

# WATER MADE BY NATURE

ANNUAL REPORT  
2020





A high-speed photograph of water being poured from an unseen source into a clear glass. The water is captured mid-pour, creating a dynamic splash and ripples on the surface. Numerous small bubbles are visible just below the water level inside the glass. The background is a solid, light blue color, providing a clean and minimalist aesthetic.

**AQUAPORIN WORKS  
TOWARDS CLEAN &  
NATURAL DRINKING  
WATER FOR ALL**

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# AQUAPORIN INSIDE®

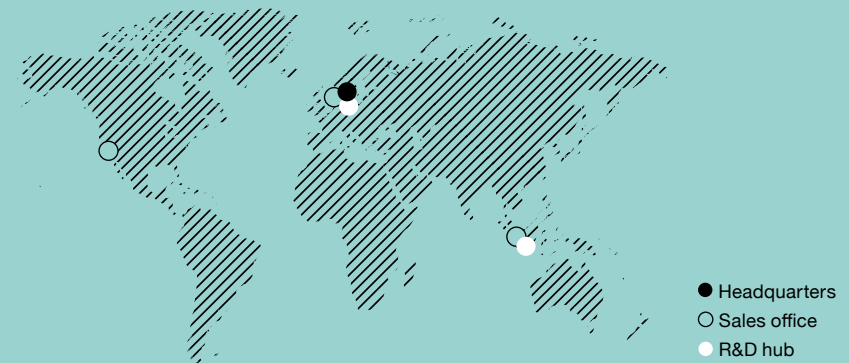
[AQUAPORIN.COM](http://AQUAPORIN.COM)

**“To meet Singapore’s future water demand, PUB is working with Aquaporin Asia on membranes that can improve the energy efficiency of NEWater production and seawater desalination. The application of biomimicry in membrane technology shows great promise, and I look forward to the successful validation of Aquaporin Asia’s low-energy membrane as they commence pilot testing in PUB.**

**Dr Pang Chee Meng**  
Chief Engineering and Technology Officer  
PUB, Singapore’s National Water Agency



# AQUAPORIN AT A GLANCE



Aquaporin A/S is a global water technology company headquartered in Kongens Lyngby, Denmark. Aquaporin revolutionizes water purification by merging biotechnological techniques and classical engineering. Our aim is to commercialize biomimetic water membranes for households and industrial use in a wide variety of markets and applications. Aquaporin deploys direct sales, sales through distributors and commercial partnerships.

Our Aquaporin Inside® technology is based on the aquaporin protein. The aquaporin protein facilitates water transport across cell membranes in all living cells, where it is 100% selective to water molecules. Aquaporin membranes offer nature's very own, extremely efficient water channel.

1

## Core technology

Aquaporin Inside® is viable for use in multiple applications and industries

10

## Products

Aquaporin has entered the market with our tap water and forward osmosis products

14

## Patent families

With 18 granted patents in 14 patent families, Aquaporin offers proprietary solutions to water purification challenges

83

## Employees

Aquaporin has 83 employees working in R&D, sales, production, and administration (average no. of FTEs)



## LETTER FROM THE CHAIRMANSHIP AND CEO

# #VALUE WATER

Last month marked 20 years of continuous human presence on the International Space Station (ISS). Scientific research to improve life aboard the ISS has led to countless developments in space technology, but it has also brought benefits to people on Earth.

CNN Business, Dec 15 2020





Even though technology has brought great benefits to people on Earth, more than two billion people worldwide do not have access to clean drinking water and sanitation. 80% of all wastewater is released to the environment without adequate treatment. This is the case because the available technologies and solutions are not being implemented.

### **On our way to Mars – and running out of water.**

We face huge challenges in creating a sustainable future. As Matt Damon exclaims in *The Martian*, when he has to overcome the challenges of being left alone on Mars: “I’m gonna have to science the s\*\*t out of this.”

The paradox with clean water is, that we do not have to science the s\*\*t out of it. The science has been done. We just need to implement the available technologies.

As Matt Damon also states in the water documentary *Brave Blue World*, where Aquaporin’s technology was featured: “Imagine tomorrow we cure cancer, and in a 100 years a million kids are still dying of cancer – that would be unthinkable, but that is situation we find ourselves in with water.”

We have the solutions already – and Aquaporin has the technology ready.

Aquaporin works actively in three market verticals, with mature technology and solutions available today.

- ◆ Drinking Water
- ◆ Industrial Water
- ◆ Food & Beverage

Within Drinking Water, we launched our first Water Purifier system, ZERO, powered by Aquaporin Inside® in 2020. As clean water is a human right, we will continue to expand our portfolio of Drinking Water products in 2021.

In the Industrial Water segment, our focus is on textile wastewater treatment as the beachhead market. Textile consumers are beginning to demand sustainable production methods, where the environment is not polluted by toxic textile wastewater streams. In 2021, we will build our first installations in Southeast Asia.

Within Food & Beverage, we wrote industrial history in 2020. Aquaporin is the first company ever to secure Food Contact Material (FCM) compliance for the aquaporin protein, which utilizes the power of natural membrane proteins. Having achieved this huge door opener, our initial market focus will be the coffee segment and other flavor & fragrance segments.

Even though 2020 has been an unusual year due to the COVID-19 pandemic, it has been a positively transforming year for Aquaporin, where several unique products have been launched. Our first order back logs have been secured.

During 2021, we will continue to grow our portfolio and launch new water treatment products powered by Aquaporin Inside®, within both the Drinking Water, Industrial Water and Food & Beverage segments.

### **#Valuewater – let’s not wait.**

In 2020, the United Nations were very clear in their message on the UN World Water Day. “We cannot afford to wait”. We agree. The future of water is now.

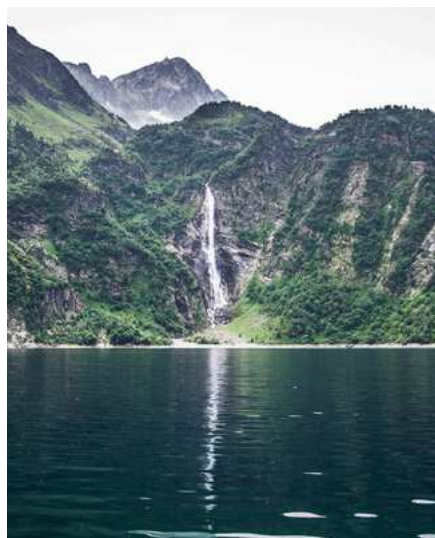
We thank our organization of talented and committed professionals, as well as new and existing shareholders, business partners and customers for taking part in creating sustainability in the future of water.

On behalf of the entire Board of Directors and Executive Management team, we would like to thank you for this *Brave Blue* journey. - “How lucky we are, that we are the ones who get to solve this”, Matt Damon, actor and co-founder Water.org.



**“By 2050, 45% of global GDP will be at risk due to water stress.  
Even if business operations today are not directly impacted,  
they likely will be in the future”**

UN Global Compact Tweet, November 9, 2020



# 2020 KEY EVENTS

**MARCH**

## **First Premium reseller**

We initiated a collaboration with Nordic Foreign Trade, a premium reseller in Turkey.

**OCTOBER**

## **Aquaporin is featured in 'Brave Blue World'**

Aquaporin was featured in a new Netflix documentary on the global water and sanitation crisis. Our technology was highlighted as a solution to combat the global challenges.

**DECEMBER**

## **First distribution agreement**

We signed a non-exclusive agreement with a German distributor to supply Zero units to the German market.

**DECEMBER**

## **Milestone reached in development project**

We reached an important milestone in an agreement for RO development entered in 2018.

**MAY**

## **Partnership with supplier of sustainable wastewater treatment systems**

We entered a commercial partnership to offer complete turn-key solutions for wastewater treatment in the Indian textile industry.

**NOVEMBER**

## **Historical Food Contact Material Approval**

Aquaporin became the first company in industrial history to ensure Food Contact Material (FCM) compliance for aquaporins via the Aquaporin Inside® technology.

**NOVEMBER**

## **The launch of our water purifier ZERO**

Aquaporin's first household water purifier Zero was launched. Zero is our compact, under-the-sink filtration system. It purifies tap water making it instantly drinkable.

**DECEMBER**

## **Our technology featured on CNN Business**

Our technology was showcased in a video and article on CNN Business. It described technologies initially developed for space travel that are now also useful in our daily lives.

**DECEMBER**

## **1-year pilot project initiated in Singapore**

The project is our first Brackish Water Reverse Osmosis (BWRO) pilot system.





# OUR BUSINESS

# LEADING A SUSTAINABLE BUSINESS



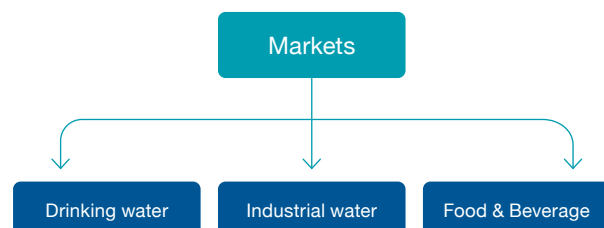
The world's water reserves are affected by declining water quality, climate change and pollution. Our technology combats some of these macrotrends. Aquaporin addresses the three segments; Drinking Water, Industrial Water, and Food & Beverage, each containing distinct challenges and unique opportunities in tailoring our go-to-market approach.

## Drinking Water

The ability to produce natural, tasty, and healthy water combined with Scandinavian quality are our key value propositions in the drinking water segment.

During 2020, Aquaporin evolved from solely being a technology supplier to also provide complete Point-of-Use solutions for households. This shift enables a close interaction with our end-users and a more active push and pull strategy. Overall, the drinking water segment is characterized by large accounts and repeat sales to existing installations.

In 2020, our Point-of-Use solutions pipeline was initiated with the launch of our ZERO water purifier. In 2021, this will be followed by the launch of ONE. To strengthen the consumer experience with our solutions, we emphasize our unique 'Water Made by Nature' brand as well as the Powered by Aquaporin Inside® co-branding.



## Industrial Water

Industrial and municipal water treatment captures the traditional water market. Membrane treatment generates clean process water for industries and treats wastewater for reuse. It is viewed as a more advanced water treatment compared with traditional solutions.

Our forward osmosis technology empowered by Aquaporin Inside® provides a strong distinction in the market with unique water treatment capabilities and a favorable economic profile. Aquaporin partners with system integrators to assist industry customers in treating complex wastewater streams and build or install suitable system solutions.

Generally, the industrial water market is considered conservative and differentiated. It is characterized by project sales, however sub-markets with propensity for fast-tracking innovation within water purification are evolving.

Within the industrial water segment, textile wastewater is our beachhead. The textile industry is concentrated in South Asia, where a strong consumer pull for more sustainable solutions in the textile production is emerging. Our solutions assist the textile industry in shifting to a more sustainable production with reduced emissions to water streams and improved water recycling.

## Food & Beverage

Food & beverage processing covers concentration steps for liquids such as coffee, tea, dairy, and juices as well as food ingredients. Our membranes are a low-energy alternative to evaporation, producing high-quality concentrates while lowering power consumption in the production phase.

Following our Food Contact Material compliance secured in 2020, the focus within food & beverage applications will be on cold concentration processes within flavor and fragrance segments. Our focus segments are industries, where the retention of taste and aromatic compounds in concentration processes is essential. These are industries producing coffee, fruit extracts, coconut water and many more.

Our value creation derives from developing innovative and novel food & beverage products in close collaboration with existing partners and customers. These partnerships are driven by the unique cold concentration process powered by Aquaporin Inside®.

Aquaporin undertakes a number of pilot projects aimed at optimizing flavor and fragrances. These projects allow us to co-create new sustainable solutions fitted for the particular needs of our costumers and their end-users.





Case: Drinking Water



# AQUAPORIN'S FIRST WATER PURIFIER - ZERO

**During 2020, Aquaporin did a strategic transition from solely selling our membranes to system providers to also selling finished drinking water solutions. This allows us to cater for the growing demand for purifying water in private households. This transition is initiated with our unique ZERO water purifier.**

Universal access to clean drinking water is one of the most pressing global challenges. Water resources are at risk from climate change, pollution, and waterborne diseases. Even in welfare states, clean drinking water is under pressure. Evidently, less than half of EU's water bodies are in good condition.

