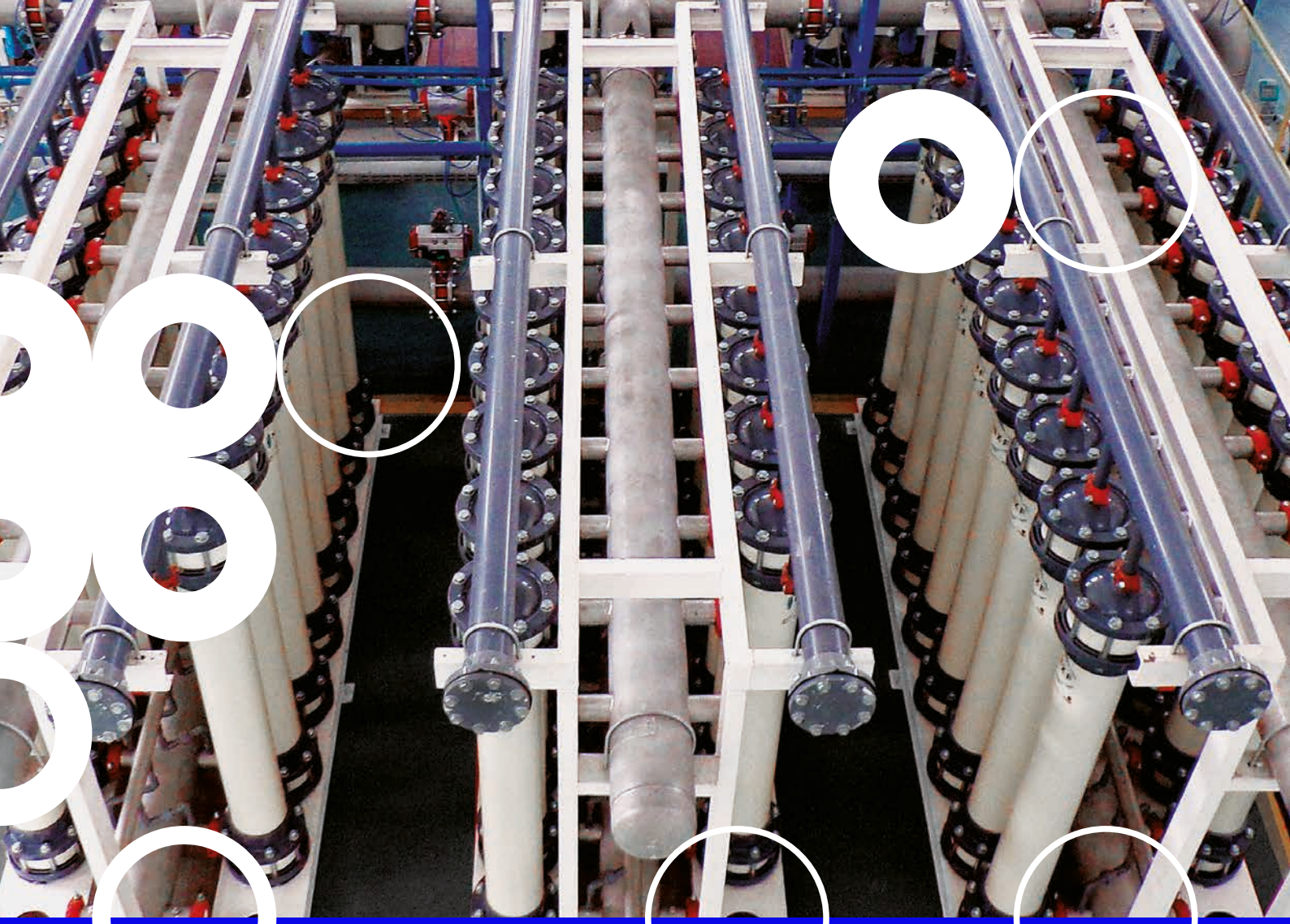
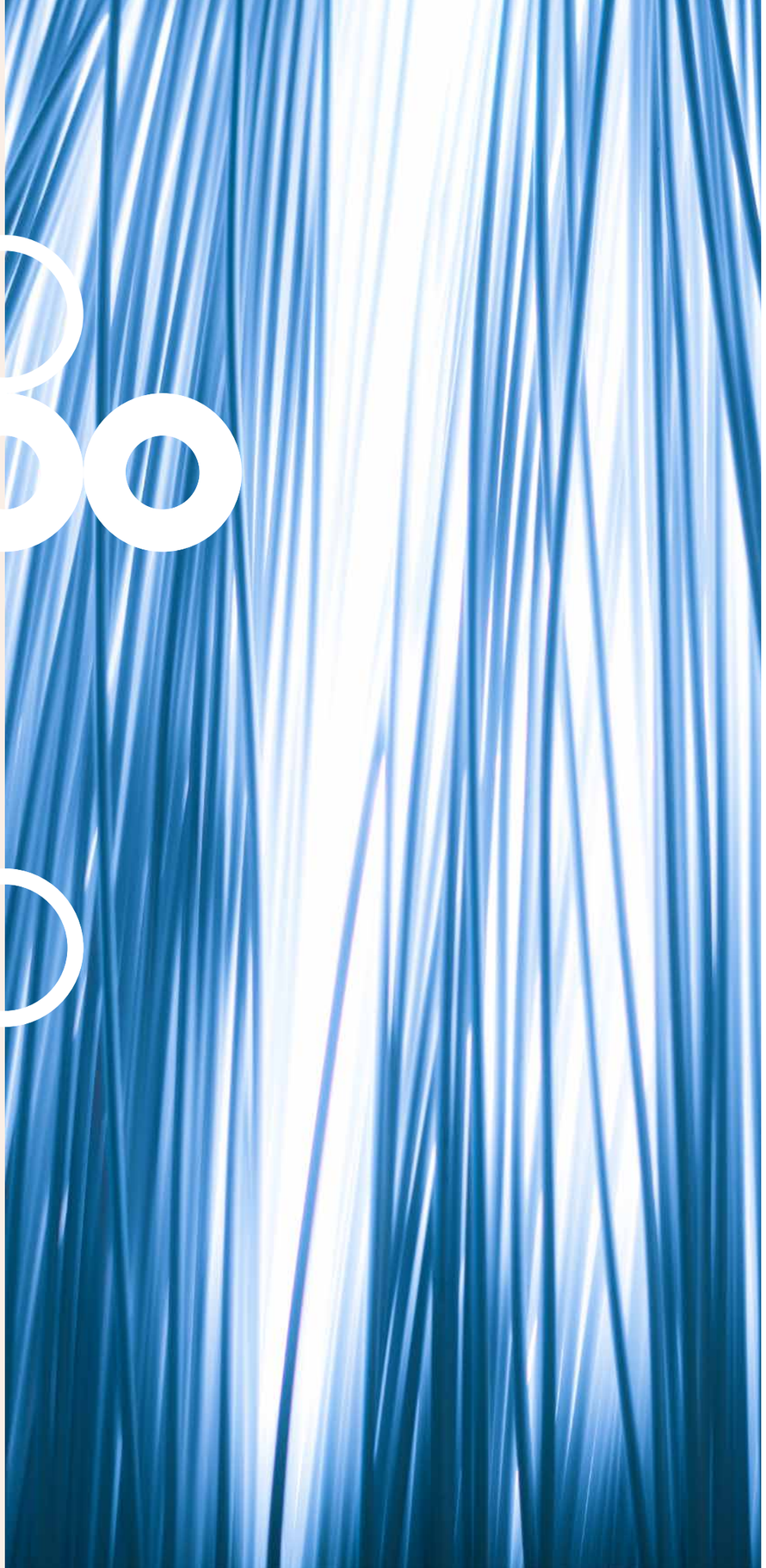


