Water made by nature

Annual report 2018

Aquaporin A/S
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2800 Kongens Lyngby

Generalforsamlingen blev afholdt den 16 / 5 2019

Chantal Pernille Patel
Dirigent

United Nations has set The Sustainable Development Goals to address global challenges -

For Aquaporin, the answer is in nature

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Aquaporin at a glance

Aquaporin A/S is a global water technology company headquartered in Kongens Lyngby, Denmark. Aquaporin is dedicated to revolutionizing water purification by merging biotechnological techniques and classical engineering. The company's strategy 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.

The company's Aquaporin Inside® technology is based on the aquaporin protein – nature's own 100% selective and extremely effective water channel. The aquaporin protein is ubiquitous in living cells where it is responsible for water transport across cell membranes.

1
Core technology

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

2
Product lines

Aquaporin has entered the market with our TWRO and FO products

51
Patents

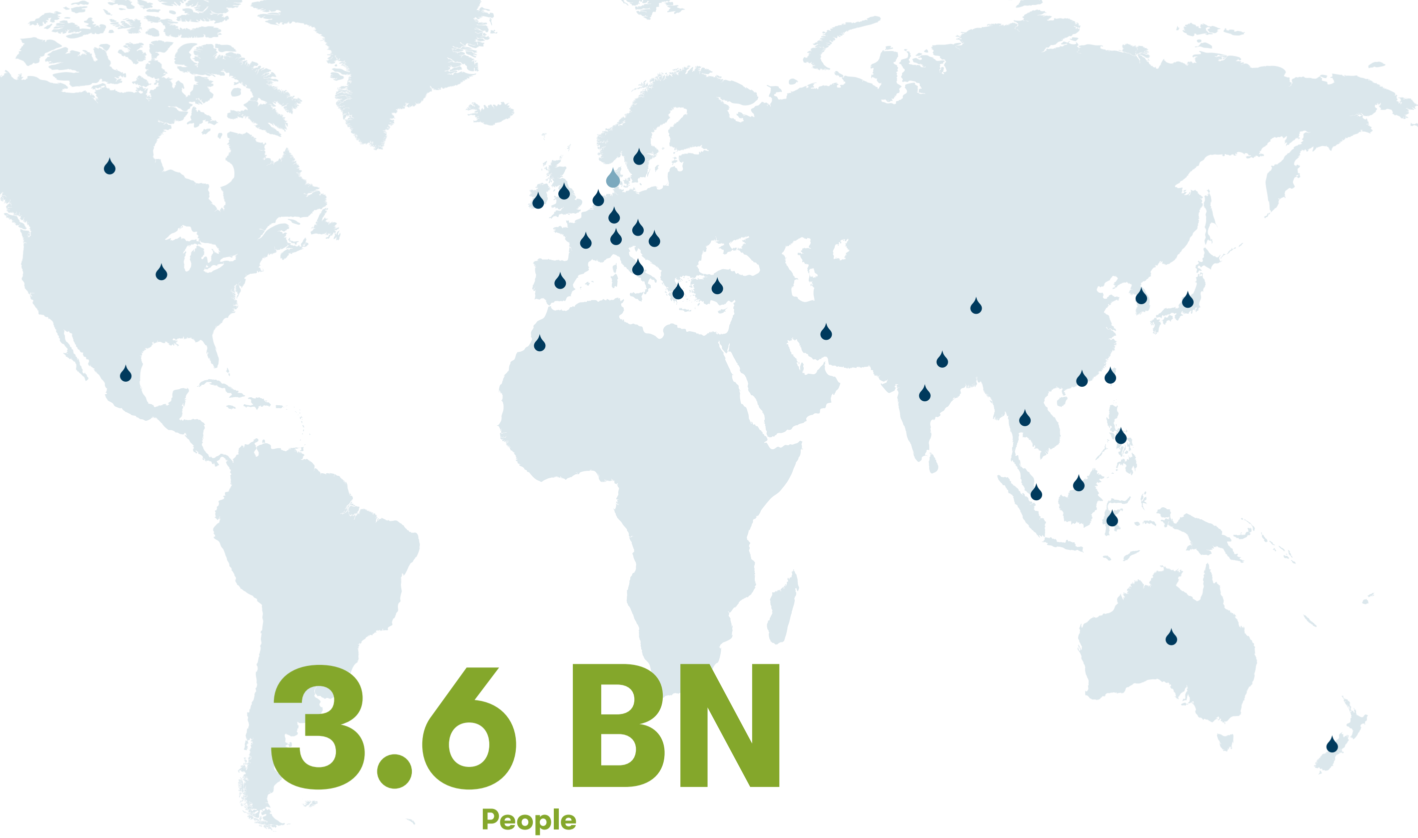
With 51 granted patents in 20 patent families, Aquaporin offers proprietary solutions to wastewater challenges

94
Employees

Aquaporin has 94 employees working in R&D, sales, production, and administration

Global reach

Aquaporin targets high growth segments of the global market for water purification driven by the increasing regional water scarcity due to growing populations, rising living standards and global warming. From the current bases in Europe, Asia and North America, Aquaporin are expanding its global reach.



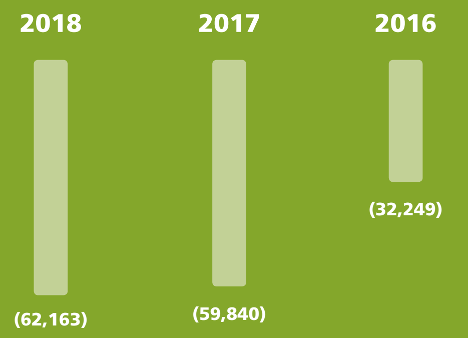
3.6 BN

People

Almost half of the world's population is already living in areas with a potential water-scarcity of one month per year, which could increase to 4.8–5.7 billion in 2050 (UNESCO, 2018)

Revenue
DKK thousand

EBITDA
DKK thousand



6 CLEAN WATER AND SANITATION

- Safe and affordable drinking water
- Improve water quality, wastewater treatment and safe reuse
- Increase water-use efficiency and ensure freshwater supplies
- Protect and restore water-related ECO systems

Letter from the chairmanship

Global challenges related to water scarcity is considered one of the main global risks of 2019 according to the World Economic Forum.

The world's water resources are under increasing pressure from a growing human population, which is expected to reach 9.7 billion by 2050. Expected water scarcity combined with an increasing water consumption per capita, will inevitably result in clean water not always being available when and where people or industries are in need of it. New thinking and new innovations are required to solve the challenges, and that is why the United Nations Sustainable Development Goal no. 6 for a sustainable water future is vital.

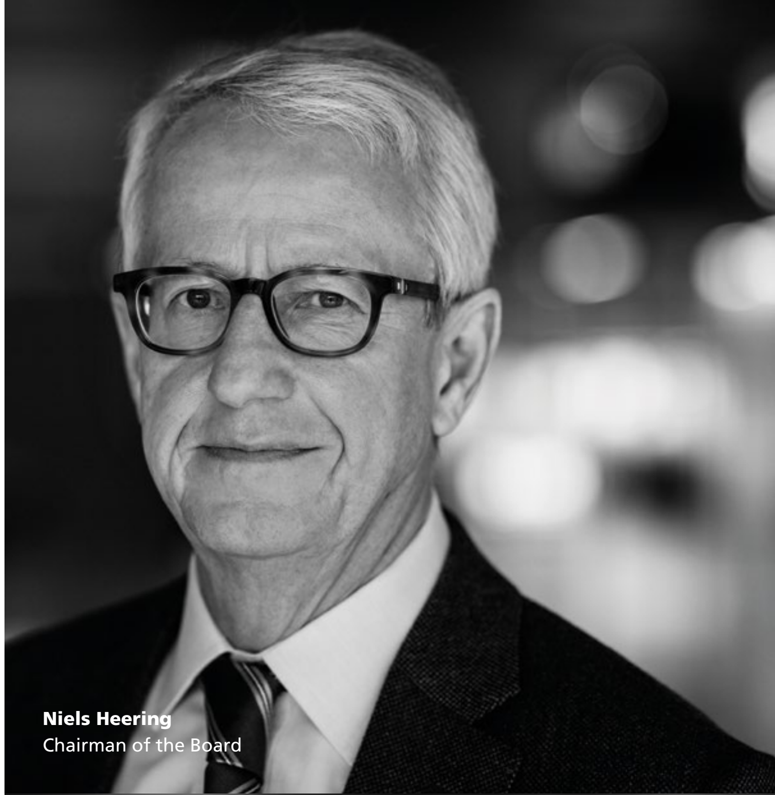
Safe and affordable drinking water, improved water quality, more efficient water-use, enough freshwater supplies, and healthy water-related eco systems are relevant and important goals that Aquaporin supports by providing innovative water technologies to secure lasting solutions.

To truly impact people's lives, paradigm shifts in industry verticals are required. In the water industry, different technological fields and industries are already converging; new technologies are merging with the conventional water industry. The integration of Internet of Things in water networks and water systems is one example. Aquaporin-based water membranes is another prime example of this convergence, where biochemistry and engineering merge to unfold new water purification solutions.

Membranes for water treatment have been a multi-billion-dollar industry for decades, as membrane processes in water treatment have proven to be an effective and energy efficient way to treat and purify water, both in the industry and for human consumption. Nevertheless, most commercial membranes today are based on technology developed 30-40 years ago, but we believe that new technology, such as Aquaporin's biomimetic approach, is what is required to fundamentally improve water treatment solutions, and thus allow for the industry to significantly contribute to solving the global water challenges.

As a company, Aquaporin is ready to meet the challenges. The technology, processes and products are all in place to position the company at the forefront of the water treatment membranes market.

We would like to thank management and employees for contributing to the continued development of Aquaporin. We would also like to welcome our new shareholders and thank new and existing shareholder for support and commitment.



Niels Heering
Chairman of the Board

Søren Bjørn Hansen
Deputy Chairman of the Board

17 PARTNERSHIPS FOR THE GOALS

- **Share access to science, technology and innovation**
- **Promote environmentally sound technologies to developing countries**
- **Enhance global partnership for sustainable development**
- **Effective public-private partnerships**

Letter from the CEO

In 2018, we transformed Aquaporin into a fully integrated, customer focused company prepared for large scale commercialization. We entered new strategic and commercial partnerships and we advanced our technology, products and production.

Peter Holme Jensen
CEO

Partners for sustainable water technologies
We see partnerships as one of the most important means to securing a sustainable future water supply. Water challenges must be addressed through collaborations as no industry can handle this on their own. Aquaporin has a long and strong history of Public Private Partnerships, collaborating with numerous academic institutions and private companies on a global scale. In 2018, we entered two new Public Private Partnerships for the period 2019-2023, with focus on both technology and business development. Aquaporin also entered a Strategic Commercial Partnership as well as a Joint Development Agreement, both of which will provide resources and complementary expertise for technology maturation and business development, while also supporting our clear go-to-market strategy for both product lines – reverse osmosis (RO) and forward osmosis (FO). In addition, we signed ten Aquaporin Inside® product distribution agreements thus expanding our global market reach and widening our access to more industry verticals.

Industry-scale production
The year 2018 was also successful in terms of technology and product development as well as scale-up of production. We commenced a ground-breaking industrial-scale fermentation of the aquaporin water channel protein along with production of water membranes based on the Aquaporin Inside® formulation. In addition to this, we achieved the ISO 9001-2015 certification.