We see strong movements in the direction of acting more sustainably to preserve our resources and minimize plastic waste. This leads consumers to look for alternative solutions.

A solution with big impact is the purification of tap water close to the faucet. Point-of-use purifiers give users direct control of their drinking water, and thereby eliminates the need for plastic bottles.

To benefit from the great market potential of point-of-use purifiers, Aquaporin did a strategic shift in 2020 and entered the market for private point-of-use water purification systems, as an extension of our drinking water portfolio. We introduced ZERO powered by Aquaporin Inside® (ZERO).

#### Introducing Zero

ZERO is a stylish under-the-sink water purifier, which combines all the best elements of Italian design and Danish ingenuity. It meets the growing global demand for clean and tasty drinking water in an environmentally friendly way



**CLEAN WATER  
STRAIGHT  
FROM THE TAP**



**WATER  
FREE FROM  
BACTERIA**



**STOP  
PLASTIC  
BOTTLED**





# MEET ONE OF OUR PREMIUM RESELLERS: YASIN KASA FROM NORDIC FOREIGN TRADE

To bring ZERO successfully to the market and to accommodate consumer demand, identifying partners who understand exactly what sets Aquaporin apart from competitors is essential. Engaging in strong and exclusive partnerships with local resellers form the foundation of our approach.

Premium resellers, who are able to recognize the uniqueness of Aquaporin's products, are vital to ZERO's success. – We want our premium resellers to be more than just distributors. They are essential partners, who create sublime customer experiences through storytelling, education, and brand positioning, says Kim Andersson, Sales Director at Aquaporin.

## Aquaporin's First Premium Reseller

Yasin Kasa has extensive experience with Danish quality and design. He is co-founder of Aquaporin's premium reseller in Turkey, Nordic Foreign Trade Limited. Turkey is a market where 82 million consumers are thirsty for purified water.

Yasin considers Aquaporin to be the perfect match for him:

– Culture is a significant factor when doing business, and I have more than 15 years of experience with both the Danish and Turkish business culture. I had never imagined selling a water filtration system, but Aquaporin has a unique design and technology,

which is exactly the type of product that we specialize in, says Yasin Kasa.

A meeting with Søren Robenhagen from Aquaporin opened his eyes to the unique nature of Aquaporin's water purification technology and its potential.

– I like working with companies, who are not just about profit but have strong values and make a positive contribution to society. Aquaporin is able to solve the water crisis, which not only affects Turkey but many parts of the world.

## The Turkish Market

The market for drinking water solutions in Turkey is substantial. The country struggles to provide clean drinking water for its population of 82 million people, and most households either use bottled water or have their own filtration system.

– In Istanbul where I live, a city of more than 18 million inhabitants, nobody drinks tap water. I quickly understood that the solution provided by Aquaporin's is like no other water filtration systems, says Yasin.



## Yasin Kasa

- Co-founder at Nordic Foreign Trade Limited
- Aquaporin's premium reseller in Turkey

**“I quickly understood that the solution provided by Aquaporin's is like no other water filtration systems”**

Co-founder, Nordic Foreign Trade Limited,  
Yasin Kasa.

# SOLUTIONS FOR A MORE ENVIRONMENTAL AND CLIMATE-FRIENDLY FUTURE

Global freshwater consumption has doubled since World War II. Water scarcity caused by pollution, climate change and a growing world population poses a major threat to businesses worldwide (UN Global Compact, 2021). Aquaporin builds upon a commitment to drive change and fight these water trends. We wish to introduce sustainable water purification technologies to industries and households to better utilize one of the world's most precious and vital resources.

## Clean Water is a Human Right

Water is essential to all life on Earth. Access to safely managed drinking water is a human right. Sadly, water reserves become sources of conflict in many communities, and the preservation of these play a central role in solving socioeconomic problems. To protect our planet and societies, we must turn our attention towards how we utilize our water.

Sustainability is deeply embedded in Aquaporin's DNA. The aim of our technology is to contribute to a more sustainable world by focusing on better utilization of water. Aquaporin works with partners, industry players, customers, and investors to create solutions in support of this.

## Our Technology

Aquaporin encourages responsible consumption of water. Our technology offers multiple options for reduced energy consumption and water savings in solutions that are both innovative and sustainable.

We are in a continuous dialogue to assist our current and future customers in minimizing their wastewater and reducing their need for effluent treatment.

## Our Operations

At Aquaporin, we do not only consider the direct impact of our technology. We also wish to ensure that our production is sustainable, and that our suppliers and customers act in a responsible way.

Together with our customers, partners, and suppliers we act sustainably, and our Code of Conduct ensures responsible sourcing.

We have signed on to the UN Global Compact, thus taking us a step closer to forming a superior and sustainable value chain together with our customers, partners, and suppliers.



## ESG Framework

Aquaporin's ESG approach is captured in three categories.

### Environment

Environmental perspectives cover our business practices in the production, logistics and administration. We strive to minimize emissions from our production. At our headquarter and production site in Lyngby, we have shifted the energy sources to renewables only, and we continuously review our production steps to eliminate the CO<sub>2</sub> footprint of our products.

### Social

Social covers our terms of employment, working conditions and labor rights. Our employment terms are non-discriminating, fair to all, and in compliance with international labor rights. We support a safe and healthy work environment for all employees anchored in our occupational safety and health group.

### Governance

Governance covers anti-corruption and bribery. Our business practices comply with all relevant laws. Further information on governance practices can be found on page 26.



Case: Industrial Water

# A SOLUTION FOR REDUCING WASTEWATER IN THE TEXTILE INDUSTRY

Every day, millions of people's drinking water and sanitation is affected by water pollution. Contaminated waters have an extremely negative impact on biodiversity and local ecosystems. Since water is a natural source of life, water pollution often facilitates local socioeconomic conflicts, which can have an immense direct impact on many people's lives.





## “Aquaporin’s solutions have helped us explore how to make our production more sustainable by introducing water recycling in our wet processing”

Morten Dilling Bertelsen, CEO of DILLING

### An industry in need of a solution

One of the largest sources of polluted waters is the textile industry accounting for 20 % of the global industrial water contamination. Therefore, textile factories are under pressure to reduce their water consumption and pollution. Since the factories are often placed in water-stressed areas, the contaminated ground water and rivers have heavy consequences for the surrounding communities.

The global textile industry is in desperate need of a solution. Textile effluent is a highly polluted wastewater containing a range of toxic chemicals resulting in low biodegradability. This puts heavy pressure on textile factories to rethink how to better recover their water.

### Reducing effluents in wool and cotton dyeing

Wool and cotton dye houses are eager to improve their recycling of water, reduce consumption and minimize waste. Aquaporin Inside® FO Solutions provide the

highest water selectivity and retains difficult to treat contaminants.

Aquaporin has partnered up with the sustainable Danish brand Dilling and tested our solution with textile water from their dye house. They are already in compliance with the Danish ruling and regulation for wastewater discharge, and are eager to reduce their environmental footprint even more:

Aquaporin's solution assisted Dilling in exploring how to potentially recycle up to 90 % of the water used for wet processing along with a ten-fold reduction of wastewater discharged to sewer.

Our solution combines superior technology powered by nature and the need to preserve one of our most important resources: water. Together with customers and industry partners, we are excited to grasp new projects within the textile industry.

### Main benefits by implementing aquaporin inside technology



**MINIMIZE  
YOUR WASTE**



**OPTIMIZED  
LOGISTICS**



**CLEAN WATER  
EVERYWHERE**



**REUSE MORE  
WATER WITH  
BETTER QUALITY**



**SIMPLIFY  
TREATMENT**



# THE LOVE FOR FLAVOR



**Increased consumer awareness around health, the environment, and natural products along with a growing demand for sustainable, innovative solutions are favorable megatrends affecting the food and beverage markets.**

Aquaporin's platform create endless new business opportunities using our disruptive Aquaporin Inside® FO technology. We have developed a superior low energy cold concentration technology, which retains the full range of natural aromas and colors of natural

food products a lot better than the concentrations currently on the market. This enables our customers to introduce innovative ideas and new food products, allowing them to differentiate from competitors in the ready-to-drink segment.

#### **Flavor is key**

Coffee allows the flavors of the coffee bean to be unlocked and brought to your cup. It is a drink consumed by millions of people every day, and coffee is one of the most traded commodities worldwide.

Innovation of new coffee products and flavors is essential. Recent trends in the 100 billion USD coffee

industry include cold brew, specialty coffees, and other ready-to-drink inventive formats. Coffee producers continue to explore new technologies allowing for an even better utilization of flavor.



#### IMPROVED CONCENTRATE



#### IMPROVED TASTE



#### ELIMINATION OF EVAPORATION



#### MINIMIZE TRANSPORT

#### **The full flavor and aroma experience**

When producing coffee products in the traditional way, flavor and aroma compounds are lost in the concentration process. 98% of coffee is water, and our technology dewateres the coffee early in the process. This allows for a much more energy efficient cold processing.

The original flavors and sensitive aromas in the coffee beans are kept intact, leaving a very tasty coffee concentrate. This means that our technology leads to numerous new opportunities and products beyond coffee within the food and beverage sector.

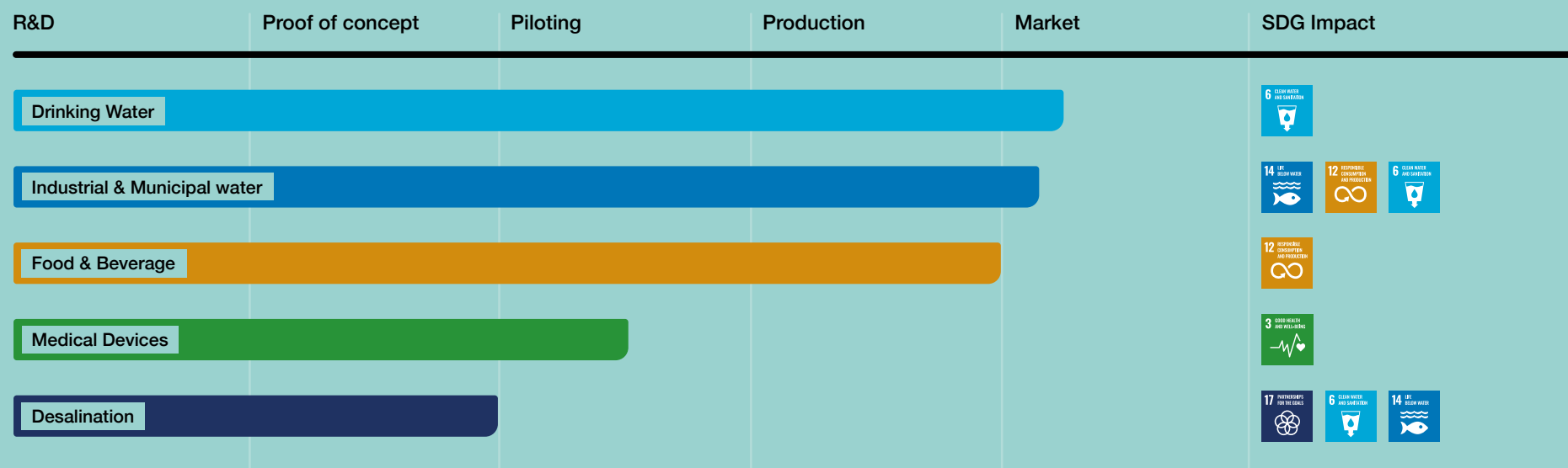




# WE TURN SCIENCE INTO SUSTAINABLE PRODUCTS

We are inspired by the way that nature filters water. We are proud to invest in an advanced and robust product pipeline of differentiated products. We leverage nature's way of filtering water by using our cutting-edge scientific capabilities and innovative approach. This is translated into products in a close dialogue with customers.

With our multipurpose technology platform, we are uniquely positioned to address some of society's most pressing climate challenges with unique solutions and novel products. Our product pipeline reflects our long-standing commitment to drive sustainable solutions by addressing a variety of segments, as illustrated below.