Annual Report
2023

nx filtration



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2023
at a glance

€8.1 million

total income

59.6%

gross margin

254 billion

liters of clean water enabled

Revenues were lower than anticipated, caused by longer lead times to convert pilot projects into orders for large full-scale projects, and further impacted by the current financing environment

Jeroen Pynenburg appointed as new CEO for the next stages of growth per May 2023

Successfully converted pilot projects into orders for 24 demo and full-scale plants

Continuation of repeat orders from existing partners across Europe, the Americas and Asia

Major steps forward with large global OEMs that further intensified their pilot programs, entered into cooperation agreements with us, and started offering our products in full-scale projects

Strong progress with our new megafactory, on schedule to start-up in H1 2024

Two distinction awards from Global Water Intelligence for Water Technology Company of the Year and for Water Project of the Year



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), color and selective salts, but also bacteria, viruses and nanoplastics, from water 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

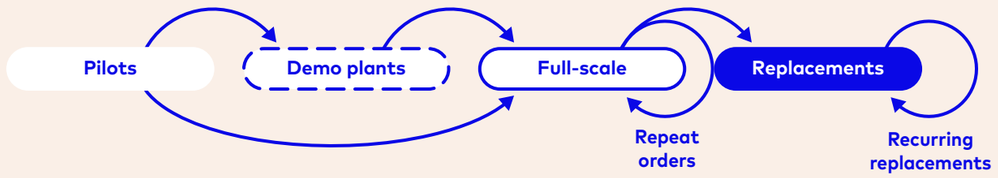
In its Clean Municipal Water business line, NX Filtration's membrane technology enables its customers to produce drinking water from surface water by removing, amongst others, micropollutants, nanoplastics and medicine residues to treat wastewater streams to prevent discharge of polluting substances 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 optimize 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 (mobile units that are typically deployed at customers' sites to test water treatment performance) that, over time, convert into demo systems (larger systems that are typically deployed at customers' sites to establish optimal process parameters and conditions for a full-scale plant) 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 rollout of NX Filtration's products in repeat projects and module replacements in existing systems.