Commercial execution
The commercialization of our Aquaporin Inside® RO products in the Household Water Purifiers market and FO membrane products in the Food & Beverages and Industrial & Municipal Water Treatment markets marked a new era for Aquaporin. We have increased our commercial footprint, and 2019 will be focused on delivering on our go-to-market strategy. Aquaporin is well positioned for global growth and we strive to be a highly strategically valued partner for our customers.

With a steady focus on commercial execution we look forward to 2019.

2018 Key events

Febuary

10 distribution agreements

Aquaporin entered the first of ten distribution agreements in 2018. The partnerships are aimed at securing a global reach for the Aquaporin Inside® products

May

Partnership for innovative product development

Aquaporin and Berghof Membrane Technology entered a joint development agreement to launch forward osmosis products targeting high strength industrial wastewater

June

New Strategic Commercial Partnership

Aquaporin partnered up with an undisclosed major global system integrator and solution provider to secure commercialization of reverse osmosis membranes for a specific industry

July

A great step towards the market for Brackish Water

As part of the EU-funded project AMBROSIA with a budget of DKK 10.5 million, Aquaporin finalized a superior membrane for the new Brackish Water market segment

August

ISO 9001:2015 certification

Aquaporin achieved certification and proved its ability to keep high-quality management standards for product development, production and customer service

September

Acquisition of subsidiary in Asia

Aquaporin expanded by acquiring 100% of the share capital of Aquaporin Asia Pte. Ltd. – subsidiary of the Aquaporin Group based in Singapore

November

Establishment of Aquaporin US

The Aquaporin Inside® technology became directly available in the US, with the establishment of Aquaporin US

December

Product launch of HFFO14

The new HFFO14 membrane delivers six times larger capacity compared to the current HFFO2 module, which makes this module ideal for industrial applications and solutions

December

First product certification for TWRO

We received notice of grant from the NSF (National Sanitation Foundation) for drinking water safety of our TWRO products, an important product development milestone.

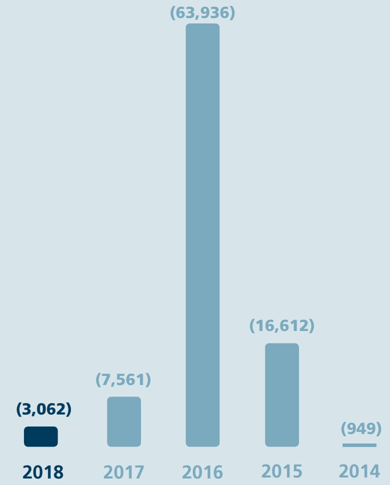
Financial highlights and key ratios

Amounts in DKK thousand	**2018**	2017	2016	2015	2014*
Income Statement					
Net revenue	7,894	2,131	8,419	236	136
Sales and distribution costs	16,784	12,723	7,755	3,553	2,835
Research and development costs	51,614	40,942	24,782	13,075	12,508
Administrative costs	16,471	15,290	14,228	7,571	7,555
EBITDA	(62,163)	(59,840)	(32,249)	(21,522)	(20,716)
Operating profit (EBIT)	(77,160)	(64,360)	(35,457)	(22,167)	(21,356)
Net financial items	(3,006)	(1,947)	(454)	2,377	(185)
Result for the period	(71,573)	(62,235)	(34,645)	(16,016)	(12,663)
Balance sheet					
Total non-current assets	233,889	167,209	163,359	83,718	36,917
Total current assets	33,335	59,355	79,107	94,803	70,272
Total assets	267,224	226,564	242,466	178,521	107,189
Equity	110,819	181,484	205,692	174,689	104,304
Total liabilities	156,405	45,080	36,774	3,832	2,885
Cash flow					
Cash flow from operating activities	(80,800)	(42,829)	2,216	(24,040)	(2,415)
Cash flow from investment activities	(14,091)	(14,856)	(73,545)	(47,042)	(2,241)
- Investments in intangible assets	(7,641)	(7,285)	(9,533)	(5,324)	(885)
- Investments in tangible assets	(3,062)	(7,561)	(63,936)	(16,612)	(949)
- Investments in associates and joint arrangements	(3,326)	-	-	(23,313)	-
Cash flow from financing activities	49,608	34,715	60,000	87,030	88,334
Key ratios					
Equity share	41%	80%	85%	98%	97%
Average number of FTE's	73	65	51	33	24

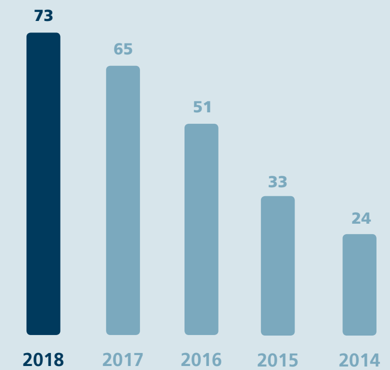
* The stated figures for 2014 have been prepared in accordance with Danish Financial Statement Act.

The key figures and key ratios have been prepared on a consolidated basis, and are in accordance with "Recommendations & Financial Ratios 2015" published by the Danish Finance Society.

Investments in tangible assets (DKK thousand)



Avg. number of FTE's



Our business

Strategy

Our vision is to become a world-leading company within the market for water treatment membranes. To achieve this, we strive to develop, manufacture and commercialize biomimetic membranes on a global scale. The foundation of the company is based on the convergence of nature, biochemistry and engineering, resulting in cutting-edge R&D and a strong value proposition.

The combination of a technology that is both groundbreaking and sustainable, a broad pipeline of Aquaporin Inside® products for a wide range of applications, and a tailored go-to-market approach gives Aquaporin a strong position in the growing market for water purification. In addition, the core Aquaporin Inside® technology has a range of applications outside of initial focus markets.

The company aims to become an integrated producer of membranes controlling large-scale production and global commercialization.

Aquaporin's primary business objective for the coming years is to further advance and commercialize the company's product portfolio, of which two product ranges are currently marketed. All target markets are solely business to business.

Objectives for execution

	Today	2019 Focus
Commercial	• **Commercial organization being built with presence in all regions**	• **Execute on TWRO sales** • **Execute on FO sales**
Products	• TWRO launched • FO launched	• Launch of BWRO products • Launch of larger FO products
Technology	• Fully developed core technology	• Investigate use of core technology outside water membranes
Production	• Large scale in-house production of RO membranes in Denmark • Production of FO products	• Build global element rolling capacity • Automatization and scale-up of FO production

Tap Water Reverse Osmosis (TWRO), Forward Osmosis (FO), Brackish Water Reverse Osmosis (BWRO) and Seawater Reverse Osmosis (SWRO).

Megatrends affecting our business

Fundamentally, the world is lacking clean water. According to the UN, water scarcity affects more than 40% of the global population and this is projected to increase. More than 80% of wastewater resulting from human activities is discharged into rivers or seas without any pollution removal. This very basic dynamic of water scarcity is driven further by the megatrends of growing population and the rise in living standards, urbanization and global warming. These trends will support a continued long-term market growth.

Increased water scarcity directly leads to an increased need for treating and reusing wastewater, and towards reducing the cost of treating water. Both needs are directly served by Aquaporin's reverse osmosis and forward osmosis product lines.

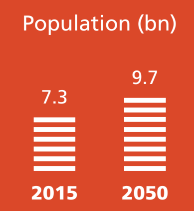
Additionally, the growing population and the rise in living standards drives market growth for residential water purification, especially in developing countries. Residential water purification is the main market for the company's TWRO product line.

Finally, global warming leads to more extreme weather and poorer distribution of rainfall in areas where the population is reliant on this resource. This gravely limits people's ability to utilize fresh water resources, thus increasing the water scarcity.

Global megatrends will further drive water scarcity

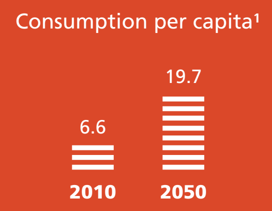
Growing population

Growing population directly correlates to higher water usage



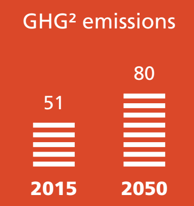
Rising living standards

The rise in living standards and urbanization leads to higher consumption per capita



Global warming

Global warming causes droughts and floods causing a poorer distribution of available fresh water



[1] Thousands constant 2010 USD/person. [2] Greenhouse gas. Source: Global Water Intelligence 2016 and OECD

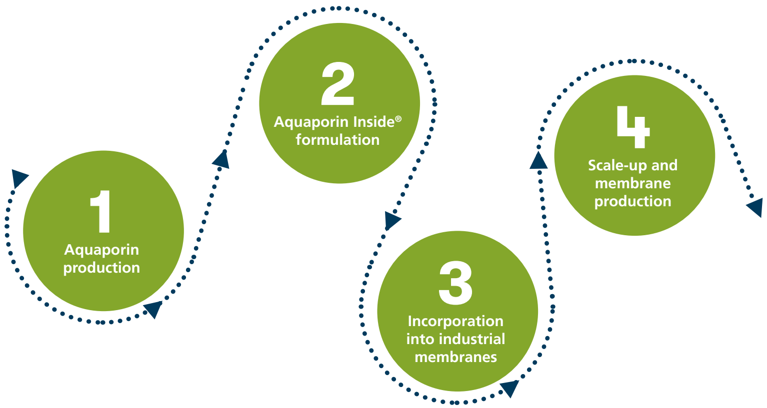
80%

At least 80% of wastewater is released to the environment without adequate treatment

Our products & technology are based on **3.8 billion** years of R&D in nature

The Aquaporin Inside® technology

The core of the Aquaporin Inside® techonology is to replicate nature's way of filtering water by producing a stable and active formulation for the aquaporin protein. When incorporated into an industrial membrane, this protein formulation produces an effective and extremely selective water filtration membrane. Aquaporin has established a strong patent portfolio creating a unique platform for aquaporin-based membranes.



The core technology of Aquaporin includes fermentation of the aquaporin membrane protein (1), stabilization of the active protein in the Aquaporin Inside® formulation (2), development (3) and scale-up and production (4) of industrial membranes.

