ANNUAL REPORT 2015

Aquaporin A/S
Ole Maaløes Vej 3 · DK-2200 Copenhagen N
CVR No 28 31 56 94

AQUAPORIN

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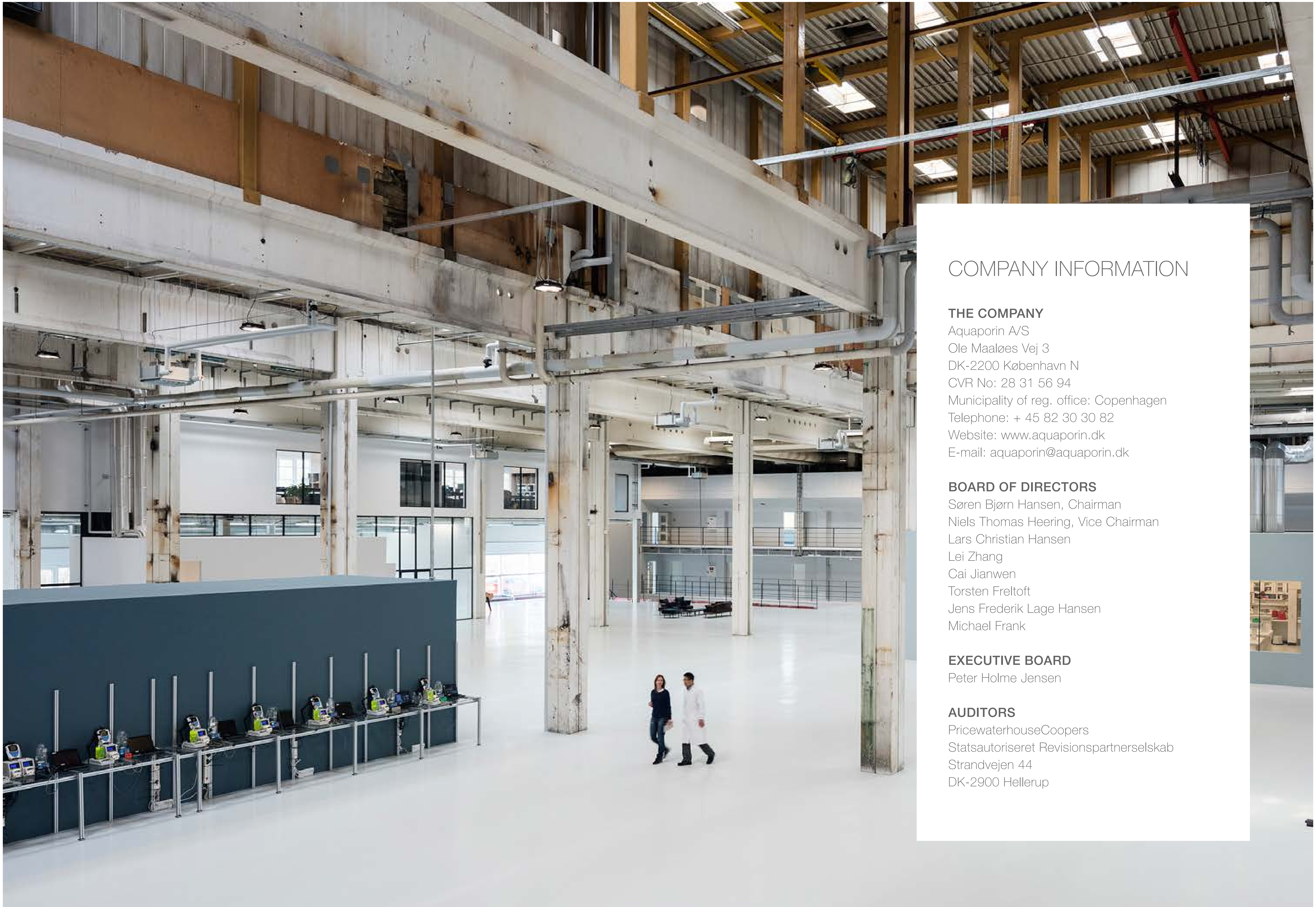

COMPANY INFORMATION

THE COMPANY
Aquaporin A/S
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DK-2200 København N
CVR No: 28 31 56 94
Municipality of reg. office: Copenhagen
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BOARD OF DIRECTORS
Søren Bjørn Hansen, Chairman
Niels Thomas Heering, Vice Chairman
Lars Christian Hansen
Lei Zhang
Cai Jianwen
Torsten Freltoft
Jens Frederik Lage Hansen
Michael Frank

EXECUTIVE BOARD
Peter Holme Jensen

AUDITORS
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

MANAGEMENT'S STATEMENT

The Executive and Supervisory Boards have today considered and adopted the Annual Report of Aquaporin A/S for the financial year 1 January 2015 to 31 December 2015.

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

In our opinion, the Consolidated Financial Statements and the Financial Statements give a true and fair view of the financial positon at 31 December 2015 of the Group and the Company and of the results of the Group and Company operations and consolidated cash flows for the financial year 1 January 2015 to 31 December 2015.

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

Copenhagen, 2 March 2016

Executive Board

Peter Holme Jensen
CEO

Board of Directors

Søren Bjørn Hansen
Chairman

Niels Thomas Heering
Vice Chairman

Lars Christian Hansen

Lei Zhang

Cai Jianwen

Torsten Freltoft

Jens Frederik Lage Hansen

Michael Frank

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Aquaporin A/S

Report on Consolidated Financial Statements and Parent Company Financial Statements
We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Aquaporin A/S for the financial year 1 January to 31 December 2015, which comprise income statement, balance sheet and notes, including summary of significant accounting policies, for both the Group and the Parent Company, as well as statement of comprehensive income, statement of changes in equity and cash flow statement for the Group. The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the Parent Company Financial Statements are prepared under the Danish Financial Statements Act.

Management's Responsibility for the Consolidated Financial Statements and the Parent Company Financial Statements
Management is responsible for the preparation of Consolidated Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and for preparing Parent Company Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of Consolidated Financial Statements and Parent Company Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on the Consolidated Financial Statements and the Parent Company Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reason-able assurance whether the Consolidated Financial Statements and the Parent Company Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements and the Parent Company Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements and the Parent Company Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Consolidated Financial Statements and Parent Company Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Consolidated Financial Statements and the Parent Company Financial Statements.

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

The audit has not resulted in any qualification.

Opinion
In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2015 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2015 in accordance with International Financial Reporting Standards as adopted by the EU.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at 31 December 2015 and of the results of the Parent Company's operations for the financial year 1 January – 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on Management's Review
We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Consolidated Financial Statements and the Parent Company Financial Statements. On this basis, in our opinion, the information provided in Management's Review is consistent with the Consolidated Financial Statements and the Parent Company Financial Statements.

Hellerup, 2 March 2016

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR-no. 33 77 12 31

Mikkel Sthyr
State Authorised Public Accountant

René Poulsen
State Authorised Public Accountant

MANAGEMENT'S REVIEW

Aquaporin in brief

Aquaporin is an innovative CleanTech company. We are the global leader in developing, producing and marketing novel biomimetic membranes for industrial and consumer water treatment applications based on nature's own water filtration system – the highly selective and efficient aquaporin water channels.