# of projects in 2023:

209	6	18	11
Pilots	Demo plants	Full-scale plants	Of which repeat orders

Report of the Management Board



Jeroen Pynenburg
CEO



Marc Luttikhuis
CFO



Michiel Staatsen
COO



Erik Roesink
Founder and CTO

Business review

In 2023 we continued to work 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. In the course of 2023, it became clear that NX Filtration is experiencing an approximately 1.5 years delay in the roll-out of its original business plan, that is caused by longer lead times to convert pilot projects into orders for large full-scale plants, as well as by the current financing environment that negatively impacts our end-customers' investment plans, as well as the ability and willingness of OEMs to build-up or maintain stock of our modules anticipation of orders for upcoming projects. At the same time, the underlying drivers for our business are stronger than ever: the market is developing very favorably, our pipeline continues to grow, and we experience great traction with major global water companies that are clearly entering the next stage of roll-out of our technology. Our strong technology position is underscored by a sustained high gross margin and a continuation of repeat orders from existing partners across Europe, the Americas and Asia. We have been making strong progress on the construction of our new megafactory that we expect to start-up according to schedule in the first half of 2024.

Market developments

Trends in the water markets that can benefit from our direct nanofiltration technology have developed very favorably in 2023. Driven by droughts and water pollution, many countries are implementing new regulations and investment plans related to water. For example, in March 2023, France introduced 53 measures to share, reuse and save water. One of the objectives of this plan is to achieve 10% wastewater reuse by 2030, compared to less than 1% today. This represents nearly 1,000 projects in five years to recycle and reuse water. Also in March 2023, the US Biden-Harris Administration proposed the first-ever national drinking water standard related to PFAS. In May 2023, Spain announced a €2.2 billion package to alleviate drought impact, and in June 2023 Germany announced new limit values for PFAS in drinking water.

In October 2023, the European Economic and Social Committee (EESC) adopted its call for a new and comprehensive water strategy for Europe – an EU Blue Deal. Part of this Blue Deal is the requirement to add additional treatment steps to remove a broad spectrum of micropollutants by 2045, with intermediate targets in 2040 and 2035. Another European regulation, the Water Framework Directive, poses strict guidelines for surface water quality that EU countries have to comply with by 2027, with direct consequences for, amongst others, industries and their wastewater treatment processes.

Commercial roll-out

We are particularly proud that we are making major steps forward with key OEMs across all geographies. In Europe, large OEMs further intensified their pilot programs with our technology, entered into cooperation agreements with NX Filtration, and started offering NX Filtration's products in full-scale projects. We received follow-on orders from various customers. In the food & beverage market we realized a large replacement order and have our technology included in a new beer filtration concept that is being brought to the market in 2024. In Asia, we experience an increasing size of full-scale projects with large orders from various OEMs who also entered into cooperation agreements with NX Filtration that form the basis for further roll-out of our technology. In the Americas, our sales team continued to plant the seeds with a focus on industrial and smaller municipal projects across North America, and various larger drinking water projects across Latin America that have many similarities with the fast commercial roll-out we experience in Asia.

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 this commercial roll-out strategy, that is based on converting pilot projects into orders for larger demo or full-scale projects, with subsequent repeat orders from existing clients, and periodic module replacements at existing plants.

In 2023, NX Filtration initiated 209 pilot projects compared to 167 in 2022. At the end of 2023, NX Filtration had 190 pilot systems in its fleet, up from 162 at the end of 2022. Pilot projects continue to generate very positive outcomes with our customers. In 2023 we delivered our dNF modules for 6 demo projects and 18 full-scale projects, of which 11 were repeat orders from customers who had already worked with NX Filtration before.

As our pilot program further matures, we are also becoming more confident about the success rate of our pilots. Since 2020, we have initiated 490 pilot projects. Of these, 78 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 25% 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).

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. We have externally certified science-based CO_2 reduction targets, work with an independent ESG risk rating from Sustainalytics, in which we rank amongst the 14% best performers in our global subindustry peer group, we are part of the United Nations Global Compact initiative, and have 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 2023 membrane sales can enable the production of 254 billion liters of clean water[1], which is equivalent to the drinking water supply for 46 million persons during one year. In 2023, NX Filtration enabled access to clean water across 35 countries.
2. **Avoiding emissions at our customers:** With our membrane module sales in 2023, we enabled 4,188 ton CO_2e savings during the deployment lifetime of our modules, by avoiding the use of 7.8 million kg of chemicals and saving 96 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.

New megafactory

We are fully on track with the construction of our new large-scale manufacturing facility within the anticipated Capex budget. We have gained early-access to the building in December 2023 to enable the installation of production equipment well ahead of schedule. Completion of the factory and start of commissioning is planned for the end of Q1 2024, and start-up during the second quarter of 2024. In the second half of the year we plan to move our entire team and operations into this new facility. This enables further efficiencies and optimizations in our operations.

