



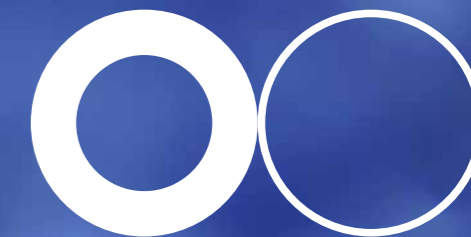
Annual Report 2022



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2022 at a glance



105%

gross income
growth

167

pilot projects

263 billion

liters of clean
water enabled

Successfully converted pilot projects
into 28 demo and full-scale projects

Winner of the Global Water
Intelligence Wastewater Project of
the Year 2022 award

Expanded our global sales presence
with high profile industry leaders

Step-up in production capacity with
second membrane spinning line

Started the construction of
our new megafactory for
nanofiltration membrane modules

Obtained Sustainalytics rating,
ranking best 13% of our global
subindustry peer group



About NX Filtration

NX Filtration is a provider of direct nanofiltration membrane technology for producing pure and affordable water to improve quality of life. Its direct nanofiltration technology removes micropollutants (including pharmaceuticals, medicines, PFAS and insecticides), colour and selective salts, but also bacteria, viruses and nanoplastics, from water in one step whilst offering strong sustainability benefits. NX Filtration sells its filtration membrane modules in its two business lines: Clean Municipal Water and Sustainable Industrial Water.



Business lines

Clean Municipal Water

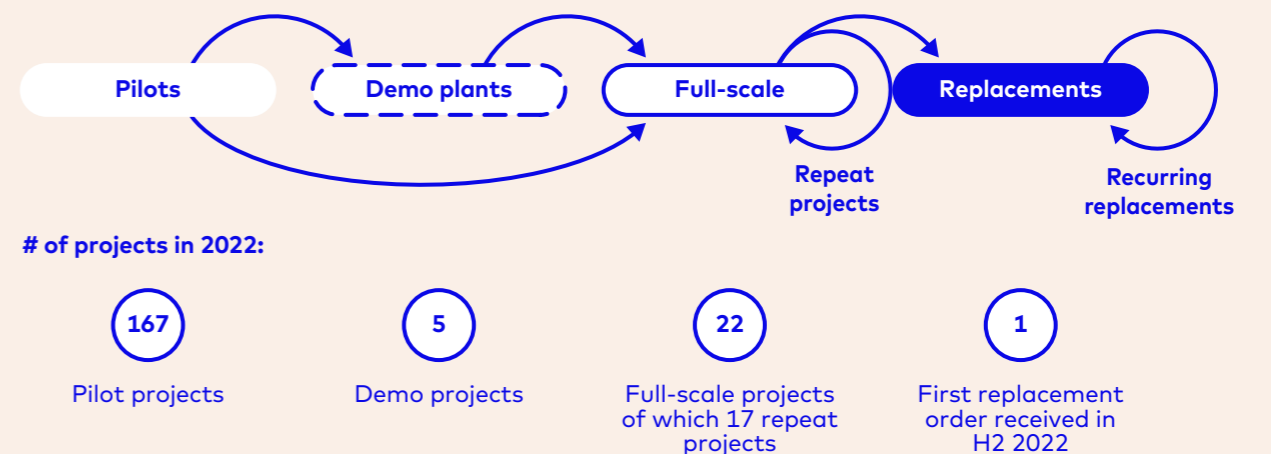
In its Clean Municipal Water business line, NX Filtration's membrane technology enables its customers to produce drinking water from surface water by removing, amongst others, micropollutants, nanoplastics and medicine residues in one step, to treat wastewater streams to prevent discharge of polluting substances in the environment, and to reuse treated wastewater for purposes that also include the production of drinking water.

Sustainable Industrial Water

In its Sustainable Industrial Water business line, NX Filtration's membrane technology enables its customers to treat surface or well water to optimise quality and characteristics for process water, prevent discharge of polluting wastewater and reuse wastewater for industrial processes and recover and recycle valuable raw materials from wastewater streams, such as indigo in the textile industry or cleaning chemicals in beer breweries.

Commercialisation strategy

NX Filtration's scalable commercial model is based on investing in pilot systems that, over time, convert into demo or full-scale plants. As such, NX Filtration aims to grow its installed base of pilot systems to create a strong basis for recurring revenues from repeat projects and module replacements in the longer term. The route-to-market for NX Filtration's membrane modules is based on relationships with original equipment manufacturers (OEMs), who are responsible for the design and delivery of the overall filtration system at the end-users facilities. Once these OEM customers have worked with NX Filtration's membrane technology, they become an important element in the further commercial roll-out of NX Filtration's products in repeat projects and module replacements in existing systems.



Report of the Management Board





Michiel Staatsen
CEO and COO



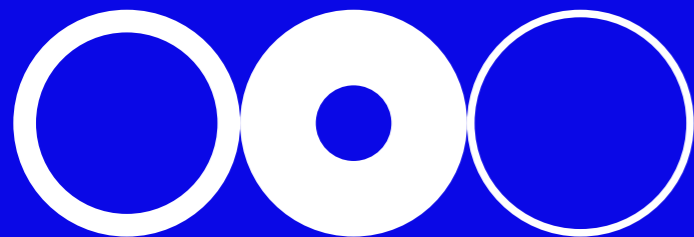
Erik Roesink
Founder and CTO



Marc Luttkhuis
CFO

Business review

2022 was a very exciting year for NX Filtration in which we were able to embark on the next stage of our growth journey. We are experiencing strong traction in the market with our direct nanofiltration (dNF) membrane technology that can produce pure and affordable water in one step by removing micropollutants (including e.g., pharmaceuticals, medicines and PFAS) whilst offering our customers strong sustainability benefits. We expanded our global blue-chip customer base, further shaped our global sales and engineering organization positioning us well for the substantial growth ahead of us, expanded the capacity at our current facilities and started the construction of our megafactory combining the latest membrane production techniques in a state-of-the-art facility.



Strong growth and progress on our strategic agenda

2022 has been another year of strong growth for NX Filtration, with an increase of 105% in gross income and an increase of 138% in revenues from the sale of goods. We also made strong progress on our strategic agenda, that centers around the roll-out of pilot projects and converting these into full-scale projects, the expansion of our production capacity and further innovation of our products. At the same time, the global COVID-19 pandemic continued to impact people's lives and the wider economy, including NX Filtration's employees and end-markets. We want to thank our employees and customers for their continued commitment and dedication, also in these times.

Revenues in our Sustainable Industrial Water business line increased with 140%, driven by strong traction with customers in, amongst others, the food & beverage and textile industries looking to reduce their water footprint and optimize their water systems in a sustainable way. Clients in this business line include for example PepsiCo, Aquarius H2O Dynamics (Indian OEM partner) and Envirogen (UK OEM partner).

Revenues in our Clean Municipal Water business line increased with 133%. We realized repeat projects with PT. Bayu for the production of drinking water in Indonesia, supplied our dNF modules to Ekopak for the extension of a water treatment project in Belgium, and received repeat orders from EcoAzur for a new drinking

water and wastewater treatment projects in Mexico. Our current focus in Europe and North America is on pilot projects with leading players, amongst whom Veolia (a global leader in water treatment), Aqualia (one of the largest water management companies in Europe) and Suez (global leader in water and waste management). Although our Sustainable Industrial Water business line is still the largest today, larger municipal projects are constituting an increasing part of our pipeline for future revenues.

Market developments

Water scarcity and water quality are major global and structural issues and key drivers of the water market. For example, it is estimated that 1.1 billion people worldwide lack access to water, and a total of 2.7 billion people find water scarce for at least one month of the year. By 2025, approximately two-thirds of the world's population may face water shortages¹. The use of biologically treated wastewater is generally seen as an important source for producing high quality water for industrial use and drinking water. In addition, the discharge of wastewater increasingly poses challenges for the environment (for example the presence of antibiotic resistant bacteria, viruses and PFAS, resulting in potential health issues) and for the production of drinking water (for example increased requirements on the removal of micropollutants).

NX Filtration's direct nanofiltration technology can play a pivotal role in addressing these

¹ World Wildlife Fund, <https://www.worldwildlife.org/threats/water-scarcity>

issues. Our technology was designed to remove micropollutants (including pharmaceuticals, medicines, PFAS and insecticides), colour and selective salts from (treated) wastewater and surface water in one single step and also removes bacteria, viruses and nanoplastics. The direct nanofiltration membrane technology also offers substantial sustainability benefits compared to conventional water treatment methods, as it avoids the use of pretreatment chemicals in the water treatment process and substantially reduces energy consumption.

Recent market developments appear favorable for the further adoption of our dNF technology. For example, in Asia growing populations and increasing water consumption are asking for new solutions to be implemented. Based on research by Frost & Sullivan², treated wastewater is increasingly being embraced as the sustainable alternative to the use of groundwater sources, therewith conserving such freshwater resources and reducing the need for cost and energy-intensive desalination processes. Various countries have already implemented policies that require a minimum amount of treated wastewater to be reused. This is expected to be adopted globally in the near future to mitigate the water stress caused by climate change, economic development and population growth. Another important trend relates to PFAS and other emerging pollutants (including antibiotics, hormones and persistent organic matter), that have become a key cause for concern, especially in North America and the EU. The market for drinking water related PFAS treatment in the United States alone is expected to grow with 58% per year to \$10.3 billion in 2026³. Many countries are exploring various methods to detect, monitor, and treat these harmful pollutants. And finally, circular economy themes are more and more being adopted by utilities and industries across the globe.

Therefore, technology solutions with circularity benefits or those that enable a circular model are expected to witness significant growth.

Sustainability and ESG impact

Sustainability and a clear Environmental, Social and Governance (ESG) agenda are at the heart of NX Filtration's business. We passionately believe we have a responsibility to contribute positively to society and the environment. 2022 marked an important year for NX Filtration in terms of progress on this ESG agenda: we realized externally certified science-based CO₂ reduction targets, we obtained an independent ESG risk rating from Sustainalytics, in which we rank amongst the 13% best performers in our global subindustry peer group, we joined the United Nations Global Compact initiative, and installed a formal ESG Committee comprised of the two independent Supervisory Board members to formalize governance and oversight responsibilities with regard to sustainability, environmental, social, corporate governance and human capital matters.

We have developed a targeted ESG framework in which we address and monitor our impact along three pillars:

1. **Clean water for all:** Our 2022 membrane sales can enable the production of 263 billion liters of clean water⁴, which is equivalent to the drinking water supply for 48 million persons during one year. In 2022, NX Filtration enabled access to clean water across 30 countries.
2. **Avoiding emissions at our customers:** With our membrane module sales in 2022, we enabled 3,578 ton CO₂e savings during the deployment lifetime of our modules, by

avoiding the use of 6.7 million kg of chemicals and saving 82 GWh energy compared to conventional technologies.

3. **Our internal initiatives:** We have implemented various sustainability measures and initiatives around ESG related themes in our own operations, for our employees and our partners.

In our Sustainability Report, that forms part of this Annual Report, we further elaborate on these and other ESG related aspects.

Strengthening organization

In our journey of fast growth, strengthening and growing our organization is amongst our top priorities. During 2022, our employee base has grown from 69 FTE to 135 FTE, which includes more than 15 nationalities. Key additions were made to our sales force, management, team of pilot and commissioning engineers, R&D employees and production personnel. NX Filtration is placing strong emphasis on training and development. Not only to empower NX Filtration's employees, but also for customers, partners and graduates. We are facilitating internships, joint research programs and partnerships with universities and research institutes.

In 2022, we further shaped a global organization positioning us well for the substantial growth ahead of us. In addition to further strengthening and growing our team at our headquarters, technology center and production facilities in the Netherlands, we significantly strengthened our global sales and engineering team. This team grew from 17 FTE at the end of 2021 to 34 FTE at the end of 2022. We established strong regional clusters across all continents headed by strong industry hires. In April 2022, Tsunenobu Katsura (former Chairman of Hydranautics) joined us as new Sales Director for the Asia Pacific region. In May

2022, Tony Fuhrman (former Commercial Director of LG Water Solutions) joined us as new Sales Director for the Americas. Recently, at the start of 2023, Jelena Flokstra (former sales and business development EMEA at 3D printing company Hubs) joined us as new Sales Director for the EMEA region.

Strong progress against strategy

NX Filtration's key strategic themes center around the roll-out of pilot projects and converting these into full-scale projects, the expansion of its production capacity and further innovation.

Pilot roll-out

Pilots play an important role in NX Filtration's commercial roll-out strategy, that is based on converting pilot projects into larger demo or full-scale projects, with subsequent repeat orders from existing clients, and periodic module replacements at existing plants. Pilots range from lab-scale Mexplorer pilots to full-scale (containerized) Mexpert pilots. In 2022, NX Filtration initiated 167 pilot projects compared to 87 in 2021. On 31 December 2022, NX Filtration had 162 pilot systems in its fleet (85 at 31 December 2021). To facilitate a growing demand for its pilot systems, NX Filtration had placed orders to further expand its fleet to 190 pilot systems, therewith nearing closely to our medium-term objective of 200 pilot systems. We are also continuing to be successful in turning these pilot projects into larger projects: in 2022 we delivered our dNF modules for 5 demo projects and 23 full-scale projects. Of these full-scale projects, 17 were repeat orders from customers who had already worked with NX Filtration before. 2022 also marks the first replacement order for NX Filtration, which we supplied to Hidrofilt in Hungary for industrial wastewater treatment at the site of an aerospace multinational, that we first supplied in 2019.

² Frost & Sullivan Global Water and Wastewater Treatment, Outlook 2022

³ Frost & Sullivan Drinking Water PFAS Treatment United States: Forecast to 2026

⁴ Based on NX Filtration's sales of approximately 2,600 membrane modules (dNF and UF only), multiplied by the expected capacity and lifetime of such modules. See Sustainability Report for details, assumptions and methodologies

Capacity expansion

During 2022, NX Filtration started to benefit from its expanded capacity in its existing facilities. The commissioning of its second spinning line in the first half-year of 2022 resulted in a higher capacity (combined total capacity of approximately 10,000 membrane modules per year⁵, compared to the capacity of approximately 2,500 membrane modules per year in 2021) and production efficiency improvements.

We also started the construction of a new large-scale manufacturing facility. NX Filtration decided to upsize the design of this megafactory with a higher initial capacity and allowing more space for future capacity additions. Improvements and lessons learned from our second spinning line have resulted in higher capacity estimates per spinning line. In addition, to create optimal flexibility for the future, we have decided to build a larger (more than 26,500 m² production and more than 6,000 m² office space) facility from the outset. These two factors allow us to start-up with a higher initial capacity (approximately 50k⁶ membrane modules based on 4 spinning lines), whilst leaving space for further capacity additions within the same facility (total targeted annual capacity of >120k⁷ membrane modules), in addition to the existing capacity at the current locations. Total expected capex is higher than foreseen at our IPO as a result of the larger plant design and current views on costs, but estimated capex per module capacity remains in line with previous estimates.

Construction has started with involvement of key specialist contractors including Aan de Stegge Twello (construction contractor), Batenburg (mechanical and electrical contractor) and Ekopak (water treatment plant). Completion of the megafactory is anticipated by the first quarter of 2024 and start-up in during the first half-year of 2024.

⁵ Estimation, based on 5-shift production and depending on product mix

⁶ Estimation, based on 5-shift production and depending on product mix

⁷ Estimation, based on 5-shift production and depending on product mix

Innovation

We are convinced that our breakthrough dNF membrane technology will play an important role in addressing global issues which center around water quality and water scarcity. It makes us proud that the breakthrough character of our membranes is also being recognized by various industry observers. NX Filtration supplied its technology to the Reclab project in Sweden, which received the 2022 Global Water Intelligence award for Wastewater Project of the Year. Reclab is the largest source-separated sanitation plant in the world using circular treatment. Key highlights recognized by the award were the energy-efficiency of the plant and the circular processes that recycles wastewater to drinking water quality. Also Bluetech Research recognizes NX Filtration's technology, awarding it with the highest scores across its five rating categories, being large addressable market, strong management team, strong IP position, innovative technology and BlueTech Research opinion. Finally, NX Filtration was included in the new Euronext Tech Leaders initiative for high-growth and leading tech companies, as the only water technology company out of the more than 100 included companies.

In 2022, we also made further progress on our patent portfolio, by adding a new patent family 'Method for creating a porous film through aqueous phase separation' that concerns an innovative application of nanolayers on our membranes.

An important part of our innovation activity is related to the optimal deployment of our membrane modules at our customers. During 2022 we conducted a research project with PepsiCo on additional opportunities for dNF membranes within PepsiCo's facilities. We also participate in the European innovation project LIFE PRISTINE, led by Acciona, to eliminate emerging

pollutants (including PFAS) from water sources. The project works on a sustainable alternative for the elimination of emerging pollutants in the water cycle.

Outlook

Driven by the strong market demand for our technology and supported by the additional equity capital that NX Filtration raised with its IPO in June 2021, we will continue to invest in our strategic priorities in 2023. In terms of people, we will continue to build on the strong global organization that we further shaped in 2022. We will also continue our strong focus on rolling-out pilot projects and converting these pilots into demo- and full-scale projects. We are nearing closely to our medium-term objective of 200 pilot systems, and therewith gradually shifting our focus from rapid expansion of our pilot fleet towards optimal deployment for near, medium and long-term commercial opportunities. Moreover, we expect to increasingly benefit from repeat business with our existing (OEM) relationships. In terms of production, we will further benefit from the higher capacity and production efficiencies from our two existing production lines. In addition, 2023 will be a key year for the construction of our new megafactory. Completion of this megafactory is anticipated by the first quarter of 2024 and start-up during the first half-year of 2024. By then, the additional capacity is needed to meet expected demand from our rapidly growing overall pipeline of opportunities for the short, medium and long term.

ESG will undoubtedly remain a key part of our overall mission while scaling up. NX Filtration considers high ESG standards of great importance for its long-term success, its workforce, its customers, the environment and society as a whole. The strong growth that NX Filtration is currently experiencing provides many opportunities to organize ESG aspects with the highest standards and impact from the outset.

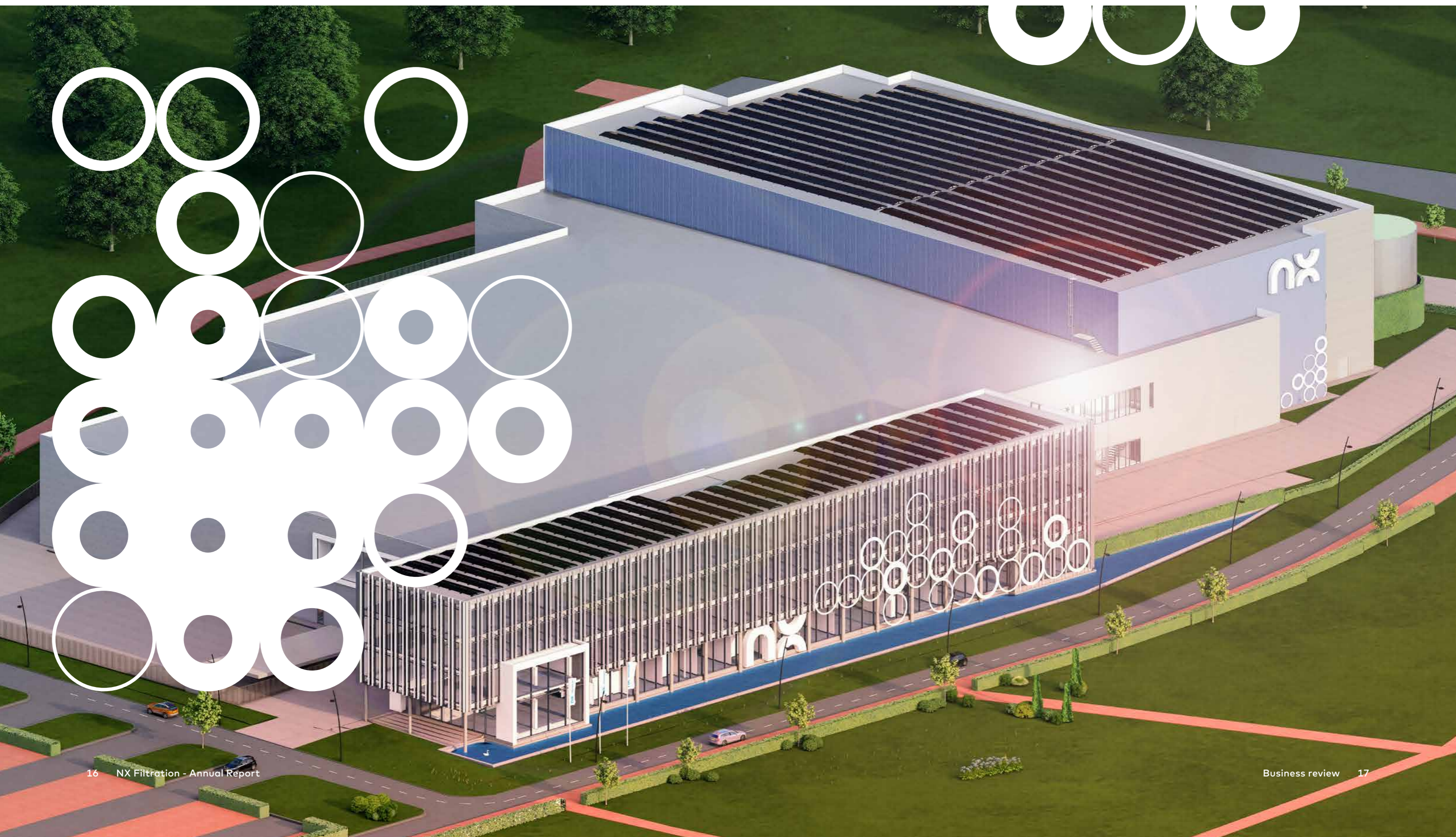
We are well-positioned for further growth in 2023, with various recent breakthrough orders with our dNF technology in Australia, China and Indonesia. We have an outlook on total revenues of €18m to €22m for 2023, driven by strong market demand and our expanding global sales presence. This targeted growth is largely driven by further roll-out of full-scale projects and by repeat business with our existing (OEM) relationships.

We remain fully committed to make an impact based on our mission 'clean and affordable water for all', whilst offering strong sustainability benefits to our customers and providing an inspiring working environment for our employees.

Management Board

Michiel Staatsen CEO and COO	Erik Roesink CTO	Marc Luttkhuis CFO
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**We are building a new state-of-the-art
megafactory for the production of our direct
nanofiltration membranes**



We are building a new state-of-the-art megafactory for the production of our direct nanofiltration membranes

>26,500 m2 production and >6,000 m2 office space at the High Tech Systems Park Twente, the high tech company hub in the Hengelo (Netherlands) region and very close to our current facilities

Combining ultra-modern membrane production techniques in a state-of-the-art facility

Enabling significant increase in production capacity, from 10k membrane modules per year today to approximately 50k in the initial phase in 2024 with room to expand to >120k in the same facility

Construction started and completion is anticipated by Q1 2024 and start-up in H1 2024



Sustainability report

Introduction

Sustainability and ESG are at the heart of NX Filtration's business. Our vision is to be a leading global provider of breakthrough nanofiltration technology that enables customers to, amongst others, produce pure and affordable water, treat wastewater, reduce their water footprint and achieve strong sustainability benefits. Water scarcity and water quality are major global and structural issues and key drivers of the water market. For example, it is estimated that 1.1 billion people worldwide lack access to water, and a total of 2.7 billion people find water scarce for at least one month of the year. By 2025, approximately two-thirds of the world's population may face water shortages. In addition, the discharge of wastewater increasingly poses challenges for the environment (for example the presence of antibiotic resistant bacteria resulting in potential health issues) and for the production of drinking water (for example increased requirements on the removal of micropollutants).

NX Filtration's direct nanofiltration technology can play a central role in addressing these issues. This technology was designed to remove micropollutants (including pharmaceuticals, medicines, PFAS and insecticides), colour and selective salts from water in one single step and also removes bacteria, viruses and nanoplastics. The direct nanofiltration technology also offers substantial sustainability benefits compared to conventional water treatment methods, as it avoids the use of pretreatment chemicals in the water treatment

process and substantially reduces energy consumption.

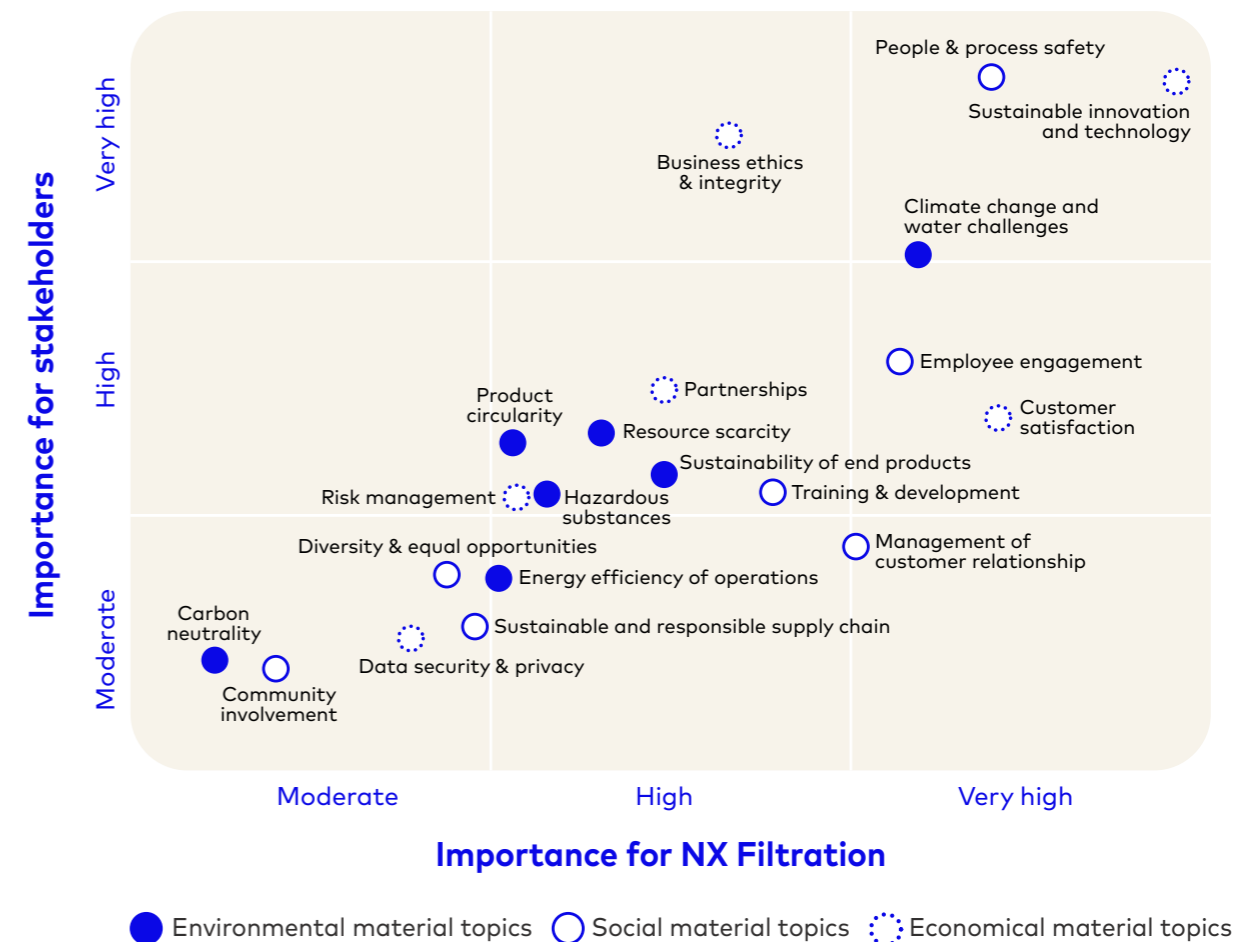
At NX Filtration, we believe we have a responsibility to contribute positively to society and the environment. 2022 marked an important year for NX Filtration in terms of progress on our ESG agenda: we realized externally certified science-based CO₂ reduction targets, we obtained an independent ESG risk rating from Sustainalytics, in which we rank amongst the 13% best performers in our global subindustry peer group, we joined the United Nations Global Compact initiative, and installed a formal ESG Committee comprised of the two independent Supervisory Board members to formalize governance and oversight responsibilities with regard to sustainability, environmental, social, corporate governance and human capital matters. Further reference is made to the Risks and Uncertainties paragraph of our Management Board Report in which we describe our efforts in 2022 on various topics such as code of conduct compliance, business ethics and human rights; and the United Nations Global Compact (UNGC) Communication on Progress 2022 at the end of this Sustainability Report.

As used throughout this Annual Report, "ESG" means Environmental, Social and Governance. Environmental factors for example include the contribution NX Filtration makes to climate change through (the reduction of) greenhouse gas emissions, along with waste management and energy efficiency by the use of its products. Social factors for example include human rights, labor standards throughout

the supply chain, and more routine issues such as adherence to workplace health and safety and gender equality. Governance refers to a set of rules or principles defining rights, responsibilities and expectations between different stakeholders in NX Filtration's governance.

Alignment with UN Sustainable Development Goals

To obtain input on material topics on environmental, social and economic parameters, NX Filtration performed a broad stakeholder survey amongst employees, customers, suppliers, communities and partners. These material topics formed the basis for the development of the below materiality matrix and the mapping to the UN SDGs.



The SDGs are guiding NX Filtration's ESG agenda, by way of which NX Filtration supports society. NX Filtration has selected five SDGs that today form an integral part of NX Filtration's strategic framework. The SDGs that NX Filtration seeks to contribute to are SDG 6 – Clean water and sanitation, SDG 8 – Decent work and economic growth, SDG 9 – Industry, innovation and infrastructure, SDG

12 – Responsible consumption and production and SDG 17 – Partnership for the goals. NX Filtration has set key performance indicators (KPIs) for each SDG and is monitoring these KPIs and initiating improvement actions. These KPIs are described in the paragraphs *NX Filtration's integrated ESG framework and Our impact in 2022*.



Vision

To be a leading global provider of technology for producing pure and affordable water to improve our quality of life.

Mission

Inspired by our team's passion for membranes we develop and produce innovative products and solutions, enabling our partners to excel in membrane filtration applications.



Company values

ESG Committee

At NX Filtration we have a clear vision to be among the best-in-class performing ESG companies, not only in what we do, but also in how we do it. In 2022, we have therefore installed a formal ESG Committee. The purpose of the ESG Committee is to assist and support the Management Board and the Supervisory Board in carrying out its governance and oversight responsibilities with regard to sustainability, environmental, social, corporate governance and other human capital matters. The members of the ESG Committee are NX Filtration's independent Supervisory Board members Ms C. (Carolina) Wielinga en Mr B.A.M. (Benno) van Dongen. The installment of a formal ESG Committee has further shaped NX Filtration's ESG agenda and the broad duties and responsibilities include, amongst others, to: (i) monitor, evaluate and provide guidance on our policies, procedures and practices with respect to ESG matters; (ii) review and monitor the development and implementation of targets, standards, metrics or methodologies that NX Filtration may establish from time to time, (iii) oversee our public disclosure on ESG matters, (iv) review and monitor initiatives to manage and mitigate its environmental impact (greenhouse gas (GHG)- and non-GHG reduction); (v) review and monitor any significant examination or audit by external auditors, regulators or key ESG rating agencies on ESG matters (such as CICERO, Sustainalytics and B Corporation); (vi) review and monitor, as appropriate, human capital initiatives, for example diversity and inclusion initiatives, employee wellbeing or engagement initiatives (such as UN Global Compact); and (vi) review and monitor, as appropriate, social initiatives and commitments, including, among others, initiatives related to the field of education.

The Science Based Targets initiative (SBTi)

In 2022, NX Filtration's CO₂ reduction targets for Scope 1 and Scope 2 emissions have been officially validated by the SBTi. By committing to the SBTi, NX Filtration commits to a 42% decrease in absolute Scope 1 and 2 emissions by 2030. To achieve this target, NX Filtration will procure green electricity, continues to switch to electric vehicles, and further electrify its operations.

The SBTi defines and promotes best-practices in setting emission reduction targets and is considered the most ambitious and reputable carbon target setting standard globally. Science-based targets are emissions reduction targets which are in line with scenarios deemed necessary by climate scientists to meet the goals of the Paris Agreement of limiting global warming to a maximum of 1.5 °C.



EU Taxonomy

Introduction

Regulation (EU) 2020/852 (Taxonomy) on the establishment of a framework to facilitate sustainable investment (the **EU Taxonomy Regulation**) has introduced a classification system for environmentally sustainable economic activities.

The EU Taxonomy Regulation sets out the four conditions that an economic activity must meet in order to qualify as environmentally sustainable. A qualifying activity must: (i) contribute substantially to one or more of the six EU taxonomy environmental objectives, (ii) not significantly harm any of the other environmental objectives; (iii) be carried out in compliance with minimum (social) safeguards laid down in various principles, and (iv) comply with technical screening criteria established by the European Commission. The technical screening criteria specify the performance requirements for any economic activity that determine under what conditions that activity (i) makes a substantial contribution to a given environmental objective; and (ii) does not significantly harm the other objectives.

The six environmental objectives are 1) climate change mitigation, 2) climate change adaptation, 3) the sustainable use and protection of water and marine resources, 4) the transition to a circular economy, 5) pollution prevention and control and 6) the protection and restoration of biodiversity and ecosystems. A final set of rules and delegated regulations for objective three to six has not been formally approved yet by the European regulator, but NX Filtration closely monitors any developments in this respect. This also includes new requirements that are part of the proposed Corporate Sustainability Reporting Directive (**CSRD**) in particular. NX Filtration will benefit from a proportionate reporting regime and will only have to start reporting in this respect in 2027 over the financial year 2026.

NX Filtration aims to contribute to the vast majority of the objectives of the EU Taxonomy Regulation, supporting its strong ESG profile. First and foremost due to the vision of NX Filtration to be a leading global provider of breakthrough nanofiltration technology that enables customers to, amongst others, produce pure and affordable water, treat wastewater and reduce their water footprint, NX Filtration aims to substantially contribute to the third objective of the EU Taxonomy Regulation, being 'the sustainable use and protection of water and marine resources', which was confirmed by an external assessment by consultancy firm MJ Hudson. Whilst NX Filtration's key contribution in terms of EU Taxonomy Regulation alignment is expected to center around objective 3, NX Filtration expects its activities also to contribute to, and is committed to achieve voluntarily alignment with the other objectives to the extent possible.

EU Taxonomy Objective 1

NX Filtration focuses on the technical screening criteria for activity 3.6 'Manufacture of other low carbon technologies': *the economic activity manufactures technologies that are aimed*

at and demonstrate substantial life-cycle GHG emission savings compared to the best performing alternative.

EU Taxonomy Objective 1 - climate change mitigation

Taxonomy requirement:

An economic activity shall qualify as contributing substantially to climate change mitigation where that activity contributes substantially to the stabilization of greenhouse gas concentrations in the atmosphere at a level consistent with the long-term temperature goal of the Paris Agreement through the avoidance or reduction of greenhouse gas emissions or the increase of greenhouse gas removals, including through process innovations or product innovations.

Technical screening and DNSH (do no significant harm) criteria available

NX Filtration's activities:

The operation of water treatment systems based on NX Filtration's dNF membranes require less energy and therefore realise a significant CO₂ footprint reduction compared to water treatment systems based on conventional technologies such as filtration with reverse osmosis (RO), adsorption (activated carbon) and oxidation. In research by the Energie en Grondstoffenfabriek, energy consumption of various technologies for producing drinking water in the Netherlands have been compared. In this research, it can be seen that the gross energy requirements for a system based on direct nanofiltration are approximately 0.5 kWh/m³ (including pre- and post-treatment steps), as compared to approximately 1.7 kWh/m³ for a combination of ultrafiltration and reverse osmosis.

In addition, NX Filtration's dNF solution avoids or significantly reduces the use of chemicals in operations, as it prevents the use of flocculants and coagulants in pre-treatment (which is required for traditional filtration processes) and requires a very low cleaning frequency. From external research by Stockholm university (Rahul Aggarwal, "Strategic Assessment of Drinking Water Production Systems Environmental impacts from a Life Cycle perspective", KTH Royal Institute of Technology, school of architecture and the built environment, Stockholm, Sweden 2020), it can be derived that each dNF module can avoid approximately 4 tons of chemicals during a five-year lifetime, that would be required for conventional technologies such as the combination of ultrafiltration and reverse osmosis.