# FINANCIAL HIGHLIGHTS AND KEY RATIOS

Amounts in DKK thousand	2020	2019	2018	2017	2016
<b>Income statement</b>					
Product sales	2,709	2,314	1,605	664	231
Strategic Commercial Partnerships	2,790	3,764	6,289	1,467	8,188
Total net revenue	5,499	6,078	7,894	2,131	8,419
Sales and marketing costs	20,811	19,948	16,784	12,723	7,755
Research and development costs	56,072	57,198	51,614	40,942	24,782
Administrative costs	13,059	17,660	16,471	15,290	14,228
EBITDA	(67,515)	(72,427)	(62,163)	(59,840)	(32,249)
Operating profit (EBIT)	(85,869)	(89,419)	(77,160)	(64,360)	(35,457)
Net financial items	(3,467)	(3,664)	(3,006)	(1,947)	(454)
Result for the period	(123,356)	(70,629)	(71,573)	(62,235)	(34,645)
<b>Balance sheet</b>					
Total non-current assets	214,017	256,558	233,889	167,209	163,359
Total current assets	32,799	32,898	33,335	59,355	79,107
Total assets	246,816	289,456	267,224	226,564	242,466
Equity	107,322	164,062	110,819	181,484	205,692
Total liabilities	139,494	125,394	156,405	45,080	36,774
<b>Cash flow</b>					
Cash flow from operating activities	(59,027)	(64,064)	(78,062)	(42,829)	2,216
Cash flow from investment activities	(16,723)	(22,357)	(14,091)	(14,856)	(73,545)
- Investments in intangible assets	(12,162)	(13,814)	(7,641)	(7,285)	(9,533)
- Investments in tangible assets	(4,595)	(8,674)	(3,062)	(7,561)	(63,936)
- Investments in associates and joint arrangements	-	-	(3,326)	-	-
Cash flow from financing activities	75,790	86,684	46,870	34,715	60,000
<b>Key ratios</b>					
Equity share*	43%	57%	41%	80%	85%
Earnings per share**	(15)	(10)	(10)	(9)	(5)
Average number of FTEs	83	83	73	65	51

Key figures and ratios are defined and calculated in accordance with the CFA Society Denmark's current version of "Recommendations & Ratios"

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

\*\* Earnings per share (EPS) is calculated in accordance with IAS 33 "Earning per share".



# FINANCIAL REVIEW

The financial review is based on the Group's consolidated financial information for the year ended 31 December 2020.

2020 was a different year for Aquaporin, as for many other companies around the globe. It became a year characterized by a great degree of uncertainty for all of us. Despite the impact of the global COVID-19 pandemic, Aquaporin has continued to gain valuable insights in key markets to define our customers' needs.

For 2020, we expected growing product revenue. Due to COVID-19, the planned pilot installations were put on hold. In general, the dialog with customers has been challenging and because of this, revenue has not developed as expected in the beginning of the year. Since the full impact of the COVID-19 lockdown was unclear, we decided to implement cost reductions to adjust the organization in April 2020. As

a consequence of the cost reductions, the financial performance improved.

Aquaporin's focus has been narrowed towards three segments: Drinking Water, Food & Beverage, and Industrial Water. We continuously work on specializing our technologies within all three segments to develop customized solutions.

Delivering clean water, eliminating wastewater, and ensuring that cities are empowered to reliably deliver services in an equitable way, are just a few of the obstacles that water and wastewater engineers meet. The resolution of these global challenges is often driven by local solutions.

We continue to work on pilot installations across the world, however, particularly within Industrial Water our progress has been delayed due to the COVID-19 pandemic. We engage in discussions with global companies to leverage our technology for their specific needs and purposes. We believe that these discussions will result in strong collaborations and partnerships as we move forward.

We expect current trends to continue into 2021, as we grow our product revenue significantly and broaden our customer base substantially. The launch of Aquaporin's first water purifier system ZERO, the demand for sustainable production methods in Industrial Water and the utilization of our Food Contact Material (FCM) compliance in Food & Beverage will support this

growth. As such, we expect to improve our financial performance in 2021 compared to 2020. For 2021, Aquaporin expects revenue to be in the range of DKK 15 to 20 million, primarily driven by the drinking water segment. EBITDA before special items is expected to be a loss in the range of DKK 70 to 80 million and EBIT before special items is expected to be a loss in the range of DKK 90 to 100 million.

We secured additional funding in the beginning of 2021 and management is currently working on a long-term plan to secure sufficient capital resources and liquidity for the activity in the coming years. Based on advance commitments from shareholders and potential investors, management is convinced that sufficient funding will be secured shortly.

DKK thousand	31 Dec. 2020	31 Dec. 2019	Net change	% change	Management's comments
<b>Drinking water revenue</b>	1,005	358	647	180.7%	The sale of Drinking water products amounted to DKK 1.0 million compared to DKK 0.4 million in 2019. The increase was driven by a number of customers, primarily situated in Europe.
<b>Industrial water revenue</b>	1,681	1,956	(275)	(14.1%)	The sale of Industrial water products amounted to DKK 1.7 million compared to DKK 2.0 million in 2019, a decrease of 0.3 million. The COVID-19 lockdown impacted our activities, and primarily in Asia planned pilot installations were postponed.
<b>Food &amp; Beverage revenue</b>	23	-	23	-	The activities in the food & beverage segment were initiated late 2020.
<b>Strategic Commercial Partnerships</b>	2,790	3,764	(974)	(25.9%)	The development program is progressing according to plan and the milestone amounted to DKK 2.8 million.
<b>Operating cost</b>	89,942	94,806	(4,863)	(5.1%)	Operating costs amounted to DKK 89.9 million compared to DKK 94.8 million in 2019, a decrease of DKK 4.9 million. The main driver is a focus on reducing the administrative costs throughout the Group, parallel with an expansion of the commercial activities.

DKK thousand	31 Dec. 2020	31 Dec. 2019	Net change	% change	Management's comments
<b>Sales and marketing costs</b>	20,811	19,948	863	4.4%	The increase was driven by further expansions of the global sales organization and increasing marketing costs.
<b>Research and development costs</b>	56,072	57,198	(1,053)	(1.8%)	Research and development costs amounted to DKK 56.1 million compared to DKK 57.2 million in 2019. The difference was driven by additional supporting of commercial activities including testing and piloting. Further, the production facilities were used to support R&D activities.
<b>Administration costs</b>	13,059	17,660	(4,601)	(26.1%)	The decrease was driven by a reduction in costs and a reduction in the number of employees to ensure additional resources for the commercial activities.
<b>Net financials</b>	(3,467)	(3,664)	197	5.4%	Net financial expenses amounted to DKK 3.5 million compared to DKK 3.7 million in 2019. The change was driven by decreasing financing costs of DKK 0.2 million.
<b>Income tax</b>	(34,044)	25,328	(59,372)	(234.4%)	The variance compared with last year is affected by deferred tax assets not capitalized.
<b>Loss for the period</b>	(123,356)	(70,629)	(52,727)	(74.7%)	Loss for the period amounted to DKK 123.4 million.
<b>Balance sheet</b>					
<b>Total non-current assets</b>	214,017	256,558	(42,541)	(16.6%)	Intangible assets increased by DKK 7.0 million driven by a 9.1% increase in Development Projects. Tangible assets were mainly influenced by less additions and increasing depreciations, where Plant and Machinery decreased by DKK 5.7 million. Financial assets did not change significantly.
<b>Cash</b>	1,504	1,382	122	8.8%	At the end of the year, net cash and cash equivalents amounted to DKK 1.5 million.
<b>Equity</b>	107,322	164,062	(56,740)	(34.6%)	The decrease was driven by the negative result of the year and a reduced tax asset partly offset by the capital increases of DKK 66.6 million.
<b>Cash flow statement</b>					
<b>Cash flow from operating activities</b>	(59,027)	(64,065)	5,037	7.9%	The change is driven by improved profits before tax and timing on payments related to the Danish Tax Credit Scheme.
<b>Cash flow from investing activities</b>	(16,723)	(22,357)	5,634	25.2%	The decrease was driven by investments in non-current assets of DKK 16.7 million compared to DKK 22.4 million in 2019.
<b>Net cash flow for the year</b>	40	263	(223)	(84.8%)	The total negative cash flow of DKK 75.8 million from operating and investment activities was off-set by net financial activities of DKK 75.8 million, including capital injections of DKK 66.6 million.
<b>Events after the balance sheet date</b>					
<b>Capital Management</b>					We secured additional funding in the beginning of 2021 amounting to DKK 25 million.
<b>New registered members of Executive Board</b>					Deputy CEO and Chief Commercial Officer Matt Boczkowski and Chief Operating Officer Joerg Hess became registered members of the Executive Board.





# CORPORATE MATTERS





# RISK MANAGEMENT

**The achievement of Aquaporin's long term business strategy requires a shared understanding of our risk exposure. By deploying an enterprise risk management concept, we wish to ensure and facilitate a timely response to issues that may have a material impact on the Group's earnings, financial position, and the achievement of targets.**

## **Risk governance structure**

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

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

## **Our risk management process**

Each quarter, all Group departments are involved in a bottom-up risk analysis. At these meetings, we identify and define Aquaporin's gross risks to ensure an updated risk overview.

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

## **Internal control**

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

## **Commercial risk**

Aquaporin is highly dependent on delivering relevant and value-creating solutions to customers and end-users. The company has established a global sales organization as it is important to understand regional preferences and to build value creating solutions for all customers. If the company fails to deliver on quality and stability, the potential downside of losing customers and not growing our business increases.

## **Product supply and product safety**

The main risk associated with product supply is the lack of or poor access to raw materials. This risk may originate from emergency situations at our suppliers' sites and may have varying degrees of severity depending on the event and supplier. Aquaporin takes a preventative approach to inventory management, including build-up of contingency inventories of critical raw materials. The highest product safety is ensured through an extensive quality assurance program covering the entire value chain. Production and manufacturing processes are subject to periodic and routine inspections to ensure that production and product quality standards are met. Aquaporin's product safety program is certified according to internationally recognized standards, including ISO 9001:2015 and NSF.

## **Health, safety, and security**

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

## **Intellectual property rights**

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

## **Financial risk**

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



# CORPORATE GOVERNANCE

**Aquaporin A/S is a private company headquartered in Denmark with additional operations in China, Singapore and the US. We apply adequate corporate governance practices to ensure transparency and accountability to the benefit of customers, shareholders, partners, employees, authorities and other stakeholders. Our corporate governance efforts are voluntarily guided by the Recommendations for Corporate Governance as 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 entities are independent, and no person serves as a member of both.

Information concerning remuneration of the Board of Directors and Executive Management is disclosed in note 4 and 5 in the consolidated financial statements.

## Shareholders

Shareholders hold the ultimate authority of Aquaporin. Shareholders can exercise their rights and make decisions at general meetings. At the Annual General

Meeting, shareholders approve the annual report and elect Board members and the independent auditor. The following shareholders hold at least 5% of the votes or at least 5% of the share capital:

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

## Board of Directors

The Board of Directors currently consists of nine shareholder-elected members, of which five are independent in alignment with the Recommendations

for Corporate Governance. The Board of Directors supervises the overall development of the Group, develops the Group's corporate strategy together with the Executive Management and oversees progress, financial performance as well as assesses whether the necessary skills and qualifications are in place to support the Group's development and strategic business objectives. The Board is also responsible for securing an appropriate capital structure. 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 accounting and audit 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 the Group. The Audit Committee held four meetings in 2020.

#### **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 the general meeting. The Remuneration Committee met twice in 2020.

#### **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. The Nomination Committee held two meetings in 2020.

#### **Executive Management**

The Executive Management consists of the CEO, CFO, COO and CCO and is appointed by the Board of Directors. The COO and CCO became registered members during 2021.

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 Rules of Procedure for the Executive Management.



# WHO WE ARE — AND HOW WE WORK

**Aquaporin's core values can be summarized into seven words: sustainability, pioneering, excellence, influence, growth, pride and open-mindedness. These values characterize our organization and are weaved into the way we work - and, ultimately, the products and solutions that we deliver.**

## **The art of being open-minded**

We believe that a company with a diverse workforce has a competitive advantage driven by courageous innovation and motivated employees. The key to Aquaporin's success is an open attitude with an innovative drive, coupled with a company culture supporting dynamic interaction across functions and cultural backgrounds. Operating in an international environment leads to a natural ethnic diversity, which contributes to improved performance. In addition, we strive to create space for diversity, enhance innovation and increase employees' ability to work cross-culturally. This gives us a better understanding of the communities, in which we operate.

