last couple of years, we have sharpened the focus of our strategy, putting R&D in focus as one of the drivers in Aquaporin's efforts to create state-of-the-art products and build our business. The Company's core technology, Aquaporin Inside®, is applied across applications and industries and to succeed it is important that we remain at the cutting-edge of innovation to develop the solutions that our customers seek. As a consequence, we are now better positioned to deliver world-class water purification solutions across different market segments. During 2023, the sharpened focus began to bear fruit, with revenue growth in all three of our business areas and a positive development in our gross margin.

Collaborations supporting our ambition to be a leader in water purification
Aquaporin's core technology gives us the ability to offer differentiated solutions across our three business areas to address important needs. During the past year, by delivering high-quality innovative products, we were able to attract new partners as well as strengthening existing deals with existing customers. Having strong partnerships not only drives revenue, but also contributes to building our reputation and brand. Collaborations across the globe and across sectors help establish our credibility as the company that has the know-how and understanding to deliver sustainable solutions by providing the right products and the best technical support to our customers. It takes time to build a reputation and during last year we made solid progress in our journey to become a leader in the field of water purification.

"Collaborations across the globe and across sectors help establish our credibility as the company that has the know-how to deliver sustainable solutions."

A team with an international mindset and understanding
One of the important roles of the Board of Directors is to ensure that the business has the right competences and focus to deliver growth. Our CEO, Matt Boczkowski has skillfully created a leadership team of individuals with the relevant competences needed to enable continued expansion of our business. This was cemented with the appointment of Torsten Høybye Bak Regueira as Chief Technology Officer, taking over from Aquaporin's Founder, Peter Holme Jensen. As communicated in early February of this year, the Board of Directors has decided to nominate Peter Holme Jensen at the Annual General Meeting in April 2024, for a position with the Board of Directors, ensuring that his indepth knowledge contributes to the long-term strategy of the Company.

It is also important that we have a global mindset in our business - something that is illustrated by the make-up of the leadership team as well as throughout the organization.

Ensuring we build a sustainable business
To build a sustainable business, we need to ensure we have the right team, business focus and funding to be able to ensure future growth and success. The management team at Aquaporin has used time to create a top-performing organization with the right structure and competences to be able to understand how we can deliver on our strategy and ambition. Despite a volatile market, we were pleased to be able to secure funding of DKK 74 million in gross proceeds from existing and new shareholders during the first half of 2023. In the second quarter of 2024, we plan to raise enough capital to fund Aquaporin until profitability.

Looking ahead
Aquaporin strives to be a leader in fulfilling the need for improved water purification solutions that provide for a healthier environment. I look forward to the coming years as we continue to gain momentum towards profitability, advancing on our mission to rethink water with biotechnology with our current business plan.

Niels Heering
Chair of the Board of Directors

Letter from the CEO

Collaborations help build the foundations of our success

2023 was a year of progress towards our mission of building a profitable business that contributes to preserving the Earth's most valuable resource – water – and to help ensure access to a clean and healthy water supply to people across the world. We know we cannot do this alone and one of the things I am most proud of at Aquaporin is our ability to form deep-seated collaborations that help us deliver on our mission whilst growing revenue streams. During 2023, we attracted key partners, from a broad spectrum of industries, providing further validation of our competences as well as delivering solid, growing revenue in line with our guidance.

Cementing partnerships & expanding the A2O series

In our lead segment, Residential Drinking Water, a significant achievement was the signing of an exclusive agreement with AquaShield, the global exclusive brand licensee for Philips Water Solutions, for the supply of our technology in China. This partnership was built on an earlier pilot collaboration and we succeeded in doubling revenue generated in China compared to 2022.

Likewise, we were very pleased to announce a Joint Development Agreement with the industry-leading E. & J. Gallo Winery in the

United States. E. & J. Gallo Winery are present in more than 100 countries around the world and aim to help the wine industry be more sustainable by utilizing our technology. This partnership illustrates our growing ambition as a leader in water purification solutions, and was built on pilot programs with E. & J. Gallo Winery.

We continued to grow our global presence with the launch of our A2O purifier series in Scandinavia. The A2O series consists of two products, the A2O Pure under-the-sink water purifier and the A2O Bar five-in-one built-in kitchen solution. Both solutions provide purified water that is free of PFAS, bacteria, pesticides, and other viruses, for the consumer segment using the Aquaporin Inside® Technology. We look forward to expanding in other regions with this series in the coming years.

Providing innovative and sustainable solutions for industry

In Industrial Reverse Osmosis we also saw progress with our products chosen by a broad spectrum of customers globally. During the year we signed important partnerships with organizations such as Kurita in Japan and the PUB, Singapore's National Water Agency, where Aquaporin Inside® CLEAR membranes is used to achieve substantial energy savings in water reuse.

Additionally, we initiated an exciting collaboration with European powerhouse FCC Aqualia, based in Spain, solidifying our status as a partner of choice in providing efficient and effective water purification solutions to municipal water treatment plants across Europe. This long-term partnership was based on positive outcomes of several pilot projects in different locations across Spain where our solutions showed significant improvement compared to conventional membranes in removing nitrates, sulfates, and fluorides from water supplies. This is a significant partnership as, by population served, FCC Aqualia is among the top ten companies in the world within the municipal water treatment industry.

Market access for Forward Osmosis Market Development

A major focus during the year was for the team to gain market access for our innovative products in Forward Osmosis applications. A large milestone was achieved with market access in the United States. We now aim to get market access in Europe in 2024.

Collaboration is key

Our success is based on working together with others, both existing and new partners, but we know that we can only do this if we have a unified team. The efforts of our team and their work turning challenges into opportunities propelled Aquaporin to new heights during the year. Our employees ensure that Aquaporin has a strong innovation mindset, a deep understanding of the water purification landscape, and excellent executional skills to ensure we can deliver on our promises.

"Our mission is to build a business that contributes to preserving the Earth's most valuable resource – water."

I would like to thank them for all their hard work and for creating such a positive atmosphere during the year.

Committed to being a leader in the clean water revolution

As a testament to our strong business proposition and our innovative products, we delivered strong revenue growth and improved our EBIT (before special items) in 2023. We anticipate to continue this trajectory and grow revenue considerably while maintaining stable year-on-year cost levels.

During Q2 2024, we plan to raise capital through a Rights Issue to make us well-positioned to deliver on our key objectives in the coming years as we work towards profitability.

It goes without saying that we highly value the support from our shareholders, which enables us to work towards realizing our ambition of solving global water challenges.

Looking ahead to a busy 2024

The work done during the twelve months of 2023 has laid the foundation for continued growth in our business in the coming years. We very much look forward to continuing the hard work to cement our reputation as a frontrunner in rethinking water filtration with biotechnology to benefit both the environment and health.

Matt Boczkowski
Chief Executive Officer

Highlights

In 2023, we grew revenue by 95%, continuing on our growth trajectory with revenue streams in all three business areas across our portfolio.

In line with communicated guidance for the year, Aquaporin's full-year 2023 revenue amounted to DKK 59.5 million. Revenue was driven by repeat sales and a growing customer base in all business areas, with Residential Drinking Water taking the lead with an 72.0% revenue increase to DKK 38.8 million. Both Industrial Reverse Osmosis and Forward Osmosis Market Development showed positive traction with revenue increases of respectively 261.1% and 144.6% compared to the same period last year.

EBIT (before special items) was (93.6) million, improving from (108.4) million in 2022, and is a result of growing revenue and strong cost control.

During the second quarter of 2024, Aquaporin intends, as announced, to raise capital through a Rights Issue. The Company targets to raise gross proceeds of approximately DKK 150-200 million to support the Company's longer-term business plan.

The Company expects the Rights Issue to be completed during Q2 2024 and has received commitments from large shareholders to subscribe for shares in such a Rights Issue to an amount which is considered sufficient to meet the Group's capital needs for 12 months from December 31, 2023.

Financial highlights

Revenue (DKKm)

59.5 — 95% growth vs. 2022

2023	59.5
2022	30.6
2021	8.9

EBITDA before special items (DKKm)

(76.1)

2023	(76.1)
2022	(89.9)
2021	(74.8)

EBIT before special items (DKKm)

(93.6)

2023	(93.6)
2022	(108.4)
2021	(93.7)

Cash and cash equivalents (DKKm)

2.8

2023	2.8
2022	29.4
2021	143.3

Sustainability highlights

Direct GhG (scope 1) (tCO_2e)

333

2023	333
2022	285
2021	331

Direct GhG (Scope 2 electricity) (tCO_2e)

39

2023	39
2022	76
2021	111

Renewable energy share (%)

75%

2023	75%
2022	68%
2021	58%

Revenue split on business areas

Residential Drinking Water
DKKm 38.8
65%

Industrial Reverse Osmosis
DKKm 3.6
6%

Forward Osmosis Market Development
DKKm 17.1
29%

Key figures

DKK 1,000	2023	2022	2021	2020	2019
Income statement					
Revenue	59,531	30,554	8,922	5,499	6,078
Distribution costs	12,691	16,376	6,394	-	-
Sales and marketing costs	30,252	26,220	27,553	20,811	19,948
Research and development costs	45,021	49,862	45,331	56,072	57,198
Administrative costs	24,934	21,461	17,823	13,059	17,660
EBITDA before special items	(76,093)	(89,918)	(74,842)	(67,515)	(72,427)
EBIT before special items	(93,575)	(108,384)	(93,728)	(85,869)	(89,419)
Special items	-	(5,007)	(37,319)	-	-
Operating profit (EBIT)	(93,575)	(113,391)	(131,047)	(85,869)	(89,419)
Net financial items	(2,152)	(4,087)	(4,550)	(3,467)	(3,664)
Earnings after tax	(90,396)	(112,119)	(131,774)	(123,356)	(70,629)
Financial position					
Total non-current assets	200,190	203,263	204,542	214,017	256,558
Total current assets	62,372	67,283	180,804	32,799	32,898
Total assets	262,562	270,546	385,346	246,816	289,456
Equity	141,169	159,135	270,475	107,322	164,062
Total liabilities	121,393	111,411	114,871	139,494	125,394

DKK 1,000	2023	2022	2021	2020	2019
Cash flows					
Cash flow from operating activities	(80,484)	(94,942)	(115,189)	(59,027)	(64,064)
Cash flow from investment activities	(12,870)	(11,404)	(9,769)	(16,723)	(22,357)
- Investments in intangible assets	(11,927)	(9,728)	(9,149)	(12,162)	(13,814)
- Investments in tangible assets	(858)	(1,403)	(557)	(4,557)	(8,674)
Cash flow from financing activities	66,693	(7,562)	266,660	75,790	86,684
Key ratios*					
Equity share	54%	59%	70%	43%	57%
Earnings per share	(9)	(11)	(14)	(15)	(10)
Diluted earnings per share	(9)	(11)	(14)	(15)	(10)
Average number of FTE's	82	86	78	83	83
ESG figures					
Direct GhG emissions (Scope 1)	333	285	331	396	437
Indirect GhG emissions (Scope 2 - electricity - market-based)	39	76	111	113	175
Electricity consumption	359	443	545	647	849
Natural gas (heating)	114,120	120,570	145,868	173,234	187,060
Renewable energy share (Scope 2)**	75%	68%	58%	66%	59%
Sickness absence	3.30	4.5	3.76	3.70	5.72
Gender diversity total company	37%	38%	39%	37%	41%

* Key figures and ratios are defined and calculated in accordance with applied accounting policies.
** Data from Singapore office is not included in this number

Key events 2023

January
Partnered with Philips Water Solutions, through AquaShield, in China

January
Introduced the A2O Series, with under-the-sink A2O Pure and 5-in-1 A2O Bar

February
Entered into development agreement with E. & J. Gallo Winery in the US

May
Signed milestone agreement with FCC Aqualia to secure clean tap water

June
Announced distribution agreement with EARTHY for India

August
Aquaporin Space Alliance travelled into space again with Danish astronaut Andreas Mogensen to test Aquaporin Inside® at the International Space Station

August
Partnered with PUB to develop the world's first low-energy biomimetic RO membrane

02

Our business

Our strategy coming to life	13
Our values	14
Business model	15
Our business areas	16
Research & development	26
Core technology	28
Financial review	30
Outlook 2024	32

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 Residential Drinking Water
- Focus on key applications with a unique selling proposition in Industrial Reverse Osmosis
- 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®
- Drive Open Innovation development partnerships
- Leverage existing technological foundation to develop next generation biotech solutions

Our values

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

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

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

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

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

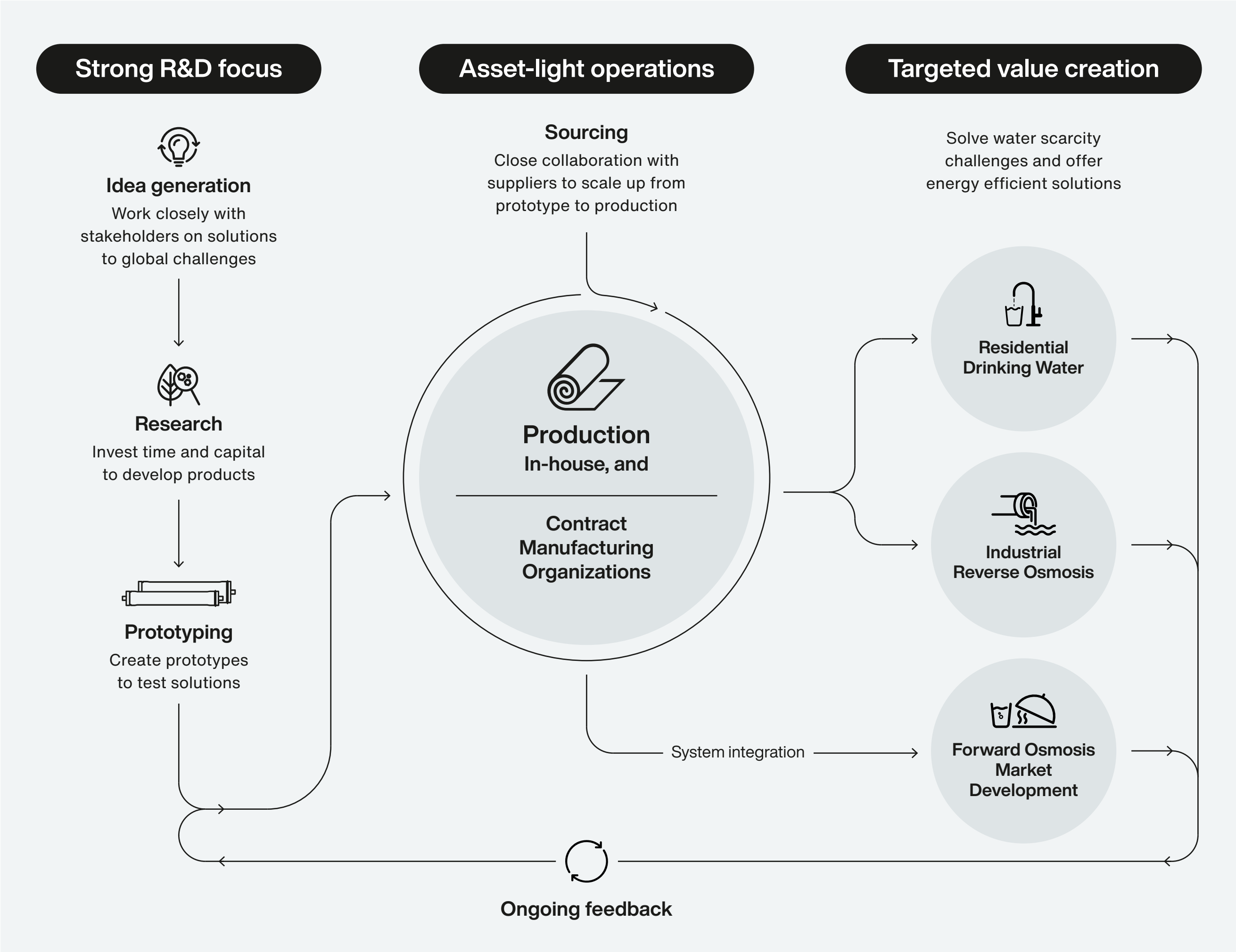
Business model

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.



- Practice strong cost control philosophy
- Keep core know-how in-house and leverage contract organizations
- Establish local-for-local strategy with multiple suppliers to mitigate risk
- Operating an asset and CAPEX light production model
- Customer focused approach with feedback working its way back to R&D

Our business areas

The Aquaporin Inside® technology is applied across Residential and Industrial product ranges, for different membrane form factors and in all sizes of membrane elements.

With our unique Aquaporin Inside® technology, we conduct a 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 our stakeholders. All business areas represent a differentiated value proposition for our customers by leveraging our core technology.

Residential 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, Residential Drinking Water comprises the broadest portfolio of Reverse Osmosis 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.

In both Industrial Reverse Osmosis and Forward Osmosis Market Development we have products launched in the market. As we often operate in specific niche applications, application maturation may take longer due to testing and piloting stages. In Reverse Osmosis, we reduce energy consumption with our low-energy membrane elements. In Forward Osmosis, we work with natural concentration ensuring optimal quality and yield. Examples of current partnerships include work with municipalities and beverage concentration in the food and beverage industry.

Business area	Technology		Sustainable Development Goals
	Reverse osmosis	Forward osmosis	
Residential Drinking Water	●	○	3 Good health and well-being; 6 Clean water and sanitation; 14 Life below water; 17 Partnerships for the goals
Industrial Reverse Osmosis	●	○	3 Good health and well-being; 6 Clean water and sanitation; 12 Responsible consumption and production; 14 Life below water
Forward Osmosis Market Development	○	●	3 Good health and well-being; 12 Responsible consumption and production

Residential Drinking Water

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

Market

- Residential Drinking Water covers the market of point-of-use water purification in households.
- The largest markets for PoU water purifiers are China and India followed by Southeast Asia and the U.S. Southern Europe and Turkey are mature European markets where the Company has presence.
- Market studies estimate the PoU water purification market to grow with a CAGR of 8-12 percent in the 2023 to 2028 period.

Strategy

- We help enable our customers in differentiating their products via co-branding, by utilizing the Aquaporin Inside® brand and "water filtered by nature" storytelling towards end-consumers.
- We offer a full marketing package, including text, image, and video-based marketing material for SOME and other channels, and can develop full campaigns which our customers can use.
- We target working with brands that are able to drive high volume through established sales and marketing channels and deliver after sales service.
- We utilize a collaborative approach to work with key accounts that recognize the benefit of co-branding and who can monetize the unique value proposition that we bring.

Products

- Our offering is built around flexible business models to key accounts, including our DWRO membranes and PoU purifiers, A2O Pure and A2O Bar, with the business models for purifiers being based on licensing or strategic supply for volume accounts.
- The value proposition is a combination of product performance and branding. We leverage the Nobel Prize discovery of the aquaporin protein, our media appearances, and our **"water filtered by nature"** image as part of co-branding arrangements with key accounts.
- The main technical performance selling point is the enhanced flux of the Aquaporin Inside® membranes. This allows filtering more water through the same surface area compared to conventional membranes.