Given the CO₂ savings of its dNF products, NX Filtration can report that 41% of its revenues (dNF sales as percentage of total revenues from sale of goods) align with objective 1 'climate change mitigation', as these revenues contribute to reducing energy consumption and avoiding chemicals.

Approximately 94% of 2022 Capex was related to NX Filtration's dNF products. This

dNF related Capex primarily relates to the construction of a dedicated dNF membrane spinning line and investments in pilot systems for dNF products. NX Filtration's 2022 operating expenses that are associated with its dNF products represent approximately 41% of its total operating expenses (assumed proportional to the share of dNF as part of total revenues).

As part of NX Filtration's assessment on the DNSH-criteria, we can report that: (i) we have assessed that our eligible activities as such cannot be materially impacted by physical climate risks, (ii) we are currently not obliged to identify and address environmental degradation risks in accordance with Directive 2000/60/EC (as implemented under Dutch law), (iii) our eligible activities do not lead to the manufacture, placing on the market or use of certain substances that would possibly harm the environment, whether on their own or in mixtures, and (iv) our sites/operations

are not located in or near biodiversity-sensitive areas (including the Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas, as well as other protected areas). Each of these conclusions should be monitored over time and in 2023, NX Filtration will particularly focus on alignment with the DNSH-criteria that requires it to seek reuse of its secondary raw materials and components in products manufactured and requires recycling over disposal and the DNSH-criterion to conduct an environmental impact assessment (EIA), to the extent required.

EU Taxonomy Objective 3

EU Taxonomy Objective 3 – the sustainable use and protection of water and marine resources

Taxonomy requirement:

An economic activity shall qualify as contributing substantially to the sustainable use and protection of water and marine resources where that activity either contributes substantially to achieving the good status of bodies of water, including bodies of surface water and groundwater or to preventing the deterioration of bodies of water that already have good status, or contributes substantially to achieving the good environmental status of marine waters or to preventing the deterioration of marine waters that are already in good environmental status, by, *inter alia*: (a) protecting the environment from the adverse effects of urban and industrial waste water discharges, including from contaminants of emerging concern such as pharmaceuticals and microplastics, for example by ensuring the adequate collection, treatment and discharge of urban and industrial waste waters; (b) protecting human health from the adverse impact of any contamination of water intended for human consumption by ensuring that it is free from any micro-organisms, parasites and substances that constitute a potential danger to human health as well as increasing people's access to clean drinking water; or (c) enabling any of these activities.

Final technical screening criteria expected to be published in 2023

NX Filtration's activities:

NX Filtration's membrane technology enables its customers to produce drinking water from surface water by retaining, amongst others, bacteria, viruses, micropollutants (including pharmaceuticals, medicines, PFAS and insecticides), nanoplastics and selective salts. In addition, with NX Filtration's products, customers can treat wastewater streams to prevent discharge of polluting substances in the environment, and to reuse wastewater for purposes that also include the production of drinking water.

With Dutch drinking water utility Vitens, we have performed tests on both synthetic feed waters and on real waters containing a large range of PFAS compounds. Very high removal rates were obtained for both our dNF40 and dNF80 products. KWR, an independent water research institute researched our dNF membranes with a full scale pilot installation under real live circumstances both on wastewater and surface water in 2022 and found comparable, high removal rates for e.g. PFOA, which is a perfluorinated carboxylic acid produced and used worldwide as an industrial surfactant in chemical processes and as a material feedstock, and is a product of health concern and one of many PFAS compounds.

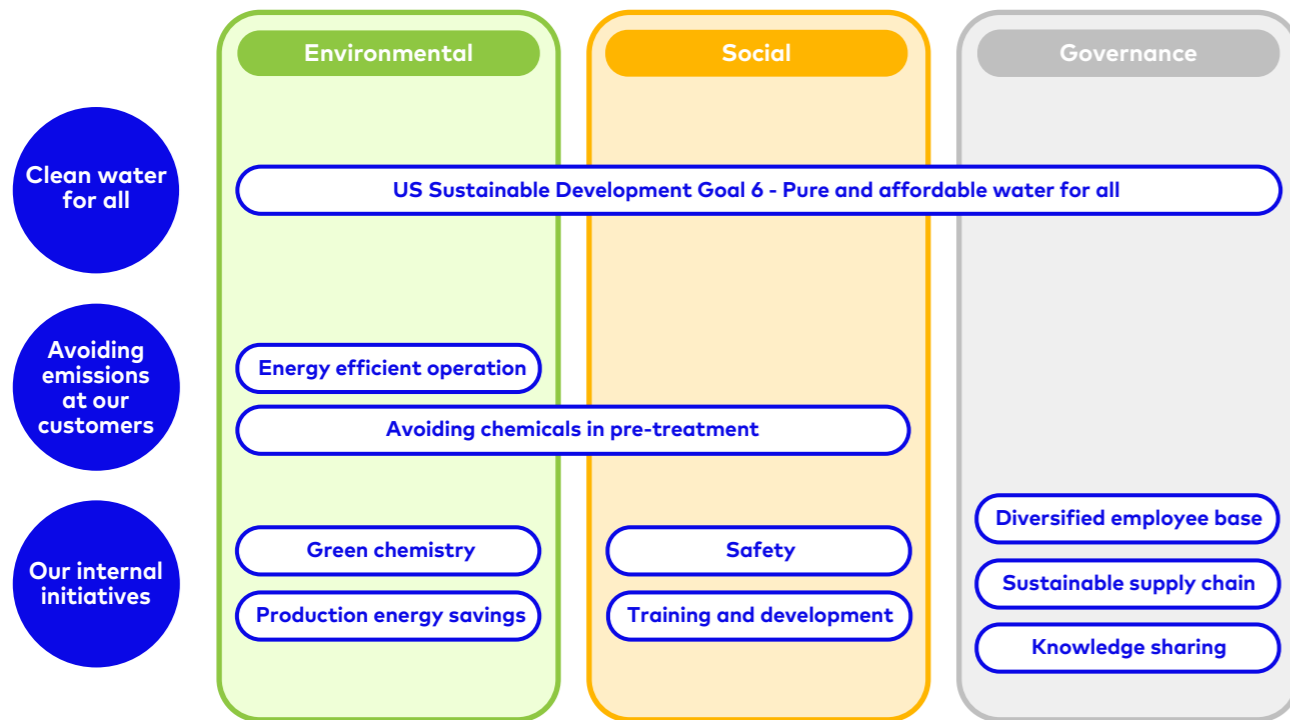
NX Filtration's potential contribution to objective 3 of the EU Taxonomy Regulation (the sustainable use and protection of water and marine resources) can be found in various (pilot) projects in which its dNF technology enables companies to treat and reuse their wastewater and, as such, reduce their water consumption, for example through extracting (and depleting) groundwater sources. An example of such application is the use of dNF technology for NX Filtration's Recolab project in Sweden, which received the 2022 Global Water

Intelligence award for Wastewater Project of the Year. Recolab is the largest source-separated sanitation plant in the world using circular treatment. Key highlights of the project are the energy-efficiency of the plant and the circular processes that recycles wastewater to drinking water quality.



NX Filtration's integrated ESG framework

NX Filtration has established an ESG framework to embed ESG in its way of working. This ESG framework consists of three layers.



The **first layer** constitutes the impact NX Filtration is aiming to make with its technology in addressing the global challenges around water scarcity and water quality, contributing to SDG 6 relating to clean water and sanitation. NX Filtration seeks to be a leading and global provider of breakthrough technology for producing pure and affordable water to improve quality of life.

Key KPIs in this respect mainly relate to SDG 6 (clean water and sanitation) and include i) the amount of clean water production enabled by NX Filtration membrane module sales and ii) the number of countries in which NX Filtration supplied its membrane modules.

The **second layer** constitutes the impact NX Filtration is aiming to make on its customers' operations and on its partners. The energy efficient and chemicals free operation of NX Filtration's membranes requires less energy compared to conventional technologies (environmental impact) and NX Filtration's solution avoids the use of flocculants and coagulants in pre-treatment (that is required for traditional filtration processes) and requires a low cleaning frequency (environmental and social impact). NX Filtration has a strong academic network; it partners and cooperates with multiple universities and research institutes around the world, including the University of Twente, Saxion University of Applied Sciences and the Universität Hamburg (governance impact).

Key KPIs in this respect mainly relate to SDG 12 (responsible consumption and production) and include i) GHG emissions scope 1 and 2 and 3 (upstream) and ii) avoided GHG emissions during the use of NX Filtration's membrane modules.

The **third layer** constitutes NX Filtration's own organisation, in which it has implemented various sustainability measures and is deploying various initiatives around ESG related themes. For example, NX Filtration's coating process for its dNF membranes is based on water-based chemistry (green chemistry), in contrast to conventional solvent-based coating processes and NX Filtration has developed an energy efficient membrane spinning process based on a unique in-line polymer mixing concept. NX Filtration is valuing a diverse workforce. For example, its 135 FTEs at 31 December 2022 represented more than 15 nationalities. We also joined the UN Global Compact, see our first Communication on Progress report 2022 below.

Key KPIs in this respect mainly relate to SDG 8 (decent work and economic growth) including i) growth in the number of employees and ii) lost time injury rate, SDG 9 (Industry, innovation and infrastructure) including i) the number of patents filed and granted and ii) the number of scientific publications authored or supervised by NX employees and SDG 17 (partnerships for the goals) including i) progress on the implementation of the supplier code of conduct and ii) NX Filtration's network of research partners.

On the following pages, various examples and KPIs have been included on these three layers.

Our impact in 2022

Clean water for all

2022 membrane sales could enable the production of:

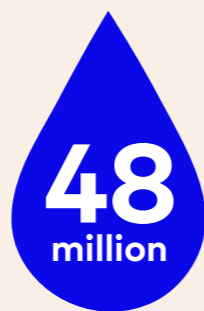


263 billion liters of clean water

Based on NX Filtration's sales of approximately 2569 membrane modules (DNF and UF), multiplied by the expected capacity and lifetime of such modules.

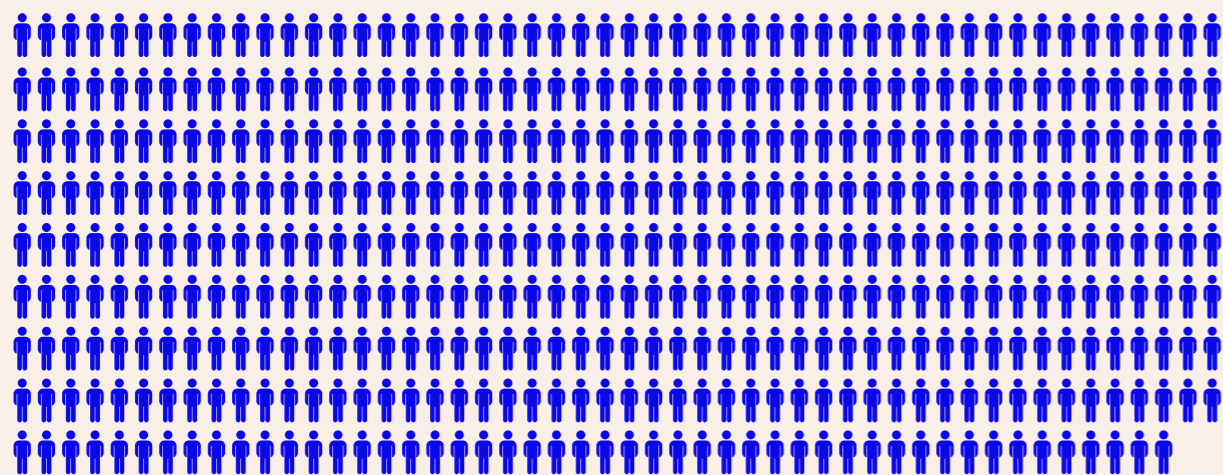
...which is equivalent to:

drinking water supply for 48 million persons



during 1 year

Based on WHO assumptions of a need for at least 15 liter water per person per day. Note that actual water consumption in developed countries is much higher.

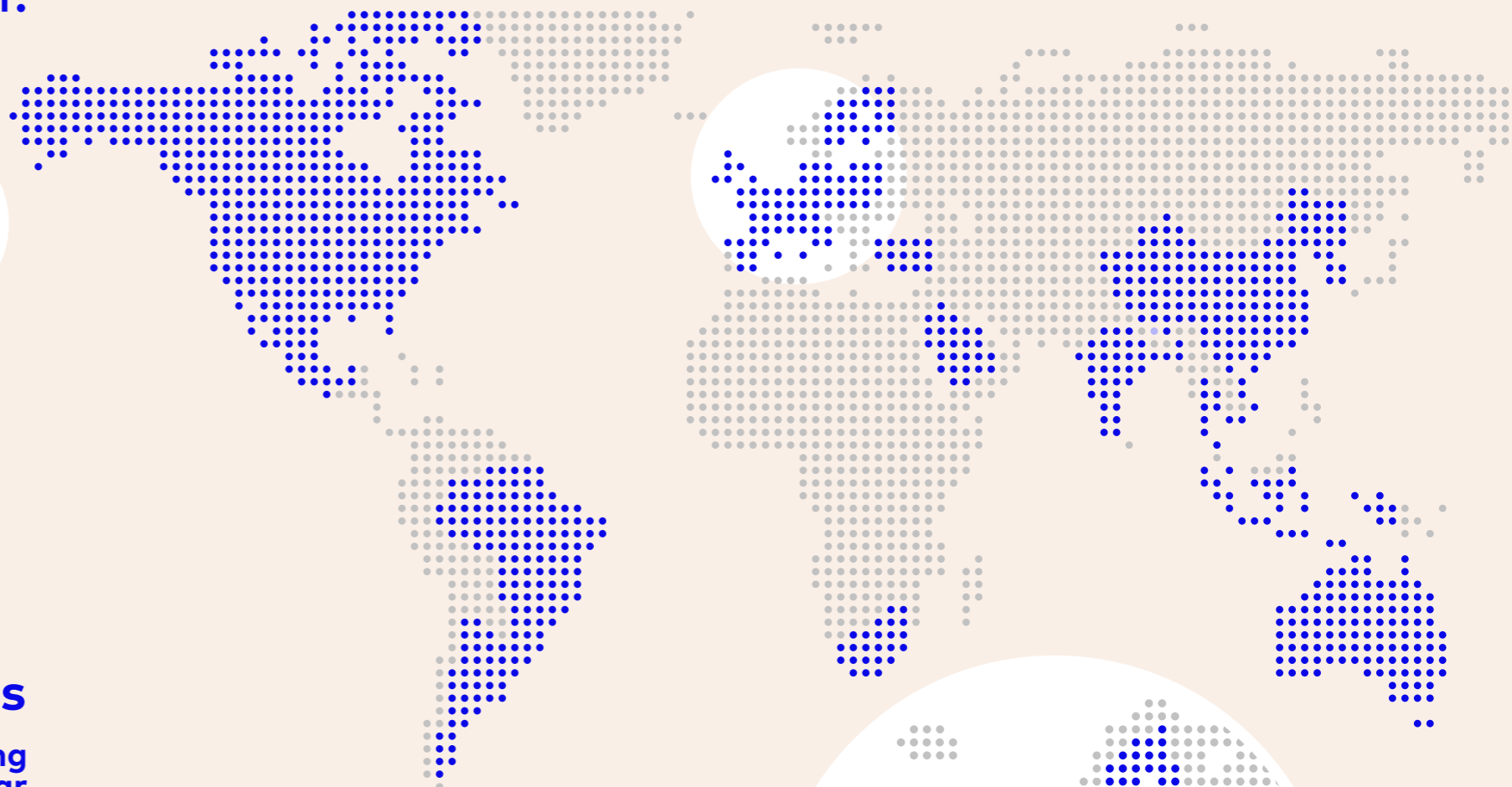


x 100,000

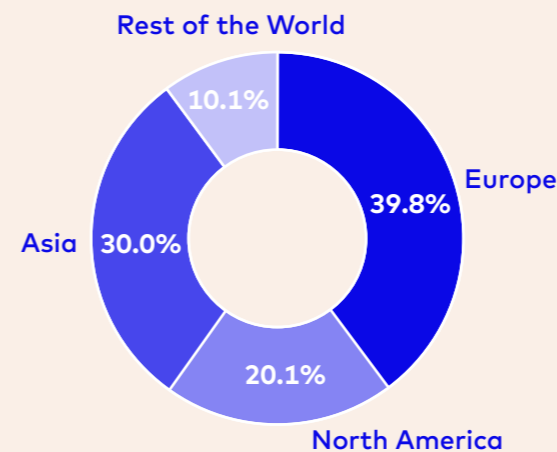
In 2022

nx filtration

enabled clean water across **30** countries worldwide



2022 revenue of sale of goods by region



Our impact in 2022

Avoiding emissions

Methodology: GHG Protocol

The Greenhouse Gas Protocol (GHG Protocol) defines three emission scopes.

- **Scope 1** emissions refer to all direct greenhouse gas emissions from sources that are owned or controlled by the organisation itself.
- **Scope 2** emissions are all indirect greenhouse gas emissions stemming from the consumption of purchased electricity, steam, or other sources generated upstream.
- **Scope 3** emissions are all other indirect greenhouse gas emissions resulting from an entity's operations. This includes both upstream and downstream supply chains, such as the extraction and production of purchased materials and fuels, flight emissions, waste disposal, investments, etc.

Organizational boundaries

NX Filtration's organisational boundary has been determined according to the principles laid down in the GHG protocol. NX Filtration reports the emissions from its operations over which it has financial or operational control. Using this approach, this section includes emissions from its subsidiaries, NX Filtration B.V., NX Filtration International B.V. and NX Filtration Real Estate B.V. so the reported GHG-data is on a fully consolidated basis.

Base year

NX Filtration has set the base year at 2020 as this is the first year that NX Filtration has verifiable emission data available on essentially all scopes.

Verification

In 2022, NX Filtration's CO₂ reduction targets for Scope 1 and Scope 2 emissions have been officially validated by the SBTi.

GHG footprint of NX Filtration

The reported GHG footprint of NX Filtration includes all emissions of Scope 1, Scope 2, and business travel of Scope 3, in line with the GHG protocol.

NX Filtration's total emissions in 2022 amounted to 642 ton CO₂e (CO₂ equivalent). Scope 1 CO₂e emissions amounted to 114 ton, of which 17% related to lease cars and 83% to natural gas combustion). The natural gas usage (46,920 cubic Nm³) was CO₂ compensated through NX Filtration's energy supplier by investments in Verified Emission Reduction units. Scope 2 CO₂e emissions amounted to 0 ton under the well to wheel approach. If we include CO₂e emissions due to the construction and demolition of wind turbines (under an LCA approach) we add approximately 14 grams of CO₂e per kWh meaning 25.1 ton CO₂e emission for electricity (based on 1790 MWh). These Scope 2 emissions were all off-set as 100% of the purchased electricity (1790 MWh) was sourced from European wind projects. Reported Scope 3 CO₂e emissions related to business travel amounted to 528 ton CO₂e in 2022.

The downstream CO₂e savings that NX Filtration enables through offering its dNF membrane modules as an alternative to conventional water treatment technologies, such as activated carbon or a combination of ultrafiltration and reverse osmosis, add up to approximately 3578 ton CO₂e saved over the typical lifetime of a module.

NX Filtration's GHG footprint in 2022 amounted to:

642
ton CO₂e

versus:

3578 ton
CO₂e savings

enabled during the deployment of NX Filtration's membrane modules

avoidance of **6.7 million kg** of chemicals

81.6 GWh energy savings

Downstream CO₂e savings of NX Filtration's products

The downstream CO₂e savings that NX Filtration enables through offering its dNF membrane modules as an alternative to conventional water treatment technologies, such as activated carbon or a combination of ultrafiltration and reverse osmosis, add up to approximately 3578 ton CO₂e saved over the typical lifetime of a module.

In this analysis, the chemicals and energy footprint of NX Filtration's technology has been compared with a broad set of alternative technologies based on sources including Aggarwal (Rahul Aggarwal, "Strategic Assessment of Drinking Water Production Systems Environmental impacts from a Life Cycle perspective", KTH Royal Institute of Technology, school of architecture and the built environment, Stockholm, Sweden 2020) and The Water Factory (Energie en Grondstoffenfabriek). CO₂e savings of NX Filtration's other products have not been taken into account in this analysis of downstream savings, despite the fact that the production

and related activities (such as business travel) of such products has been included in the GHG footprint analysis of NX Filtration.

CO₂e emission and energy consumption reduction programs at NX Filtration

Albeit emissions in upstream and business related activities represent a relatively small portion compared to downstream emissions, NX Filtration is implementing various programs to further reduce its energy consumption and CO₂e emissions per membrane module. Programs focus on those areas where most improvement can be made, most notable in reducing waste in the production process. It is expected that, after the ramp-up of the second spinning line in the first half of 2022, we will be able to realise reductions of waste in production. Other ongoing programs to reduce our CO₂ footprint include the recovery of materials used in the production process and further production efficiencies. Additional programs, such as heat recovery, are being taken into account with the realization of the new factory that is planned for the coming years.

Our impact in 2022

Our internal initiatives

96%

Employees

growth in the number of employees

Our employee base grew from 69 FTE at the end of 2021 to 135 FTE at the end of 2022, representing more than 15 nationalities. NX Filtration employs staff in the Netherlands, Belgium, Germany, France, Spain, India, Singapore, China, Japan, Indonesia, UAE, the United States and Canada, and works with commercial and technical partners in various other parts of the world.

NX Filtration is placing strong emphasis on training and development with a focus on innovation, not only for NX Filtration's employees, but also for customers, partners and graduates. We are facilitating internships, joint research programs and partnerships with universities and research institutes.

0

Safety

lost time injuries and fatalities in 2022

NX Filtration harnesses a culture of safety, where health and safety risks are minimized with a methodology based on the safety awareness model. The management of NX Filtration is highly committed to improving health and safety conditions. This commitment is shown, amongst others, by a clear communication to the production, quality control and R&D employees. Upon joining NX Filtration, each employee receives a safety training and each department meeting starts with a health and safety topic.

During the year we invested, amongst others, in safe storage solutions in our laboratory, lifting aids in the production and improved air circulation in our offices. Our QSHE manager is responsible for managing and improving our health and safety agenda.

NX Filtration had 0 lost time injuries and 0 fatalities in 2020, 2021 and 2022. NX Filtration has a safety policy, conducted safety trainings and is pro-actively sharing alerts and performance.

100%

Suppliers

adherence to NX Filtration's Supplier Code of Conduct by all material suppliers and contractors for new megafactory

NX Filtration actively engages with its suppliers about its Supplier Code of Conduct. Compliance therewith is included in legally binding agreements with our suppliers and contractors for our new megafactory. We also conducted various audits with existing and new suppliers. At NX Filtration, we are very much committed to strengthen the value chain by actively engaging with our suppliers, not only from a pure business perspective but also to pursue certain standards and values. We value a reliable and sustainable business relationship, a better environment, a safe workplace, high quality standards and the highest integrity. The principles we value most and are regarded as a minimum standard for us to cooperate based upon, are laid down in our Supplier Code of Conduct, which we apply to all of our suppliers. The spirit thereof is professional, reliable, down-to-earth and accountable.

Research & development

36

patents as per 31 December 2022

Our patent portfolio included 36 granted patents as per 31 December 2022. Additions in 2022 included patent application Method for creating a porous film through aqueous phase separation. In addition, we are working on various programs to further improve the sustainability of our production process, that is already working according to a 'green chemistry' process. Each of the initiatives on NX Filtration's research & development roadmap is monitored against its contribution to our sustainability objectives.

Knowledge sharing

6

scientific publications authored by NX Filtration employees

In total, our people authored in approximately 36 peer reviewed scientific publications since 2016. In 2022, our people authored in 6 peer reviewed scientific publications, amongst others, in the Journal of Membrane Science and ACS Applied Polymer Materials.

Throughout 2022 a total of 16 students were part of the NX Filtration's team as an intern of for their BSc or MSc thesis. NX Filtration also launched a trainee program for young talent. More than 10 educational or scientific lectures were given by NX Filtration's team, amongst which at the International Water Conference in Orlando, Florida (USA), the Nanofiltration 2022 Conference in Achalm (Germany) and the AMTA Membrane Technology Conference in Las Vegas, Nevada (USA).

NX Filtration actively supports the projects of 14 PhD students spread across various universities.

Academic network

17

partnerships with universities and research institutes around the world



WAGENINGEN UNIVERSITY & RESEARCH



Universität Hamburg

Looking ahead

Looking ahead, NX Filtration anticipates to further grow its business strongly.

Environmental, Social and Governance will remain aspects on which it will not compromise while scaling up. NX Filtration considers high ESG standards of great importance for its long-term success, its customers, the environment and society as a whole. The strong growth that NX Filtration is currently experiencing provides many opportunities to organize ESG aspects with the highest standards from the outset. The development and construction of our new manufacturing plant, for which we have started construction at the High Tech Systems Park in Hengelo, the Netherlands, will also provide ample opportunities to implement measures for further progress on ESG themes.

In 2023, NX Filtration aims to continue to grow its business, therewith also growing the impact it can make with the sale of its membrane products. This will contribute to the global availability of clean and safe water and the reduction of energy and chemicals usage in water treatment processes.

With the further scale-up of our business, we aim to reduce our energy consumption even further and deploy measures to limit our GHG emissions such as procuring green electricity, continuing the switch to electric vehicles, and further electrify its operations. Other key contributing factors to this objective include the increase in efficiency with our new production lines, the transitioning to more energy-efficient production methods and moving towards low-carbon distribution and logistics by actively engaging with our suppliers.

United Nations Global Compact (UNGC) Communication on Progress 2022

Introduction and reaffirmation of our support

As part of our corporate social responsibility, we joined the UNGC on 30 May 2022. By committing to the UNGC, we have undertaken to embrace, support and implement within our sphere of influence their principles relating to human rights, labour standards, the environment and anti-corruption. In this first Communication on Progress we refer to sources that describe our actions to integrate the UNGC and its ten principles into our business strategy, culture and daily operations. With this Communication on Progress we also reaffirm our full support of the Ten Principles of the UNGC. We have also committed to sharing this information with our stakeholders using our primary channels of communication.

The reference table below explains where to find the relevant information for each principle of the UNGC. All mentions of page numbers refer to this annual report, unless indicated otherwise.

UNGC Principle	Our efforts and certain references to annual report section
Human Rights	
1. We should support and respect the protection of internationally proclaimed human rights.	<p>At NX Filtration we do business with respect for fundamental human rights. This is reflected in our Human Rights Policy, Code of Conduct, Supplier Code of Conduct and various other policies, available on our corporate website.</p> <p>These policies help us understand, avoid and address human rights related risks. We are committed to comply with international standards and comply with: the Universal Declaration of Human Rights; the Declaration on Fundamental Principles and Rights at Work of the International Labour Organization (ILO); the Guidelines for Multinational Enterprises of the Organisation for Economic Cooperation and Development (OECD); the United Nations (UN) Guiding Principles on Business and Human Rights implementing the UN Protect, Respect and Remedy Framework; and the Ten Principles of the UN Global Compact (as set out in this Communication on Progress).</p> <p>Our Human Rights Policy includes a clear commitment on remedy and grievance procedures.</p> <ul style="list-style-type: none"> - Risks and Uncertainties – Human Rights, p. 78. - Sustainability Report – our impact in 2022 – our internal initiatives - Suppliers, p. 34. <p>Our policies are circulated annually to each employee, officer and director as part of NX Filtration's request to them for sign-off on compliance with NX Filtration's policies, including our Human Rights Policy. Our external stakeholders may obtain copies of our policies through our corporate website and are generally provided a copy at the start of our joint engagement.</p>
2. We should make sure that we are not complicit in human rights abuses.	

UNGC Principle	Our efforts and certain references to annual report section
Labour	
3. We should uphold the freedom of association and the effective recognition of the right to collective bargaining.	<p>We respect our employees' freedom of choice to be legally represented by a labour union without fear of retaliation. Where employees are represented by a legally recognised labour union, we will establish a constructive dialogue with this labour union. Where local laws and practices restrict the right to freedom of association and collective bargaining, we will endeavor to develop other ways to have a meaningful dialogue with employee representatives, without breaking local law.</p> <p>We create opportunities that enable each employee to increase its chances on the labour market. Having an expert, qualified and healthy workforce is a key factor in our success in achieving its objectives. That is why NX Filtration is committed to attracting, retaining and captivating the right people, offering them extensive scope for training and development, and facilitating a healthy work/life balance.</p> <ul style="list-style-type: none"> - Sustainability Report – our impact in 2022 – our internal initiatives - Employees, p. 34. - Sustainability Report – our impact in 2022 – our internal initiatives - Safety, p. 34. - Sustainability Report – our impact in 2022 – our internal initiatives – Knowledge Sharing, p. 35.
4. We eliminate all forms of forced and compulsory labour.	Further reference is made to our Human Rights Policy available on our corporate website that includes our policy on forced labour.
5. The effective abolition of child labour.	Further reference is made to our Human Rights Policy available on our corporate website that includes our policy on child labour.
6. The elimination of discrimination in respect of employment and occupation.	Further reference is made to our Human Rights Policy and Whistleblower Policies (including Dutch, French, German and Spanish translations) available on our corporate website that includes our policy on discrimination.

UNGC Principle	Our efforts and certain references to annual report section
Environment	
7. We should support a precautionary approach to environmental challenges.	<p>NX Filtration strives to be a good steward of nature and the environment by preventing waste and limiting negative impacts. To achieve this, NX Filtration works with an environmental management system certified by ISO14001. This has resulted in improved process technologies and people skills, as well as formalized procedures, checklists, training and instructions.</p> <p>In 2022, NX Filtration's CO₂ reduction targets for Scope 1 and Scope 2 emissions have been officially validated by the SBTi. By committing to the SBTi, NX Filtration commits to a 42% decrease in absolute Scope 1 and 2 emissions by 2030. To achieve this target, NX Filtration will procure green electricity, continues to switch to electric vehicles, and further electrify its operations.</p> <p>Furthermore, NX Filtration believes it is important that customers and suppliers become more aware of the consequences of climate change. They should recognise that they can contribute to mitigate the effects of climate change.</p>
8. We undertake initiatives to promote greater environmental responsibility.	<ul style="list-style-type: none"> - 2022 Month by Month – p. 42-47. - Sustainability Report – p. 20-36. - Sustainability Report – Our impact in 2022 – Avoiding Emissions p. 32-33.
9. We encourage the development and diffusion of environmentally friendly technologies.	<p>The operation of water treatment systems based on NX Filtration's dNF membranes require less energy and therefore realise a significant CO₂ footprint reduction compared to water treatment systems based on conventional technologies such as filtration with reverse osmosis (RO), adsorption (activated carbon) and oxidation. In addition, NX Filtration's dNF solution avoids or significantly reduces the use of chemicals in operations, as it prevents the use of flocculants and coagulants in pre-treatment (which is required for traditional filtration processes) and requires a very low cleaning frequency, thus considerably reducing the CO₂ footprint related to these chemicals.</p> <ul style="list-style-type: none"> - About NX Filtration – Business Lines, p. 7. - Business Review – Sustainability and ESG impact, p. 12-13. - Sustainability Report – p. 20-36.

UNGC Principle	Our efforts and certain references to annual report section
Anti-Corruption	
<p>10. We should work against corruption in all its forms, including extortion and bribery.</p>	<p>We deploy policies, processes and trainings on conflict-of-interest situations, anti-bribery and corruption, gifts, entertainment and hospitality, export and sanctions compliance and anti-money laundering. We encourage speaking up and raising concerns about any such issues.</p> <ul style="list-style-type: none"> - Risks and Uncertainties, Business Ethics Policy, p. 77-78. - Risks and Uncertainties, Code of Conduct, p. 77. - Supplier Code of Conduct available on our corporate website. <p>Our policies are circulated annually to each employee, officer and director as part of NX Filtration's request to them for sign-off on compliance with NX Filtration's policies, including our Code of Conduct (including anti-bribery, anti-corruption and anti-money laundering provisions).</p>

2022 month by month

11 January

Aigües de Barcelona starts river water treatment pilot in Barcelona

Aigües de Barcelona, the public-private company responsible for managing the water cycle in the metropolitan area of Barcelona, Spain, starts a series of pilot projects with NX Filtration's dNF membranes. The objective of the first pilot project is to treat water from the Llobregat river in Barcelona to produce drinking water.



20 January

GreenTech starts pilots with NX Filtration for drinking water production in China

GreenTech Environmental, a leading publicly listed company in advanced water treatment and wastewater recycling, headquartered in Beijing, starts a pilot program with NX Filtration's dNF membranes for the production of drinking water in the Chinese provinces of JiangSu and Zhejiang.

15 March

Service de l'Eau – Ville de Lausanne starts pilot with NX Filtration to remove Chlorothalonil in Switzerland

Service de l'Eau, the drinking and wastewater utility of the city of Lausanne in Switzerland, initiated a pilot program with NX Filtration's dNF technology with the objective to remove Chlorothalonil from its water sources. Chlorothalonil is an agricultural fungicide affecting two water sources of Service de l'Eau, which have therefore been put out of operation.

7 April

NX Filtration wins project for wastewater reuse at Cross Textiles

Cross Textiles, a denim & lifestyle brand and producer with customers such as Jack & Jones, H&M, Inditex, Ralph Lauren and Mango, selected NX Filtration for the delivery of its dNF membranes for wastewater treatment and reuse at its production facilities in Çorlu, Turkey. The dNF technology enables the removal of colour and organics from the textile wastewater stream, making this water suitable for reuse in Cross Textiles' facilities.



12 April

Former Hydranautics Chairman Mr. Tsunenobu Katsura joins NX Filtration

Mr. Tsunenobu (Tsune) Katsura joined NX Filtration as per April 2022. Tsune Katsura brings a wealth of international membrane experience from his 20 years' career at Hydranautics, one of the global leaders in membrane technology and part of the Nitto Denko Corporation, where he held the position of Chairman between 2018 and 2021. At NX Filtration, Tsune Katsura is responsible for sales and business development in East Asia, with specific focus on Japan, Taiwan and South Korea, as well as the global microelectronics sector.

26 April

NX Filtration successfully extends pilot test of Jacobs Engineering in Florida, USA

Jacobs Engineering, a leading technical professional services company headquartered in Dallas, completed a pilot program with NX Filtration's dNF membrane technology at the City of Melbourne WTP in Florida, USA.

Excellent results were achieved in terms of stable operation, high operating recovery, quality of the permeate produced, reduced energy consumption, and avoidance of pre-treatment chemicals.

3 May

Strategic expansion of NX Filtration's presence in the Americas and China

To further strengthen its position in the global water markets, NX Filtration expanded its global sales team with country managers for the Americas and China. Tony Fuhrman, NX Filtration's country manager for the Americas, has extensive experience in water and wastewater treatment technology sectors through his previous roles as Commercial Director and Area Market Director for LG Water Solutions and various key positions at Hydranautics and Suez. Shao-hua Hu, NX Filtration's country manager for China, has over 25 years of experience in membranes for water treatment, with his last role being Head of Inge (currently part of DuPont Water Solutions) in China.

30 May

NX Filtration exhibits at the IFAT worldwide in Munich

From 30 May to 3 June, NX Filtration presented the application and benefits of our hollow fiber dNF membrane technology at the IFAT worldwide Munich, the world's leading trade fair for water, sewage, waste and raw materials manage-



ment. We also served our 'own' beer, brewed from purified Rhine river water with our dNF technology!

2 June

NX Filtration supplies its direct nanofiltration membrane modules to Envirogen for industrial water recycling in the UK

Envirogen, a leading international provider of industrial water treatment solutions and process filtration, selected NX Filtration for the delivery of its dNF membrane modules for an industrial water recycling project for a leading manufacturer of advanced materials and components in the North of England. This project follows previous deliveries of microfiltration and ultrafiltration membrane modules from NX Filtration to Envirogen.



7 June

Geert-Henk Koops (formerly SUEZ) joins NX Filtration as Technology Director

Geert-Henk Koops (former Global Technology Leader at Suez Equipment and Systems) joined NX Filtration as per June 2022 in the role of Technical Director. Geert-Henk brings a wealth of international membrane technology experience from his long career at, among others, Suez, where he led a global team of approximately 100 researchers and engineers responsible for product development in the field of

water treatment. Prior to that, Geert-Henk worked at GE Water & Process Technologies, where he was responsible for R&D and led the global technology team of their ultrafiltration and membrane bioreactor division.