We operationalize our diversity principles in the hiring process, where focus lies on hiring the right candidate for the job regardless of gender, nationality, age, sexuality, and cultural background.

Aquaporin is a diverse company with 21 different nationalities, and where 43% of the employees are non-Danish. Across the organization, 63% of our employees are male and 37% are female. On the management level (Board of Directors, Executive Management & Managers), 18% are female and 39% are non-Danes. Currently, there are two female Board members, and three members originating from outside Denmark. The Board of Directors will continue to focus on gender and diversity in general, when evaluating its composition, competencies, and future candidates.

We wish to create an open-minded workplace with space for all. In support of our diversity principles, we maintain a range of in-house initiatives such as art exhibitions, an Academy for students and our Garage for talented innovators.

## **Aquaporin Academy**

Aquaporin Academy offers students a unique opportunity to become a part of the development of our company and technology via study-relevant projects. Throughout the years, students from all over the world have visited the Academy and supported our scientific and business-related research. Aquaporin Academy is a continuous success combining an industrial setting and real study cases with the innovative ideas and knowledge that the students bring. The Academy is a valuable pipeline for talent. It ensures a mutual fit and rapid onboarding of bright minds.

## **Aquaporin Art**

Through Aquaporin Art, we offer exhibition space in collaboration with a Danish artistic, curatorial and research collective. The initiative is open-ended, and it provides inspiration to visitors and employees, while encouraging everyone to reflect on their daily work from new perspectives.





### Aquaporin Garage

Aquaporin Garage is established upon the belief that sustainable solutions require technological innovation and entrepreneurship. It is an initiative, which offers small pioneering start-ups an office space at Aquaporin's headquarter in Denmark. This provides them with access to the company's competencies and experiences along with the possibility to interact with like-minded innovative start-ups.

### Social Sustainability at Aquaporin

In 2020, we were 83 employees in Aquaporin. Every single one of our employees play a crucial role in the realization of

21	55	14
NATIONALITIES	% HOLDS AN MSC.	% HOLDS A PHD

our vision. Aquaporin feels responsible for the well-being of our employees. Therefore, we regularly conduct surveys to better understand how we can make working at Aquaporin even better.

We want to be an open and flexible workplace, where the individual employee thrives and is able to develop and grow.

We believe in the importance of having a good work-life balance and aim to support our employees in having a healthy and active lifestyle. To that end, we support a range of employee-led initiatives including sports activities, social events, and inspiring talks.



# BOARD OF DIRECTORS

## Niels Heering Chairman

**Nationality**  
Danish

<b>First elected</b> 2015	<b>Year of birth</b> 1955
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Chairman of the Nomination- & Remuneration Committee of Aquaporin A/S.  
Member of the Audit Committee of Aquaporin A/S

Master of Law. Partner at Gorrissen Federspiel until May 2021. From May 2021, Senior General Counsel at Danske Bank.

Chairman of the Boards of Aquaporin Space Alliance ApS, Arborethusene A/S, Civilingeniør N.T. Rasmussens Fond, Danish Aerospace Company A/S\*, Danish Aerospace Medical Company A/S, JEU Holding ApS, Nesdugaard Holding ApS (and 1 subsidiary), Stæhr Holding A/S, Viga Holding ApS, Viga Re Aps, Viga Re Management ApS and WAMA Consult ApS. Deputy Chairman of the Board of 15. Juni Fonden.

Member of the Boards of 15. JF Invest A/S (also Managing Director), Global Equestrian Group Holding ApS (and 1 subsidiary), Henning Stæhr A/S, Lise og Valdemar Kählers Familiefond and Ole Mathiesen A/S. Managing Director of CCKN Holding ApS (and 1 subsidiary).

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

## Søren Bjørn Hansen Deputy Chairman

**Nationality**  
Danish

<b>First elected</b> 2007	<b>Year of birth</b> 1972
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Member of the Nomination- & Remuneration Committee of Aquaporin A/S

M.Sc. Economics. CEO at M. Goldschmidt Holding A/S, M. Goldschmidt Ejendomme A/S and M. Goldschmidt Capital A/S. Deputy Chairman of the Boards of Danish Aerospace Company A/S\* and Imerco Holding A/S. Member of the Boards of Aquaporin Space Alliance and Aquapoten Co Ltd., China.

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

## Anne Broeng Member

**Nationality**  
Danish

<b>First elected</b> 2018	<b>Year of birth</b> 1961
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Chairman of the Audit Committee of Aquaporin A/S

M.Sc. Economics. Chairman of the Board of Velliv and Asta & Jul.P. Justesen Fond.

Member of the Boards of: NNIT a/s\*, VKR Holding A/S, ATP, IFU, Sleep Cycle AB and Rodinia aps.

Special advisor to NASDAQ Europe.

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

## Lars Christian Hansen Member

**Nationality**  
Danish

<b>First elected</b> 2015	<b>Year of birth</b> 1967
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Member of the Nomination- & Remuneration Committee of Aquaporin A/S

M.Sc. Chemical Engineering. Executive Director at Villum Foundation. Chairman of the Board of Danish Foundations Knowledge Center.

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

\* Listed companies

**Jens Denkov**  
Member

Nationality  
Danish

First elected  
2019

Year of birth  
1981

Chief Investment Director at Danske Bank and provides investment and asset management services for Danica Pension, Livsforsikringsaktieselskab.

Qualifications: Extensive experience within private markets investments, equity capital markets, M&A, financial planning, and corporate strategy.

**Weiming Jiang**  
Member

Nationality  
Danish

First elected  
2018

Year of birth  
1956

M.Sc./Ph.D. the Royal Veterinary and Agricultural University of Denmark. Senior Corporate Vice President of DSM. Deputy Chairman of the board of China Business Council for Sustainable Development (CBCSD).

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

**Michael Frank**  
Member

Nationality  
Danish

First elected  
2007

Year of birth  
1963

M.Sc. Finance. Investment Director at Syddansk Innovation A/S. Member of the Boards of Shape Robotics A/S\*, Achoo ApS, Flexya ApS, Airswop ApS and Ceko Sensors ApS.

Qualifications: Experienced Investment Director within venture capital and private equity. Skilled in Innovation Management, Corporate Development, M&A, start-ups, and Corporate Finance.

**Lei Zhang**  
Member

Nationality  
Chinese

First elected  
2014

Year of birth  
1982

Master of Law. CEO of Aquapoten Co Ltd and working Deputy Chairman of the Board of Poten Environment Group Co, Ltd.\* Chairman of the Board of Aquapoten Co Ltd., China.

Qualifications: Experience within corporate law. Extensive experience with water technologies and water treatment systems.

**Cai Jianwen**  
Member

Nationality  
Chinese

First elected  
2014

Year of birth  
1974


MBA, Business Administration. Executive Director of New Concepts Holding Co, Ltd.

Qualifications: Extensive experience with wastewater treatment.

\* Listed company



# EXECUTIVE MANAGEMENT TEAM

A professional portrait of the Executive Management Team. Four men are standing side-by-side against a dark, vertically-ribbed wood-paneled background. From left to right: Joerg Hess, Bo Karmark, Matt Boczkowski, and Peter Holme Jensen. Each man is wearing a suit or blazer over a light-colored shirt. The lighting is soft and focused on the subjects.

**JOERG HESS**  
Chief Operating Officer

**BO KARMARK**  
Chief Financial Officer

**MATT BOCZKOWSKI**  
Chief Commercial Officer  
and Deputy CEO

**PETER HOLME JENSEN**  
Chief Executive Officer  
& Founder





# FINANCIAL STATEMENTS





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# **CONSOLIDATED FINANCIAL STATEMENTS**

## CONSOLIDATED STATEMENT OF PROFIT AND LOSS

DKK thousand	Note	2020	2019
Net revenue	2.1	5,499	6,078
Cost of goods sold	2.2	(1,426)	(691)
<b>Gross profit</b>		<b>4,073</b>	<b>5,387</b>
Sales and marketing costs	2.3, 2.4, 2.5	(20,811)	(19,948)
Research and development costs	2.3, 2.4, 2.5	(56,072)	(57,198)
Administrative costs	2.3, 2.4, 2.5	(13,059)	(17,660)
<b>Operating profit</b>		<b>(85,869)</b>	<b>(89,419)</b>
Share of net loss of associates	3.3	24	(2,874)
Finance income	2.6	3,587	152
Finance costs	2.6	(7,054)	(3,816)
<b>Loss before income tax</b>		<b>(89,312)</b>	<b>(95,957)</b>
Income tax	2.7	(34,044)	25,328
<b>Loss for the period</b>		<b>(123,356)</b>	<b>(70,629)</b>
<i>Loss is attributable to</i>			
Owners of Aquaporin A/S		(123,356)	(70,629)
		<b>(123,356)</b>	<b>(70,629)</b>
<b>Earnings per share in DKK</b>			
Earnings per share		(15)	(10)
Diluted earnings per share		(14)	(9)

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DKK thousand	Note	2020	2019
Loss for the period		(123,356)	(70,629)
<b>Other comprehensive income</b>			
<i>Items that can be reclassified to profit and loss:</i>			
Exchange differences regarding foreign operations		(246)	87
<b>Other comprehensive income for the period, net of tax</b>		<b>(246)</b>	<b>87</b>
<b>Total comprehensive income (loss) for the period</b>		<b>(123,602)</b>	<b>(70,542)</b>
<i>Total comprehensive income for the period is attributable to:</i>			
Owners of Aquaporin A/S		(123,602)	(70,542)
		<b>(123,602)</b>	<b>(70,542)</b>



## CONSOLIDATED BALANCE SHEET ASSETS AT 31 DECEMBER

DKK thousand	Note	2020	2019
Know-how	3.1	2,899	2,899
Development projects	3.1	83,337	76,365
<b>Intangible assets</b>		<b>86,236</b>	<b>79,264</b>
Plant and machinery	3.2	47,940	53,594
Right-of-use assets	3.2	52,432	56,512
Other equipment	3.2	3,777	3,017
Leasehold improvements	3.2	19,882	21,164
<b>Tangible assets</b>		<b>124,031</b>	<b>134,287</b>
Investments in associates	3.3	1,649	1,671
<b>Financial assets</b>		<b>1,649</b>	<b>1,671</b>
Deposits		2,101	2,097
Deferred tax assets	3.5	-	39,239
<b>Other non-current assets</b>		<b>2,101</b>	<b>41,336</b>
<b>Total non-current assets</b>		<b>214,017</b>	<b>256,558</b>
Inventories	3.6	16,565	19,166
Trade receivables	3.4	3,131	293
Other receivables		4,918	5,194
Income tax receivables		5,504	5,504
Prepayments		1,177	1,359
<b>Current assets</b>		<b>31,295</b>	<b>31,516</b>
<b>Cash and cash equivalents</b>	<b>3.7</b>	<b>1,504</b>	<b>1,382</b>
<b>Total current assets</b>		<b>32,799</b>	<b>32,898</b>
<b>Total assets</b>		<b>246,816</b>	<b>289,456</b>

## CONSOLIDATED BALANCE SHEET EQUITY AND LIABILITIES AT 31 DECEMBER

DKK thousand	Note	2020	2019
Share capital	3.8	8,174	7,789
Retained earnings		49,015	115,610
Reserve for exchange rate transactions		424	670
Reserve for share-based payments		10,600	10,380
Other reserves		39,109	29,613
<b>Capital and reserves attributable to owners of Aquaporin A/S</b>		<b>107,322</b>	<b>164,062</b>
Lease liability	3.2	53,809	56,369
Other payables		3,483	-
<b>Total non-current liabilities</b>		<b>57,292</b>	<b>56,369</b>
Lease liability	3.2	3,093	3,275
Trade payables		2,659	5,909
Other payables		12,066	10,647
Other liabilities	4.6	35,749	32,000
Borrowings	3.9	28,635	16,794
Contract liabilities	3.10	-	400
<b>Total current liabilities</b>		<b>82,202</b>	<b>69,025</b>
<b>Total liabilities</b>		<b>139,494</b>	<b>125,394</b>
<b>Total equity and liabilities</b>		<b>246,816</b>	<b>289,456</b>
Commitments and contingent liabilities	4.1		
Events after the balance sheet date	4.3		