Key wins 2023

- Exclusive agreement signed for China with Philips Water Solutions through AquaShield.
- Launched the A2O Series and entered into a distribution agreement with Danish Kitchen reseller Andersen & Nielsen.
- Signed distribution agreement with EARTHY.
- Delivered on marketing campaign highlighting PFAS removal.

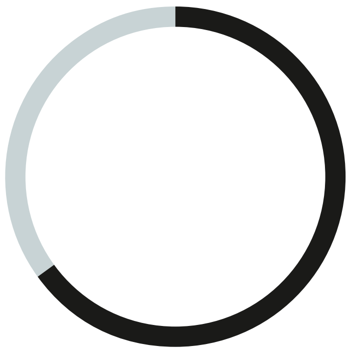
Near-term focus

- In 2024, we aim to on-board at least two additional customers with revenue potential comparable to AquaShield/ Philips.
- Expand the AquaShield account.
- Grow existing A2O Pure accounts in Europe, India and Turkey, with an additional launch in the United States.

Financial performance 2023

39DKKm
Revenue

72%
Growth vs. 2022



65%
of total revenue

Case

Philips Water Solutions

Huge market potential in China.

Water purification is big business in China. With more than 1.4 billion people, the Chinese population needs water – and lots of it. Water pollution is rife, as in the rest of the world's metropolises, so water purification is crucial in Chinese households. Enter household electronics giant Philips Water Solutions, for whom Chinese AquaShield Health Technology is an exclusive global brand licensee.

Philips Water Solutions and AquaShield wanted a partner to develop an improved flat sheet membrane for their water purification products. By collaborating with Aquaporin, AquaShield benefits from a strong value proposition with the Aquaporin Inside® biotechnology membrane in a competitive Chinese market.

The rise of TikTok in China proved to be the perfect timing for the Aquaporin and AquaShield collaboration, as the technical and emotional sales points quickly sent sales through the roof. Sales grew by 500%, resulting in an estimated 140,000 households with Aquaporin Inside® by the end of 2022.

By combining the unique Aquaporin Inside® technology with the Philips Water Solutions brand in these water purifiers, our Chinese customers have a differentiated and innovative product for their water purification needs. We expect the solution to be present in approximately 500,000 Chinese homes by the end of 2024.

Industrial Reverse Osmosis

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

Market

- The market for industrial-size Reverse Osmosis membranes is global with applications in municipal drinking water, water reuse, and process applications. A major driver of the market for industrial-size Reverse Osmosis membranes is the increase in reuse applications and the continued growth of the desalination industry.
- Reverse Osmosis installations are diverse and may range from industrial lines of 10 m3 per day and up to public water plants of more than 100,000 m3 per day.
- Market studies estimates that the Industrial Reverse Osmosis will market to grow with a CAGR of around 10 percent between 2024 and 2029.

Strategy

- Our strategy is leveraging the performance of the Aquaporin Inside® technology in our CLEAR products line and our ability to offer products at competitive prices.
- Our strategy of outsourcing manufacturing to CMOs lets us scale supply while maintaining quality consistency and operating on an asset and CAPEX light model. This allows us to offer competitive pricing for our CLEAR product line.
- We are primarily targeting key accounts with volume potential and repeat business opportunities.
- We work to build references with select customers to increase market acceptance of our products.

Products

- We have launched a series of BWRO membranes for industrial Reverse Osmosis, under the “CLEAR” brand, all using our core Aquaporin Inside® technology.
- The CLEAR portfolio include: “CLEAR Classic”, “CLEAR Plus”, “CLEAR Plus FR”, “CLEAR Ultra” and “CLEAR Eco”, all serving different needs in the market.
- We plan to integrate the Aquaporin Inside® technology into more CMO produced products, extending our product line.

Key wins 2023

- Demonstrated energy efficiency of Aquaporin Inside® CLEAR membranes by achieving up to 30% energy reduction in water reuse for certain customers.
- Achieved repeat business with major EPC FCC Aqualia.
- Started large-scale product demonstration with PUB in Singapore (500 membrane elements).
- Started piloting with other large water companies with the goal of becoming an established (pre-approved) supplier
- Optimized supply chain to deliver on an increasing order intake.

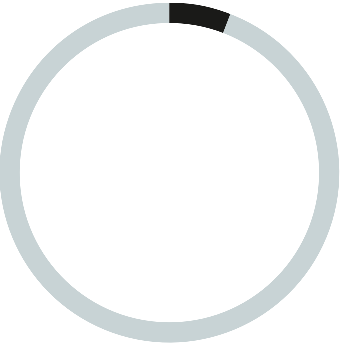
Near-term focus

- Double revenue in 2024 compared to 2023.
- Implement key account focus and build a pipeline of key accounts where our products are being tested and validated.

Financial performance 2023

4 DKKm
Revenue

261 %
Growth vs. 2022



6 %
of total revenue

Case

Aqualia

Aqualia and Aquaporin make waves in energy-efficient municipal drinking water treatment.

Teaming up with Aqualia, Europe's fourth-largest water management company, we are reshaping municipal drinking water treatment. Successful pilots and small commercial plants across Spain demonstrate a notable 20% efficiency boost with our CLEAR membranes, supporting Aqualia's mission to provide clean water to 43.5 million people.

Aqualia chose our CLEAR membranes for their superior performance, increasing energy efficiency, and combating the high levels of sulfates, nitrates, and fluorides the project areas suffer from. With a 20% higher permeate flow rate, our membranes empower Aqualia to meet strict drinking water directives while significantly reducing energy consumption and ensuring stable operation.

Victor Manuel Monsalvo Garcia, Head of Eco-Efficiency, Innovation, and Technology at Aqualia, shares his insights into the collaboration:

"Our long-term collaboration with Aquaporin was initiated at an early stage and has evolved into the commercial CLEAR membranes. Our pioneer validation studies have led to promising results that have reached the market, providing safe drinking water in a sustainable manner. We have experienced a significant reduction of energy consumption compared to state-of-the-art membranes and high-quality water, resulting in equivalent benefits for our clients."

Aqualia's commitment to improving water treatment efficiency extends beyond municipal drinking water. We look forward to possibility of expanding our collaboration to encompass additional areas and applications, including water reuse.

Forward Osmosis Market Development

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.

Market

- Forward osmosis as a process is being tested and implemented in a range of water, food and niche applications.
- We see the greatest potential for Forward Osmosis solutions in Food & Beverages.
- Within Food & Beverage we are actively commercializing in the flavors and fragrances segment, the coffee segment, and the wine segment. We plan to enter larger installations in juice and dairy products when our solutions are proven at a larger scale.
- In addition to the Food & Beverage area, Forward Osmosis can also play in pharmaceuticals, resource recovery and waste water treatment.

Strategy

- We focus on Food & Beverages, leveraging the higher quality of concentrates produced with Aquaporin Inside® membranes compared to conventional concentration methods.
- Our development is driven by our collaboration with E. & J. Gallo Winery and by repeat sales of small standardized systems and membranes within flavors and fragrances.
- We are exploring alternative applications and plan to add new focus areas over time.

Products

- We currently offer two hollow fiber modules in FO: HFFO2 for lab scale tests and HFFO14 for piloting or small-scale applications.
- We also offer three standardized FO systems: Essence GO for small-scale testing and applications, Essence 1 for piloting and small-scale production, and Essence 2 for larger-scale production.
- We are working to launch two second-generation, scalable, ‘standard’ Forward Osmosis products: the first for the Food & Beverage industry, developed with Gallo Winery, the second an industrial product for non-food applications.
- We will continue to offer small standardized systems and develop solution competences to offer engineering and process design capabilities as part larger projects.

Key wins 2023

- Signed a global Joint Development Agreement with E.&J. Gallo Winery.
- Sold first FO systems through the Flavourtech partnership.
- Compliance of Forward Osmosis modules for use in Food Contact Applications in the US.
- Progressed membrane development for second generation of FO modules.

Near-term focus

- Deliver on targets in Joint Development Agreement with Gallo.
- Increase system sales through Flavourtech partnership.
- Develop two additional applications for Forward Osmosis in 2024 by validating business cases, value propositions and pilot-testing with customers.

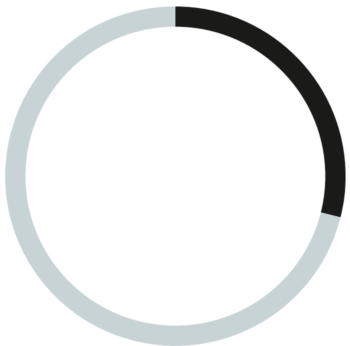
Financial performance 2023

17 DKKm

Revenue

145%

Growth vs. 2022



29%

of total revenue

Case

E. & J. Gallo Winery

Changing the wine industry with Forward Osmosis.

Cliff-lined beaches, permanent sunshine, and the Sierra Nevada Mountains are just a few things that make you think about California, but it is also the home of E. & J. Gallo Winery, one of the world's largest wine manufacturers and a trusted partner of Aquaporin.

California is where people go to dream big, and ever since E. & J. Gallo Winery was founded in 1933, they have dared to do just that. The family-owned, global, industry-leading winery headquartered in Modesto employs more than 7,000 people. It offers a broad array of wine products that total more than 130 brands, including table, sparkling, and luxury wines, beverage products, dessert wines, distilled spirits, and natural color concentrates. The success story is a true incarnation of the American Dream – but in order to stay at the top, it is important to create an evolution of the products.

E. & J. Gallo Winery and Aquaporin partnering up is in line with the winery's history of paving the way for new innovations and helping develop a more sustainable industry. Aquaporin was selected to help develop new inventions using the cornerstone technology, Aquaporin Inside®, with its unique ability to retain natural flavors, aromas, and nutrients in concentrates.

At Aquaporin, we call it Natural Concentration – a process that gives the wine and juice industry the capability to manufacture products of high quality, bursting with fresh flavor, directly from concentrates. The Joint Development Agreement between the two companies intends to commercialize innovative products that will positively impact the wine industry, making it more sustainable by utilizing innovative concentration methods.

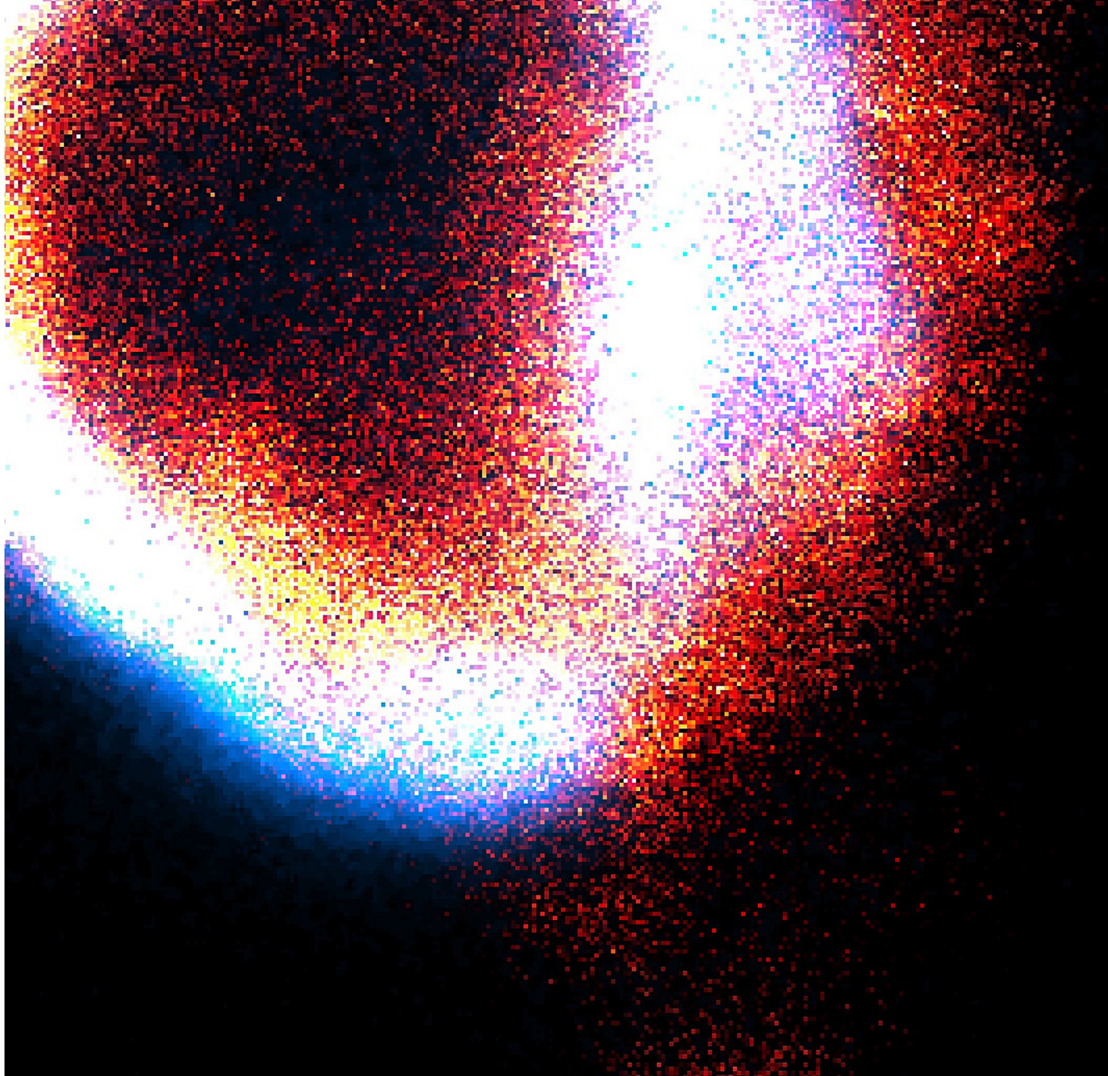
Research & development

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

Research & development continues to be a pillar 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 and prototyping. 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. In 2023, we developed a visualization tool for protein localization in the membrane, facilitating reliable quality control and quick assessments during scale-up. Our focus extends to maturing the existing Aquaporin Inside® technology for better performance and working with CMOs that can further help decrease the carbon footprint of our products. Additionally, we actively seek partnerships, exemplified by our collaboration with Aston University, UK, to enhance biomimetic membrane research and improve performance continuously.

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 2023

- Three novel EU partnerships secured, consolidating collaboration with Aston University, UK, and other development partners, with financial support from the European Commission
- Maturation and focus of next generation of Aquaporin Inside™ in our Deep Tech development
- Successful launch, test, and download of Aquaporin Inside™ experiments from the International Space Station in collaboration with Danish Astronaut Andreas Mogensen
- Expanded the use of machine learning to leverage the performance of our products to the benefit of our customers

Open Innovation
– enhancing our R&D capabilities

Scientific collaborations are at the heart of Aquaporin – together with open innovation, they function as tools to help develop our technological platform. By engaging with leading institutions and collaboration partners, we seek to innovate, develop our organization, secure funding, and contribute to 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.

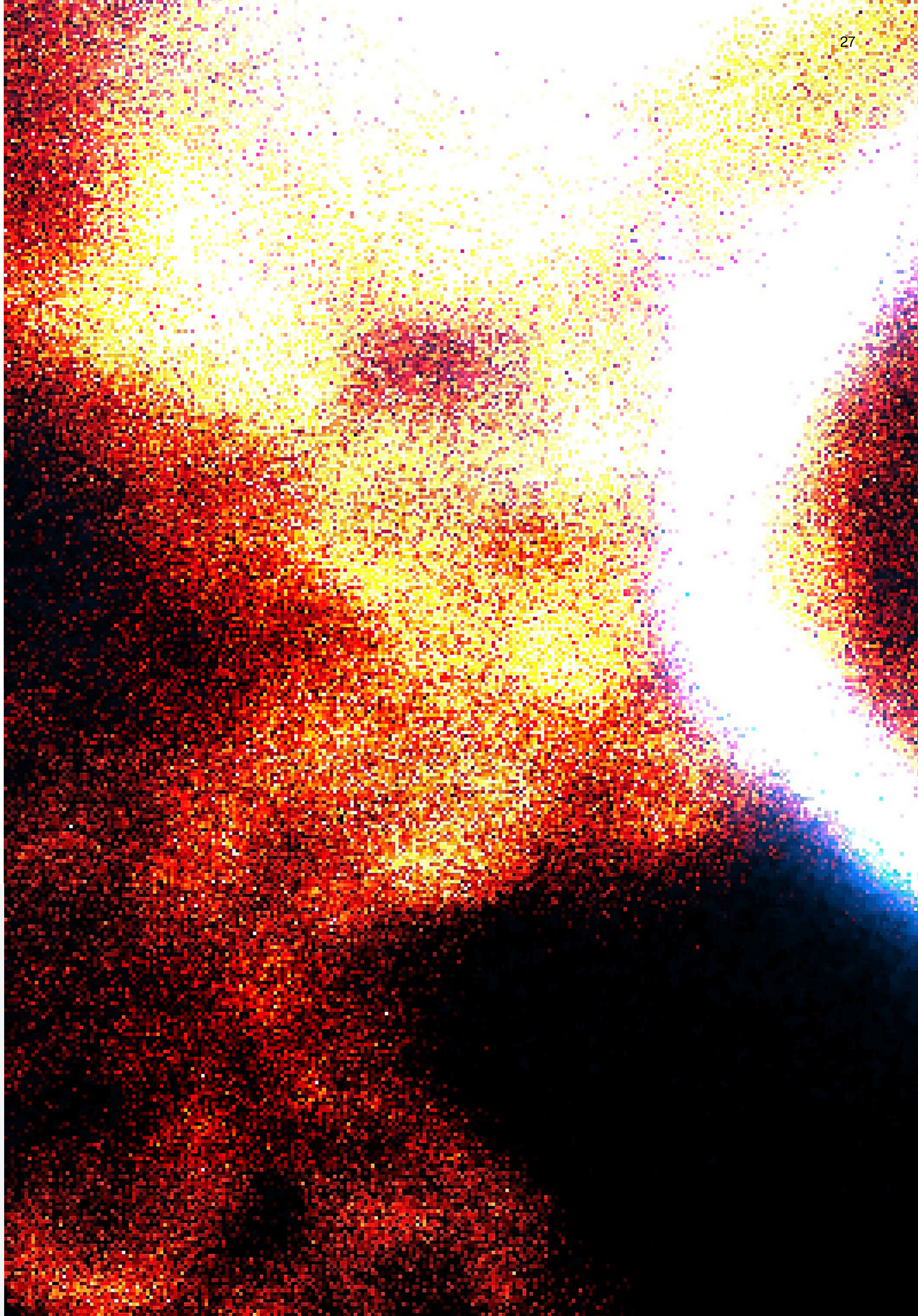
Through future initiatives that will be anchored in Open Innovation, we aim to ensure that we develop our talent, secure funding for our development and play our part in creating a circular research ecosystem. We believe that giving Open Innovation a clearly defined focus will reaffirm, formalize, and 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 more than 200 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 are essential enablers for Aquaporin in being a valued and desired collaboration partner on a global scale.



