

NX Filtration reports 57% revenue growth in H1 2024

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HENGELO, THE NETHERLANDS – NX Filtration N.V. (Euronext Amsterdam: NXFIL), the global provider of breakthrough direct nanofiltration (dNF) technology for pure and affordable water with strong sustainability benefits, today reports its condensed interim consolidated financial statements for the six months ended 30 June 2024.

Half year 2024 highlights

- **Total revenues¹ of €5.9 million**, a growth of 57% from the first half year of 2023, driven by the successful conversion of pilots into large full-scale projects, repeat projects with existing clients, and successful onboarding of various new OEMs across all regions
- **Largest order to date** for the world's largest hollow fiber nanofiltration water treatment plant in Mexico with a capacity of 17 million liters per day
- **Gross margin of 59.1%** (58.9% in the first half year of 2023) remains strong, reflecting our strong technology position
- **Secured funding in March 2024:** combined debt and equity package of approximately €50 million providing sufficient headroom to fund our growth ambitions well into the future
- **Successfully started-up new large-scale factory** for the production of our membrane modules according to plan in H1 2024, enabling us to supply larger projects from our growing overall pipeline of opportunities for the medium term
- **Strong leadership additions for next stages of growth:** Floris Jan Cuypers as new CEO per 1 September 2024 and Jan Feie Zwiers as new CFO per 1 August 2024
- **We became B Corp certified**, a clear testimony to our commitment to a sustainable and socially responsible organization
- **All underlying business drivers continue to develop in a very favorable direction:** general market trends, pilot roll-out, progress with major OEM accounts, and our pipeline development. **Reconfirmation of outlook on total revenues for 2024 in excess of €16 million**

Michiel Staatsen, COO of NX Filtration, states:

“The developments of NX Filtration in the first half-year of 2024 are very positive. We have realized 57% revenue growth, and experience strong traction with our customers for further growth in the second half of the year and beyond. A testament to our growth and ability to scale

¹ Total revenues (defined as Gross income in the Semi-Annual Report) includes revenues from sale of goods in the Clean Municipal Water and Sustainable Industrial water business lines and other income

up projects is our largest order to date for the world's largest hollow fiber nanofiltration water treatment plant in Mexico with a capacity of 17 million liters per day.

I am excited about the strengthening of our leadership team with the additions of Floris Jan Cuypers and Jan Feie Zwiers. These additions will greatly contribute to our next stages of growth. With our capital increase in March, we have created sufficient headroom to fund our growth ambitions well into the future. Last but not least, I am proud we have been able to start-up our new large-scale factory according to plan. Therewith we are fully set-up to continue our growth curve and make an ever-larger impact on the global water transition."

Financial and segmental review

Total revenues grew by 57% from €3,737k in the first half year of 2023 to €5,878k in the first half year of 2024.

Revenues in our **Clean Municipal Water** business line grew with 90%, from €1,427k in the first half year of 2023 to €2,708k in the first half year of 2024. We experienced a strong step-up in project sizes with, amongst others, our largest order to date for the world's largest hollow fiber nanofiltration water treatment plant in Mexico with a capacity of 17 million liters per day. In Indonesia, we onboarded a new OEM that used our membrane technology in a project related to peat water treatment for decentral drinking water production, an application with which we have already demonstrated successful performance over the past years. In Europe we continue to make strong progress with several key OEMs (e.g. Veolia, Aqualia, Suez and Nijhuis Saur) who are increasingly offering NX Filtration's products in various full-scale projects.

Revenues in our **Sustainable Industrial Water** business line grew with 42%, from €1,934k in the first half year of 2023 to €2,746k in the first half year of 2024. We added Thermax, an Indian multinational engineering company involved in clean air, clean energy and clean water, to our customer base and received initial large orders from them. On the Food & Beverage side, we continued our work with PepsiCo (now supplying them across North America, Europe and Asia), and collaborated with Bucher Denwel (launching a new sustainable beer filtration solution to its customers).

Other income slightly increased from €376k in the first half year of 2023 to €424k in the first half year of 2024, mainly driven by an increase in rental income from pilots growing from €271k in the first half year of 2023 to €307 in the first half year of 2024.

Gross margin remained strong with 59.1% in first half year of 2024 compared to 58.9% in the first half year of 2023, reflecting our strong technology position.

Changes in inventory of finished goods and work in progress decreased from €2,517k in the first half year of 2023 to €1,415k in the first half year of 2024, as during the year 2023 inventories were build up as safety stock to cover for any potential disruptions during the relocation to the new production plant.