The Aquaporin Inside® technology is applied across our reverse osmosis and forward osmosis product ranges, for different membrane form factors (flat sheet or hollow fiber membrane), and in all sizes of membrane elements. In production, the Aquaporin Inside® technology has four distinct advantages:

A. The membrane production process is similar to well-known membrane production processes

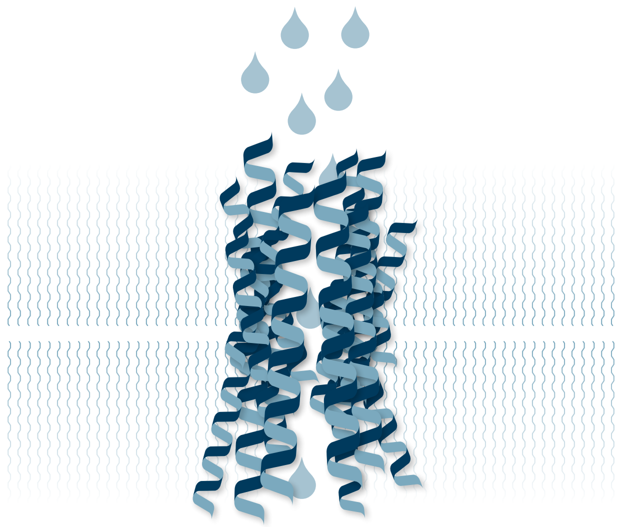
B. It allows for fast scale-up, both in producing the biological component and the final membrane

C. It carries a low production cost – only slightly more expensive than conventional membranes

D. The key protein formulation component to be produced in a single facility (in Denmark) in order to protect core know-how

Aquaporin – nature's own water filter

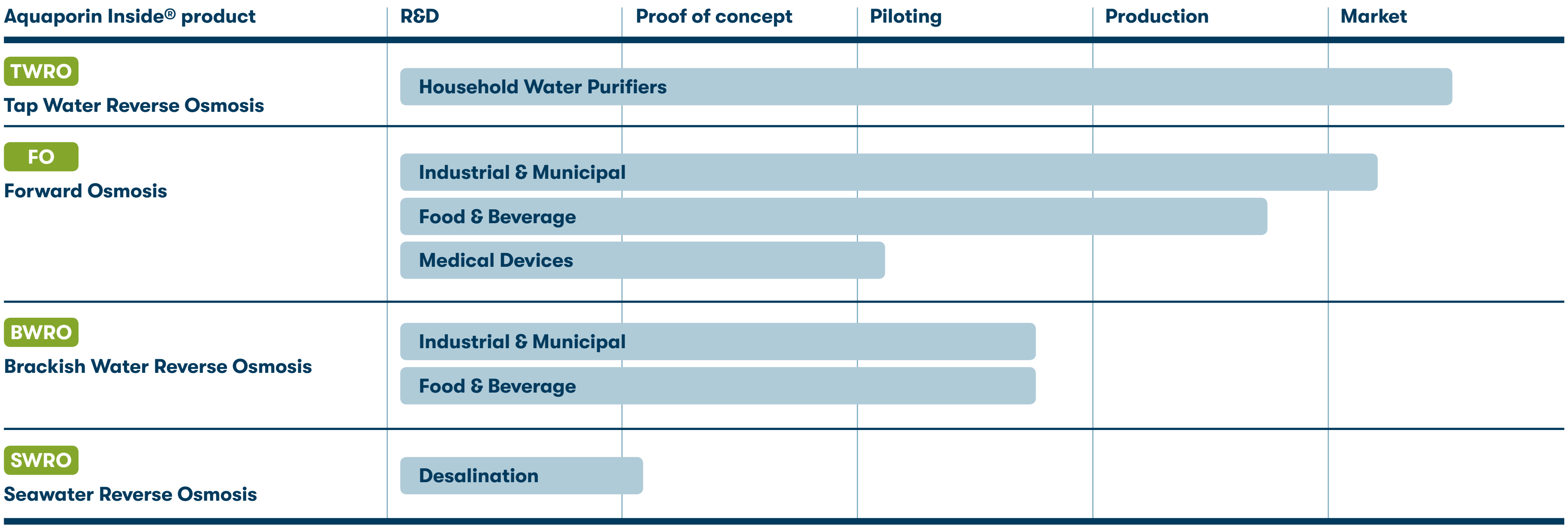
The Aquaporin Inside® technology is based on the aquaporin protein – nature's own 100% selective and extremely effective water channel. The aquaporin protein is ubiquitous in living cells where it is responsible for water transport across cell membranes.



Aquaporin water channels are found in the cell membranes of all living cells. These water channels only let water pass, and are very effective in doing so. One gram of aquaporin protein can transport up to 700 liters of water per second.

Aquaporin product pipeline

Water filtration membranes are used for many applications. Aquaporin's product pipeline currently targets tap water purification, industrial process use, wastewater treatment and desalination. End-users will generally benefit from cleaner water, better water flow, less wastewater, higher degree of water reuse and lower energy consumption.



The Aquaporin pipeline contains three Reverse Osmosis (RO) product lines, of which one is on the market, and one Forward Osmosis (FO) product line.

TWRO

Tap Water membranes

Our tap water (TWRO) membranes are efficient water purifiers. They are sold in small sizes for households and in larger sizes for commercial use (restaurants, car washes and businesses). They generate better water flow from appliances and produce less wastewater than conventional membranes.

FO

Forward Osmosis membranes

Our forward osmosis (FO) membranes remove impurities more efficiently than any other membrane type. They improve water quality, wastewater reuse and desalination. In Food & Beverages, they produce concentrates of superior quality compared to other processes and membranes, improving the taste and smell of the end product.

BWRO

Brackish Water membranes

Our Brackish Water (BWRO) membranes can be applied broadly to purify water for process use or wastewater for reuse across both the Industrial & Municipal and Food & Beverage markets. Our products have proved at pilot scale to lower energy consumption without compromising the purity of the water produced.

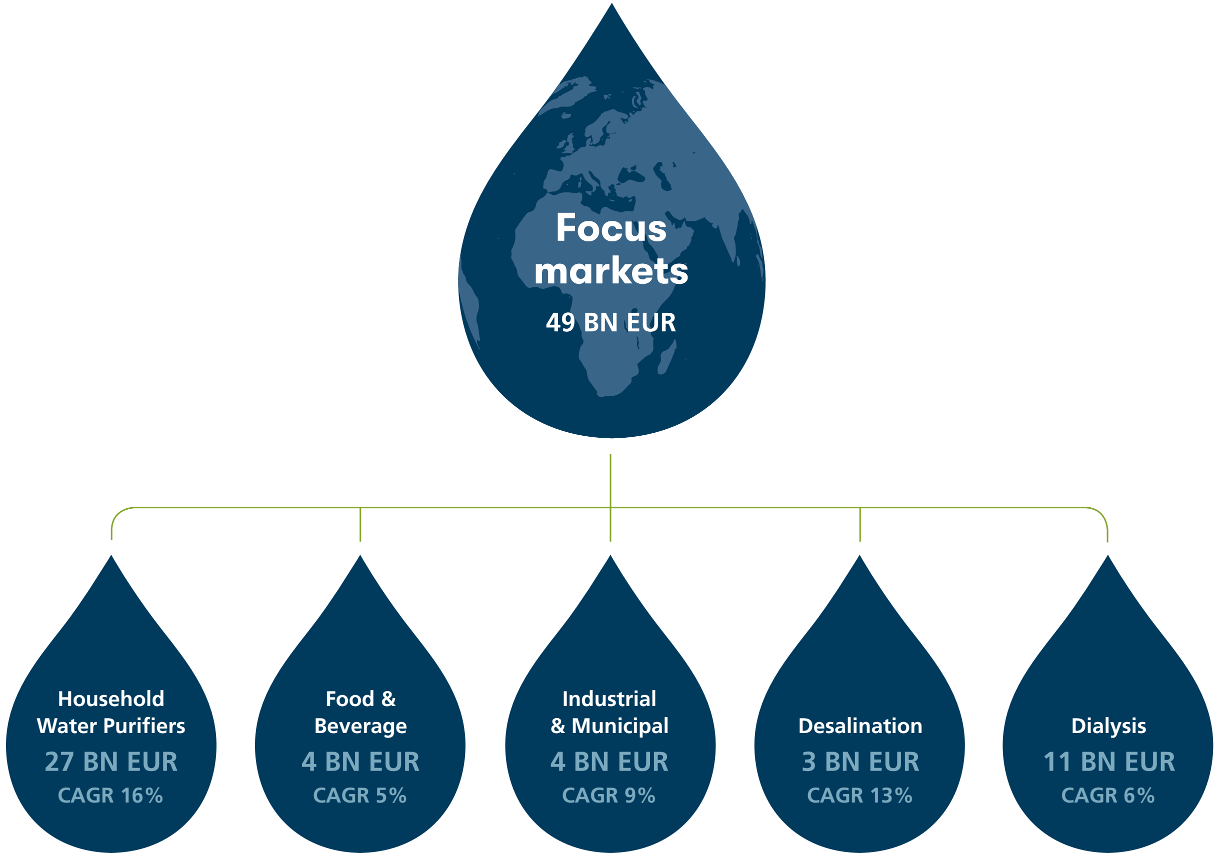
SWRO

Seawater membranes

Our Seawater (SWRO) membranes are in proof of concept phase and will directly lower the cost of producing drinking water from seawater by allowing the process to run at lower pump pressure.

Markets

Aquaporin focus markets are valued at EUR 49 BN. Based on the Aquaporin Inside® core technology, the company's RO and FO product ranges are currently targeted for application across four main market segments with higher growth rates. In addition, the company is exploring the market for medical devices.



Source: Global Water Intelligence 2017, Tech Sci Research 2017, LUX Research 2016 and Market and Markets 2018

Household water purifiers are mainly kitchen appliances producing clean water for the household. RO purifiers are the fastest growing type of household water purifier.

Food & Beverage processing covers concentration steps for liquids such as coffee, tea, dairy and juices as well as food ingredients. Membranes are a low-energy alternative to evaporation, thus producing high-quality concentrates.

Industrial & Municipal water treatment is the traditional water market containing industrial lines from 100 m³/day and up to municipal plants of more than 100,000 m³/day. Membrane treatment is regarded as advanced water treatment in this market and is especially used to generate clean process water for industry and to treat wastewater for reuse.

Desalination is the specialized market of mega-installations which generates potable water from seawater or brackish groundwater. Traditionally a large industry in the Middle East, desalination is expected to increase in importance everywhere within the next decade due to increasing water scarcity.

Aquaporin also explores opportunities for using its membranes in the **medical device (dialysis)** market. The primary applications are for a more sustainable dialysis treatment, portable and miniaturized devices and lowering detection limits in assays. These applications are being explored with dedicated partners.

Commercialization

Aquaporin works across very different market segments and employs a flexible commercialization strategy with three go-to-market approaches:

- Direct sales to customers (business to business)
- Distributors
- Strategic commercial partners

Direct sales
The company's TWRO and HFFO product lines are mainly sold directly to customers. In the TWRO market, Aquaporin focuses on large accounts with repeat sales once a membrane product is included in a purifier. Aquaporin works closely with its customers to realize the value of the company's unique selling points, and to ensure that the best service is delivered to the end-user. Forward Osmosis (HFFO) is a growing market where Aquaporin works directly with end-users to establish demonstration cases in order to build the market.

Distributors
We distribute our FO products mainly through an established network of trusted FO solution providers, to whom end-users are referred, when they need to scale up their systems. For these FO distributors, Aquaporin offers close technical support and joint marketing to support the customers sales efforts in their respective markets.

All of the company's RO products can be used in a wide range of smaller applications, and due to the size and diversity of those applications, they are best served through established distributors, who mostly operate nationally. Aquaporin cooperates with these to promote the Aquaporin inside® product portfolio alongside the distributors' other product offerings in order to optimize our market reach.

Strategic commercial partnerships
In market segments where commercially attractive partners operate, Aquaporin establishes strategic commercial partnerships. The medical devices segment and many parts of the Food & Beverages market are characterized by large market players and customer accounts with specific requirements where long-term strategic cooperation is important. In these partnerships, Aquaporin typically develops and produces the membrane, while the partner proves the value in the specific application and enjoys exclusive rights to the product.