Core technology

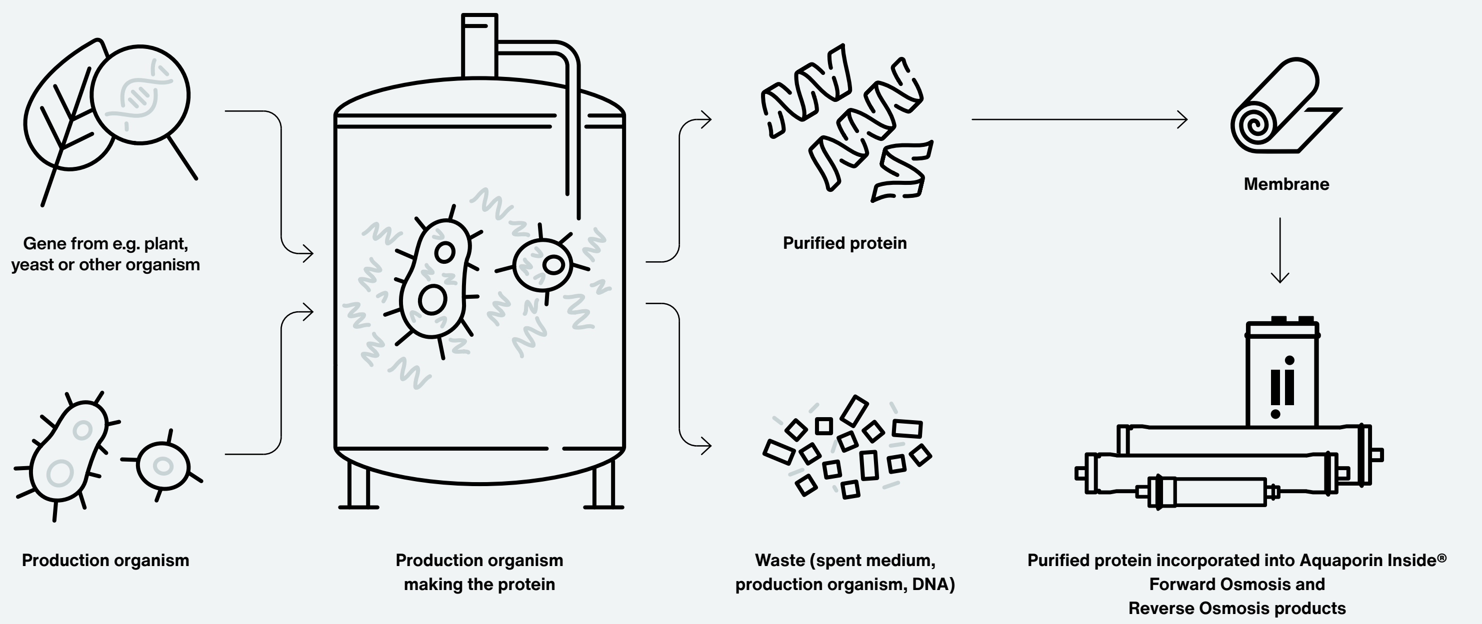
Aquaporin Inside® is the technology that drives all our products. Put simply, it is an energy-efficient biomimetic membrane that incorporates aquaporin proteins to filter water or concentrate streams.

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. 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



Case

Tested in space, used on Earth

Aquaporin's journey spans from Earth to outer space. Our very first customer, NASA has brought the Aquaporin Inside® technology into space a number of times – most recently in 2023 with Danish astronaut Andreas Mogensen conducting tests on the Aquaporin Inside® membrane's ability to filtrate wastewater into drinking water.

Our membrane's latest journey into space is in collaboration with NASA, the European Space Agency, and the Danish Aerospace Company, with the goal of developing water reuse systems for new space stations. The research conducted in space moreover paves the way for research applied on Earth.

In pursuing extraterrestrial solutions, the Aquaporin Inside® technology is meticulously designed to withstand the most extreme conditions imaginable. Space exploration serves as a testing ground for the core technology, which fosters continuous development of the Aquaporin Inside® technology. The knowledge gained from these space missions is translated into products that address critical challenges on Earth. Aquaporin's space-tested technology finds practical applications in homes, schools, and sports clubs globally, offering solutions to water quality concerns and impending water scarcity issues.

Aquaporin's space endeavors extend far beyond scientific exploration. Whether providing solutions in the harshest environments or addressing water scarcity at the doorstep, Aquaporin's pioneering spirit catalyzes positive change both in space and here on Earth.

Financial review

The financial review is based on the Group's consolidated financial information for the year ended December 31, 2023, with comparative 2022 figures for the Group in brackets.

In 2023, the Group continued with the commercial growth trajectory as guided in March 2022 and generated revenues of DKK 59.5 million (DKK 30.6 million) compared to a guidance of DKK 50-70 million. Gross margin reached 32% (18%) compared with a guidance on >30% EBIT before special items was a loss of DKK 93.6 million (loss of DKK 108.4 million) compared to a guidance of a loss of DKK 95 – 105 million.

Income statement

Revenue
Revenue for the year was DKK 59.5 million (DKK 30.6 million) an increase of 95%. The increase in revenue is a result of strong partnerships across all markets. In the Residential

Drinking Water market it is growing current key accounts and launch of new products that drives the increase in revenue.

Both Industrial Reverse Osmosis and Forward Osmosis Market Development showed positive traction with revenue increases of respectively 261% and 145% compared to the same period last year, both driven by growing commerical partnerships.

Residential Drinking Water
Revenue in 2023 increased to DKK 38.8 million (DKK 22.6 million), an increase of 72%.

Revenue was driven by repeat sales and a growing customer base in the RO membrane market and the launch of A2O purifiers. The sales of the point-of-use purifiers A2O has been focused in Europe, whereas a large part of the sale of membranes has been centered around Asia with AquaShield, the global brand partner of Philips Water Solutions in the water solutions segment, as the the main driver.

Industrial Reverse Osmosis
Revenue in 2023 was DKK 3.6 million (DKK 1.0 million), an increase of 261%.

The launch of the new product series CLEAR membranes has been a central part of the revenue growth. The markets in Southeastern Europe and Asia has been the largest contributors to revenue in 2023.

Forward Osmosis Market Development
Revenue in 2023 was DKK 17.1 million (DKK 7.0 million), an increase of 145%.

In 2023, a Joint Development Agreement with E.&J. Gallo Winery has been a significant contributor to the revenue stream together with sales of FO pilot systems. Additionally, revenue was driven by increased sale of FO product sales through pilots and testing services. USA was the biggest market, with both Europe and Asia as material contributors

Gross profit
Gross profit amounted to DKK 19.3 million (DKK 5.5 million). Mixed margin on product sales for 2023 was 32% (18%).

In 2023 the gross margin has been effected by a provision made for potentially replacement of new products on DKK 2.0 million. Last year was impacted by sale of slow-moving inventory on DKK 1.0 million with 0% gross margin and a provision for replacement of early point-of-use purifier modules totaling DKK 4.7 million. The impact on cost of goods sold was negative DKK 2.7 million. Adjusted for these two factors, the realized normalized gross margin last year was 28%.

Operating costs
Operating costs totaled DKK 112.9 million (DKK 113.9 million), a decrease of DKK 1.0 million. The main driver of the cost decrease relates to strong cost management focus.

Distribution costs
Distribution costs amounted to DKK 12.7 million (DKK 16.4 million) The distribution costs comprise warehousing, procurement, and logistic functions. The function supports the commercial activities. The reduction in costs derives from reduced in-house supply chain activities and a more lean organization.

Sales & marketing costs
Sales & marketing costs amounted to DKK 30.3 million (DKK 26.2 million). The increase in costs are mainly driven by the increased activities and expansion of the commercial organization including a new SVP Sales & Marketing.

Research and development costs
Research & development (R&D) costs amounted to DKK 45.0 million (DKK 49.9 million). The reduced costs in 2023 is due to engineering activities driving revenue, why it has been recognized as cost of goods sold.

Administrative costs
Administrative costs amounted to 24.9 million (DKK 21.5 million). The increased administrative costs arose partly due to increased consultancy costs and changes in the organization organization.

EBITDA before special items
EBITDA before special items amounted to a loss of DKK 76.1 million (loss of DKK 89.9 million).

Depreciations of tangible assets and amortization of finished development projects amounted to DKK 17.5 million (DKK 18.5 million).

Special items
Special items were an expense of DKK 0.0 million in 2023 (DKK 5.0 million). In 2022, inventory intended for the Russian market was written down.

Net financial items and shares of associates
Net financial items amounted to DKK -2.2

Financial review

million (DKK -4.1 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 R&D tax benefit, and items denominated in a foreign currency.

Tax for the year
Income tax for the year ended December 31, 2023 amounted to an income of DKK 5.3 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 flows

Cash flow from operating activities
Net cash used in operating activities was DKK 80.5 million (DKK 94.9 million). The improved cash flow from operating activities was primarily due to improved earnings in 2023 compared with 2022.

Cash flow from investing activities
Cash flow used for operational investment activities was DKK 12.9 million (DKK 11.4 million). The increase was mainly due to an increase in development projects.

Cash flow from financing activities
Net cash provided by financing activities was positive by DKK 66.7 million (DKK -7.6 million). The cash from financing activities in 2023 was influenced by gross proceeds from a capital raise through a private placement completed February 2023.

Aquaporin's cash and cash equivalents amounted to DKK 2.8 million (DKK 29.4 million) and are invested in deposit accounts with highly rated banks.

As a part of the announced Rights Issue, the Company has received commitments from large shareholders to an amount which will enable the Company to secure going concern for 12 months from December 31, 2023.

Financial position

The balance sheet total was DKK 262.6 million as of 31 December 2023 (DKK 270.5 million)

Assets
Total non-current assets amounted to DKK 200.2 million (DKK 203.3 million). Intangible assets amounted to DKK 99.1 million (DKK 93.2 million), an increase of DKK 5.9 million driven by increased capitalized costs for development projects. Tangible assets amounted to DKK 98.5 million (DKK 107.6 million), a decrease of DKK 9.1 million due to depreciations and reduced capital expenditures. As a part of the tangible assets, rights-of-use assets amounted to DKK 46.3 million (DKK 50.2 million).

Inventory amounted to DKK 17.6 million (DKK 10.7 million), of which finished goods amounted to DKK 14.6 million, with a majority comprising Drinking Water products.

Trade receivables amounted to DKK 25.7 million (DKK 12.4 million), mainly related to Drinking Water customers.

Equity
Total equity amounted to DKK 141.2 million (DKK 159.1 million).

Outlook 2024

For 2024, we expect to see continued revenue growth across all business areas , including Residential Drinking Water, Industrial Reverse Osmosis, and Forward Osmosis Market Development.

For the full year 2024, we estimate revenue to be in the range of DKK 90-110 million, with a gross profit margin between 30 and 35%. Revenue is expected to primarily be driven by Residential Drinking Water (60-70%), 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. We expect Industrial Reverse Osmosis to contribute 15-25% of the full-year revenue, and Forward Osmosis Market Development to contribute 15-20% of the full-year revenue in 2024. As in previous years, the Company expects a large part of the revenue to materialize in the last quarter of 2024.

In 2023, we strengthened our cooperation with AquaShield, global exclusive brand licensee for Philips Water Solutions, by entering into a contractual partnership that provides residential drinking water purifiers to the Chinese market. We expect this partnership to drive increased sales in 2024 and beyond. 2023 was also the year in which we introduced the A2O Series of water purifiers. Both purifiers – which contain the unique Aquaporin Inside® membrane, proven to remove PFAS, bacteria, pesticides, and other viruses – are expected to help drive revenue growth in 2024. In Industrial Reverse Osmosis we expect that the cooperations with large utility businesses such as FCC Aqualia and the PUB in Singapore will result in revenue growth. Within Forward Osmosis Market Development, we entered into a Joint Development Agreement with E. & J. Gallo Winery with the aim to co-develop new solutions. This agreement is also expected to drive revenue in 2024 and will, together with the sales of a few Forward Osmosis system solutions to the Food & Beverage industry, contribute to continued revenue growth within Forward Osmosis Market Development.

We continue to invest 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. By creating the Chief Technology Officer role, we aim to drive the development of our core technology and membrane prototypes that we hope can bring a step change in water filtration. In 2024, we expect the first positive indications of future business impact.

Through Open Innovation, we are identifying new collaborations and partnerships that have the potential to provide ground-breaking solutions to the water industry. These endeavours 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 2024, we plan to keep the overall headcount in line with the 2023 headcount. For 2024, we expect EBIT of negative DKK 75-85 million before special items, which is a 14.5% (mid-range) improvement compared to 2023. As of the time of publication of this report, we do not expect any special items in 2024. Our financial guidance takes into account the uncertainty characterizing the global economy, mainly driven directly or indirectly by the war in Ukraine. A worsening of the economic climate will likely also impact our business in 2024.

During the second quarter of 2024, Aquaporin intends, as announced, to raise capital through a Rights Issue. The Company targets to raise gross proceeds of approximately DKK 150-200 million to support the Company's longer-term business plan.

The Company expects the Rights Issue to be completed during Q2 2024 and has received commitments from large shareholders to subscribe for shares in such a Rights Issue to an amount which is considered sufficient to meet the Group's capital needs for 12 months from December 31, 2023.

To ensure sufficient liquidity until the time of completion of the Rights Issue, the Company in February 2024 obtained a loan facility from current shareholders of DKK 14.1 million, of which DKK 7.0 million is from a significant shareholder.

2024 financial guidance

	Unit	2024 guidance
Revenue	DKKm	90-110
Gross profit margin	%	30-35
EBIT*	DKKm	(75)-(85)

*before special items.

03

Sustainability

Sustainability approach	34
Addressing global challenges	35
Environment & climate	37
Social & employees	40
Governance	44
Diversity	48
ESG matrix	49
Sustainability targets	50
Glossary	51

Sustainability approach

We are committed to making clean drinking water accessible globally. Through our unique technology and know-how, we offer energy efficient solutions for water purification and concentration.

The World's most valuable resource
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 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.

2023 marks the third year of disclosing our ESG matrix and reporting our Corporate Responsibility cf. section 99a of the Danish Financial Statements Act.

ESG matrix, page 49

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

3 GOOD HEALTH AND WELL-BEING

- 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.

6 CLEAN WATER AND SANITATION

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

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

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

14 LIFE BELOW WATER

- 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.

17 PARTNERSHIPS FOR THE GOALS

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

Case

Sustainable energy

In 2023, we took a significant step towards sustainable energy practices by entering into a Power Purchase Agreement (PPA) with the electricity supplier Reel.

This strategic partnership ensures investment in and direct electricity purchase from a newly constructed solar park. The PPA commits us to purchase 125,000 kWh, roughly one-third of our energy consumption, from the solar park, expected to commence operations this autumn. This move aligns with our commitment to address our Scope 2 emissions by substantially reducing our energy-related carbon footprint.

Energy forecast

In recognizing the limitations of conventional “green” electricity agreements, we have opted for a more impactful approach. Unlike merely claiming electricity from existing renewable energy sources, our PPA demonstrates climate leadership by contributing to the financing of a new renewable energy project. With Denmark’s projected doubling of electricity consumption in the next decade, our priority is clear – to actively support the development of new, sustainable energy sources, exemplified by our investment in the solar park.

“Companies the size of Aquaporin have previously had no alternative to traditional ‘green’ electricity agreements. With Reel, they do. We slice PPAs into smaller pieces, thereby allowing smaller companies to have a bite of the cake. The PPA Aquaporin has signed is tailored to their energy needs which we have analyzed hour by hour. The result is a projected 28% reduction in their emissions from electricity and an assurance that they contribute new renewable electricity to the grid.”

Anders Meldgaard
Co-founder and CCO, Reel

Navigating windy weathers

With the unpredictable energy market, our PPA not only secures new renewable energy production but also shields us from price fluctuations. The fixed and attractive energy price provided by the PPA ensures stability in our energy costs, safeguarding against unforeseen market dynamics.

However, it does not end here. Although we believe we have come a long way by signing this PPA, we recognize we can always do better. Therefore, we will spend 2024 exploring the possibilities of financing and purchasing power from a new wind park as well. This strategic move aims to diversify our renewable energy portfolio, ensuring a comprehensive coverage that transcends sunny days to include windy weather. This will mark another step towards our ultimate goal – achieving 24/7 Carbon-free Energy (CFE), wherein 100% of our electricity consumption is matched with carbon-free energy production, every hour of every day.

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 2023 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 entered into a PPA (Power Purchase Agreement) with Reel. This will ensure that we, starting end 2024, get approximately 50% of the electricity used at our headquarters in Lyngby supplied from a newly build solar park in Denmark. In addition, we continue to search for opportunities to enter into a PPA for wind-energy to cover the remainder of our electricity usage at our headquarters. In the meantime, we have purchased green origin certificates for the electricity utilized at our headquarters in Lyngby. 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 2023 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

24%
Reduction in scope 1 emissions 2019-2023

75%
Share of renewables (scope 2*)

58%
Reduction of electricity consumption 2019-2023

Social & employees, page 40

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 & 2023 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.

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

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 2024, we aim to start expanding this solution in China, cleaning wastewater and removing pollution of drinking water.

6 CLEAN WATER AND SANITATION

17 PARTNERSHIPS FOR THE GOALS

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 used by such municipalities. This allows to reduce the CO_2 impact from water filtration significantly. These energy efficiencies have been validated by various projects in China, Japan, and more.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

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 2024, Aquaporin Inside® expect to be helping to ensure clean drinking water in more than 500,000 homes, in China. We have also sold point-of-use water purifiers to several other countries, ensuring clean drinking water and decreased usage of plastic bottles.

14 LIFE BELOW WATER

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.

SUSTAINABLE DEVELOPMENT GOALS

UN GLOBAL COMPACT

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, socially, and financially responsible.

Health & safety, page 41

Sustainability targets, page 50

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 annually. From 2019 to 2023, we remained in this range with less than 4 days absent per FTE.

Aquaporin internally reports accidents, injuries, and near-miss, which are analyzed by the safety organization to implement preventive actions to minimize risk. All accidents and injuries are reported to Executive Management. In 2023, we had no accidents with recorded employee absence.

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.

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.

Mitigating actions & 2023 results

- The internal Safety Organization conduct a safety tour with for all new employees in their first week of employment.
- Our internal Safety Organization perform periodical safety inspections walks to discuss and monitor safety to prevent accidents.
- All new or changed laboratory, test and production process are systematic risk evaluated and Chemical APVs are implemented where required.
- Aquaporin internally reports accidents & injuries or near miss which individual is analyzed by the Safety organization to implement preventive actions to minimize risk; all accidents and injuries are reported to Executive Management. In 2023, we had no accidents with recorded employee absence.