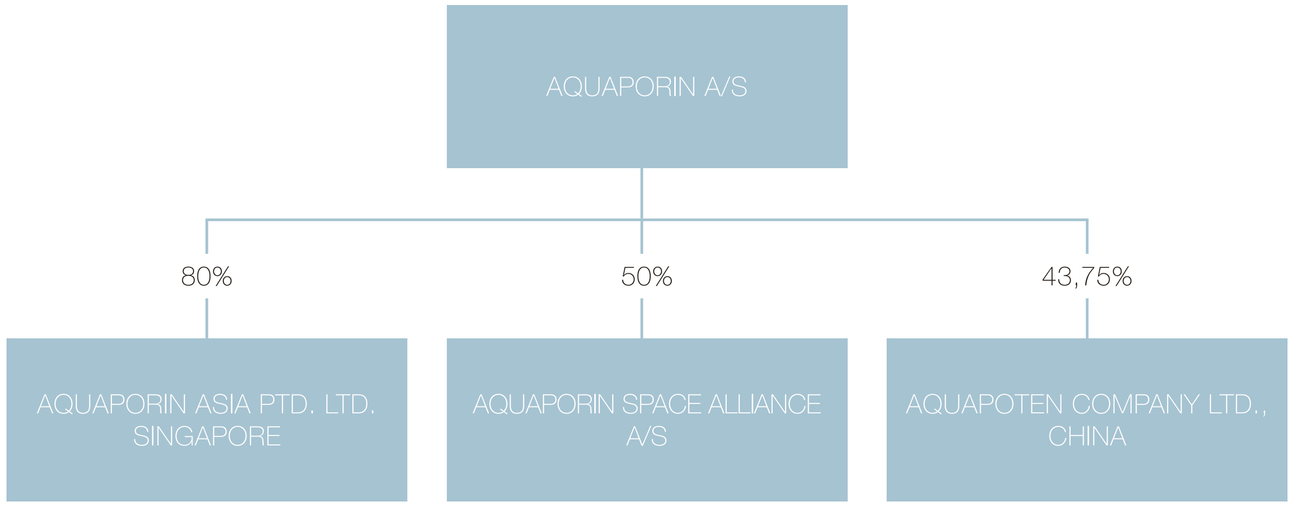
The aquaporin water channel is the essential building block at the core of the Aquaporin Inside™ technology. Aquaporin proteins maintain the water balance in all living organisms and are highly selective – allowing only water to pass and rejecting all contaminants such as salts, viruses, pathogens, heavy metals, micro pollutants and even small uncharged molecules like pesticides, urea and organic solvents. Additionally, aquaporin water channels are extremely efficient in transport of water. 1 gram of aquaporin protein is capable of filtrating 23 billion liters of water pr. year, making aquaporin protein a very powerful component in providing efficient and sustainable water treatment solutions.

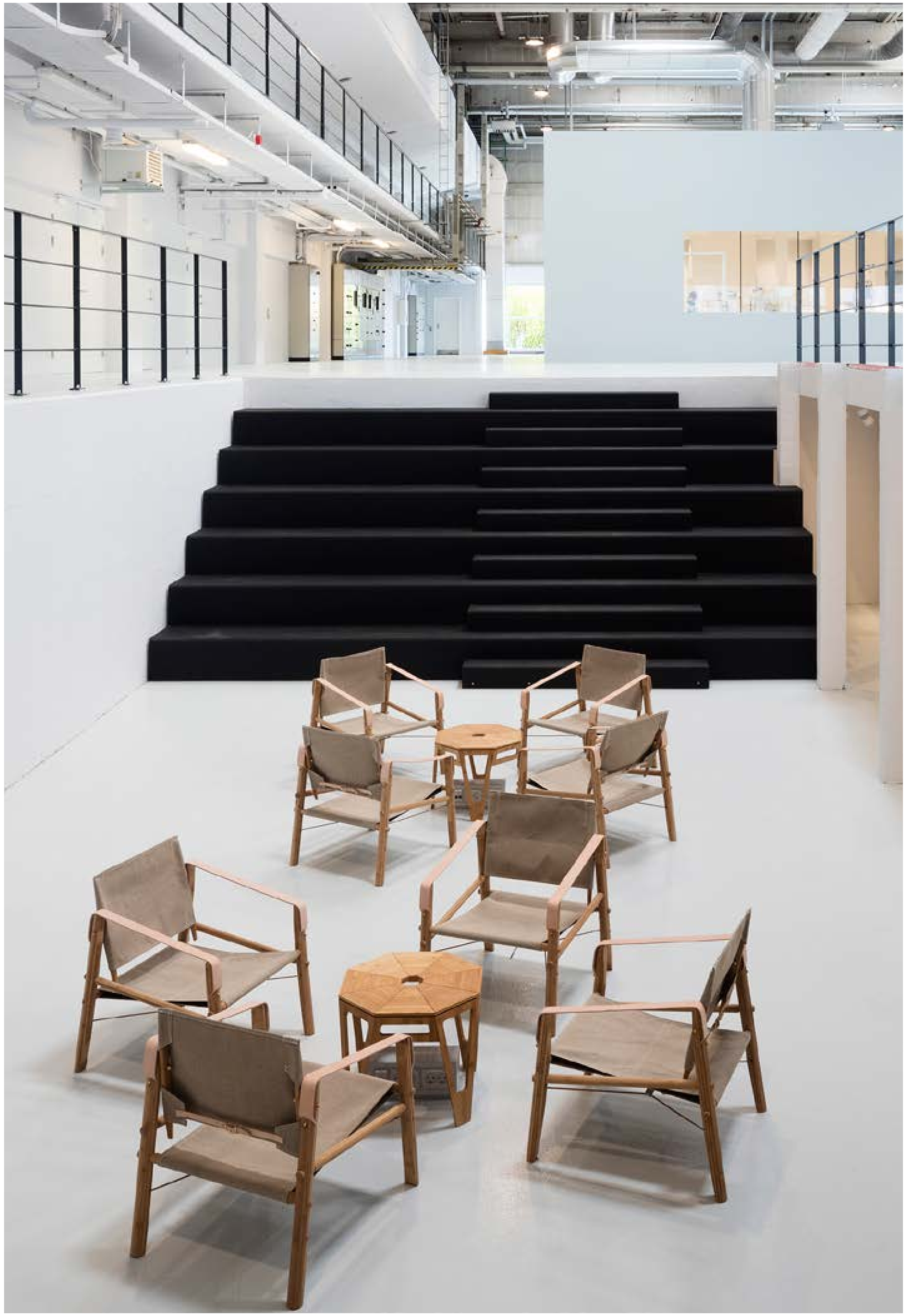
Our proprietary Aquaporin Inside™ technology is a platform technology, which can be tailored for any large-scale industrial membrane application. Our two parallel membrane development tracks are:

Aquaporin Inside™ Reverse Osmosis (RO) membranes

Aquaporin Inside™ Forward Osmosis (FO) membranes

The group structure consists of Aquaporin A/S based in Denmark, Aqauporin Asia Ptd. Ltd based in Singapore with a focus on research & development, and two Strategic Commercial Partnerships (SCP), Aquaporin Space Alliance A/S and Aquapoten Company Ldt. in China.





We have received numerous and important industry awards in recognition of its technological achievements in both Europe, Asia and the US, and holds a range of technology and application patents globally.

Road to market

Our mission is to develop and produce biomimetic water treatment membranes with disruptive market potential in water treatment using cutting-edge research and development, and market them, either by using distributors or through Strategic Commercial Partners (SCP's), who help us develop the market, build the necessary systems, and sell to end-users.