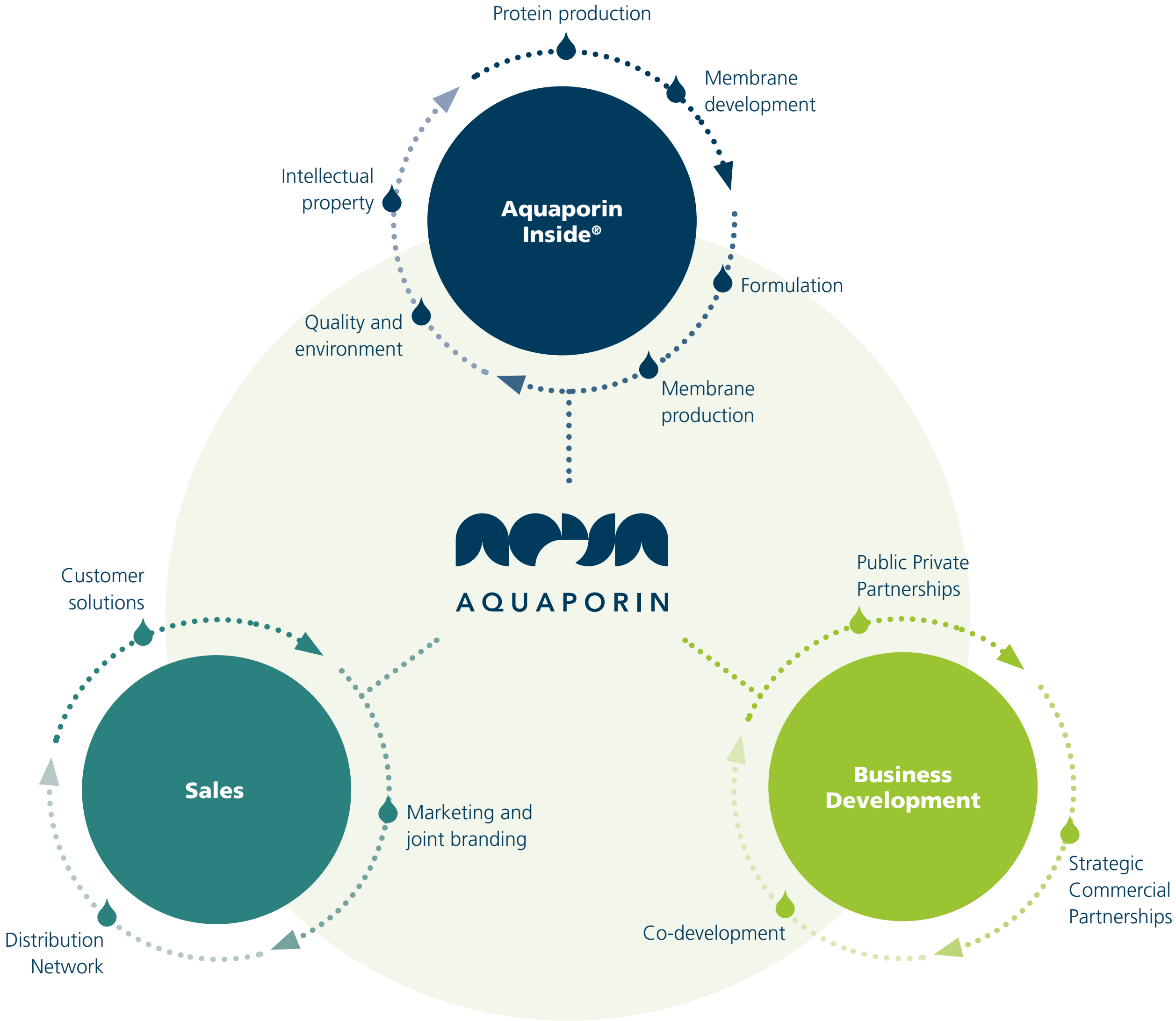
Illustration of selection of sales channel

Market example	Market characteristics	Preferred channel
Household Water Purifiers TWRO	Low barriers to entry Large accounts Repeat sales	Direct sales
Industrial & Municipal FO BWRO	Conservative market Project sales	Distribution
Food & Beverage FO BWRO	Regulatory and quality need Large solution providers Improving quality of products	Partnerships

Business model

Aquaporin Inside® encompasses our proprietary core technology, development and production. Our business model is based on maintaining full control of, and rights to, the Aquaporin Inside® core technology, formulation and production, and to take full responsibility for quality processes and environmental impacts.

Sales are either done directly or through distributors, and we offer our Aquaporin Inside® brand for collaborations with customer brands. Commercialization via partners typically involves business development cooperation with a longer time to market



Aquaporin Inside®

Protein production
The company's in-house production of the aquaporin protein marks the first time a membrane protein has been scaled up to industrial production.

Membrane development
As the first company in the world Aquaporin has scaled up biomimetic membrane production.

Formulation
The formulation platform secures the activity and stability of the protein and has a range of applications beyond aquaporins for water membranes.

Membrane production
Production is cost-efficient and scalable.

Quality and environment
Building on our Scandinavian heritage, we have a strong quality function and have achieved ISO9001 certification and NSF certification for our products for drinking water. We strive to be best-in-class in waste handling and mitigation of environmental impact.

Intellectual property
IP has been a cornerstone of Aquaporin since the company was founded. Today, the company has a strong global patent position with 20 families and 51 granted patents as well as registered trademarks in all major markets.

Business developement

Public Private Partnerships
We use publicly funded innovation projects as a core element in our development process. In our currently active projects we have budgets for Aquaporin in excess of DKK 30 million and have 58 industry and academic partners taking the Aquaporin Inside® technology towards commercialization.

Strategic Commercial Partnerships
We are in the process of building partnerships, entering licensing agreements, and executing on opportunities outside our core markets.

Co-development
To speed up implementation of our FO products in particular, we offer lab-scale proof-of-concept and pilot studies, and prove the value of our technology and products directly in the application.

Sales

Marketing and joint branding
We have strong digital marketing competencies and a broad reach in sales. We offer our Aquaporin Inside® brand for collaborations with customer brands and support our customers in telling the Aquaporin Inside® story to the end-users.

Distribution network
We work with both OEMs as resellers and with dedicated distributors, especially for the Industrial & Municipal water market. We currently have 10 distributors signed on and are continuously adding more.

Customer solutions
Aquaporin has broad and deep customer relations across our total addressable market. We work closely with our customers to align what we offer with their specific needs.

Financial review

The financial review is based on the Group's consolidated financial information for the year ended 31 December 2018.

DKK thousand	31 Dec. 2018	31 Dec. 2017	Net change	% change	Management's comments
Revenue	7,894	2,131	5,763	270.4%	Revenue in 2018 increased to DKK 7.9 million compared to DKK 2.1 million in 2017. The revenue from product sale accounted for DKK 1.6 million, an increase of DKK 1.1 million compared to 2017. The sale of forward osmosis products amounted to DKK 1.5 million (2017: DKK 0.6 million) and first sales of reverse osmosis products amounted to DKK 0.1 million (2017: DKK 0 million). Milestone payments amounted to DKK 6.3 million (2017: DKK 1.5 million). The driver behind this is the milestone payment received under a new strategic partnership agreement.
Operating cost	84,869	68,955	15,914	23.1%	Operating costs amounted to DKK 92.5 million of which DKK 7.6 million has been capitalized. In 2017 the operating costs amounted to DKK 76.3 million including capitalizations, an increase of DKK 16.2 million (21%).
Sales and distribution costs	16,784	12,723	4,061	31.9%	The increase was driven by a global expansion of the sales organization, with representatives located in North America and Europe.
Research and development costs	51,614	40,942	10,672	26.1%	Research and development costs including capitalized costs amounted to DKK 59.2 million compared to DKK 48.2 million in 2017, an increase of 23%. The increase was driven by optimization and final development of TWRO products and capitalized costs related to development of BWRO and HFFO products.
Administration costs	16,471	15,290	1,181	7.7%	The increase relates to strengthening of the administrative infrastructure to support the global expansion.
Net financials	3,006	1,947	1,059	54.4%	Net financial expenses amounted to DKK 3.0 million compared to DKK 1.9 million in 2017. The increase was primarily related to the impact from implementing IFRS 16.

DKK thousand	31 Dec. 2018	31 Dec. 2017	Net change	% change	Management's comments
Income tax	13,330	9,465	3,865	40.8%	There was no material change in income tax compared to 2017. Tax for the year includes a tax credit for research and development costs amounting to DKK 5.5 million in 2018 and DKK 5.5 million in 2017. The remaining tax benefit for the year was recognized as deferred tax asset.
Loss for the period	71,573	62,235	9,338	15.0%	Loss for the period amounted to DKK 71.6 million compared to DKK 62.2 million in 2017.
Balance Sheet					
Total non-current assets	233,889	167,209	66,680	39.9%	The main driver of the increase was an early adoption of IFRS 16, leading to recognition of Right-of-use assets of DKK 60.9 million. Intangible assets increased by DKK 5.2 million driven by an increase in development projects. Plant and Machinery decreased by DKK 3.7 million. Current and non-current tax assets increased with total of DKK 12.2 million and was a combination of deferred tax assets and tax receivables.
Cash	1,091	46,374	(45,283)	(97.6%)	At the end of the year, net cash and cash equivalents amounted to minus DKK 1.1 million (2017: DKK 46.4 million).
Equity	110,819	181,484	(70,665)	(38.9%)	The decrease in 2018 was primarily due to the negative result for the year of DKK 71.6 million.
Cash flow statement					
Cash flow from operating activities	(80,800)	(42,829)	(37,971)	(88,7%)	Cash flow from operating activities amounted to minus DKK 80.8 million compared to minus 42.8 million in 2017. The change was primarily due to increased loss for the period partly offset by non-cash items.
Cash flow from investing activities	(14,091)	(14,856)	765	5.1%	Cash flow from investing activities was an outflow of DKK 14.1 million compared to DKK 14.9 million in 2017. The investment activities in non-current assets in 2018 were slightly lower compared to 2017, however an additional capital increase of DKK 3.3 million in the associated company Aquapoten was completed in 2018.
Net cash flow for the year	(45,283)	(22,970)	(22,313)	(97.1%)	Net cash flow for the year amounted to minus DKK 45.3 million compared to minus DKK 23.0 million. The total net decrease in cash and cash equivalents of DKK 94.9 million is a result of the operation activities and investment activities. A credit facility of DKK 50 million has been established of which DKK 49.6 million was drawn December 31. In January 2019 a capital increase of DKK 71.5 million was completed.

Corporate matters

Risk management

Our risk management approach reduces uncertainties as our activities grow and facilitates 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
As we grow our business, we continue to systematically manage the risks inherent to our business activities to reduce the likelihood of them materializing and thus limit the potential impact to an acceptable level.

Central to our risk management strategy is a recurrent and structured analysis and reporting process with clear responsibilities related to management, communication and handling of identified risks.

The Board of Directors has 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 a continuous development of the risk management activities to ensure a proactive approach to potential risks.

Risk management process
Each quarter all departments within the Group are involved in performing a bottom-up risk analysis and reporting process, in which a number of gross risks are identified. Subsequently, each risk and the current or planned risk mitigating actions are described. Every quarter, the gross risks and accompanying mitigation actions are presented to the Audit Committee, which discusses whether the risk situation is acceptable and, if not, decides on further mitigating actions.

The process of identifying, handling and reporting risks are continuously addressed by the Audit Committee, to ensure that the underlying risk identification method is appropriate and reflects the actual risk picture.