8 June

NX Filtration is included in the new Euronext initiative for high-growth and leading tech companies

NX Filtration becomes part of the Euronext Tech Leaders, the new initiative dedicated to high-growth and leading Tech companies. Partners of this initiative include BNP, Goldman Sachs, HSBC, JP Morgan, McKinsey, SocGen and a variety of local partners. Based on several criteria, including market cap, growth and strong tech DNA, Euronext selected 100+ high-growth and leading companies to be included in its Tech Leaders initiative. It aims to strengthen the European Tech sector and be a catalyst for the next generation of Tech leaders.

14 June

NX Filtration joins the United Nations Global Compact initiative

NX Filtration has joined the United Nations Global Compact initiative – a voluntary leadership platform for the development, implementation and disclosure of responsible business practices – as part of our commitment to be a responsible company. The UN Global Compact is a call to companies to align their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption, and to take action in support of UN goals and issues embodied in the Sustainable Development Goals (SDGs).

21 June

NX Filtration delivers its direct nanofiltration technology to SAPAL in Mexico

SAPAL (Sistema de Agua Potable y Alcantarillado de Leon), a Mexican drinking and wastewater utility, selected NX Filtration to supply its dNF membrane modules for a new wastewater recovery project. SAPAL will deploy NX Filtration's dNF membrane modules to treat municipal wastewater in order to achieve a drinking water quality permeate that complies with local drinking water standards. This permeate will be reinjected in one of its key groundwater reservoirs that is used for drinking water production. The project is delivered through EcoAzur, distributor of NX Filtration's products in Mexico.



28 September

NX Filtration exhibits at IFAT India

From 28 to 30 September, NX Filtration exhibited at IFAT India, demonstrating how its dNF technology delivers superior water quality in a sustainable way with low energy and very low chemical consumption.

8 October

NX Filtration joins WEFTEC in New Orleans from October 8-12

Our North American team exhibits at WEFTEC (the Water Environment Federation's Technical Exhibition and Conference), the largest water conference in North America. At the conference NX Filtration showcased its dNF technology introducing key applications to its North American partners and customers.

11 October

NX Filtration part of ACCIONA-led initiative to eliminate emerging pollutants from water sources

NX Filtration announces its participation in the European innovation project LIFE PRISTINE, led by ACCIONA S.A. The project's objective is to eliminate emerging contaminants in the integral water cycle, one of the essential measures to promote alternative water resources in the face of water scarcity, which affects more than 2.8 billion people worldwide.



18 October

Independent Dutch water research institute KWR demonstrates NX Filtration's membranes retention of PFAS

Dutch water research institute KWR conducted a series of tests with NX Filtration's dNF membranes on the retention of representative subsets of PFAS that are commonly seen in real life situations. KWR based its tests on both surface water (from the Lekkanaal in the Netherlands) and on biologically treated effluent from a municipal wastewater treatment plant. These tests demonstrate that NX Filtration's dNF membranes are a very effective and sustainable solution to facilitate the removal of PFAS. The average retention of PFAS20, a group of substances on the EU monitor to be regulated, was 94.7%. The average retention of PFAS4, a group of substances that Sweden will be using in its legislation, was 94.6%.

19 October

Vitens and NX Filtration start pilot for testing IJssel river water as potential source for drinking water

Vitens, the largest drinking water utility in the Netherlands, started a pilot program with NX Filtration. In the pilot program, Vitens will use NX Filtration's dNF membrane technology to produce drinking or industrial process water from the Dutch IJssel river. The pilot program of Vitens is expected to run from October 2022 to Fall 2024.

24 October

NX Filtration signs Channel Partnership Agreement with Hydroflux in Australia

Hydroflux is one of Australia's fastest growing water and wastewater technology and solutions businesses in the municipal and industrial markets. Hydroflux has conducted a series of pilot trials across a range of applications

that demonstrate the outstanding benefits of NX Filtration's dNF technology, positioning this as the ideal solution for the removal of micro-pollutants, including the residues from antibiotics, hormones, pesticides, pharmaceuticals and nano-plastics.



27 October

NX Filtration starts pilot with IWE for water reuse from paper mills

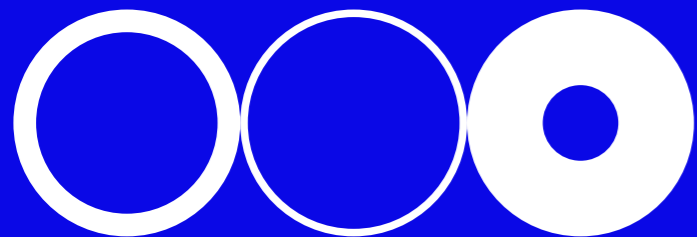
Fort Island Pampus in the Netherlands seeks to turn the surrounding water from the IJmeer into its own drinking water. After a series of pilots it will now install a larger installation that includes NX Filtration's dNF technology. With this installation it can replace the current importing of drinking water from the mainland by early 2023.

10 November

NX Filtration and Transcend partner to showcase the benefits of dNF membranes through generative design software

The collaboration between Transcend, a provider of generative design SaaS tools, and NX Filtration brings NX Filtration's advanced projection tool online through the Transcend platform. This will enable asset owners and engineering companies to make their own projections and system designs which include NX Filtration's dNF membranes.





Financial performance

NX Filtration is a provider of direct nanofiltration (dNF) membrane technology for producing pure and affordable water to improve quality of life. Its direct nanofiltration technology removes micropollutants (including pharmaceuticals, medicines, PFAS and insecticides), colour and selective salts, but also bacteria, viruses and nano-plastics, from water in one step whilst offering strong sustainability benefits. NX Filtration sells its filtration membranes in the form of modules in its two business lines: Clean Municipal Water and Sustainable Industrial Water. As there is a strong interrelationship between NX Filtration's different business activities, management reviews the profitability of the Company on an aggregate level.

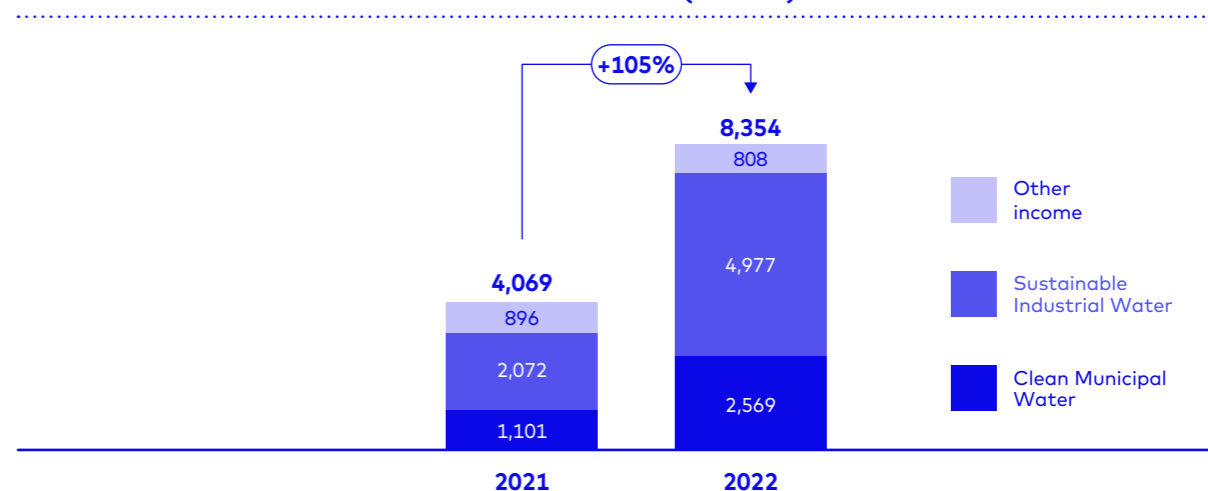
All financial information can be found in the consolidated financial statements.

Gross income

Gross income increased by 105% from €4,069 thousand in 2021 to €8,354 thousand in 2022. Revenues from the sale of goods increased by 138% from €3,173 thousand in 2021 to €7,546 thousand in 2022. Other income slightly declined from €896 thousand in 2021 to €808 thousand in 2022. This decline was driven by reduced government grants for innovation projects, partly offset by rental income from pilots growing from €192 thousand in 2021 to €400 thousand in 2022.

Key drivers for the growth in gross income were a strong market demand, an increase in the number of full-scale projects that resulted from preceding pilot projects, as well as global sales force expansions and a growing number of OEM relationships, that are increasingly resulting in repeat projects for existing clients.

Gross income (€ '000)



We experienced strongest growth in our Sustainable Industrial Water business line, with revenues from the sale of goods of €4,977 thousand in 2022, a growth of 140% compared to €2,072 thousand in 2021. NX Filtration benefitted from the pilots it had initiated since mid-2020, as well as from repeat projects from existing customers. We experienced strong traction with customers in, amongst others, the food & beverage and textile industries looking to reduce their water footprint and optimise their water systems in a sustainable way. Key projects in our Sustainable Industrial Water business line included wastewater reuse projects for, amongst others, Aquarius H2O Dynamics in India, Cross Textiles in Turkey and Practical Water Solutions in South Africa. Our commercial roll-out model is based on converting pilot projects into larger demo or full-scale projects, with subsequent repeat orders from existing clients, and periodic module replacements at existing plants. 2022 also marks the first replacement order for NX Filtration, which we supplied to Hidrofilt in Hungary for industrial wastewater treatment at the site of an aerospace multinational, that we first supplied in 2019.

In the Clean Municipal Water business line, revenues from the sale of goods in 2022 were €2,569 thousand, a growth of 133% compared to €1,101 thousand in 2021. This growth was primarily driven by full-scale projects in Asia, whereas the focus in Europe and North America has been on pilots with leading players, with visibility on future large projects. Although our Sustainable Industrial Water business line is still the largest today, larger municipal projects are constituting an increasing part of our pipeline for future revenues.

In our Clean Municipal Water business line, we realised repeat dNF projects with PT. Bayu for the production of drinking water in Indonesia, supplied our dNF modules to Ekopak for the extension of a water

treatment project in Belgium, and received repeat orders from EcoAzur for drinking and wastewater treatment projects in Mexico. In the European and North American market, where the conversion time from pilot to demo or full-scale project typically takes longer, NX Filtration started various new pilot projects, amongst others with Suez in France related to micropollutants removal with our dNF technology and Vitens in the Netherlands, related to drinking water production from the IJssel river. We also continued our pilot projects with leading players such as Veolia in France, Aqualia and Aigües de Barcelona in Spain and Service de l'Eau de Lausanne in Switzerland.

Gross margin, EBITDA and Net result

Gross margin increased from 55.0% in 2021 to 57.3% in 2022. Gross margin was positively impacted by efficiencies resulting from the second spinning line that was started-up during the first half of 2022 and positive product mix effects.

EBITDA loss was €8,549 thousand in 2022 compared to a loss of €3,738 thousand in 2021 (excluding IPO transaction costs). Including IPO transaction costs, 2021 EBITDA loss amounted to €13,323 thousand.

Net loss was €8,642 thousand in 2022 compared to a net loss of €4,103 thousand in 2021 (excluding IPO transaction costs). Net loss including IPO transaction cost for 2021 was €11,354 thousand.

Cash flows and investments

The net cash position at 31 December 2022 amounted to €104.3 million, compared to a net cash position of €133.4 million at 31 December 2021.

Operating cash flow is €15,702 thousand negative, compared to €3,630 thousand negative in 2021 (€13,215 thousand negative including IPO transaction costs). Working capital¹ increased to €8,626 thousand at 31 December 2022 versus €1,062 thousand at 31 December 2021, as a result of higher account receivables due to increasing sales volumes as well as increased inventory levels to meet the growing demand in 2023.

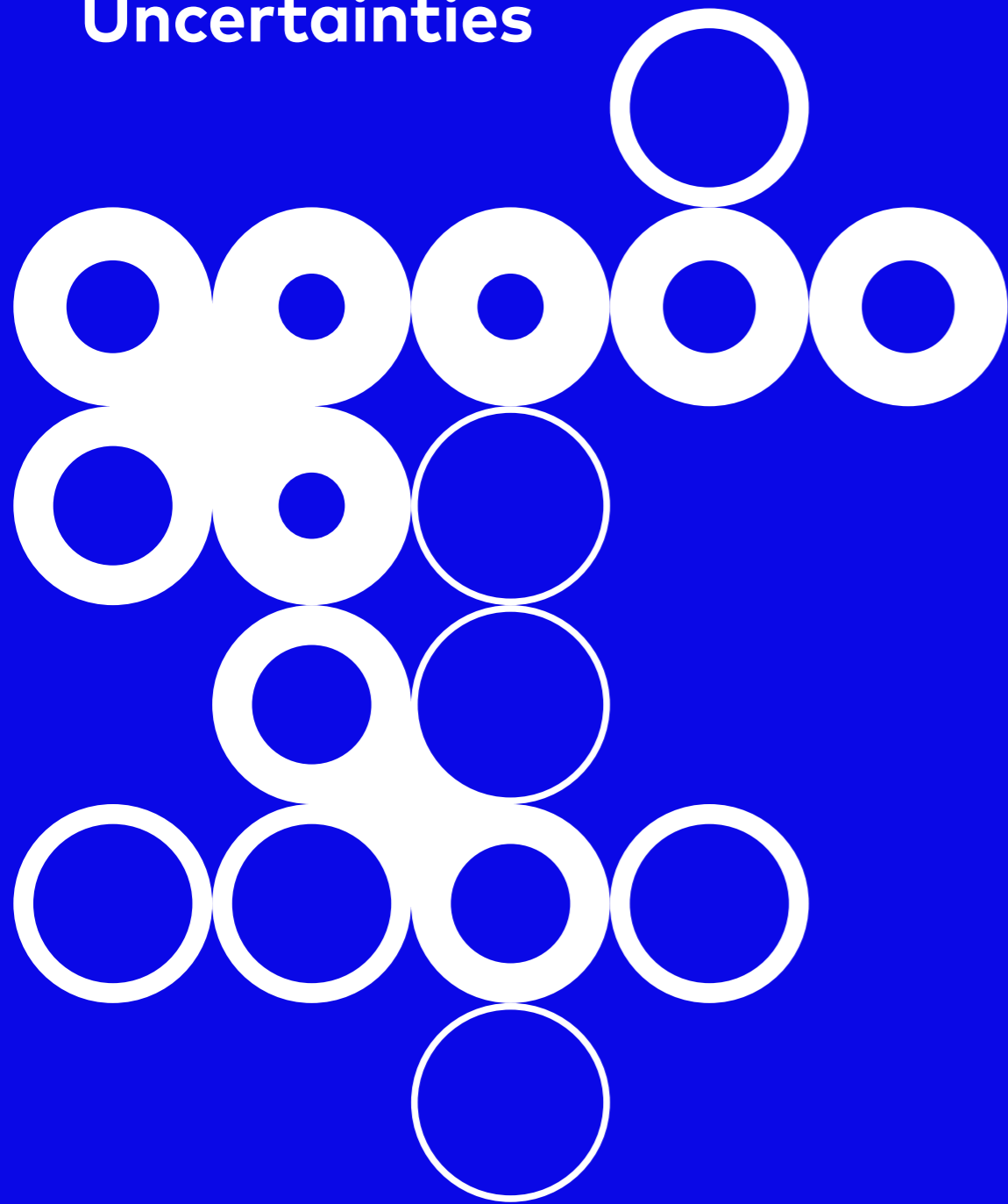
Capital expenditures amounted to €12,670 thousand in 2022 as compared to €8,616 thousand in 2021. Capex included investments in the ongoing capacity expansion at the existing locations, the purchase of land and development cost for the new megafactory and the expansion of NX Filtration's fleet of pilot systems. Additionally, NX Filtration capitalised €914 thousand of development costs which demonstrates the company's continued efforts to invest in innovations for the future.

Total FTE increased from 69 at 31 December 2021 (104 at 30 June 2022) to 135 at 31 December 2022, further shaping our global organization positioning us well for the growth ahead of us. Key additions were made in our sales teams, management, pilot engineers, R&D employees and production personnel. The Company does not pay any dividend for the year.

¹ Working capital defined as inventories plus trade and other receivables minus trade and other payables



Risks and Uncertainties



Below is a summary of our risks, our risk appetite, likelihood and potential impact. For a detailed description of these risks and how we believe we mitigate these risks we refer to the disclosure set out after the below table. Additional risks not known to us, or currently believed not to be material, could later turn out to have a material impact on our business, revenue, assets, liquidity, capital resources or net income.

Risk category	Risk description	Risk appetite	Likelihood	Potential impact
Strategic and Commercial	We are dependent upon acceptance of our technology by customers and future partners. A lack thereof will likely impact our ability to achieve and maintain market acceptance.	High	Low	High
	Unsuccessful pilot projects or inconsistent performance of our products could harm the customer support for our products.	High	Low	High
	The demand for NX Filtration's products depends on the continuation of market trends towards greater sustainability, including trends to lowering the corporate water footprint and decarbonisation. Such trends could change due to a number of factors outside our control, following which the demand for our products could be reduced.	High	Low	Medium
	Increased competition in the water treatment solution market may materially adversely affect our ability to gain market share.	High	Medium	Medium
	Our business and strategy depends, in part, on significant customers and our relationship with OEMs. If such relationships fail to develop this could have a materially adverse effect on our business.	High	Low	High
	We do business with municipal clients and, as a result, we face risks of delays related to the procurement process, budget decisions driven by statutory and regulatory determinations and compliance with government contracting requirements.	High	Medium	Low
	The COVID-19 pandemic has had and may continue to have an adverse impact on our business, operations and the markets in which we, our partners and customers operate.	Medium	High	Medium

Risk category	Risk description	Risk appetite	Likelihood	Potential impact
Operational	If we experience significant delays in the planned scale-up of our production and the build of our planned manufacturing facility, or if such facility were to become inoperable, we would be unable to produce sufficient products and our business would be harmed.	Low	Low	High
	We are dependent on third-party suppliers to deliver raw materials and components for our products. Supply interruptions could lead to interruptions of our own production, increased costs, order cancellations and loss of market share.	Medium	Medium	High
	Significant increases in the cost of raw materials, components and finished goods may materially adversely affect our business.	Medium	Medium	Low
	We depend on the ability to hire and retain management, key employees and other qualified and skilled employees and we may not be able to attract and retain such personnel.	Medium	Medium	Medium
	Disruptions of our information technology systems could have a material adverse effect on our business.	Low	Medium	High
	Any difficulties we encounter while we expand or transition our manufacturing operations in-house, now or in the future, could materially and adversely affect our ability to manufacture and deliver our products.	Medium	Low	High
	Our current operations are international in scope, and we plan further geographic expansion, creating a variety of operational challenges.	High	Medium	Low

Risk category	Risk description	Risk appetite	Likelihood	Potential impact
Technology	Our failure to protect intellectual property rights may undermine our competitive position, and litigation to protect our intellectual property rights may be costly, time consuming and distracting from daily operations.	Low	Low	Medium
	We may be unsuccessful in adequately protecting our technological know-how that is not covered by intellectual property registration.	Low	Low	Medium
	New products or technological improvements by competitors, including by larger players in the industry investing in research and development for product substitution of our dNF products, or improvements to our dNF technology could materially adversely affect our business and our ability to gain market share.	Medium	Low	Medium
Compliance	We are exposed to risks associated with product liability, warranties, recall claims or other lawsuits or claims that may be brought against us.	Low	Low	Medium
	We are subject to various laws and regulations in multiple jurisdictions in which we operate, and unfavorable changes or failure by us to comply with these regulations could have a material adverse effect on our business.	Low	Medium	Medium
	We may be exposed to the risk of fraud and other dishonest activities, which could have a material adverse effect on our business, financial condition or results of operations.	Low	Medium	Medium

For information about NX Filtration's credit risk, liquidity and market risks as well as the capital management structure, please refer to the information outlined in Note 3 and 4 of the Consolidated Financial Statements. Furthermore, risks related to external reporting are considered limited due to the limited amount of estimates in the financial statements, and because NX Filtration was not faced with any indication for impairment in financial year 2022.

For each risk factor, we set out how we believe we mitigate these risks. However, we may not be successful in deploying some or all of these mitigating actions effectively. If circumstances occur or are not sufficiently mitigated, our business, financial condition, results of operations and prospects could be material adversely affected. In addition, risks and uncertainties could cause actual results to vary from those described, which may include forward-looking statements, or could impact our ability to meet our objectives or be detrimental to our financial condition or reputation.

Strategic and Commercial Risks and Uncertainties

We are dependent upon acceptance of our new technology by customers and future partners. A lack thereof will likely impact our ability to achieve and maintain market acceptance.

NX Filtration's ability to succeed is mainly dependent upon achieving and maintaining the acceptance by customers and future partners of its innovative inside-out hollow fiber dNF membranes that are based on patented production methods. Historically, governments, municipal and industrial companies have fully relied on water filtration activities using conventional water treatment technology. In order for NX Filtration to achieve its business objectives, it must convince these governments

and companies that its technology and capabilities justify the switch to its products. If NX Filtration cannot convince governments and companies of the effectiveness of its dNF membranes or if NX Filtration is unable to obtain the necessary approvals, it is unlikely to keep existing customers or attract additional customers and future partners on acceptable terms or to develop a sustainable, profitable business.

The market for dNF is still at a relatively early stage of operation and customers may not recognise the need for, or the benefits of, the dNF products. Therefore, the extent to which the dNF products will be able to meet its customers' requirements and achieve significant market acceptance is uncertain. By contrast, the markets for UF, traditional nanofiltration and reverse osmosis treatment technologies are large and well established, which may make the commercialisation of new water treatment technologies longer than foreseen and ultimately unsuccessful, including dNF membrane technology or other future technology developments.

The use of a new type of water filtration depends on compatibility with existing infrastructures, installations and equipment, as well as the manner in which such technique may be used by a manufacturer. Manufacturers may elect not to use, distribute or install NX Filtration's products due to regulatory and political considerations, including but not limited to tax exemptions, subsidies, trade barriers, handling and safety requirements, and for a variety of other reasons, including (i) product and process safety considerations; (ii) advantages of alternative water filtration methods; (iii) lack of cost-effectiveness; (iv) timing of market introduction of competitive products; (v) process economics in realising economies of scale; (vi) incompatibility with required product specifications; (vii) lack of fit with existing infrastructure; and (viii) the

fact that NX Filtration is in an early stage of operation and potential uncertainty around its future development and ability to deliver its products in the future.

If NX Filtration fails to achieve a broad market acceptance for its products to replace or compete with current UF, traditional nanofiltration and reverse osmosis treatment technologies or if NX Filtration is not able to successfully commercialise the membrane technology that it develops, NX Filtration may not be able to generate significant revenue, which could have a material adverse effect on its business, financial condition, results of operations and prospects.

To mitigate this risk, NX Filtration is actively developing, piloting and investing in its technology. NX Filtration benefits from a unique team of leading membrane technology experts with technical, operational and commercial experience with an extensive background in membrane technology and the water sector. Based on the concept of its pilot-based roll-out model, NX Filtration invests in significantly expanding the number and size of its pilot systems to accelerate acceptance of its technology. Over the past year this has led to an increase in conversions of pilot systems to full-scale installations. Furthermore, it is expected that this risk is reducing over time, as the market for dNF is expected to gradually mature and NX Filtration's customers are gaining more experience with dNF products, including business case development, internal approval procedures and project management.

Unsuccessful pilot projects or inconsistent performance of our products could harm the customer support for our products.

Currently, in relation to its new dNF technology, the vast majority of NX Filtration's projects are at a pilot system phase during which customers test the dNF technology before making a decision whether to proceed with a demo or

full-scale installation investment. Some or all of such pilot systems may not ultimately lead to full-scale installations, including for reasons beyond NX Filtration's control, such as where third parties would not adequately integrate the products into a pilot, demo or full-scale system. Its products may not be functional, may be faulty or may not meet customers' expectations. This may lead to requirements for NX Filtration to repair or improve its products after sale and/or installation, which may diminish operating margins or lead to actual losses. In respect of water filtration systems that are built together with OEMs, NX Filtration may be made responsible if such systems are faulty or not functional. Furthermore, there could be unwillingness by OEMs to roll-out NX Filtration's technology across their customer base if its products do not display the promised performance. Any of the above events could materially adversely affect NX Filtration's business, financial condition, results of operations and prospects.

To mitigate this risk, NX Filtration generally offers on-site commissioning, technical support and training by its engineers. NX Filtration seeks to maintain a constructive dialogue with the customer that is testing NX Filtration's technology through a pilot system. NX Filtration believes the vast majority of ongoing pilots have a clear visibility towards follow-on demo or full-scale projects and, the amount of customers that have not been retained after using NX Filtration's technology by way of a pilot system is considered to be limited.

The demand for NX Filtration's products depends on the continuation of market trends towards greater sustainability, including trends to lowering the corporate water footprint and decarbonisation. Such trends could change due to a number of factors outside our control, following which the demand for our products could be reduced.

The present and projected demand for NX Filtration's products is driven by the need to address global and structural water scarcity and water quality issues. Such issues include, but are not limited to, people not having daily access to clean, drinkable water, the fact that approximately 80% of global wastewater flows back in nature without being treated, the fact that approximately 95% of medicine waste reaches nature through sewerage systems, limited reuse of treated wastewater globally, and micro-plastics ending up in any water environment and eventually the food- and waterchain. Additionally, pollution is a major concern in many emerging countries due to the lack of adequate wastewater treatment facilities where wastewater is discharged untreated, directly into the sea or rivers. The key drivers of demand for NX Filtration's products include climate change/droughts, regulations, universal access to clean water, corporate responsibility, discharge surcharges, and health awareness.

Furthermore, water plays an integral part in the production process of companies in a wide variety of sectors, such as within the agricultural, food and beverage, textile, power generation, mining, high tech, datacenter, semiconductor, and pulp and paper sectors. Such sectors heavily depend on water that is used as an ingredient or for operational purposes such as for cleaning, heating, cooling and transport. Many companies are reliant on water supply and exposed to the risk of water scarcity through their supply chains, since they rely on (hydropower) energy and input from water-dependent agricultural and industrial sectors. Companies are becoming increasingly aware of the severity of water scarcity issues and its eventual impact on their businesses and seek to strategically address these by setting goals to reduce their corporate water footprint (i.e. the total volume of water that is used directly or indirectly to run and support a business). Increasingly, customers are demanding the use

of products and technologies that contribute to decarbonisation and governments globally and locally are enacting pro-climate environmental standards and regulations.

These current and expected trends could change due to a number of factors which are outside of the NX Filtration's control, including the modification or elimination of economic incentives encouraging decarbonisation, the use of alternative forms of water treatment and the public perception moving away from the idea that CO₂ emissions negatively impact the environment. If any of these or other changes were to occur, demand for NX Filtration's products could be reduced significantly, which could, in turn, have a material adverse effect on its business, financial condition, results of operations and prospects.

To mitigate this risk, NX Filtration continuously monitors trends and initiates R&D efforts accordingly. To verify its R&D and product development projects, NX Filtration actively engages with its customers, academic partners and stakeholders that are active in the global water market to anticipate trends and market developments and to provide it with a deep understanding of the (future) needs of NX Filtration's customers.

Increased competition in the water treatment solution market may materially adversely affect our ability to gain market share.

The water treatment solution market is highly competitive, and NX Filtration faces significant competition from large international competitors as well as smaller regional competitors in certain markets. NX Filtration faces competition in countries across the globe and the products of NX Filtration's competitors are typically sold globally. NX Filtration primarily competes with organisations that offer conventional water treatment solutions (such as reverse osmosis, adsorption and

oxidation processes), organisations that develop products similar to those offered by NX Filtration and organisations that offer alternative technologies. NX Filtration's competitors generally have global distribution networks, a global sales force and have therefore already achieved economies of scale, as opposed to NX Filtration. In addition, industry players that do not currently compete with NX Filtration but may have greater financial resources, may enter the market and disrupt the competitive environment, which may influence NX Filtration's ability to grow its market share. Such existing or new industry players may have longer operating histories, customer incumbency advantages, stronger relationships with industrial companies, more access to and influence on municipal governments and more capital resources than NX Filtration does.

NX Filtration competes primarily on the basis of, among other things, price, product technology and performance, delivery times, ease of operation, sustainability benefits, flexibility, design and innovation, reputation, brand recognition and customer access as well as the scope and quality of the products and the suitability of the products as components in systems built by original equipment manufacturers (OEMs). NX Filtration's ability to compete may be adversely affected by a number of factors, such as the following (i) new products or product improvements by competitors, including product substitution of NX Filtration's products for new or alternative technologies; (ii) greater financial and technical resources available to other competitors specialising in water treatment; (iii) larger players in the industry investing in research and development relating to hollow fiber direct nanofiltration (dNF), ultrafiltration (UF) or microfiltration (MF) technology; (iv) competitors having lower production costs (due to geographic location, currency fluctuations or other advantages), larger production

and assembly capacity or larger spending budgets, more buying power with respect to raw materials, which may enable competitors to compete more aggressively in offering discounts and lowering prices; (v) consolidation among competitors in the water treatment industry; (vi) raw material suppliers seeking opportunities to forward integrate membrane spinning capabilities; and (vii) competitors temporarily offering their products and services at significant discounts in order to enter the market or to increase their market share, thereby impacting profitability throughout the sector. If NX Filtration is unable to compete successfully for any of the above reasons, its business, financial condition, results of operations and prospects could be materially adversely affected.

To mitigate this risk, NX Filtration is fully committed to leverage on the competitive edge of its dNF products versus conventional water treatment solutions. Key characteristics of the dNF product are lower energy usage, avoidance of pre-treatment chemicals, simpler system set-up with a smaller physical footprint and reduced cleaning and maintenance cost. As a consequence of expected future cost savings, the price NX Filtration can charge for its membrane modules is significantly higher than the price of alternative membrane modules. Furthermore, NX Filtration believes it will experience limited price pressure as its pricing strategy is based on TCO comparisons with alternative technologies that are well-advanced on their cost curve (i.e. these technologies have been existing for several decades and are being produced and delivered by large global players).

Furthermore, NX Filtration continuously invests in innovation, operations and its organisation amongst other to further improve performance of its products and to further reduce its costs. In addition, NX Filtration believes its IPO in 2021 has increased brand awareness and global reputation to drive future sales. Finally, NX

Filtration is building its global sales and distribution network along its geographical market groups. This network allows NX Filtration to quickly roll-out its innovative product on a global scale.

Our business and strategy depends, in part, on significant customers and our relationship with OEMs. If such relationships fail to develop this could have a materially adverse effect on our business.

NX Filtration's business and strategy depends, in part, on significant customers and its relationship with OEMs, which have the potential to roll-out the NX Filtration's technology across their customer base. Generally, NX Filtration would have to cooperate with a third party to integrate its products in a system or installation. If the OEMs are unable to adequately integrate NX Filtration's product into their system design such roll-out may materially adversely affect NX Filtration's commercialisation efforts. Although NX Filtration seeks to penetrate a market in which a wide and diversified number of companies could become customers, in any particular period and most notably within the current early-stage of NX Filtration, a substantial amount of NX Filtration's revenue from sale of goods currently comes from and in the coming years could come from a relatively small number of customers and the impact of such customer concentration is unpredictable. While NX Filtration's initial commercial model is based on pilot systems, which allow prospective customers to test NX Filtration's technology for their application, NX Filtration has successfully converted and aims to convert these pilot systems into full-scale installations. NX Filtration may not be successful in converting all pilot systems into full-scale installations or, once installed, win repeat projects from such end-customers or may only be able to do so on less favourable terms. If NX Filtration is unable to win, renew or extend such contracts on favourable terms, it could have a negative impact on NX Filtration's revenue and profits or NX Filtration's ability to realise its business objectives. More generally, NX Filtration's inability to maintain relationships with key customers or OEMs could have a negative impact on NX Filtration's sales and profits. Failure by NX Filtration to win, renew or extend larger customer contracts could have a material adverse effect on NX Filtration's business, financial condition, results of operations and prospects.

To mitigate this risk, NX Filtration seeks to build strong relationships with OEMs while applying certain standards, policies and practices under which its engineers are expected to operate. Together with the OEMs, NX Filtration is continuously reviewing potential areas of improvement, and ensuring thorough evaluations of all incidents and sharing resulting improvements and best



practices. NX Filtration seeks to grow its relationships with OEM customers, mainly by the efforts of its commercial staff that targets and trains OEM customers to use dNF technology in their projects. Once these OEM customers have been trained and have worked with NX Filtration's products, they can become an important element in the further commercial roll-out of NX Filtration's products. A key strategic advantage of NX Filtration is that it does not provide filtration systems and installations itself and, as such, is regarded as an independent supplier of membrane modules that can work with multiple OEM companies without creating channel conflicts. NX Filtration develops joint business plans with key OEMs that include customer service objectives and NX Filtration regularly monitors progress to improve customer performance and enhance our customer relationships.

We do business with municipal clients and, as a result, we face risks of delays related to the procurement process, budget decisions driven by statutory and regulatory determinations and compliance with government contracting requirements.

Doing business with public sector customers presents a variety of risks. The procurement process for municipal governments and their agencies can be highly competitive, expensive and time-consuming, often requiring significant upfront time and expense without any assurance that these efforts will generate a sale. In addition, demand for NX Filtration's products may be adversely impacted by public sector budgetary cycles and funding availability that, in any given fiscal cycle, may be reduced or delayed or not provided at all.

Public sector customers may also have contractual, statutory, or regulatory rights to terminate existing contracts with NX Filtration for convenience or due to a default, and any such termination may adversely affect NX

Filtration's future results of operations. If a contract is terminated due to a default, NX Filtration may be liable for excess costs incurred by the customer for procuring alternative products or services or be precluded from doing further business with government entities. Further, entities providing services to governments are required to comply with a variety of complex laws, regulations, and contractual provisions relating to the formation, administration or performance of government contracts that give public sector customers substantial rights and remedies, many of which are not typically found in commercial contracts. These may include rights with respect to price protection, the accuracy of information provided to the government, contractor compliance with supplier diversity policies and other terms that are particular to government contracts, such as termination rights. NX Filtration's non-compliance with such terms could result in repercussions with respect to contractual and customer satisfaction issues.

To mitigate this risk, management and relevant internal stakeholders including the departments for sales, sales engineering and operations make a thorough assessment of the likelihood that efforts for municipal clients will result in a sale. The general rule is that a procurement process for municipal clients is only commenced after a satisfactory outcome of such an assessment. Furthermore, NX Filtration is continuously diversifying its customer base and the sectors it currently operates in.

The COVID-19 pandemic has had and may continue to have an adverse impact on our business, operations and the markets in which we, our partners and customers operate.

The outbreak of COVID-19 had an impact on economies, financial markets and business activities worldwide. Since early 2020,

governments around the world implemented measures which effectively halted normal activities, such as travel bans and restrictions, lockdowns, curfews, quarantines and shutdowns of business and workplaces. While in most countries in which NX Filtration operates, the government restrictions have been lifted, certain effects from the COVID-19 pandemic still remain. In countries where government restrictions remain and in case the COVID-19 pandemic continues or worsens, or in the case of future pandemics, NX Filtration may be exposed to the effects of the pandemic itself as well as additional local government regulations and closure orders in the countries in which it will operate.

The outbreak of COVID-19 has impacted and may impact NX Filtration mainly due to (i) limitations in sales and marketing activities as there were, and there may be (as the case may be), less trade fairs, which are important to further commercialise the NX Filtration's products, (ii) the inability to be present at the start-up of pilot systems and full-scale projects (where required), and (iii) customers facing cost savings and budget constraints, especially with regard to new technology, and as a consequence may choose to postpone a year or more. Additionally, any interruptions at NX Filtration's manufacturing facilities as a result of (a worsening of) COVID-19 or any future pandemics in the future could result in interruptions to NX Filtration's supply chains, its ability to conduct production activities and ultimately reduce the amount of products available for NX Filtration to offer to its customers.

The long-term effects of the COVID-19 pandemic on the global economy are still unclear. The degree to which COVID-19 continues to impact NX Filtration, its partners and customers will depend on future developments, including, but not limited to, further actions taken to contain the virus or

treat its impact, the effectiveness and rate of deployment of vaccines, the extent and effectiveness of economic stimulus and the speed at which and to what extent normal economic and business activity can resume globally. If NX Filtration's existing or potential customers experience slowdowns in their businesses or if governments and municipality companies face stringent budget constraints due to the consequences of COVID-19, or if they are otherwise negatively impacted by the COVID-19 pandemic or any resulting economic downturn, they may have reduced capital expenditure available, which may lead them to delay their projects to employ NX Filtration's products. As a result, NX Filtration may experience a lengthening of pilot system cycles or the loss of existing or potential customers. NX Filtration may also experience disruptions to its growth objectives, including with respect to international expansion, or disruptions to its supply chain as a result of the ongoing COVID-19 pandemic. Any of the foregoing factors, individually or in aggregate, could have a material adverse effect on NX Filtration's business, financial condition, results of operations and prospects.