Personnel costs increased from €6,293k in the first half year of 2023 to €6,922k in the first half year of 2024, as result of further investments in the organization to professionalize and prepare for further growth. Total FTEs increased from 159 at 30 June 2023 (166 at 31 December 2023) to 166 at 30 June 2024.

Other operating cost increased from €3,891k in the first half year of 2023 to €4,545k in the first half year of 2024, mainly driven by higher housing cost (mostly caused by increased energy costs for amongst others the start-up of the new factory) and sales costs (including a non-recurring addition to the loss allowance for trade receivables).

EBITDA loss was €6,406k in the first half year of 2024 compared to a loss of €5,310k in the first half year of 2023. The EBITDA loss is mainly driven by investing in the organization ahead-of-the-curve to facilitate future business. **Net loss** amounted to €8,277k compared to a net loss of €4,872k in the first half year of 2023 (deferred tax assets are no longer recognized as of 31 December 2023).

Capex amounted to €18,639k compared to €12,942k in the first half year of 2023. Capex mostly relates to the construction of our new factory. Additionally, NX Filtration capitalized €582k of development costs, which demonstrates our continued efforts to invest in innovations for the future.

Cash position at 30 June 2024 amounted to €69 million compared to a cash position of €50 million at 31 December 2023. The cash position was positively influenced by NX Filtration's newly secured combined equity and debt (real estate financing) package of approximately €50 million in March 2024.

Working capital² increased to €15,377k as per 30 June 2024 versus €9,046k at 31 December 2023. The 31 December 2023 working capital balance was positively impacted by significant amount of Capex invoices outstanding related to the construction of the new production plant, which invoices have been paid in the first half year of 2024. This also impacted **operating cash flow**, that was €12,742k negative in the first half year of 2024, compared to €9,585k negative in the first half year of 2023.

² Working capital defined as Inventories plus trade and other receivables minus trade and other payables

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. In the first half year of 2024, we became B Corp certified, as the only publicly listed company on Euronext Amsterdam. This is a clear testimony to our commitment to a sustainable and socially responsible organization.

We continue to use our targeted ESG framework to address and monitor our impact along three pillars:

1. Clean water for all: Our membrane module sales in the first half year of 2024 can enable the production of 243 billion liters of clean water³, enabling access to clean water across 26 countries
2. Avoiding emissions at our customers: With our membrane module sales in the first half year of 2024, we enabled 3,145 ton CO₂e savings during the deployment lifetime of our modules, by avoiding the use of 5.9 million kg of chemicals and saving 72 GWh energy compared to conventional technologies⁴
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

Market developments and commercial roll-out

Water scarcity and water quality remain key drivers for positive market development for direct nanofiltration in 2024 and beyond. According to the United Nations, global demand for freshwater will exceed supply by 40% by 2030 if no action is taken. To combat water scarcity, the European Parliament voted in April 2024 to introduce new EU rules for wider reuse of treated urban wastewater. The new rules for, among other things, removing micro-pollutants underline the need for new technologies. Also outside Europe, we observe strong trends around freshwater conservation and innovative wastewater reuse solutions, particularly in regions confronted with droughts and growing water consumption. The trend of wastewater reuse is reflected in NX Filtration's customer base, for instance with the sale of direct nanofiltration membranes for indirect reuse of drinking water in Mexico's largest hollow fiber nanofiltration scheme.

Water reuse is not only at the top of the agenda of water treatment companies. The global water scarcity is also forcing industrial companies, especially water-intensive industries in, for example, the beverage and high-tech sectors, to set up strategies that reduce the risk of water scarcity

³ Based on NX Filtration's sales of dNF and UF membrane modules multiplied by the expected capacity and lifetime of such modules. See Sustainability Report in the 2023 Annual Report for details, assumptions and methodologies

⁴ See Sustainability Chapter in the 2023 Annual Report for details, assumptions and methodologies



and become more self-sufficient. But contingency is not the only driver, a growing number of companies are demonstrating true water stewardship. This is driving the need for sustainable practices that offer opportunities for direct nanofiltration to make existing water treatment methods more sustainable.

In the field of water quality, governments around the world are adapting legislation to ensure water quality. In the US, the first-ever national drinking water regulation for PFAS came into force in April 2024. The US Environmental Protection Agency (EPA) expects that 4,100 to 6,700 public drinking water systems (out of a total of 66,000) will need to take action to reduce PFAS to meet these new standards. With increased concerns about PFAS levels in water, it is only a matter of time when regulations will be updated globally to protect public health.