Customers
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 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 emergency situations, such as lack of or poor access to raw materials. To secure the supply chain, Aquaporin has a preventative approach to inventory management, including build-up of contingency inventories of critical raw materials to secure an unbroken chain of production and supply. The highest product safety is ensured through an extensive quality assurance program covering the entire value chain, i.e. from sourcing to delivery of finished products to customers.

Production and manufacturing processes, internally as well as externally, 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 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
The company 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 more than 51 patents granted or pending.

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.

Financial risks
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 sensitivity on earnings of 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 laid down in the Rules of Procedure. The two entities are separate, 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 have ultimate authority over Aquaporin and exercise their right to 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, Livsforsikrings-aktieselskab
- InterChina Water Treatment Hong Kong Company Ltd.

Board of Directors

The Board of Directors currently consists of nine shareholder-elected members, of which five are independent according to 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 assessing 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.

The Board of Directors has established an Audit Committee, a Remuneration Committee, and a Nomination Committee, all of which came into effect in June 2018.

Audit Committee

The Audit Committee assists the Board of Directors in handling accounting and audit matters that by decision of the Board or the Audit Committee require a more thorough evaluation. Among its duties are supervision of the Company's financial reporting and the Group's external auditors, and assessment of the internal controls and risk management systems of the Group. The Audit Committee met twice in 2018.

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 once in 2018.

Nomination Committee

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

Executive Management
The Executive Management consists of the CEO and CFO, and is appointed by the Board of Directors. It 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 on 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 vision is to become the world-leading company in developing membranes for water treatment. However, the company's ambitions go beyond its own markets and products. The management firmly believes that companies have a greater part to play in terms of ensuring peace and prosperity for the planet and its people for generations to come. That is why the company has chosen the UN's Sustainable Development Goals as the theme of the annual report. Aquaporin is contributing towards achieving the Sustainable Development Goals where possible and feasible.

Corporate Social Responsibility
Taking responsibility for the world in which the company operates is an integrated and key part of the company's business model. Aquaporin's products and technologies aim directly at contributing to saving clean water, improving access to drinking water in areas with scarce fresh water resources and sustainable water management - all in line with the Sustainable Development Goal no. 6 to ensure availability and sustainable management of water and sanitation for all. As such, Aquaporin works directly to immediately improve the lives of people around the world while also contributing to saving the planet for future generations.

Contributing in one area, such as the environment, should not happen at the detriment of other areas. To aide us, Aquaporin is guided by The Ten Principles of the UN Global Compact, which enables the company to operate in ways that meet fundamental responsibilities in areas of human rights, labor, environment and anti-corruption. Aquaporin expects suppliers to adhere to the same standards expressed in the company's supplier code of conduct. Aquaporin will perform regular audits to ensure, that suppliers understand and respect its standards.

Aquaporin strongly believes that sustainable solutions require technological innovation and entrepreneurship. That is why the company has established Aquaporin Garage. It is an initiative that offers small pioneering start-up companies office space at Aquaporin's headquarter in Denmark, thus providing them with access to the company's competencies and experiences and the possibility of interacting with like-minded innovative start-ups.

Diversity
The key to Aquaporin's success is an open mindset with an innovative drive, coupled with a common company culture that supports a dynamic interaction across functions and cultural backgrounds. A close collaboration with joint venture companies and international projects leads to a natural ethnic diversity, which is believed by management to contribute to achieving better business results. But Aquaporin also strives for a diverse work force to enhance innovation, to increase employees ability to work cross-culturally and to give them a better understanding of the communities in which they operate.

Through Aquaporin Art, the company provides exhibition space in collaboration with a Danish artistic, curatorial and research collective. The initiative is aimed at inspiring visitors and employees to be open minded and seeing their daily work in a new perspective.

When hiring people, it is the company's policy to get the right candidate for the job, regardless of gender, nationality, age, sexuality, culture, etc. In doing so the company wants to ensure an optimal gender representation at management levels and in the organization as a whole. Aquaporin employs 21 different nationalities, with around 45% of our employees being non-Danish. The gender split in the organization is 63% male and 37% female. The percentage of female and non-Danes in key positions (Board of Directors, Executive Management and key employees) is 22% female and 39% 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.

Human Resources

The company is founded on core values that guide how Aquaporin wants to create value for all:

- Sustainability
- Pioneering
- Excellence
- Influence
- Grow
- Pride
- Open-mindedness

Aquaporin feels responsible for the well-being of our employees. We want to be an open and flexible workplace where the individual employee thrives and can develop and grow. We believe in the importance of our employees having a good work-life balance, and we want to support our employees in having a healthy and active lifestyle. At the end of 2018, we were 94 employees.

Aquaporin Academy offers students a unique opportunity to become part of Aquaporin's development through a strong collaboration between the student and the Company through study-relevant projects. Throughout the years, the Academy has supported scientific and business-related projects benefitting both the student and Aquaporin. The industrial setting and real study cases combined with the innovative mind-set and knowledge that the students bring, is what continues to make Aquaporin Academy a success for all parties.

Board of Directors

Niels Heering
Chairman

Independent No
Nationality Danish
First elected 2015
Year of birth 1955

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. Chairman of the Boards of Civ.ing. N.T. Rasmussens Fond, NTR Holding A/S*, Nesdu A/S, Henning Stæhr A/S, M. Goldschmidt Holding A/S, Wama Consult ApS, Aborethusene AS and Danish Aerospace Company ApS. Deputy Chairman of the Boards of 15. Juni Fonden, BI Management A/S and Investeringsforeningen BankInvest. Member of the Boards of Kapitalforeningen Nykredit Private Banking Elite, Lise og Valdemar Káhlers Familiefond, Ole Mathiesen A/S, Scandinavian Private Equity A/S*, Slotshotellet ApS and StandbyCo I ApS (Helgstrand Dressage).

*Listed company

Søren Bjørn Hansen
Deputy Chairman

Independent No
Nationality Danish
First elected 2007
Year of birth 1972

Member of the Nomination- & Remuneration Committee of Aquaporin A/S

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

Anne Broeng
Member

Independent Yes
Nationality Danish
First elected 2018
Year of birth 1961

Chairman of the Audit Committee of Aquaporin A/S

M.Sc. Economics. Chairman of the Board of Velliv. Member of the Boards of NNIT, VKR Holding A/S and Velux A/S, ATP, IFU, NASDAQ Nordic OY, Bikubenfonden, Kollegiefonden Bikuben and Købmand Ferdinand Sallings Fond.

Lars Christian Hansen
Member

Independent Yes
Nationality Danish
First elected 2015
Year of birth 1967

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.

Weiming Jiang
Member

Independent Yes
Nationality Chinese
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 and President of DSM China Ltd. Deputy Chairman of the board of China Business Council for Sustainable Development (CBCSD)

Jens Denkov
Member

Independent	Nationality
No	Danish
First elected	**Year of birth**
2019	1981

M.Sc. in Economics. Chief Investment Director at Danica Pension & Danske Bank.

Michael Frank
Member

Independent	Nationality
Yes	Danish
First elected	**Year of birth**
2007	1963

M.Sc. Finance. Investment Director at Syddansk Innovation A/S. Chairman of the Board of Ceko Sensors ApS. Member of the Boards of MedTrace A/S, Shape Robotics ApS, Terranol A/S, Farmdroid ApS and Dosesystem ApS.

Lei Zhang
Member

Independent	Nationality
No	Chinese
First elected	**Year of birth**
2014	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.

Cai Jianwen
Member

Independent	Nationality
Yes	Chinese
First elected	**Year of birth**
2014	1974

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

*Listed company

Executive Management

Peter Holme Jensen
Chief Executive Officer (CEO)

Nationality	Year of birth
Danish	1970

M.Sc. / Ph.D. Structural Protein Chemistry. Has an extensive scientific and industrial network. Co-founded three other companies within pharma and biotech.

Chairman of the Board of Aquaporin Asia Pte. Ltd. Deputy Chairman of the Board of Aquapoten Co Ltd., China. Member of the Board of Aquaporin Space Alliance ApS.

Bo Karmark
Chief Financial Officer (CFO)

Nationality	Year of birth
Danish	1965

M.Sc. Business Administration and Audit. Brings more than 25 years of experience from multinational companies within production, pharma and biotech industries.

Member of the Boards of Aquaporin Asia Pte. Ltd., Aquaporin US Inc. and Zgene A/S.

Financial statements

Consolidated financial statements

Consolidated statement of profit and loss

DKK thousand	Note	**2018**	2017
Net revenue	3	7,894	2,131
Cost of goods sold		(185)	(348)
Gross profit		**7,709**	**1,783**
Sales and distribution costs	4,5,6	(16,784)	(12,723)
Research and development costs	4,5,6	(51,614)	(40,942)
Administrative costs	4,5,6	(16,471)	(15,290)
Other operating income		-	2,812
Operating profit		**(77,160)**	**(64,360)**
Share of net loss of associates	12	(4,737)	(5,393)
Finance income	7	157	78
Finance costs	8	(3,163)	(2,025)
Loss before income tax		**(84,903)**	**(71,700)**
Income tax benefit	9	13,330	9,465
Loss for the period		**(71,573)**	**(62,235)**
Loss is attributable to			
Owners of Aquaporin A/S		(70,744)	(60,647)
Non-controlling interests		(829)	(1,588)
		(71,573)	**(62,235)**

Consolidated statement of comprehensive income

DKK thousand	Note	**2018**	2017
Loss for the period		(71,573)	(62,235)
Other comprehensive income			
Items that can be reclassified to profit and loss:			
Exchange differences regarding foreign operations		(2)	(280)
Other comprehensive income for the period, net of tax		**(2)**	**(280)**
Total comprehensive income (loss) for the period		(71,575)	(62,515)
Total comprehensive income for the period is attributable to:			
Owners of Aquaporin A/S		(70,704)	(57,991)
Non-controlling interests		(871)	(4,524)
		(71,575)	**(62,515)**

Consolidated balance sheet
Assets at 31 december

DKK thousand	Note	**2018**	2017
Knowhow	10	2,899	2,899
Development projects	10	66,418	61,195
Intangible assets		**69,317**	**64,094**
Plant and Machinery	11	54,197	57,927
Right-of-use assets	11	60,906	-
Other equipment	11	3,601	3,949
Leasehold improvements	11	20,043	20,701
Tangible assets		**138,747**	**82,577**
Investments in associates	12	4,501	5,918
Financial assets		**4,501**	**5,918**
Deposits		2,052	2,015
Deferred tax assets	13	19,272	12,605
Other non-current assets		**21,324**	**14,620**
Total non-current assets		**233,889**	**167,209**
Inventories	14	13,035	2,915
Receivables from associated and joint ventures		326	-
Trade receivables		224	394
Other receivables		6,473	3,587
Income tax receivable		11,004	5,500
Prepayments		1,182	585
Total current assets		**32,244**	**12,981**
Cash and cash equivalents		**1,091**	**46,374**
Total current assets		**33,335**	**59,355**
Total assets		**267,224**	**226,564**