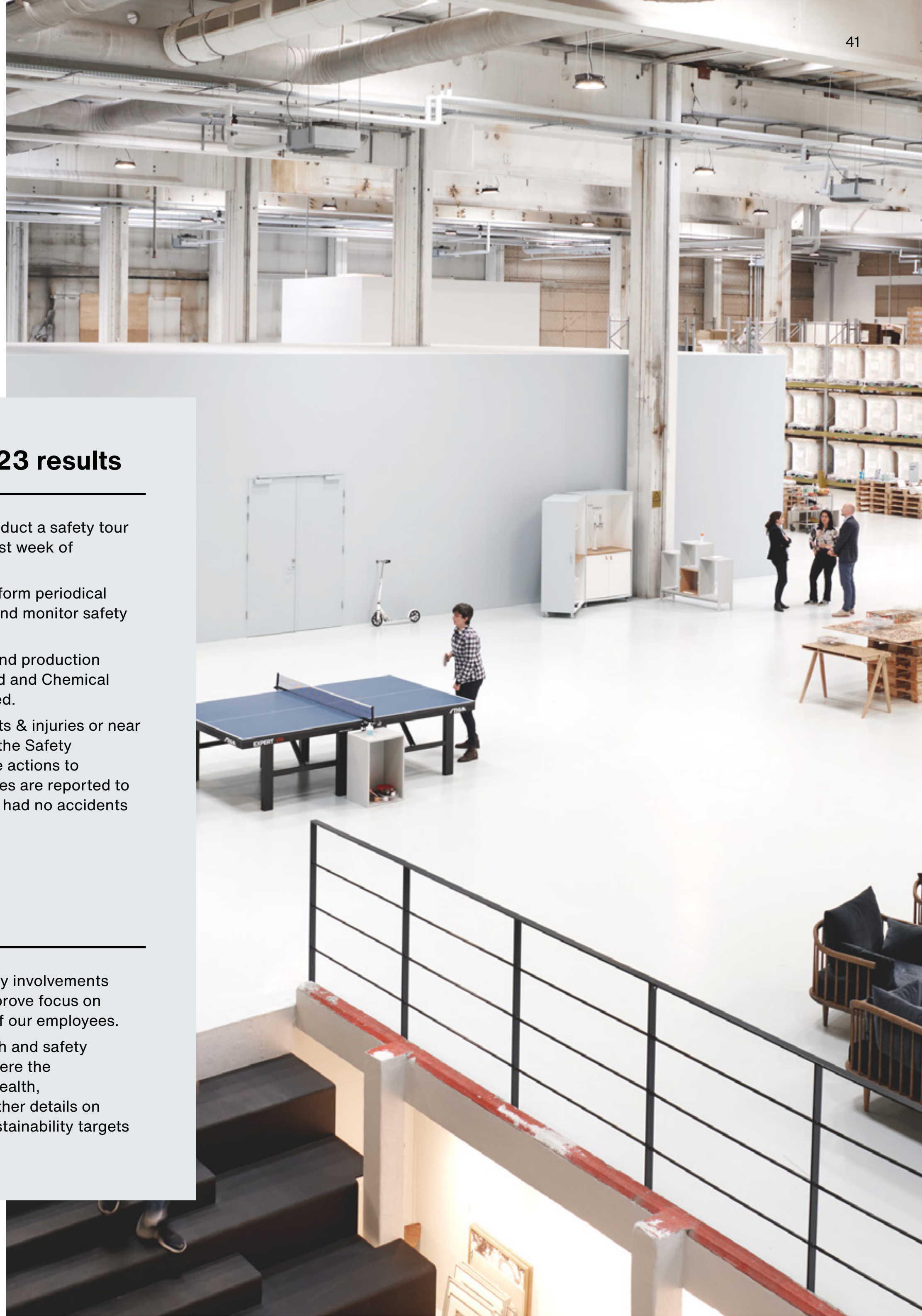
Policies

- 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.

Future plans

- Focus on even more health and safety involvements from mid-management or further improve focus on "safety at work" and the well-being of our employees.
- At the end 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 50.

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



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 & 2023 results

- Our Supplier CoC describes requirements towards our suppliers related to human rights and general labor conditions and is now included as part of our Supply and Manufacturing agreements.
- No breaches of our CoC or other policies were reported in 2023.

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.

Statement of Corporate responsibility cf. section 99a in the Danish Financial Statements Act – Social & Employees

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. AquaShield, global exclusive brand licensee for Phillips Water Systems, in China, we expect our drinking water solutions will be securing clean and healthy drinking water in more than 500,000 homes by the end of 2024.

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.

6 CLEAN WATER AND SANITATION

17 PARTNERSHIPS FOR THE GOALS

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

14 LIFE BELOW WATER

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 more than 99.9% of 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 500,000 households Worldwide with a water filtration system with Aquaporin Inside® by the end of 2024, and an anticipated increase over the coming years, 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.

3 GOOD HEALTH AND WELL-BEING

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 52.

Corporate governance, pages 52-65

Anti-corruption & bribery

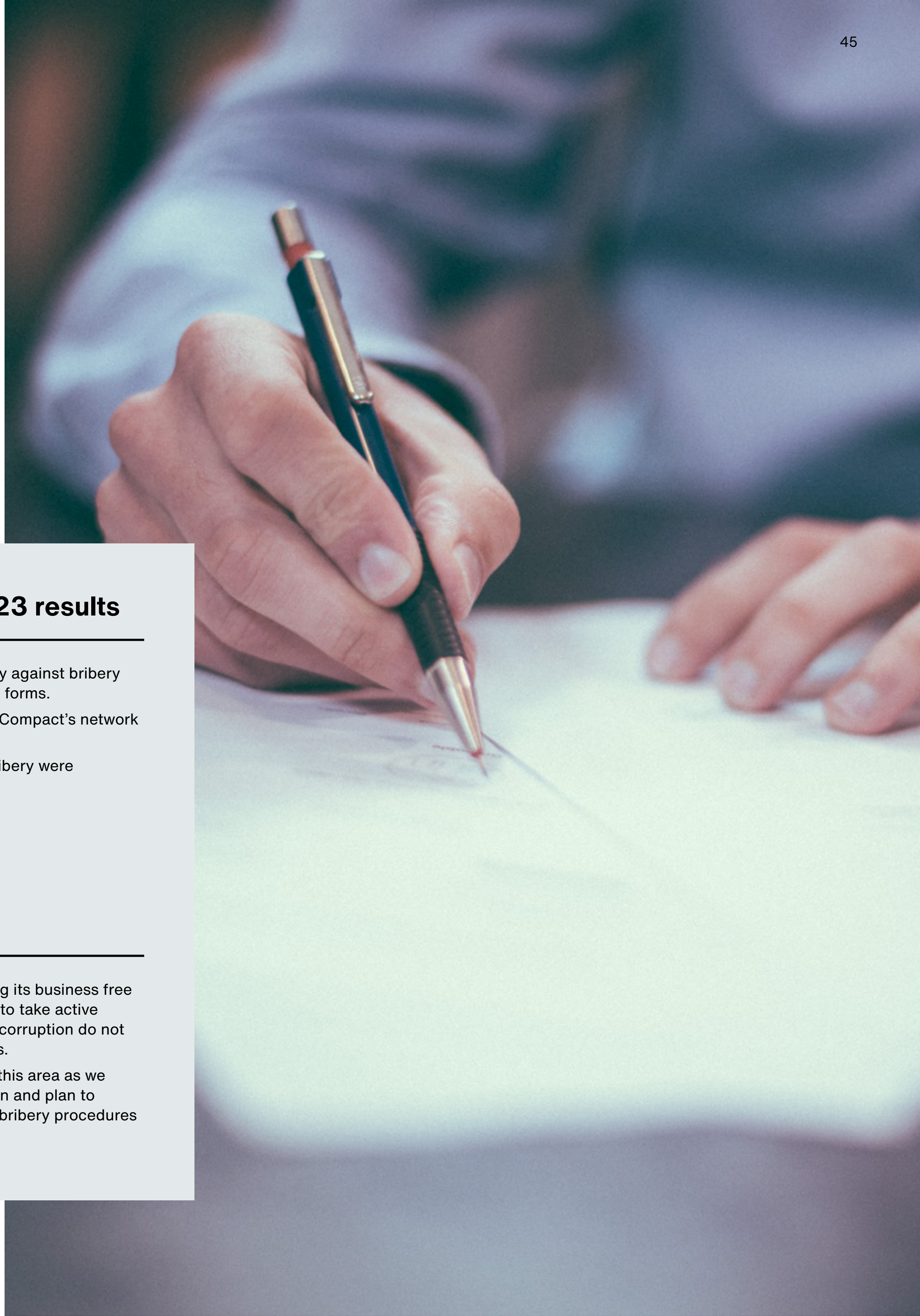
At Aquaporin, we promote an ethical business environment. Subsequently, we have a zero-tolerance policy on anti-corruption and bribery, and aim to ensure our business practices comply with all relevant laws and regulations.

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 56.

Mitigating actions and 2023 results, page 45

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 & 2023 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 2023, 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 2024.

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

Change starts with people

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, 2023, Aquaporin's joint workforce consisted of 32 (39%) females and 51 (61%) males; in Management (Executive, Management and direct report Managers), 4 (17%) were female and 19 (83%) male; the Board of Directors consisted of seven members – one (14%) woman and six (86%) men.

In accordance with our Diversity Policy, we aim to increase the number of women on our Board of Directors and in Management to 33% by 2027. The timeline for fulfillment has shifted from 2024 to 2027. By shifting the timeline, we maintain the importance of achieving a higher level of gender equality on both levels, while acknowledging that we need more time to identify female candidates. In 2023, there were no relevant candidates from the underrepresented gender for positions on the other levels of Management. For our overall workforce, we aim to increase the under-represented gender to 45% 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 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 2023, 24 nationalities were represented among our employees.

Initiatives

We continuously seek to improve the gender diversity on our Board of Directors as well as in Management. We investigate options to further the level of diversity and, in 2023, implemented a procedure that seeks to include both female and male candidates in hiring processes.

For the Company's joint workforce, we have taken measures to encourage equal employment terms, which we find are at the core of a diverse and differentiated workforce:

- Our hiring process is based on individual, professional qualifications and we encourage applicants to apply for positions irrespective of gender, age, religion, ethnicity, and sexual orientation. In all recruitment processes, we seek to ensure both female and male candidates, when possible.
- 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 tailormade projects, Aquaporin Academy offers national and international students a unique opportunity to become a part of the development of Aquaporin.
- In 2023, we launched a Young Professionals Program with the goal of strengthening and developing 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 2022, and again in 2023, we reconfirmed the target of reaching 33% females in the Board of Directors by 2027, cf. our Diversity Policy.

As of this date, Aquaporin has not been able to identify female candidates suitable and available to join Aquaporin's Board of Directors. Thus, no changes were made to the Board of Directors in 2023.

The share of nationalities represented at the board level remained unchanged in 2023. 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, 2023.

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

Gender distribution, cf. §99b

	2023
§ 99b Gender distribution board of directors	
Total number of members	7
Underrepresented gender in pct	14%
Target figure in pct.	33%
Year for fulfilment of target figure	2027
§ 99b Gender distribution other management	
Total number of members	23
Underrepresented gender in pct.	17
Target figure in pct.	33%
Year for fulfilment of target figure	2027

ESG matrix

	Unit	2023	2022	2021	2020
Environment					
Direct GhG emissions (Scope 1)	Tons CO_2 e	333	285	331	396
Indirect GhG emissions (Scope 2 - electricity) - location-based*	Tons CO_2 e	39	76	111	
Indirect GhG emissions (Scope 2 - electricity) - market-based	Tons CO_2 e	151	178	202	239
Electricity consumption	Megawatt hours	359	443	545	647
Natural gas (heating)	m^3	144,120	124,570	145,868	173,234
Renewable energy share (scope 2)**	%	75%	68%	58%	66%
Water consumption	m^3	3,533	3,439	5,471	5,319
Social data					
Full time workforce	FTE	82	86	78	83
Gender diversity (percentage female)	%	37%	38%	39%	37%
Gender diversity in management (percentage female)***	%	18%	13%	17%	18%
National diversity (number of nationalities)	Absolute number	24	24	24	23
Employee turnover ratio	%	21%	25%	18%	30%
Sickness absence	Days per FTE annually	3.3	4.5	3.76	3.7
Total incidents (stop-work orders)	Absolute number	0	0	2	3
Lost time incident rate (LTIR)	%	0%	0%	0%	0%
Governance					
Gender diversity, Board of Directors	%	14%	14%	13%	22%
Nationality diversity, Board of Directors	%	29%	29%	25%	22%
CEO pay ratio	Ratio	7.71	7.30	7.79	3.65

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 51.

* 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 2027
	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 2027
		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 - 2023. 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, 2023.

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, 2023. 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, 2023.

04

Governance

Corporate governance	53
Risk management	56
Shareholder information	58
Executive Management	59
Board of Directors	60
Management's statement	62
Independent auditor's report	63

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 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 six 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 2023 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 Technology 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 Non-independent Director	○	○	○
Anne Broeng Independent Director	●		
Lars Hansen Independent Director		○	○
Weiming Jiang Independent Director			
Anupam Bhargava Independent Director			
Jianlong Zhuang Independent Director			

● 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	●●●●●		●●	●●●
Weiming Jiang	●●●●○			
Anupam Bhargava	●●●○○			
Jianlong Zhuang	○○○○○			

👤 Chair

The dots indicate the individual member's attendance in meetings held in 2023.

Risk management

As a natural part of our core values, we manage risks rigorously and systematically to create and protect value, short, medium, and long term. We seek to achieve this by cross-departmental analyses ensuring a shared focus on mitigating risks.

Risk governance structure
Aquaporin continues to have 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 its customers. The Company has established a global key account approach aiming to grow and partner with large accounts. If the Company fails to attract new key accounts or if any of its current key account business should cease, this would negatively affect the financial outlook of the Company.

Product supply and product safety
Using third-party manufacturers, one of the main risks is the dependency 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 or with the sufficient quality, 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. Moreover, the Company, when relevant, seeks to have a local-for-local supplier setup to minimize the risks associated with geopolitical changes. An extensive quality assurance program covering the entire value chain contributes to higher product safety. 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 69 granted patents within 17 different patent families.

Financial risk
Management monitors the Company's funding risks and liquidity needs with a view to continue as a going concern. Subsequently, funding options are evaluated on a continuous basis, including equity financing or debt, to ensure the road to profitability.

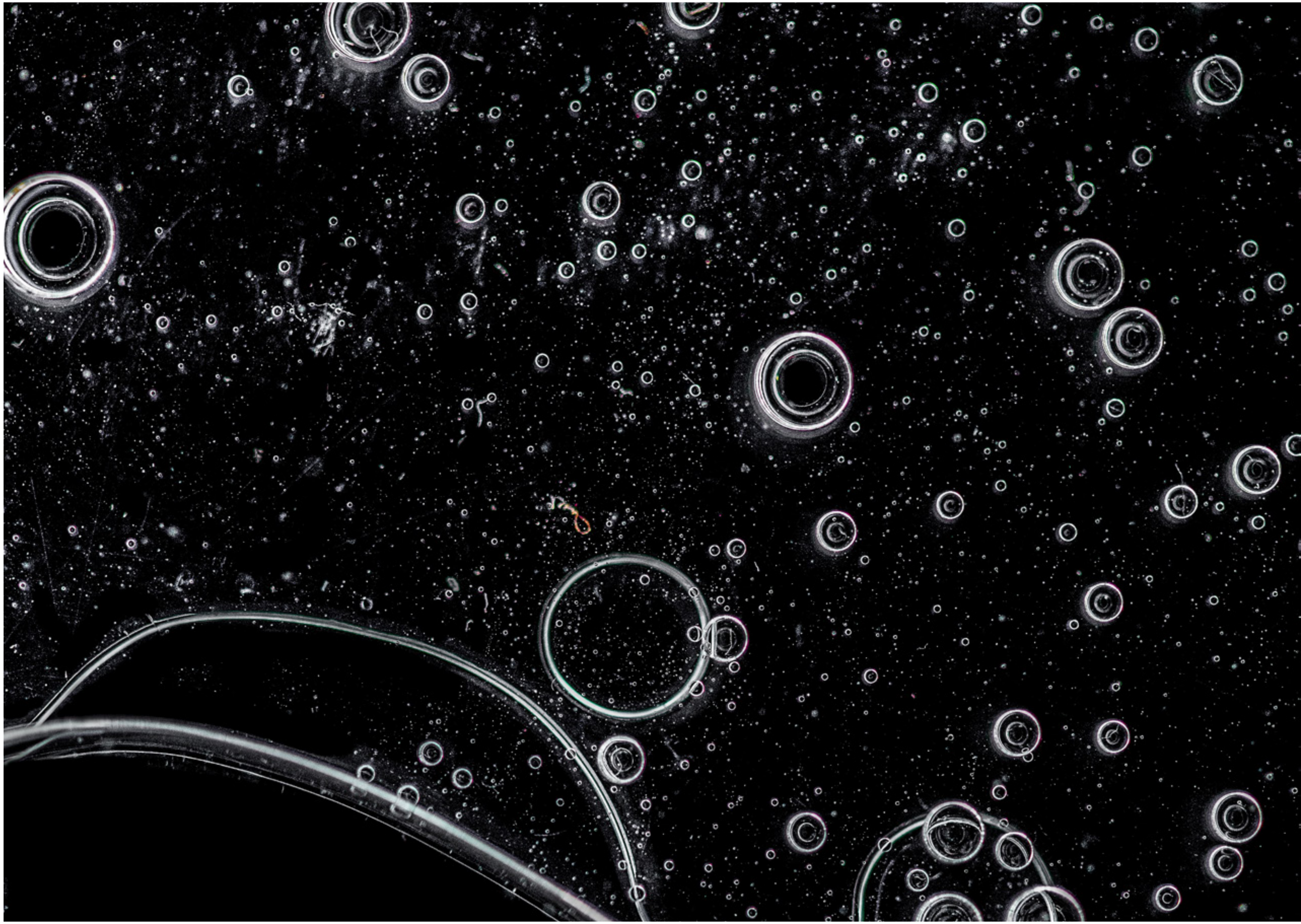
Due to the nature of its operations, investments, and financing, Aquaporin is exposed to risks related to currencies, funding, liquidity, credit, and counterparties. Aquaporin aims to actively address financial risks to mitigate potential material impacts on the Group's financial position. The

Risk management

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 https://aquaporin.com/privacy-policy.



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, 2023 was 10,946,154. The company does not hold treasury shares. The company has one share class, with each share representing one vote in company matters.

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

Our share price closed at DKK 46 on the last day of trading in the financial year 2023, representing a 36% decrease in share price compared to the share price on the last day of trading in the financial year 2022.