To mitigate this risk, NX Filtration is continuously diversifying its customer base. Not only in the markets NX Filtration currently operates in, but also by further internationalising globally. To safeguard the health and safety of its employees, NX Filtration complies to all relevant national and international guidelines, standards and policies for health and safety. Also, NX Filtration can implement additional safety measures, if and when required, to continue safe and responsible operations during a pandemic, as evidenced during the COVID-19 pandemic.



Operational Risks and Uncertainties

If we experience significant delays in the planned scale-up of our production and the build of our planned manufacturing facility, or if such facility were to become inoperable, we would be unable to produce sufficient products and our business would be harmed.

An important part of NX Filtration's scale-up is the intended addition of a new manufacturing facility in the Netherlands within the next two years that will primarily focus on the increased production of NX Filtration's products. It may take considerable time to scale-up production and commence operations at NX Filtration's manufacturing facility before NX Filtration is able to meet any increase in the commercial demand for its products. The new manufacturing facility could expose NX Filtration to product comparability issues meaning that the products could not immediately have similar quality attributes before and after the manufacturing process changes. That may further delay the introduction of additional capacity to manufacture its products, as the facility and the equipment that will be used to manufacture its products will be costly to install and could require substantial lead time to install and qualify for use. Any substantial delay in bringing the new manufacturing facility up to full production may hinder NX Filtration's ability to produce all of the products needed to meet orders, which, in turn, could materially damage NX Filtration's business, financial condition and operating results. Any delay in the scale-up of its production could also materially adversely affect NX Filtration's growth prospects as NX Filtration may fail to grow its market share. NX Filtration may also face unexpected delays in obtaining the required permits and approvals in connection with its planned manufacturing facility, which could require significant time and financial resources and delay NX Filtration's ability to operate the facility. This is particularly relevant to NX Filtration as it will heavily rely on this new manufacturing facility to achieve its growth strategy. Opening the new manufacturing facility will require the efforts and attention of NX Filtration's management and other personnel, which will divert resources from the existing business or operations and, in the longer term, additional capital expenditures will be required as NX Filtration will likely seek further expansion. In addition, NX Filtration will need to hire and retain more skilled employees to develop and operate the expanded facility. Even if NX Filtration's new manufacturing facility is brought up to full production, it may not provide NX Filtration with all of the operational and financial benefits it expects to receive.

Furthermore, the costs of complying with environmental laws and regulations and any claims concerning noncompliance, or liability with respect to contamination in the future, could have a material adverse effect on NX Filtration's business, financial condition, results of operations and prospects.

To mitigate this risk, NX Filtration has an extensive expansion roadmap in place for further increasing production capacity going forward. The construction plans are based on a highly modular concept that foresees a gradual scale-up of production capacity based on existing blueprints of key process steps, including NX Filtration's spinning line for the production of its membranes. On a dedicated plot of land that has been secured already, NX Filtration aims to develop a new production facility within the next two years, giving it considerable time to limit the risks and uncertainties set out above.

We are dependent on third-party suppliers to deliver raw materials and components for our products. Supply interruptions could lead to interruptions of our own production, increased costs, order cancellations and loss of market share.

NX Filtration's production process depends on the availability, quality and timely supply of raw materials, components and finished goods from third-party suppliers. NX Filtration obtains a significant portion of its processed raw materials from a few key suppliers. With respect to a few raw materials and/or the processing thereof, NX Filtration has sourced and may in the future source from one of these suppliers or other single suppliers from time to time due to specific quality or other requirements or because the small volumes required may not justify the cost of sourcing from multiple suppliers or other suppliers may not be available to provide necessary quantities. If any of NX Filtration's suppliers is unable to meet its obligations under purchase

orders or supply agreements, including due to their own production capacity limitations or otherwise limited supply of materials as a result of their obligations to other customers, or does not deliver the quality that is necessary to meet the raw material standards applied by NX Filtration, NX Filtration may be forced to pay higher prices to obtain the necessary raw materials from other suppliers, may be faced with increased lead times, may need to change suppliers, or may not be able to locate suitable alternatives at all. Changing suppliers can be time-consuming and costly, as resources are required to qualify new suppliers and ensure the quality, approval and consistency of the raw materials. Supply interruption could lead to interruption of NX Filtration's own production at one or more production facilities. Furthermore, if NX Filtration experiences significant increased demand for its products, there can be no assurance that additional supplies of raw materials, components and finished goods will be available when required on terms that are acceptable to NX Filtration, or at all, or that any supplier would allocate sufficient supplies to NX Filtration in order to meet its requirements or fill its orders in a timely manner.

NX Filtration may experience supply problems in the future or be unable to extend current or enter into new supply agreements, especially agreements for raw materials with relatively low volume requirements, where NX Filtration's negotiating power is limited. If NX Filtration fails to maintain its relationships with current suppliers, if suppliers offer pricing and other terms that are not satisfactory, or if a supplier fails to supply raw materials that meet NX Filtration's quality, quantity and cost requirements, NX Filtration may be unable to fill customers' orders on a timely and cost-effective basis or in the required quantities, which could result in production disruptions, damage claims, order cancellations, decreased sales or loss of market share and damage to

NX Filtration's reputation. These factors could, in turn, have a material adverse effect on NX Filtration's business, financial condition, results of operations and prospects.

To mitigate this risk, NX Filtration always seeks to have multiple interchangeable suppliers for its key purchases. For its standardised commodity raw materials and parts suppliers, NX Filtration has a multiple supplier strategy in place in order to ensure continuous operations. NX Filtration is in continuous dialogue with its key suppliers to discuss potential supply chain challenges and, in case of any disruptions, seeks to jointly address these and return to normal course of business as quickly as possible. Any potential disruptions can further be mitigated by, temporarily, increasing stock levels and adjusting working procedures.

Significant increases in the cost of raw materials, components and finished goods may materially adversely affect our business.

NX Filtration uses various raw materials, components and finished goods in its operations, including polymers such as polyethersulfone, polyvinyl chloride (PVC) and epoxy. The prices for these raw materials, components and finished goods fluctuate depending on market conditions and global demand for these materials and could adversely affect NX Filtration's business and operating results. In recent years, PVC in particular experienced a significant price increase, largely attributable to persistent supply-side issues globally. NX Filtration's ability to achieve profitability is, and will continue to be, dependent in part upon its ability to reduce production costs and costs of materials required to make these products (including raw materials). In particular, NX Filtration's business plan is dependent upon the successful reduction of raw material prices, for example due to volume-discounts. The cost of processed raw materials, components and finished goods

historically has represented a significant portion of NX Filtration's cost of raw materials and consumables used. As a consequence, sudden and significant increases in the prices of raw materials or similar volatility with respect to the currency exchange rates between the euro and the currency of such goods may lead to corresponding price increases in components and finished goods used in the assembly of NX Filtration's products. NX Filtration is also indirectly exposed to fluctuations of labour costs, commodity prices and energy costs as the prices of raw materials and components it orders from third-party suppliers and manufacturers will likely increase if the costs of NX Filtration's suppliers increase. NX Filtration does not hedge the price exposure for its raw materials. Increases in the costs of raw materials and components and as a result in finished goods may therefore have a material adverse effect on NX Filtration's business, financial condition, results of operations and prospects, particularly because it is generally not able to pass on such price increases or reduce other costs to offset the higher commodity prices. Furthermore, the price of commodities could become so high that there is a decline in the demand of the products provided by NX Filtration.

To mitigate this risk, NX Filtration always seeks to have multiple interchangeable suppliers for its key purchases, also from a cost perspective. For its standardised commodity raw materials and parts suppliers, NX Filtration has a multiple supplier strategy in place in order to ensure continuous operations. Furthermore, NX Filtration's pricing strategy is based on TCO comparisons with alternative technologies that are likely impacted by similar raw material price increases as NX Filtration may be exposed to, and developments in raw material prices are monitored and where possible addressed through a pro-active pricing strategy.

We depend on the ability to hire and retain management, key employees and other qualified and skilled employees and we may not be able to attract and retain such personnel.

NX Filtration's future performance and its ability to reach its strategic objectives depends in significant part on the continued service of the senior management of the Company and other key personnel, including employees involved in research and development, operations, marketing and sales personnel and employees with critical know-how and expertise. Other than customary notice periods, none of NX Filtration's key employees is required to stay for any specific term. In addition, NX Filtration does not have "key person" life insurance policies covering any of its officers or other key employees. The loss of the services of one or more members of senior management or other key personnel, or the inability to hire (additional) members of the senior management, could disrupt its operations, delay the development and introduction of NX Filtration's products and anticipated expansion projects, which could, in turn, have a material adverse effect on NX Filtration's business, financial condition, results of operations and prospects.

NX Filtration's success also depends on its continuing ability to attract, retain and develop qualified and skilled personnel, including financial personnel, sales personnel, scientists, designers, technical employees and engineers with the requisite technical background. Competition for such personnel is intense, in particular for technical and industrial employees, and there is significant competition for talented individuals with the specialised knowledge of water filtration and membrane technology. This is particularly relevant in the Netherlands, as the country where NX Filtration has its headquarters, significant business operations and research and development activities. NX Filtration's efforts to retain and

motivate management and key employees or attract and retain other highly qualified personnel in the future may not be successful. A failure to attract and retain key personnel may have a material adverse effect on NX Filtration's business, financial condition, results of operations and prospects.

To mitigate this risk, NX Filtration seeks to leverage on its public profile that has increased after the IPO in 2021 and the widespread interest in the growing water technology market, with in particular the sustainable character of NX Filtration's technology, in order to attract talent. Hiring, retention and development are key focus areas of the HR department and management. NX Filtration continuously assesses capability gaps for its key positions and has initiatives in place to close any employee capability gaps and maintains a remuneration structure aimed at attracting and retaining talent.

Disruptions of our information technology systems could have a material adverse effect on our business.

NX Filtration depends on its information technology (IT) systems to, among other things, conduct operations, to interface with customers, to maintain financial records and accuracy. All of NX Filtration's internal data is stored at Microsoft cloud services. NX Filtration's production process specifically depends on the use of custom-made processing software based upon standardised internationally accepted software platforms such as Siemens S7 and others. IT systems or such custom-made processing software failures, including risks associated with upgrading systems, network disruptions and breaches of security could disrupt operations by impeding NX Filtration's cyber security, its protection of customer or group information and its financial reporting, leading to increased costs. In addition, NX Filtration's computer systems, including its back-up systems, could be damaged or

interrupted by power outages, computer and telecommunications failures, viruses, ransom software, internal or external security breaches, events such as fires, earthquakes, floods and/or errors by NX Filtration's employees. Disruptions, security breaches or failures of NX Filtration's IT systems could impair its ability to effectively and timely produce and provide products, which could damage NX Filtration's reputation and could have a material adverse effect on its business, financial condition, results of operations and prospects.

To mitigate this risk, NX Filtration uses cloud based solutions for its own IT systems from suppliers that offer proven and tested security which they continuously update to protect it from the latest threats. Furthermore, to mitigate the risks related to privacy related information as well as data protection in general several actions have been taken and NX Filtration maintains a cyber-security insurance policy. Additionally, NX Filtration has implemented an information security policy to safeguard and secure remote communication and operation of its products & services. The mitigation of these risks starts with an IT security policy that is in place and sufficient resources to manage the IT related risks. As such, NX Filtration seeks to strengthen its IT focus in 2022. To further mitigate the risks related to privacy related information as well as data protection in general several actions have been taken. For 2022, a cybersecurity consultant has been contracted to execute several tests upon our systems thus auditing the implementation of above described policies, services and systems.

Any difficulties we encounter while we expand or transition our manufacturing operations in-house, now or in the future, could materially and adversely affect our ability to manufacture and deliver our products.

Because of the significant variation in the

manufacturing stages of its products, NX Filtration has separated its production into two manufacturing sites. NX Filtration has one primary facility that manufactures the membranes and one primary facility that manufactures the modules. Therefore, a disruption in service at such facilities would likely have a significant impact on the sale of its products almost immediately. If either of NX Filtration's manufacturing facilities is unable to operate, or if any project is delayed or cancelled, for an extended period of time, NX Filtration's sales may decline due to the disruption and it may not be able to meet customers' needs, which could cause them to seek other suppliers. As NX Filtration's membrane production capacity at the Instituteweg has been expanded with an additional spinning line and the implementation of various process improvements and expansions, it may experience unexpected delays or difficulties in executing this expansion. Any difficulties NX Filtration encounters while it expands or transitions its manufacturing operations in-house, now or in the future, could materially and adversely affect NX Filtration's ability to manufacture and deliver its products to customers. If any of the risks described above arise, this could have a material adverse effect on NX Filtration's business, financial condition, results of operations and prospects.

To mitigate this risk, NX Filtration is continuously improving its quality assurance processes and controls to ensure consistent production continuity and quality. In addition to pro-actively managing the production process, we have further enhanced our production development processes based on clear objective setting, risk identification and debottlenecking reviews. We are also centralizing our quality organization to report directly to the CEO to bolster cross functional focus.

Our current operations are international in scope, and we plan further geographic expansion, creating a variety of operational challenges.

A component of NX Filtration's growth strategy involves the further expansion of its operations and customer base internationally. The countries in which NX Filtration has launched (pilot) projects include Canada, Hungary, India, Indonesia, the Netherlands, Philippines, Spain, Sweden, Switzerland, Turkey and the United States. NX Filtration is continuing to adapt to and develop strategies to address international markets, but there can be no guarantee that such efforts will have the desired effect. For example, NX Filtration anticipates that it will need to expand its international sales force and establish relationships with new partners in order to expand into the countries where NX Filtration wants to conduct its business, and if NX Filtration fails to identify, establish and maintain such relationships, it may be unable to execute its expansion plans. NX Filtration expects that its international activities will continue to grow in the next few years as it continues to pursue opportunities in existing and new international markets, which will require significant dedication of management attention and financial resources. NX Filtration's current and future international business and operations involve a variety of risks, some of which are outside of NX Filtration's control, including (i) slower than anticipated dNF membrane technology adoption by international businesses and municipalities; (ii) difficulty controlling the application of NX Filtration's solutions and the installation of pilot systems in distant or remote jurisdictions; (iii) changes in a specific country's or region's political, economic, or legal and regulatory environment, including pandemics, tariffs, trade wars or long-term environmental risks; (iv) the need to adapt and localise NX Filtration's products and service offerings for specific countries; (v) greater difficulty collecting accounts receivable and longer payment cycles; (vi) challenges relating to underdeveloped infrastructure or lack of qualified management or adequately trained customers and personnel in certain jurisdictions; (vii) challenges inherent in efficiently managing, and the increased costs associated with, an increased number of employees over large geographic distances, including the need to implement appropriate systems, policies, benefits, and compliance programs that are specific to each jurisdiction; and (viii) currency exchange rate fluctuations and the resulting effect on NX Filtration's revenue and expenses, and the cost and risk of entering into hedging transactions if NX Filtration chooses to do so in the future. If NX Filtration invests substantial time and resources to further expand its international operations and is unable to do so successfully and in a timely manner, it could have a material adverse effect on NX Filtration's business, financial condition, results of operations and prospects.



To mitigate this risk, NX Filtration's processes are set up to quickly understand, adapt to, and effectively apply international cultural and legal norms for doing business. We have actual presence of dedicated staff in some regions we operate in. We continuously monitor economic, political and general societal changes and, where deemed necessary, develop response strategies to such events, including pandemics (e.g. COVID-19).

Technology Risks and Uncertainties

Our failure to protect intellectual property rights may undermine our competitive position, and litigation to protect our intellectual property rights may be costly, time consuming and distracting from daily operations.

Intellectual property rights are vital to NX Filtration's business. Although NX Filtration has taken many protective measures to protect its technologies and know-how, including patents, trade secrets, employee and third-party nondisclosure agreements, trademarks, copyright, limited access, segregation of knowledge (including on the particular set-up of the supply-chain and production process), password protections and other measures, policing the unauthorised use of proprietary technology can be difficult, time-consuming and expensive. Also, litigation may be necessary to enforce NX Filtration's intellectual property rights, protect its trade secrets or determine the validity and scope of the proprietary rights of others. Such litigation may result in NX Filtration's intellectual property rights being challenged, limited in scope or declared invalid or unenforceable. NX Filtration cannot be certain that the outcome of any litigation will be in its favor, and an adverse determination in any such litigation could impair its intellectual property rights and may harm NX Filtration's business, prospects and reputation.

NX Filtration *inter alia* relies on (i) multiple patents relating to NX Filtration's dNF technology, (ii) trade secrets and trademark rights, and (iii) non-disclosure, confidentiality and other types of contractual restrictions to establish, maintain and enforce its intellectual property and proprietary rights. However, the rights of NX Filtration under these laws and agreements may not fully protect NX Filtration, and the actions NX Filtration takes to establish, maintain and enforce its intellectual property rights may not be adequate. For example, NX Filtration's trade secrets and other confidential information could be disclosed in an unauthorised manner to third parties, NX Filtration's owned or licensed intellectual property rights could be challenged, invalidated, circumvented, infringed or misappropriated or the intellectual property rights of NX Filtration may not be sufficient to provide it with a competitive advantage. Any successful challenge to any of NX Filtration's intellectual property rights could deprive NX Filtration of rights necessary for the successful commercialisation of its products or any technology relating thereto (including the dNF technology). Patent prosecution process is expensive and time consuming, and NX Filtration may not file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner or in all jurisdictions where protection may be commercially advantageous. It is also possible that NX Filtration fails to identify patentable aspects of its research and development output before it is too late to obtain patent protection. In addition, the laws of some countries do not protect proprietary rights as fully as Dutch law does. As a result, NX Filtration may not be able to protect its proprietary rights adequately abroad. Furthermore, intellectual property rights can be limited in time. Each of NX Filtration's current patents provide protection against infringement of the technology patented by such patent for 20 years after the filing date of the respective patent application

with the relevant patent office. Any of the above, individually or in aggregate, could have a material adverse effect on NX Filtration's business, financial condition, results of operation or prospects.

To mitigate this risk, NX Filtration regularly monitors the market and takes steps, when appropriate, to ensure compliance with its intellectual property rights which may include various intellectual property related audits. In addition, control and governance frameworks are in place to establish, maintain and protect NX Filtration's intellectual property rights and minimize the risk of data leakage as far as possible. Furthermore, NX Filtration has developed all its critical production processes in-house based on the extensive industry experience of its team of experts. NX Filtration benefits from a strong team of leading membrane technology experts with technical, operational and commercial experience with an extensive background in membrane development, production and commercialisation. This team has been instrumental in developing the dNF technology, bringing this from lab-scale to industrial-scale, developing the required innovative and patented production methods and processes and reliably producing the dNF membranes and modules.

We may be unsuccessful in adequately protecting our technological know-how that is not covered by intellectual property registration.

NX Filtration relies on technology, know-how, and business and trade secrets, some of which NX Filtration believes cannot be adequately protected through registered intellectual property rights. Consequently, there is a risk that third parties, in particular competitors, may copy such technology and know-how or develop it independently and later challenge NX Filtration's use of it, especially considering that technology is constantly evolving and that NX Filtration's competitors are engaged

in significant research and development work on products that are aimed at competing with NX Filtration's products. In addition, employees who, in the course of their employment with NX Filtration, have access to important proprietary information which may or may not be protected by intellectual property rights may leave to go work for a competitor.

To mitigate this risk, NX Filtration relies on confidentiality agreements with suppliers and customers, noncompete clauses in contracts with employees and technical precautions to protect its technology, knowhow and other proprietary information. Furthermore, different suppliers are used for different parts of its production equipment to make sure that no individual supplier has a full picture of the total manufacturing process. However, there is no guarantee that these agreements and precautions or NX Filtration's ability to enforce its contractual rights, will provide sufficient protection in the case of any unauthorised access or use, misappropriation or disclosure of such information. Defending against any unauthorised access or use, misappropriation or disclosure of NX Filtration's technology, knowhow, and other proprietary information may result in lengthy and costly litigation or administrative proceedings and may cause significant disruption to the business and operations of NX Filtration. If NX Filtration is unable to protect or effectively enforce its proprietary technology and information, this could have a material adverse effect on NX Filtration's business, financial condition, results of operations and prospects.

New products or technological improvements by competitors, including by larger players in the industry investing in research and development for product substitution of our dNF products, or improvements to our dNF technology could materially adversely affect our business and our ability to gain market share.

Disruptive changes in technology and product standards could render NX Filtration's products less competitive, or even obsolete. Other companies that seek to enhance traditional technologies have recently introduced or are currently developing products based on emerging and potential technologies. These competitors are engaged in significant research and development work on products that may be similar to NX Filtration's products. New products could be introduced that are in direct competition with, or superior to, NX Filtration's products. Competing technologies that outperform NX Filtration's technology could be developed and successfully introduced and, as a result, NX Filtration's existing or future products may not be able to compete effectively in its current or future target markets. If NX Filtration's technology is not adopted by its customers, or if its technology does not meet industry requirements, NX Filtration's existing or future products may not gain or maintain market acceptance. If NX Filtration cannot adapt to changing market conditions should customer behaviour change, or if NX Filtration fails to develop, manufacture and market products that improve upon existing technologies, its business, financial condition, results of operations and prospects could be materially adversely affected.

To mitigate this risk, NX Filtration continues to significantly invest in R&D to remain competitive. NX Filtration monitors and analyses competitors through various sources such as trade associations, universities, banks, employees and their intellectual property filings, and it actively maintains, protects and expands its own intellectual property portfolio. As a result of the limited innovation that has taken place by competitors, conventional technologies are not always equipped to cope with the challenges and demands of today's environment. NX Filtration believes its dNF product provides a number of advantages over these technologies, including but not

limited to (i) superior filtration characteristics and performance; (ii) sustainability benefits throughout the lifetime of the product, as it typically reduces energy consumption and avoids the use of pre-treatment chemicals; and (iii) reduced physical footprint, as it typically reduces the number of treatment steps. Furthermore, NX Filtration's products are developed and produced in-house, which makes NX Filtration less vulnerable to new market developments, resulting in short innovation cycles, cross leverage of concepts, modularity of modules and short time to market.

Compliance Risks and Uncertainties

We are exposed to risks associated with product liability, warranties, recall claims or other lawsuits or claims that may be brought against us.

NX Filtration is exposed to product liability and warranty claims, as well as reputational damage, in the normal course of business in the event that (i) its products fail or allegedly fail to perform as expected or otherwise do not conform to the product's specifications or the expectations of its customers or (ii) the use of NX Filtration's products results, or is alleged to result, in property damage.

Furthermore, NX Filtration may become subject to other proceedings alleging violations of due care, safety provisions and claims arising from breaches of contract (such as delivery delays) or fines imposed by government or regulatory authorities in relation to its products and its operations. Any such lawsuits, proceedings and other claims could result in significant increased costs, including costs to defend against these claims and/or make payments to compensate for damages. In addition, under certain circumstances, any such issues could give rise to an investigation by regulatory authorities, which could result in the need for remedial action such as a recall requiring

the repair or replacement of NX Filtration's products or even a prohibition of future sales. Furthermore, any product liability or warranty issues may damage NX Filtration's reputation as a provider of high quality, technologically advanced and safe products and place a significant strain on management and divert management's attention from other business concerns. Any litigation or complaints and any adverse publicity surrounding such allegations or actions could have a material adverse effect on NX Filtration's business, financial condition, results of operations and prospects.

To mitigate this risk, NX Filtration has insurance coverage for claims arising from warranty and product liability lawsuits, proceedings and other claims, but the insurance coverage could prove insufficient in individual cases. NX Filtration aims to have back-to-back agreements in place with its suppliers, where possible. Furthermore, throughout the design and production phases, there is a continuous focus on quality with quality assurance being an integral part of NX Filtration's working processes. Moreover, NX Filtration will seek to continuously improve its products through valuable performance information obtained from its team of leading membrane experts and engineers through amongst others the increasing scale-up of pilots.

We are subject to various laws and regulations in multiple jurisdictions in which we operate, and unfavorable changes or failure by us to comply with these regulations could have a material adverse effect on our business.

NX Filtration and its products and business operations are subject to a broad range of local, national and multi-national laws and regulations in the Netherlands and other jurisdictions in which it operates and markets its products. For instance, extensive environmental and product stewardship legislation applies to NX Filtration's products and the components

and parts used in manufacturing these products. Such legislation includes, *inter alia*, safety requirements, information requirements and requirements relating to the hazardous properties of substances used. NX Filtration is particularly subject to Regulation (EC) No 1907/2006 of the European Parliament and of the Council of 18 December 2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (**REACH**), a regulation of the European Union adopted to improve the protection of human health and the environment from the risks that can be posed by chemicals. Under REACH, NX Filtration has to demonstrate to the European Chemicals Agency how the substances used by NX Filtration can be safely used. Furthermore, NX Filtration's production facilities each qualify as a facility (*inrichting*) under the Dutch Environmental Management Act (*Wet milieubeheer*) and need to comply with strict environmental rules in the Activities Decree (*Activiteitenbesluit*).

NX Filtration's business operations must therefore comply with laws and regulations relating to, *inter alia*, the protection of natural resources, the management of hazardous substances and wastes, air emissions, water discharges, the use, management, storage, treatment, transportation and disposal of waste and by-products, the protection and restoration of plants, wildlife and natural resources, the investigation and remediation of contaminated property, public and workplace health and safety (such as rules regarding the handling of carcinogenic substances or rules governing the use of protection equipment) and data protection. Many new laws and amendments, as well as amendments to existing ones, have become more stringent, particularly in the European Union. NX Filtration may incur additional costs to ensure that it operates its business and supplies products that comply with applicable laws and regulations, and any failure to comply with such laws and regulations may

lead to fines, penalties or claims, injunctions which may lead to disruptions of NX Filtration's business, or harm its reputation, which may have a material adverse effect on NX Filtration's business, financial condition, results of operations and prospects.

To mitigate this risk, the quality of NX Filtration's products and compliance to the relevant safety and quality certificates is strictly monitored by the QHSE-department. Additionally, NX Filtration's legal team monitors or requests specialist assistance from external counsel about laws and regulations across multiple jurisdictions. Finally, in order to increase the safety awareness and accreditations of its personnel NX Filtration uses tailor-made education to train its people. Furthermore, NX Filtration prepares, rolls out and makes available relevant policies and procedures which are regularly reviewed and audited. NX Filtration implements observations made during inspections by line management, staff and relevant regulatory parties. NX Filtration's management system complies with ISO 14001. This has resulted in improved process technologies and people skills, as well as formalised procedures, checklists, training and instructions.

We may be exposed to the risk of fraud and other dishonest activities, which could have a material adverse effect on our business, financial condition or results of operations.

We have implemented a set of internal control measures and compliance policies, including amongst others, an authorization policy, sufficient level of segregation of duties, approval of bank payments, reporting and monitoring framework, which we believe is appropriate for NX Filtration. Considering the size and concentrated locations of NX Filtration, the existing internal control and reporting framework, we believe all material events are timely known to the Management Board and enable us to take appropriate

actions. However, the risk of fraudulent or other dishonest activities occurring and affecting NX Filtration cannot be excluded. Further, as NX Filtration grows or expands in international markets, its internal controls may need to be adapted in order to effectively prevent and detect fraud and other dishonest activities. However, there can be no assurance that NX Filtration will be able to adapt such internal controls in a timely manner or at all or that they will be effective. Any fraud incident or dishonest activity affecting NX Filtration, whether as a result of the activities of employees, partners, suppliers or other third parties, may result in financial losses, a loss of customer trust and confidence, as well as litigation or financial or other regulatory penalties being imposed, any of which could have a material adverse effect on NX Filtration's business, financial condition or results of operations.

Risk management and control systems

The Management Board is responsible for the control environment, including risk management and internal control systems in order to properly manage the strategic, operational and other risks and uncertainties that could have a material adverse effect on NX Filtration's business and day-to-day operations. The applicable risks and uncertainties for NX Filtration are evaluated on a periodic basis by the Management Board and discussed with the Supervisory Board.

The Management Board recognizes the importance of a formalized approach towards risk management for a rapidly growing organisation like NX Filtration. In practice this means that it is important to maintain the right balance between formalized systems and procedures and the informal hands-on approach that is necessary to further boost the growth of the company. NX Filtration's

corporate culture is also an important 'soft-control' to mitigate risks and fraud.

During the financial year 2022, NX Filtration continued to support its corporate culture and other foundations of its risk management and control systems with its Code of Conduct, Human Rights Policy, Whistle-blower Policy, Insider Trading Policy, safety and quality certifications, periodic reports and meetings, as further described below.

In addition, further consolidation and professionalization has been achieved in the financial year 2022. In 2022 a new internal control framework was implemented to further formalize NX Filtration's internal processes and controls. In the years to come, NX Filtration will continue to professionalize and strengthen its organization and control environment, further optimizing its control matrix. NX Filtration has implemented a further segregation of duties, not only to properly divide responsibility and accountability, improve the quality of the staff, but also to create a system of checks and balances. To support this further, NX Filtration optimized the data warehouse and reporting system in which our business processes as well as our day-to-day working procedures are formally documented. The Management Board, to the best of its knowledge, is not aware of any significant deficiencies in its control environment, including risk management and internal control systems.

Code of Conduct

NX Filtration has a Code of Conduct that applies to all employees. The Code of Conduct is available in Dutch, English, German, French and Spanish making it easily understandable for all of our employees. The principles and best practices established in the Code of Conduct reflect the corporate culture that the Management Board wants to embed in the

day-to-day routines of all employees. The core values of NX Filtration are included in the Code of Conduct and relate to professional conduct, flexibility, reliability and integrity and safety. The Code of Conduct includes topics including acting with integrity, gifts, anti-bribery, corporate social responsibility and health and safety. The Code of Conduct can be found on NX Filtration's website. NX Filtration also has a Supplier Code of Conduct in order to ensure our supply chain abides by our culture and values. Part of NX Filtration's compliance framework is an annual sign-off by our employees to acknowledge compliance with our Code of Conduct and related policies and procedures, including a commitment to cooperate fully with any requests for information, documents, or assistance. No violations of the Code of Conduct were reported in the financial year 2022.

Business Ethics Policy

NX Filtration has a Business Ethics Policy with the objective to:

- (i) outline the expectations that NX Filtration has of its employees and their behaviour relating to ethics & compliance and corresponding laws and regulations;
- (ii) ensure that employees understand the importance of conducting business in an ethical way and respecting the principles that are set out in the Code of Conduct, the Human Rights Policy and the Customer & Supplier Screening Policy;
- (iii) highlight the role of managers within NX Filtration in leading ethics & compliance efforts by creating a business environment in which employees understand their duties and feel safe to speak up about issues relating to ethics & compliance without fear of retaliation; and

(iv) detail the requirements for the Ethics & Compliance programme and the minimum standards that apply thereto, including a training and awareness programme for employees focused on our corporate culture, core values and the key ethics & compliance risk areas that have been identified.

Human Rights

NX Filtration is committed to shape its activities and operations within a framework of proper standards and values, while fully complying with all applicable laws and regulations. It also means upholding human rights within NX Filtration and throughout its supply chain. NX Filtration's commitment is embedded in NX Filtration's Human Rights Policy, Code of Conduct and Supplier Code of Conduct, which it applies vis-à-vis its employees, stakeholders and business partners. NX Filtration's approach towards human rights is based on the Universal Declaration of Human Rights, the core conventions of the International Labour Organization and the UN Guiding Principles on Business and Human Rights (UNGPs). NX Filtration's core Human Rights Standards focus on (i) access to water, (ii) no child labour and/or hard work, (iii) non-discrimination, (iv) safe work conditions, (v) no harassment and violence, (vi) freedom of association and the right to collective bargaining, (vii) no forced labour, (viii) work-life balance, (ix) recognition and reward, and (x) respect for human rights in high risk contexts. NX Filtration supports its employees in converting the Human Rights Policy into practical tools by developing relevant human rights guidelines.

NX Filtration is committed to provide remedy to correct negative impacts of human rights violations across our value chain. Respect for human rights includes preventing human rights issues or addressing them at an early stage

or to seek adequate remedy in case human rights are violated. NX Filtration promotes an open feedback culture and carries out human rights due diligence processes and has not come across any issues in this respect in 2022. Because NX Filtration's growth strategy involves the further expansion of its operations and customer base internationally, human rights due diligence will require increased attention.

Whistle-blower Policy

NX Filtration employees are offered the opportunity to report irregularities or suspicions with regards to violations of the Code of Conduct, the law, safety policies, the environment or any other forms of misbehaviour without bringing their (legal) position in jeopardy. Reporting of such instances by NX Filtration employees can be either by designated 'persons of trust' or in complete anonymity through a prescribed website. The Code of Conduct is available in Dutch, English, German, French and Spanish making it easily understandable for all of our employees. In 2022, NX Filtration has appointed an internal and external confidential adviser as anyone working within NX Filtration should feel safe and encouraged to speak-up. As far as NX Filtration is aware, no violations or irregularities were reported under the Whistle-blower Policy in financial year 2022.

Insider trading policy

NX Filtration continues to adhere to its implemented regulations covering securities transactions by the members of the Management Board and Supervisory Board and other designated employees that have or may have access to inside information. The Insider trading policy is published on NX Filtration's website. The Insider Trading

Policy aims to promote compliance with the relevant obligations and restrictions under applicable securities law, including Regulation (EU) 596/2014 and intends to limit the risk of NX Filtration's good reputation and business integrity being harmed as a result of prohibited or undesirable dealing in NX Filtration securities. No violations or irregularities were reported in financial year 2022.

Safety and quality certifications

NX Filtration has been awarded with several ISO certifications and possesses other relevant safety and quality certificates. The quality of NX Filtration's products and compliance to the relevant safety and quality certificates is strictly monitored by the QHSE-department.

Corporate Governance

General

NX Filtration N.V. is a public limited liability company (*naamloze vennootschap*) incorporated under the laws of the Netherlands, with its registered seat in Amsterdam and its registered office at Josink Esweg 44, 7545 PN Enschede, the Netherlands (**NX Filtration or the Company**). The Company is registered with the trade register of the Netherlands Chamber of Commerce (*Kamer van Koophandel*) under number 64951030 and its Legal Entity Identifier (LEI) is 254900YF0PQV9APMA050. For details regarding NX Filtration's share capital, reference is made to *Capital Structure*.

Corporate governance within NX Filtration is based on statutory requirements applicable to public limited liability companies in the Netherlands, the Dutch Corporate Governance Code as well as NX Filtration's articles of association, which are publicly available on the Investor Relations section of its website www.nxfiltration.com (the **Articles of Association**).

This section gives an overview of the information concerning the Management Board, the Supervisory Board and the General Meeting of Shareholders. NX Filtration has a two-tier board structure consisting of the Management Board and the Supervisory Board. The Management Board together with one senior manager of the Company forms the senior management of the Company (**Senior Management**) which is responsible for the day-to-day management of the Company. The Management Board and the Supervisory Board are jointly responsible for the governance structure of NX Filtration.

Management Board

Powers, responsibilities and functioning

The Management Board is the executive body and is entrusted with the management of the Company and responsible for the continuity of the Company, under the supervision of the Supervisory Board. The Management Board's responsibilities include, among other things, setting the Company's management agenda, developing a view on long-term value creation by the Company, enhancing the performance of the Company, developing a strategy, identifying, analysing and managing the risks associated with the Company's strategy and activities and establishing and implementing internal procedures, which safeguard that all relevant information is known to the Management Board and the Supervisory Board in a timely manner. The Management Board may perform all acts necessary or useful for achieving the Company's corporate purposes, except for those expressly attributed to the General Meeting or the Supervisory Board as a matter of Dutch law or pursuant to the Articles of Association.

The Management Board has informed the Supervisory Board of the main outlines of the Company's strategic policy, the general and financial risks, and the risk management and control systems. Each Managing Director, together with one other Managing Director, is jointly authorised to represent the Company. Pursuant to the Articles of Association, the Management Board may grant one or more persons, whether or not employed by the Company, a power of attorney or other form of continuing authority to represent the Company

or to grant one or more persons such titles as it sees fit. No such powers of attorney have been granted.

The General Meeting appoints the Managing Directors. The Supervisory Board will nominate one or more candidates for each vacant seat. A resolution of the General Meeting to appoint a Managing Director other than in accordance with a nomination by the Supervisory Board can be adopted by a majority of the votes cast representing at least one third of the Company's issued capital. If such quorum is not met, the Company is entitled to convene a second meeting where no quorum shall apply.