Initial machine capacity will be approximately 50k[2] membrane modules per year, with a potential to ramp-up capacity within the same facility footprint to a total targeted annual capacity of >120k[3] membrane modules.

ESG is strongly embedded in the design of this factory, with more than 400 solar panels for electricity generation, a unique peer-to-peer heat exchange contract with neighboring datacenter Previder, an extensive heat energy management and reuse system, and an inhouse water treatment facility.

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 membrane technology is also being recognized by various industry observers. We received Global Water Intelligence Distinction Awards for Water Technology Company of the Year and Water Project of the Year (for the Dumai City Wastewater Treatment Plant in Indonesia), and a Frost & Sullivan award for exceptional performance in the global industrial water and wastewater treatment membrane market.

In 2023, NX Filtration introduced its cutting-edge Online Projection Tool featuring advanced process design predictions for hollow fiber nanofiltration membranes. This tool (accessible to our customers and partners) enables the evaluation of a system's life cycle performance, including energy and chemicals consumption for designed processes. The data derived from this tool proves valuable information for greenhouse gas savings for end-users and also supports our internal Scope 3 analyses.

NX Filtration also introduced its Integrated Rack Design (IRD) for dNF membrane modules. Its compact design allows OEMs and end-users to efficiently fit our membrane technology into limited spaces in various settings, from small industrial facilities to large municipal treatment plants. The IRD's modular design simplifies on-site assembly, eliminating complexity for a swift and resource-saving setup. Its flexibility and scalability enables our OEM customers to easily customize to specific needs, and seamlessly integrate with existing infrastructure for optimal performance.

Outlook

Sustaining and accelerating adoption through our commercial roll-out strategy remains top priority in 2024. We will continue our existing approach in which our global commercial teams are working with OEMs to roll-out pilot projects and convert these pilots into orders for demo- and full-scale projects, as well as obtain

[1] *Based on NX Filtration's sales of approximately 2,451 membrane modules (dNF and UF only), multiplied by the expected capacity and lifetime of such modules. See Sustainability Report for details, assumptions and methodologies*

[2] *Estimation, based on 5-shift production and depending on product mix*

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

orders for repeat projects with OEMs that have already gained experience with our technology before.

In the context of the delayed roll-out of our business plan we have taken cost control measures without impacting our medium and long-term growth ambitions. NX Filtration is focused on making its ahead-of-the-curve investments even more effective. For example, our globally commercial organization has developed professional onboarding processes for OEMs and end-customers, and gained experience in rolling-out pilot projects and converting these into orders for larger projects. We will sustain our global commercial team in its current size of approximately 42 FTEs and continue to work on effective execution and collaboration with our ever-growing base of (OEM) partners. Also, in terms of our fleet of pilot systems, we have made ahead-of-the-curve investments, growing this fleet from 85 systems at the beginning of 2022 to 190 systems at the end of 2023. Therewith we are reaching our medium-term objective of 200 pilot systems, and will be shifting our focus from rapid expansion of our pilot fleet towards optimal deployment for near, medium and long-term commercial opportunities.

2024 is a key year for our production footprint. We are nearing the completion of our new megafactory. In the second half of the year we plan to move our existing operations into this new facility to enable further efficiencies. The additional capacity from the new megafactory will enable us to supply our modules for larger projects from our rapidly growing overall pipeline of opportunities for the medium term.

Our outlook on total revenues for 2024 is in excess of €16 million, a substantial increase from €8.1 million in 2023. We are reiterating our medium- and long-term objectives on revenue growth and profitability, although the roll-out of our business plan is delayed with approximately 1.5 years. The growth for the years to come is further substantiated by strong building blocks that are in place: e.g. benefiting from stronger than ever market trends, making major steps forward with key OEMs, and seeing a rapidly growing pipeline of commercial opportunities.

We expect our current cash position (€50 million at year-end 2023) to be sufficient to fully finance the construction of our new megafactory, and our operations in 2024. To implement our growth strategy for the longer-term, we are exploring a range of possibilities to increase our financial flexibility, including asset-based financing on our €58 million fixed asset base as per year-end 2023. In conjunction with the opening of our megafactory by mid-2024, we plan to organize a Capital Markets Day to provide an update of market developments and the roll-out of our business plan.

Management Board

Jeroen Pynenburg	**Marc Luttikhuis**	**Michiel Staatsen**	**Erik Roesink**
CEO	CFO	COO	CTO

In 2024 we will be opening our new state-of-the-art megafactory





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).