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AT 31 DECEMBER

DKK thousand	Share capital	Retained earnings	Reserve for exchange rate translation	Reserve for share-based payment	Other reserves	Total equity
<b>Balance at 31.12.2018 hereafter</b>	<b>6,969</b>	<b>73,950</b>	<b>583</b>	<b>9,093</b>	<b>20,224</b>	<b>110,819</b>
Loss for the period	-	(80,018)	-	-	9,389	(70,629)
Other comprehensive income	-	-	87	-	-	87
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(80,018)</b>	<b>87</b>	<b>-</b>	<b>9,389</b>	<b>(70,542)</b>
<i>Transactions with owners in their capacity as owners</i>						
Increase in share capital	820	121,678	-	-	-	122,498
Share-based payment	-	-	-	1,287	-	1,287
<b>Balance at 31.12.2019 hereafter</b>	<b>7,789</b>	<b>115,610</b>	<b>670</b>	<b>10,380</b>	<b>29,613</b>	<b>164,062</b>
Loss for the period	-	(132,852)	-	-	9,496	(123,356)
Other comprehensive income	-	-	(246)	-	-	(246)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(132,852)</b>	<b>(246)</b>	<b>-</b>	<b>9,496</b>	<b>(123,602)</b>
<i>Transactions with owners in their capacity as owners</i>						
Increase in share capital	385	66,257	-	-	-	66,642
Share-based payment	-	-	-	220	-	220
<b>Balance at 31.12.2020</b>	<b>8,174</b>	<b>49,015</b>	<b>424</b>	<b>10,600</b>	<b>39,109</b>	<b>107,322</b>



## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER

DKK thousand	Note	2020	2019
Loss before tax		(89,312)	(95,957)
Reversal of financial items		3,467	3,664
Depreciations and amortizations		18,354	16,992
Non-cash items		2,872	1,957
Change in net working capital	4.4	1,739	138
<b>Cash flow from primary operating activities</b>		<b>(62,880)</b>	<b>(73,206)</b>
Received interests and other financial income		-	1
Paid interests and other financial expenses		(1,333)	(1,721)
Received tax		5,186	10,862
<b>Cash flow from operating activities</b>		<b>(59,027)</b>	<b>(64,064)</b>
Investments in non-current assets		(16,719)	(22,359)
Deposits		(4)	2
<b>Cash flow from investing activities</b>		<b>(16,723)</b>	<b>(22,357)</b>
External financing	3.9	11,841	(32,814)
Repayment of lease liabilities		(2,693)	(3,000)
Capital injections		66,642	122,498
<b>Cash flow from financing activities</b>		<b>75,790</b>	<b>86,684</b>
<b>Net cash flow for the year</b>		<b>40</b>	<b>263</b>
Cash and cash equivalents, beginning of the year		1,382	1,091
Foreign exchange adjustment of cash and cash equivalents		82	28
<b>Cash and cash equivalents, end of the year</b>		<b>1,504</b>	<b>1,382</b>

### § Accounting policy

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

0 Capital base

## Section 1. Basis of preparation of consolidated financial statements

- 1.1 Significant accounting policies
- 1.2 Significant accounting estimates and assessments

## Section 2. Operating activities

- 2.1 Net revenue
- 2.2 Cost of sales
- 2.3 Staff costs
- 2.4 Shared-based payments
- 2.5 Depreciations and amortizations
- 2.6 Financial income and expenses
- 2.7 Income taxes

## Section 3. Assets and liabilities

- 3.1 Intangible assets
- 3.2 Property, plant and equipment
- 3.3 Investments in associates
- 3.4 Trade receivables
- 3.5 Deferred tax
- 3.6 Inventories
- 3.7 Cash
- 3.8 Share capital
- 3.9 Borrowings
- 3.10 Contract liabilities

## Section 4. Capital structure, financing and other notes

- 4.0 Special Items
- 4.1 Commitments and contingent liabilities
- 4.2 Financial risks
- 4.3 Events after the balance sheet date
- 4.4 Changes in net working capital
- 4.5 Related parties and ownership
- 4.6 Other liabilities
- 4.7 List of Group companies at 31 December



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## SECTION 1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

### 0. Capital base

The Company has a requirement of additional capital during 2021. The Company explores the possibilities for strengthening the capital base through contributions from existing and new shareholders. Concrete negotiations are ongoing, and a capital increase through issue of new shares during 2021 is expected.

Based on the expectation and the present loan financing, the Company assesses that the capital base and liquidity are sufficient for operations and investments for at least the coming year.

### 1.1. Significant accounting policies

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

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

#### Impact of new accounting standards

As of 1 January 2020, a number of amendments to the accounting standards were implemented.

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

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

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

### General information on recognition and measurement

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

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

### Basis of consolidation

The Consolidated Financial Statements 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 kroner (DKK).

### Translations and transactions

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

### 1.2. Significant accounting estimates and assessments

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

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

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

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

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## SECTION 2. OPERATING ACTIVITIES

### 2.1. Net revenue

#### § Accounting policy

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

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

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

#### Sale of products

Revenue is generated within the water treatment industry using the technologies reversed- and forward osmosis. Sale of products consist of flat sheet membranes, elements and point of use systems. Revenue from sale of products is recognized when control is transferred to customers which is ex works in standard delivery terms. Thereby, the sale is recognized at point in time.

Revenue is recognized based on the price specified in the contract. The payment terms reflect the market in which the sales take place, which varies from 15 to 120 days. The standard payment terms of the transaction is due within 30 days from invoice date. There is no financing elements in the contracts, why the price is fixed.

#### Strategic Commercial Partnerships

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

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

#### Revenue

DKK thousand	2020	2019
Drinking Water	1,005	358
Industrial Water	1,681	1,956
Food and Beverage	2,813	3,764
	<b>5,499</b>	<b>6,078</b>
At point in time	5,499	6,078
	<b>5,499</b>	<b>6,078</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2.2. Cost of sales

#### § Accounting policy

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

### 2.3. Staff costs

#### § Accounting policy

Staff costs is comprised of wages and salaries, remuneration, expenses under long-term incentive programs, pensions, etc.

DKK thousand	2020	2019
Salaries	50,244	48,272
Pension costs, defined contribution plans	573	246
Other expenses to social security	1,005	1,029
Share-based payments (Note 2.4)	220	1,287
	<b>52,042</b>	<b>50,834</b>
Average number of full-time employees	83	83
<i>Included in the Income statement:</i>		
Sales and marketing costs	10,044	9,170
Research and development costs	30,134	31,089
Administrative costs	11,864	10,575
	<b>52,042</b>	<b>50,834</b>
Staff costs included in intangible assets	5,355	8,635
<b>Total staff cost in Consolidated statement of profit and loss</b>	<b>46,687</b>	<b>42,199</b>

	2020	2019
<b>Remuneration to Board of Directors</b>		
<b>Fixed base fee</b>		
Niels Thomas Heering	180	-
Søren Bjørn Hansen	-	-
Lars Christian Hansen	100	100
Anne Broeng	100	100
Weiming Jiang	100	100
Michael Frank	-	-
Lei Zhang	-	-
Cai Jianwen	-	-
Jens Hahn Denkov*	-	-
Torsten Freltoft**	-	30
Jens Frederik Lage Hansen**	-	30
	<b>480</b>	<b>360</b>
	<b>480</b>	<b>360</b>

\* Since March 2019

\*\* Until March 2018

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2.3. Staff costs, continued

#### Remuneration to Executive Board

DKK thousand	Fixed base salary	Bonus	Benefits	Share-based incentive	Total
<b>2020</b>					
<b>Executive Board</b>					
Peter Holme Jensen	2,080	102	126	-	2,308
Bo Karmark	1,576	97	94	273	2,040
<b>Non-registered member of Executive Management</b>					
Joerg Hess	1,500	-	109	171	1,780
Jacob Hagemann**	1,150	-	1	-	1,151
	<b>6,306</b>	<b>199</b>	<b>330</b>	<b>444</b>	<b>7,279</b>
<b>2019</b>					
<b>Executive Board</b>					
Peter Holme Jensen	2,003	206	135	-	2,344
Bo Karmark	1,545	156	97	409	2,207
<b>Non-registered member of Executive Management</b>					
Joerg Hess*	750	-	59	256	1,065
Jacob Hagemann**	1,000	-	2	256	1,258
	<b>5,298</b>	<b>362</b>	<b>293</b>	<b>921</b>	<b>6,874</b>

\* Since July 2019

\*\* From May 2019 to April 2020

### 2.4. Shared-Based Payments

#### \$ Accounting policy

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

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

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

#### Employee warrant program

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

The warrant program comprises a total of 318,811 warrants at 31 December 2020 (2019: 482,811). Each warrant gives the holder right to buy one ordinary share of nominally 1 DKK in Aquaporin A/S. The outstanding warrants amount to 4% of the share capital if they are all exercised (2019: 6%).

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2.4. Shared-based payments, continued

Current warrant programs as of 31 December 2020 DKK thousand	Granted	Exercised	Forfeited	Experied	Outstanding	Exercise price DKK	Expiring Date
<b>Board of Directors &amp; Executive Management</b>							
2012	62,000	(50,000)	-	(12,000)	-	20	Q2 2019
2013	150,000	-	-	(150,000)	-	20	Q3 2020
2014	145,000	-	-	-	145,000	20	Q3 2021
2016	60,000	-	(15,000)	-	45,000	120	Q3 2021
2019	27,000	-	(7,500)	-	19,500	158	Q2 2024
<b>Total</b>	<b>444,000</b>	<b>(50,000)</b>	<b>(22,500)</b>	<b>(162,000)</b>	<b>209,500</b>		
<b>Other Key Employees</b>							
2012	38,000	(8,500)	(7,000)	(22,500)	-	20	Q2 2019
2014	33,000	(1,500)	(6,500)	-	25,000	20	Q3 2021
2016	90,000	-	(26,189)	-	63,811	120	Q3 2021
2018	10,000	-	-	-	10,000	120	Q1 2023
2019	13,000	-	(2,500)	-	10,500	158	Q2 2024
<b>Total</b>	<b>184,000</b>	<b>(10,000)</b>	<b>(42,189)</b>	<b>(22,500)</b>	<b>109,311</b>		
<b>Employee warrants 31 December 2020</b>	<b>628,000</b>	<b>(60,000)</b>	<b>(64,689)</b>	<b>(184,500)</b>	<b>318,811</b>		
<b>Shareholder warrants</b>							
2014	106,932	-	(48,927)	-	58,005	30	Q4 2021
2017	272,945	-	-	-	272,945	120	Q4 2022
<b>Total</b>	<b>379,877</b>	<b>-</b>	<b>(48,927)</b>	<b>-</b>	<b>330,950</b>		
<b>Outstanding warrants 31 December 2020</b>	<b>1,007,877</b>	<b>(60,000)</b>	<b>(113,616)</b>	<b>(184,500)</b>	<b>649,761</b>		

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2.4. Shared-based payments, continued

In 2020, no new warrants were granted.

In 2019, 40,000 warrants were granted with an exercise price of DKK 158 per warrant. 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.

As of 31 December 2020, 30,000 out of the 40,000 granted warrants mentioned above can still be exercised.

For outstanding warrants at 31 December 2020, the average remaining life is 1.4 years (2019: 2.4 years). The average exercise price is DKK 70 (2019: DKK 57).

#### Specification of outstanding employee warrants

	Number
Outstanding 1 January 2019	531,311
Granted	40,000
Exercised	(50,000)
Forfeited or expired	(38,500)
<b>Outstanding 31 December 2019</b>	<b>482,811</b>
Forfeited or expired	(164,000)
<b>Outstanding 31 December 2020</b>	<b>318,811</b>

Shares and warrants held by members of the Board of Directors, executive management and other key personnel.