The Articles of Association provide that a Managing Director may be suspended or dismissed by the General Meeting at any time. A resolution of the General Meeting to suspend or dismiss a Managing Director other than pursuant to a proposal by the Supervisory Board can be adopted by a majority of the votes cast, representing at least one third of the Company's issued capital. If such quorum is not met, the Company is entitled to convene a second meeting where no quorum shall apply.

The Articles of Association provide that the number of Managing Directors is determined by the Supervisory Board after consultation with the Management Board, but there will be at least two Managing Directors. The Supervisory Board has appointed one of the Managing Directors as CEO.

Members of the Management Board

The Management Board is composed of the following members:

Name	Age	Position	Member since	End of current term
Mr M.A. (Michiel) Staatsen	51	CEO and COO	2019	AGM of 2025
Mr H.D.W. (Erik) Roesink	70	CTO	2016	AGM of 2025
Mr M.G.H. (Marc) Lutikhuis	47	CFO	2022	AGM of 2026

Mr M.A. (Michiel) Staatsen (born 1971, Dutch) is NX Filtration's CEO and COO since May 2019. Prior to joining NX Filtration, he held various positions related to the food and water markets. He held the position of chief operating officer at Pré Pain, a leading manufacturer of frozen bake off bread in North-West Europe. Michiel Staatsen was the chief operating officer and chief financial officer of Grand Duet B.V., an industrial bake-off bread bakery. He holds a master's degree in civil engineering from Delft University of Technology in Delft, the Netherlands.

Mr H.D.W. (Erik) Roesink (born 1952, Dutch) founded NX Filtration in 2016 and held the position of CEO between 2016 and 2019. Since 2019 he focuses on business and technology development and currently holds the role of CTO. He is also a part-time professor advanced membranes for aqueous applications in the research cluster membrane science

& technology at the University of Twente in Enschede, the Netherlands since 2013. Prior to joining NX Filtration, Erik Roesink worked in various director roles in research and development, strategic innovation and business development at Pentair and Norit X-Flow.

Mr M.G.H. (Marc) Luttkhuis (born 1975, Dutch) is NX Filtration's CFO since 1 January 2022. Marc Luttkhuis previously held CFO positions at Brink Group (leading global manufacturer of towing systems in the automotive industry) and Heuver (leading European tyre wholesaler), with responsibility for finance, IT, HR and procurement functions. Marc holds a degree in Business Economics, Management & Organization from the University of Groningen, the Netherlands.

Senior Management

The members of the Management Board comprise the Senior Management of the Company together with the following non-statutory member:

Name	Age	Position	Member since
Mr A.M. (Alejandro) Roman Fernandez	46	Chief Commercial Officer	2021

Mr A.M. (Alejandro) Roman Fernandez (born 1977, Spain) is NX Filtration's Chief Commercial Officer. Prior to joining NX Filtration, Alejandro was a Vice President and Global Commercial Head at Organica Water where he was responsible for all sales activities globally, managing the regional sales teams and expanding the global partner network. Prior to that, Alejandro held various roles at Pentair (Netherlands), Xylem (Spain and United Kingdom) and Thames Water (United Kingdom). Alejandro holds a degree in Chemical Engineering from the University of Cadiz (Spain) and a degree in Environmental Science from Kingston University in London (United Kingdom).

The business address of the Senior Management of the Company is Josink Esweg 44, 7545 PN Enschede, the Netherlands.

Supervisory Board

Powers, responsibilities and functioning

The Supervisory Board supervises the Management Board and the general course of affairs of the Company, its subsidiaries and the business affiliated therewith. The Supervisory Board is accountable for these matters to the General Meeting. The Supervisory Board also provides advice to the Management Board. In performing its duties, the Supervisory Board focuses on the effectiveness of the NX Filtration's internal risk management and control systems and the integrity and quality of the financial reporting. The Supervisory Board assists the Management Board with advice on general policies related to the activities of NX Filtration. In the fulfilment of its duty, the Supervisory Board focusses on the interests of the Company and its related business.

Members of the Supervisory Board

The Supervisory Board is composed of the following members:

Name	Age	Position	End of current term
Ms C. (Carolina) Wielinga	52	Member (chair)	AGM of 2025
Mr B.A.M. (Benno) van Dongen	58	Member	AGM of 2025
Mr J.T.P. (John) Glorie	49	Member	AGM of 2025

The business address of the Supervisory Board of the Company is Josink Esweg 44, 7545 PN Enschede, the Netherlands. Reference is made to the Supervisory Board Report in this annual report for their professional bio's.

Remuneration

The remuneration policy applicable to the Management Board was determined by the General Meeting on 8 June 2021. Any subsequent amendments to this remuneration policy are subject to adoption by the General Meeting, which resolution can only be adopted by a majority of the votes cast. The Supervisory Board shall make a proposal to this effect. The remuneration of, and other agreements with, the Managing Directors are required to be determined by the Supervisory Board, with due observance of the remuneration policy.

The Company's remuneration policy aims to attract, motivate and retain qualified individuals and reward them with a market competitive remuneration package that focuses on achieving sustainable financial results aligned with the long-term strategy of the Company and fosters alignment of interests of Managing Directors with shareholders.

Based on the remuneration policy, the remuneration of the current Managing Directors consists of the following components:

- annual base pay;
- pension and other benefits; and
- only for Mr M.G.H. Luttkhuis, a short-term incentive in cash and a conditional award under the Long-Term Incentive Plan.

A summary of the remuneration of the Management Board is set out in the Remuneration Report of the Supervisory Board in this annual report.

Short-term incentive

The remuneration policy enables the Supervisory Board to determine at its sole discretion that newly appointed Managing Directors become entitled to a short-term incentive, which consists of cash only. In setting the performance targets of the future short-term incentives (if any), the Supervisory Board

will take into account the Company's strategy and medium- and long-term objectives, amongst which revenue growth, scale-up of production, market penetration and increasing profitability, and ESG-criteria.

Long-Term Incentive Plan

The Company has implemented a participation plan in order to attract and retain the best available personnel to serve as Managing Director and to align the economic interests of the Managing Directors directly with those of the Company's shareholders. It is anticipated that newly appointed Managing Directors will be invited to receive a conditional award of Ordinary Shares under the plan, at the sole discretion of the Supervisory Board. The vesting of an award is subject to the achievement of predetermined financial and non-financial (including ESG) performance conditions set by the Supervisory Board on a yearly basis. Following the vesting of an award the Ordinary Shares subject to the award are subject to a holding period of two years as of the date of vesting (or any different holding period as the Supervisory Board may determine at the time of grant) subject to continued engagement to the Company.

Related Party Transactions

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Also, entities which can control, jointly control or significantly influence the Company are considered a related party. In addition, statutory and supervisory directors and close relatives are regarded as related parties. The following transactions were carried out with related parties:

- Key management compensation, as further disclosed in note 16 of the Financial Statements;
- Management fee to Infestos Holding E B.V, based on the consultancy agreement

- between Infestos Holding E B.V. and NX Filtration as entered into on the date of IPO in the amount of €150 thousand;
- The agreement between Infestos Holding E B.V. and the Company on a sign-on equity incentive with Mr Marc Luttkhuis.

All these transactions are made on terms equivalent to those that prevail in arm's length transactions.

General Meeting

According to the Articles of Association, General Meetings can be held in Amsterdam, in the Netherlands, or any other place in the Netherlands, at the choice of those who call the meeting.

The annual General Meeting must be held at least once a year, within six months after the close of each financial year. An extraordinary General Meeting may be convened, whenever the Company's interests so require, by the Supervisory Board or the Management Board. In addition, shareholders or others with meeting rights under Dutch law representing jointly at least one-tenth of the issued and outstanding share capital may, pursuant to the Dutch Civil Code, request that a General Meeting be convened. If no General Meeting has been held within eight weeks of the shareholders making such request, the shareholders making such request may, upon their request, be authorised by the competent Dutch court in preliminary relief proceedings to convene a General Meeting.

The convocation of the General Meeting must be published through an announcement by electronic means. Notice of a General Meeting must be given by at least such number of days prior to the day of the meeting as required by Dutch law, which, at the date of this annual report, is 42 calendar days. The notice

convening any General Meeting must include, among other items, the agenda stating the items to be discussed, the venue and time of the General Meeting, the requirements for admittance to the General Meeting, the address of the Company's website, and such other information as may be required by Dutch law. The agenda for the annual General Meeting must contain specific subjects, including, among other things, the adoption of the annual accounts, the discussion of any substantial change in the corporate governance structure of the Company and the allocation of the profits, insofar as these are at the disposal of the General Meeting. In addition, the agenda must include such items as have been included in it by the Management Board, the Supervisory Board or the shareholders and others with meeting rights under Dutch law (with due observance of Dutch law as described below). If the agenda of the General Meeting contains the item of granting discharge to the Managing Directors and the Supervisory Directors concerning the performance of their duties in the financial year in question, the discharge must be mentioned on the agenda as separate items for the Management Board and the Supervisory Board, respectively.

Shareholders and others with meeting rights under Dutch law representing jointly at least 3% of the Company's issued and outstanding share capital may request, by a motivated request, that an item is added to the agenda. Such requests must be made in writing, must either be substantiated or include a proposal for a resolution, and must be received by the Company at least 60 days before the day of the General Meeting. No resolutions may be adopted on items other than those that have been included in the agenda (unless the resolution would be adopted unanimously during a meeting where the entire issued capital of the Company is present or represented).

Shareholders who, individually or with other shareholders, hold Ordinary Shares that represent at least 1% of the issued and outstanding share capital or a market value of at least €250,000 may request the Company to disseminate information that is prepared by them in connection with an agenda item for a General Meeting, provided that the Company has done a so-called "identification round" in accordance with the provisions of the Dutch Securities Transactions Act. The Company can only refuse disseminating such information, if received less than seven business days prior to the day of the General Meeting, if the information gives or could give an incorrect or misleading signal or if, in light of the nature of the information, the Company cannot reasonably be required to disseminate it.

More information about the authority of the General Meeting and the articles of association can be found on NX Filtration's website.

Special provisions relating to shares

Unless indicated otherwise, there are no restrictions on the transfer of shares, the exercise of voting rights or the term for exercising those rights, and there are no special controlling rights attached to shares. Pursuant to a resolution adopted by the General Meeting, the Management Board has been authorised, for a period of three years following 5 April 2022, subject to the approval of the Supervisory Board, to resolve to issue Ordinary Shares (either in the form of stock dividend or otherwise) and/or grant rights to acquire Ordinary Shares up to a maximum of 20% of the number of Ordinary Shares issued immediately following 5 April 2022, and to exclude pre-emptive rights in relation thereto. In addition, the Management Board has been, pursuant to a resolution of the General Meeting, authorised for a period of 18 months following 5 April 2022

(i.e. until and including 5 October 2023), subject to the approval of the Supervisory Board, to acquire its own Ordinary Shares (including Ordinary Shares issued as stock dividend), up to a maximum of 10% of the issued capital at the date of acquisition, provided that Company will hold no more Ordinary Shares in stock than a maximum of 50% of the issued capital, either through purchase on a stock exchange or otherwise, at a price, excluding expenses, not lower than the nominal value of the Ordinary Shares and not higher than the opening price on Euronext Amsterdam on the day of the repurchase plus 10%.

Diversity Policy

The diversity policy of NX Filtration has been in effect since its adoption by the Supervisory Board on 11 June 2021 and is in accordance with best practice provision 2.1.5 of the Dutch Corporate Governance Code (the **Policy**). The Supervisory Board values and promotes diversity in the Management Board and the Supervisory Board, and also in the Company as a whole. The Supervisory Board recognises that differences in skills, experience, background, nationality, age, race, gender, sexual orientation, religious beliefs, physical ability and other characteristics of people are important and enable both the Management Board and the Supervisory Board as well as the Company as a whole to look at issues and to solve problems in a different way, to respond differently to challenges and to take more robust decisions. All these different skills and backgrounds reflect the diverse nature of the environment in which the Company and its stakeholders operate, and improve the effectiveness through diversity of approach and thought. Diversity furthermore drives innovation, and accelerates growth. It enables the Company to attract and maintain the best talented people.

The Management Board and the Supervisory Board collectively are considered diverse and balanced from an educational background and work experience. The Management Board and the Supervisory Board consist of people with a good mix of sector knowledge, financial expertise and management capabilities. Annually, the Supervisory Board assesses the composition of the Supervisory Board and of the Management Board, and agrees to measurable objectives for achieving diversity on the Boards. At the date of this Annual Report, the Supervisory Board meets the quota as prescribed by law.

In a broader sense, NX Filtration has a very diverse group of employees with men and women from different backgrounds, cultures and religions.

Dutch Corporate Governance Code

The Dutch Corporate Governance Code, as amended, entered into force on, and applies to any financial year starting on or after, 1 January 2017, and finds its statutory basis in Book 2 of the Dutch Civil Code (the **Dutch Corporate Governance Code**). The Dutch Corporate Governance Code applies to the Company as the Company has its statutory seat in the Netherlands and its Ordinary Shares are admitted to listing and trading on Euronext Amsterdam.

The Dutch Corporate Governance Code is based on a 'comply or explain' principle. Accordingly, companies are required to disclose in their management report whether or not they are complying with the various best practice principles of the Dutch Corporate Governance Code that are addressed to the management board or, if applicable, the supervisory board of the company. If a company deviates from a best practice principle in the

Dutch Corporate Governance Code, the reason for such deviation must be properly explained in its management report.

Deviations from the Best Practice Principles of the Dutch Corporate Governance Code

The Company acknowledges the importance of good corporate governance. The Company agrees with the general approach and is committed to adhering to the best practices of the Dutch Corporate Governance Code as much as possible. The Company fully complies with the Dutch Corporate Governance Code, except for best practice provision 3.3.3: Shares held by a Supervisory Director in the company on whose supervisory board they serve should be long-term investments. The securities of the Company indirectly held by Supervisory Director Mr John Glorie are not necessarily held on behalf of him as long-term investments as his investment horizon shall be determined on a case-by-case basis.

Takeover Directive (Article 10)

In the context of the EU Takeover Directive (Article 10) Decree, the following notifications must be given insofar as they are not included in this Annual Report.

Capital Structure

As at 31 December 2022, the issued share capital of the Company amounts to €500,000 divided into 50,000,000 Ordinary Shares, each with a nominal value of €0.01. Each Ordinary Share confers the right to cast one vote.

Limitations on the transfer of shares

NX Filtration has not imposed any limitations on the transfer of its shares and therefore there are no outstanding or potential protection measures against a takeover of control of the company.

Substantial holdings

On the date hereof, NX Filtration has 50,000,000 Ordinary Shares outstanding in the market. Pursuant to the Dutch Financial Supervision Act (Wet op het financieel toezicht), interests in the issued capital of NX Filtration of 3% or more are required to be disclosed to the Netherlands Authority for the Financial Markets (AFM). At year-end 2022, the following shareholders were known to hold interests of at least 3% directly in the Company (as per AFM disclosure on 31 December 2022, actual substantial holdings may differ):

Shareholder	Number of Ordinary Shares	Percentage of the issued share capital of the Company
B.H.F. ten Doeschot ⁽¹⁾	31.968.448	63.94%
B.V. Beleggingsfonds Hoogh Blarick	5.030.020	10.06%
Teslin Participaties Coöperatief U.A.	2.932.954	5.87%
M&G Plc	2.473.317	4.95%

Notes:

⁽¹⁾ Through Infestos Holding E B.V. and Stichting Administratiekantoor NX Filtration Holding. These entities are ultimately controlled by Mr B.H.F. ten Doeschot.

Material Subsidiaries

NX Filtration B.V., NX Filtration International B.V. and NX Filtration Real Estate B.V., each incorporated in the Netherlands, are the only (material) subsidiaries of the Company. The Company holds, either directly or indirectly, 100% of the ownership interest therein.

Special controlling rights

No special controlling rights are attached to the shares in the Company.

Employee equity plans

See above under *Long-Term Incentive Plan* and *Short-term incentive*.

Limitations on voting rights

Each share confers the right to cast one vote. The voting rights attached to the shares in the Company are not restricted, and neither are the terms in which voting rights may be exercised restricted.

Agreements on limitations on the transfer of shares

The Senior Management and certain other key employees of the Company hold depository receipts in Stichting Administratiekantoor NX Filtration Holding (**DRs**) as they have been given the opportunity to indirectly participate in the capital of the Company. The larger part of these DRs is subject to lock-up restrictions. One-third of the DRs held by a member at such time (the **Shareholding Reference Date**) have been unconditionally released from the lock-up restrictions on 11 June 2022, one-third of the DRs held by a member on the Shareholding Reference Date will be unconditionally released from the lock-up restrictions on 11 June 2023, and the remaining one-third of the DRs held by a member on the Shareholding Reference Date will be unconditionally released from the lock-up restrictions on 11 June 2024, in each case on the condition that the relevant member of the Senior Management or relevant key manager of the Company continues to be employed by the Company on these dates.

Appointment and dismissal of Management Board members and Supervisory Directors and amendment of the Articles of Association

The General Meeting appoints the Managing Directors. The Supervisory Board will nominate one or more candidates for each vacant seat. A resolution of the General Meeting to appoint a Managing Director other than in accordance with a nomination by the Supervisory Board

can be adopted by a majority of the votes cast representing at least one third of the Company's issued capital. If such quorum is not met, the Company is entitled to convene a second meeting where no quorum shall apply.

The Articles of Association provide that a Managing Director may be suspended or dismissed by the General Meeting at any time. A resolution of the General Meeting to suspend or dismiss a Managing Director other than pursuant to a proposal by the Supervisory Board can be adopted by a majority of the votes cast, representing at least one third of the Company's issued capital. If such quorum is not met, the Company is entitled to convene a second meeting where no quorum shall apply.

The Articles of Association provide that the number of Managing Directors is determined by the Supervisory Board after consultation with the Management Board, but there will be at least two Managing Directors. The Supervisory Board has appointed one of the Managing Directors as CEO. In addition, the Supervisory Board has appointed one of the Managing Directors as CFO (chief financial officer) to specifically oversee the Company's financial affairs.

The Supervisory Board Rules provide that the Supervisory Board must consist of a minimum of three members. The exact number of Supervisory Directors shall be determined by the Supervisory Board. The Supervisory Board will consist of three members. Only natural persons may be appointed as Supervisory Directors.

In accordance with the Articles of Association, the Supervisory Board has prepared a profile (*profielchets*) for its size and composition, taking account of the nature and activities of the business, the desired expertise and background of the Supervisory Directors, the desired mixed composition and the size of the

Supervisory Board and the independence of the Supervisory Directors. The Company's diversity policy is also taken into account.

The General Meeting appoints the Supervisory Directors. The Supervisory Board will nominate one or more candidates for each vacant seat. A resolution of the General Meeting to appoint a Supervisory Director other than in accordance with a nomination by the Supervisory Board can be adopted by a majority of the votes cast representing at least one third of the Company's issued capital. If such quorum is not met, the Company is entitled to convene a second meeting where no quorum shall apply.

The Articles of Association provide that a Supervisory Director may be suspended or dismissed by the General Meeting at any time. A resolution of the General Meeting to suspend or dismiss a Supervisory Director other than pursuant to a proposal by the Supervisory Board can be adopted by a majority of the votes cast, representing at least one third of the Company's issued capital. If such quorum is not met, the Company is entitled to convene a second meeting where no quorum shall apply.

The General Meeting may pass a resolution to amend the Articles of Association with an absolute majority of the votes validly cast in the General Meeting, but only (i) on a proposal of the Management Board that has been approved by the Supervisory Board or (ii) in the absence of such a proposal, with the explicit approval of the Management Board and the Supervisory Board or (iii) on the proposal of a Shareholder, or shareholders acting jointly provided that they belong to the same group, for as long as they solely or jointly represent at least 30% of the issued capital of the Company. Any such proposal must be stated in the notice of the General Meeting.

In the event of a proposal to the General Meeting to amend the Articles of Association,

a copy of such proposal containing the verbatim text of the proposed amendment will be deposited at the Company's office, for inspection by shareholders and other persons holding meeting rights, until the end of the meeting. Furthermore, a copy of the proposal will be made available free of charge to shareholders and other persons holding meeting rights from the day it was deposited until the day of the meeting. A resolution by the General Meeting to amend the Articles of Association requires an absolute majority of the votes cast. A resolution of the General Meeting to amend the Articles of Association that has the effect of reducing the rights attributable to holders of share of a particular class, is subject to approval of the meeting of holders of shares of that class.

The Management Board's powers especially to issue shares

Pursuant to a resolution adopted by the General Meeting, the Management Board has been authorised, for a period of three years following 5 April 2022, subject to the approval of the Supervisory Board, to resolve to issue Ordinary Shares (either in the form of stock dividend or otherwise) and/or grant rights to acquire Ordinary Shares up to a maximum of 20% of the number of Ordinary Shares issued immediately following 5 April 2022, and to exclude pre-emptive rights in relation thereto.

Significant agreements and changes in the control of the company

NX Filtration does not have any such agreements.

Redundancy agreements in the event of a public takeover bid

NX Filtration has not concluded any agreements with a Management Board member or employee that provides for any severance pay in the case of a termination of employment in connection with a public bid within the meaning of Article 5:70 of the Dutch Financial Supervision Act.

Shareholders

See *Substantial Holdings*.

Dividend Policy

The dividend policy is to reserve all profits (if any) until the policy is revised. NX Filtration does not pay dividends to its shareholders at this moment in time.

Financial calendar

Date	Event
10 February 2023	Publication full year results 2022
6 April 2023	Annual General Meeting
29 August 2023	Publication half-year results 2023

NX Filtration applied the following closed periods for transactions directly or indirectly, relating, to shares and other financial instruments in NX Filtration:

- 1 May 2022 until 30 August 2022
- 1 November 2022 until 10 February 2023

In accordance with best practice provision 1.4.3. of the Dutch Corporate Governance Code, the Management Board states to the best of its knowledge that:

- the report of the Management Board provides sufficient insight into any shortcomings in the effectiveness of the internal risk management and control systems;
- those systems provide reasonable assurance that the financial report does not contain any material misstatements;
- in the current situation, it is appropriate for the financial report to be prepared on a going concern basis; and
- the report states those material risks and uncertainties that are relevant to the expectation of the company's continuity for the period of twelve months after the preparation of the report.

As required by the relevant statutory provisions, the Management Board hereby declares that to the best of its knowledge:

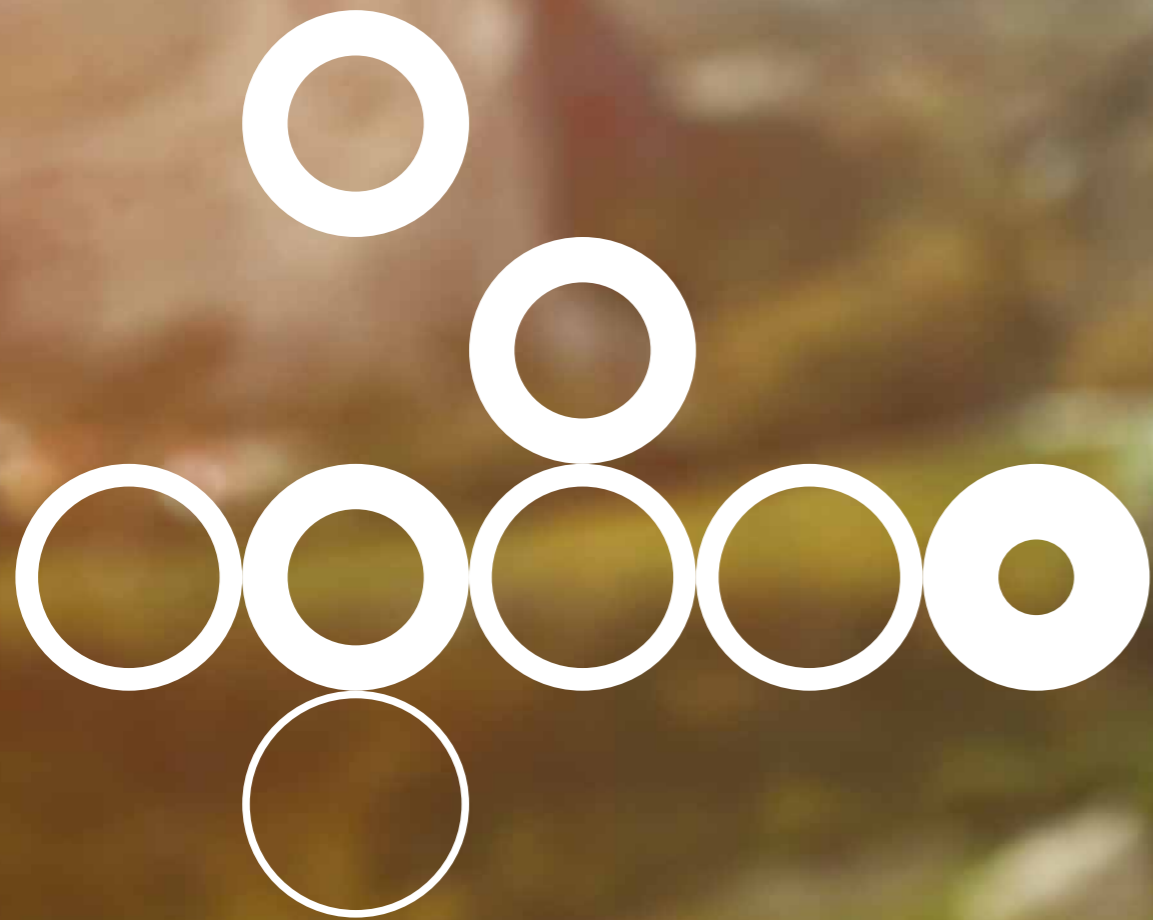
- the report of the Management Board provides a true and fair view of the position of NX Filtration and its subsidiaries included in the consolidation on the reporting date and of the course of their affairs during the financial year. The report of the Management Board provides information on any material risks to which NX Filtration is exposed;
- The Consolidated Financial Statements as at and for the year ended 31 December 2022, give a true and fair view of the assets, liabilities, financial position and result of the financial year of NX Filtration and its subsidiaries included in the consolidation as a whole.

Enschede, 10 February 2023

Management Board

Michiel	Erik	Marc
Staatsen	Roesink	Luttikhuis
CEO and	CTO	CFO
COO		

Report of the Supervisory Board





Carolina Wielinga
Chair

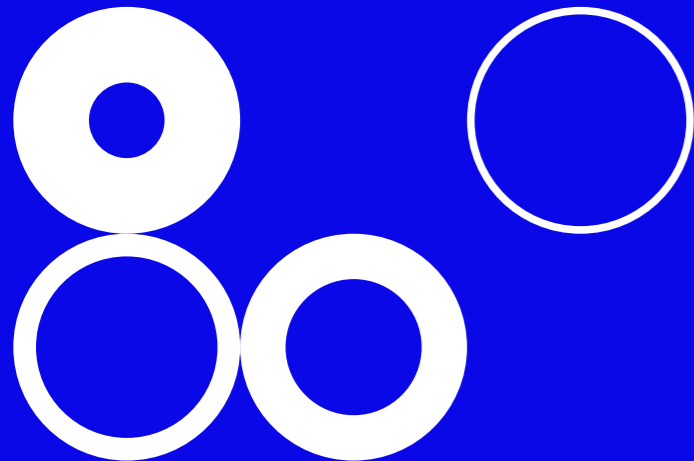


Benno van Dongen



John Glorie

Report of the Supervisory Board



The Supervisory Board's main responsibility is to supervise and advise the Management Board, in particular regarding the strategy for realising long-term value and the manner in which the strategy is implemented. The Supervisory Board also focuses on the effectiveness of the Company's internal risk management and control systems and the integrity and quality of the financial reporting.

For NX Filtration, 2022 was an eventful year with highly promising progress on, and recognition of, its business. We are proud to see that NX Filtration has again made significant steps in line with its strategy, amongst which further broadening its international customer base, the further roll-out of its pilot program, adding high profile industry leaders to its organization, starting construction of its new megafactory for nanofiltration membrane modules, and making other significant steps in the ramp-up of its production capacity (such as the commissioning of its second production line). NX Filtration has received further recognition within the industry, as inter alia demonstrated by winning the Global Water Intelligence Wastewater Project of the Year 2022 award and being the only water technology company that has been included in the new Euronext Tech Leaders initiative, which was launched in 2022.

Activities and priorities 2022

In 2022, monitoring of the strong growth plan both commercially and operationally remained priority for us. Key attention points were the recruitment of personnel and strengthening the organisation in skills and leadership positions to facilitate the current business and prepare for further growth. Part of the monitoring and sounding board role was the dialogue with key management in various Supervisory Board

meetings. We determined that NX Filtration has sound processes in place of achieving long-term value for its customers and shareholders, its people and society. Furthermore, we increased focus on NX Filtration's ESG agenda. We installed a formal ESG Committee to formalize governance and oversight responsibilities with regard to sustainability, environmental, social, corporate governance and human capital matters.

Strategy and long-term value creation

The Supervisory Board fully supports NX Filtration's strategy. During 2022, the Supervisory Board devoted a considerable amount of time discussing strategic topics. We performed the recurring annual review of NX Filtration's corporate strategy and the long-term financial plan. Some of the main challenges concern realizing NX Filtration's ambitious top line growth and timing thereof, also in relation to the planned capacity additions to facilitate this growth, and ensure that costs remain under control. The growth of the organization has been very-well managed, but should continue to be managed, with a solid onboarding process. The supply-chain is under control but requires attention given inflationary developments.

With increasing demand for NX Filtration's products in combination with its focus on execution of its strategic priorities, the Supervisory Board has confidence in NX Filtration's long-term growth opportunities and the continued delivery of value to its stakeholders. As part of several deep dive strategy reviews, we focused on long-term water market developments and external global forces, including geopolitics and ESG topics.

Composition and diversity

The Supervisory Board consists of the following three members:

Name	Age	Position	Initial appointment	End of current term
Ms C. (Carolina) Wielinga	52	Member and Chair	11 June 2021	AGM 2025
Mr B.A.M. (Benno) van Dongen	58	Member	11 June 2021	AGM 2025
Mr J.T.P. (John) Glorie	49	Member	11 June 2021	AGM 2025 – expected to be replaced at the AGM 2023

Ms C. (Carolina) Wielinga (born 1970, Dutch) is the chief financial officer of BDR Thermea Group, a global manufacturing company in smart thermal heating solutions. She is supervisory board member and chair of the audit committee at Gasunie and has been a supervisory board member of Darlin N.V. (part of Teslin) (2010-2017). Ms Carolina Wielinga is an all-round finance business executive with over 25 years of experience. Prior to joining the BDR Thermea Group, Ms Carolina Wielinga had several functions at Rabobank and its subsidiaries, as head of financial restructuring and recovery at Rabobank Group (2016-2018), chief financial risk officer/chief operating officer at FGH Bank (2015-2016) and chief financial risk officer at Rabo Real Estate Group (2013-2015). In the period 2011-2013, she was senior director finance at Vion Food Group, an international supplier of meat, meat products and plant-based alternatives. Ms Carolina Wielinga started her career at Arthur Andersen (1993-2002), followed by roles as director business advisory services at KPMG (2002-2005) and country market leader and managing director of Protivi in the Netherlands (2005-2010). Ms Carolina Wielinga holds a master's degree in business administration from University of Groningen in Groningen, the Netherlands and is also a chartered accountant.

Mr B.A.M. (Benno) van Dongen (born 1964, Dutch) is a senior partner at Roland Berger, for which he cofounded the Amsterdam office

in 2002. At Roland Berger, Mr Benno van Dongen is focusing on technology intensive industries and life sciences, public/private partnerships and academia. He supports these groups in innovation management, growth strategy, business model development and creating business plans. Prior to joining Roland Berger, Mr Benno van Dongen was an associate director at Arthur D. Little, where he focused on, amongst others, advising companies in the water markets as head of the engineering, manufacturing and resources practice. Mr Benno van Dongen studied chemical engineering and materials science at Delft University of Technology in Delft, the Netherlands and has an MBA degree from INSEAD in Fontainebleau, France. He is a member of the advisory board of Kalmeijer, a manufacturer of bakery machinery, a selected member of advisory platform ActI (Netherlands Academy for Technology and Innovation) and a director of academic society Royal Holland Society of Sciences and Humanities (*Koninklijke Hollandsche Maatschappij der Wetenschappen*).

Mr J.T.P. (John) Glorie (born 1973, Dutch) works at Infestos Nederland B.V. since 2016, where he currently holds the role of investment director. Mr John Glorie's expertise is in supporting companies on areas including production management, logistics, operational processes and ICT. Mr John Glorie started his career in the water markets as quality manager at Norit Process Technology (1996-1999), followed by a role as logistics manager at Sollas Holland, an

international company for packaging machinery (1999-2004). In the period 2004-2010, he was managing director of BOA Recycling Equipment, after which he became chief executive officer of Webprint (2010-2015), an online photo service that was part of Infestos Nederland's portfolio and which was sold to Smartphoto Group, a Belgian listed company. Mr John Glorie holds a master's degree in industrial engineering & management from University of Twente of Technology in Enschede, the Netherlands, with a specialisation in process technology.

It is expected that **Mr J.G. (Hans) Slootweg (born 1979, Dutch)** will replace John Glorie as member of the Supervisory Board. The Supervisory Board will nominate Hans for appointment as member of the Supervisory Board at the general meeting of shareholders of the Company to be held on 6 april 2023.

Since 2014, Mr Hans Slootweg works at Infestos Nederland B.V., where he currently holds the role of investment director. Mr Hans Slootweg's expertise is in supporting companies on areas including technology, R&D, finance and accounting. Mr Hans Slootweg played an instrumental role in the value creation, related to, amongst others, the abovementioned areas of support, of Infestos' portfolio companies. Prior to joining Infestos, Mr Hans Slootweg worked as manager at Scotch & Soda (2012-2014) and as senior manager at KPMG (2003-2012). Mr Hans Slootweg holds a master's degree in accountancy from Nyenrode University in the Netherlands.

The business address of the Supervisory Board is Josink Esweg 44, 7545 PN Enschede, the Netherlands.

The Supervisory Board operates independently of the Management Board, any other participating interests and each other. Each of the Supervisory Board members has

the necessary expertise, experience and background to perform his or her tasks and responsibilities. Two of the three members of the Supervisory Board are independent within the meaning of the Dutch Corporate Governance Code as, in the opinion of the Supervisory Board, the requirements referred to in best practice provisions 2.1.7 to 2.1.9 inclusive of the Dutch Corporate Governance Code have been fulfilled.

One of the Supervisory Board members is not independent within the meaning of the Dutch Corporate Governance Code. Pursuant to the relationship agreement between Infestos Holding E B.V., Stichting Administratiekantoor NX Filtration Holding and NX Filtration dated 8 June 2021, Infestos Holding E B.V. has the right to designate for nomination, and propose replacements for, two Supervisory Directors on the Supervisory Board. One out of three Supervisory Directors is a representative of Infestos: Mr John Glorie. Mr Hans Slootweg, expected to replace Mr John Glorie immediately after the general meeting of shareholders of the Company to be held on 6 april 2023, will also be a representative of Infestos.

The Management Board and the Supervisory Board collectively are considered diverse and balanced from an educational background and work experience. The Management Board and the Supervisory Board consist of people with a good mix of sector knowledge, financial expertise and management capabilities. Annually, the Supervisory Board assesses the composition of the Supervisory Board and of the Management Board, and agrees to measurable objectives for achieving diversity on the Boards.

At the date of this annual report, the Supervisory Board meets the diversity quota as prescribed by law.

Where searches for appointment to any of the Boards or to senior management are conducted by NX Filtration or by search firms, they will identify and present a long list of candidates who are considered to meet the essential criteria for the relevant vacancy, including qualified females and people of colour. The Boards will consider suitably qualified candidates for positions from as wide a pool as appropriate, including candidates with little or no previous listed company board experience but whose skills and experience will add value to the relevant Board.

Meetings and attendance

The Supervisory Board held five meetings in 2022, which were all regular scheduled meetings. All such meetings were attended by the members of the Management Board. In addition, several meetings were held without the members of the Management Board, such as the meeting where the Supervisory Board discussed its own functioning. All members of the Supervisory Board attended all the meetings, as such the absenteeism rate is zero.

Other than the Audit Committee and the ESG Committee, the Supervisory Board has not installed any standing committees as this is not required under Dutch law or the Dutch Corporate Governance Code based on the current composition of the Supervisory Board. If the Supervisory Board would in the future consist of more than four members, it should, in addition to the existing Audit Committee, appoint from among its members a remuneration committee and a selection and appointment committee to remain in compliance with the Dutch Corporate Governance Code.