We aim to be pioneers in all application fields of biomimetic membranes in collaboration with SCPs. The SCP's get exclusive rights to the Aquaporin Inside™ technology for a specific application in a clearly defined field of use and geography. The development work is done through investment in co-development of new water treatment products within the specific field of use and expertise.

The typical structure for an SCP agreement is an up-front fee, yearly payments and milestones during development in return for exclusive access to the technology within the field of use and geography. Time to market is typically 1-3 years depending on the membrane product and application in question.

We have signed the first two SCP agreements, focusing on commercialization of the Aquaporin Inside™ technology for the Chinese market and for use of the Aquaporin Inside™ technology within the aerospace industry in Europe and the US.

Markets

Water is a limited resource, essential to life, health and industrial production. The water treatment market is the third largest in the world in terms of revenue exceeded by only the energy and the oil market, but the business is highly fragmented. Using an average economic growth scenario and without efficiency gains, global water requirements will grow from 4,500 Billion Cubic Meters in 2012 to almost 5,000 Billion Cubic Meters by 2030. However, experts estimate that available water supplies will satisfy only 60 % of the total demand.

According to Population Action International, by 2025 more than 2.8 Billion people in 48 countries are expected to face water scarcity. Out of 48 countries, about 40 would be from West Asia, North Africa and Sub-Saharan African regions.

The global water market in 2015 was around a total of USD 600 billion, were water and waste water solutions and services accounted around 1/3 of the total global water market.

Water purifiers:

Highly efficient water purifiers would be required in these regions to tackle the forthcoming water challenges.

Thus, the market of water purifiers has immense opportunities to be capitalized and is one of our first targets.

The global water purifiers market is estimated to be USD 35.8 billion by 2016 and with an expected CAGR of around 10% to 2018. In Asia, China has the highest potential for the growth of water purifiers market with an estimated market size of USD 21.5 billion in 2018 and market share takes up to 52.2% in the global Point-of-Use market. South Korea as the second largest global market has an estimated market size of USD 4.9 billion in 2018. USA as the third largest market will potentially take 9.3% of global share and size up to USD 3.8 billion in 2018. Heavy presence of contaminants, impurities and inadequate availability of safe drinking water has increased health consciousness, which drives water purifiers market globally.

Reverse Osmosis membranes:

The Reverse Osmosis (RO) membrane technology has been the leading media for water purification for the past few years. Consequently, the demand for RO membranes have been on the rise across all the major geographies including Asia-Pacific, the Middle East, the Americas, etc. The Middle East, in particular, is emerging at the market for desalination due to scarcity of freshwater resources. The estimated RO market in 2016 is USD 6.8 Billion with an expected CAGR of around 5.4%

Presence of contaminants and impurities in drinking water is increasing health consciousness among consumers, which is driving water purifier sales across the globe. This, in turn, is driving the market prospects of RO membranes across all major geographies but will also influence the FO market (estimated to be USD 10 million) demand even more as this is the key USP for the FO technology.

Industrial water treatment:

Industrial waste water treatment and industrial process water treatment is another market focus. The market is very segmented in terms of specialized system providers for each sub-segment, and system providers are sub-segmented both in terms of applications and geography.

The membrane and technology providers are however more generic providers to a broader use in industrial water treatment. The total membrane market in Industrial process water and waste water treatment is estimated at USD 5.5 billion in 2015.

Key events

The year 2015 was an important year for the Aquaporin group as a number of significant achievements supported and strengthened our strategic foundation even further:

· Danica Pension, a blue-chip Danish institutional investor, became a new significant minority investor, which gave an even stronger investor base.

· Aquaporin Inside™ membranes were tested in the International Space Station water filtration system in space in 2015. Testing in space will continue in 2016.

· The Aquapoten Company Ltd. (our joint venture in China) was capitalized and work initiated. The joint venture has at present 20 employees in China, and is aiming for 45 employees by the end of 2016.

· The Aquaporin A/S organization and Aquaporin Asia Pte. organizations were expanded, matured and tuned for future growth in order to support the transition from a research and development focused company to an operating company with full-scale production capabilities.

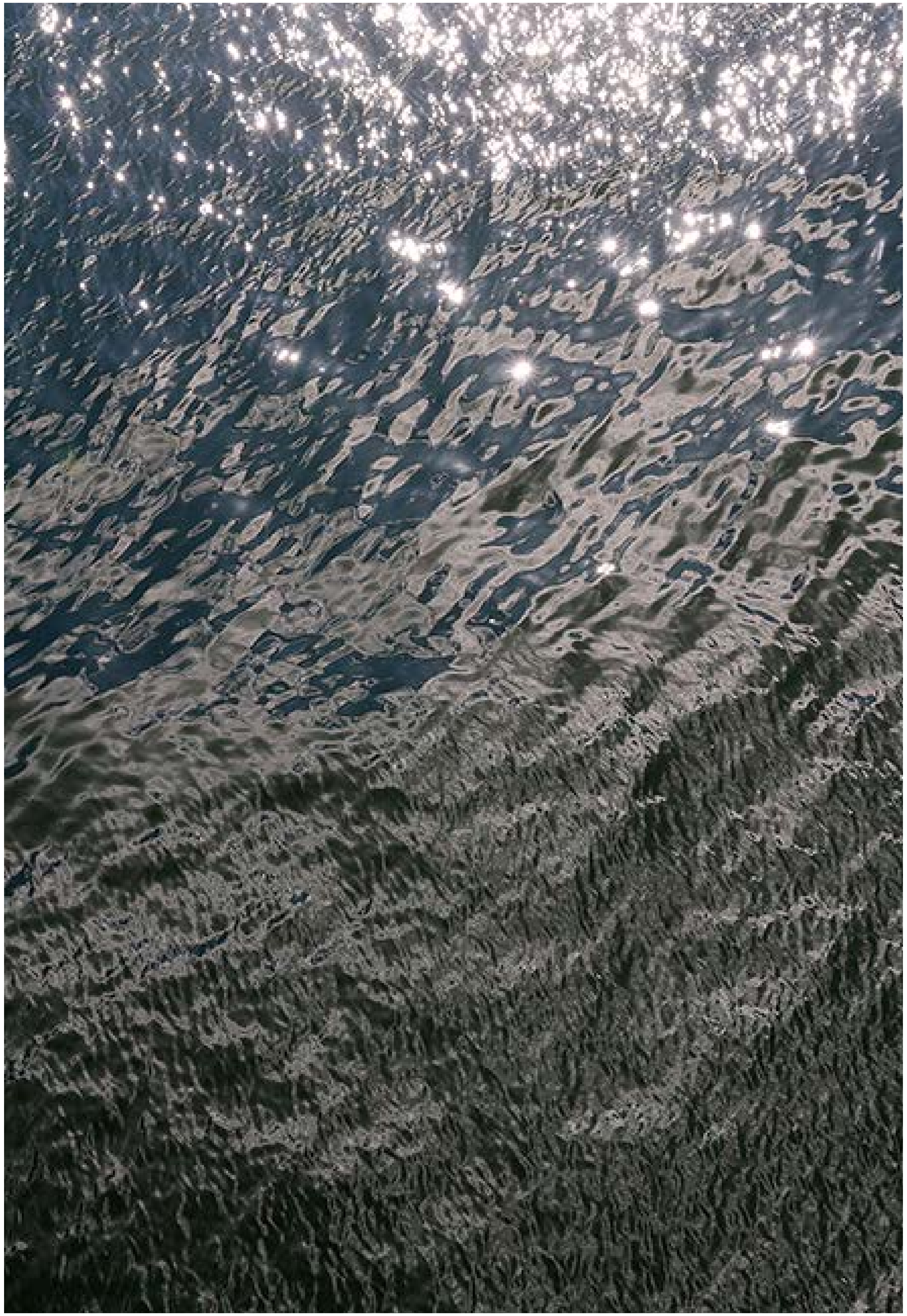
· Large commercial scale production lines were ordered in 2015, and are to be set-up and implemented during 2016.