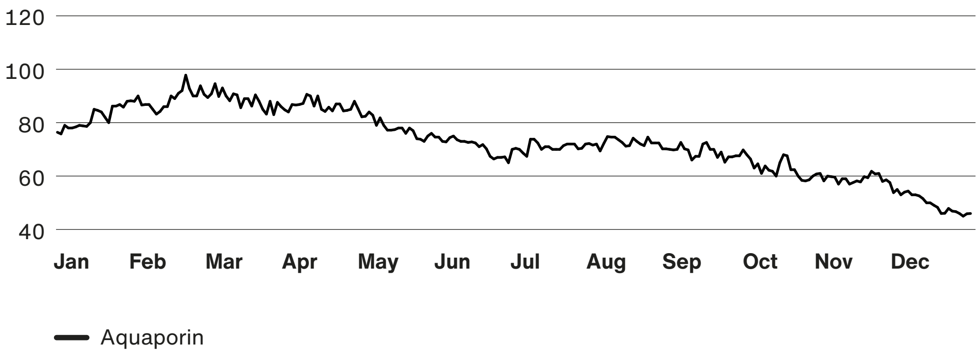
In total, Aquaporin had 3,050 name-registered shareholders as of December 31, 2023. Aquaporin has received notifications of holdings of 5% or more of the share capital or voting rights from the following 5 shareholders as of December 31, 2023:

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

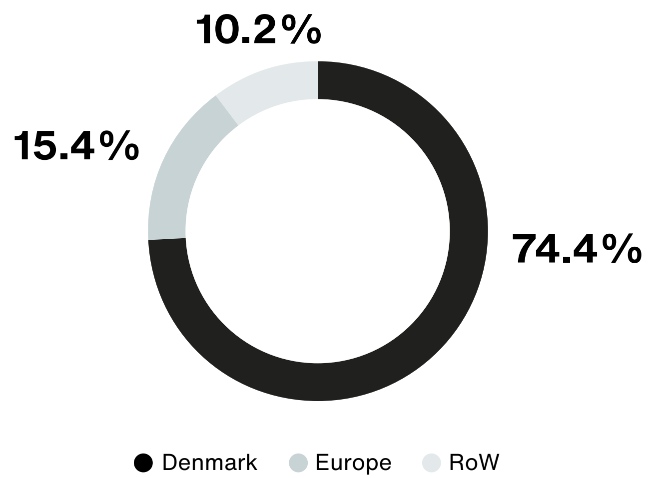
Shareholder return policy
Distributions to shareholders are subject to Board of Directors' proposals. In the second quarter of 2024, the Company plans to strengthen its capital structure by raising new equity through a Rights Issue of new shares with pre-emptive rights for Aquaporin's shareholders.

Share capital (end of year)	10,946,154
Outstanding shares (end of year)	10,946,154
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 503,523,084

Share price development - January 1 to December 31, 2023



Geographical shareholder split



Executive Management

Matt Boczkowski
Chief Executive Officer (CEO)

Nationality Canadian, Polish | **Year of birth** 1978

Gender Male | **Joined** 2021

Other positions and management duties
No other management positions.

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.

Klaus Juhl Wulff
Chief Financial Officer (CFO)

Nationality Danish | **Year of birth** 1973

Gender Male | **Joined** 2022

Other positions and management duties
Wulff Consulting (Owner)

Qualifications
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.

Joerg Hess
Chief Operating Officer (COO)

Nationality German | **Year of birth** 1967

Gender Male | **Joined** 2019

Other positions and management duties
No other management positions.

Qualifications
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.

Torsten Høybye Bak Regueira
Chief Technology Officer (CTO)

Nationality Danish | **Year of birth** 1978

Gender Male | **Joined** 2017

Other positions and management duties
No other management positions.

Qualifications
More than 15 years' experience from several corporate research & development positions and two start-ups. Specialist knowledge within various scientific areas, including molecular biology and fermentation optimization. Holds a PhD in Biotechnology and an MSc in Chemical Engineering from the Technical University of Denmark.

Board of Directors

Niels Heering
Chair

Nationality Danish
Year of birth 1955
First elected 2015

Independency assessment
Independent

Board committee(s)
Remuneration Committee (Chair)
Nomination Committee (Chair)

Aquaporin shares as of December 31, 2023
13,733

Primary position
Senior General Counsel, Danske Bank

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, Nesdugaard NewCo ApS, Viga Re Aps, Viga Re Management 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, Executive management in Heering Invest ApS and 15. JF Invest A/S

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.

Søren Bjørn Hansen
Deputy Chair

Nationality Danish
Year of birth 1972
First elected 2007

Independency assessment
Non-independent

Board committee(s)
Audit Committee (Member)
Remuneration Committee (Member)
Nomination Committee (Member)

Aquaporin shares as of December 31, 2023
20,000

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

Other appointments and board positions

Deputy Chair: Aquaporin Space Alliance, Danish Aerospace Company A/S, Danish Aerospace Medical Company A/S, 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, MGE Service ApS, MGE13 ApS, MGE14 ApS

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

Anne Broeng
Board member

Nationality Danish
Year of birth 1961
First elected 2018

Independency assessment
Independent

Board committee(s)
Audit Committee (Chair)

Aquaporin shares as of December 31, 2023
7,491

Primary position
Professional Board Member

Other appointments and board positions

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

Member: Rambøll Gruppen A/S, NNIT A/S, Energi Danmark A/S, and VKR Holding A/S

Other: Special Advisor to NASDAQ Group

Special qualifications
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 financial services, software, engineering and architecture, energy and building material.

Lars Hansen
Board Member

Nationality Danish
Year of birth 1967
First elected 2015

Independency assessment
Independent

Board committee(s)
Remuneration Committee (Member)
Nomination Committee (Member)

Aquaporin shares as of December 31, 2023
9,001

Primary position
Executive Director/Chief Executive Officer, Villum Foundation

Other: None

Special qualifications
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

Independency assessment
Independent

Board committee(s)
-

Aquaporin shares as of December 31, 2023
500

Primary position
Professional board member

Other appointments and board positions

None

Special qualifications
Previously held senior executive positions at Nilfisk and Grundfos. More than 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.

Weiming Jiang
Board Member

Nationality Danish
Year of birth 1956
First elected 2018

Independency assessment
Independent

Board committee(s)
-

Aquaporin shares as of December 31, 2023
3,167

Primary position
Founder and General Manager of EOS Consulting Company.

Other appointments and board positions

Member: Huisman B.V. and SinoChem International Corporation

Other: Operating Partner at GL Capital Group, Advisor Group (NAG) at Novo Holdings, China Chairman at SAS Ltd.

Special qualifications
Experienced management professional with a global outlook and experience with the Chinese market. Extensive experience with biotechnology and the water sector.

Jianlong Zhuang
Board Member

Nationality Chinese
Year of birth 1964
First elected 2021

Independency assessment
Independent

Board committee(s)
-

Aquaporin shares as of December 31, 2023
-

Primary position
Vice President, Chief Risk Officer and Board Secretary, Interchina Water Treatment Co. Ltd.

Other appointments and board positions

None

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

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, 2023 to December 31, 2023.

The Consolidated Financial Statements are prepared in accordance with IFRS Accounting Standards as adopted by the EU, and additional requirements stated in the Danish Financial Statements Act. The Parent Company Financial Statements are prepared in accordance with the Danish Financial Statements Act.

The Management's Review is also prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position at December 31, 2023 of the Group and the Parent Company and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 2023.

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

In our opinion, the Annual Report of Aquaporin A/S for the financial year January 1 to December 31, 2023, identified as 894500AW5ZWMYUZN1V70-2023-12-31-en.zip, has been prepared, in all material respects, in compliance with the ESEF Regulation.

We recommend that the Annual Report is adopted at the Annual General Meeting.

Copenhagen, April 5, 2024

Executive Management

Matt Boczkowski
Chief Executive Officer

Klaus Juhl Wulff
Chief Financial Officer

Joerg Hess
Chief Operating 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 Consolidated Financial Statements and Parent Company Financial Statements

Opinion
We have audited the consolidated financial statements and the parent company financial statements of Aquaporin A/S for the financial year January 1 – December 31, 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including material accounting policy information, for the Group and the Parent Company, and a consolidated statement of comprehensive income and a consolidated cash flow statement. The consolidated financial statements are prepared in accordance with IFRS Accounting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group at December 31, 2023 and of the results of the Group's operations and cash flows for the financial year January 1 – December 31, 2023 in accordance with IFRS Accounting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Further, in our opinion the parent company financial statements give a true and fair view of the financial position of the Parent Company at December 31, 2023 and of the results of the Parent Company's operations for the financial year January 1 – December 31, 2023 in accordance with 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 consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, 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 2023. 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 Notes 3.1 and 3.2 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 skeptisme 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 by relevant law and regulations.

Based on our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of relevant law and regulations. 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 consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act and for the preparation of parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act.

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance 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 Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting 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 Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent 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.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent company 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 Consolidated Financial Statements and Parent Company 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, 2023 with the file name 894500AW5ZWMYUZN1V70-2023-12-31-en is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the Consolidated Financial Statements including notes.

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

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

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

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

In our opinion, the annual report of Aquaporin A/S for the financial year January 1 – December 31, 2023 with the file name 894500AW5ZWMYUZN1V70-2023-12-31-en is prepared, in all material respects, in compliance with the ESEF Regulation.

Copenhagen, April 5, 2024

EY Godkendt Revisionspartnerselskab
CVR No 3070 0228

Mikkel Sthyr
State Authorized Public Accountant
mne26693

Ole Becker
State Authorized Public Accountant
mne33732

Aquaporin Inside®

Financial statements

05

Consolidated financial statements

Income statement	69
Statement of comprehensive income	69
Statement of cash flows	70
Statement of financial position	71
Statement of changes in equity	72
Notes to the consolidated financial statements	73

Income statement

DKK 1,000	Note	2023	2022
Revenue	2.1	59,531	30,554
Cost of sales	2.2	(40,208)	(25,019)
Gross profit		**19,323**	**5,535**
Distribution costs	2.3, 2.4, 5.1, 5.2	(12,691)	(16,376)
Sales and marketing costs	2.3, 2.4, 5.1, 5.2	(30,252)	(26,220)
Research and development costs	2.3, 2.4, 5.1, 5.2	(45,021)	(49,862)
Administrative costs	2.3, 2.4, 5.1, 5.2	(24,934)	(21,461)
Operating profit/loss before special items		**(93,575)**	**(108,384)**
Special items	2.5	-	(5,007)
Operating profit/loss (EBIT)		**(93,575)**	**(113,391)**
Share of net earnings of investments	3.4	(9)	(23)
Financial income	2.6	1,017	105
Financial costs	2.6	(3,169)	(4,192)
Earnings before tax		**(95,736)**	**(117,501)**
Tax for the year	2.7	5,340	5,382
Earnings after tax		**(90,396)**	**(112,119)**
Attributable to:			
Owners of Aquaporin A/S		**(90,396)**	**(112,119)**
Earnings per share in DKK			
Earnings per share	3.10	(9)	(11)
Diluted earnings per share	3.10	(9)	(11)

Statement of comprehensive income

DKK 1,000	Note	2023	2022
Earnings after tax		(90,396)	(112,119)
Other comprehensive income			
Items that will be reclassified to income statement:			
Exchange rate adjustments		(845)	1,521
Other comprehensive income, after tax		**(845)**	**1,521**
Total comprehensive income (loss)		**(91,241)**	**(110,598)**
Attributable to:			
Owners of Aquaporin A/S		**(91,241)**	**(110,598)**

Statement of cash flows

§ Accounting policy
The cash flow statement is prepared in accordance with the indirect method on the basis of the Group's earnings before tax for the year. The statement shows the Group's cash flow distributed on operating-, investing-, and financing activities, and cash and cash equivalents at the beginning of the year and at year-end.

Cash flows from operating activities consists of earnings before tax (EBT), reversal of non-cash items, changes in working capital and tax for the year.

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

Cash flow from financing activities primarily include cash flows from installments of lease liabilities and proceeds from capital increases with deduction of flotation costs.

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

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

DKK 1,000	Note	2023	2022
Earnings before tax (EBT)		(95,736)	(117,501)
Reversal of items from the income statement	4.2	16,920	23,973
Changes in working capital	4.3	(7,008)	(6,905)
Proceeds from tax authorities		5,340	5,490
Cash flow from operating activities		**(80,484)**	**(94,942)**
Investments in intangibles assets	3.2	(11,927)	(9,728)
Investments in tangibles assets	3.3	(858)	(1,403)
Deposits		(85)	(273)
Cash flow from investing activities		**(12,870)**	**(11,404)**
Non-current liabilities		-	(1,688)
Installment of lease liabilities	3.4	(4,074)	(5,874)
Proceeds from capital increase		73,789	-
Flotation costs		(3,022)	-
Cash flow from financing activities		**66,693**	**(7,562)**
Net cash flow		**(26,661)**	**(113,908)**
Cash and cash equivalents, at January 1		29,417	143,257
Exchange rate adjustments		-	68
Cash and cash equivalents, at January 31		**2,756**	**29,417**

Statement of financial position

DKK 1,000	Note	2023	2022
Goodwill	3.2	2,899	2,899
Development projects in progress	3.2	64,374	55,232
Development projects completed	3.2	31,313	34,614
Other intangibles	3.2	526	452
Total intangible assets		**99,112**	**93,197**
Property, plant and equipment	3.3	98,541	107,605
Total tangible assets		**98,541**	**107,605**
Investments	3.5	15	24
Deposits		2,522	2,437
Total financial assets		**2,537**	**2,461**
Total non-current assets		**200,190**	**203,263**
Inventories	3.6	17,563	10,738
Trade receivables	3.7	25,688	12,430
Other receivables		6,473	4,132
Income tax receivables		5,500	5,500
Prepayments		4,392	5,066
Cash and cash equivalents	3.8	2,756	29,417
Total current assets		**62,372**	**67,283**
Total assets		**262,562**	**270,546**

DKK 1,000	Note	2023	2022
Share capital	3.10	10,946	10,131
Retained earnings	3.10	128,757	146,693
Reserve for exchange rate adjustments	3.10	1,466	2,311
Total equity		**141,169**	**159,135**
Lease liabilities	3.4	50,265	52,774
Other payables		3,724	3,596
Deferred government grants	3.12	27,564	30,662
Total non-current liabilities		**81,553**	**87,032**
Provisions	3.11	7,249	3,735
Lease liabilities	3.4	4,171	4,032
Contract liabilities	3.13	721	469
Trade payables		10,556	3,167
Other payables		15,170	11,003
Deferred government grants	3.12	1,973	1,973
Total current liabilities		**39,840**	**24,379**
Total liabilities		**121,393**	**111,411**
Total equity and liabilities		**262,562**	**270,546**

Statement of changes in equity

DKK 1,000	Share capital	Retained earnings	Reserve for exchange rate adjustments	Total equity
Equity at January 1, 2022	**10,131**	**259,554**	**790**	**270,475**
Earnings after tax	-	(112,119)	-	(112,119)
Other comprehensive income	-	-	1,521	1,521
Total comprehensive income for the year	**-**	**(112,119)**	**1,521**	**(110,598)**
Transactions with owners in their capacity as owners				
Share-based payments	-	(742)	-	(742)
Equity at December 31, 2022	**10,131**	**146,693**	**2,311**	**159,135**
Equity at January 1, 2023	**10,131**	**146,693**	**2,311**	**159,135**
Earnings after tax	-	(90,396)	-	(90,396)
Other comprehensive income	-	-	(845)	(845)
Total comprehensive income for the year	**-**	**(90,396)**	**(845)**	**(91,241)**
Transactions with owners in their capacity as owners				
Proceeds from capital increase	815	72,974	-	73,789
Flotation costs	-	(3,022)	-	(3,022)
Share-based payments	-	2,508	-	2,508
Equity at December 31, 2023	**10,946**	**128,757**	**1,466**	**141,169**

See note 3.10 Share capital and earnings per share, for a specification of reserves available for distribution.

Notes to the consolidated financial statements

Section 1
Significant accounting policies and significant accounting estimates and judgements

1.1	Basis of preparation	74
1.2	Basis of consolidation	74
1.3	General accounting policies	74
1.4	Significant accounting estimates and judgements	75
1.5	Climate changes	75
1.6	Reporting under ESEF regulation	75
1.7	New and amended standards and interpretations	76

Section 2
Operating activities

2.1	Revenue	77
2.2	Cost of sales	78
2.3	Amortizations and depreciations	78
2.4	Staff costs	78
2.5	Special items	79
2.6	Financial items, net	79
2.7	Tax for the year	79

Section 3
Assets and liabilities

3.1	Impairment of non current assets	81
3.2	Intangible assets	83
3.3	Property, plant, and equipment	84
3.4	Leases	86
3.5	Investments	87
3.6	Inventories	87
3.7	Trade receivables	88
3.8	Cash and cash equivalents	88
3.9	Deferred tax	88
3.10	Share capital and earnings per share	89
3.11	Provisions	89
3.12	Deferred government grants	90
3.13	Contract assets & liabilities	90

Section 4
Cash, capital structure, & financing

4.1	Financial risks	91
4.2	Reversal of items from the income statement	93
4.3	Changes in working capital	93
4.4	Change in financial liabilities	94

Section 5
Other notes

5.1	Remuneration of the Executive Management and the Board of Directors	95
5.2	Share-based payments	96
5.3	Fees to auditors	100
5.4	Commitments and contingent liabilities	100
5.5	Related parties	100
5.6	Events after the reporting date	100
5.7	List of Group companies at December 31	101

Section 1

Significant accounting policies and significant accounting estimates and judgements

1.1 Basis of preparation

This note provides a list of significant accounting policies adopted in the preparation of the consolidated financial statements and the parent financial statements to the extent they have not been disclosed in the respective notes below. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements have been prepared on the basis that the Group will continue to operate as a going concern, cf. note 4.1 and 5.6.

Aquaporin A/S is a public limited company incorporated in Denmark and listed on Nasdaq Copenhagen.

Principal accounting policies

The Annual report for the period 1 January - 31 December 2023 with comparison figures comprises the consolidated financial statements of Aquaporin A/S (the parent company) and its subsidiaries (the Group) and the financial statements of the parent company.

The consolidated financial statements of the Group has been prepared on a going concern basis and in accordance with IFRS accounting standards as adopted by the EU and additional requirements from the Danish Financial Statements Act.

The financial statements of the parent company, Aquaporin A/S, have been prepared in accordance with the Danish Financial Statements Act applying to enterprises of reporting class D.

Adjustments to comparative figures

Government grants are in 2023 presented as both current and non-current liabilities. Consequently, comparative figures are adjusted and DKK 30,662 thousand is presented as non-current liabilities in 2022. The change in presentation does not impact the income statement, total assets or equity. The adjustments reflect the non-current expectation to timing of when government grants are utilised and recognised in the income statement.

Measurement basis

The consolidated financial statements and the financial statements of the parent company have have been prepared based on the historical cost principle, except for the measurement of certain financial instruments at fair value.
DKK is the functional currency of the parent company in the Group. In the annual report, the presentation currency is DKK and amounts are presented in thousand DKK.

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.

Applying materiality

The financial statements are a result of processing large numbers of transactions and aggregating those transactions into classes according to their nature. When aggregated, the transactions are presented in classes of similar items in the financial statements. If a line item is not individually significant, it is aggregated with other items of a similar nature in the financial statements.

There are substantial disclosure requirements throughout IFRS. Management provides specific disclosures required by IFRS unless the information is considered immaterial to the economic decision-making of the users of these financial statements or not applicable.

1.2 Basis of consolidation

The consolidated financial statements comprise Aquaporin A/S (the parent company) and subsidiaries. An investment is classified as a subsidiary when below conditions are met:

- Aquaporin A/S has control over the company.
- Aquaporin A/S is exposed to variability in return on the investment.
- The control over the company can be used to affect the return on the investment

At consolidation, intra-group income and expenses, shareholdings, dividends and accounts as well as unrealised intra-group gains and losses on transactions between the consolidated enterprises are eliminated.

The consolidated financial statement also comprise associated companies. An investment is classified as an associate when the Group exercises significant influence, but do not control the company. 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 financial statements used in the consolidation are prepared in accordance with the Group's accounting policies. The consolidated financial statements are prepared on the basis of the financial statements of the parent company and the subsidiaries by aggregating items of a uniform nature.