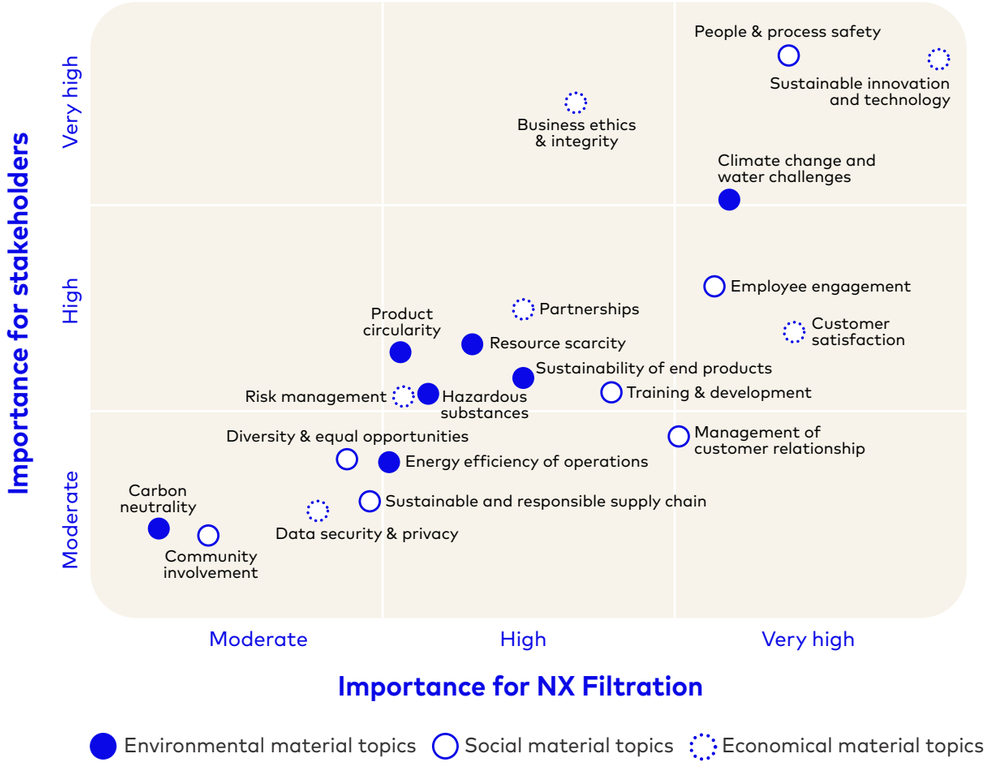
NX Filtration's direct nanofiltration technology can play a central role in addressing these issues. Our technology is designed to remove micropollutants (including pharmaceuticals, medicines, PFAS and insecticides), colour and selective salts from water in one single step and also removes bacteria, 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. 2023 marked an important year for NX Filtration in terms of progress on our ESG agenda: we are very well on track to meet our externally certified science-based CO_2 reduction targets, we improved our ESG risk rating from Sustainalytics, in which we rank amongst the 14% best performers in our global subindustry peer group, we participated in the United Nations Global Compact initiative, and our formal ESG Committee further formalized 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 2023 on various topics such as code of conduct compliance, business ethics and human rights.

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 a 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 paragraph *NX Filtration's integrated ESG framework*.



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. 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: (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 (vii) 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)

NX Filtration's CO_2 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.

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

ESG regulations

Introduction

Regulation (EU) 2020/852 (Taxonomy), as amended, on the establishment of a framework to facilitate sustainable investment (the **EU Taxonomy Regulation**) has introduced a classification system for environmentally sustainable economic activities. CSRD, and therefore the EU Taxonomy, is mandatory for NX Filtration as of 2026. This report is prepared in light of the preparations towards compliance with those regulations and is not intended to comply with all the requirements at this point in time. The numbers included in this report are not audited by an independent auditor.

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 environmental objectives that NX Filtration seeks alignment to is climate change mitigation, and the sustainable use and protection of water and marine resources.

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 CO_2 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/m^3 , as compared to approximately 1.7 kWh/m^3 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 Assesment 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 CO_2 savings of its dNF products, NX Filtration believes that 54% of its 2023 revenues (dNF sales as percentage of total revenues from sale of goods) could possibly align with objective 1 'climate change mitigation', as these revenues contribute to reducing energy consumption and avoiding chemicals.

Approximately 90% of 2023 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 2023 operating expenses that are associated with its dNF products represent approximately 54% 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 2024 and onwards, 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

This objective clearly aligns with the business purpose of NX Filtration. Based on the current technical screening criteria and according to our internal assessment, it however seems that we will not be eligible to report alignment therewith. As part of our preparations for our public reporting obligations, including discussions with external advisers, we will investigate this further in 2024 and onwards.

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.