· The patent portfolio was further strengthened in 2015, securing a unique IP position in the field of biomimetic membranes in water treatment for the Aquaporin Group.

· New headquarter facilities are being established, securing an optimized future foundation for both R&D, business development and large scale production of Aquaporin Inside™ membranes.

Development in the year

In the beginning of 2015, Danica Pension made a significant capital injection, which increased the investor base with another strong investor. The capital increase enabled the continued commercialization of our products and establishment of a new headquarter in the Copenhagen area, Denmark. The new headquarter will contain a large-scale production facility, which will support the demand from our customers and Strategic Commercial Partnership agreements. Relocation to the



new headquarter take place in the spring of 2016.

On the Chinese marked, Aquaporin established a joint venture company named Aquapoten Company Ltd. The joint venture company is an off-spring of the strategic commercial partnership agreement from 2014 between Aquaporin and our two Chinese partners, Heilongjiang Interchina Water Treatment (Interchina) and Poten Environment (Poten). Aquapoten is the commercialization and production hub into the Chinese market, and will secure future revenue streams to Aquaporin A/S in terms of both upfront and milestone payment, as well as future royalty payments and profit sharing. The joint venture is expected to commence sales to the Chinese market in second half of 2016.

The test of Aquaporin Inside™ membranes has continued in different applications and the membranes were tested in the Space Station's water re-cycling system during 2015. The content of each wastewater bag will be filtered through one of the Aquaporin Inside™ membrane assemblies and product samples from each wastewater bag will be analyzed upon return to earth. This is an exciting opportunity to test membranes in a different environment.

As support to the business model, Aquaporin is involved in a number of public private partnerships. The company has participated in a number of grant applications within the European Commission funded framework for Research and Innovation - Horizon2020, Danish national funded projects and Innovation Fund Denmark projects.

In the spring of 2015, the Horizon2020 project DiViNe and the Danish nationally funded project DRIP + VIP commenced. The projects are expected to generate further internal activities, both within research and business development.

For the IBISS project co-funded by Innovation Fund Denmark the contract was amended in order to include Aquaporin Space Alliance (50% ownership) in Denmark and the Aquapoten joint venture in China.

In Singapore the subsidiary Aquaporin Asia Ptd. Ltd. is involved in two public private partnerships co-funded by development funds from the Singaporean government.

The patent filing strategy is the well-recognized combination of securing a fast national Danish patent right while pursuing international rights mainly through a PCT application, giving the company the possibility of obtaining patent rights in up to around 150 countries worldwide. Aquaporin now holds +50 issued patents and nearly 50 pending applications worldwide. Aquaporin's portfolio of Chinese patents, patent applications, utility model, and trademarks are in the process of being transferred to the Chinese joint venture company, Aquapoten as part of the joint venture agreement.

In 2015, Aquaporin has signed a letter of intent with several potential SPC's. The goal was to enter into at least one new SCP agreement in 2015. At present SCP negotiations are ongoing.

Financial highlights

For the 2015 accounts, Aquaporin A/S has changed accounting principles and converted into IFRS, and the profit and loss statement has been prepared by function in contrast to last year

where the profit and loss account were presented by type of costs. The two changes also include last year's figures. For 2015, the period covers 12 months and for 2013/14, the period covers 15 months, why a comparison of the income statement between the periods is difficult.

The income statement of the Company for 2015 shows, as expected, a loss of DKK 16 million. Aquaporin incurred research and development costs for DKK 18 million of which DKK 5 million were capitalized. Sales and distribution costs amounted to DKK 4 million and administrative costs amounted to DKK 8 million.

At 31. December 2015 the balance sheet of the Company shows a total balance of DKK 179 million compared to DKK 107 million 31. December 2014. Total non-current assets amounted to DKK 84 million 31. December 2015 compared to DKK 37 million 31. December 2014. The increase is driven by investments in the new headquarter including large-scale production facility and development projects.

Shareholders equity amounts to DKK 176 million 31. December 2015 compared to DKK 105 million 31. December 2014. The capital injection from Danica Pension is the contributor to the increase in equity. Cash and cash equivalent increased by DKK 16 million in 2015 and is DKK 81 million 31. December 2015. Cash flow from operating activities amounted to DKK -26 million driven by the result for the year. Cash from investing activities amounted to DKK 47 million of which investment in development costs amounted to DKK 5 million, new facility and large scale production facility amounted to DKK 12 million and investments in associated and joint arrangements amounted to DKK 23 million. Cash flow from financing activities amounted to DKK 87 million driven by proceeds from issuing new shares.

Subsequent events

Following fiscal year 2015, Aquaporin A/S has entered into an agreement regarding an investment in Golgi ApS. Golgi's focus is to upscale and manufacture aquaporin proteins in kilo scale for Aquaporin. Aquaporin A/S will subscribe shares for a minority share in 2015 together with warrants, which can be excised within 3 years. If said warrants are exercised, Golgi becomes a subsidiary of Aquaporin. Golgi will to be located in Aquaporin's new domicile and fully integrated into Aquaporin's organization and day-to-day operations.

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

	Note	01.01.2015 - 31.12.2015 T.DKK	01.10.2013 - 31.12.2014 T.DKK
Net revenue	3	236	136
Cost of goods sold		(165)	(95)
Gross profit		**71**	**41**
Sales and distribution costs	4,5,6,7	(3.553)	(2.835)
Research and development costs	4,5,6,7	(13.075)	(12.508)
Administrative costs	4,5,6,7	(7.571)	(7.555)
Other operating income		1.961	1.501
Operating profit		**(22.167)**	**(21.356)**
Share of net loss of associates	13	(1.212)	(8)
Finance income	8	3.803	334
Finance costs	9	(1.426)	(519)
Loss before income tax		**(21.003)**	**(21.549)**
Income tax benefit	10	4.986	8.886
Loss for the period		**(16.016)**	**(12.663)**
Loss is attributable to			
Owners of Aquaporin A/S		(15.017)	(12.372)
Non-controlling interests		(999)	(291)
		(16.016)	**(12.663)**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	01.01.2015 - 31.12.2015 T.DKK	01.10.2013 - 31.12.2014 T.DKK
Loss for the period		(16.016)	(12.663)
Other comprehensive income			
Items that can be reclassified to profit and loss			
Exchange differences regarding subsidiaries in another currency		(629)	(66)
Other comprehensive income for the period, net of tax		**(629)**	**(66)**
Total comprehensive income (loss) for the period		**(16.645)**	**(12.729)**
Total comprehensive income for the period is attributable to:			
Owners of Aquaporin A/S		(15.634)	(12.425)
Non-controlling interests		(1.011)	(304)
		(16.645)	**(12.729)**