Consolidated balance sheet
Equity and liabilities at 31 december

DKK thousand	Note	**2018**	2017
Share capital	15	6,969	6,944
Retained earnings		73,950	155,769
Reserve for exchange rate transactions		583	543
Reserve for share based payments		9,093	9,432
Other reserves		20,224	13,117
Capital and reserves attributable to owners of Aquaporin A/S		**110,819**	**185,805**
Non-controlling interests		-	(4,321)
Total equity		**110,819**	**181,484**
Lease liability	16	59,261	-
Total non-current liabilities		**59,261**	**-**
Lease liability	16	3,336	-
Trade payables		7,262	9,652
Other payables		8,413	7,210
Deferred income		28,525	28,218
Borrowings		49,608	-
Total current liabilities		**97,144**	**45,080**
Total liabilities		**156,405**	**45,080**
Total equity and liabilities		**267,224**	**226,564**
Contingent liabilities	17		
Events after the balance sheet date	19		

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	Aquaporin A/S total	Non-controlling interests	Total equity
Balance at 31.12.2016	**6,604**	**187,944**	**135**	**5,840**	**4,966**	**205,489**	**203**	**205,692**
Profit for the period	-	(60,647)	-	-	-	(60,647)	(1,588)	(62,235)
Capitalized development costs	-	(8,151)			8,151	-	-	-
Other comprehensive income	-	2,248	408	-	-	2,656	(2,936)	(280)
Total comprehensive income for the period	**-**	**(66,550)**	**408**	**-**	**8,151**	**(57,991)**	**(4,524)**	**(62,515)**
Transactions with owners in their capacity as owners								
Increase in share capital	340	34,375	-	-	-	34,715	-	34,715
Share based payment	-	-	-	3,592	-	3,592	-	3,592
Balance at 31.12.2017	**6,944**	**155,769**	**543**	**9,432**	**13,117**	**185,805**	**(4,321)**	**181,484**
Aquisition of minority in Aquaporin Membrane Protein ApS	-	1,249	-	-	-	1,249	-	1,249
Balance at 31.12.2017 hereafter	**6,944**	**157,018**	**543**	**9,432**	**13,117**	**187,054**	**(4,321)**	**182,733**
Profit for the period	-	(70,744)	-	-	-	(70,744)	(829)	(71,573)
Capitalized development costs	-	(7,107)	-	-	7,107	-	-	-
Other comprehensive income	-	-	40	-	-	40	(42)	(2)
Total comprehensive income for the period	**-**	**(77,851)**	**40**	**-**	**7,107**	**(70,704)**	**(871)**	**(71,575)**
Transactions with owners in their capacity as owners								
Increase in share capital	25	2,972	-	-	-	2,997	-	2,997
Share-based payment	-	-	-	(339)	-	(339)	-	(339)
Purchase of ownership interests subject to non-controlling interests	-	(8,189)	-	-	-	(8,189)	5,192	(2,997)
Balance at 31.12.2018	**6,969**	**73,950**	**583**	**9,093**	**20,224**	**110,819**	**-**	**110,819**

Consolidated Cash flow statement for the year ended 31 december

DKK thousand	Note	**2018**	2017
Profit before tax		(84,903)	(71,700)
Reversal of financial items		3,006	1,947
Depreciations and amortizations		14,997	4,521
Non-cash items		(1,220)	14,396
Change in net working capital	20	(11,624)	3,564
Cash flows from primary operating activities		(79,744)	(47,272)
Received interests and other financial income		14	44
Paid interests and other financial expenses		(1,070)	(461)
Received tax		-	4,860
Cash flow from operating activities		**(80,800)**	**(42,829)**
Investments in non-current assets		(10,704)	(14,770)
Investment in associates		(3,326)	-
Deposits		(61)	(86)
Cash flow from investing activities		**(14,091)**	**(14,856)**
Proceeds from loans		49,608	-
Capital injections		-	34,715
Cash flow from financing activities		**49,608**	**34,715**
Net cash flow for the year		**(45,283)**	**(22,970)**
Cash and cash equivalents, beginning of the year		46,374	69,344
Cash and cash equivalents, end of the year		**1,091**	**46,374**

Notes to the consolidated financial statements

Notes to the consolidated financial statements

1. 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).

Impact of new accounting standards

The Aquaporin Group has implemented all new and amended standards and interpretations which are effective for the financial year 2018. In addition, IFRS 16 is early adopted in 2018 which leads to material adjustments on the balance sheet. Comparative figures are not adjusted when implementing new standards.

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.

New and amended standards adopted by the group

The group has applied the following standards and amendments for the first time for the annual report with period beginning 1 January 2018:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from contracts with customers
- IFRS 16 Leases

IFRS 9 and IFRS 15 did not lead to any retrospective adjustments mainly because revenue from sale, and thereby debtors, in previous annual reports have been immaterial. However, the group has pre-implemented IFRS 16 which leads to material changes on the balance sheet. This is not adjusted retrospectively.

Impact of implementation of IFRS 16

The group has implemented an early adoption of IFRS 16 in the annual report 2018. Comparative figures have not been restated. Therefore, a right-of-use asset of DKK 65.6 million as well as a lease libility of the same amount are recognized per 1 January 2018. The lease liability has been calculated at the same interest rate as on external loans.

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.

Purchase of shares in subsidiaries from non-controlling interests are recognised in equity.

Translation from functional currency to presentation currency

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

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

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

Translations and transactions

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

Exchange rate 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 rate 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.

Notes to the consolidated financial statements

1. Accounting policies (continued)

Government grants

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

Grants are recognized as deferred income 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).

Revenue

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

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

The revenue derives primarily from transfer of goods and milestones over time and at point in time. The main product lines consist of reversed osmosis membrane products and forward osmosis membrane products. This split reflects management's view and is in line with internal reporting.

Sale of products

Revenue from the 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. Normal payment term of the transaction is due within 15 days from invoice date, why there is no financing elements in the contracts. Price is fixed. Warrant obligation covers a period of 12 months or shelf life of the objects whichever period expires first. Liability is recognized on behalf of this warrant.

Milestones

Revenue from milestones are recognized accordance to the milestone agreement, which can either be at a specific point in time or over time depending on the requirements and obligations attached. The continuous transfer of control is reflected in the customers' obligation to pay for the performed work when the milestone is met.

Annual milestone fees are recognized over time accordance to the timeframe of the agreement. The revenue is recognized based on the price specified in the contract. The contract contains no financial elements. Normal payment terms are 15 days from invoicing date.

Cost of sales

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

Other operating income and expenses

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

Financial income and expenses

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

Income tax and deferred tax

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

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

Notes to the consolidated financial statements

1. Accounting policies (continued)

Deferred tax assets arising from temporary deductible differences and tax losses carried forward are recognized when it is 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.

Intangible assets

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

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

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

- Development projects: 10 years

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

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.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment charges. Property, plant and equipment in progress are measured at cost. Cost comprises expenses for materials, other expenses directly related to making the asset ready for use and reestablishment expenses, provided that a corresponding provision is made at the same time. The useful lives of the individual groups of assets are estimated as follows:

• Plant and Machinery:	4 - 20 years
• Right-of-use asset (buildings):	2 - 20 years
• Right-of-use asset (Other equipment):	2 - 8 years
• Other equipment:	3 - 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 not recognized on the balance sheet, but are recognized in profit and loss.

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 asset are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Investments in associates

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

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

Inventories

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

Notes to the consolidated financial statements

1. Accounting policies (continued)

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.

Trade receivables

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

Provisions

Provisions are recognized when, as a consequence of an event occurring on or before the balance sheet date, the Group has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation. The obligation is measured on the basis of Management's best estimate of the discounted amount at which the obligation is expected to be met.

Financial assets and liabilities

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

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

Cash flow statement

The cash flow statement is prepared in accordance with the indirect method on the basis of the Group's profit befor 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 asset, associates and joint arrangements. Cash flow from financing activities include cash flows from capital injections.

Share-based payment

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

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

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

2. Significant accounting estimates

In preparing the Consolidated Financial Statements, Management makes various accounting estimates and assumptions, which form the basis of presentation, recognition and measurement of the Group's assets and liabilities. The most significant accounting estimates and judgments are presented below.

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

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

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 30.4 million at 31 December 2018 (2017: DKK 61.2 million).
See note 10 for further information on assumptions applied.

Utilization of deferred tax assets are dependant on future taxable profit. Management has considered budgets and business plans when evaluating recognition of deferred tax assets and finds that there is convincing evidence that sufficient taxable profit will be available against which the deferred tax assets can be utilized. Recognized deferred tax assets amount to DKK 19.3 million at 31 December 2018 (2017: DKK 12.6 million).

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

DKK thousand	Note	2018	2017
3. Net revenue			
Reverse osmosis products		115	49
Forward osmosis products		1,490	615
Milestone payment		6,289	1,467
		7,894	**2,131**
Over time		2,545	1,467
At point in time		5,349	664
		7,894	**2,131**
4. Staff costs			
Salaries		40,515	33,941
Pension costs, defined contribution plans		147	21
Other expenses to social security		873	709
Share-based payments (Note 5)		(339)	3,590
Indirect production salaries		(3,610)	-
Capitalized salaries		(6,591)	(2,413)
		30,995	**35,848**
Average number of full time employees		73	65
Included in the Income statement:			
Sales and distribution costs		7,081	7,744
Research and development costs		24,349	21,640
Administrative costs		9,766	8,877
Indirect production salaries		(3,610)	-
Capitalized salaries		(6,591)	(2,431)
		30,995	**35,848**

DKK thousand	Note	2018	2017
4. Staff costs (continued)			
Remuneration to Board of Directors			
Fixed base fee			
Niels Thomas Heering		-	-
Søren Bjørn Hansen		-	-
Lars Christian Hansen		100	100
Lei Zhang		-	-
Jianwen Cai		-	-
Anne Broeng*		-	-
Weiming Jiang*		-	-
Torsten Freltoft**		100	100
Jens Frederik Lage Hansen**		100	100
Michael Frank		-	-
		300	300
Share-based incentive (Note 5)			
Lars Christian Hansen		69	242
Torsten Freltoft**		-	122
Jens Frederik Lage Hansen**		-	437
		69	801
		369	**1,101**

* Since March 2018
** Until March 2018

Notes to the consolidated financial statements

4. Staff costs (continued)

Remuneration to Executive Board

DKK thousand	2018				
	Fixed base salary	Bonus	Benefits	Share based incentive	Total
Executive Board					
Peter Holme Jensen	1,980	-	135	-	2,115
Bo Karmark	1,500	35	97	69	1,701
Thomas Christian Beck*	1,500	29	100	69	1,698
Claus Helix-Nielsen**	230	29	29	-	288
	5,210	**93**	**361**	**138**	**5,802**

DKK thousand	2017				
	Fixed base salary	Bonus	Benefits	Share based incentive	Total
Executive Board					
Peter Holme Jensen	1,380	-	106	-	1,486
Bo Karmark	1,370	65	30	242	1,707
Thomas Christian Beck*	1,291	29	76	242	1,638
Claus Helix-Nielsen**	1,190	92	75	242	1,599
	5,231	**186**	**287**	**726**	**6,430**

* Until March 2019
** Until March 2018

5. Share-based payments

Aquaporin A/S has established a warrant program for management and certain key employees. The warrant program comprises a total of 542,581 warrants at 31 December 2018 (558,413 warrants at 31 December 2017). Each warrant gives the holder right to buy one ordinary share af nominally 1 DKK in Aquaporin A/S. The outstanding warrants amount to 7% of the share capital if they are all exercised (7% at 31 December 2017).

