

NX Filtration reports strong revenue growth in H1 2021 and further progress on strategic expansion

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ENSCHDEDE, THE NETHERLANDS – NX Filtration N.V. (Euronext Amsterdam: NXFIL), the global provider of breakthrough direct nanofiltration technology for pure and affordable water, today reports its condensed interim consolidated financial statements for the six months ended 30 June 2021 with strong revenue growth and further progress in line with its strategic expansion plans.

Half-year 2021 highlights

- **140% increase in gross income** compared to H1 2020. Strong order intake leading to a 703% increase in order backlog compared to end of H1 2020
- **Further uptake of pilot strategy** with 4.6 times more pilot projects compared to H1 2020, supported by a growing fleet of pilot systems (31 at end of H1 2021 compared to 9 at the end of H1 2020, and continuing to grow in the coming months based on additional purchased pilot systems)
- **Important new project and customer wins**, amongst which PepsiCo (global soft drinks manufacturer), Aqualia (Spanish water management company) and PWN (Dutch drinking water utility). Repeat projects already secured for PT. Bayu (OEM in Indonesia) and Aquarius H2O Dynamics (OEM in India)
- **Growing international presence** through an expanding sales force (new sales people in Canada, India and Singapore) and a growing OEM network. 66% of revenues from sale of goods generated outside Europe compared to 18% in H1 2020
- **Executive team to be extended with Chief Commercial Officer (CCO)** starting in September 2021: Alejandro Roman Fernandez has extensive experience in the water industry (having previously worked a.o. at Organica Water, Pentair and Xylem)
- **On-track for capacity expansion**: second membrane spinning line on-track and expected to be operational in H2 2021 and signed a purchase option for a plot of land for the new manufacturing facility at the High Tech Systems park in Hengelo, the Netherlands
- **Reiteration of visibility** on more than €3.7m gross income for full-year 2021

Michiel Staatsen, CEO of NX Filtration, said:

“The first half-year of 2021 was truly exciting for NX Filtration as we successfully listed our company on Euronext Amsterdam and became the first Green-labelled IPO. We are pleased to

report a strong increase in revenues whilst further progressing on our strategic expansion plans. We have initiated the expansion of our production capacity, grown our international presence in Asia and North America, further ramped-up our pilot program and successfully realised repeat projects with various customers and extended our executive team with a CCO. We are experiencing strong traction in the market with our direct nanofiltration (dNF) membranes, that can remove micropollutants (including pharmaceuticals, medicines and PFAS) in one-step whilst offering our customers strong sustainability benefits by reducing energy consumption and avoiding the use of pre-treatment chemicals.”

Financial and segmental review

Gross income increased by 140% from €533k in the first half-year of 2020 to €1,280k in the first half-year of 2021. Revenues from the sale of goods increased by 189% from €377k in the first half-year of 2020 to €1,088k in the first half-year of 2021. Key drivers for this growth were an increase in the number of pilot projects, an increase in the number of demo- and full-scale projects, the start of the contract with Hydranautics to produce and supply HYDRAcap ultrafiltration (UF) modules in January 2021 (with a gradual ramp-up in volumes during H1 2021), the expansion of NX Filtration’s sales force to new countries (Canada, India and Singapore) and a growing number of OEM relationships.

In the **Clean Municipal Water** business line, revenues from the sale of goods in the first half-year of 2021 were €317k, a growth of 27% compared to €249k in the first half-year of 2020. NX Filtration benefitted from various projects in Asia, amongst which a project to supply 140 dNF80 modules to PT. Bayu for the production of drinking water based on local river water for the city of Dumai in Indonesia and a recently secured repeat project for Aquarius H2O Dynamics to supply 102 dNF40 modules for caustic clarification at the CETP (common effluent treatment plant) in Jetpur, India. In the European 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 Dutch drinking water company PWN, water board Aa & Maas and various municipal customers in France and Spain.

In the **Sustainable Industrial Water** business line, revenues from the sale of goods in the first half-year of 2021 were €771k, a growth of 503% compared to €128k in the first half-year of 2020. NX Filtration benefitted from the pilots it had initiated since mid-2020 and the relatively short pilot to full-scale conversion lead-time. Key projects included a repeat project for PT. Bayu to supply 4 dNF40 modules for potable water production for Indonesia’s biggest state owned hospital in Jakarta, a project for Aquarius H2O Dynamics to supply 32 dNF40 modules for the reuse of wastewater at a denim jeans company in India and a project for Beijing SEPLOM Environmental Technology to supply 20 dNF80 modules for industrial wastewater treatment to meet discharge standards and to enable reuse. In addition, NX Filtration signed a research

contract with PepsiCo to investigate additional opportunities for deployment of dNF membranes within PepsiCo's facilities, following previous use of dNF technology at two PepsiCo facilities in North America.

Order backlog at the end of the first half-year of 2021 was €702k, an increase of 703% compared to the end of the first half-year of 2020, driven by a strong order intake in the second quarter of 2021.