CONSOLIDATED BALANCE SHEET

	Notes	31.12.2015 T.DKK	31.12.2014 T.DKK
Development projects	11	33.246	27.922
Intangible assets		**33.246**	**27.922**
Machinery	12	4.289	2.298
Other equipment	12	893	311
Leasehold improvements	12	1.206	0
Prepayments for property, plant and equipment	12	12.188	0
Tangible assets		**18.576**	**2.609**
Investments in associates	13	21.559	30
Financial assets		**21.559**	**30**
Deposits		1.853	406
Deferred tax assets	14	8.484	5.950
Other non-current assets		**10.337**	**6.356**
Total non-current assets		**83.718**	**36.917**
Trade receivables	15	31	31
Other receivables		14.061	4.433
Prepayments		38	1.084
Receivables		**14.130**	**5.548**
Cash and cash equivalents		**80.673**	**64.724**
Total current assets		**94.803**	**70.272**
Total assets		**178.521**	**107.189**

CONSOLIDATED BALANCE SHEET

	Note	31.12.2015 T.DKK	31.12.2014 T.DKK
Share capital	16	6.104	5.363
Retained earnings		167.527	96.227
Reserve for exchange rate translation		(683)	(66)
Reserve for share based payments		3.350	3.378
Capital and reserves attributable to owners of Aquaporin A/S		**176.298**	**104.902**
Non-controlling interests		(1.609)	(598)
Total equity		**174.689**	**104.304**
Trade payables		1.331	1.534
Other payables		1.598	1.351
Prepayments		903	0
Total current liabilities		**3.832**	**2.885**
Total liabilities		**3.832**	**2.885**
Total equity and liabilities		**178.521**	**107.189**
Contingent liabilities	17		
Events after the balance sheet date	21		

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Retained earnings	Reserve for Exchange rate translation	Reserve for share based payment	Aquaporin A/S total	Non-controlling interests	Total equity
	T.DKK	T.DKK	T.DKK	T.DKK	T.DKK	T.DKK	T.DKK
Equity 30.09.2013	3.446	18.941	0	0	22.387	(307)	22.080
Profit for the period	0	(12.372)	0	0	(12.372)	(291)	(12.663)
Other comprehensive income	0	0	(66)	0	(66)	0	(66)
Total comprehensive income for the period	0	(12.372)	(66)	0	(12.438)	(291)	(12.729)
Transactions with owners in their capacity as owners							
Capital increase	1.917	89.658	0	0	91.575	0	91.575
Share based payment	0	0	0	3.378	3.378	0	3.378
Balance at 31.12.2014	**5.363**	**96.227**	**(66)**	**3.378**	**104.902**	**(598)**	**104.304**
Profit for the period	0	(15.017)	0	0	(15.017)	(999)	(16.016)
Other comprehensive income	0	0	(617)	0	(617)	(12)	(629)
Total comprehensive income for the period	0	(15.017)	(617)	0	(15.634)	(1.011)	(16.645)
Transactions with owners in their capacity as owners							
Increase in share capital	741	86.289	0	0	87.030	0	87.030
Excercised warrants	0	28	0	(28)	0	0	0
Balance at 31.12.2015	**6.104**	**167.527**	**(683)**	**3.350**	**176.298**	**(1.609)**	**174.689**

CASH FLOW STATEMENT

	Notes	01.01.2015-31.12.2015 T.DKK	01.10.2013-31.12.2014 T.DKK
Profit before tax		(21.003)	(21.549)
Reversal of financial items		(2.377)	185
Depreciations and amortizations		645	640
Non-cash items		3.687	3.479
Change in net working capital	20	(7.288)	(8.013)
Cash flows from primary operating activities		(26.336)	(25.258)
Received interests		16	176
Paid interests		(172)	(519)
Received tax		2.452	4.186
Cash flow from operating activities		**(24.040)**	**(21.415)**
Investments in non-current assets		(21.937)	(1.834)
Deposits		(1.792)	(407)
Investments in associates and joint arrangements		(23.313)	0
Cash flow from investing activities		**(47.042)**	**(2.241)**
Capital injections		87.030	91.575
Repayment of borrowings		0	(3.241)
Cash flow from financing activities		**87.030**	**88.334**
Net cash flow for the year		**15.949**	**64.678**
Cash and cash equivalents, beginning of the year		64.724	46
Cash and cash equivalents, end of the year		**80.673**	**64.724**

NOTES

NOTES

The Consolidated Financial Statements for the Aquaporin Group and the separate financial statements for Aquaporin A/S have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union as well as additional Danish disclosure requirements applying to entities of reporting class B.

First-time adoption of IFRS

The Group has adopted IFRS.. The effect of the adoption on the recognition or measurement is presented in note 23. The adoption has caused minor changes to the presentation of the financial statements and additional disclosures.

The annual report is prepared according to standards and interpretations effective for financial years beginning on 1 January 2015. No standards or interpretation have been adopted before their effective date.

General information on recognition and measurement

The Financial Statements have been prepared under the historical cost method, except for the measurement of certain financial instruments at fair value.

The accounting policies set out below have been applied consistently in respect of the financial year 2014/15 and the comparative figures.

New standards

The IASB has issued a number of new or amended standards and interpretations effective for financial years beginning after 1 January 2015. Some of these have not yet been endorsed by the EU. Most relevant to the Group is the following:

- IFRS 9 "Financial Instruments" reducing the number of asset classes for financial assets to two: amortized cost and fair value. The standard incorporates new requirements for accounting for financial liabilities. The standard will be effective for financial years beginning on or after 1 January 2018.

- IFRS 15 “Revenue Recognition” clarifying the principles for recognizing revenue from contracts with customers. The effective date for this standard has tentatively been deferred by one year so that it will be effective for financial years beginning on or after 1 January 2018.

- IFRS 16 “Leases”. The standard amends the rules for the lessee’s accounting treatment of operating leases. In future, operating leases must therefore be recognized in the balance sheet as lease assets and similar lease liabilities.

NOTES

The Group expects to adopt the standards and interpretations when they become effective.

Basis of consolidation

The Consolidated Financial Statements cover Aquaporin A/S (the Parent Company) and entities over which the Parent Company has a controlling influence. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Translation from functional currency to presentation currency

Items in the financial statements of each of the reporting companies of the Group are measured in the currency of the primary economic environment in which the company operates (the functional currency).

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

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

Translations and transactions

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

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

Exchange adjustments arising due to differences between the rates at the balance sheet date and the transaction date rates are recognized in financial income or financial expenses in the income statement.

Government grants

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.

NOTES

Grants for investments and capitalized development projects are set off against the cost of the assets to which the grants relate. Other grants are recognized in the income statement as other income.

Revenue

Revenue is recognized in the income statement if the risk has been transferred to the purchaser at the balance sheet date, the income can be measured reliably, and expenses incurred or expected to be incurred in connection with the transaction can be measured reliably. Revenue is measured at the fair value of the consideration received excluding VAT and less commission and discounts granted in connection with the sales.

Royalty and license fees are recognized when earned according to the terms of the license agreements.

Cost of sales

Cost of sales comprises the cost of products sold. Cost comprises the purchase price of raw materials, consumables and goods for resale, direct labor costs and a share of indirect production costs, including costs of operation and depreciation of production facilities as well as operation, administration and management of factories.

Other operating income and expenses

Other operating income and expenses comprise income that is not related to the principal activities. This includes income from government grants, rental income and gains and losses on the disposal of intangible assets and property, plant and equipment and other income of a secondary nature in relation to the main activities of the Group.