	2020			2019		
	01.01	Change during the year	31.12	01.01	Change during the year	31.12
<b>Shareholdings</b>						
Niels Heering	8,343	-	8,343	8,343	-	8,343
Søren Bjørn Hansen	8,343	-	8,343	8,343	-	8,343
Lars Christian Hansen	10,001	-	10,001	10,001	-	10,001
Jiang Weiming	3,167	-	3,167	-	3,167	3,167
Anne Broeng	6,335	-	6,335	-	6,335	6,335
Peter Holme Jensen	159,659	-	159,659	135,001	24,658	159,659
Bo Karmark	4,171	-	4,171	4,171	-	4,171
<b>Warrants</b>						
Lars Christian Hansen	15,000	-	15,000	15,000	-	15,000
Peter Holme Jensen	275,000	(150,000)	125,000	325,000	(50,000)	275,000
Bo Karmark	27,000	-	27,000	15,000	12,000	27,000
Joerg Hess*	7,500	-	7,500	-	7,500	7,500

\* Since July 2019

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2.4. Shared-based payments, continued

In 2020 the recognized expense related to share-based payments amount to DKK 220 thousand (2019: DKK 1,287 thousand).

No warrants were granted in 2020. The fair value of each warrant granted in 2019 was DKK 68. The value was calculated using the Black-Scholes option valuation model.

The following assumptions were made at the grant in 2019:

Share price:	158 DKK
Expected volatility:	67%
Expected life:	3 years
Expected dividend:	0%
Risk free interest rate:	(0.73%)

Fair value of the warrants granted in 2019 was determined to be equal to the share price paid by the new investors at the capital increase in 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.

Determination of fair value of the warrants requires significant judgment regarding fair value of the underlying shares, expected life and volatility. Due to the recent capital increase by new investors, fair value of the underlying shares is in Management's view limited. The expected life of the warrants is based on the assumption that the holder will exercise the warrants when they are fully vested and all restrictions on the holders' ability to dispose of the underlying ordinary shares expire. Actual exercise patterns may differ from the assumption used herein. The expected volatility is based on peer group data and reflects the assumption that the historical volatility over a period similar to the life of the equity awards is indicative of future trends, which may not necessarily be the actual outcome. The peer group consists of listed companies that management believes are similar to Aquaporin in respect to industry and stage of development.

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 2020, 48,927 warrants were forfeited and 58,005 warrants issued were outstanding. The outstanding warrants amount to 1% of the share capital if they are all exercised (2019: 1%).

Certain shareholders were granted 272,945 warrants on 26. October 2017. 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 120 per warrant. The warrants can be exercised at any time. They can only be settled in new shares in Aquaporin A/S.

As of 31 December 2020, 330,950 of the warrants issued were outstanding. The outstanding warrants amount to 3% of the share capital if they are all exercised (2019: 3%).

The warrants are classified as equity instruments.

### 2.5. Depreciations and amortizations

DKK thousand	2020	2019
Sales and marketing costs	1,265	1,168
Research and development costs	15,998	14,876
Administrative costs	1,091	948
<b>Total depreciations</b>	<b>18,354</b>	<b>16,992</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2.6. Financial income and expenses

#### § Accounting policy

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

DKK thousand	2020	2019
<b>Financial income</b>		
Interest income, banks	-	1
Exchange rate adjustments	3,587	151
	<b>3,587</b>	<b>152</b>
<b>Financial expenses</b>		
Interest expenses, banks	561	240
Interest expenses, right of use assets	1,901	1,991
Exchange rate adjustments	3,820	104
Other financial expenses, including bank fees	772	1,481
	<b>7,054</b>	<b>3,816</b>

### 2.7. Income taxes

#### § Accounting policy

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

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

Deferred tax is measured using the balance sheet liability method. All temporary differences between the carrying amount and the tax base of assets and liabilities are recognized, apart from temporary differences arising on the initial recognition of an asset or a liability if the transaction affects neither accounting profit nor taxable income. In cases where the computa-

tion of the tax base may be performed according to different tax rules, deferred tax is measured on the basis of Management's intended use of the asset or settlement of the liability.

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

DKK thousand	2020	2019
Tax for the year comprises:		
Deferred tax for the year	(39,245)	20,043
Tax credit scheme	5,500	5,500
Adjustment, previous years	(248)	(77)
Other taxes	(51)	(138)
	<b>(34,044)</b>	<b>25,328</b>

DKK thousand	2020	2020	2019	2019
Profit before tax	(89,312)	22%	(95,957)	22%
Calculated 22% (2019: 22%) of profit before tax	19,649	22%	21,110	22%
<i>Tax effect of:</i>				
Regulation of calculated tax in foreign affiliated companies in relation to 22% (2019: 22%)	(460)	(0.5%)	5,039	5.3%
Non-deductible expenses	1,566	1.8%	(844)	(0.9%)
Adjustments regarding previous years	(248)	(0.3%)	(76)	(0.1%)
Withholding taxes	(51)	(0.1%)	(138)	(0.1%)
Other corrections	2,061	2.3%	237	0.2%
Deferred tax assets not capitalized	(56,561)	(63.3%)	-	0.0%
<b>Tax on profit/loss for the year</b>	<b>(34,044)</b>	<b>(38.1%)</b>	<b>25,328</b>	<b>26.4%</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## SECTION 3. ASSETS AND LIABILITIES

### 3.1. Intangible assets

#### § Accounting policy

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

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

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.

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

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

DKK thousand	Know-how	Finished development projects	Development projects in progress	Total
Cost price at 1 January 2020	2,899	53,419	29,231	85,549
Additions during the year	-	-	12,162	12,162
Transfer	-	3,671	(3,671)	-
Purchase price at 31 December 2020	2,899	57,090	37,722	97,711
Amortizations at 1 January 2020	-	6,285	-	6,285
Amortizations	-	5,190	-	5,190
Amortizations at 31 December 2020	-	11,475	-	11,475
<b>Carrying amount 31 December 2020</b>	<b>2,899</b>	<b>45,615</b>	<b>37,722</b>	<b>86,236</b>
Cost price at 1 January 2019	2,899	38,465	30,371	71,735
Additions during the year	-	-	13,814	13,814
Transfer	-	14,954	(14,954)	-
Purchase price at 31 December 2019	2,899	53,419	29,231	85,549
Amortizations at 1 January 2019	-	2,418	-	2,418
Amortizations	-	3,867	-	3,867
Amortizations at 31 December 2019	-	6,285	-	6,285
<b>Carrying amount 31 December 2019</b>	<b>2,899</b>	<b>47,134</b>	<b>29,231</b>	<b>79,264</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3.1. Intangible assets, continued

### Material intangible assets:

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

Management evaluates budgets and business plans and finds that sufficient resources are available to complete the ongoing development projects and expects them to generate future profits. Development projects in progress amount to DKK 37.7 million at 31 December 2020 (2019: DKK 29.2 million).

Development projects in progress (DKK 37.7 million) comprise of direct costs related to development of membrane products. Development projects in progress and know-how are tested at least annually to identify any further need for impairments. The impairment test consist of the estimated future cash flows using a 10-year financial budget to validate if the assessed recoverable amount surpass the carrying amount for each cash generating unit. A 10-year budget period is used due to the complexity of the products. The growth rate in the terminal period is estimated to be 2% and a WACC on 14% is used as discount factor. The impairment tests has not given any indications of impairments needed.

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

In 2020 DKK 3.7 million have been transferred to finished development projects and amortization of these projects have started. Amortization period is 10 years due to the unique character of the product.

## 3.2. Property, plant and equipment

### § Accounting policy

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

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

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

Depreciation is based on a straight-line pattern.

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

The carrying amounts of property, plant and equipment carried at cost or amortized cost are tested annually to determine whether there are indications of any impairment. Assets are written down to the recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Impairment losses are recognized under the same line item as depreciation of the assets.

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

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

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

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

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3.2. Property, plant and equipment, continued

DKK thousand	Plant and machinery	Right-of-use assets	Other equipment	Leasehold improvements	Total
Purchase price at 1 Jan. 2020	67,015	66,086	9,910	27,657	170,668
Exchange rates	(470)	(168)	(30)	(61)	(729)
Additions during the year	1,101	935	2,239	320	4,595
Disposal during the year	(690)	(435)	-	-	(1,125)
Purchase price at 31 Dec. 2020	66,956	66,418	12,119	27,916	173,409
Depreciations at 1 Jan. 2020	13,421	9,574	6,893	6,493	36,381
Exchange rates	(185)	(103)	(27)	(52)	(367)
Depreciations	6,120	4,705	1,476	1,593	13,894
Depreciations disposal	(340)	(190)	-	-	(530)
Depreciations at 31 Dec. 2020	19,016	13,986	8,342	8,034	49,378
<b>Carrying amount 31 December 2020</b>	<b>47,940</b>	<b>52,432</b>	<b>3,777</b>	<b>19,882</b>	<b>124,031</b>
Purchase price at 1 Jan. 2019	62,112	65,616	9,141	25,137	162,006
Exchange rates	176	79	14	28	297
Additions during the year	4,727	700	755	2,492	8,674
Disposal during the year	-	(309)	-	-	(309)
Purchase price at 31 Dec. 2019	67,015	66,086	9,910	27,657	170,668
Depreciations at 1 Jan. 2019	7,915	4,710	5,540	5,094	23,259
Exchange rates	61	21	10	21	113
Depreciations	5,445	4,972	1,343	1,378	13,137
Depreciations disposal	-	(129)	-	-	(129)
Depreciations at 31 Dec. 2019	13,421	9,574	6,893	6,493	36,381
<b>Carrying amount 31 December 2019</b>	<b>53,594</b>	<b>56,512</b>	<b>3,017</b>	<b>21,164</b>	<b>134,287</b>

### Leases recognized on the balance sheet per asset class:

DKK thousand	2020	2019
<b>Right-of-use assets</b>		
Land and buildings	52,018	55,408
Other equipment	414	1,104
<b>Carrying amount of lease assets</b>	<b>52,432</b>	<b>56,512</b>
<b>Lease liabilities</b>		
Within one year from the balance sheet date	3,093	3,275
Between one and five years from the balance sheet date	10,990	13,550
After five years from the balance sheet date	42,819	42,819
	<b>56,902</b>	<b>59,644</b>

### Amounts recognized in the income statement, relating to leases:

	2020	2019
Interest expenses	1,845	1,991
Expenses related to short-term leases (Sales & Marketing)	61	33
Expenses related to short-term leases (Research & Development)	37	76
Expenses related to low value assets (Administrative)	9	9

### Depreciation related to right-of-use assets

Land and buildings	4,263	4,414
Other equipment	442	558
<b>Depreciation of right-of-use assets</b>	<b>4,705</b>	<b>4,972</b>

### Amounts recognized in the cash flow statement, relating to leases:

The total cash outflow for leases	5,304	5,545
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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3.2. Property, plant and equipment, continued

Aquaporin's leases are primarily composed by land, buildings, vehicles and office equipment. Rental contracts are typically made for a fixed period and the right of use assets are calculated on behalf of this fixed period. There are no options in the lease agreements.

The main rental agreement is included until 2036 when the agreement expires.