NX Filtration is actively working with its OEM partners on deploying its direct nanofiltration technology in, amongst others, the above-mentioned market trends. Pilots play an important role in our 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.

One of our medium-term objectives at the time of our IPO related to growing to approximately 200 pilots per year, which we already achieved last year. As we further mature, and our OEMs become increasingly familiar with our technology, we expect this number to stabilize going forward. In the first half year of 2024, NX Filtration initiated 104 pilot projects, similar as in the first half year of 2023. Also our fleet of pilot systems remained constant at 190 systems per 30 June 2024. We see increasing activity of OEMs and partners to deploy their own pilots, therewith shifting our focus from expanding our pilot fleet towards optimal deployment for near, medium and long-term commercial opportunities.

Pilot projects continue to generate very positive outcomes with our customers. In the first half-year of 2024 we delivered our dNF modules for 5 full-scale projects, of which 2 were repeat orders from customers who had already worked with NX Filtration before. In the first half year of 2024 NX Filtration received an additional 2 replacement orders for projects we delivered a first set of membrane modules in the past years.

As our pilot program further matures, we are also becoming more confident about the success rate of our pilots. Since 2020, we have initiated 594 pilot projects. Of these, 83 have already converted in a demo or full-scale project. The vast majority of the initiated pilot projects are either still running, have been extended into a more extensive larger pilot project, or have been concluded successfully but are still in the process of decision making, financing, permitting or engineering. We estimate that less than 30% of the commercial pilot projects we initiated are no longer associated with a potential future project. This predominantly relates to pilot projects

with our smaller Mexplorer pilot systems, and is in most cases caused by the project no longer being pursued by the customer (for example because of budget reasons), and in a limited number of cases by our technology not being selected as preferred option for the related project opportunity (for example because of risk averseness to work with a new technology or because of very specific treatment requirements outside the direct scope of our products). Based on the learnings from previous pilot trajectories, we have further finetuned our pilot qualification processes.

Start-up new factory

We are proud that in the first half-year we have successfully started-up our new large-scale factory for the production of our membrane modules according to schedule and within the anticipated Capex budget. ESG is strongly embedded in the design of this factory, with more than 1,350 solar panels for electricity generation, a unique peer-to-peer heat exchange system with neighboring datacenter Previder, an extensive heat energy management and reuse system, and an inhouse water treatment facility.

As communicated, we decided to move our entire operations into this new facility, in order to enable further efficiencies and optimizations in our operations. In July 2024 we already completed the transfer of our former module production operations from our previous location at the Josink Esweg in Enschede, the Netherlands, and in the coming months we will also start the transfer of our former membrane production operations from our previous location at the Institutenweg in Enschede, the Netherlands.

Priorities and outlook for the second half of 2024

Sustaining and accelerating adoption of our technology through our commercial roll-out strategy remains top priority in the second half year of 2024. We will further intensify our existing approach in working with OEM partners to roll-out pilot projects and convert these pilots into demo- and full-scale projects, focus on realizing more and larger repeat projects with OEMs, and therewith expanding our installed base for future replacement sales.

After the successful start-up of our new factory, we will continue to move our existing operations into this new facility to enable further efficiencies. We have already completed the transfer of our former module production operations, and in the coming months we will also start the transfer of our former membrane production operations. The additional capacity from our new factory will enable us to supply larger projects from our growing overall pipeline of opportunities for the medium term.

All underlying business drivers continue to develop in a favorable direction, and we reconfirm our outlook on total revenues for 2024 of in excess of €16 million, amongst others supported by



a growing number of successful pilot projects and concrete project opportunities from our growing OEM customer base.

We welcome our new CEO (Floris Jan Cuypers per 1 September) and CFO (Jan Feie Zwiers per 1 August 2024). Together with our existing leadership consisting of our COO (Michiel Staatsen), CTO (Erik Roesink) and CCO (Alejandro Roman), we remain fully committed to making 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.

The half year 2024 report is available on 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 28 August 2024 to comment on the H1 2024 results. Please see www.nxfiltration.com/investors for details to participate.

Financial calendar

FY 2024 results: 10 February 2025

Capital Market Day: April 2025 - exact date and location will be communicated

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

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Notes to the press release

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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, optimizing, 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 realized and the actual total revenues for 2024 could differ materially. The expected total revenues 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.