Financial income and expenses

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

Income tax and deferred tax

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

Deferred tax is measured using the balance sheet liability method. All temporary differences between the carrying amount and the tax base of assets and liabilities 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.

Intangible assets

Research expenses are recognized in the income statement as they are incurred. Development costs are recognized as intangible assets if all of the following conditions are met

- the technical feasibility to complete the development has been demonstrated,
- management intends to and expects to have sufficient financial resources to complete development, and
- the costs are expected to be recovered through income from the sale of the goods developed.

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

- Development projects: 10 years

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

Property, plant and equipment

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

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

- Other fixtures and fittings, tools and equipment: 3 - 8 years

Depreciation is based on a straight-line pattern.

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

Investments in Group companies

Investments in Group companies are measured at cost. If the cost exceeds the recoverable amount, it is written down to this lower recoverable amount.

Investments in associates

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

Inventories

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

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

Finished goods and work in progress are measured at cost, comprising costs incurred to bring the product to the current completion rate and location. Costs include the cost of raw materials, consumables, direct wages and salaries, and indirect production overheads. Indirect production overheads comprise indirect materials, wages and salaries, maintenance and depreciation of production machinery and equipment, and production administration and management.

Trade receivables

Receivables are initially recognized at fair value adjusted for any transaction costs. Subsequently, receivables are measured at amortized cost less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable taking into consideration the period overdue and the expected likelihood of receiving payment.

Provisions

Provisions are recognized when, as a consequence of an event occurring on or before the balance sheet date, the Group has a legal or constructive obligation and it is probable that economic benefits must be given up 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.

Financial assets and liabilities

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

Financial liabilities are initially measured at fair value less transaction costs incurred. Subsequently, the loans are measured at amortized cost. Amortized cost is calculated as original cost less installments plus/less the accumulated amortization of the difference between cost and nominal value. Losses and gains on loans are thus allocated over the term so that the effective interest rate is recognized in the income statement over the loan period. Financial liabilities are derecognized when settled.

Share-based payment

The group operates a number of 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 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.

2. Significant accounting estimates

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. The most significant accounting estimates and judgments are presented below.

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

The judgments, estimates and assumptions made are based on historical experience and other factors that Management considers to be reliable, but which by their very nature are associated with uncertainty and unpredictability. These assumptions may prove incomplete or incorrect, and unexpected events or circumstances may arise. The most critical judgments, estimates and assumptions for the individual items are described below.

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

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

For development projects in progress, Management estimates on an ongoing basis whether each project is likely to generate future economic benefits for the Group in order to qualify for recognition. The development projects are evaluated on technical as well as commercial criteria.

NOTES

3. Net revenue	01.01.2015 - 31.12.2015 T.DKK	01.10.2013 - 31.12.2014 T.DKK
Sales of goods	236	136
	236	**136**

4. Staff costs

Wages and salaries	(16.564)	(13.672)
Pension costs, defined contribution plans	(210)	(69)
Other expenses to social security	(140)	(170)
Share based payments (Note 5)	(0)	(3.378)
Other employee costs	(355)	(294)
	(17.269)	**(17.582)**
Average number of full time employees	33	24

Remuneration of Executive Board and Board of Directors

Wages and salaries	1.514	1.451
	1.514	**1.451**

5. Share based payments

Aquaporin A/S has established a warrant program for management and certain key employees. The warrant program comprises a total of 414,000 warrants at 31 December 2015 (424,000 warrants at 31 December 2014). Each warrant gives the holder right to buy one ordinary share of nominally 1 DKK in Aquaporin A/S. The outstanding warrants amount to 6% of the share capital if they are all exercised (7% at 31 December 2014).

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

The warrants are granted with an exercise price of DKK 20 per warrant. The warrants are immediately exercisable, but the exercise is subject to the employee still being employed at the time of exercise. There are no other conditions for vesting or exercise.

The warrants can be exercised in a period of 7 years from the grant date. They can only be settled in new shares in Aquaporin A/S.

NOTES

Specification of outstanding warrants

	Number
Outstanding 1 October 2013	330.000
Granted	178.000
Forfeited	(84.000)
Outstanding 31 December 2014	424.000
Exercised	(10.000)
Outstanding 31 December 2015	414.000

For outstanding warrants at 31 December 2015 the average remaining life is 4.2 years (2013/14: 5.8 years). The average exercise price is DKK 20 (2013/14: DKK 20).

In 2015 the recognized expense related to share-based payments amount to DKK 0 thousand (2013/14: DKK 3,378 thousand).

Fair value of each warrant at the grant date were DKK 0 (2013/14: DKK 39). The value was calculated using the Black-Scholes model for valuation of warrants. The following assumptions were made at the grant in 2013/14:

Share price:	38.98 DKK
Volatility:	40%
Vesting period:	3 years
Expected dividend:	0%
Risk free interest rate:	1.21%

Certain shareholders were granted 106,932 warrants on 19 December 2014. Each warrant gives the holder right to subscribe one ordinary share of nominally 1 DKK in Aquaporin A/S at an exercise price of DKK 30 per warrant. The warrants can be exercised in a period of 7 years from the grant date. They can only be settled in new shares in Aquaporin A/S. As of 31 December 2015, all of the warrants issued were outstanding. The outstanding warrants amount to 2% of the share capital if they are all exercised (2% at 31 December 2014).

The warrants are classified as equity instruments.

NOTES

6. Depreciations and amortizations

	01.01.2015 - 31.12.2015 T.DKK	01.10.2013 - 31.12.2014 T.DKK
Sales and distribution costs	(14)	(30)
Research and development costs	(600)	(552)
Administrative costs	(30)	(58)
Total depreciations	**(645)**	**(640)**

7. Audit fees

Statutory audit	(120)	(55)
Audit-related services	(15)	(23)
Tax advisory services	(27)	(63)
Other services	(477)	(350)
Total depreciations	**(639)**	**(491)**

8. Financial income

Interest income, banks	7	0
Exchange rate adjustments	3.796	334
Total depreciations	**3.803**	**334**

9. Financial expenses

Exchange rate adjustments	(1.258)	0
Other financial expenses, including bank fees	(168)	(519)
	(1.426)	**(519)**

NOTES

10. Tax on profit for the year

	01.01.2015 - 31.12.2015 T.DKK	01.10.2013 - 31.12.2014 T.DKK
	-21.003	-21.549
Danish tax rate for Aquaporin A/S	23,5%	24,5%
Tax Danish tax rate for Aquaporin A/S	4.936	5.280
Tax adjustments, including adjustments to deferred tax	-2.645	248
Adjustments to previous tax	0	13
Share based payment	243	0
Non-deductable expenses	0	-828
Tax loss used in joint taxation	2.452	4.173
Tax on profit/loss for the year	**4.986**	**8.886**
Tax on profit for the year comprise	2.534	4.700
Changes in deferred tax	2.452	4.173
Adjustments to previous years	0	13
Tax on profit for the year	**4.986**	**8.886**

11. Other intangible assets

	Development projects in progress T.DKK	Total T.DKK
Cost price at 1 January 2015	27.922	27.922
Additions during the year	5.324	5.324
Purchase price at 31 December 2015	33.246	33.246
Carrying amount 31 December 2015	**33.246**	**33.246**