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

In 2012 and 2014, 414,000 warrants were granted with an exercise price of DKK 20 per warrant. They are immediately exercisable, but the exercise is subject to the emloyee still being employed at the time of exercise. There are no other conditions for vesting or exercise.

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

In 2016, 150,000 warrants were granted with an exercise price of DKK 120 per warrant. The warrants can be exercised between 3 and 5 years from the date of the board resolution, but the exercise is subject to the employee still being employed at the time of exercise. There are no other conditions for vesting or exercise.

In 2017, 11,270 warrants were granted with an exercise price of DKK 120 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.

In 2018, 10,000 warrants were granted with an exercise price of DKK 120 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.

Notes to the consolidated financial statements

5. Share-based payments (continued)

Specification of outstanding warrants

	Number
Outstanding 1 January 2017	564,000
Granted	11,270
Forfeited	(16,857)
Outstanding 31 December 2017	558,413
Granted	10,000
Forfeited	(25,832)
Outstanding 31 December 2018	**542,581**

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

	2018			2017		
	01.01	Change during the year	31.12	01.01	Change during the year	31.12
Shareholdings						
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
Torsten Freltoft*	32,337	-	32,337	30,000	2,337	32,337
Jens Frederik Lage Hansen*	63,343	-	63,343	55,000	8,343	63,343
Peter Holme Jensen	135,001	-	135,001	125,000	10,001	135,001
Bo Karmark	4,171	-	4,171	4,171	-	4,171
Thomas Christian Beck **	6,257	-	6,257	6,257	-	6,257
Claus Helix-Nielsen*	13,001	-	13,001	3,000	10,001	13,001
Warrants						
Lars Christian Hansen	15,000	-	15,000	15,000	-	15,000
Torsten Freltoft*	2,337	-	2,337	-	2,337	2,337
Jens Frederik Lage Hansen*	8,343	-	8,343	-	8,343	8,343
Peter Holme Jensen	325,000	-	325,000	325,000	-	325,000
Bo Karmark	15,000	-	15,000	15,000	-	15,000
Thomas Christian Beck**	15,000	-	15,000	15,000	-	15,000
Claus Helix-Nielsen*	37,000	(15,000)	22,000	37,000	-	37,000

* Until March 2018
** Until March 2019

For outstanding warrants at 31 December 2018 the average remaining life is 2.3 years (2017: 3.3 years). The average exercise price is DKK 45 (2017: DKK 47).

In 2018 the recognized expense related to share-based payments amount to DKK (337) thousand (2017: DKK 3,590 thousand).

5. Share-based payments (continued)

Fair value of each warrant granted in 2018 was DKK 40 (2017: DKK 34). The value was calculated using the Black-Scholes option valuation model. The following assumptions were made at the grant in 2018:

The following assumptions were made at the grant in 2018:

Share price:	120 DKK
Expected volatility:	50%
Expected life:	3 years
Expected dividend:	0%
Risk free interest rate:	-0.29%

Fair value of the shares granted in 2018 was determined to be equal to the share price paid by the new investors at the capital increase in January 2019. The expected volatility was determined as the observable volatility for the expected life of the warrants for a peer group of listed companies.

The following assumptions were made at the grant in 2017:

Share price:	120 DKK
Expected volatility:	42%
Expected life:	3 years
Expected dividend:	0%
Risk free interest rate:	-0.24%

Fair value of the shares granted in 2017 was determined to be equal to the share price paid by the new investors at the capital increase in October 2017. 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 the Company 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 2016, all of the warrants issued were outstanding. The outstanding warrants amount to 2% of the share capital if they are all exercised (2% at 31 December 2017).

Certain shareholders were granted 261,675 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 2018, all of the warrants issued were outstanding. The outstanding warrants amount to 4% of the share capital if they are all exercised (4% at 31 December 2017).

The warrants are classified as equity instruments.

DKK thousand	**2018**	2017
6. Depreciations and amortizations		
Sales and distribution costs	1,839	430
Research and development costs	11,417	3,410
Administrative costs	1,741	680
Total depreciations and amortizations	**14,997**	**4,520**

Notes to the consolidated financial statements

DKK thousand	2018	2017
7. Financial income		
Interest income, banks	14	44
Exchange rate adjustments	143	34
	157	**78**
8. Financial expenses		
Interest expenses, banks	452	-
Interest expenses, right of use assets	2,065	-
Exchange rate adjustments	28	461
Other financial expenses, including bank fees	618	1,564
	3,163	**2,025**

	2018 DKK thousand	2018 %	2017 DKK thousand	2017 %
9. Tax on profit for the year				
Profit before tax	(84,903)	22%	(71,700)	22%
Calculated 22% (2017: 22%) of profit before tax	18,679	22%	15,774	22%
Tax effect of:				
Regulation of calculated tax in foreign affiliated companies in relation to 22% (2017: 22%)	(2,217)	-3%	(1,747)	-2.4%
Non-deductable expenses	(872)	-1.0%	(3,213)	-4.5%
Adjustments regarding previous years	(2,047)	-2.4%	548	0.8%
Withholding taxes	(182)	-0.2%	(421)	-0.6%
Other corrections	(31)	0.0%	(1,476)	-2.1%
Tax on profit/loss for the year	**13,330**	**15.7%**	**9,465**	**13.2%**

DKK thousand	Know how	Finished development projects	Development projects in progress	Total
10. Other intangible assets				
Cost price at 1 January 2018	2,899	-	61,195	64,094
Additions during the year	-	-	7,641	7,641
Transfer	-	38,465	(38,465)	-
Purchase price at 31 December 2018	**2,899**	**38,465**	**30,371**	**71,735**
Amortizations at 1 January 2018	-	-	-	-
Amortizations	-	2,418	-	2,418
Amortizations at 31 December 2018	**-**	**2,418**	**-**	**2,418**
Carrying amount 31 December 2018	**2,899**	**36,047**	**30,371**	**69,317**
Cost price at 1 January 2017	2,899	-	53,910	56,809
Additions during the year	-	-	7,285	7,285
Purchase price at 31 December 2017	2,899	-	61,195	64,094
Carrying amount 31 December 2017	**2,899**	**-**	**61,195**	**64,094**

Notes to the consolidated financial statements

10. Other intangible assets (continued)

Material intangible assets:
Development projects in progress (DKK 30.4 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 15% is used as discount factor. The impaiment 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 2018 there has been transfered DKK 38.5 million to finished development projects and amortization of these projects have started. Amortization period is 10 years due to the unique character of the product.

DKK thousand	Plant and machinery	Right-of-use assets	Other equip-ment	Leasehold improve-ments	Total
11. Property, plant and equipment					
Purchase price at 1 January 2018	60,741	-	7,982	24,462	93,185
Exchange rates	115	-	10	18	143
Additions during the year	1,256	65,616	1,149	657	68,678
Purchase price at 31 December 2018	**62,112**	**65,616**	**9,141**	**25,137**	**162,006**
Depreciations at 1 January 2018	2,814	-	4,033	3,761	10,608
Exchange rates	30	-	4	7	41
Depreciations	5,071	4,710	1,503	1,326	12,610
Depreciations at 31 December 2018	7,915	4,710	5,540	5,094	23,259
Carrying amount 31 December 2018	**54,197**	**60,906**	**3,601**	**20,043**	**138,747**
Purchase price at 1 January 2017	55,109	-	7,122	23,492	85,723
Exchange rates	(77)	-	(8)	(14)	(99)
Additions during the year	5,709	-	868	984	7,561
Purchase price at 31 December 2017	**60,741**	**-**	**7,982**	**24,462**	**93,186**
Depreciations at 1 January 2017	1,492	-	3,005	1,613	6,110
Exchange rates	(7)	-	(1)	(14)	(22)
Depreciations	1,329	-	1,029	2,162	4,520
Depreciations at 31 December 2017	**2,814**	**-**	**4,033**	**3,761**	**10,608**
Carrying amount 31 December 2017	**57,927**	**-**	**3,949**	**20,701**	**82,577**

Notes to the consolidated financial statements

DKK thousand	2018	2017
12. Investments in associates		
Purchase price at 1 January	23,353	23,353
Additions during the year	3,326	-
Purchase price at 31 December	**26,679**	**23,353**
Accumulated write-ups and write-downs at 1 January	(17,435)	(10,256)
Unrealised gain on sale of assets from Aquaporin	398	869
Share of result after tax	(5,136)	(7,246)
Exchange rate adjustments	(5)	(802)
Accumulated write-ups and write-downs at 31 December	**(22,178)**	**(17,435)**
Carrying amount 31 December	**4,501**	**5,918**

Investments in associates includes:

DKK thousand	31.12.2018			31.12.2017		
	Aquapoten Company Limited	Aquaporin Space Alliance ApS	Total	Aquapoten Company Limited	Aquaporin Space Alliance ApS	Total
Country	China	Denmark			China	Denmark
Ownership share	45%	50%			45%	50%
Share of equity 31 December	**6,605**	**59**	**6,664**	9,070	33	9,102
Share of intangible assets related to IP-transfer at 1 January	(3,184)	-	(3,184)	(4,053)	-	(4,053)
Reversal of share of depreciation of intangilbe assets related to IP-transfer in 2016 during the year	416	-	416	869	-	869
Additional paid-in capital	605	-	605	-	-	-
Share of intangible assets related to IP-transfer at 31 December	**(2,163)**	**-**	**(2,163)**	**(3,184)**	**-**	**(3,184)**
Carrying amount 31 December	**4,442**	**59**	**4,501**	**5,886**	**33**	**5,918**

Summarised financial information for included associates:

DKK thousand	2018		2017	
	Aquapoten Company Limited	Aquaporin Space Alliance ApS	Aquapoten Company Limited	Aquaporin Space Alliance ApS
Country	China	Denmark	China	Denmark
Ownership share	45%	50%	45%	50%
Comprehensive income				
Net revenue	106	68	73	6
(Loss)/profit for the period	(11,470)	52	(14,820)	4
Balance sheet				
Total non-current assets	11,031	1	12,495	2
Total current assets	4,597	152	8,726	68
Total liabilities	(951)	(35)	(1,068)	(5)
Total equity	**14,677**	**118**	**20,153**	**65**

DKK thousand	2018	2017
13. Deferred tax		
Deferred tax at 31 December	19,272	12,605
Intangible assets	(8,322)	(8,069)
Property, plant and equipment	(10,665)	837
Current assets	866	-
Provisions	-	751
Lease liability	13,415	-
Tax loss carryforwards	23,978	19,086
	19,272	**12,605**

Notes to the consolidated financial statements

	2018	2017
14. Inventories		
Raw material and consumables	2,839	2,915
Goods in progress	1,008	-
Finished goods	9,188	-
	13,035	**2,915**
Write-down on inventories, 31 December	923	-

15. Share capital

The share capital comprise 6,969,277 shares of a nominal value of DKK 1 each. No shares carry any special rights.

16. Lease liability

DKK thousand	2018
Within one year from the balance sheet date	3,336
Between one and five years from the balance sheet date	13,545
After five years from the balance sheet date	45,716
	62,597

Operation lease commitments disclosed at 31 December 2017:	103,967
Discounted using the group's external borrowing rate	(21,798)
Short-term leases	(495)
Contract reassessed as service agreements	(19,421)
New lease agreement	3,363
Lease liability recognized at 1 January 2018	**65,616**

Right-of-use assets are measured at the amount equal to lease liability.