Gross margin of 47.9% in the first half-year of 2021 compared to 51.7% in the first half-year of 2020, due to a change in product mix with a growing share of HYDRAcap UF products compared to predominantly dNF sales in 2020, and an increase in waste resulting from the introduction of the HYDRAcap product at the start of 2021. NX Filtration continues to focus on improving gross margins through realising purchasing benefits based on increasing volumes, cost engineering and production efficiencies.

Personnel costs increased by 74% to €1,497k compared to €858k in the first half-year of 2020. Total FTE increased from 34 at 31 December 2020 (32 at 30 June 2020) to 43 at 30 June 2021, with key additions in sales force, pilot engineers, R&D employees and production personnel.

Other operating costs were €10,323k compared to €355k in the first half-year of 2020. Operating costs in the first half-year of 2021 included €9,555k related to the IPO.

EBITDA loss of €10,761k compared to a loss of €704k in the first half-year of 2020. EBITDA in the first half-year of 2021 included €9,555k of costs related to the IPO. EBITDA excluding these IPO costs amounted to a loss of €1,206k. Net loss amounted to €10,962k compared to a net loss of €852k in the first half-year of 2020.

NX Filtration continues to work towards its medium-term objective to realise a positive EBITDA margin by reaching a larger scale of operations and realising purchasing benefits based on increasing volumes and optimising product designs. NX Filtration's long-term objective is to realise an industry-leading EBITDA margin based on benefitting from economies of scale, leveraging its fixed cost base as it realises its revenue growth and realising an increasing share of revenue from module replacements.

Capex amounted to €2,443k as compared to €488k in the same period of 2020. Capex included investments in the ongoing capacity expansion (new production facility for module production and refurbishment and expansion of the production facility for membrane production, both in Enschede, the Netherlands) and the expansion of NX Filtration's fleet of pilot systems. Additionally, NX Filtration capitalised €455k of development costs which demonstrates the company's continued efforts to invest in innovations for the future.

Net cash position at 30 June 2021 amounted to €145.6m, compared to a net cash position of €6.6m at 31 December 2020. This increase is the result of the equity capital that NX Filtration raised through its IPO in June 2021. The net proceeds have been used for the repayment of preference shares amounting to €15.8m and will be used for investing in the further commercial roll-out of NX Filtration, expanding the production capacity with a new manufacturing facility, innovation and M&A as a platform for accelerated growth.

Working capital¹ decreased to €1,933k negative versus €1,300k positive at 31 December 2020 and €1,285k positive at 30 June 2020, mainly due to €3,288k cost accruals for NX Filtration's IPO.

Operating cash flow was €7,560k negative (€1,294k negative excluding IPO related cost), compared to €1,338k negative in the same period in 2020.

Executing on our strategy

NX Filtration's key strategic themes centre around the roll-out of pilot 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. Pilots range from lab-scale Mexplorer pilots to full-scale (containerized) Mexpert pilots. In the first half-year of 2021, NX Filtration initiated 32 pilot projects compared to 7 in the first half-year of 2020².

On 30 June 2021, NX Filtration had 31 pilot systems in its fleet, all of which were deployed in various pilot projects. To accommodate the further ramp-up of its pilot program, NX Filtration placed orders for an additional 49 pilot systems (as per the date of this press release), including 4 Mexpert pilot systems specifically developed for the North American market.

Capacity expansion

NX Filtration is making further progress on expanding its production capacity. With the addition of a separate facility (at the Josink Esweg in Enschede, the Netherlands) for the production of its membrane modules in the first half-year of 2021, the original facility (at the Institutenweg in Enschede, the Netherlands) is being expanded to accommodate a second spinning line for the production of membranes. As communicated previously, this second spinning line is expected to become operational by the end of 2021 and this addition will result in a targeted combined total

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

² Pilot projects comprise of small pilots (typically Mexplorers) and larger pilots (typically Mexperts) based on NX Filtration's own pilot fleet as well as dNF pilots owned (and developed) by NX Filtration's OEM customers

capacity of approximately 10,000 membrane modules per year³ (compared to the current capacity of approximately 2,500 membrane modules per year⁴).

In parallel, further progress has been made with the development of a new large-scale manufacturing facility, which is expected to be commissioned in the next two to three years. Upon completion, this facility can gradually be expanded to 10 spinning lines with a targeted total capacity of approximately 80,000 membrane modules per year⁵. NX Filtration signed a purchase option for a 24,000 square meters plot of land at the High Tech Systems Park in Hengelo, the Netherlands, approximately 10 kilometres from the current facilities.