	T.DKK	T.DKK
Cost price at 1 October 2013	27.038	27.038
Additions during the year	884	884
Purchase price at 31 December 2014	27.922	27.922
Carrying amount 31 December 2014	**27.922**	**27.922**

12. Property, plant and equipment

	Plant and machinery T.DKK	Other fixtures, fittings, tools and equipment T.DKK	Leasehold improvements T.DKK	Prepayments for property, plant and equipment T.DKK	Total T.DKK
Purchase price at 1 January 2015	2.602	2.259	0	0	4.861
Additions during the year	2.519	699	1.206	12.188	16.612
Purchase price at 31 December 2015	5.122	2.958	1.206	12.188	21.474
Depreciations at 1 January 2015	304	1.948	0	0	2.252
Depreciations	528	117	0	0	645
Depreciations at 31 December 2015	832	2.065	0	0	2.897
Carrying amount 31 December 2015	**4.289**	**893**	**1.206**	**12.188**	**18.576**

	T.DKK	T.DKK	T.DKK	T.DKK	T.DKK
Purchase price at 1 October 2013	1.748	2.164	0	0	3.911
Additions during the year	854	95	0	0	949
Purchase price at 31 December 2014	2.602	2.259	0	0	4.861
Depreciations at 1 October 2013	6	1.606	0	0	1.612
Depreciations	297	342	0	0	640
Depreciations at 31 December 2014	304	1.948	0	0	2.252
Carrying amount 31 December 2014	**2.298**	**311**	**0**	**0**	**2.609**

At 31 December 2015 prepayments for property, plant and equipment amounts to DKK 12 million relating to investment in large scale production facility. The total commitment amounts to DKK 24 million.

13. Investments in associates

	31.12.2015 T.DKK	31.12.2014 T.DKK
Purchase price at 1 January	40	40
Additions during the year	23.313	0
Total	**23.353**	**40**
Accumulated write-ups and write-downs at 1 January	(10)	0
Adjustments regarding previous years	0	(2)
Share of result after tax	(1.212)	(8)
Exchange rate adjustments	(572)	0
Accumulated write-ups and write-downs at 31 December	(1.794)	(10)
Carrying amount 31 December	**21.559**	**30**

Investments in associates includes:

Aquaporin Space Alliance ApS, Odense, ownership 50% (2013/14: 50%)
Aquapoten Company Limited, China, ownership 44% (2013/14: 0%)

Aquapoten is newly established and at 31 December 2015 the net assets primarily consist of liquid funds.

14. Deferred tax

	31.12.2015 T.DKK	31.12.2014 T.DKK
Deferred tax recognized in the income statement	2.534	4.700
Deferred tax at 31 December	**8.484**	**5.950**

Management expects that a loss carry-forwards can be set off against positive taxable income within 3-5 years.

NOTES

15. Trade receivables

	31.12.2015 T.DKK	31.12.2014 T.DKK
Ageing of receivables		
Not due	31	31

16. Share capital

The share capital comprises 6,103,800 shares of a nominal value of DKK 1 each. No shares carry any special rights.

	Number of shares./ DKK
Changes in share capital:	
Share capital at 1 October 2010	1.634.327
Capital increase 2010/11	653.673
Capital increase 2011/12	568.000
Capital increase 2012/13	590.000
Capital increase 2013/14	1.916.501
Capital increase 2015	741.299
Share capital at 31 December 2015	**6.103.800**

Capital management

Management evaluates the needs for capital on an ongoing basis. The objectives when maintaining capital are to maintain sufficient capital in order to meet short term obligations and at the same time preserve investor's confidence required to sustain future development of the business. As of 31 December 2015, the Group is financed solely through equity.

The company is not exposed to any externally imposed capital requirements.

NOTES

17. Commitments and contingent liabilities

Operating leases

Rental and leasing commitments related to non-cancelable operating lease contracts expire within the following periods form the reporting date:

Operating lease commitments:	31.12.2015 T.DKK	31.12.2014 T.DKK
Due within 1 year	4.945	148
Due between 1 and 5 years	23.468	772
Due after 5 years	21.958	723
	50.371	**1.643**
The following amounts have been recognized in the income statement for Aquaporin A/S in respect of operating leases and rentals	301	354

Lease commitments relate primarily to office- and car rental and there are no pending court and arbitration cases.

18. 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 Groups does not actively engage in speculation of financial risks.

Credit risks

The Group's credit risks mainly relate to trade receivables and other receivables. Maximum exposure corresponds to the carrying amount.

The Group assesses the risks of losses on an ongoing basis and if necessary write-downs are made according to the Group's policies. Excess cash is placed with banks with ratings A or above. The Group does not have any material risks related to individual customers.

Foreign exchange risks

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

Interest rate risk

The Group is not exposed to any material interest rate risks, because it is equity funded and does not carry any significant interest bearing financial liabilities.

Liquidity risk

The Group is not exposed to any material liquidity risks, because it is equity funded and does not carry any significant financial liabilities.

	0-1 year T.DKK	1-5 years T.DKK	>5 years T.DKK	Total T.DKK	Carrying amount T.DKK
31 December 2015					
Trade and other payables	2.929	0	0	2.929	2.929
	2.929	**0**	**0**	**2.929**	**2.929**
31 December 2014					
Trade and other payables	2.885	0	0	2.885	2.885
	2.885	**0**	**0**	**2.885**	**2.885**

The analysis is based on all undiscounted cash flows including estimated interest payments and expected installments on loans. The estimates on interests are based on current market conditions.

19. Events after the balance sheet date

No events have occurred after the balance sheet date of importance to the Annual Report.

20. Changes in net working capital

	31.12.2015 T.DKK	31.12.2014 T.DKK
Changes in trade receivables	0	34
Changes in other receivables	(8.236)	(4.601)
Changes in trade payables	(1.389)	739
Changes in other payables	2.337	(4.185)
	(7.288)	**(8.013)**

21. Related parties and ownership

Until 1 December 2015 M. Goldschmidt Capital A/S were holding more than 50% of the shares and thereby considered as related parties before 1 December 2015.

Aquaporin A/S is renting the new facility at Nymøllevej 78 of M. Goldschmidt Ejendomme A/S. In 2015 Aquaporin A/S has paid DKK 1.7 million in deposit and paid on account DKK 6 million for leasehold improvements on behalf of M. Goldschmidt relating to Nymøllevej 78. The on account payment is recognized as other receivable at 31. December 2015.

Ownership

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

Kapitalforeningen Danske Invest Institutional, Afdeling Danica Pension - Offensiv, Parallelvej 17, DK-2800 Kongens Lyngby

InterChina Water Treatment Hong Kong Company Ltd, 15/F, CBB Tower, 3 Connaught Road, Central Hong Kong

22. Government grants

During 2015, the Group received DKK 2.0 million in public grants for research & development purposes (2013/14: DKK 1.5 million), which was recognized in the income statement as other income. The group also received DKK 4.4 million in public grants relating to projects which qualifies for capitalization (2013/14: 9.2 million), which has been set off against capitalized developments costs.

23. First time adoption of IFRS

The group has adopted IFRS for its consolidated financial accounts with effect from 1 October 2013. The comparison figures for 2013/14 have been restated.

The adoption has not had any effect on any balance sheet items or to the equity at either 1 October 2013, 31 December 2014 or 31 December 2015.

Under previous GAAP, fair value of warrants granted to employees as compensation for delivery of services was not recognized as an expense. Under IFRS, fair value of warrants is recognized as a compensation expense over the vesting period.