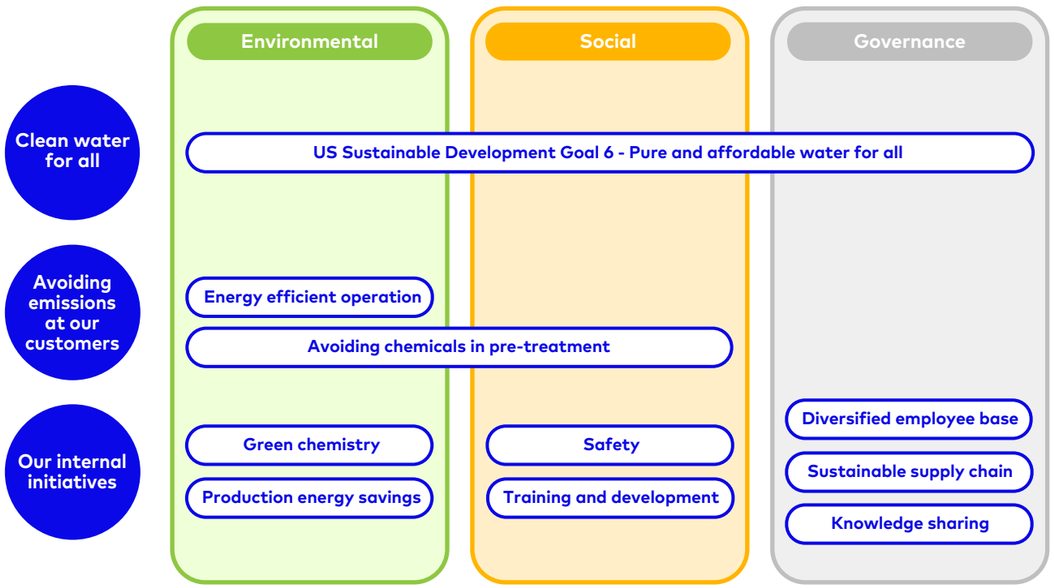
Technical screening and DNSH (do no significant harm) criteria available

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 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. 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 166 FTEs at 31 December 2023 represented more than 15 nationalities.

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 2023*

Clean water for all

2023 membrane sales could enable the production of:

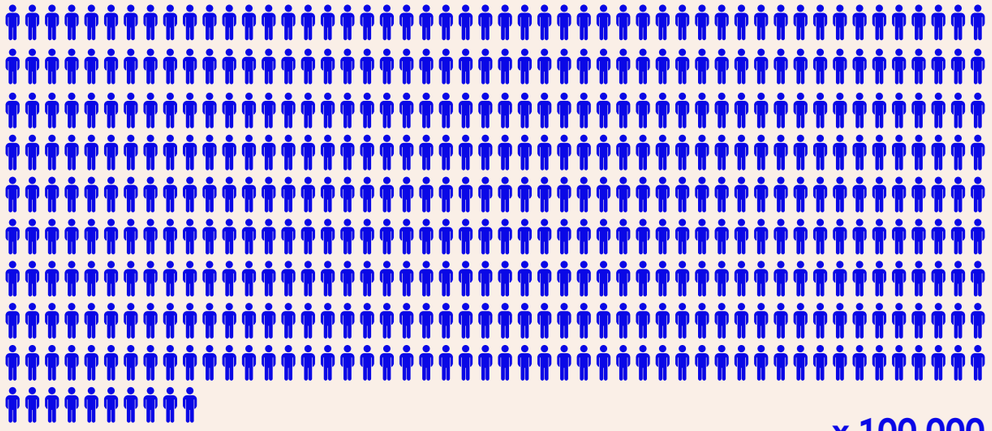
254 billion liters of clean water

Based on NX Filtration's sales of approximately 2,451 membrane modules (dNF and UF), multiplied by the expected capacity and lifetime of such modules.

...which is equivalent to:

drinking water supply for 46 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.