### 3.3. Investments in associates

#### \$ Accounting policy

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

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

DKK thousand	2020	2019
Purchase price at 1 January	26,679	26,679
Additions during the year	-	-
Purchase price at 31 December	26,679	26,679
Accumulated write-ups and write-downs at 1 January	(25,008)	(22,178)
Unrealized gain on sale of assets from Aquaporin	396	403
Share of result after tax	(372)	(3,277)
Exchange rate adjustments	(46)	44
Accumulated write-ups and write-downs at 31 December	(25,030)	(25,008)
<b>Carrying amount 31 December</b>	<b>1,649</b>	<b>1,671</b>

Investments in associates includes:

DKK thousand	2020			2019		
	Aquapoten Company Limited	Aquaporin Space Alliance ApS	Total	Aquapoten Company Limited	Aquaporin Space Alliance ApS	Total
Country	China	Denmark		China	Denmark	
Ownership share	45%	50%		45%	50%	
<b>Share of equity</b>						
<b>31 December</b>	<b>4,647</b>	<b>56</b>	<b>4,703</b>	<b>5,442</b>	<b>60</b>	<b>5,502</b>
Share of intangible assets related to IP-transfer at 1 January	(2,391)	-	(2,391)	(2,768)	-	(2,768)
Reversal of share of depreciation of intangible assets related to IP-transfer in 2016 during the year	456	-	456	377	-	377
<b>Share of intangible assets related to IP-transfer at 31 December</b>	<b>(1,935)</b>	<b>-</b>	<b>(1,935)</b>	<b>(2,391)</b>	<b>-</b>	<b>(2,391)</b>
Additional paid-in capital	593		593	610		610
Write down	(1,712)		(1,712)	(2,050)		(2,050)
<b>Carrying amount 31 December</b>	<b>1,593</b>	<b>56</b>	<b>1,649</b>	<b>1,611</b>	<b>60</b>	<b>1,671</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3.3. Investments in associates, continued

Summarized financial information for included associates:

DKK thousand	2020		2019	
	Aquapoten Company Limited	Aquaporin Space Alliance ApS	Aquapoten Company Limited	Aquaporin Space Alliance ApS
Country	China	Denmark	China	Denmark
Ownership share	45%	50%	45%	50%
<b>Comprehensive income</b>				
Net revenue	797	7	2	5
(Loss)/profit for the period	(1,424)	(8)	(2,730)	3
<b>Balance sheet</b>				
Total non-current assets	8,114	-	9,879	-
Total current assets	2,669	130	2,766	132
Total liabilities	(457)	(17)	(553)	(12)
<b>Total equity</b>	<b>10,325</b>	<b>113</b>	<b>12,093</b>	<b>120</b>

### 3.4. Trade receivables

#### § Accounting policy

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

See note 4.2 for elaboration of credit risk.

### 3.5. Deferred tax

DKK thousand	2020	2019
Deferred tax at 31 December	-	39,239
Intangible assets	-	(5,521)
Property, plant and equipment	-	(8,261)
Current assets	-	2,472
Lease liability	-	12,924
Tax loss carry forwards	-	37,625
	<b>-</b>	<b>39,239</b>

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.

To comply with the precautionary principles, there is a risk that the deferred tax assets are not fully utilized within a foreseeable future, why no deferred tax asset has been recognized in 2020 (2019: DKK 39.2 million).

As per 31 December 2020, the unrecognized deferred tax assets in Denmark amounted to DKK 56.6 million. The tax losses can be carried forward infinitely subject to the general rules on limited deductibility due to ownership changes.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3.6. Inventories

#### § Accounting policy

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

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

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

DKK thousand	2020	2019
Raw material and consumables	2,919	3,704
Goods in progress	355	212
Finished goods	13,291	15,250
	<b>16,565</b>	<b>19,166</b>
Write-down on inventories, December 31	2,450	4,557

### 3.7 Cash

#### § Accounting policy

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

### 3.8. Share capital

The share capital comprise of 8,174,269 shares of a nominal value of DKK 1 each as of December 31, 2020 (2019: 7,789,054 shares).

The shares are not divided into share classes, and each share carries one vote. No shares carry any special rights.

### 3.9 Borrowings

#### § Accounting policy

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

DKK thousand	Due within 1 year	Total
<b>31 December 2020</b>		
Credit facility	28,635	28,635
<b>Total</b>	<b>28,635</b>	<b>28,635</b>
<b>31 December 2019</b>		
Credit facility	16,794	16,794
<b>Total</b>	<b>16,794</b>	<b>16,794</b>

The credit facility are in DKK, has a variable interest with a rate on 3.15% in 2020 and expires June 29, 2021 (2019: 3.15%).

### 3.10 Contract liabilities

DKK thousand	2020	2019
Prepayments from customers	-	400
<b>Contract liabilities, December 31</b>	<b>-</b>	<b>400</b>

Revenue recognised that was included in the contract liability balance at the beginning of the period.

DKK thousand	2020	2019
Prepayments from customers	400	-

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## SECTION 4. CAPITAL STRUCTURE, FINANCING AND OTHER NOTES

### 4.0. Special Items

Special items consist of non-recurring income or costs which is not a part of the company's normal activities and collectively significant to the Group's performance, this includes cost of raising capital. No such income or costs have been recognized as special items in 2020.

### 4.1. Commitments and contingent liabilities

Warrant obligation in regards to the products covers a period of 12 months or shelf life of the objects whichever period expires first. Liability is recognized on behalf of this warrant.

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

### 4.2. 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 speculation of financial risks.

#### Credit risks

The Group's credit risks mainly relates to trade receivables and other receivables with a total of DKK 8.0 million (2019: DKK 5.5 million). Maximum exposure corresponds to the carrying amount.

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

#### Foreign exchange risks

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

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

DKK thousand	Possible change in exchange rate (+/-)	Hypothetical change in equity	Hypothetical change in profit/loss
<b>2020</b>			
EUR/DKK	1%	27	(39)
USD/DKK	15%	403	(572)
SGD/DKK	15%	2,250	(1,241)
<b>2019</b>			
EUR/DKK	1%	1	5
USD/DKK	15%	243	(207)
SGD/DKK	15%	2,811	(1,478)

#### Interest rate risk

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

#### Liquidity risk

The management of the liquidity risk is ensured through consistent focus on budgeted and realized cash flow. To cover the short-term liquidity need, a credit facility has been established of DKK 35 million (2019: DKK 35 million). The credit facility has been utilized in 2020.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 4.2. Financial risks, continued

#### Capital management

Management evaluates the needs for capital on an ongoing basis. The objectives when maintaining capital are to maintain sufficient capital in order to meet short term obligations and at the same time preserve the confidence of the investors required to sustain future development of the business. As of 31 December 2020, the Group is partly financed by a credit facility of DKK 35 million.

To cover future liquidity needs, a capital increase is planned for 2021.

DKK thousand	Contractual obligation				Carrying amount
	0-1 year	1-5 years	>5 years	Total	
<b>31 December 2020</b>					
Trade and other receivables	8,049	-	-	8,049	8,049
Income tax receivables	5,504	-	-	5,504	5,504
	<b>13,553</b>	<b>-</b>	<b>-</b>	<b>13,553</b>	<b>13,553</b>
Lease liability	4,886	17,255	51,118	73,259	56,902
Trade and other payables	9,374	-	-	9,374	9,374
Short-term borrowings	28,635	-	-	28,635	28,635
	<b>42,895</b>	<b>17,255</b>	<b>51,118</b>	<b>111,268</b>	<b>94,911</b>
<b>31 December 2019</b>					
Trade and other receivables	5,487	-	-	5,487	5,487
Income tax receivables	5,504	-	-	5,504	5,504
	<b>10,991</b>	<b>-</b>	<b>-</b>	<b>10,991</b>	<b>10,991</b>
Lease liability	5,151	17,141	55,454	77,746	59,644
Trade and other payables	12,874	-	-	12,874	12,874
Short-term borrowings	16,794	-	-	16,794	16,794
	<b>34,819</b>	<b>17,141</b>	<b>55,454</b>	<b>107,414</b>	<b>89,312</b>

#### Financial instruments per category

DKK thousand	2020	2019
Trade and other receivables	8,049	5,487
Income tax receivables	5,504	5,504
Cash and cash equivalents	1,504	1,382
<b>Financial assets measured at amortized cost</b>	<b>15,057</b>	<b>12,373</b>
Lease liability	73,259	77,746
Trade and other payables	9,374	12,874
Short-term borrowings	28,635	16,794
<b>Financial liabilities measured at amortized cost</b>	<b>111,268</b>	<b>107,414</b>

### 4.3. Events after the balance sheet date

We secured additional funding in the beginning of 2021 amounting to DKK 25 million. Deputy CEO and Chief Commercial Officer Matt Boczkowski and Chief Operating Officer Joerg Hess became registered members of the Executive Board. Besides the above no other events of importance to the Annual Report have occurred after the balance sheet date.

### 4.4. Changes in net working capital

DKK thousand	2020	2019
Change in inventory	2,601	(6,131)
Changes in trade receivables	(2,838)	(69)
Changes in other receivables	458	1,383
Changes in trade payables	(3,250)	(1,353)
Changes in contract Liabilities	(400)	400
Changes in other payables	1,419	2,234
Changes in other liabilities	3,749	3,674
	<b>1,739</b>	<b>138</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 4.5. Related parties and ownership

#### Related parties

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

During the year, the Group was not involved in any transactions with the shareholders, members of the Board of Directors, members of the Executive Board or companies outside the Group in which these parties have significant influence, except for the payment of the Management's remuneration and the transactions listed below.

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

DKK thousand	2020	2019
Revenue received from associated companies	4	3
Short-term lease costs to related parties	46	16
Trade payables to related parties	4	4

#### 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
- Danica Pension, Livsforsikringsaktieselskab,  
Parallelvej 17, DK-2800 Kongens Lyngby
- InterChina Water Treatment Hong Kong Company Ltd,  
15/F, CBB Tower, 3 Connaught Road, Central Hong Kong
- VP Capital N.V.,  
Parklaan 46 / 201, 2300 Turnhout, Belgium

### 4.6. Other liabilities

#### \$ Accounting policy

Other liabilities derives solely from projects eligible for government grants. Government grants comprises of grants for investments, research and development projects, etc. Grants are recognized when there is a reasonable certainty that they will be received.

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

During 2020, the Group received DKK 0.1 million (2019: DKK 2.7 million) in public grants for research and development purposes, which was recognized directly in the income statement. In addition, the Group received 0.6 million in government grants related to COVID-19 in salary compensation, which was recognized directly in the income statement. The Group also received DKK 4.8 million (2019: DKK 4.7 million) in public grants relating to projects, which qualifies for capitalization.

### 4.7. List of Group companies at 31 December

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

# PARENT COMPANY FINANCIAL STATEMENTS



## PARENT COMPANY STATEMENT OF PROFIT AND LOSS

DKK thousand	Note	2020	2019
Net revenue		5,670	6,215
Cost of goods sold		(1,426)	(718)
<b>Gross profit</b>		<b>4,244</b>	<b>5,497</b>
Sales and marketing costs	2	(21,203)	(19,208)
Research and development costs	2	(57,010)	(58,423)
Administrative costs	2	(11,145)	(17,660)
Other operating income		140	75
Other operating expenses	3	-	(26,030)
<b>Operating profit</b>		<b>(84,974)</b>	<b>(115,749)</b>
Share of net profit of associates		24	(2,874)
Finance income	4	8,113	4,165
Finance costs	5	(12,194)	(4,999)
<b>Loss before income tax</b>		<b>(89,031)</b>	<b>(119,457)</b>
Income tax		(34,039)	25,325
<b>Loss for the period</b>		<b>(123,070)</b>	<b>(94,132)</b>



## PARENT COMPANY BALANCE SHEET ASSETS AT 31 DECEMBER

DKK thousand	Note	2020	2019
Know-how		580	1,160
Development projects in progress		37,722	29,231
Finished development projects		45,615	47,134
<b>Intangible assets</b>	<b>6</b>	<b>83,917</b>	<b>77,525</b>
Machinery		44,953	49,833
Right-of-use assets		51,464	55,643
Other equipment		3,777	2,981
Leasehold improvements		19,816	21,043
<b>Tangible assets</b>	<b>7</b>	<b>120,010</b>	<b>129,500</b>
Investments in subsidiaries	8	3,148	3,148
Investments in associates	9	1,649	1,671
<b>Financial assets</b>		<b>4,797</b>	<b>4,819</b>
Deposits		1,952	1,935
<b>Other non-current assets</b>		<b>1,952</b>	<b>1,935</b>
<b>Total non-current assets</b>		<b>210,676</b>	<b>213,779</b>
Deferred tax assets	10	-	39,239
Income tax receivable		5,500	5,500
Inventories		16,565	19,166
Receivables from group enterprises		21,151	50,190
Trade receivables		3,131	293
Other receivables		1,864	2,639
Prepayments	11	1,157	1,344
<b>Total current assets</b>		<b>49,368</b>	<b>118,371</b>
<b>Cash and cash equivalents</b>		<b>814</b>	<b>580</b>
<b>Total current assets</b>		<b>50,182</b>	<b>118,951</b>
<b>Total assets</b>		<b>260,858</b>	<b>332,730</b>