The Chair speaks with the CEO on a monthly basis. Next to the key priorities mentioned earlier the Supervisory Board agenda contained

the financials, risk management, audit plan of the external independent auditor, financing structure, Long Term Incentive Plan for key management, HR overviews, development and diversity, and budget 2023.

Audit Committee

NX Filtration has an Audit Committee, consisting of Mr Benno van Dongen and Ms Carolina Wielinga, the independent members of the Supervisory Board. The Audit Committee held two meetings in 2022. The duties of the Audit Committee include:

- informing the Supervisory Board of the results of the statutory audit and explaining how the statutory audit has contributed to the integrity of the financial reporting and how the Audit Committee has fulfilled this process;
- monitoring the financial reporting process and making proposals to safeguard the integrity of the process;
- monitoring the effectiveness of the internal control systems, the internal audit system and the risk management system with respect to financial reporting;
- monitoring the statutory audit of the annual accounts, and in particular the process of such audit
- monitoring the independence of the external independent auditor; and
- adopting procedures with respect to the selection of the external independent auditor.

ESG Committee

NX Filtration has an ESG Committee, consisting of Mr Benno van Dongen and Ms Carolina Wielinga, the independent members of the Supervisory Board. See for disclosure on NX Filtration's ESG Committee, the Sustainability report included in this annual report.

Remuneration report

The remuneration of, and other agreements with, the Managing Directors are required to be determined by the Supervisory Board in any given year, with due observance of the remuneration policy of the Company (**the Remuneration Policy**). Any amendments to the Remuneration Policy are subject to adoption by the General Meeting.

The Remuneration Policy is designed taking into account the Company's vision ("pure and affordable water across the globe"), mission ("to be a leading global provider of breakthrough nano-filtration technology that enables customers to, amongst others, produce pure and affordable water, treat wastewater and reduce their water footprint, and achieve strong sustainability benefits") and values ("Sustainable, Adaptive, Reliable, Knowledgeable") through performance targets related to for example growth, innovation and sustainability. The Remuneration Policy contributes to long-term value creation because variable remuneration is higher when targets are exceeded and no variable remuneration is payable if threshold targets are not met. This helps to ensure the alignment of the Managing Directors' interests with that of the Company's stakeholders and create a true pay-for-performance culture. The Remuneration Policy fosters alignment of interests of the Managing Directors with its shareholders and other stakeholders. Furthermore, the Remuneration Policy is designed in a way that Managing Directors and Supervisory Directors are not encouraged to take or stimulate inappropriate risks.

The Remuneration Policy aims to attract, motivate and retain qualified individuals and reward them with a market competitive remuneration package that focuses on achieving sustainable financial results aligned

with the long-term strategy of NX Filtration and fosters alignment of interests of Managing Directors with shareholders. Based on the Remuneration Policy, the remuneration of the Managing Directors consists at least of the following components: annual base pay and pension and other benefits. Managing Director Mr M.G.H. Lutikhuis received a short-term incentive in cash and a conditional award of shares under the Long-Term Incentive Plan next to the annual base pay and pension and other benefits.

Annual base pay

This represents a fixed cash remuneration consisting of the base salary including holiday allowance that is set based on the level of responsibility of the Managing Directors.

Pension and other benefits

Managing Directors are generally eligible to participate in a pension plan at the level of NX Filtration B.V., a wholly-owned subsidiary of NX Filtration, but they may waive their pension rights. The Managing Directors contribute to the pension plan (eigen bijdrage) if they participate in the pension plan.

Managing Directors are generally eligible for a range of other emoluments, such as the use of a company car (except for Mr M.A. Staatsen and Mr. H.D.W. Roesink), an expense allowance reflective of the position of the Managing Director and a collective health insurance. NX Filtration has arranged and paid for a directors and officers liability insurance for the members of the Management Board.

Notice period

The management agreements for the Managing Directors are entered into for an indefinite term. The notice period for the Managing Directors is three months and for NX Filtration six months.

Severance

The service agreement of Mr Michiel Staatsen contains severance provisions which provide for compensation for the loss of income resulting from a termination of employment at the initiative of the Company, of six months' base compensation, subject to certain conditions such as that the termination is not based on seriously culpable acts or negligence of the Managing Director. The contractual severance amount will replace or be subtracted from any statutory or other severance payments.

The service agreement of Mr Marc Luttkhuis contains severance provisions which provide for compensation for the loss of income resulting from a termination of employment at the initiative of the Company, of three months' base compensation, subject to certain conditions such as that the termination is not based on seriously culpable acts or negligence of the Managing Director. The contractual severance amount will replace or be subtracted from any statutory or other severance payments.

The service agreement of Mr Erik Roesink does not contain any provisions providing for benefits upon termination of employment.

None of the Supervisory Directors does enjoy contractual severance provisions.

Variable remuneration

Mr Michiel Staatsen and Mr Erik Roesink were not entitled to any variable remuneration in 2022. Mr Marc Luttkhuis was entitled to variable remuneration, as set out below.

Management Board remuneration over 2022

The total amount of remuneration of the Managing Directors for the financial year 2022 comprised €649,281 (2021: €302,971). For the financial year 2022, the total amount of remuneration of Mr Michiel Staatsen

comprised €179,577 (2021: €153,023). For the financial year 2022, the total remuneration of Mr Erik Roesink comprised €166,894 (2021: €143,253). For the financial year 2022, the total remuneration of Mr Marc Luttkhuis comprised €302,810. His short-term incentive in cash amounted to €36,550 and the conditional award under the Long-Term Incentive Plan amounted to €18,939.

Shareholdings of Mr Michiel Staatsen and Mr Erik Roesink

Mr Michiel Staatsen and Mr Erik Roesink indirectly participate in the share capital of the Company. These indirect investments are held through the STAK, which has issued depositary receipts of shares (*certificaten van aandelen*) in the capital of the Company for Ordinary Shares (the **DRs**) to them. In this manner and on the date hereof, Erik Roesink indirectly holds 1,750,000 Ordinary Shares (3.5%) and Michiel Staatsen indirectly holds 1,050,000 Ordinary Shares (2.1%) in the capital of the Company. The larger part of these DRs is subject to lock-up restrictions, as described in the paragraph *Agreements on limitations on the transfer of shares* of the Corporate Governance chapter in this annual report.

Shareholdings of Mr Marc Luttkhuis

On the date hereof, Marc Luttkhuis indirectly holds 27,051 Ordinary Shares (0.05%) in the capital of the Company.

Remuneration information for the Supervisory Board

The General Meeting determines the remuneration of the Supervisory Directors. The Supervisory Board submits from time to time proposals to the General Meeting in respect of the remuneration of the Supervisory Directors. The remuneration of the Supervisory Board may not be made dependent on the Company's results. Supervisory Directors will not receive Ordinary Shares and/or rights to Ordinary Shares as remuneration. The compensation for

the chair of the Supervisory Board has been set at €50,000 per year and the compensation for Mr Benno van Dongen has been set at €30,000 per year. Mr John Glorie is employed by Infestos Nederland and does not receive compensation for his Supervisory Board activities. Mr Hans Slootweg, expected to replace Mr John Glorie immediately after the general meeting of shareholders of the Company to be held on 6 april 2023, is employed by Infestos Nederland and will not receive compensation for his Supervisory Board activities. NX Filtration has arranged and paid for a directors and officers liability insurance for the members of the Supervisory Board.

The Supervisory Board will reconsider the remuneration of the individual members of the Management Board and the Remuneration Policy during the financial year 2023, whilst – to the extent possible and reasonable – adhering to the principle of maintaining the overall value of the remuneration packages of the members of the Management Board. At this time a peer group will be established for the Management Board.

Internal pay ratio

In EUR '000	2022
Management Board compensation	
Salaries and wages	564,795
Short-term incentive plan	36,550
Social security distributions	24,130
Pension contributions (DC)	4,867
Share-based payments	18,939
Total	649,281
Average number of FTEs	3
Average compensation	216,427
Employee compensation	
Salaries and wages	4,948,344
Short-term incentive plan	-
Social security distributions	803,148
Pension contributions (DC)	216,688
Share-based payments	17,752
Total	5,985,931
Average number of FTEs	107
Average compensation	55,891
Internal Pay Ratio	3,9

The Remuneration Policy takes into account the pay ratio within the organisation. The NX Filtration internal pay ratio is calculated by dividing the average total Management Board compensation by the average employee compensation. The average employee compensation is based on the total personnel cost (defined as salaries and wages, social security contributions, pension contributions and share-based payment costs) and the average number of FTEs excluding the Management Board (see also the relevant notes to the Consolidated Financial Statements).

Internal audit function

NX Filtration does not have an internal audit function. The need for an internal audit function is assessed on a yearly basis by the Supervisory Board. The Supervisory Board concluded that the size of the Company and the combination of a finance and control department with

accounting and audit knowledge, are presently covering the requirements sufficiently.

External independent auditor

The Management Board and the Supervisory Board have evaluated the activities performed for the Company by PricewaterhouseCoopers Accountants N.V. It is apparent that PricewaterhouseCoopers Accountants N.V. is capable of forming an independent judgment concerning all matters that fall within the scope of its auditing task; there is a good balance between the effectiveness and efficiency of their actions, for example in relation to auditing costs, risk management and reliability.

Functioning of the Supervisory Board and the Management Board (evaluation accountability)

The Supervisory Board discussed, in the absence of the Management Board, its own functioning. The evaluation was performed by the Chair of the Supervisory Board, by means of a structured questionnaire, which was subsequently discussed with the rest of the Supervisory Board. The Supervisory Board also filled in a questionnaire and addressed items such as: team effectiveness, interaction, transparency, composition and profile, competences, effectiveness of individual members, quality of information and the relationship with the Management Board and others, which is meant to also include the relationship with key managers. The outcome of the evaluation is positive. It was found that the Supervisory Board organizes itself in an effective and efficient manner and considers the contributions of each Supervisory Board member to be complementary in nature. There is a good level of transparency amongst both the Management Board and Supervisory Board. The latter has further improved in 2022 as

the Supervisory Board has requested monthly reporting packs with the intention to put focus topics on the agenda of the combined board meetings. The Supervisory Board evaluation delivered areas for improvement and key topics for 2023: (i) the Supervisory Board intends to spend more time on discussing the longer term strategy of the Company (including on the sales funnel), (ii) the Supervisory Board intends to regularly discuss progress on the construction of the new manufacturing facility, and (iii) the Supervisory Board intends to seek some possibilities to further strengthen the interpersonal relationship amongst its members.

The Supervisory Board has conducted an annual review to identify any aspects with regard to which the Supervisory Board members require further training or education during their term of office. For all members in the Supervisory Board this continues to relate to business dynamics, competitive arena, and innovations in the water filtration industry.

We shared our reflections with the Management Board members and had an individual discussion with each to discuss last year's performance, area of improvement and/or development and key priorities for 2023.

Financial statements and independent auditor's opinion

The financial statements 2022 included in this annual report have been audited and PricewaterhouseCoopers Accountants N.V. has issued an unqualified opinion on them. The financial statements were extensively discussed with the Supervisory Board, in the presence of the external independent auditor, and the Management Board. The Supervisory Board is of the opinion that the financial statements meet all requirements for transparency and correctness. Therefore, the Supervisory Board

recommends that the General Meeting of Shareholders to be held on 6 April 2023 adopts the financial statements and the appropriation of the result.

Result appropriation NX Filtration realised a loss of €8.6 million

The proposal to the General Meeting is to recognise this loss in retained earnings. The members of the Supervisory Board have signed the financial statements to comply with their statutory obligation pursuant to article 2:101, paragraph 2, of the Dutch Civil Code.

Gratitude & looking forward

First and foremost, we want to thank NX Filtration's partners, customers and shareholders for their continued support, confidence and loyalty, and our employees for their involvement and dedication in this stage of rapid growth. 2022 was an eventful year for NX Filtration with highly promising progress on, and recognition of, its business. NX Filtration experienced a top-line growth of 105% and added 66 FTE to its global workforce. We are looking forward with confidence, and we strongly believe that NX Filtration is on the right path to continue enabling groundbreaking technology to solve global water challenges.

Enschede, 10 February 2023

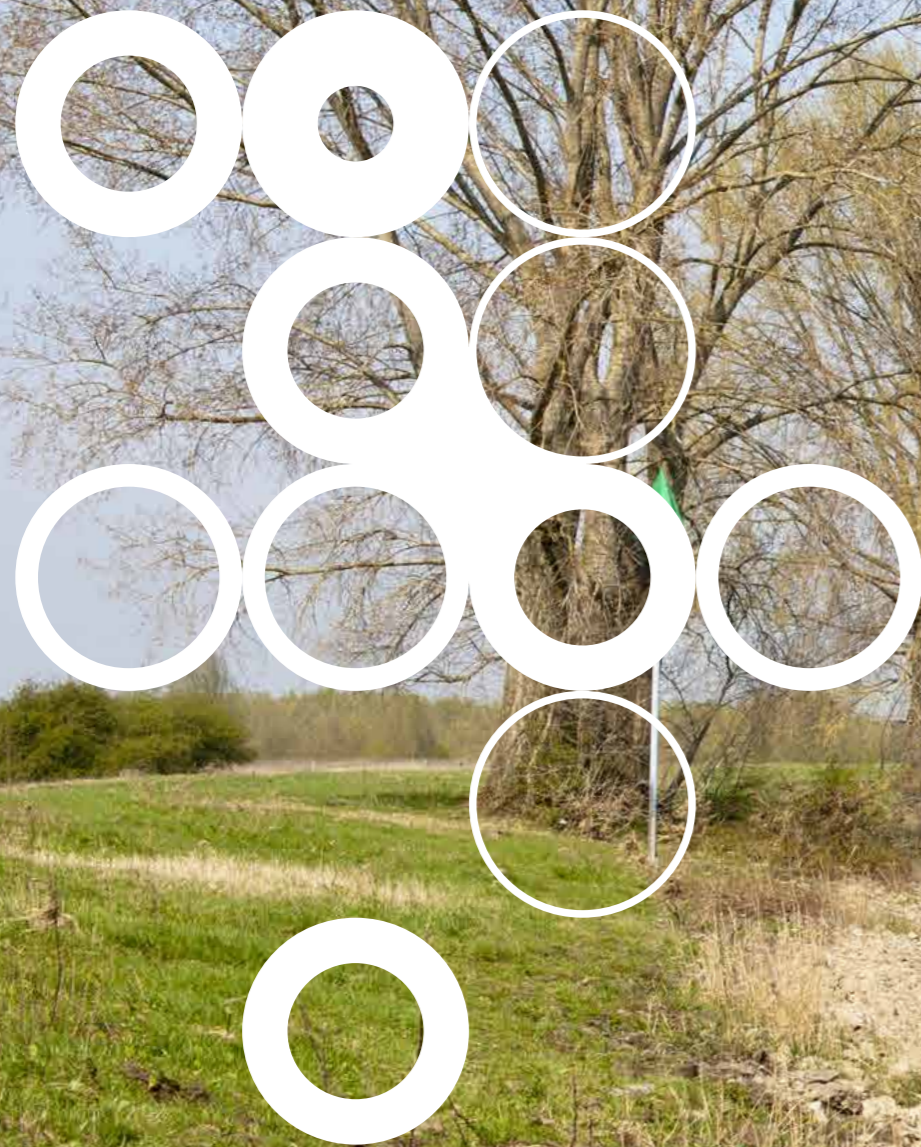
The Supervisory Board

Carolina Wielinga (Chair)

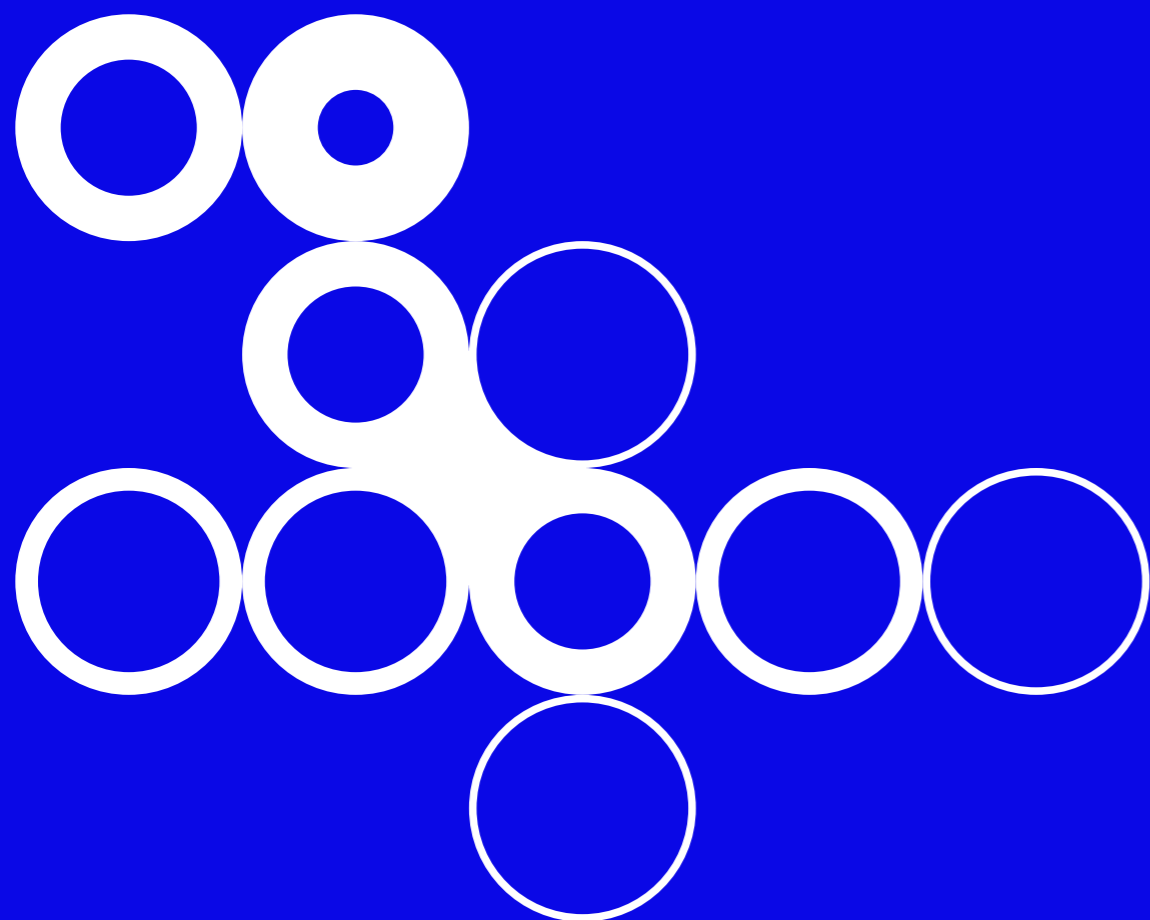
Benno van Dongen

John Glorie

Financial statements



Consolidated financial statements for the year ended 31 December 2022



Consolidated statement of comprehensive income

In EUR '000	Notes	2022	2021
Revenue from sale of goods	7	7,546	3,173
Other income	8	808	896
Gross income		8,354	4,069
Operating expenses			
Costs of raw materials and consumables		(3,229)	(1,428)
Changes in inventories of finished goods and work in progress		1,134	218
Personnel expenses	9	(8,363)	(3,833)
Amortization on intangible assets	17	(490)	(315)
Depreciation on property, plant and equipment and right-of-use assets	18,19	(2,567)	(1,076)
Operating costs	10	(5,602)	(12,102)
External research & development costs	11	(843)	(247)
Operating expenses		(19,960)	(18,783)
Operating loss		(11,606)	(14,714)
Finance expenses	13	(289)	(427)
Loss before income tax		(11,895)	(15,141)
Income tax benefit	14	3,253	3,787
Net loss for the period		(8,642)	(11,354)
Other comprehensive result for the period		-	-
Total comprehensive loss for the period		(8,642)	(11,354)
Total comprehensive loss for the period (attributable to the owners of the Company)		(8,642)	(11,354)
Earnings per share			
Basic earnings per share (EUR)	15	(0.17)	(0.26)
Diluted earnings per share (EUR)	15	(0.17)	(0.26)

Consolidated statement of financial position

In EUR '000	Notes	31 December 2022	31 December 2021
Assets			
Non-current assets			
Intangible assets	17	2,353	1,829
Property, plant and equipment	18	18,535	9,150
Right-of-use assets	19	1,753	1,356
Deferred tax assets	20	8,960	5,708
Total non-current assets		31,601	18,043
Current assets			
Inventories	21	6,305	3,212
Trade and other receivables	22	7,154	2,804
Cash and cash equivalents	23	104,274	133,433
Total current assets		117,733	139,449
Total assets		149,334	157,492
Group equity			
Share capital	24	500	500
Share premium	24	170,450	170,450
Retained earnings		(28,412)	(19,806)
Total equity		142,538	151,144
Liabilities			
Non-current liabilities			
Lease liabilities	25	1,311	1,076
Total non-current liabilities		1,311	1,076
Current liabilities			
Trade and other payables	26	4,988	4,954
Lease liabilities	25	497	318
Total current liabilities		5,485	5,272
Total liabilities		6,796	6,348
Total equity and liabilities		149,334	157,492

Consolidated statements of changes in equity

In EUR '000	Notes	Attributable to equity owners of NX Filtration N.V.			
		Share capital	Share premium	Retained earnings	Total equity
Balance - 1 January 2021		5,997	13,378	(6,031)	13,344
Loss for the period		-	-	(11,354)	(11,354)
Other comprehensive result		-	-	-	-
Total comprehensive loss for the period		-	-	(11,354)	(11,354)
Transactions with owners in their capacity as owners					
Stock split transaction	24	(5,600)	5,600	-	-
Repayment and cancellation of preference share capital	24	(47)	(13,378)	(2,421)	(15,846)
Issuance of ordinary shares	24	150	164,850	-	165,000
Share-based payment transactions		-	-	-	-
Dividend		-	-	-	-
Balance - 31 December 2021		500	170,450	(19,806)	151,144
Balance - 1 January 2022					
		500	170,450	(19,806)	151,144
Loss for the period		-	-	(8,642)	(8,642)
Other comprehensive income (loss)		-	-	-	-
Other comprehensive result		-	-	(8,642)	(8,642)
Transactions with owners in their capacity as owners					
Stock split transaction	24	-	-	-	-
Repayment and cancellation of preference share capital	24	-	-	-	-
Issuance of ordinary shares	24	-	-	-	-
Share-based payment transactions	12	-	-	36	36
Dividend		-	-	-	-
Balance - 31 December 2022		500	170,450	(28,412)	142,538

Consolidated statement of cash flows

In EUR '000	Notes	2022	2021
Cash flows from operating activities			
Operating loss		(11,606)	(14,714)
<i>Adjustments to reconcile profit before taxation to net cash flows:</i>			
Depreciation, amortisation and impairment expenses	17,18,19	3,057	1,391
Non cash items in operating loss		126	30
Increase/(decrease) provisions		-	-
Income taxes (paid)/received		-	-
Share-based payment expenses	12	36	-
<i>(Increase)/Decrease in working capital:</i>			
- Increase inventories		(3,093)	(1,135)
- Increase trade and other receivables		(4,350)	(2,178)
- Increase trade and other payables		128	3,391
Net cash inflow/(outflow) from operating activities		(15,702)	(13,215)
Cash flows from investing activities			
Payment for property, plant and equipment	18	(11,653)	(7,772)
Payment for intangible assets	17	(1,017)	(844)
Net cash inflow/(outflow) from investing activities		(12,670)	(8,616)
Cash flows from financing activities			
Proceeds from share premium contribution and issuance of shares	24	-	165,000
Repayment and cancellation of preference shares	24	-	(15,846)
Principal elements of lease payments		(465)	(268)
Interest paid		(322)	(221)
Net cash (outflow)/inflow from financing activities		(787)	148,665
Net (decrease)/increase in cash and cash equivalents		(29,159)	126,834
Cash and cash equivalents at the beginning of the financial year		133,433	6,599
Effects of exchange rate changes on cash and cash equivalents		-	-
Cash and cash equivalents at the end of the financial year		104,274	133,433

Notes

General information

NX Filtration N.V. (**NX Filtration** or the **Company**) is a public company with limited liability (naamloze vennootschap), incorporated under Dutch law, and the leading provider of nanofiltration membrane technology for producing pure and affordable water to improve quality of life. NX Filtration obtained its listing on Euronext Amsterdam in June 2021 through an IPO raising €165 million to enable the Company's accelerated commercial roll-out, capacity expansion program and innovation agenda.

NX Filtration is the holding company of the Group, which consists of NX Filtration and, as at 31 December 2022, the following subsidiaries:

Subsidiary	Domicile and country	Participation
NX Filtration B.V.	Enschede, the Netherlands	100%
NX Filtration Real Estate B.V.	Enschede, the Netherlands	100%
NX Filtration International B.V.	Enschede, the Netherlands	100%

NX Filtration is registered with the Chamber of Commerce under number 64951030 and has its registered office at Josink Esweg 44, 7545 PN, Enschede, the Netherlands. Both NX Filtration Real Estate B.V. and NX Filtration International B.V. are incorporated and part of the Group per June 22, 2022.

The Company's financial year covers the first day of January and ends on the last day of December of each year.

On 10 February 2023, the management board authorized the financial statements for publication. The financial statements as presented in this report are subject to adoption by the Annual General Meeting of shareholders on 6 April 2023.

1 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These consolidated financial statements have been prepared in accordance, and comply with International Financial Reporting Standards (IFRS) and interpretations adopted by the European Union, where effective, for financial years beginning 1 January 2022 and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code.

The preparation of these consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas

involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 6 'Critical accounting estimates and judgements'.

These consolidated financial statements have been prepared on a going concern basis. In June 2021, NX Filtration became a publicly traded company when it listed its ordinary shares on Euronext Amsterdam, raising €165 million for inter alia the acceleration of its business plan including a medium-term objective to realize a positive EBITDA margin by reaching a larger scale of operations and realizing purchasing benefits based on increasing volumes and optimizing product designs. In managements opinion, the cash balance per 31 December 2022 of €104 million is sufficient to fund NX Filtration's planned investments and the upscaling of the operations.

Basis of measurement

These consolidated financial statements have been prepared on a historical cost convention, unless stated otherwise. These consolidated financial statements are presented in euro, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

New and amended standards not adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 Critical accounting policies

Consolidation

Subsidiaries are all entities over which the Company has control. The Company controls an entity where the Company 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. Subsidiaries are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Foreign currency transactions and translations

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates, are generally recognized in profit or loss.

Revenue

The Company manufactures and sells a range of water filtration solutions to companies serving the industrial and municipal sectors. Sales are recognized when control of the products has transferred, being when the products are delivered or risks are transferred to the customers, the customer has full discretion over the use of the products, and there is no unfulfilled obligation that could

affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

Revenue is measured based on the consideration specified in a contract with a customer. The Company has no specific obligations for returns, refund clauses nor any other similar obligations specified in the contract with customers. However, standard product compliance warranty is provided to customers, which is not considered a separate performance obligation.

Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received, and the Company will comply with all attached conditions. Government grants relating to costs are deferred and recognized in the statement of comprehensive income over the period necessary to match them with the costs they are intended to compensate.

Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled fully within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet. Salaries, wages and social security

contributions are charged to the consolidated statement of comprehensive income based on the terms of employment, when they are due to employees and the tax authorities respectively.

Pension obligations

For defined contribution plans, the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring.

Share-based payments

The grant-date fair value of equity-settled share-based payment awards granted to employees is recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards.

The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. The Company has no share-based payment awards with non-vesting conditions nor with market performance conditions.

Expenses

Expenses arising from the Company's business operations are accounted for in the year incurred.

Finance expenses

Finance expenses include interest incurred on financial instruments measured at amortized cost using the effective interest method (if any) and interest expenses on the Company's cash and cash equivalent balances.

Corporate income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. The current income tax charge (if applicable) is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the group companies operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Company measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled. Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Intangible assets

Research and development

Development costs that are directly attributable to the design and testing of identifiable and unique products controlled by the Company are recognized as intangible assets where the following criteria are met:

- it is technically feasible to complete the product or system so that it will be available for use;
- management intends to complete the product or system and use or sell it;
- there is an ability to use or sell the product or system;
- it can be demonstrated how the product or system will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the product or system are available; and
- the expenditure attributable to the product or system during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the product include amongst others payroll costs and other costs related to creating or improving the existing product portfolio in the development phase.

Capitalized development costs are recorded as intangible assets and amortized in 5 years from the point at which the asset is ready for use. Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Expenditure on research activities is recognized as expense in the period in which it is incurred.

Concessions, licenses and rights to intellectual property

Concessions, licenses and rights to intellectual property are capitalized at historical cost. They have a finite useful life and are subsequently carried at cost less accumulated amortization and impairment losses. These assets are amortized over a period of 10 years.

Software

Software are capitalized at historical cost and amortized on a straight-line basis over the estimated useful life of the assets, typically 3 years. Cost associated with maintaining software programs are recognized as an expense as incurred.

Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation on assets is calculated by recognizing the difference between historical cost and the estimated residual values using the straight-line method over their estimated useful life in profit or loss.

The estimated useful lives of property, plant and equipment for current and comparable periods are as follows:

Land and buildings	10 - 30 years
Machinery and equipment	5 - 10 years
Right-of-use assets	1 - 9 years
Pilot equipment	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. The costs of future replacement are capitalized based on the component approach. Under this approach the total costs are allocated to the 'component assets'. Government grants on investments, if applicable, are deducted from the purchase price or manufacturing price of the assets to which the government grants relate.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognized within the consolidated statement of comprehensive income.

Leases

As a lessee

At the inception of an agreement, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

The Company, as a lessee, recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments at the lease commencement date.

The Company elected to apply the recognition exemption for both short-term and low value leases – e.g. office equipment. As such, the Company recognizes lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Subsequently, the lease liability is increased by the interest costs on the lease liability and decreased by lease payments made.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method.

The lease liability is remeasured when there is a change in future lease payments arising from a change in index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment whether a purchase or renewal option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

When the lease liability is remeasured as abovementioned, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company's right-of-use assets and lease liabilities are presented under Property, plant and equipment and Lease liabilities, respectively.

As a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. The Company has rental income from the lease of pilot equipment. This rental income is accounted for on a straight-line basis over the lease terms and is included in gross income in the statement of comprehensive income. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as gross income in the period in which they are earned.

Impairment of non-financial assets

Non-financial assets with a definite useful life are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Inventories

Inventories mainly relate to raw materials and finished goods and are valued at the lower of cost and net realizable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Costs of purchased inventory are determined after deducting rebates and discounts. Costs are determined using the first in first out method. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Financial instruments

Financial assets – Classification and measurement

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive Income (OCI) or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Financial assets – Recognition and derecognition

Regular purchases and sales of financial assets are recognized on the trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Financial assets – Initial recognition

At initial recognition the Company measures a financial asset at its fair value. Except for cash and cash equivalents, the initial measurement of a financial asset is adjusted for directly attributable transaction cost. Transaction costs of financial assets carried at fair value through profit or loss (cash and cash equivalents) are expensed in profit or loss.

Financial assets – Subsequent Measurements

Subsequent measurement depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments: (i) Amortized cost, (ii) Fair value through profit or loss; and (iii) Fair value through other comprehensive income.

The Company makes no use of derivative financial instruments. Besides cash and cash equivalents that are measured at fair value through profit or loss, the Company's receivables are measured at amortized costs. Interest income (if any) from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss.

Financial assets – Impairment

The Company assesses on a forward-looking basis the expected credit losses associated with its financial instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Company has no trade receivables nor amounts due from customers for contract work including a significant finance component and is therefore allowed to apply the simplified approach under IFRS 9, in which the credit losses are measured using a lifetime expected loss allowance for all trade receivables.

Financial liabilities - Recognition and measurement

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. The Company only has financial liabilities at amortized cost and makes no use of derivative financial instruments.

Financial liabilities at amortized costs

Financial liabilities at amortized cost include trade and other payables. Trade and other payables are initially recognized at fair value equaling the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade and other payables are measured at amortized cost using the effective interest method. Trade and other payables are classified as current liabilities due to their short-term nature, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current liabilities.

Financial liabilities – Derecognition

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in the consolidated statement of comprehensive income.

The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. However, when the cash flows of the modified liability are not substantially different, the Company (i) recalculates the amortized cost of the modified financial liability by discounting the modified contractual cash flows using the original effective interest rate and (ii) recognizes any adjustment in the consolidated statement of comprehensive income.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an

intention to settle on a net basis or realize the asset and settle the liability simultaneously. The Company does not have any legally enforceable right to offset the recognized amounts in the balance sheet.

Trade and other receivables

Trade and other receivables are amounts due from customers for products delivered and services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are generally due for settlement immediately and therefore all classified as current assets.

Trade receivables are recognized initially at their transaction price, the amount of consideration that is unconditional, unless they contain significant financing components when they are recognized at fair value. They are subsequently measured at amortized cost using the effective interest method, less loss allowance.

Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are measured at fair value.

Share capital – Ordinary shares

An ordinary share entitles its owner to a voting right and, only to extent so ultimately decided by the general meeting of the Company (the **General Meeting**), to dividends.

Trade and other payables

These amounts represent liabilities provided to the Company prior to the end of the financial

year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value. And subsequent measurement at amortized cost using the effective interest method.

Cash flow statement

The cash flow statement has been prepared using the indirect method, whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

Segment reporting

The Company is engaged in the business of developing, producing and selling hollow fiber membrane modules. There is a strong interrelationship between the Company's different activities, hence Management reviews the overall business based on the Group's profitability.

3 Financial instruments and risk management

Financial Instrument classification

As result of regular business practices, the Company holds positions in a variety of financial instruments. The financial instruments are presented in the balance sheet and consists of cash and cash equivalents, trade receivables and other receivables, trade payables and other payables.

The Company does not use foreign exchange contracts and/or foreign exchange options and does not deal with such financial derivatives. On each balance date, financial instruments are reviewed to see whether or not an objective indication exists for the impairment of a financial asset or a group of financial assets.

If an objective indication for impairment exists, the Company determines the amount of impairment losses and charges this amount to the consolidated statement of comprehensive income. As a result of the use of financial instruments, the Company incurs credit risks, liquidity risks and market risks.

Risk management

The Company's management board has the overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions.

Credit risk

Credit risk is the risk of a financial loss in case a customer does not comply with the contractual obligations. Credit risks are mainly incurred from receivables to customers. The Company executes a strict policy to minimize credit risks. To control these risks, the Company makes use of information from licensed credit agencies. If necessary, credit risks will be mitigated by the use of credit insurances, bank guarantees, prepayments and other insurances.

Cash- and cash equivalents are placed by a number of banks. The Company determines the credit risk of cash- and cash equivalents that are placed with these banks, by solely doing business with highly respectable banks.

The Company evaluates the concentration risk with respect to trade receivables as medium. For the financial year 2022, one customer accounted for approximately 12% (2021: 19%) of the revenue of the sale of goods.

Expected credit losses

The Company has the following types of financial assets that are subject to the expected credit loss model:

- Trade and other receivables

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

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates used at 31 December 2022 and 31 December 2021 are based on the payment profiles of sales over a period of 12 months of the preceding financial year and the corresponding historical credit losses experienced related to these sales. The historical loss rates are adjusted to reflect current and forward-looking information based on macro-economic factors affecting the ability of the customers to settle the receivables. The Company retrieves the latter from externally available information from credit rating agencies. Credit insured amounts are excluded from the determination of the loss allowance.

On that basis, the loss allowance as of 31 December 2022 and 31 December 2021 was determined as follows for both trade and other receivables:

In EUR '000	31 December 2022				
	Current amount	Overdue < 30 days	Overdue 31 - 60 days	Overdue 61 - 90 days	Overdue > 90 days
Expected loss rate	0%	0%	0%	0%	38%
Gross carrying amount - trade receivables and other receivables	6,824	108	17	137	110
Loss allowance	-	-	-	-	42

In EUR '000	31 December 2021				
	Current amount	Overdue < 30 days	Overdue 31 - 60 days	Overdue 61 - 90 days	Overdue > 90 days
Expected loss rate	0%	0%	0%	0%	0%
Gross carrying amount - trade receivables and other receivables	2,279	366	38	67	54
Loss allowance	-	-	-	-	-

Trade and other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company and a failure to make contractual payments.