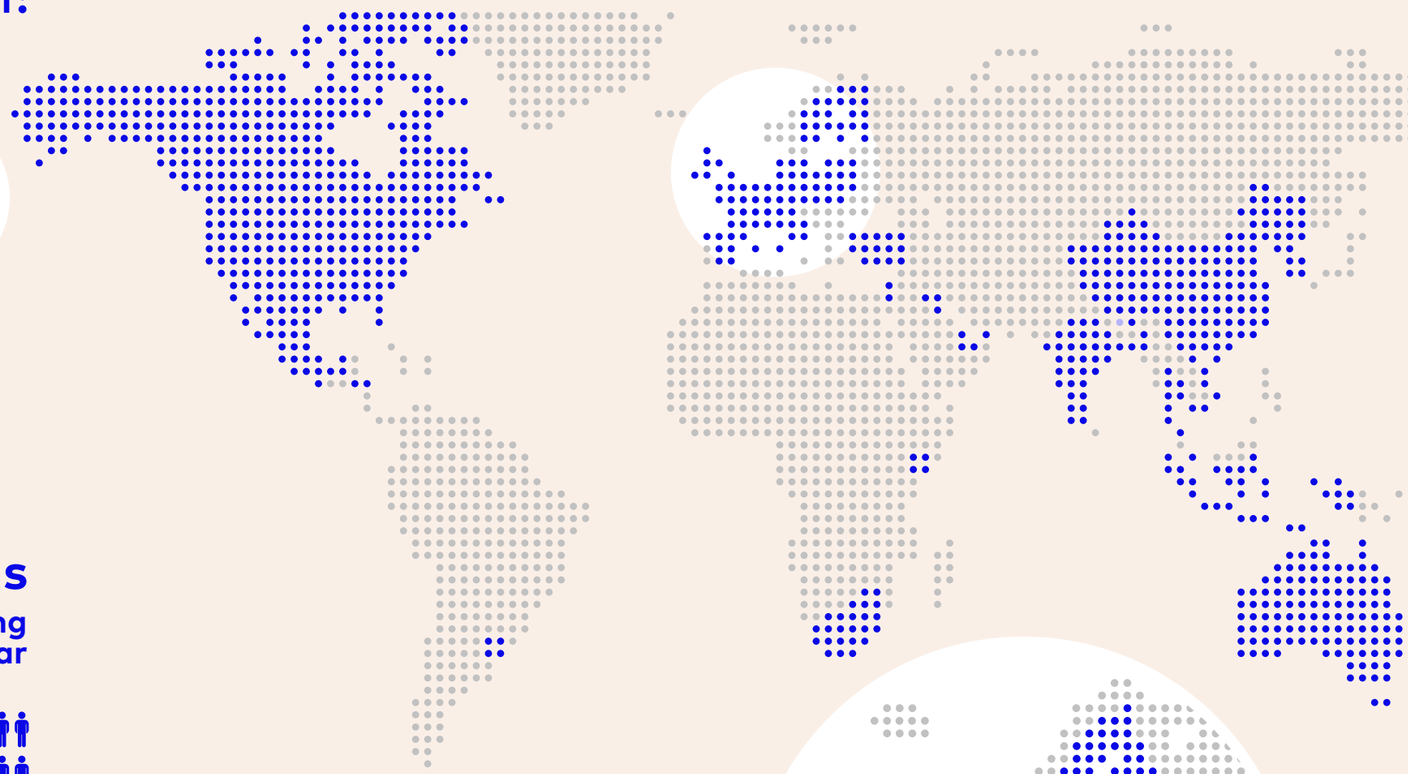
x 100,000

* Please note the statements and information provided in this section are unaudited.

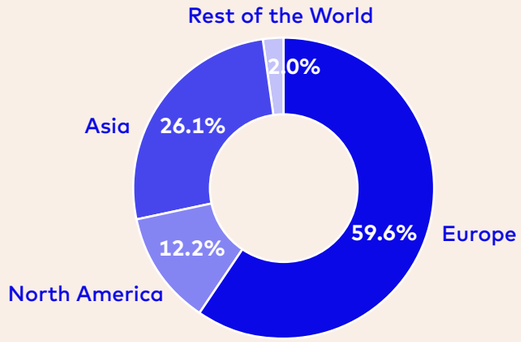
In 2023

nx filtration

enabled clean water across 35 countries worldwide



2023 revenue of sale of goods by region





Our impact in 2023*

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 organization 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.

Please note the statements and information provided in this section are unaudited.

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., NX Filtration Real Estate B.V. (each incorporated in the Netherlands), NX Filtration (Beijing) Membrane Technology Co. (incorporated under Chinese law), Ltd., NX Filtration India Private Limited (incorporated under Indian law), and NX Filtration Americas, LLC (incorporated under United States law) 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.

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 2023 amounted to 729 ton CO_2e (CO_2 equivalent). Scope 1 CO_2e emissions amounted to 481 ton, of which 7% related to lease cars and 93% to natural gas combustion). The natural gas usage (222,266 cubic Nm3) was CO_2 compensated through NX Filtration's energy supplier by investments in Verified Emission Reduction units. Scope 2 CO_2e emissions amounted to 0 ton under the well to wheel approach. If we include CO_2e emissions due to the construction and demolition of wind turbines (under an LCA approach) we add approximately 0.014 grams of CO_2e per kWh meaning 27 ton CO_2e emission for electricity (based on 1,963 MWh). These Scope 2 emissions were all off-set as 100% of the purchased electricity (1,963 MWh) was sourced from European wind projects. Reported Scope 3 CO_2e emissions related to business travel (currently the only Scope 3 emissions that are monitored) amounted to 222 ton CO_2e in 2023.

*** Please note the statements and information provided in this section are unaudited.**

NX Filtration's GHG footprint in 2023 amounted to:

729 ton CO_2e

versus:

4,188 ton CO_2e savings

enabled during the deployment of NX Filtration's membrane modules

avoidance of **7.8 million kg** of chemicals

96 GWh energy savings

Downstream CO_2e savings of NX Filtration's products

The downstream CO_2e 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 3,578 kilo CO_2e 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 Assesment 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). CO_2e 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.