## PARENT COMPANY BALANCE SHEET EQUITY AND LIABILITIES AT 31 DECEMBER

DKK thousand	Note	2020	2019
Share capital		8,174	7,789
Retained earnings		73,390	129,101
Reserve for exchange rate translation		(2,089)	(2,043)
Reserve for development projects		39,109	39,991
<b>Total equity</b>		<b>118,584</b>	<b>174,838</b>
Lease liability		53,412	56,106
Other payables		3,483	-
<b>Total non-current liabilities</b>		<b>56,895</b>	<b>56,106</b>
Lease liability		2,487	2,640
Trade payables		2,510	5,722
Other payables		11,282	9,826
Payables to group enterprises		6,346	36,251
Other liabilities		34,119	30,153
Borrowings		28,635	16,794
Deferred income	12	-	400
<b>Total current liabilities</b>		<b>85,379</b>	<b>101,786</b>
<b>Total liabilities</b>		<b>142,274</b>	<b>157,892</b>
<b>Total equity and liabilities</b>		<b>260,858</b>	<b>332,730</b>
Commitments and contingent liabilities	14		
Events after the balance sheet date	16		

## PARENT COMPANY STATEMENT OF CHANGES IN EQUITY AT 31 DECEMBER

DKK thousand	Share capital	Retained earnings	Reserve for exchange rate	Reserve for development projects	Total equity
<b>Balance at 31.12.2018</b>	<b>6,969</b>	<b>120,035</b>	<b>(2,087)</b>	<b>20,224</b>	<b>145,141</b>
Loss for the period	-	(94,132)	-	-	(94,132)
Capitalized development costs	-	(9,389)	-	9,389	-
Exchange rate translation	-	-	44	-	44
Increase in share capital	820	121,678	-	-	122,498
Share-based payment	-	1,287	-	-	1,287
<b>Balance at 31.12.2019</b>	<b>7,789</b>	<b>139,479</b>	<b>(2,043)</b>	<b>29,613</b>	<b>174,838</b>
Loss for the period	-	(123,070)	-	-	(123,070)
Capitalized development costs	-	(9,496)	-	9,496	-
Exchange rate translation	-	-	(46)	-	(46)
Increase in share capital	385	66,257	-	-	66,642
Share-based payment	-	220	-	-	220
<b>Balance at 31.12.2020</b>	<b>8,174</b>	<b>73,390</b>	<b>(2,089)</b>	<b>39,109</b>	<b>118,584</b>

# NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

Note 1.	Accounting policies
Note 2.	Staff costs
Note 3.	Other operating expenses
Note 4.	Financial incomes
Note 5.	Financial expenses
Note 6.	Intangible assets
Note 7.	Property, plant and equipment
Note 8.	Investments in subsidiaries
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Note 10.	Deferred tax
Note 11.	Prepayments
Note 12.	Deferred income
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Note 15.	Commitments and contingent liabilities at 31 December
Note 16.	Events after the balance sheet date



# NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

## 1. Accounting policies

The Financial Statements of Aquaporin A/S as Parent Company have been prepared in accordance with the Danish Financial Statements Act (accounting class C middle).

The accounting policies applied remain unchanged from last year.

The Financial Statements are presented in DKK.

### Description of accounting policies

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

#### Dividends

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

#### Tax

Aquaporin A/S and its Danish subsidiary are subject to mandatory joint taxation. As the ultimate parent company in the Aquaporin Group, Aquaporin A/S acts as the administration company of the joint taxation scheme and consequently settles all payments of tax with the tax authorities. Joint taxation contributions to/from subsidiary are recognized under income tax related to net profit. Tax payable and tax receivable are stated under current assets/

liabilities. Companies that use tax losses in other companies pay joint taxation contributions to the parent company equivalent to the tax base of the tax losses utilized. Companies whose tax losses are used by other companies receive joint taxation contributions from the parent company equivalent to the tax base of the tax losses utilized (full absorption).

#### Intangible assets

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

#### Investments in subsidiaries

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

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

#### 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.

## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

### 2. Staff costs

DKK thousand	2020	2019
Salaries	45,829	43,593
Pension costs, defined contribution plans	573	246
Other expenses to social security	577	606
Share-based payments	220	1,287
	<b>47,199</b>	<b>45,732</b>
Average number of full-time employees	70	70

With reference to Danish Financial Statements Act § 78 (6) please see note 2.3 and 2.4 in consolidated financial statement for information related to remuneration to Board of Directors and Executive Board.

### 3. Other operating expenses

Consist of purchasing IP rights.

### 4. Financial income

DKK thousand	2020	2019
Interest income, banks	-	1
Interest income, intercompanies	494	1,370
Exchange rate adjustments	7,619	2,794
	<b>8,113</b>	<b>4,165</b>

### 5. Financial expenses

DKK thousand	2020	2019
Interest expenses, banks	561	779
Exchange rate adjustments	9,057	1,372
Other financial expenses, including bank fees	731	909
Interest expenses, right-of-use assets	1,845	1,939
	<b>12,194</b>	<b>4,999</b>

## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

### 6. Intangible assets

DKK thousand	Know-how	Finished development projects	Development projects in progress	Total
Cost price at 1 January 2020	2,899	53,419	29,231	85,549
Additions during the year	-	-	12,162	12,162
Transfer	-	3,671	(3,671)	-
Purchase price at 31 December 2020	2,899	57,090	37,722	97,711
Amortizations at 1 January 2020	1,739	6,285	-	8,024
Amortizations	580	5,190	-	5,770
Amortizations at 31 December 2020	2,319	11,475	-	13,794
<b>Carrying amount 31 December 2020</b>	<b>580</b>	<b>45,615</b>	<b>37,722</b>	<b>83,917</b>
Cost price at 1 January 2019	2,899	38,465	30,371	71,735
Additions during the year	-	-	13,814	13,814
Transfer	-	14,954	(14,954)	-
Purchase price at 31 December 2019	2,899	53,419	29,231	85,549
Amortizations at 1 January 2019	1,160	2,418	-	3,578
Amortizations	579	3,867	-	4,446
Amortizations at 31 December 2019	1,739	6,285	-	8,024
<b>Carrying amount 31 December 2019</b>	<b>1,160</b>	<b>47,134</b>	<b>29,231</b>	<b>77,525</b>

#### Material intangible assets:

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

### 7. Property, plant and equipment

DKK thousand	Plant and machinery	Right-of-use assets	Other equipment	Leasehold improvements	Total
Purchase price at 1 Jan. 2020	60,792	63,861	9,521	26,948	161,122
Additions during the year	492	-	2,238	320	3,050
Disposal during the year	-	(435)	-	-	(435)
Purchase price at 31 Dec. 2020	61,284	63,426	11,759	27,268	163,737
Depreciations at 1 Jan. 2020	10,959	8,218	6,540	5,905	31,622
Depreciations	5,372	3,934	1,442	1,547	12,295
Depreciations disposal	-	(190)	-	-	(190)
Depreciations at 31 Dec. 2020	16,331	11,962	7,982	7,452	43,727
<b>Carrying amount 31 December 2020</b>	<b>44,953</b>	<b>51,464</b>	<b>3,777</b>	<b>19,816</b>	<b>120,010</b>
Purchase price at 1 Jan. 2019	57,356	63,470	8,766	24,456	154,048
Additions during the year	3,436	700	755	2,492	7,383
Disposal during the year	-	(309)	-	-	(309)
Purchase price at 31 Dec. 2019	60,792	63,861	9,521	26,948	161,122
Depreciations at 1 Jan. 2019	6,235	4,143	5,279	4,646	20,303
Depreciations	4,724	4,204	1,261	1,259	11,448
Depreciations disposal	-	(129)	-	-	(129)
Depreciations at 31 Dec. 2019	10,959	8,218	6,540	5,905	31,622
<b>Carrying amount 31 December 2019</b>	<b>49,833</b>	<b>55,643</b>	<b>2,981</b>	<b>21,043</b>	<b>129,500</b>



## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

### 8. Investments in subsidiaries

DKK thousand	2020	2019
Purchase price at 1 January	3,148	3,148
Additions during the year	-	-
<b>Purchase price at 31 December</b>	<b>3,148</b>	<b>3,148</b>

Investments in subsidiaries are specified as followed:

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

### 9. Investments in associates

DKK thousand	2020	2019
Purchase price at 1 January	26,679	26,679
Additions during the year	-	-
<b>Purchase price at 31 December</b>	<b>26,679</b>	<b>26,679</b>
Accumulated write-ups and write-downs at 1 January	(25,008)	(22,178)
Unrealized gain on sale of assets from Aquaporin	396	403
Share of result after tax	(372)	(3,277)
Exchange rate adjustments	(46)	44
Accumulated write-ups and write-downs at 31 December	(25,030)	(25,008)
<b>Carrying amount 31 December</b>	<b>1,649</b>	<b>1,671</b>

Investments in associates are specified as follows:

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

## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

### 10. Deferred tax

DKK thousand	2020	2019
Deferred tax at 31 December	-	39,239
Intangible assets	-	(5,521)
Property, plant and equipment	-	(8,261)
Current assets	-	2,472
Lease liability	-	12,924
Tax loss carryforwards	-	37,625
	-	<b>39,239</b>
Deferred tax is calculated at a tax rate of 22%		
Deferred tax 1 January	39,239	19,272
Deferred tax recognized in the profit and loss	(39,239)	19,967
<b>Deferred tax 31 December</b>	<b>-</b>	<b>39,239</b>

To comply with the precautionary principles, there is a risk that the deferred tax assets are not fully utilized within a foreseeable future, why no deferred tax asset has been recognized in 2020 (2019: DKK 39.2 million).

As per 31 December 2020 the unrecognized deferred tax assets in Denmark amounted to DKK 56.6 million. The tax losses can be carried forward infinitely subject to the general rules on limited deductibility due to ownership changes.

### 11. Prepayments

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

### 12. Deferred income

Consist of received prepayments relating to income in following years.

### 13. Related parties

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

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

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

## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

### 14. List of Group companies at 31 December

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

### 15. Commitments and contingent liabilities at 31 december

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

DKK thousand	2020	2019
The total future minimum lease payments:		
Within one year from the balance sheet date	9	9
Between one and five years from the balance sheet date	9	18
	<b>18</b>	<b>27</b>

### 16. Events after the balance sheet date

Please see subsequent events after the balance sheet date in note 4.3 in consolidated financial statement.

## MANAGEMENT'S STATEMENT

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Aquaporin A/S for the financial year; 1 January 2020 to 31 December 2020.

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

In our opinion, the Consolidated Financial Statements and the Financial Statements give a true and fair view of the financial position at 31 December 2020 of the Group and the Company and of the result of the Group and the Company operations and consolidated cash flows for the financial year 1 January 2020 to 31 December 2020.

In our opinion, the Management's review includes a true and fair account of; the developments in the operational and financial circumstances of the Group and the Company, of the results for the year and of the financial position of the Group and the Company as well as a description of the most significant risks and elements of uncertainty that the Group and the Company are facing.

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

Copenhagen, 25 May 2021

### Executive Board

Peter Holme Jensen  
Chief Executive Officer (CEO)

Bo Karmark  
Chief Financial Officer (CFO)

Joerg Hess  
Chief Operating Officer (COO)

Matt Boczkowski  
Deputy CEO and Chief Commercial Officer (CCO)

### Board of Directors

Niels Heering  
Chairman

Søren Bjørn Hansen  
Deputy Chairman

Anne Broeng

Jiang Weiming

Lars Christian Hansen

Jens Denkov

Michael Frank

Lei Zhang

Cai Jianwen



## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Aquaporin A/S

### Opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2020 and of the results of the Group's operations and cash flow for the financial year 1 January to 31 December 2020 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at 31 December 2020 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2020 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Aquaporin for the financial year 1 January - 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as statement of comprehensive income and cash flow statement for the Group ("financial statements").

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

### Management's Responsibilities for the Financial Statements

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

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting 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 about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism 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 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.

Copenhagen, 25 May 2021

### **PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab  
CVR No 33 77 12 31

Gert Fisker Tomczyk  
State Authorised  
Public Accountant  
MNE: 9777

René Otto Poulsen  
State Authorised  
Public Accountant  
MNE: 26718

# CLEAN WATER IS A HUMAN RIGHT

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Municipality of reg. office  
Copenhagen

**Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
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—> [aquaporin.com](http://aquaporin.com)