17. Commitments and contingent liabilities

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

18. Financial risks

General risk management

Due to its activities, the Group is exposed to various financial risks, including foreign exchange, interest, liquidity and credit risks. The Group manages the risks centrally and follows the policies approved by the Board of Directors. The 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 7.0 million (2017: DKK 4.0 million). Maximum exposure corresponds to the carrying amount.

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

Foreign exchange risks

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

Interest rate risk

The Group's credit facility carry a fixed 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 realised cash flow. To cover the short term liquidity need, a credit facility has been established of DKK 50 million. The credit facility has been utilized in 2018.

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 2018, the Group is partly financed by a credit facility of DKK 50 million.

To cover future liquidity needs a capital increase of DKK 71.5 million was completed in January 2019.

Notes to the consolidated financial statements

18. Financial risks (continued)

DKK thousand	0-1 year	1-5 years	>5 years	Total	Carrying amount
31 December 2018					
Trade and other receivables	7,023	-	-	7,023	7,023
	7,023	**-**	**-**	**7,023**	**7,023**
Lease liability	5,309	21,994	55,454	82,757	62,597
Trade and other payables	15,675	-	-	15,675	15,675
Short-term borrowings	51,171	-	-	51,171	49,608
	72,155	**21,994**	**55,454**	**149,603**	**127,880**
31 December 2017					
Trade and other receivables	3,981	-	-	3,981	3,981
	3,981	-	-	3,981	3,981
Trade and other payables	16,862	-	-	16,862	16,862
	16,862	**-**	**-**	**16,862**	**16,862**

	2018	2017
Trade and other receivables	7,023	3,981
Cash and cash equivalents	1,091	46,374
Financial assets measured at amortised cost	**8,114**	**50,355**
Lease liability	62,597	-
Trade and other payables	15,675	16,862
Short-term borrowings	49,608	-
Financial liabilites measured at amortised cost	**127,880**	**16,862**

19. Events after the balance sheet date

A capital increase of DKK 71.5 million was completed in January 2019. No other events of importance to the Annual Report have occurred after the balance sheet date.

DKK thousand	**2018**	2017
20. Changes in net working capital		
Change in inventory	(10,120)	(1,922)
Changes in trade receivables	169	(85)
Changes in other receivables	(3,786)	4,289
Changes in trade payables	(2,389)	(2,765)
Changes in other payables	1,203	(1,450)
Changes in deferred income	3,299	5,497
	(11,624)	**3,564**

Note 21. Related parties and ownership

Related parties

Related parties comprise Aquaporin A/S' Supervisory Board and Executive Board, their close family members and companies in which these persons have significant influence. During the year, the Group was not involved in any transactions with the shareholder, members of the Supervisory Board, 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.

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, Afdeling Danica Pension, Parallelvej 17, DK-2800 Kongens Lyngby
- InterChina Water Treatment Hong Kong Company Ltd, 15/F, CBB Tower, 3 Connaught Road, Central Hong Kong

Notes to the consolidated financial statements

Note 22. Government grants

During 2018, the Group received DKK 1.2 million (2017: DKK 2.8 million) in public grants for research and development purposes, which was recognized directly in the income statement. The Group also received DKK 2.8 million (2017: DKK 2.4 million) in public grants relating to projects, which qualifies for capitalization. Government grants are recognized on Deferred income and depreciated in accordance with the development projects, once they are finalized.

Note 23. List of Group companies at 31 December 2018

Company	Country	Currency	Nominal capital	Aquaporin's holding
Aquaporin Asia 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	**2018**	2017
Net revenue		7,884	1,986
Cost of goods sold		(185)	(348)
Gross profit		**7,699**	**1,638**
Sales and distribution costs	2	(14,477)	(10,746)
Research and development costs	2	(47,234)	(37,491)
Administrative costs	2	(14,851)	(13,251)
Other operating income		152	1,930
Operating profit		**(68,711)**	**(57,920)**
Share of net profit of associates		(4,737)	(5,393)
Finance income	3	2,896	937
Finance costs	4	(4,047)	(1,963)
Profit before income tax		**(74,599)**	**(64,339)**
Income tax expenses		13,326	11,055
Profit for the period		**(61,273)**	**(53,284)**

Parent company Balance Sheet
Assets at 31 December

DKK thousand	Note	2018	2017
Knowhow		1,739	2,319
Development projects		66,417	61,195
Intangible assets		**68,156**	**63,514**
Machinery		51,121	54,834
Right-of-use assets		59,327	-
Other equipment		3,487	3,752
Leasehold improvements		19,810	20,369
Tangible assets		**133,745**	**78,955**
Investments in subsidaries		3,148	12,310
Investments in associates		4,501	5,918
Financial assets		**7,649**	**18,228**
Deposits		1,945	1,884
Deferred tax assets		19,272	12,605
Other non-current assets		**21,217**	**14,489**
Total non-current assets		**230,767**	**175,186**
Inventories		13,035	2,915
Receivables from group enterprises		35,670	25,821
Receivables from associated and joint ventures		326	-
Trade receivables		224	1,646
Other receivables		5,736	1,870
Income tax receivable		11,000	5,500
Prepayments		1,038	561
Total current assets		**67,029**	**38,313**
Cash and cash equivalents		**400**	**30,900**
Total current assets		**67,429**	**69,213**
Total assets		**298,196**	**244,399**

Parent company Balance Sheet
Equity and liabilities at 31 December

DKK thousand	Note	2018	2017
Share capital		6,969	6,944
Retained earnings		110,944	175,103
Reserve for exchange rate translation		(2,087)	(2,082)
Other reserves		29,315	22,547
Total equity		**145,141**	**202,512**
Lease liability		58,394	-
Total non-current liabilities		**58,394**	**-**
Lease liability		2,583	-
Trade payables		6,998	9,712
Other payables		7,921	4,758
Payables to group enterprises		241	73
Deferred income		27,310	27,344
Borrowings		49,608	-
Total current liabilities		**94,661**	**41,887**
Total liabilities		**153,055**	**41,887**
Total equity and liabilities		**298,196**	**244,399**
Contingent liabilities	5		
Events after the balance sheet date	6		

Parent company statement of changes in equity at 31 december

DKK thousand	Share capital	Retained earnings	Reserve for exchange rate	Reserve for intangible assets	Reserve for share based payment	Total equity
Balance at 31.12.16	**6,604**	**201,518**	**(1,280)**	**4,966**	**5,838**	**217,646**
Profit for the period	-	(53,284)	-	-	-	(53,284)
Aquisition of minority in Aquaporin Membrane Protein ApS	-	(5,380)	-	-	-	(5,380)
Capitalized development costs	-	(8,151)	-	8,151	-	-
Exchange rate translation	-	-	(802)	-	-	(802)
Total comprehensive income for the period	-	(66,815)	(802)	8,151	-	(59,466)
Transactions with owners in their capacity as owners						
Increase in share capital	340	40,400	-	-	-	40,740
Share-based payment	-	-	-	-	3,592	3,592
Balance at 31.12.2017	**6,944**	**175,103**	**(2,082)**	**13,117**	**9,430**	**202,512**
Aquisition of minority in Aquaporin Membrane Protein ApS (formerly Golgi Aps)		1,249				1,249
Balance at 31.12.2017 hereafter	**6,944**	**176,352**	**(2,082)**	**13,117**	**9,430**	**203,761**
Profit for the period	-	(61,273)	-	-	-	(61,273)
Capitalized development costs	-	(7,107)	-	7,107	-	-
Exchange rate translation	-	-	(5)	-	-	(5)
Total comprehensive income for the period	-	(68,380)	(5)	7,107	-	(61,278)
Transactions with owners in their capacity as owners						
Increase in share capital	25	2,972	-	-	-	2,997
Share-based payment	-	-	-	-	(339)	(339)
Balance at 31.12.2018	**6,969**	**110,944**	**(2,087)**	**20,224**	**9,091**	**145,141**

Notes to the parent company financial statements

Notes to the Parent company financial statements

1. Accounting policies

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

Basis of Preparation

The Financial Statements of Aquaporin A/S for 2018 have been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B with the choice of few rules in reporting class C.

Besides the below mentioned, the accounting policies applied remain unchanged from last year.

In 2018 there has been a change in accounting policy regarding rental and lease commitments which are recognized on the balance sheet, when the lease period exceeds one year and when the assets are made available for the entity. Comparative figures have not been restated. A right-of-use asset of DKK 63.5 million as well as a lease liability of the same amount are recognized per. January 1, 2018 based on all rental and lease agreements. The change does not lead to any impact on the equity. The lease liability has been calculated using the same interest rate as on external loans.

The impact on profit and loss is a reduction in operation costs with DKK 4.5 million and a increase of DKK 2.0 million on interest and DKK 4.1 million on depreciation.

The Financial Statements for 2018 are presented in DKK.

Recognition and measurement

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

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

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

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

Danish kroner is used as the measurement currency. All other currencies are regarded as foreign currencies.

Translation policies

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

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

Government grants

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

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

Income Statement

Gross profit/loss

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

Revenue

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

Other external expenses

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

Notes to the Parent company financial statements

1. Accounting policies (continued)

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

Dividends
Dividends from 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 sudsidiary is tested for impairment.

Amortisation, depreciation and impairment losses
Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Financial income and expenses
Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

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

Balance Sheet

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

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

Cost comprises of direct salaries and materials.

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

An amount corresponding to the capitalized development costs has been reclassified from retained earnings to reserve for intangible assets net of tax.

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

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

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

• Plant and Machinery:	4 - 20 years
• Right-of-use asset (buildings):	2 - 20 years
• Right-of-use asset (Other equipment):	2 - 8 years
• Other equipment:	3 - 8 years
• Leasehold improvements:	8 - 20 years

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

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

The total net revaluation of investments in associates is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in associates.

Intra-group company acquisitions are recognised according to the merger method. Comparative figures are adjusted back to the point in time, where control was obtained. Added value (goodwill), if any, in connection with the acquisition is recognised in equity.

Notes to the Parent company financial statements

1. Accounting policies (continued)

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 recognised directly in equity.

Receivables

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

Deferred tax assets and liabilities

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

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

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

Current tax receivables and liabilities

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

Financial debts

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

DKK thousand	**2018**	2017
2. Staff		
Average number of full time employees	62	47
3. Financial income		
Interest income, banks	14	44
Interest income, intercompanies	959	879
Exchange rate adjustments	1,923	14
	2,896	**937**
4. Financial expenses		
Interest expenses, banks	434	-
Interest expenses, intercompanies	-	20
Exchange rate adjustments	1,009	1,563
Other financial expenses, including bank fees	605	380
Interest expenses, right of use assets	1,999	-
	4,047	**1,943**

5. Commitments and contingent liabilities at 31 december

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

6. Events after the balance sheet date

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

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 2018 to 31 December 2018.

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 2018 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 2018 to 31 December 2018.

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, 21 March 2019

Executive Board

Peter Holme Jensen
Chief Executive Officer (CEO)

Bo Karmark
Chief Financial Officer (CFO)

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 2018 and of the results of the Group's operations and cash flow for the financial year 1 January to 31 December 2018 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 2018 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2018 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 2018, 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 Financials 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.

Hellerup, 21 March 2019

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Mikkel Sthyr	René Otto Poulsen
State Authorised	State Authorised
Public Accountant	Public Accountant
MNE: 26693	MNE: 26718

Company informaton

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Municipality of reg. office
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Auditors
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

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