Innovation

NX Filtration made further progress on expanding its patent portfolio. Additional patents were granted based on its existing patent families:

- Patent family '*Positively charged membranes*': US patent granted in March 2021. Intention to grant status received for Australia, Japan and South Korea in the first half-year of 2021. Patent pending for Europe, China, Singapore and India
- Patent family '*Hollow-fibre membrane*': Brazil patent granted in April 2021 in addition to previous patent grants in India, Japan, South Korea, Malaysia, Russia and US. Patent pending in Europe
- Patent family '*PEM membranes*': US patent granted in June 2021. Intention to grant status received for Australia in the first half-year of 2021. Patent pending for China, South Korea, Singapore, Europe and India

In addition, NX Filtration applied for a new patent in June 2021 ('*dNF regeneration*') related to further performance improvements on its dNF technology.

Furthermore, NX Filtration expanded its R&D team and made further progress with its innovation roadmap. In addition to various R&D programs focusing on performance and cost optimization of its existing membranes, NX Filtration is currently testing more open dNF membranes to broaden application possibilities (suitable for waters with no or limited micropollutants).

Outlook

Following the capital raise at NX Filtration's successful IPO in June 2021, NX Filtration continues to invest in its strategic priorities.

³ Estimation, based on 5-shift production and depending on product mix

⁴ Theoretical capacity (as the current spinning line is incurring downtime with changes in products being produced and because spinning line is also used for R&D activities), estimation based on 3-shift production and depending on product mix

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



A further ramp-up of its pilot program will be enabled by a growing fleet of pilot systems and an increase in the number of pilot engineers. A second spinning line for the production of membranes is expected to become operational at the end of 2021, which aims to enable production efficiencies and unlock further growth opportunities, and next steps will be taken in the development of NX Filtration's new large-scale production plant. Furthermore, NX Filtration continues to expand its organization, specifically in the fields of sales, pilot engineering, R&D and production personnel.

Following its Green labelled IPO (over 95% of NX Filtration's revenue and investments have been externally certified by CICERO Green as 'Dark Green'⁶, their highest green ranking corresponding to the long-term vision of a low carbon and climate resilient future), NX Filtration established working groups to translate the UN Sustainable Development Goals with which it aligns⁷, into specific KPIs. NX Filtration aims to publicly report on these with its 2021 annual results.

NX Filtration reiterates its 2021 full-year visibility of over €3.7m gross income based on the first half-year performance, order backlog, expected other income for the rest of the year and weighted pipeline of orders for 2021.

The half-year report 2021 is available in the Investor Relations section of the website www.nxfiltration.com.

Analyst call / webcast

NX Filtration will host an analyst call and webcast at 9:30 CEST on 31 August 2021 to comment on the 2021 H1 results. Please see www.nxfiltration.com/investors for details to participate.

Financial calendar

FY 2021 results: 11 February 2022

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

⁶ CICERO Green assigned the Dark Green shading to 95% of the Group's annual revenue in 2020 and 98% of the Group's investments in 2020, the Medium Green shading to 5% of the Group's annual revenue in 2020, and the Light Green shading to 2% of the Group's investments in 2020. The terms "annual revenue" and "investments" for these purposes as defined in the report of CICERO Green.

⁷ Being: 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



strong sustainability benefits. For further information on NX Filtration please visit www.nxfiltration.com

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Notes to the press release

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Use of non-IFRS information

In presenting and discussing the NX Filtration's financial position, operating results and cash flows, management uses certain non-IFRS financial measures. These non-IFRS financial measures should not be viewed in isolation as alternatives to the equivalent IFRS measure and should be used in conjunction with the most directly comparable IFRS measures. Non-IFRS financial measures do not have standardised meaning under IFRS and therefore may not be comparable to similar measures presented by other companies.

Forward looking statements

This press release may include forward-looking statements. All statements other than statements of historical facts may be forward-looking statements. These forward-looking statements may be identified by the use of forward-looking terminology, including the terms such as guidance, expected, step up, announced, continued, incremental, on track, accelerating, ongoing, innovation, drives, growth, optimising, new, to develop, further, strengthening, implementing, well positioned, roll-out, expanding, improvements, promising, to offer, more, to be or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements reflect NX Filtration's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to NX Filtration's business, results of operations, financial position, liquidity, prospects, growth or strategies. Forward looking statements reflect the current views of NX Filtration and assumptions based on information currently available to NX Filtration. Forward-looking statements speak only as of the date they are made, and NX Filtration does not assume any obligation to update such statements, except as required by law. NX Filtration's revenue outlook



estimates are management estimates resulting from NX Filtration's pursuit of its strategy. NX Filtration can provide no assurances that the estimated future revenues will be realised and the actual gross income for 2021 could differ materially. The expected gross income have also been determined based on assumptions and estimates that NX Filtration considered reasonable at the date these were made. These estimates and assumptions are inherently uncertain and reflect management's views which are also based on its historic success of being assigned projects, which may materially differ from the success rates for any future projects. These estimates and assumptions may change as a result of uncertainties related to the economic, financial or competitive environment and as a result of future business decisions of NX Filtration or its clients, such as cancellations or delays, as well as the occurrence of certain other events.