Newly acquired or newly established entities are recognised in the Consolidated financial statements from the date of acquisition using the acquisition method. Entities divested or wound up are included in the consolidated income statement until the date of disposal. Comparative figures are not restated to reflect acquisitions or companies wound up.

1.3 General accounting policies

Foreign exchange rate adjustments

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). Transactions in currencies other than the functional currency are transactions in foreign currencies.

Foreign exchange rate adjustments measured between the transaction date and the payment date, are recognized in the income statement as gain or losses under “financial income” or “financial costs”.

Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are adjusted to the exchange rate of the balance sheet date. Exchange rate adjustments related to monetary items are recognized in the income statement as “financial income” or “financial costs”.

Basis of preparation of consolidated financial statements – continued

Intangible assets, tangible assets and other non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

Segment information
Aquaporin is managed and operated as one business unit, which means that no structural or organizational aspects allow for an alternative presentation of earnings from individual product candidates or geographical markets due to the fact that sales channels, customer types and sales organizations are identical for all important markets and have similar economical characteristics. 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.

Other receivables
Other receivables mainly comprise receivables related to government grants, VAT etc..

Other Payables
Other payables mainly comprise payables arising from employee related payables, including taxes, holiday provisions, pensions and other accrued wages.

Prepayments
Prepayments comprise payments to vendors before receiving delivery of products or service. This also includes periodizations of costs for insurances, software licensing etc.

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.

Non-IFRS financial measures
In the annual report, the Group discloses certain financial measures of the Group's financial performance, financial position and cash flows that reflect adjustments to the most directly comparable measures calculated and presented in accordance with IFRS. These non-IFRS financial measures may not be defined and calculated by other companies in the same manner and may thus not be comparable

1.4 Significant accounting estimates and judgements

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 and parent company's accounting policies, Management makes judgements and estimates which they considers appropriate and reliable, but for which outcomes are significantly influenced by uncertainty and unpredictability that may cause the actual outcomes to deviate from the estimates.

The judgements and estimates made by Management are based on experience, historical data and other factors. Such assumptions applied may be incomplete or incorrect, and unexpected events or circumstances may arise.

Below are the accounting estimates and judgements, which Management considers to be significant to the preparation of the financial statements:

- Impairment considerations of non current assets (Note 3.1)
- Capitalized development costs (Note 3.2)
- Deferred tax (Note 3.9)

The accounting policies are described in each of the specific notes in the financial statements, which also include additional descriptions of accounting estimates and judgements.

1.5 Macroeconomics and climate changes

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 judgements or other required disclosures were noted.

1.6 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

Basis of preparation of consolidated financial statements – continued

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 894500AW5ZWMYUZN1V70-2023-12-31-en.zip.

1.7 New and amended standards and interpreations

As of 1 January 2023, a number of amendments to the accounting standards were implemented. The amendments do not have a material impact on the accounting policies or on the consolidated financial statements.

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.

Section 2

Operating activities

2.1 Revenue

§ Accounting policy
Revenue comprises the present value of income from goods and from R&D services rendered, net of discounts. Revenue is recognized in the income statement when control over the individual identified performance obligation are transfered to the customer.

Recognition of revenue requires a mutual approved contract, with a mutual obligation to fulfil the agreement, identifiable rights to the delivery of goods or services, identifiable payment terms, a commercial substance in the contract, and that it is probable that payments are received for the goods or services provided. Significant financing components exists when the timing of payments provides or requires financing to the customer.

Income from sales of Goods
Revenue comprises sale of flat sheet products primarily membranes, elements and systems from the business areas Drinking water, Industrial RO and FO market development. The flat sheet products are recognised upon delivery at point in time and in the income statement when control has transferred to the customer, depending on agreed delivery terms in the contract.

Payment terms are usually between 30-60 days from invoice date. No material financing components are present in 2023 due to the short-term nature between delivery of flat sheet products and payments obtained from customers.

Income from sales of services
Revenue comprise research and development activities rendered over time and are recognised in the income statement for the financial year as earned. The service is recognized as the research the development service is performed based on the degree of completion (percentage of completion) and the total expected revenue in the contract. The degree of completion is measured using an input-based method, based on the hours incurred relative to the expected total hours required to fulfil the contract, which is deemed to best reflect the transfer of control.

Services are on a fixed price basis and typically over a milestone period of 2-5 months. When the sales value in the contract cannot be reliably determined, it is measured at the costs incurred or the net realizable value if lower. No material financing components are present in 2023 due to the short-term nature between delivery of services and payments obtained from customers. At 31 December 2023 contracted liabilities are present due to unfulfilled prepaid performance obligations. For further information we refer to note 3.13 Contract assets and liabilities.

Significant judgements & estimates
Revenue is recognized over time and in accordance with percentage of completion, which in nature are uncertain. Services are performed at fixed price, prepaid and rendered over shorter periods. Due to the combination of beforementioned, the risk and uncertainty is evaluated low.

Other information
In 2023 sales to two of the Group's customers respectively exceeded 10% of the total revenue. In 2022 two costumers also respectively exceeded 10% of the total revenue.

Revenue by business area is changed compared with the annual report 2022. It is presented according to internal reporting and strategic plans by management. Consequently, comparative figures are changed.

The change in presentation does not impact the income statement, total assets or equity.

Revenue

DKK 1,000	2023	2022
Products and Services		
Sales of goods	46,574	30,554
Sales of services	12,957	-
Total	**59,531**	**30,554**
Business area		
Drinking Water	38,803	22,556
Industrial RO	3,604	998
FO Market Development	17,124	7,000
Total	**59,531**	**30,554**
Timing of revenue recognition		
Total revenue recognized at a point in time	46,574	30,554
Total revenue recognized over time	12,957	-
Total	**59,531**	**30,554**
Geographical information		
EMEA	8,166	8,323
APAC	38,049	18,448
Americas	13,316	3,783
Total	**59,531**	**30,554**

Operating activities – continued

2.2 Cost of sales

§ Accounting policy
Cost of sales comprises the cost derived from sales of goods and cost derived from sales of services.

Cost for sales of goods comprises the purchase price of raw materials, consumables, goods for resale and direct labor costs, and provisions for warranties.

Costs for sales of services comprise products, consumables, wages and salaries, and other costs included in the research and development services.

2.3 Amortizations and depreciations

Investments in intangible and tangible assets are amortized and depreciated in a straight line pattern over estimated useful lives as described in Notes 3.2 and 3.3.

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

DKK 1,000	2023	2022
Distribution costs	3,924	4,371
Sales and marketing costs	1,316	1,178
Research and development costs	10,871	12,254
Administrative costs	1,578	663
Total amortizations and depreciations	**17,689**	**18,466**

As a partial offset to the research and development costs, deferred government grants were recognized with DKK 2.5 million in 2023 (2022: DKK 3.1 million).

2.4 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.

See note 5.1 remuneration of the executive management and board of directors.

DKK 1,000	2023	2022
Wages and salaries	66,942	63,726
Pension costs, defined contribution plans	1,866	1,475
Social security costs	1,615	1,383
Share-based payments (Note 5.2)	2,508	(742)
Total	**72,931**	**65,842**
Average number of full-time employees	82	86
Included in the income statement as specified below:		
Distribution costs	5,020	6,213
Sales and marketing costs	20,044	14,618
Research and development costs	24,781	24,697
Administrative costs	16,398	13,034
Total staff costs in consolidated income statement	**66,243**	**58,562**
Staff costs capitalized as part of development projects	6,688	7,280
Total staff costs for the year	**72,931**	**65,842**

Operating activities – continued

2.5 Special items

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

In 2023 no special items was recognized in the income statement (2022: DKK 5.0 million).
In 2022 special items consisted of inventory write-down of products that were intended for the Russian market.

2.6 Financial items, net

§ Accounting policy
Financial income and costs 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	2023	2022
Financial income		
Interest income, banks	1,017	105
Total	**1,017**	**105**
Financial costs		
Interest expenses, banks	-	214
Interest expenses, lease liabilities	1,873	1,764
Exchange rate adjustments, net	636	1,396
Other financial expenses, including bank fees	660	818
Total	**3,169**	**4,192**

2.7 Tax for the year

§ Accounting policy
Tax for the year consists of current tax and deferred tax. 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 as 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 3.9.

DKK 1,000	2023	2022
Tax for the year comprises:		
R&D tax credit	5,500	5,500
Other taxes	(160)	(118)
Total	**5,340**	**5,382**

Operating activities – continued

2.7 Tax for the year – continued

	2023		2022	
	DKK 1,000	%	DKK 1,000	%
Earnings before tax	**(95,736)**	**22%**	**(117,501)**	**22%**
Calculated 22% (2022: 22%) of profit before tax	21,062	22%	25,850	22%
Tax effect of:				
Regulation of calculated tax in foreign affiliated companies in relation to 22% (2022: 22%)	4	0.0%	(20)	(0.0%)
Permanent differences	1,112	1.2%	2,420	2.1%
Withholding taxes	(144)	(0.2%)	(118)	(0.1%)
Other corrections	-	0.0%	(491)	(0.4%)
Deferred tax assets not capitalized	(16,694)	(17.4%)	(22,259)	(19.0%)
Total tax for the year	**5,340**	**5.6%**	**5,382**	**4.6%**

Section 3

Assets and liabilities

3.1 Impairment consideration of non current assets

Impairment of non-current assets concern intangible and tangible assets, comprising Goodwill, development projects completed, development projects in progress, other intangible assets and property plant and equipment. For further information we refer to note 3.2 and note 3.3 in the consolidated financial statements.

§ Accounting policy
For the purpose of impairment testing, assets are grouped into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Goodwill acquired in a business combination is allocated to the CGU's that is expected to benefit from the synergies of the combination. Allocated goodwill undergo mandatory annual impairment test along with other assets of the CGU.

For CGUs with no allocated goodwill, an impairment test is conducted when indications are present that the carrying amount of the CGU exceed expected recoverable amount. If the carrying amount of the CGU exceeds the recoverable amount, the assets are written down. Identified impairment losses are first allocated to reduce goodwill, then to other assets pro-rata, based on each asset's carrying amount. The recoverable amount of each CGU is determined as the greater of the value-in-use and the fair value less selling costs.

Impairment loss recognised for goodwill cannot be reversed. For other assets, an impairment loss is reversed only if the revised carrying amount of the asset does not exceed its carrying amount before the impairment, after depreciation.

Accounting judgements and estimates
The determination of cash-generating units differs based on the business areas Drinking water, Industrial RO & FO Market Development. The degree of interdependency between the three business areas has been evaluated in respect of internal reporting and strategic decision making by management. The conclusion is that interdependency exists, to such an extent, that the cash inflows are not largely independent. Consequently, all three business areas have been included in the respective CGU, which is the whole group.

Impairment indication and assessments
The assessment of impairment indicators involves complex and subjective judgments by management. These indicators are reviewed to assess the impairment need for our CGUs:

- Financial performance of assets and the CGU.
- The obsolescence or physical damage of assets.
- Significant changes in the external environment such as technology, economy, climate, geopolitical and regulatory changes).

The assessment of impairment indicators for intangible assets and tangible assets is based on the CGUs they are included in and assessed on CGU level.

If indications of impairment are present, the recoverability of the carrying amount of intangible and tangible assets in the related CGU is assessed. This is done by evaluating if the recoverable amount exceeds the carrying amount.

The recoverable amount is determined as the higher of the value-in-use and the fair value less selling costs. The calculation of value-in-use is particularly complex and contains uncertainty, as it relies on expected future cash flows and a discount factor.

Significant assumptions included in the value-in-use calculation primarily relates to the use of historical data and expectations to future growth in revenue and earnings.

It is important to note that the uncertainty pertaining to growth in revenue and earnings are based on expectations to future utilization of our development projects, significantly influencing the cash flow projections.

Assumptions are made regarding the discount factor, which is generally obtained from the WACC calculated using variables, each with its inherent uncertainty, further complicating the value-in-use calculation.

Currently, management does not believe that climate change has a significant effect on the estimates and judgments related to the impairment assessment.

Impairment assessment Goodwill and Development projects
Management continuously monitors the carrying amounts of our intangible and tangible assets, to determine if there are indications of impairment beyond what is covered by normal depreciation, or if any previous impairments should be reversed.

Goodwill from the acquisition of Golgi ApS in 2017 of DKK 2.9 million and development projects in progress of DKK 64.3 million are assets with indefinite useful lives and has been allocated to Aquaporin A/S (the whole group) as the CGU. Management has considered the determination of Aquaporin A/S as the CGU based on the degree of interdependency between cash inflows and has concluded that they are not able to separate cash flows into separate underlying CGU's. This is as well aligned with internal reporting and strategic decision making of management. As a result, intangible and tangible assets with a carrying value of DKK 197.7 million is tested for impairment annually.

In 2023 Aquaporin A/S has accomplished to maintain costs at a steady level and reach the commercial targets. Looking into 2024, continuous growth in revenue and positive earnings within a foreseeable future are expected. Based on these assumptions, Management has prepared an impairment assessment in Q4 2023.

Impairment test
The recoverable amount of the CGU was determined based on a value-in-use calculation using cash flow projections generated. This exercise is complex and requires various estimates to be made.

Assets and liabilities – continued

The value-in-use calculation is based on a 10-year forecast period in accordance with the strategy board model (2025-2027) approved by the Board of Directors and projections (2028-2033) prepared by Management. The extended cash flow projections is aligned with Aquaporin being considered a start-up company where significant growth in earnings are forecasted until a steady state is achieved.

Key assumptions applied
The judgements and estimates made by Management are based on experience, historical data and other factors. Such key assumptions applied may be incomplete or incorrect, and unexpected events or circumstances may arise. Below are the key assumptions, which

Management considers to be most significant to the value-in-use impairment test:

- Revenue growth in the forecasted period
- EBIT margin growth in the forecasted period
- Assessment of discount rate
- Assessment of growth rate in terminal period

The forecasted period is based on the approved budget for 2024, the strategy board model (2025-2027) approved by the Board of Directors and projections (2028-2033) prepared by Management.

In 2023 revenue grew by 95% in accordance with the guidance for 2023, previous communicated in the 2022 annual report.

In 2024 the revenue is expected to continue the growth and reach a growth of approximate 50-80%, which is in accordance with guidance for 2024 and with expected revenue of DKK 90-110 million.

In the period 2025-2033 it is the assumption that the commercial traction can continue its growth trajectory until a more steady level is achieved.

EBIT was a loss in 2023, and within guidance, previous communicated in the 2022 annual report. In 2023 the EBIT margin improved with approximate 17% in accordance with our guidance for 2023, previous communicated in the 2022 annual report.

The EBIT is expected to turn into profit within a foreseeable future in accordance with the strategy board model (2025-2027) approved by the Board of Directors and projections (2027-2033) prepared by Management.

For 2025 and going forward it is the key assumption that Aquaporin can continue scaling up on commercial operations while maintaining costs between gross profit and EBIT on a steady level.

The discount rate (pre-tax WACC) applied in the impairment test is 16.3% (2022: 16.0%) and is on level with prior year in accordance with expectations from management.

The terminal growth is 2% (2022: 2%) and in accordance with the long term average growth rate expectations of the Group.

Outcome of the impairment test
The outcome of the impairment assessment revealed an excess value of DKK 319 million indicating that there is no requirement for impairment recognition.

Although no impairment is required at present, we cannot guarantee that this situation will remain, given that the value-in-use calculation demonstrates sensitivity to variations in key assumptions.

A reduction in revenue including cost of sales of 10% would result in an approximate decline of DKK 135 million in the value-in-use.

Conversely, a 1% increase in the WACC would result in a decline of approximately DKK 74 million in the impairment test.

Impairment assessment other non-current assets
Management has assessed no need for impairment on other non-current assets.

Section 3

Assets and liabilities

3.2 Intangible assets

§ Accounting policy
Intangible assets consist of goodwill, development projects and other intangible assets.

Goodwill
Goodwill is recognised in the balance sheet as the difference between the fair value of net assets acquired and the consideration transferred. Subsequently, goodwill is measured at the same value less accumulated impairment losses and is not amortised.

The carrying amount of goodwill is allocated to each CGU in Aquaporin expected to benefit from the synergies of the combination. Goodwill is tested at least annually for impairment together with other assets from the same CGU's to which goodwill is allocated.

Development projects completed
Capitalized development costs of completed projects are measured at cost less accumulated amortisation and impairment. The cost includes salaries and wages and other directly attributable costs related to the group's development activities.

DKK 1,000	Goodwill	Development projects completed	Development projects in progress	Other intangibles	Total
Cost price at January 1, 2023	2,899	57,762	55,232	695	116,588
Additions during the year	-	-	11,666	261	11,927
Transfer	-	2,525	(2,525)	-	-
Cost price at December 31, 2023	**2,899**	**60,287**	**64,373**	**956**	**128,515**
Amortizations at January 1, 2023	-	23,148	-	243	23,391
Amortizations during the year	-	5,825	-	187	6,012
Amortizations at December 31, 2023	**-**	**28,973**	**-**	**430**	**29,403**
Carrying amount at December 31, 2023	**2,899**	**31,314**	**64,373**	**526**	**99,112**
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)	-	-
Cost 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 during the year	-	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**

Assets and liabilities – continued

3.2 Intangible assets – continued

Upon completion of a development project, the development costs are transferred from development projects in progress to development projects completed and amortized on a straight-line basis over their estimated economic useful life from the date at which the asset is ready for use. The amortisation period is 5-10 years based on the individual characterization of the project. The amortisation base is reduced by any impairments.

Development projects is after completion reviewed on annual basis for indication of impairment based on commercial prospects of the development project. If indications of impairment exists, an impairment test is performed comparing the estimated future net cash flows with the carrying amount of the asset group.

Development projects in progress
Capitalized development costs of projects in progress are projects under development that are clearly defined and identifiable, where technical feasibility, sufficient resources, and a potential future market or use within the group can be demonstrated, and where the intention is to complete, market, or use the project, are recognized as intangible assets if their cost can be reliably measured, and there is sufficient assurance that future earnings or net selling prices will cover production, selling, administrative, and development costs. Other development costs are recognized in the income statement in the financial statement line Research and development costs.

Development projects in progress are not amortised and tested at least annually for impairment. For information in relation to impairment considerations refer to note 3.1 Impairment considerations of non current assets.

Material intangible assets
The material individual intangible assets comprise of development projects completed and development projects in progress. All development projects are based on the Aquaporin Inside® technology, which is a solution to isolate the Aquaporin protein and utilize the capability of this protein in various water purification solutions. Management has assessed that development projects can be seen together, due to the fact that the development are based on the same core technology. The development projects are applied in different commercial solutions within the business areas omprising:

- Residential drinking water
- Industrial water RO
- FO Market Development

The carrying value and depreciations of development projects are specified in the intangible asset note.

Other intangible assets
Other intangible assets mainly consist of Technologies including IT systems and similar intangible assets with a limited useful life. Amortization is done over a 3 year period.

These assets comprise capitalized implementation costs initially measured at cost. Costs include configuration and customization of the underlying IT systems. Capitalization ceases when the asset is in the condition necessary for it to be capable of operating in the manner intended by Management.