Impairment losses on trade and other receivables are recognized in the consolidated statement of comprehensive income as a separate line item. Subsequent recoveries of amounts previously written off are credited against the same line item.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations. The Company's approach to managing liquidity is to ensure that, as far as possible, it will always have sufficient liquidity to meet its obligations when they become due, avoiding unacceptable losses or damages to the Company's reputation. The Company monitors its liquidity risk on an ongoing basis.

In June 2021, NX Filtration became a publicly traded company when it listed its ordinary shares on Euronext Amsterdam, raising €165 million for *inter alia* the acceleration of its business plan. This provided the necessary funds for amongst others investing in pilot systems, expanding the organization, expanding the production capacity and fast-tracking its innovation agenda. As per 31 December 2022, the Company has €104.3 million cash available.

The tables below analyses the Company's financial liabilities on their contractual maturities for all non- derivative financial liabilities for which the contractual maturities are essential for an understanding of the timing of the cash flows.

In EUR '000		31 December 2022				
	Less than 3 months	3 months to 1 year	Between 1 and 5 years	Over 5 years	Total	
Trade and other payables	4,988	-	-	-	4,988	
Lease liabilities	121	376	1,310	1	1,808	
Lease liabilities - Interest component	17	44	82	-	143	
Total non-derivatives	5,126	420	1,392	1	6,939	

In EUR '000		31 December 2021				
	Less than 3 months	3 months to 1 year	Between 1 and 5 years	Over 5 years	Total	
Trade and other payables	4,748	206	-	-	4,954	
Lease liabilities	78	240	994	82	1,394	
Lease liabilities - Interest component	13	35	77	2	127	
Total non-derivatives	4,839	481	1,071	84	6,475	

Note that the interest component of the lease liabilities in the table above reflects the undiscounted value of the future lease payments.

Market risk

Foreign exchange risk

The Company does predominately business in the euro currency. Therefore, the currency risk is limited and largely concerns positions and (future) transactions in euros. Management has determined, based on a risk assessment, that these currency risks do not need to be hedged. The Company's exposure to other foreign exchange movements is not significant and therefore no sensitivity analysis is included. The concentration risk is therefore considered low.

Price risk

The Company incurs price risks on the purchase of (raw) materials for the difference between the market price at the time of the purchase and during the actual performance. Price risk is currently managed by agreeing on (long term) framework agreements with its suppliers. With the expected growing volume of purchase, the Company expects to be able to negotiate lower prices for raw materials.

In case the costs of raw materials and consumables increase with 2%, the impact on profit before tax is €61 thousand.

Interest risk

The Company is exposed to interest rate risk and cash flow risk on its current accounts. If interest rates on its cash and cash equivalent balances would decrease by 0.5%, the impact on profit before tax is €333 thousand.

4 Capital management

The Company's objectives when managing capital is to safeguard the Company's ability to continue as a going concern and maintain an optimal capital structure to reduce the cost of capital. The table below provides an analysis of net debt and the movements in net debt for each of the periods presented.

In EUR '000	Cash and bank overdrafts	Lease liabilities	Net debt
At 1 January 2021:	6,599	(1,186)	5,413
Cash flows	126,834	-	126,834
New leases	-	(430)	(430)
Other changes	-	222	222
Net debt - 31 December 2021	133,433	(1,394)	132,039
Cash flows	(29,159)	-	(29,159)
New leases	-	(655)	(655)
Other changes	-	241	241
Net debt - 31 December 2022	104,274	(1,808)	102,466

Other changes comprise a non-cash movement and relates to effective interest accounting on lease liabilities.

5 Fair value estimation

At 31 December 2022 and 31 December 2021, the Company's cash and cash equivalents are measured at fair value. The carrying amounts of trade and other receivables and trade and other payables approximated their fair values due to the short-term maturities of these assets and liabilities.

Fair value is defined as the price that would be received for sale of an asset or paid for transfer of a liability, in an orderly transaction between market participants at the measurement date. IFRS establishes a three tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in

active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

6 Critical accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reported periods.

The estimates and associated assumptions are based on historical experiences and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Development costs

The capitalized development costs are based on management judgements taken into account:

- the technical feasibility to complete the product or system so that it will be available for use;
- management intends to complete the product or system and use or sell it;
- the ability to use or sell the product or system;
- the availability of adequate technical, financial and other resources to complete the development.

In determining the development costs to be capitalized, the Company estimates the expected future economic benefits of the respective product or system that is the result of a development project. Furthermore, management estimates the useful life of such product or system.

Deferred tax assets

Deferred tax assets are recognised for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, unused tax losses and unused tax credits. The Group's deferred tax assets mainly relate to net operating losses (tax losses) in the Netherlands. Deferred tax assets are recognised only to the extent that it is probable that sufficient taxable profit will be available against which those unused tax losses, unused tax credits or deductible temporary differences can be utilised. This assessment requires significant management judgements and assumptions and are inherently uncertain. The Management Board considered both negative and positive evidence in its evaluation of the probability that sufficient taxable profits will be available in the medium-term. Under IAS 12 – Income taxes, the existence of unused tax losses is strong evidence that future taxable profit may not be available. In addition to that the Management

Board also considered the fact that the Group does not expect to be profitable for the next few years. However, the Management Board considers the negative evidence for these purposes to be outweighed by positive evidence evaluated. The Group expects to utilise its unused tax losses in the medium-term. The Group has no unrecognised deferred tax assets.

7 Revenue from sale of goods

The Company's revenue originates from sale of products. The Company recognizes all its revenue at a point in time, when control over the asset is transferred to the customer.

Set out below is the disaggregation of the Company's revenue with customers:

In EUR '000	2022	2021
Type of markets		
Sustainable Industrial Water	4,977	2,072
Clean Municipal Water	2,569	1,101
Total revenues from sale of goods	7,546	3,173

Revenue from sale of goods by region based on the destination of products and location of projects:

In EUR '000	2022	2021
Geographical split		
The Netherlands	154	189
Europe (excluding the Netherlands)	2,849	893
North America	1,518	575
Asia	2,262	1,325
Rest of World	763	191
Total revenues from sale of goods	7,546	3,173

8 Other income

Set out below is the disaggregation of the Company's other income:

In EUR '000	2022	2021
Government grants	338	616
Pilot income	400	192
Other	70	88
Total other income	808	896

Government grants comprises of the several government grants received for the Company's research & development activities in the field of water filtration. NX Filtration has fulfilled all conditions relating to government grants at time of recognition.

Pilot income relates to rental income from pilot equipment.

9 Personnel expenses

In EUR '000	2022	2021
Salaries and wages	7,937	3,023
Social security contributions	716	116
Pension contributions	222	104
External personnel cost	578	821
Capitalised personnel expenses	(1,090)	(231)
Total personnel expenses	8,363	3,833

The number of FTEs per year-end are:

	2022	2021
Direct employees	52	31
Indirect employees	83	38
Total FTE	135	69

A total of 18 (2021: 8) employees are employed outside the Netherlands.

Pensions

The Company has a defined contribution scheme for certain key employees, in which the pension contribution is predetermined and

based on the gross salary and the age of the individual employee. Furthermore, the Company has a defined contribution scheme for the other employees, in which the pension contribution is predetermined and based on the gross salary only. Both schemes limit the Group's legal obligation to the amount it agrees to contribute during the period of employment. The assets of the plans are held separately from those of the Company in funds under the control of pension insurance companies.

The average annual net premium contribution for 2022 is 3.8% (2021: 4.3%). The pension contributions are paid on a monthly basis to the pension fund. The net contribution for 2022 amounts to €222 thousand (€97 thousand in 2021). The premium payable during the financial year is charged to the consolidated statement of comprehensive income and is classified as costs of personnel.

Aside from premium payables, the Company does not have any additional obligations in respect to the pension schemes.

10 Operating costs

The operating costs can be divided into the following cost categories:

In EUR '000	2022	2021
Housing expenses	998	500
Other personnel expenses	1,077	347
Administrative expenses	1,277	10,177
Selling expenses	1,450	747
Operating expenses	800	331
Total operating costs	5,602	12,102

In 2021, administrative expenses include €9,585 thousand IPO related transaction costs.

11 External research & development costs

In EUR '000	2022	2021
Gross external R&D costs	1,059	740
Capitalized external R&D costs	(216)	(493)
Total external research & development costs (net)	843	247

To maintain its technological leadership position, NX Filtration continuously invests in its research and development activities for further improvement of existing products and development of new products. Gross research and development costs, including R&D salaries in 2022 amounted to €2.5 million (2021: €1.7 million). Development costs that are directly attributable to the design and testing of identifiable and unique products and systems controlled by the Company are recognised as intangible assets and are capitalised as part of the product. Other research and development expenditures are recognised as an expense as incurred.

NX Filtration currently relies on its commercially ready and available product ranges with proven applications. Going forward, the Company's strategy is to build further on this technology and make the technology available towards different applications and markets, which may require additional product development costs in future periods.

12 Share-based payments

Depository Receipts

Since the incorporation of the Company in 2016, eligible and selected employees and directors have been provided with the opportunity to invest in ordinary shares in the capital of the Company by acquiring Depository Receipts ("DRs") issued by a foundation that is controlled by the majority shareholder. The DRs are not freely transferable and, under certain

circumstances, the majority shareholder may require a participant to sell DRs to a party designated by the majority shareholder. If a participant voluntarily leaves the Company prior to the end of the vesting period, he/she is not entitled to the full fair market value. As a result, the IFRS 2 fair value will have to be allocated to the vesting tranches.

The share participation arrangement is accounted for as an equity-settled share-based arrangement since the Company and its subsidiaries do not have an obligation to settle or to repurchase any DRs from the participants. Each DR issued by the foundation represents one ordinary share in the capital of the Company. The number of outstanding DRs held by employees of the Group are as follows:

	2022	2021
Outstanding at 1 January	3,792,094	644,656
Granted (purchased) during the year	-	-
Ordinary share split per 26 May 2021	-	3,147,438
Forfeited (repurchased) during the year	-	-
Outstanding shares at 31 December	3,792,094	3,792,094

See note 24 for further details in respect of the ordinary share split at 26 May 2021. As the Company's ordinary shares were not listed at the grant date, the fair value of the ordinary shares has been estimated by the Company as of each date a participant indirectly acquired shares in the Company. For accounting purposes, the fair value of an award is equal to the fair market value of the underlying ordinary shares at the grant date less the acquisition price paid by a participant for the DRs. Given that the participants have paid the estimated fair market value of the underlying shares as of each grant date, the fair value of the share-based payment awards is nil.

Long-term incentive plan – Key employees

The Management Board of NX recognises the importance of its key employees to the future success of the Company. Therefore, on 26 May 2021, a long-term incentive plan ('LTIP Key employees') was introduced for a number of designated employees within the group of the Company.

The following grants, comprising of Ordinary Shares in the Company, have been made under this plan:

Grant date	Number of Awards granted	Exercise Price
1 January 2022	6,982	Nil
1 February 2022	788	Nil

The conditional rights to acquire existing Ordinary Shares granted will be exercisable in exchange for Ordinary Shares on the day that is four years after the grant date, on the condition that the relevant employee of NX Filtration continues to be employed by the Company on this date (subject to certain arrangements for exceptional circumstances, such as death of the employee). Besides the aforementioned service vesting condition no other vesting conditions are applicable for the LTIP Key employees.

Long-term incentive plan – Board of Directors

As part of the newly introduced remuneration policy, which has been adopted by the general meeting of shareholders on 11 June 2021, a long-term incentive plan for the Board of Directors ('LTIP Board of Directors') was introduced in order to increase the alignment between shareholder's interest and the interest of the Board of Directors.

The following grants, comprising of Ordinary Shares in the Company, have been made under this plan:

Grant date	Number of Awards granted	Exercise Price
20 May 2022	8,296	Nil

The conditional rights to acquire existing Ordinary Shares granted will be exercisable in exchange for Ordinary Shares on the day that is three years after inception of the service and performance period, subject to continued employment as a member of the Board of Directors and certain non-market based performance vesting conditions.

The service and performance period are starting on the 1st of January of the applicable financial year, in which the grant has been made. Besides the aforementioned service and performance vesting conditions there is one additional condition in place, which is a two year holding period for the Board of Directors after vesting date.

Summary of changes in outstanding shares

Changes in outstanding shares for the period:

	LTIP Key employees	LTIP Management Board
1 January 2022	-	-
Granted	7,770	8,296
Forfeited	(427)	-
Exercised	-	-
Expired	-	-
31 December 2022	7,343	8,296

None of the outstanding shares related to the LTIP Key employees and LTIP Board of Directors are exercisable at 31 December 2022.

Fair value measurement

The Company used the Black & Scholes model to determine the fair value of the share-based payments plans at grant date. The market price of the Company's Ordinary Shares for the different plans at grant date was:

Share award plan	Grant date	
	Grant date	fair value
LTIP Key employees	1 January 2022	10,84
LTIP Key employees	1 February 2022	10,84
LTIP Management		
Board	20 May 2022	11,08

The present value for expected dividend over the vesting period for all plans is nil because the Company has currently no intention to distribute dividends in the foreseeable future in order to be able to further invest in the growth of the Company. Consequently and in conjunction with an exercise price of nil, both the expected volatility and risk-free-rate have no impact on the fair value determination at grant date.

Share-based payment expenses

Share-based payment expenses recognised as other operating costs in the statement of comprehensive income:

In EUR '000	2022	2021
LTIP Key employees	18	-
LTIP Management Board	18	-
Finance expenses	36	-

13 Finance expenses

In EUR '000	2022	2021
Interest expenses related to lease liabilities	61	46
Other interest expenses	228	381
Finance expenses	289	427

Interest expense related to lease liabilities is the result of application of IFRS 16.

14 Income tax benefit

This note provides an analysis of the Company's income tax expense, showing how the tax expense is affected by non-deductible items.

In EUR '000	2022	2021
Current tax		
Current tax on profits for the year	-	-
Adjustments for previous years	-	-
Total current tax (expense) benefit	-	-
Deferred income tax		
Income tax on operations	3,071	3,708
Change in tax rates	182	79
Total deferred tax benefit	3,253	3,787
Total income tax benefit	3,253	3,787

The tax on the Company's loss before tax differs from the statutory amount that would arise using the tax rate applicable to losses of the entity. The reconciliation of the effective tax rate is as follows:

In EUR '000	2022	2021
Result from operations	(8,642)	(11,354)
Total income tax	3,253	3,787
Loss before income tax	(11,895)	(15,141)
Tax calculated based on		
Dutch tax rate	25.8%	25.0%
Tax effect of:		
Adjustments for previous years	0.0%	-0.1%
Effect of tax rates in other countries	0.0%	0.0%
Non-taxable expenses	0.0%	-0.4%
Change in tax rates	1.5%	0.5%
Other differences	0.0%	0.0%
Effective tax rate	27.3%	25.0%

The change in tax rates is driven by change in the enacted Dutch tax rates for the fiscal years 2022 and further.

15 Earnings per share

	2022	2021
Net loss attributable to equity holders (in EUR '000)	(8,642)	(11,354)
Outstanding number of shares for the basic earnings per share as at 1 January	50,000,000	35,000,000
Effect of issued ordinary shares in 2021		8,095,890
Weighted-average number of shares outstanding for the purpose of basic earnings per share	50,000,000	43,095,890
Incremental shares for assumed conversion	-	-
Weighted-average number of shares outstanding for the purpose of diluted earnings per share	50,000,000	43,095,890

Note that the 2021 opening balance and prior year number of outstanding shares have been adjusted to reflect the impact of the ordinary share split as per 26 May 2021 as disclosed in note 24.

16 Remuneration of the Management Board and the Supervisory Board

The total amount of remuneration of the Managing Directors for the financial year 2022 comprised €649,281 (2021: €302,971). For the financial year 2022, the total amount of remuneration of Mr Michiel Staatsen comprised €179,577 (2021: €153,023). For the financial year 2022, the total remuneration of Mr Erik Roesink comprised €166,894 (2021: €143,253). For the financial year 2022, the total remuneration of Mr Marc Luttkhuis comprised €302,810. His short-term incentive in cash amounted to €36,550 and the conditional award under the Long-Term Incentive Plan amounted to €18,939.

In addition, majority shareholder Infestos Holding E B.V. (an Infestos affiliate) has facilitated a sign-on equity incentive with Mr Marc Luttkhuis. For these purposes, Infestos Holding E B.V. has transferred a number of ordinary shares in the Company to the Company for no consideration, with a value of EUR 300,000. These ordinary shares have

been delivered to a designated securities account and are subject to customary lock-up provisions. The lock-up of the ordinary shares under the sign-on equity incentive will be three years where 1/3 of the ordinary shares will be released each year and the leaver provisions provide for a re-delivery of the ordinary shares in case of a bad-leaver.

The Management Board collectively holds 2,800,000 DRs (see note 12) in the share capital of the Company, of which Mr Michiel Staatsen holds 1,050,000 DRs and Mr Erik Roesink 1,750,000 DRs. These DRs are subject to lock-up restrictions. The DRs will be released from the lock-up restrictions as follows: one-third of the DRs will be unconditionally released from the lock-up restrictions on the day that is one year after the IPO date which is 11 June 2021, one-third of the DRs on the day that is two years after the IPO date, and the remaining one-third of the DRs on the day that is three years after the IPO date, in each case on the condition that the relevant board member continues to be employed by the Company.

The compensation for Ms Carolina Wielinga, chair of the Supervisory Board for the financial year 2022 amounts to €50,000 (2021: €27,652) and the compensation for Mr Benno van Dongen amounts to €30,000 (2021: €16,591). Mr John Glorie is employed by Infestos Nederland and does not receive compensation for his Supervisory Board activities.

17 Intangible assets

The movement in intangible assets during the years was as follows:

In EUR '000	Development costs	Concessions and rights of intellectual property	Software	Total
At 1 January 2021				
Cost	1,426	233	-	1,659
Accumulated impairments and amortisation	(295)	(64)	-	(359)
Net book value	1,131	169	-	1,300
Year ended 31 December 2021				
Opening net book value	1,131	169	-	1,300
Additions	741	31	72	844
Acquisitions	-	-	-	-
Amortisation for the year	(290)	(25)	-	(315)
Consolidation and deconsolidation	-	-	-	-
Closing net book value	1,582	175	72	1,829
At 31 December 2021				
Cost	2,167	264	72	2,503
Accumulated impairments and amortization	(585)	(89)	-	(674)
Net book value	1,582	175	72	1,829
Year ended 31 December 2022				
Opening net book value	1,582	175	72	1,829
Additions	914	11	92	1,017
Acquisitions	-	-	-	-
Amortisation for the year	(435)	(28)	(27)	(490)
Consolidation and deconsolidation	(3)	-	-	(3)
Closing net book value	2,058	158	137	2,353
At 31 December 2022				
Cost	3,078	275	164	3,517
Accumulated impairments and amortization	(1,020)	(117)	(27)	(1,164)
Net book value	2,058	158	137	2,353

Development costs

Additions to intangible fixed assets relate to internal development projects for new products or systems or development projects for new features to existing products and systems.

Concessions and rights of intellectual property

Additions for concessions and rights of intellectual property relate to payments made to the patent office for the filing process of the Company's patents and intellectual property rights.

18 Property, plant and equipment

The movement in property, plant and equipment during the years was as follows:

Software

Additions to software relate to externally acquired programs and software for amongst others sales, engineering and data management.

In EUR '000	Land & buildings	Machinery and equipment	Pilot equipment	Assets under construction	Total
At 1 January 2021					
Cost	-	3,272	243	-	3,515
Accumulated impairments and depreciation	-	(1,226)	(43)	-	(1,269)
Net book value	-	2,046	200	-	2,246
Year ended 31 December 2021					
Opening net book value	-	2,046	200	-	2,246
Additions	223	2,136	2,428	2,985	7,772
Disposal	-	(36)	(31)	-	(67)
Depreciation for the year	-	(658)	(179)	-	(837)
Depreciation of disposal	-	31	5	-	36
Closing net book value	223	3,519	2,423	2,985	9,150
At 31 December 2021					
Cost	223	5,372	2,640	2,985	11,220
Accumulated impairments and depreciation	-	(1,853)	(217)	-	(2,070)
Net book value	223	3,519	2,423	2,985	9,150
Year ended 31 December 2022					
Opening net book value	223	3,519	2,423	2,985	9,150
Additions	-	513	-	11,140	11,653
Reclassification assets under construction	3,825	3,591	4,568	(11,984)	-
Disposal	-	(75)	(177)	-	(252)
Depreciation for the year	(47)	(1,216)	(834)	-	(2,097)
Depreciation of disposal	-	58	23	-	81
Closing net book value	4,001	6,390	6,003	2,141	18,535
At 31 December 2022					
Cost	4,048	9,401	7,031	2,141	22,621
Accumulated impairments and amortization	(47)	(3,011)	(1,028)	-	(4,086)
Net book value	4,001	6,390	6,003	2,141	18,535

The Company's additions to Land & Buildings mainly relate to the purchase of a plot of land in Hengelo, the Netherlands for the realization of a new state-of-the art megafactory for the production of our direct nanofiltration membranes. The additions to machinery and equipment mainly relate to expansion

of the Company's production capacity. The additions to pilot equipment mainly relate to the expansion of its pilot fleet. The depreciation accounting policies for PP&E are included in the section accounting policies of the Company.

19 Right-of-use assets

The movement in the right-of-use assets during the years was as follows:

In EUR '000	2022	2021
At 1 January		
Cost	1,782	1,352
Accumulated depreciation	(426)	(188)
Net book value	1,356	1,164
Additions	655	430
Other / remeasurement	166	-
Disposals	(18)	-
Depreciation of disposals	18	-
Depreciation for the year	(424)	(238)
Net book value at 31 December	1,753	1,356

Total gross right-of-use assets:

In EUR '000	31 December 2022	31 December 2021
Buildings	1,863	1,320
Vehicles	682	448
Fork-lift truck	40	14
Total gross right-of-use assets	2,585	1,782

Total depreciation charge right-of-use assets:

In EUR '000	2022	2021
Buildings	267	177
Vehicles	152	57
Fork-lift truck	5	4
Total depreciation charge	424	238

Interest expense (included in finance cost)	61	46
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The total cash outflow for leases in 2022 was €462 thousand (2021: €268 thousand).

20 Deferred tax assets

In EUR '000	31 December 2022	31 December 2021
Deferred tax assets		
Timing differences	13	9
Carry forward losses	8,947	5,699
Total	8,960	5,708
Of which:		
Current (<1 year)	13	9
Non-current (>1 year)	8,947	5,699

As of December 31, 2022, the amount of tax losses that can be offset in the future amounts to €34.7 million (€22.8 million per December 31, 2021). There are no tax losses for which no deferred tax asset has been recognized.

A deferred tax asset has been recognized for these tax losses that have been valued at the nominal tax rate of 25.8% (being the estimated blended rate as from 2022).

21 Inventories

In EUR '000	31 December 2022	31 December 2021
Raw materials	2,186	1,503
Semi finished goods	1,428	738
Finished goods	1,976	898
Work in progress	715	73
Total	6,305	3,212

During 2022 no inventories were written down to net realizable value (31 December 2021: € nil).

22 Trade and other receivables

In EUR '000	31 December 2022	31 December 2021
Trade receivables	3,989	833
Less: loss allowance	(42)	-
Trade receivables - net	3,947	833
Prepaid expenses	1,013	318
Other taxes	1,035	1,080
Other receivables	1,159	573
	7,154	2,804
Less non-current portion	-	-
Current portion	7,154	2,804

The fair value of the receivables approximates the carrying amounts. No breakdown of the fair values of trade and other receivables and the non-current portion of the receivables has been included as the differences between the carrying amounts and the fair values are insignificant.

As at 31 December 2022 and 31 December 2021 all receivables are denominated in euro currency. Information about the Company's exposure to credit and market risks, and impairment losses for trade and other receivables is included in note 3 'Financial instruments and risk management'.

23 Cash and cash equivalents

In EUR '000	31 December 2022	31 December 2021
Cash and cash equivalents	104,274	133,433
Total	104,274	133,433

The cash and cash equivalents are freely disposable to the Company.

24 Equity

Ordinary shares

The movement of the ordinary shares in 2022 and 2021 is outlined in the tables below.

	Number of ordinary shares	Par value EUR '000	Share premium EUR '000	Total EUR '000
Opening balance 1 January 2021	5,950,000	5,950	-	5,950
Share split	29,050,000	(5,600)	5,600	-
Share issuance	15,000,000	150	164,850	165,000
Balance 31 December 2021	50,000,000	500	170,450	170,950
Share split	-	-	-	-
Share issuance	-	-	-	-
Balance 31 December 2022	50,000,000	500	170,450	170,950

On 26 May 2021 and pursuant to a notarial deed of amendment of the Articles of Association, the ordinary shares with a value of €1.00 have been split into an aggregate amount of 35,000,000 ordinary shares, each with a nominal value €0.01, as a result of which the Company's issued capital amounted to €350,000 divided into 35,000,000 ordinary shares, at such time. The difference between the aggregate nominal value of the ordinary shares before and after this stock split was added to the share premium reserve of the Company. These outstanding ordinary shares are fully paid-up.

Pursuant to a deed of amendment and conversion executed on 11 June 2021, the authorized capital (*maatschappelijk kapitaal*)

of NX Filtration N.V. amounts to €1,750,000 divided into 175,000,000 ordinary shares. On 15 June 2021, the Company issued 15,000,000 ordinary shares against an issue price of €11.00, each with a nominal value of €0.01, as a result of which the Company's current issued capital amounts to €500,000 divided into 50,000,000 Ordinary Shares.

The share premium reserve relates to contribution on issued shares in excess of the nominal value of the shares (above par value).

Preference shares

The movement of the preference shares in 2022 and 2021 is outlined in the tables below.

	Number of preference shares	Par value EUR '000	Share premium EUR '000	Total EUR '000
Opening balance 1 January 2021	46,902	47	13,378	13,425
Shares cancellation	(46,902)	(47)	(13,378)	(13,425)
Balance 31 December 2021	-	-	-	-
Shares cancellation	-	-	-	-
Balance 31 December 2022	-	-	-	-

On 15 June 2021, the Company repaid and cancelled all of the outstanding preference shares including payment of the cumulative interest accrued thereon. The total repaid amounts to €15.8 million, including €2.4 million of accrued interest. Preference shares were shares with voting rights that entitled their owners to a fixed 7% dividend per annum for Preference Shares A and a fixed 9% per annum for the other Preference Share classes.

Preference shares are considered as a part of equity, since holders of ordinary shares decide at the General Meeting whether dividends will be paid out to preference shareholders or not. Only in case of a dividend distribution, preference shareholders first receive a return on their investment. Subsequently the ordinary shareholders receive a return, therefore the dividend on preference shares are discretionary and non-contractual in nature.

Provision is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

Retained earnings

The retained earnings are restricted due to a legal reserve for capitalized development costs of €2.1 million (31 December 2021: €1.6 million) which is not available for distribution.

Loss for the period

The proposal to the General Meeting is that the 2022 loss for the period will be recognized in retained earnings.

25 Lease liabilities

The Company leases several assets, which can be combined into the asset classes: (i) Buildings, (ii) Equipment and (iii) Vehicles. These contracts are typically entered into for a period between 3 to 5 years, but some leases may include renewal and/or termination options.

In EUR '000	31 December 2022	31 December 2021
Buildings	1,313	1,042
Equipment	22	-
Vehicles	473	352
Total	1,808	1,394

The maturity of the lease liabilities can be specified as follows:

In EUR '000	31 December 2022	Repayment obligation in 2023	Remaining term >1 year and <5 year	Remaining term >5 years
Buildings	1,313	326	987	-
Equipment	22	4	17	1
Vehicles	473	167	306	-
Total	1,808	497	1,310	1

Right-of-use assets

Right-of-use assets related to leases that do not meet the definition of investment property are presented as property, plant and equipment. The Company has no right-of-use assets that meet the definition of investment property.

Amounts recognized in the statement of comprehensive income and cash flows

Besides the interest expenses related to lease liabilities and depreciation charges on right-of-use assets as disclosed in Note 13 and Note 19, respectively, the Company recognized in 2022 within the statement of comprehensive income €7 thousand (2021: €11 thousand) relating to low value leases.

Extension and termination options

The Company has contracts within the building asset class that include renewal and termination options or a combination of both. At 31 December 2022 and 31 December 2021 the renewal options are included in the measurement of the lease liabilities, no termination options are included.

26 Trade and other payables

In EUR '000	31 December 2022	31 December 2021
Trade payables	3,029	3,677
Tax payables	231	125
Employee benefits	449	203
Payments received in advance	159	162
Other liabilities	1,120	787
Total	4,988	4,954

All current liabilities fall due in less than one year. The fair value of the current liabilities approximates the carrying amount due to its short-term character. The entire amount of payments received in advance has been recognized as income in the subsequent period.

As at 31 December 2022 and 31 December 2021 all payables are denominated in euro currency.

27 Contingencies and commitments

Capital Expenditure Commitments

NX Filtration B.V. and NX Filtration Real Estate B.V. has signed a number of purchase contracts related to buildings, machinery and equipment capital expenditures, amounting to €45.9 million (2021: €1.7 million).

28 Related party transactions

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Also, entities which can control, jointly control or significantly influence the Company are considered a related party. In addition, statutory and supervisory directors and close relatives are regarded as related parties.

The following transactions were carried out with related parties:

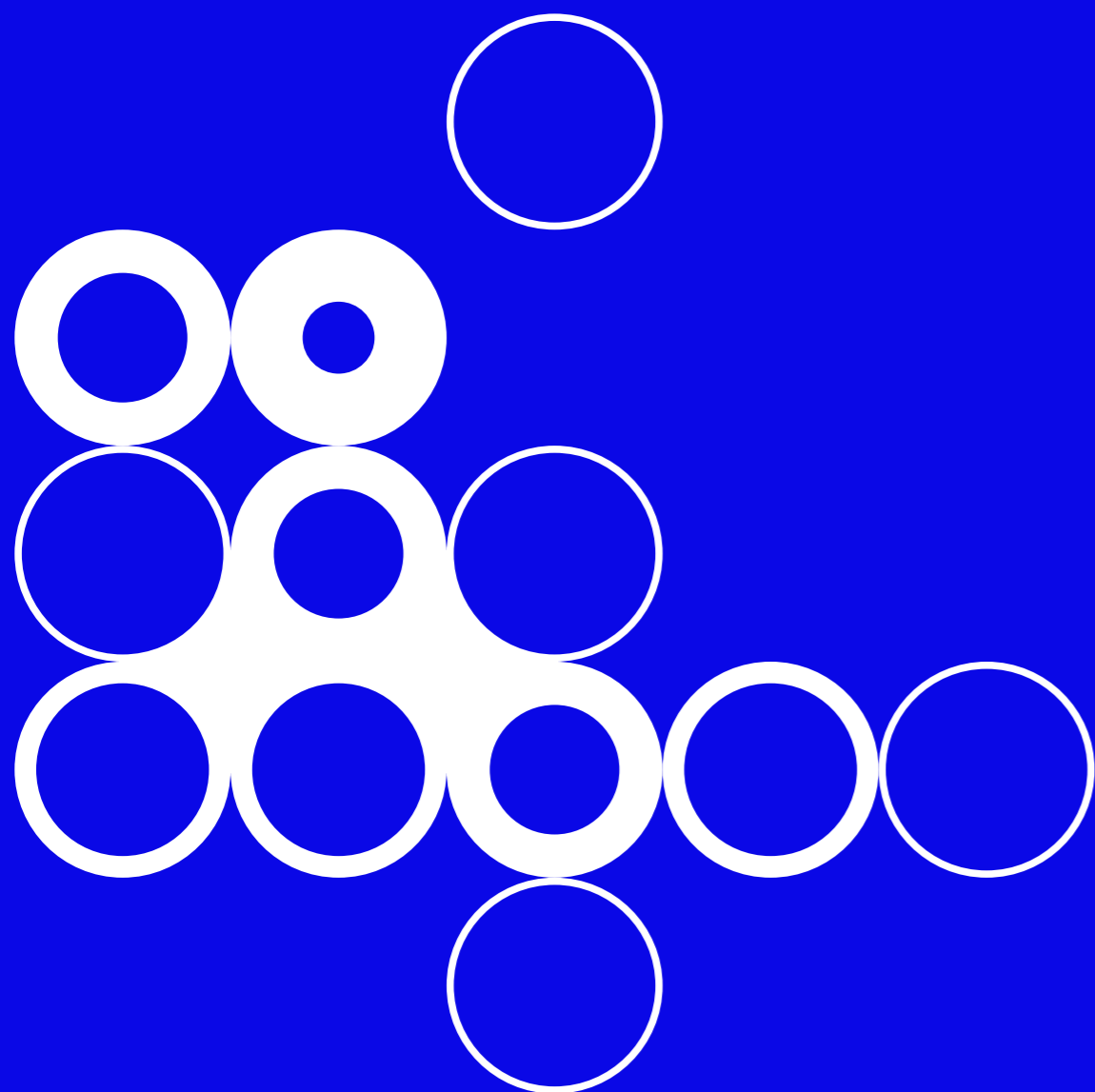
- Key management compensation, as further disclosed in note 16 above;
- Management fee to Infestos Holding E B.V., based on the consultancy agreement between Infestos Holding E B.V. and NX Filtration as entered into on the date of IPO in the amount of €150 thousand;
- The agreement between Infestos Holding E B.V. and the Company on a sign-on equity incentive with Mr Marc Luttkhuis.

All these transactions are made on terms equivalent to those that prevail in arm's length transactions.

29 Events after the end of the reporting period

No such events to report.

Company financial statements



Company balance sheet as at 31 December 2022

Before profit allocation

In EUR '000	Notes	31 December 2022	31 December 2021
Assets			
Non-current assets			
Intangible assets	3	2,216	1,757
Financial fixed assets	4	47,813	516
Deferred tax assets	5	8,947	5,699
Total non-current assets		58,976	7,972
Current assets			
Receivables		92	35
Receivable from group companies		-	32,065
Cash and Cash Equivalents	6	90,370	111,617
Total current assets		90,462	143,717
Total assets		149,438	151,689
Equity and liabilities			
Shareholders' equity			
Issued share capital		500	500
Share premium		170,450	170,450
Legal and statutory reserves	7	2,058	1,582
Other reserves	7	(21,828)	(10,034)
Result for the period		(8,642)	(11,354)
Total equity		142,538	151,144
Current liabilities			
Trade and other payables		31	320
Payable to group companies		6,647	-
Other payables		222	225
Total current liabilities		6,900	545
Total equity and liabilities		149,438	151,689

Company income statement for the year ended 31 December 2022

In EUR '000	Notes	2022	2021
Revenue	8	53	53
Amortization of intangible assets	3	(463)	(315)
Personnel expenses		(751)	(236)
General expenses	10	(577)	(9,841)
Operating loss		(1,738)	(10,339)
Finance income	11	140	124
Finance expenses	12	(199)	(352)
Finance expenses (net)		(59)	(228)
Loss before income tax		(1,797)	(10,567)
Income tax benefit	5	646	2,653
Share of net loss of investments in subsidiaries	4	(7,491)	(3,440)
Loss for the period after income tax		(8,642)	(11,354)

Notes

General information

The company financial statements are part of the consolidated financial statements of NX Filtration N.V. (the **Company**).

The current financial year covers the period 1 January 2022 until 31 December 2022. The previous financial year covers the period 1 January 2021 until 31 December 2021.

1 Basis of preparation

The Company financial statements of NX Filtration N.V. have been prepared in accordance with Part 9, Book 2 of the Dutch Civil Code. In accordance with sub 8 of article 362, Book 2 of the Dutch Civil Code, the Company financial statements are prepared based on the accounting principles of recognition, measurement and determination of profit, as applied in the consolidated financial statements. These principles also include the classification and presentation of financial instruments, being equity instruments or financial liabilities.

In case no other policies are mentioned, refer to the accounting policies as described in the accounting policies in the consolidated financial statements of this Annual report. For an appropriate interpretation, the company financial statements of NX Filtration N.V. should be read in conjunction with the consolidated financial statements.

All amounts are presented in euro and have been rounded to the nearest thousand, unless stated otherwise. The balance sheet and income statement include references. These refer to the notes.

2 Critical accounting policies

Investments in subsidiaries

Subsidiaries are all entities (including intermediate subsidiaries) over which the Company has control. The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Subsidiaries are recognized from the date on which control is transferred to the Company or its intermediate holding entities. They are derecognized from the date that control ceases.

Investments in subsidiaries are measured at net asset value. Net asset value is based on the measurement of assets, provisions and liabilities and determination of profit based on the principles applied in the consolidated financial statements. In case of a negative net equity value of a subsidiary, the negative value is initially deducted from loans due from the respective subsidiary, if any, and subsequently accounted for as a provision for loss making subsidiaries.