The comparative figures for the income statement for 2013/2014 and total comprehensive income for 2013/2014 has been changed with the effect of the adoption of IFRS 2 Share-based payment. The result of 2013/14 is affected by an additional costs of DKK 3.378 thousand.

24. List of group companies at 31 December 2015

Company	Country	Currency	Nominal capital	Aquaporin's holding
Aquaporin Asia Ltd.	Singapore	SGD	103	80 %

Aquaporin A/S

Financial statements of parent company

STATEMENT OF PROFIT AND LOSS

	Note	01.01.2015 - 31.12.2015 T.DKK	01.10.2013 - 31.12.2014 T.DKK
Net revenue		236	136
Cost of goods sold		(165)	(95)
Gross profit		**71**	**41**
Sales and distribution costs	2	(3.527)	(2.802)
Research and development costs	2	(8.975)	(10.685)
Administrative costs	2	(5.157)	(6.455)
Other operating income		0	22
Operating profit		**(17.588)**	**(19.879)**
Share of net loss of associates		(1.212)	(8)
Finance income		4.196	324
Finance costs		(1.403)	(528)
Loss before income tax		**(16.007)**	**(20.091)**
Income tax benefit		4.986	8.886
Loss for the period		**(11.021)**	**(11.205)**

BALANCE SHEET 31 DECEMBER 2015

	Notes	31.12.2015 T.DKK	31.12.2014 T.DKK
Development projects		33.246	27.922
Intangible assets		**33.246**	**27.922**
Machinery		1.702	1.998
Other equipment		893	311
Leasehold improvements		1.206	0
Prepayments for property, plant and equipment		12.188	0
Tangible assets		**15.989**	**2.309**
Investments in subsidiaries		15	15
Investments in associates		21.560	30
Financial assets		**21.575**	**45**
Deposits		1.712	346
Deferred tax assets		8.484	5.950
Other non-current assets		**10.196**	**6.296**
Total non-current assets		**81.006**	**36.572**
Receivables from group enterprises		12.565	5.163
Trade receivables		31	31
Other receivables		12.800	3.514
Prepayments		0	265
Receivables		**25.396**	**8.973**
Cash and cash equivalents		**80.110**	**64.583**
Total current assets		**105.506**	**73.556**
Total assets		**186.512**	**110.128**

BALANCE SHEET 31 DECEMBER 2015

	Note	31.12.2015 T.DKK	31.12.2014 T.DKK
Share capital		6.104	5.363
Retained earnings		173.866	98.570
Reserve for exchange rate translation		(571)	0
Other reserves		3.350	3.378
Total equity		**182.749**	**107.311**
Trade payables		1.331	1.534
Other payables		1.529	1.283
Prepayments		903	0
Total current liabilities		**3.763**	**2.817**
Total liabilities		**3.763**	**2.817**
Total equity and liabilities		**186.512**	**110.128**
Contingent liabilities	3		
Events after the balance sheet date	4		

STATEMENT OF CHANGES IN EQUITY

	Share capital T.DKK	Retained earnings T.DKK	Reserve for share based payment T.DKK	Total equity T.DKK
Equity 30.09.2013	3.446	20.116	0	23.562
Profit for the period	0	(11.205)	0	(11.205)
Total comprehensive income for the period	0	(11.205)	0	(11.205)
Transactions with owners in their capacity as owners				
Capital increase	1.917	89.659	0	91.576
Share based payment	0	0	3.378	3.378
Balance at 31.12.2014	**5.363**	**98.570**	**3.378**	**107.311**
Profit for the period	0	(11.021)	0	(11.021)
Exchange rate translation	0	(571)	0	(571)
Total comprehensive income for the period	0	(11.592)	0	(11.592)
Transactions with owners in their capacity as owners				
Increase in share capital	741	86.289	0	87.030
Excercised warrants	0	28	(28)	
Balance at 31.12.2015	**6.104**	**173.295**	**3.350**	**182.749**

NOTES

1. Accounting policies

The financial statements of Aquaporin A/S have been prepared in accordance with the Danish Financial Statements Act (accounting class B) on the presentation of financial statements.

Aquaporin A/S has from 2015 and the comparison figures for 2013/14 recognized the fair value of the employee services received in exchange for the grant of the warrants as a compensation expense. The comparative figures for the income statement for 2013/2014 and total comprehensive income for 2013/2014 has been changed with the effect of the adoption of IFRS 2 Share-based payment. The result of 2013/14 is affected by an additional costs of DKK 3.378 thousand.

Except for the above the accounting policies are unchanged from last year.

Basis of Preparation

Financial Statements of Aquaporin A/S for 2015 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B with choice of few rules in reporting class C.

Financial Statements for 2015 are presented in DKK.

Recognition and measurement

Revenues are recognized in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortized cost are recognized. Moreover, all expenses incurred to achieve the earnings for the year are recognized in the income statement, including depreciation, amortization, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognized in the income statement.

Assets are recognized in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognized in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognized in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income Statement

Gross profit/loss

Gross margin' consists of grants and support net of other external expenses.

Revenue

Revenue is recognized in the income statement when delivery and transfer of risk to the buyer have been made before year end.

Other external expenses

Other external expenses comprise expenses for premises, sales and distribution as well as office expenses, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses. Staff costs related to development projects are capitalized under intangible assets.

Dividends

Dividends from 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.

Amortization, depreciation and impairment losses

Amortization, depreciation and impairment losses comprise amortization, depreciation and impairment of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognized in the income statement at the amounts relating to

the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognized in the income statement, whereas the tax attributable to equity transactions is recognized directly in equity.

Balance Sheet

Intangible assets

Development projects are measured at the lower of cost less accumulated amortization and recoverable amount.

Cost comprises of direct salaries and materials and is reduced by received grants.

Depreciation period is 10 years due to the unique character of the product.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3-8	years

Assets costing less than DKK 12.800 are expensed in the year of acquisition.

Investments in subsidiaries and associates

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

Investments in associates are recognized and measured under the equity method.

The total net revaluation of investments in associates is transferred upon distribution of profit to

"Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in associates.

Receivables

Receivables are measured in the balance sheet at the lower of amortized cost and net realizable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realized, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallize as current tax. Any changes in deferred tax due to changes to tax rates are recognized in the income statement.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognized in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognized in the income statement in financial income and expenses.

Financial debts

Other debts are measured at amortized cost, substantially corresponding to nominal value.

2. Staff

	01.01.2015 - 31.12.2015 T.DKK	01.10.2013 - 31.12.2014 T.DKK
Average number of full time employees	26	20

3. Commitments and contingent liabilities

Operating leases
Rental and leasing commitments related to non-cancelable operating lease contracts expire within the following periods form the reporting date:

Operating lease commitments:	31.12.2015 T.DKK	31.12.2014 T.DKK
Due within 1 year	4.945	148
Due between 1 and 5 years	23.468	772
Due after 5 years	21.958	723
	50.371	**1.643**
The following amounts have been recognized in the income statement for Aquaporin A/S in respect of operating leases and rentals	301	354

Lease commitments relate primarily to office- and car rental and there are no pending court and arbitration cases.

The analysis is based on all undiscounted cash flows including estimated interest payments and expected installments on loans. The estimates on interests are based on current market conditions.

4. Events after the balance sheet date

Please see subsequence events after the balance sheet date in the management report for the Aquaporin Group.