The intangible assets are subsequently measured at cost less accumulated amortization and any impairment losses according to IAS 38.

Other information
For information in relation to impairment considerations, refer to note 3.1 Impairment considerations of non current assets.

3.3 Property, plant, and equipment

§ Accounting policy
Property, plant, and equipment are measured at cost less accumulated depreciation and less any accumulated impairment charges. Cost comprises the acquisition price, costs directly attributable to the acquisition, and preparation costs of the asset until the time when it is ready to be put into operation.

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

Property:	2 - 20	years
Plant:	4 - 20	years
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.

Assets and liabilities – continued

3.3 Property, plant, and equipment (continued)

Right-of-use assets comprise property and equipment. Property mainly concern the headquaters of Aquaporin A/S based in Denmark at Kongens Lyngby. The lease are subject to annual remeasurement due to contracted annual price index adjustments and contain extension options. Management has with reasonable assurance assessed the leasing period to be 20 years, which is aligned with Aquaporin's commercial and strategic initiatives.

Property also comprise an office in Singapore with a lease period of 2 years. The contract includes a renewal option to prolong the lease, at the end of the lease period, with 2 more years. The renewal option is at the end of the lease period assessed and concluded upon together with the lessor.

No significant purchase options are present and considered within the asset category property.

Equipment comprise office equipment related to leased property.

For further information on impairment of tangible assets, refer to note 3.1 Impairment consideration of non-current assets.

DKK 1,000	Property	Plant and machinery	Equipment	Leasehold improvements	Total
Cost price at January 1, 2023	69,841	69,409	13,927	28,019	181,196
Remeasurement	1,461	-	-	-	1,461
Exchange rates	(131)	(136)	(25)	(15)	(307)
Additions right-of-use assets	-	-	542	-	542
Additions during the year	-	72	645	141	858
Disposal during the year	-	(73)	(336)	-	(409)
Cost price at December 31, 2023	**71,171**	**69,272**	**14,753**	**28,145**	**183,341**
Depreciations at January 1, 2023	20,390	30,862	11,119	11,220	73,591
Exchange rates	(93)	(93)	(8)	20	(174)
Depreciations	4,758	4,103	1,202	1,614	11,677
Depreciations disposal	-	-	(294)	-	(294)
Depreciations at December 31, 2023	**25,055**	**34,872**	**12,019**	**12,854**	**84,800**
Carrying amount at December 31, 2023	**46,116**	**34,400**	**2,734**	**15,291**	**98,541**
Of which is Right-of-use assets 2023	46,116	-	779	-	46,895
Cost price at January 1, 2022	65,166	67,814	14,690	27,964	175,634
Remeasurement	4,456	-	-	-	4,456
Exchange rates	218	438	26	55	737
Additions right-of-use assets	1,776	-	242	-	2,018
Additions during the year	-	1,157	246	-	1,403
Disposal during the year	(1,775)	-	(1,277)	-	(3,052)
Cost price at December 31, 2022	**69,841**	**69,409**	**13,927**	**28,019**	**181,196**
Depreciations at January 1, 2022	16,851	25,267	11,024	9,628	62,770
Exchange rates	191	260	26	52	529
Depreciations	4,318	5,335	1,346	1,540	12,539
Depreciations disposal	(970)	-	(1,277)	-	(2,247)
Depreciations at December 31, 2022	**20,390**	**30,862**	**11,119**	**11,220**	**73,591**
Carrying amount at December 31, 2022	**49,451**	**38,547**	**2,808**	**16,799**	**107,605**
Of which is Right-of-use assets 2022	49,451	-	782	-	50,233

Assets and liabilities – continued

3.4 Leases

§ Accounting policy
At initiation of a new contract it is assessed whether a contract is a lease or contains a lease. This involves exercise of judgement as to whether

- The lease contract depends on the use of a specific asset
- Aquaporin has the right to obtain substantially all of the economic benefits from use of the asset
- Aquaporin has the right to direct and control the use of the asset.

Right-of-use assets are recognised the date the underlying asset is available for use. Right-of-use assets are measured at cost less any accumulated depreciation, impairment losses and adjusted for any remeasurement of lease liabilities. For further information regarding right-of-use assets refer to note 3.3 Property, plant and equipment.

Lease liabilities are initially measured at the present value of the lease payment to be made over the lease period. The lease period comprises the non-cancellable period with addition of periods covered by extension options if it is reasonably certain to exercise these extension options. The lease payments include fixed payments and variable payments depending on index adjustments.

Lease payments are allocated between principal and financial cost. The financial cost is charged to the income statement over the lease period to produce a constant period rate of interest on the remaining balance of the liabilities for each period.

To calculate the present value of lease payments the incremental borrowing rate is used. The incremental borrowing rate applied is 3,15%. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the fixed lease payments or other relevant significant changes to use of the underlying asset.

Amounts recognized in the income statement, relating to leases:

DKK 1,000	2023	2022
Interest expenses	1,873	1,764
Expenses related to short-term leases	80	304
Depreciation related to right-of-use assets		
Property	4,758	4,613
Equipment	351	471
Depreciation of right-of-use assets	**5,039**	**5,084**
Amounts recognized in the cash flow statement, relating to leases:		
The total cash outflow for leases	4,074	5,874

Leases recognized on the balance sheet per asset class:

DKK 1,000	2023	2022
Lease liabilities		
Within one year from the balance sheet date	4,171	4,032
Between one and five years from the balance sheet date	14,528	13,628
After five years from the balance sheet date	35,737	39,146
Total	**54,436**	**56,806**

In Note 4.1 Financial Risk, majority of lease liability including interest is shown.

Assets and liabilities – continued

3.5 Investments

§ Accounting policy
Investments comprise investments in associates that 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.

Investments in associates comprise:

Aquapoten Company Limited
- Earnings for the year: DKK (9) thousand
- Carrying amount: DKK 15 thousand

Aquaporin Space Alliance ApS
- Earnings for the year: DKK (6) thousand
- Carrying amount: DKK 0 thousand

There is no significant commitments, contingent liabilities or losses which the Group is obligated to cover.

See Note 5.7 List of Group companies at December 31 for further details.

3.6 Inventories

§ Accounting policy
Inventories are measured at the lower of cost and net realizable value. Cost is determined using FIFO principle.

The cost of goods for resale and raw materials and consumables comprise 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.

DKK 1,000	2023	2022
Raw material and consumables	2,652	2,363
Goods in progress	354	104
Finished goods	14,557	8,271
Total inventories	**17,563**	**10,738**
Amounts included in the income statemen as specified below		
Cost of materials included in cost of sale	36,694	22,448
Warranty provisions for the year	3,514	2,571
Total costs of sale	**40,208**	**25,019**
Write-down on inventories at December 31	**3,014**	**6,424**

Assets and liabilities – continued

3.7 Trade receivables

§ Accounting policy
Receivables are initially recognized at fair value adjusted for any transaction costs. Subsequently, receivables are measured at amortized cost less provisions for expected credit loses. Provision for expected credit losses are determined on the basis of a simplified expected credit loss-model.

See Note 4.1 for elaboration of credit risk.

DKK 1,000	2023	2022
Trade receivables	26,462	12,728
Bad debt allowance	(774)	(298)
Total trade receivables	**25,688**	**12,430**
Changes in bad debt allowances for trade receivables		
Allowance at January 1	298	2
Write-down for the year	476	296
Allowance at December 31	**774**	**298**

3.8 Cash and cash equivalents

§ Accounting policy
Cash and cash equivalents comprise cash balances and unrestricted deposits with banks. Cash and cash equivalents are measured at amortized cost.

3.9 Deferred tax

DKK 1,000	2023	2022
Intangible assets	(12,317)	(9,297)
Property, plant, and equipment	(365)	(743)
Current assets	663	2,601
Lease liability	5,985	11,263
Current liabilities	1,765	1,162
Deferred government grants	11,976	6,259
Tax loss carry forwards	102,645	83,406
Total	**110,352**	**94,651**
Not recognized	(110,352)	(94,651)
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.

Significant estimates and judgements
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, 2023, the unrecognized deferred tax assets in Denmark amounted to DKK 110.4 million (2022: DKK 94.7 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

3.10 Share capital and earnings per share

Share capital
A capital increase was completed in February 2023 in connection with a private placement of 815,353 shares and raised gross proceeds of DKK 73.8 million. In consequence hereof, the share capital increased by 815,353 shares with a nominal value of DKK 1 each at a price of DKK 90.5.

Number of shares, thousands	Ordinary shares
December 31, 2022	10,131
Capital increase related to a private placement on February 23, 2023	815
December 31, 2023	**10,946**

There has been no capital increase in 2022.

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 2023.

Earnings per share
As a result of the Groups losses for 2023 and 2022, 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 are as follows:

DKK 1,000	2023	2022
Earnings for the period	(90,396)	(112,119)
Weighted average of shares	10,539	10,131
Earnings per share	**(9)**	**(11)**

3.11 Provisions

§ Accounting policy
Provisions are recognized when, as a consequense of an event occuring 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	2023	2022
Provisions at January 1	3,735	111
Additions	3,514	3,624
Provision at December 31	**7,249**	**3,735**

The provision covers the warranty liabilities 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, this amounting to DKK 0.8 million (DKK 0.4 million).

A replacement of an early generation of Drinking Water flat sheets has been provisioned in 2023 amounting to DKK 2.7 million, which is expected to be utilized in 2024.

A provision for rectification of product defects have been made in 2023 amounting to DKK 0.4 million.

Furthermore, a provision regarding replacement of first generation Point-of-use systems was made in 2022 amounting to DKK 3.3 million. The replacement has not been carried out in 2023 and remains as a provision. This is expected to be utilized in 2024.

Assets and liabilities – continued

3.12 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, respectively as current liabilities and non current liabilities. This reflects the expectation to timing of when government grants are utilised and recognised in the income statement. Deferred government grants presented as current liabilities is expected to be recognized in the income statement within one year.

Deferred Governement Grants will be recognized in the income statement as the related development projects are recognized in the income statement (depreciation/written down).

The Group received DKK 0.9 million in government grants for research and development purposes in 2023 that were recognized directly in the income statement, whereas such grants were received with DKK 4.1 million in 2022.

In 2023, the Group received DKK 0.0 million in government grants related to projects that qualified for capitalization, whereas DKK 0.5 million were received in 2022.

Deferred government grants were recognized in the income statement with DKK 2.5 million in 2023 (2022: DKK 3.1 million).

3.13 Contract assets and liabilities

§ Accounting policy
Contract assets and liabilities comprise assets and liabilities where the future recognition of income depends on the fulfillment of contractual obligations.

Contract assets consist of revenues from R&D services rendered but not yet fully invoiced due to incomplete fulfillment of contractual obligations. This includes prepaid expenses incurred in meeting these obligations.

Contract liabilities represent obligations arising from contractual commitments due to advance payments received or billings that exceed the revenue recognised to date.

DKK 1,000	2023	2022
Contracts assets		
Work-in-progress	-	-
	-	**-**
Contract liabilities		
Deferred income	(721)	-
Prepayments from customers	-	(469)
	(721)	**(469)**
Contract assets and liabilities are classified in the balance sheet as follows:		
Contract assets	-	-
Contract liabilities	(721)	(469)
	(721)	**(469)**

Section 4

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 32.2 million (2022: DKK 16.6 million). The Group carry 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 exhange risks is not to use hedging instruments as the Group's value chain to a large extend 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 2022 was 5.0% and grew to 7.1% by the end of 2023. 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 managing 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.

During the second quarter of 2024, Aquaporin intends, as announced, to raise capital through a Rights Issue. The Company targets to raise gross proceeds of approximately DKK 150-200 million to support the Company's longer-term business plan.

DKK 1,000	Possible change in exchange rate (+/-)	Hypothetical change in equity	Hypothetical change in profit/loss
2023			
EUR/DKK	1%	(9)	21
USD/DKK	15%	332	1,384
SGD/DKK	15%	1,570	(2,029)
2022			
EUR/DKK	1%	(3)	28
USD/DKK	15%	1,360	(159)
SGD/DKK	15%	2,656	(1,605)

The Company expects the Rights Issue to be completed during Q2 2024 and has received commitments from large shareholders to subscribe for shares in such a Rights Issue to an amount which is considered sufficient to meet the Group's capital needs for 12 months from December 31, 2023.

If the Offering is not completed, the Group will seek to obtain additional funding by way of equity financing, debt financing, sale of assets, or a combination thereof.

Cash, capital structure and financing – continued

4.1. Financial risks – continued

Undiscounted financial instruments

DKK 1,000	Maturity 0-1 year	1-5 years	>5 years	Total	Carrying amount
December 31, 2023					
Trade and other receivables	32,161	-	-	32,161	32,161
Cash and cash equivalents	2,756	-	-	2,756	2,756
	34,917	**-**	**-**	**34,917**	**34,917**
Lease liabilities	5,881	20,160	40,268	66,309	54,436
Trade and other payables	14,280	-	-	14,280	14,280
	20,161	**20,160**	**40,268**	**80,589**	**68,716**
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 liabilities	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**

Financial instruments per category

DKK 1,000	2023	2022
Trade and other receivables	32,161	16,562
Cash and cash equivalents	2,756	29,417
Financial assets measured at amortized cost	**34,917**	**45,979**
Lease liabilities	66,309	70,764
Trade and other payables	14,280	6,624
Financial liabilities measured at amortized cost	**80,589**	**77,388**

Cash, capital structure and financing – continued

4.2 Reversal of items from the income statement

DKK 1,000	2023	2022
Amortization, depreciation, and impairment losses	17,689	18,466
Share-based payment	2,508	(742)
Change in write-down of inventories for the year	(3,410)	6,424
Change in provisions	3,514	3,624
Changes in deferred government grants	(3,098)	(2,492)
Other non-cash adjustments	(292)	(1,329)
Share of net earnings of investments	9	23
Total non-cash items	**16,920**	**23,974**

4.3 Changes in working capital

DKK 1,000	2023	2022
Changes in inventories	(3,415)	6,855
Changes in prepayments	674	(2,165)
Changes in trade receivables	(13,734)	(7,278)
Changes in other receivables	(2,341)	2,265
Changes in trade payables	7,389	(4,047)
Changes in contract liabilities	252	469
Changes in other payables	4,167	(3,004)
Total changes in working capital	**(7,008)**	**(6,905)**

Cash, capital structure and financing – continued

4.4 Change in financial liabilities

			Non-cash changes				
DKK 1,000	**Dec 31, 2022**	**Cash flow**	**Additions**	**Remeasurement**	**Disposals**	**Currency effects**	**Dec 31, 2023**
Lease liabilities	56,806	(4,074)	542	1,461	(168)	(131)	54,436
Total liabilities from financing activities	**56,806**	**(4,074)**	**542**	**1,461**	**(168**	**(131)**	**54,436**

			Non-cash changes				
DKK 1,000	**Dec 31, 2021**	**Cash flow**	**Additions**	**Remeasurement**	**Disposals**	**Currency effects**	**Dec 31, 2022**
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**

Section 5

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 company size. Total remuneration amounts to DKK 19.3 million (2022: DKK 17.6 million).

Remuneration to Board of Directors

DKK 1,000	2023	2022
Fixed base fee		
Niels Heering	850	866
Søren Bjørn Hansen	600	600
Anne Broeng	350	350
Lars Hansen	300	300
Weiming Jiang	250	250
Anupam Bhargava	250	250
Jianlong Zhuang	250	250
Jens Denkov[1]	-	125
Total	**2,850**	**2,991**

1 Until April 2022

Remuneration to Executive Management
Remuneration to the Executive Management is presented with cash allowance, including car allowance, housing allowance etc., as benefits.

This has previously been presented as fixed base salary. Consequently, comparitive figures are changed as well. The change in presentation does not impact the income statement, total assets, or equity.

DKK 1,000	Fixed base salary	Bonus	Pension expenses	Benefits	Share based incentive[1]	Total
2023						
Executive Management						
Matt Boczkowski	2,280	1,626	186	539	87	4,718
Klaus Juhl Wulff[1]	1,920	890	74	99	259	3,242
Joerg Hess	1,740	1,241	67	480	69	3,597
Peter Holme Jensen	2,101	1,498	80	144	173	3,996
Total	**8,041**	**5,255**	**407**	**1,262**	**588**	**15,553**
2022						
Executive Management						
Matt Boczkowski	2,160	1,355	186	541	344	4,586
Klaus Juhl Wulff[1]	1,080	408	34	66	124	1,712
Joerg Hess	1,656	1,039	47	477	134	3,353
Peter Holme Jensen	2,101	1,318	60	143	76	3,698
Bo Karmark[2]	850	331	22	32	-	1,235
Total	**7,847**	**4,451**	**349**	**1,259**	**678**	**14,584**

1 Joined May 2022
2 Until June 2022

Other notes – continued

5.2 Share-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 283,359 warrants at 31 December 2023 (2022: 278,159). Each warrant gives the holder right to buy one ordinary share of nominally 1 DKK in Aquaporin A/S. The outstanding warrants amount to 2.6% of the share capital if they are all exercised (2022: 3%).

The total outstanding number of warrants have an average value of DKK 34.6 (2022: DKK 35.8). The value was calculated using the Black-Scholes option valuation model.

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

In 2023 the recognized expense related to share-based payments amounted to net DKK 2.5 million. In 2022 the recognized impact on the income statement related to share-based payments was positive with an amount of DKK DKK 0.7 million. The positive impact in 2022 was related to forfeited warrants and a revaluation on the value of the warrants granted in 2022 under the LTIP program.

Three warrant programs have been granted in 2023. Two types of warrants have been granted in February 2023, in the following named A and B warrants. Additionally one warrant program was granted in September 2023.

For the A warrants granted in the warrant program in February 2023 a excersice price of DKK 90.5 has been used. The fair value of the warrants in this program is DKK 38.03.
There is no vesting period for the warrants in the program A granted in February 2023. The exercise of warrants can take place within 2 years from the date of the grant.

For the B warrants granted in the warrant program in February 2023 a share market price of DKK 1.0 has been used as exercise price. The fair value of the warrants in this program is DKK 96.9.

The vesting period for the warrants in the program B granted in February 2023 is 2 years and exercise of warrants can take place after the vesting period and within 4 years from the date of the grant.

For the warrants granted in September 2023 a share market price of DKK 72.4 has been used as exercise price. The fair value of warrants in this program is DKK 35.8.

The vesting period for the warrants granted in Septebmer 2023 is 3 years and exercise of warrants can take place after the vesting period and within 5 years from the date of the grant.

Two warrant programs have been 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 has been 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 has been 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 and exercise of warrants can take place after the vesting period and within 4 years from the date of the grant.

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

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

Other notes – continued

5.2 Share-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
2023 B-warrants	3,400	3,400	1.0	63%	2.66%	.	96.9	2 years	Q1 2027
2023 A-warrants	6,800	6,800	90.5	63%	2.86%	-	38.0	None	Q1 2025
2023	10,000	10,000	72.4	55%	2.73%	-	35.8	3 years	Q3 2028
2022	15,497	15,497	173.0	47%	1.01%	-	18.7	3 years	Q2 2027
2022	189,000	178,000	100.6	47%	0.92%	-	27.4	2 years	Q2 2026
2021	61,408	51,662	173.0	45%	(0.49%)	-	59.0	3 years	Q2 2026
2019	40,000	18,000	157.8	67%	(0.73%)	-	68.2	3 years	Q2 2024

The warrants are classified as equity instruments.