3 Intangible assets

The movement in intangible assets during the year was as follows:

In EUR '000	Development costs	Concessions and rights of intellectual property	Total
At 1 January 2021			
Cost	1,426	233	1,659
Accumulated impairments and amortisation	(295)	(64)	(359)
Net book value	1,131	169	1,300
Year ended 31 December 2021			
Opening net book value	1,131	169	1,300
Additions	741	31	772
Acquisitions	-	-	-
Amortisation for the year	(290)	(25)	(315)
Consolidation and deconsolidation	-	-	-
Closing net book value	1,582	175	1,757
At 31 December 2021			
Cost	2,167	264	2,431
Accumulated impairments and amortization	(585)	(89)	(674)
Net book value	1,582	175	1,757
Year ended 31 December 2022			
Opening net book value	1,582	175	1,757
Additions	914	11	925
Acquisitions	-	-	-
Amortisation for the year	(435)	(28)	(463)
Consolidation and deconsolidation	(3)	-	(3)
Closing net book value	2,058	158	2,216
At 31 December 2022			
Cost	3,078	275	3,353
Accumulated impairments and amortization	(1,020)	(117)	(1,137)
Net book value	2,058	158	2,216

Amortization rates:

	%
Development costs	20%
Concessions and rights of intellectual property	10%

4 Financial fixed assets

The movement in the financial fixed assets during the years was as follows:

In EUR '000	Investment in subsidiaries	Loans receivable	Total
At 1 January 2021			
	(5,794)	9,750	3,956
Investment/ changes	-	-	-
Share of net loss	(3,440)	-	(3,440)
	(9,234)	9,750	516
Provision	9,234	(9,234)	-
At 31 December 2021	-	516	516
At 1 January 2022			
	(9,234)	9,750	516
Investment/ changes	64,541	(9,750)	54,791
Share of net loss	(7,491)	-	(7,491)
Other movements	(3)	-	(3)
	47,813	-	47,813
Provision	-	-	-
At 31 December 2022	47,813	-	47,813

	Share in issued share capital at 31 December 2022	Share in issued share capital at 31 December 2021
NX Filtration B.V.	100%	100%
NX Filtration Real Estate B.V.	100%	0%
NX Filtration International B.V.	100%	0%

The Company is wholly and severally liable for the loans of NX Filtration B.V. Consequently, a provision for loss making subsidiaries is recognised related to the negative equity value of NX Filtration B.V. in 2021.

issuance of new shares. Furthermore, on 11 October 2022, NX Filtration N.V. made a share premium contribution of €3.5m towards NX Filtration Real Estate B.V.

The loan receivable relates to a loan issued to NX Filtration B.V. On 11 October 2022 the loan receivable in the amount of €9.8m was converted to equity as share premium in accordance with a free share premium contribution agreement and settlement agreement, without the issuance of new shares. In addition, a €51.3m intercompany receivable towards NX Filtration B.V. was converted to equity as share premium in accordance with a free share premium contribution agreement and settlement agreement, without the

5 Deferred tax assets

In EUR '000	31 December 2022	31 December 2021
At 1 January	5,699	1,903
Tax benefit subsidiaries through fiscal unit	2,602	1,143
Tax benefit NX Filtration N.V.	646	2,653
At 31 December	8,947	5,699

The deferred tax assets can be specified as follows:

In EUR '000	31 December 2022	31 December 2021
Deferred tax assets		
Timing differences	-	-
Carry forward losses	8,947	5,699
Total	8,947	5,699

Of which:

Current (<1 year)	-	-
Non-current (>1 year)	8,947	5,699

As of December 31, 2022, the total amount of recognized tax losses amounts to €34.7 million (€22.8 million as per December 31, 2021). A deferred tax asset has been recognized at the nominal tax rate of 25.8% (being the estimated blended rate as from 2022).

6 Cash and cash equivalents

In EUR '000	31 December 2022	31 December 2021
ABN AMRO bank	45,867	45,992
Van Lanschot bank	32,781	25,000
Rabobank	11,722	40,625
Total	90,370	111,617

The cash and cash equivalents are freely disposable to the Company.

7 Shareholders' equity

Reference is made to note 24 of the consolidated financial statements for an explanation of the equity composition of the Company.

Legal and statutory reserves

The legal reserve relates to a reserve for capitalized development costs of the subsidiaries.

In EUR '000	2022	2021
At 1 January	1,582	1,132
Movement in legal reserve	476	450
At 31 December	2,058	1,582

Other reserves

The other reserves can be specified as follows:

In EUR '000	2022	2021
At 1 January	(10,034)	(5,071)
Allocation of previous year loss	(11,354)	(2,092)
Interest on repayment and cancellation of preference share capital	-	(2,421)
Share-based payment transactions	36	-
Movement in legal reserve	(476)	(450)
At 31 December	(21,828)	(10,034)

8 Revenue

In EUR '000	2022	2021
Charged patent rights	48	48
Management fee	5	5
Total	53	53

9 Average numbers of employees

In 2022, the company had 3 employees (2021: 2 employees). None of these employees works abroad.

10 General expenses

In EUR '000	2022	2021
Audit fees	143	150
Legal fees	31	35
Consultancy fee		
Infestos Holding E.B.V.	152	84
Patent renewal fees	-	47
Management fee		
Infestos Management B.V.	-	2
Listing costs	137	9,465
Other general costs	114	58
Total	577	9,841

The following audit fees were expensed in the income statement in the reporting period.

In EUR '000	PricewaterhouseCoopers Accountants N.V.		Other network		Total network	
	2022	2021	2022	2021	2022	2021
Audit of the financial statements	143	150	-	-	143	150
Other audit procedures	-	213	-	-	-	213
Tax services	-	-	-	-	-	-
Other non-audit services	-	-	-	-	-	-
Total	143	363	-	-	143	363

The fees listed above relate to the services provided to the Company by accounting firms and external independent auditors as referred to in Section 1(a) of the Dutch Accounting Firms Oversight Act (*Wta*).

11 Finance income

In EUR '000	2022	2021
Interest on receivables from group companies	140	124
Total	140	124

12 Finance expense

In EUR '000	2022	2021
Interest on cash balances (negative interest)	(199)	(352)
Total	(199)	(352)

13 Contingencies and commitments

Fiscal unity

The Company is the head of the fiscal unity for the Corporate Income Tax and Value Added Tax of the Group. As such the Company is fully liable for any tax liability resulting from this.

14 Events after the reporting period

Nothing to report.

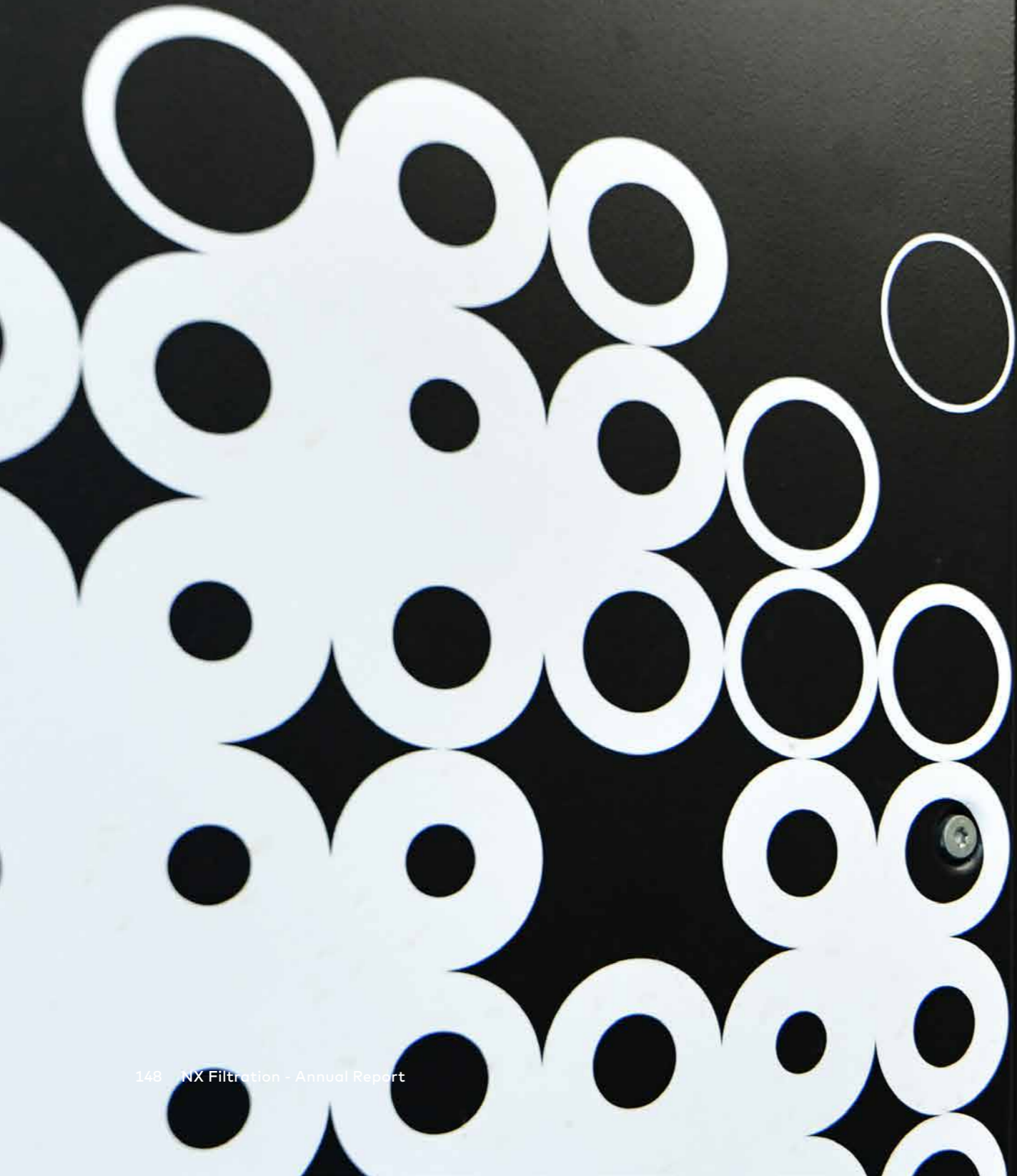
Authorisation of the financial statements

Enschede, 10 February 2023

Management Board

Michiel Staatsen CEO and COO	Erik Roesink CTO	Marc Luttkhuis CFO
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Other information



Provision in the Articles of Association relating to profit appropriation

Article 31. Profits and Distributions.

- 31.1 The Management Board, with the approval of the Supervisory Board, may decide that the profits realised during a financial year fully or partially be appropriated to increase and/or form reserves.
- 31.2 The profits remaining after application of Article 31.1 shall be put at the disposal of the General Meeting. The Management Board, with the approval of the Supervisory Board, shall make a proposal for that purpose. A proposal to pay a dividend shall be dealt with as a separate agenda item at the General Meeting of Shareholders.
- 31.3 Distributions from the Company's distributable reserves are made pursuant to a resolution of the Management Board, with the approval of the Supervisory Board.
- 31.4 Provided it appears from an interim statement of assets signed by the Management Board that the requirement mentioned in Article 31.7 concerning the position of the Company's assets has been fulfilled, the Management Board may, with the approval of the Supervisory Board, make one or more interim distributions to the holders of Shares.
- 31.5 The Management Board may, with the approval of the Supervisory Board, decide that a distribution on Shares shall not take place as a cash payment but as a payment in Shares, or decide that holders of Shares shall have the option to receive a distribution as a

cash payment and/or as a payment in Shares, out of the profit and/or at the expense of reserves, provided that the Management Board is designated by the General Meeting pursuant to Articles 6.2. With the approval of the Supervisory Board, the Management Board shall determine the conditions applicable to the aforementioned choices.

- 31.6 The Company's policy on reserves and dividends shall be determined and can be amended by the Management Board, subject to the approval of the Supervisory Board. The adoption and thereafter each amendment of the policy on reserves and dividends shall be discussed and accounted for at the General Meeting of Shareholders under a separate agenda item.
- 31.7 Distributions may be made only insofar as the Company's equity exceeds the amount of the paid in and called up part of the issued capital, increased by the reserves which must be kept by virtue of the law or these Articles of Association.

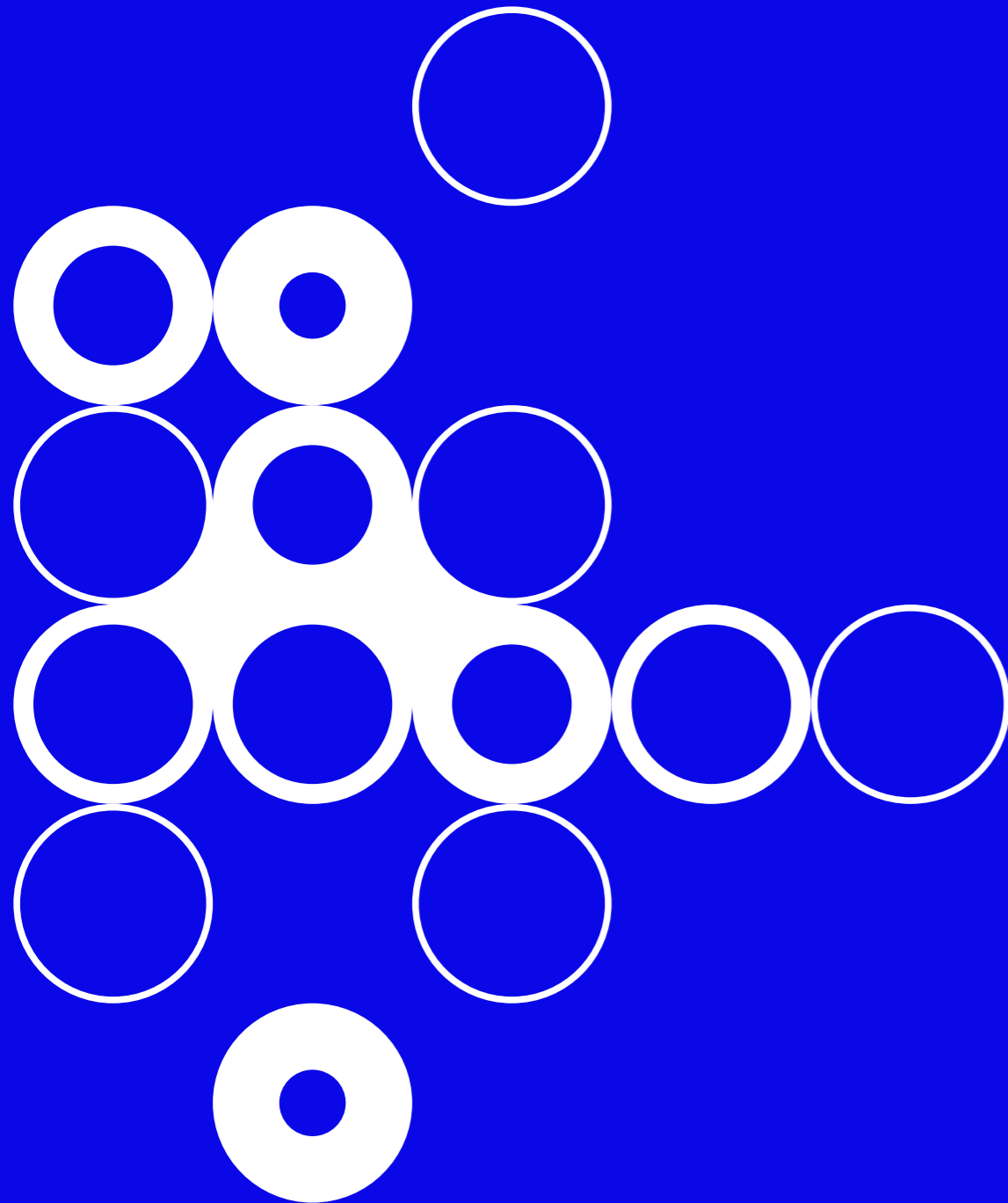
Article 32. Payment of and Entitlement to Distributions.

- 32.1 Dividends and other distributions will be made payable pursuant to a resolution of the Management Board within four weeks after adoption, unless the Management Board sets another date for payment.
- 32.2 A claim of a Shareholder for payment of a distribution shall be barred after five years have elapsed after the day of payment.

- 32.3 For all dividends and other distributions in respect of Shares included in the Statutory Giro System the Company will be discharged from all obligations towards the relevant Shareholders by placing those dividends or other distributions at the disposal of, or in accordance with the regulations of, Euroclear Netherlands.

Independent auditor's report

To: the general meeting and the supervisory board of NX Filtration N.V.



Report on the financial statements 2022

Our opinion

In our opinion:

- the consolidated financial statements of NX Filtration N.V. together with its subsidiaries ('the Group') give a true and fair view of the financial position of the Group as at 31 December 2022 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ('EU-IFRS') and with Part 9 of Book 2 of the Dutch Civil Code;
- the company financial statements of NX Filtration N.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2022 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2022 of NX Filtration N.V., Amsterdam. The financial statements comprise the consolidated financial statements of the Group and the company financial statements.

The consolidated financial statements comprise:

- the consolidated statement of the financial position as at 31 December 2022;
- the following statements for 2022: the consolidated statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at 31 December 2022;
- the company income statement for the year then ended; and
- the notes, comprising a summary of the accounting policies applied and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

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

Independence

We are independent of NX Filtration N.V. in accordance with the European Union Regulation on specific requirements regarding statutory audit of public-interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants

bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Our audit approach

We designed our audit procedures with respect to the key audit matters, fraud and going concern, and the matters resulting from that, in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The information in support of our opinion, like our findings and observations related to individual key audit matters, the audit approach fraud risk and the audit approach going concern was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Overview and context

NX Filtration N.V. is a public limited liability company (N.V.) which is specialised in the production of advanced hollow fibre membrane modules for nanofiltration, ultrafiltration and microfiltration applications. NX Filtration N.V. forms a group together with NX Filtration B.V., NX Filtration Real Estate B.V. and NX Filtration International B.V. where NX Filtration N.V. is the holding company. We considered our group audit scope and approach as set out in the section 'The scope of our group audit'. We paid specific attention to the areas of focus driven by the operations of the Group, as set out below.

The availability of the funds obtained during the listing in 2021, the utilisation of those funds and the expansion of the activities of NX Filtration N.V. in the Netherlands and abroad characterised the financial year 2022. This affected our audit procedures as described in the section 'Key audit matters'.

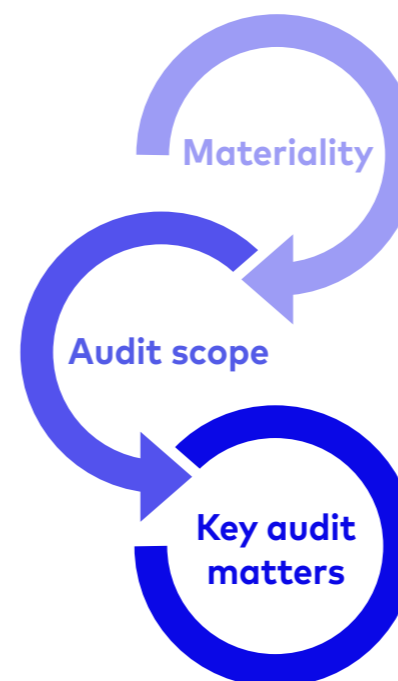
As part of designing our audit, we determined materiality and assessed the risks of material misstatement of the financial statements. In particular, we considered where the management board made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In these considerations, we paid attention to, amongst others, the assumptions underlying the physical and transition risk related to climate change. In note 6 to the consolidated financial statements, the Company describes the areas of judgement in applying accounting policies and the key sources of estimation uncertainty.

Given the increased significance and complexity in the revenue streams we considered this to be a key audit matter as set out in the section 'Key audit matters' of this report. Furthermore, we identified the accuracy of outgoing payments as key audit matter, given the utilisation of funds received from the IPO and the limitations we noted in the segregations of duties in the process for changes in creditor master date in the first half year of 2022.

NX Filtration N.V. assessed the possible effects of climate change on its financial position, refer to the Report of the Management Board. We discussed NX Filtration N.V.'s assessment and governance thereof with the management board and evaluated the potential impact on the financial position including underlying assumptions and estimates. The expected effects of climate change are not considered a key audit matter.

We ensured that the audit team included the appropriate skills and competences needed for the audit of NX Filtration N.V.

The outline of our audit approach was as follows:



Materiality

- Overall materiality: €430,000.

Audit scope

- We performed a full scope audit on NX Filtration N.V., NX Filtration B.V., NX Filtration Real Estate B.V. and NX Filtration International B.V. Audit coverage obtained was 100% on consolidated revenue, total assets and profit before tax.

Key audit matters

- Risk of fraudulent reporting due to overstating revenues.
- Accuracy of outgoing payments.

Materiality

The scope of our audit was influenced by the application of materiality, which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

Based on our professional judgement we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as

set out in the table below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Overall group materiality	€430,000 (2021: €241,000).
Basis for determining materiality	We used our professional judgement to determine overall materiality. As a basis for our judgement we used 1% of the benchmark 'Total assets minus Cash'.
Rationale for benchmark applied	We used 'Total assets – Cash' as the primary benchmark, based on our analysis of the common information needs of users of the financial statements. On this basis, we believe that 'Total assets – Cash' is an important metric for the financial performance of the Company, as this shows the total asset base that can be used to generate future revenues.
Component materiality	We applied one materiality to the audit of the different components. We performed the audit procedures on a consolidated level and did not allocate materiality levels amongst the components.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the supervisory board that we would report to them any misstatement identified during our audit above €43,000 (2021: €24,100) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

NX Filtration N.V. is the parent company of a group of entities, which are all incorporated in the Netherlands. The financial information of this group is included in the consolidated financial statements of NX Filtration N.V. All the group entities have a similar internal control environment and a centralised management structure. Therefore, we were able to perform all audit work for the Group at one location. Our audit scope covered all subsidiaries of NX Filtration N.V. As a result we obtained an audit coverage of 100% on total revenues, total assets and profit before tax.

Audit approach fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the entity and its environment and the components of the internal control system. This included the management board's risk assessment process, the management board's process for responding to the risks of fraud and monitoring the internal control system and how the supervisory board exercised oversight, as well as the outcomes. We refer to the section risks and uncertainties of the Report of the Management Board for management's fraud risk assessment. We note that management does consider fraud risk on a regular basis but has not formalised its fraud risk assessment.

We evaluated the design and relevant aspects of the internal control system and in particular the fraud risk assessment, as well as the code of conduct and whistle blower procedures. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls designed to mitigate fraud risks.

We asked members of the management board and the supervisory board whether they are aware of any actual or suspected fraud. This did not result in signals of actual or suspected fraud that may lead to a material misstatement.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We identified the following fraud risks and performed the following specific procedures:

Identified fraud risk	Our audit work and observations
<p>The risk of management override of controls As with all our audits, we addressed the risk of management override of controls, including whether there was evidence of management bias that may represent a risk of material misstatement due to fraud. In this context, we paid particular attention to the accuracy of outgoing payments and revenue recognition.</p>	<p>Where relevant to our audit, we evaluated the design of the internal control measures that are intended to mitigate the risk of management override of controls and assessed the effectiveness of those measures in the processes of generating and processing journal entries and making estimates. We also paid specific attention to access safeguards in the IT system and the possibility of functional segregation as a result and reported our observations to the management board and the persons charged with governance.</p> <p>We performed data analysis on high-risk journal entries, including unexpected account combinations of increasing revenues or total results and unexpected account combinations with respect to cash. Where we identified instances of unexpected journal entries or other risks through our data analysis, we performed additional audit procedures to address each identified risk. These procedures include, amongst others, inspection of entries in source documentation. We also performed specific audit procedures related to important estimates of management, including the recoverability of the deferred tax assets and the capitalisation of development costs. We specifically paid attention to the inherent risk of management bias in estimates. Our procedures did not reveal any material misstatement in the information provided by management in the financial statements and the management report compared with the financial statements.</p> <p>Our work did not reveal any specific indications of fraud or suspicion of fraud in respect of management override of controls.</p>
<p>Risk of fraudulent reporting due to overstating the revenues NX Filtration N.V. aims for growth through the commercialisation of its hollow fibre nano filtration membrane technology and to realise increase in turnover and profitability in the future in order to increase shareholder value. In general, this may cause pressure on management to show growth in both sales and profitability.</p>	<p>For our audit procedures, performed with respect to revenue recognition, we refer to our key audit matter 'risk of fraudulent reporting due to overstating the revenues'.</p> <p>Our procedures did not lead to specific indications of fraud or suspicions of fraud with respect to the revenue recognition of NX Filtration N.V.</p>

Identified fraud risk	Audit procedures and observations	Key audit matter	Our audit procedures and observations
<p>Accuracy of outgoing payments</p> <p>In our audit, we identified the risk of unauthorised payments from the Company's cash balances, given the large amount of cash received from the IPO and the limitations in segregation of duties in the process regarding changes in creditor master data in the first half of 2022.</p>	<p>For our audit procedures, performed with respect to the accuracy of the outgoing payments, we refer to our key audit matter 'accuracy of outgoing payments'.</p> <p>Our procedures did not lead to specific indications of fraud or suspicions of fraud with respect to the accuracy of outgoing payments.</p>	<p>The risk of fraudulent reporting due to overstating revenues</p> <p><i>Refer to note 7 to the consolidated financial statements</i></p> <p>NX Filtration N.V. aims for growth through the commercialisation of its hollow fibre nano filtration membrane technology and to realise increase in turnover and profitability in the future in order to increase shareholder value. In general, this may cause pressure on management to show growth in both sales and profitability.</p>	<p>Where relevant to our audit, we evaluated the design and effectiveness of the internal control measures related to revenue recognition and reported our observations to the management board and the persons charged with governance.</p> <p>We tested, on a sample basis, whether revenues were recognized in the correct period and for the correct amount, by reconciling the transactions to contracts or orders, sales invoice, shipping document and receipt in the bank account.</p>
<p>We incorporated an element of unpredictability in our audit. During the audit we remained alert to indications of fraud. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance of laws and regulations. Whenever we identify any indications of fraud, we re-evaluate our fraud risk assessment and its impact on our audit procedures.</p>	<p>made to finance the growth strategy of the Company;</p> <ul style="list-style-type: none"> evaluating the management board's current budget including cash flows for at least twelve months from the date of preparation of the financial statements, taking into account current developments in the membrane industry, the cash balance as at the balance sheet date of €104.3 million and the Company's existing on-balance and off-balance sheet obligations, and all other relevant information of which we are aware as a result of our audit; performing inquiries of the management board about its knowledge of going-concern risks beyond the period of the management board's assessment. 	<p>During 2022, NX Filtration N.V. increased revenues to €8.4 million. Especially as the entity is facing pressure to meet revenue and profit targets, there is an increased risk of overstating revenue. In addition, we noted that a material part of the revenues was realised in December 2022.</p> <p>Therefore, we considered revenue recognition as a key audit matter, with specific attention for the existence and occurrence and the cut-off of the revenues.</p>	<p>We tested, on a sample basis, for products delivered just before year end, whether revenues were recognised in the correct period by reconciling these transactions to shipping documents and acceptance documents of the customers.</p> <p>We performed data analysis on high-risk journal entries, including unexpected account combinations increasing revenues. No such transactions were identified.</p>
<p>Audit approach going concern</p> <p>The management board prepared the financial statements on the assumption that the entity is a going concern and that it will continue all its operations for at least twelve months from the date of preparation of the financial statements. Our procedures to evaluate the management board's going-concern assessment included, amongst others:</p> <ul style="list-style-type: none"> considering whether the management board identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern (hereafter: going-concern risks); considering whether the management board's going-concern assessment includes all relevant information of which we are aware as a result of our audit and inquiring with the management board regarding the management board's most important assumptions underlying its going-concern assessment. Amongst others, the management board took into consideration the developments in the membrane industry and the budgeted expenses to be 	<p>Our procedures did not result in outcomes contrary to the management board's assumptions and judgements used in the application of the going-concern assumption.</p> <p>Key audit matters</p> <p>Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.</p>	<p>Accuracy of outgoing payments</p> <p><i>Refer to the consolidated statement of cash flows of the financial statements</i></p> <p>During 2022, NX Filtration N.V. realised a net cash outflow from operations of €15.7 million, a net cash outflow from investing activities of €12.7 million and a net cash outflow from financing activities of €0.8 million. The cash balance as at 31 December 2022 amounts €104.3 million.</p> <p>Given the large amount of cash received from the IPO and the lack of segregation of duties identified in the process regarding changes in creditor master data in the first half of 2022, we considered this area to be a key audit matter.</p>	<p>Our procedures did not identify any material misstatement in the information provided by the management board in the financial statements and the report of the management board compared with the financial statements. Our procedures did not lead to specific indications of fraud or suspicions of fraud with respect to the existence of the revenue accounted for.</p> <p>We gained an understanding of and evaluated NX Filtration N.V.'s process with regard to the authorisation of outgoing payments and reported our observations to the management board and the persons charged with governance. We obtained an overview of all outgoing payments and tested a selection by performing the following procedures:</p> <ul style="list-style-type: none"> verifying that the payments reconciled to the invoices and the invoices were addressed to NX Filtration N.V.; reconciling the bank account number to which the amount was transferred to the bank account number included on the invoice; verifying that the expenses made were in line with the business activities and rationale of the entity and that the outgoing payments were approved by two authorised employees. <p>Based on the procedures set out above, we did not note any material exceptions. Our procedures did not lead to specific indications of fraud or suspicions of fraud with respect to outgoing payments.</p>

Report on the other information included in the annual report

The annual report contains other information. This includes all information in the annual report in addition to the financial statements and our auditor's report thereon.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements; and
- contains all the information regarding the directors' report and the other information that is required by Part 9 of Book 2 and regarding the remuneration report required by the sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and the understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 and section 2:135b subsection 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those procedures performed in our audit of the financial statements.

The management board is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code. The management board and the supervisory board are responsible for ensuring that the remuneration report is drawn up and published in accordance with sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements and ESEF

Our appointment

We were appointed as auditors of NX Filtration N.V. by the passing of a resolution of the shareholders at the annual general meeting held on 5 April 2022. Our appointment has been renewed annually by shareholders and now represents a total period of uninterrupted engagement of three years.

European Single Electronic Format (ESEF)

NX Filtration N.V. has prepared the annual report, including the financial statements, in ESEF. The requirements for this format are set out in the Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (these requirements are hereinafter referred to as: the RTS on ESEF).

In our opinion, the annual report prepared in XHTML format, including the (partially) marked-up consolidated financial statements, as included in the reporting package by NX Filtration N.V., complies, in all material respects, with the RTS on ESEF.

The management board is responsible for preparing the annual report, including the financial statements, in accordance with the RTS on ESEF, whereby the management board combines the various components into a single reporting package. Our responsibility is to obtain reasonable assurance for our opinion on whether the annual report in this reporting package complies with the RTS on ESEF.

We performed our examination in accordance with Dutch law, including Dutch Standard 3950N 'Assurance-opdrachten inzake het voldoen aan de criteria voor het opstellen van een digitaal verantwoordingsdocument'

(assurance engagements relating to compliance with criteria for digital reporting).

Our examination included among others:

- Obtaining an understanding of the entity's financial reporting process, including the preparation of the reporting package.
- Identifying and assessing the risks that the annual report does not comply in all material respects with the RTS on ESEF and designing and performing further assurance procedures responsive to those risks to provide a basis for our opinion, including:
 - Obtaining the reporting package and performing validations to determine whether the reporting package, containing the Inline XBRL instance document and the XBRL extension taxonomy files, has been prepared, in all material respects, in accordance with the technical specifications as included in the RTS on ESEF.
 - Examining the information related to the consolidated financial statements in the reporting package to determine whether all required mark-ups have been applied and whether these are in accordance with the RTS on ESEF.

No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in article 5(1) of the European Regulation on specific requirements regarding statutory audit of public-interest entities.

Services rendered

The services, in addition to the audit, that we have provided to the Company or its controlled entities, for the period to which our statutory audit relates, are disclosed in note 10 to the company financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the management board and the supervisory board for the financial statements

The management board is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the management board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the management board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the management board should prepare the financial statements using the going-concern basis of accounting unless the management board either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so. The management board should disclose in the financial statements any event and circumstances that may cast significant doubt on the Company's ability to continue as a going concern.

The supervisory board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. 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 but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Zwolle, 10 February 2023

PricewaterhouseCoopers Accountants N.V.

F.S. van der Ploeg RA

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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 intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management board.

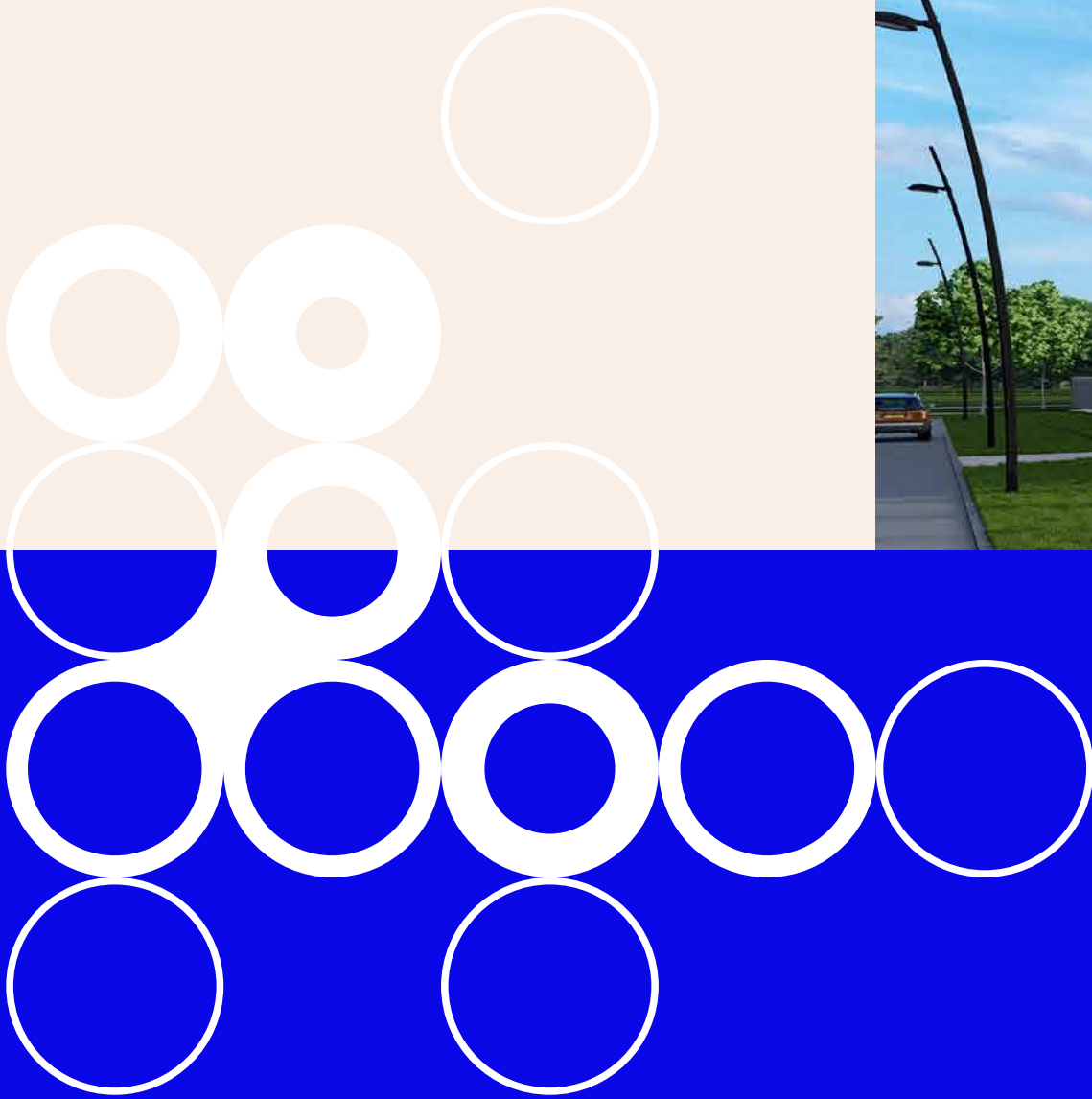
- Concluding on the appropriateness of the management board's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and

controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the supervisory board 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.

In this respect, we also issue an additional report to the audit committee in accordance with article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report. We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related actions taken to eliminate threats or safeguards applied. From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.



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