Other notes – continued

5.2 Share-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
2023						
Outstanding at January 1	127,354	149,305	-	1,500	278,159	123
Transfer between categories	-	(3,000)	-	3,000	-	-
Granted during the year	10,200	10,000	-	-	20,200	80
Fortfeited during the year	-	(15,000)	-	-	(15,000)	113
Outstanding at December 31*	**137,554**	**141,305**	**-**	**4,500**	**283,359**	**118**
Exercisable at the end of the period	14,300	9,000	-	1,500	24,800	114.8

*The total outstanding warrants in 2023 amount to 2.6% 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
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
Fortfeited 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.

Other notes – continued

5.2 Share-based payments – continued

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

	2023			2022		
DKK 1,000	**January 1**	**Change during the year**	**December 31**	**January 1**	**Change during the year**	**December 31**
Shareholdings						
Board of Directors						
Niels Heering	11,233	2,500	13,733	11,233	-	11,233
Søren Bjørn Hansen	14,500	5,500	20,000	14,000	500	14,500
Anne Broeng	7,491	-	7,491	7,491	-	7,491
Lars Hansen	9,001	-	9,001	9,001	-	9,001
Weiming Jiang	3,167	-	3,167	3,167	-	3,167
Anupam Bhargava	-	500	500	-	-	-
Executive Management						
Matt Boczkowski	1,000	1,000	2,000	1,000	-	1,000
Klaus Juhl Wulff[1]	-	3,000	3,000	-	-	-
Joerg Hess	800	800	1,600	800	-	800
Peter Holme Jensen	210,659	2,000	212,659	210,659	-	210,659
Warrants						
Matt Boczkowski	55,248	1,500	56,748	11,729	43,519	55,248
Klaus Juhl Wulff[1]	15,000	4,500	19,500	-	15,000	15,000
Joerg Hess	34,166	1,200	35,366	16,474	17,692	34,166
Peter Holme Jensen	22,940	3,000	25,940	11,877	11,063	22,940

1 Joined May 2022

Other notes – continued

5.3 Fees to auditors

DKK 1,000	2023	2022
Statutory audit	647	649
Other assurance services	88	70
Tax advisory services	-	-
Other services	16	15
Total	**751**	**734**

In 2022, EY Godkendt Revisionspartnerselskab was chosen at the general meeting as new group auditor.

5.4 Commitments and contingent liabilities

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

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	2023	2022
Revenue received from associated companies	353	4
Costs to associated companies	(119)	-
Revenue received from other related parties	190	-
Costs to other realted parties	(6)	-

5.6 Events after the reporting date

During the second quarter of 2024, Aquaporin intends, as announced, to raise capital through a Rights Issue. The Company targets to raise gross proceeds of approximately DKK 150-200 million to support the Company's longer-term business plan.

The Company expects the Rights Issue to be completed during Q2 2024 and has received commitments from large shareholders to subscribe for shares in such a Rights Issue to an amount which is considered sufficient to meet the Group's capital needs for 12 months from December 31, 2023.

If the Offering is not completed, the Group will seek to obtain additional funding by way of equity financing, debt financing, sale of assets, or a combination thereof.

In February 2024, Aquaporin A/S announced that Founder and Chief Innovation Officer, Peter Holme Jensen, stepped down from his position on Executive Management and is proposed as member of the Board of Directors at upcoming Annual General Meeting. Additionally, Torsten Høybye Bak Regueira, was appointed Chief Technology Officer.

Apart from the above and other events recognized or disclosed in the consolidated financial statements, no events have occurred after the reporting date significant 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
2023					
Aquaporin Asia Pte. Ltd.	Subsidiary	Singapore	SGD	103	100%
Aquaporin US Inc.	Subsidiary	USA	USD	1	100%
Aquaporin China Co., Ltd.[1]	Subsidiary	China	CNY	70	100%
Aquapoten Company Limited	Associate	China	CNY	49,349	45%
Aquaporin Space Alliance ApS	Associate	Denmark	DKK	80,000	50%
Türkiye (İstanbul) İrtinat Bürosu[2]	Branch	Turkey	DKK	-	-

1 Aquaporin China Co. Ltd. was established in January 2023 fully owned by Aquaporin A/S.
2 Aquaporin A/S Türkiye (Istanbul) Irtinat Bürosu ia a branch of Aquaporin A/S and registered in Türkey in June 2022.
The fully owned Danish subsidiary Aquaporin Membrane Protein ApS was liquidated on October 26, 2022.

06

Parent company financial statements

Income statement	103
Statement of financial position	104
Statement of changes in equity	105
Notes to the parent company financial statements	106

Income statement

DKK 1,000	Note	2023	2022
Revenue	2.1	60,873	28,709
Cost of sales		(54,153)	(23,435)
Gross profit		**6,720**	**5,274**
Distribution costs	2.2	(12,691)	(16,366)
Sales and marketing costs	2.2	(26,260)	(27,093)
Research and development costs	2.2	(43,750)	(52,211)
Administrative costs	2.2	(22,148)	(21,462)
Other operating income	2.3	2,318	1,969
Other operating expenses	2.3	-	(5,007)
Operating Profit (EBIT)		**(95,811)**	**(114,896)**
Share of net earnings of investments		(9)	(47)
Financial income	2.4	2,337	2,047
Financial costs	2.4	(4,162)	(2,690)
Earnings before tax		**(97,645)**	**(115,586)**
Tax for the year		5,356	5,391
Earnings after tax		**(92,289)**	**(110,195)**

Statement of financial position

DKK 1,000	Note	2023	2022
Development projects completed	3.2	31,314	34,614
Development projects in progress	3.2	64,373	55,232
Other intangibles	3.2	526	452
Total intangible assets		**96,213**	**90,298**
Property, plant and equipment	3.3	95,795	103,770
Total tangible assets		**95,795**	**103,770**
Investments in subsidiaries	3.4	3,442	3,012
Investments in equity interests	3.5	15	24
Deposits		2,320	2,230
Total financial assets		**5,777**	**5,266**
Total non-current assets		**197,785**	**199,334**
Inventories		17,415	10,738
Trade receivables		25,688	12,430
Receivables from group enterprises		12,387	13,358
Other receivables		3,274	2,209
Income tax receivable	3.6	5,500	5,500
Prepayments	3.7	4,388	5,066
Cash and cash equivalents		1,498	28,491
Total current assets		**70,150**	**77,792**
Total assets		**267,935**	**277,126**

DKK 1,000	Note	2023	2022
Share capital		10,946	10,131
Retained earnings		82,825	109,553
Reserve for exchange rate adjustments		(2,089)	(2,089)
Reserve for development costs		60,387	53,488
Total equity		**152,069**	**171,083**
Lease liabilities		50,011	52,541
Other payables		3,724	3,596
Deferred government grants	3.8	25,374	27,951
Total non-current liabilities		**79,109**	**84,088**
Provisions		7,249	3,735
Lease liabilities		3,278	3,110
Contract liabilities		721	469
Trade payables		10,326	2,870
Other payables		13,210	9,798
Deferred government grants	3.8	1,973	1,973
Total current liabilities		**36,757**	**21,955**
Total liabilities		**115,866**	**106,043**
Total equity and liabilities		**267,935**	**277,126**

Statement of changes in equity

DKK 1,000	Share capital	Retained earnings	Reserve for exchange rate adjustments	Reserve for development costs	Total equity
Equity at January 1, 2022	**10,131**	**230,251**	**(2,089)**	**43,727**	**282,020**
Earnings after tax	-	(110,195)	-	-	(110,195)
Capitalized development costs	-	(9,761)	-	9,761	-
Share-based payments	-	(742)	-	-	(742)
Equity at December 31, 2022	**10,131**	**109,553**	**(2,089)**	**53,488**	**171,083**
Equity at January 1, 2023	**10,131**	**109,553**	**(2,089)**	**53,488**	**171,083**
Earnings after tax	-	(92,289)	-	-	(92,289)
Proceeds from capital increase	815	72,974	-	-	73,789
Flotation costs	-	(3,022)	-	-	(3,022)
Capitalized development costs	-	(1,478)	-	1,478	-
Share-based payments	-	2,508	-	-	2,508
Equity at December 31, 2023	**10,946**	**88,246**	**(2,089)**	**54,966**	**152,069**

Notes to the parent company financial statements

Section 1
Basis of preparation of financial statements of parent company

1.1 Summary of significant accounting policies 107

Section 2
Operating activities

2.1 Revenue 108
2.2 Staff costs 108
2.3 Other operating income and expenses 109
2.4 Financial income and expenses 109

Section 3
Assets and liabilities

3.1 Impairment of non current assets 110
3.2 Intangible assets 110
3.3 Property, plant, and equipment 111
3.4 Investments in subsidiaries 112
3.5 Investments in equity interests 112
3.6 Deferred tax 113
3.7 Prepayments 113
3.8 Deferred government grants 113

Section 4
Other notes

4.1 Fees to auditors 114
4.2 Commitments and contingent liabilities 114
4.3 Related parties 114
4.4 Events after the reporting date 114
4.5 List of Group companies at December 31 114

Section 1

Basis of preparation of financial statements of parent company

1.1 Summary of significant accounting policies

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

The accounting policies applied remain unchanged from last year.

The Financial Statements are presented in DKK.

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

Adjustments to comparative figures
Government grants are in 2023 presented as both current and non-current liabilities. Consequently, comparative figures are adjusted and DKK 27,951 thousand is presented as non-current liabilities in 2022. The change in presentation does not impact the income statement, total assets or equity. The adjustments reflect the non-current expectation to timing of when government grants are utilised and recognised in the income statement.

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.

Goodwill
Goodwill is amortised on a straight-line basis over five years.

Investments in subsidiaries
Investments in subsidiaries are recognised and measured according to the cost price method.

Reserve for development costs
Reserve for development costs comprise development costs recognized for capitalization as an intangible asset less amortisation.

Section 2

Operating activities

2.1 Revenue

DKK 1,000	2023	2022
Products and Services		
Sales of goods	47,916	28,709
Sales of services	12,957	-
Total	**60,873**	**28,709**
Business area		
Drinking Water	38,803	22,556
Industrial RO	3,604	998
FO Market Development	18,466	5,155
Total	**60,783**	**28,709**
Timing of revenue recognition		
Total revenue recognized at a point in time	47,916	28,709
Total revenue recognized over time	12,957	-
Total	**60,873**	**28,709**
Geographical information		
EMEA	8,166	8,323
APAC	39,391	16,603
Americas	13,316	3,783
Total	**60,873**	**28,709**

See Note 2.1 Revenue in the consolidated financial statement.

2.2 Staff costs

DKK 1,000	2023	2022
Wages and salaries	56,773	56,483
Pension costs, defined contribution plans	1,866	1,475
Other expenses to social security	596	654
Share-based payments	2,508	(742)
Total	**61,743**	**57,870**
Staff costs capitalized as part of development projects	4,036	4,224
Average number of full-time employees	**62**	**69**

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

Operating activities – continued

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 2023 (2022: 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).

In 2022 Other operating expenses consist of write-down on inventory of products 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	2023	2022
Financial income		
Interest income, banks	1,017	109
Interest income, subsidiaries	1,320	999
Exchange rate adjustments, net	-	939
Total	**2,337**	**2,047**
Financial costs		
Interest expenses, banks	-	213
Interest expenses, lease liabilities	1,792	1,712
Interest expenses, subsidiaries	-	-
Other financial expenses, including bank fees	598	765
Exchange rate adjustments, net	1,772	-
Total	**4,162**	**2,690**

Section 3

Assets and liabilities

3.1 Impairment of non current assets

See Note 3.1 in the consolidated financial statement.

3.2 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.

Material intangible assets:

See Note 3.2 Intangible assets in the consolidated financial statement.

DKK 1,000	Goodwill	Development projects completed	Development projects in progress	Other intangibles	Total
Cost price at January 1, 2023	2,899	57,762	55,232	695	116,588
Additions during the year	-	-	11,666	261	11,927
Transfer	-	2,525	(2,525)	-	-
Cost price at December 31, 2023	**2,899**	**60,287**	**64,373**	**956**	**128,515**
Amortizations at January 1, 2023	2,899	23,148	-	243	26,290
Amortizations	-	5,825	-	187	6,012
Amortizations at December 31, 2023	**2,899**	**28,973**	**-**	**430**	**32,302**
Carrying amount December 31, 2023	**-**	**31,314**	**64,373**	**526**	**96,213**
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)	-	-
Cost 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**

Assets and liabilities – continued

3.3 Property, plant, and equipment

DKK 1,000	Property	Plant and machinery	Equipment	Leasehold improvements	Total
Cost price at January 1, 2023	64,883	61,632	13,477	27,268	167,260
Remeasurement	591	-	-	-	591
Additions rights-of-use assets	-	-	296	-	296
Additions during the year	-	-	835	40	875
Disposal during the year	-	-	(296)	-	(296)
Cost price at December 31, 2023	**65,474**	**61,632**	**14,312**	**27,308**	**168,726**
Depreciations at January 1, 2023	16,555	25,760	10,673	10,502	63,490
Depreciations	3,852	3,122	1,194	1,531	9,698
Depreciations disposal	-	-	(257)	-	(257)
Depreciations at December 31, 2023	**20,407**	**28,882**	**11,610**	**12,033**	**72,931**
Carrying amount December 31, 2023	**45,067**	**32,750**	**2,702**	**15,275**	**95,795**
Of which is Right-of-use assets in 2023	45,067	-	748	-	45,815
Cost price at January 1, 2022	62,024	61,411	14,266	27,268	164,969
Remeasurement	4,456	-	-	-	4,456
Additions rights-of-use assets	178	-	242	-	420
Additions during the year	-	221	246	-	467
Disposal during the year	(1,775)	-	(1,277)	-	(3,052)
Cost price at December 31, 2022	**64,883**	**61,632**	**13,477**	**27,268**	**167,260**
Depreciations at January 1, 2022	14,105	21,469	10,612	8,977	55,163
Depreciations	3,420	4,291	1,338	1,525	10,574
Depreciations disposal	(970)	-	(1,277)	-	(2,247)
Depreciations at December 31, 2022	**16,555**	**25,760**	**10,673**	**10,502**	**63,490**
Carrying amount December 31, 2022	**48,328**	**35,872**	**2,804**	**16,766**	**103,770**
Of which is Right-of-use assets in 2022	48,328	-	777	-	49,105

Assets and liabilities – continued

3.4 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	2023	2022
Cost price at January 1	3,012	3,148
Additions during the year	430	-
Disposals during the year	-	(136)
Cost price at December 31	**3,442**	**3,012**

Investments in subsidiaries are specified as followed:

	Aquaporin's holding
Aquaporin Asia Pte. Ltd.	100%
Aquaporin China Co., Ltd.[1]	100%
Aquaporin US Inc.	100%

[1] Aquaporin China Co. Ltd. was established in January 2023 fully owned by Aquaporin A/S.

3.5 Investments in equity interests

DKK 1,000	2023	2022
Cost price at January 1	26,679	26,679
Cost price at December 31	**26,679**	**26,679**
Accumulated write-ups and write-downs at January 1	(26,655)	(26,632)
Unrealized gain on sale of assets from Aquaporin	-	-
Share of result after tax	(9)	(23)
Write-down	-	-
Accumulated write-ups and write-downs at December 31	**(26,664)**	**(26,655)**
Carrying amount December 31	**15**	**24**

Investments in associates are specified as followed:

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

Assets and liabilities – continued

3.6 Deferred tax

DKK 1,000	2023	2022
Intangible assets	(12,317)	(10,477)
Property, plant, and equipment	(365)	(743)
Current assets	663	2,601
Lease liability	5,985	11,263
Current liabilities	1,765	1,162
Deferred government grants	11,976	6,259
Tax loss carryforwards	102,646	84,586
Total	**110,352**	**94,651**
Not recognized	(110,352)	(94,651)
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, 2023, the unrecognized deferred tax assets in Denmark amounted to DKK 110.4 million (2022: DKK 94.7 million). The tax losses can be carried forward infinitely subject to the general rules on limited deductibility due to ownership changes.

Income tax receivable
Income tax receivable comprises income tax benefit for R&D costs at the applicable tax rate under the Danish Corporate Income Tax Act.

3.7 Prepayments

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

3.8 Deferred government grants

Government grants comprise 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).

Section 4

Other notes

4.1 Fees to auditors

DKK 1,000	2023	2022
Statutory audit	637	639
Other assurance services	88	70
Tax advisory services	-	-
Other services	16	15
Total	**741**	**724**

In 2022, EY Godkendt Revisionspartnerselskab was chosen at the general meeting as new group auditor.

4.2 Commitments and contingent liabilities at December 31

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

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
- Topsøe Holding Aps, Haldor Topsøe Allé 1, DK-2800 Kongens Lyngby

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

4.4 Events after the reporting date

Please see subsequent events after the reporting 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%
Aquaporin China Co., Ltd.	Subsidiary	China	CNY	70	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 (Istanbul) Irtinat Bürosu ia a branch of Aquaporin A/S and registered in Türkey in June 2022.

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

Forward looking statements

Matters discussed in this report may constitute forward-looking statements. Forward-looking statements are statements that are not historical facts and that can be identified by words such as “believe”, “expect”, “anticipate”, “intends”, “estimate”, “will”, “may”, “continue”, “should”, and similar expressions, as well as other statements regarding future events or prospects. Specifically, this report includes information with respect to projections, estimates, and targets that also constitute forward-looking statements. The forward-looking statements in this report are based upon various assumptions, many of which are based, in turn, upon further assumptions. Although Aquaporin A/S (the “Company”) believes that these assumptions were reasonable when made, these assumptions are inherently subject to significant known and unknown risks, uncertainties, contingencies, and other important factors which are difficult or impossible to predict and are beyond its control. Such risks, uncertainties and other important factors include, among others: limited experience in commercialization of the Company’s products, failure to successfully implement strategies, dependence on third parties for manufacturing certain product components and the supply of certain raw materials, the 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.

Aquaporin A/S
Nymøllevej 78
DK-2800 Kongens Lyngby
Denmark

Aquaporin Asia Pte. Ltd.
1 Cleantech One, #02-14
Cleantech One
Singapore 637141

Aquaporin A/S Turkiye (Istanbul) Irtibat Burosu
Seba Office Boulevard, D Blok. No. 21D/45
Sariyer, Istanbul
Turkey

Aquaporin China Co., Ltd.
Room 901-2961, Building No. 4, Shenkun Road
Minhang District, Shanghai, China

Aquaporin US Inc.
P.O. Box 3651
1201 N Catalina Ave
Redondo Beach CA 90277-9998

Phone: +45 82 30 30 82
aquaporin@aquaporin.com
aquaporin.dk

CVR No 28 31 56 94
Municipality of reg. office
Copenhagen

Auditors
EY Godkendt Revisionspartnerselskab
CVR No 73 31 74 28

aquaporin.com