CO_2e 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 CO_2e 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 start-up of the new megafactory and the integration of our existing operations into this facility, we will be able to realize reductions of waste in production. Other ongoing programs to reduce our CO_2 footprint include the recovery of materials used in the production process and further production efficiencies. ESG is strongly embedded in the design of our new megafactory, with more than 400 solar panels for electricity generation, a unique peer-to-peer heat exchange contract with a neighboring datacenter, an extensive heat energy management and reuse system, and an inhouse water treatment facility.

Our impact in 2023*

Our internal initiatives

Employees

23% growth in the number of employees

Our employee base grew from 135 FTE at the end of 2022 to 166 FTE at the end of 2023, representing more than 15 nationalities. In addition to the Netherlands, NX Filtration has sales representation in Belgium, China, Egypt, France, Germany, India, Indonesia, Japan, Singapore, Spain, UAE, United States and Vietnam, 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.

Safety

0 lost time injuries and fatalities in 2023

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 all employees. Upon joining NX Filtration, each employee receives an introduction safety training and each department meeting starts with a health and safety topic. A proactive hazard reporting system has been introduced, wherein every employee is motivated to report hazards, to secure a safe workplace for all by improving and securing processes by learning from hazards/near misses and preventing it will not happen in future. 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, 2022 and 2023. NX Filtration has a safety policy, conducted safety trainings and is pro-actively sharing alerts and performance.

Suppliers

100% adherence to NX Filtration's Supplier Code of Conduct by all material suppliers and contractors for our 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 material suppliers and contractors for our new megafactory. We also conducted and continue to conduct 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.

* Please note the statements and information provided in this section are unaudited.

Research & development

50 patents as per 31 December 2023

Our patent portfolio included 9 patent families (of which 1 newly added in 2023) with in total 50 patents granted (of which 14 added in 2023). 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

11 scientific publications authored by NX Filtration employees

In total, our people authored in approximately 47 peer reviewed scientific publications since 2016. In 2023, our people authored in 11 peer reviewed scientific publications, amongst others, in the Journal of Membrane Science and in Separation and Purification Technology.

Throughout 2023 a total of 13 students and trainees were part of the NX Filtration's team, e.g., as an intern for their BSc or MSc thesis. More than 20 lectures were given by NX Filtration's team at various conferences and shows, amongst which at the 13th International Congress on Membranes and Membrane Processes (ICOM 2023, Japan), the 15th Aachener Tagung Wassertechnologie (15. ATW, Germany), and at the Desalytics Water Week (UAE). In 2023, we also started to host interactive workshops on our dNF technology to further engage stakeholders, such as end-users and technology providers.

Academic network

19 partnerships with universities and research institutes around the world

KAUST
THE WATER COUNCIL
UNIVERSITY OF BATH
KWR
WAGENINGEN UNIVERSITY & RESEARCH
wetsus
HAN_UNIVERSITY OF APPLIED SCIENCES
GHENT UNIVERSITY
UNIVERSITEIT STELLENBOSCH UNIVERSITY
100 1918-2018
LEITAT Technological Center
UNIVERSITÄT DUISBURG ESSEN
esa
UNIVERSITY OF TWENTE.
SAXION
TU Delft
RWTH AACHEN UNIVERSITY
Universität Hamburg
同济大学 TONGJI UNIVERSITY
wfk

Looking ahead

Looking into the future, NX Filtration foresees robust growth in its business. While expanding, the company remains steadfast in its commitment to Environmental, Social, and Governance (ESG) principles. NX Filtration places importance on maintaining high ESG standards, recognizing our significance for long-term success, customer satisfaction, environmental well-being, and societal benefits. The ongoing substantial growth of NX Filtration opens up numerous opportunities to integrate ESG considerations with the right standards right from the outset. The construction of our new megafactory at the High Tech Systems Park in Hengelo, the Netherlands, represents a significant chance to implement measures for advancing ESG initiatives.

In 2024, NX Filtration aims to persist in its business expansion, concurrently increasing the impact through the sale of membrane products. This commitment contributes to global access to clean and safe water while simultaneously reducing energy and chemical usage in water treatment processes. As our business scales up, the goal is to further decrease energy consumption and implement measures to minimize greenhouse gas (GHG) emissions. This involves initiatives such as procuring green electricity, continuing the transition to electric vehicles, and electrifying operations. Other crucial factors in achieving this objective encompass enhancing efficiency in new production lines, adopting more energy-efficient production methods, and moving towards low-carbon distribution and logistics through active engagement with suppliers.

Furthermore, 2024 will be a year in which NX Filtration will diligently prepare for reporting in accordance with the CSRD and the EU Taxonomy, to be expected at the earliest in 2026. This will align NX Filtration's processes to meet new sustainability reporting requirements. We are engaging external advice to guide us on first preparatory steps, for example on our double materiality assessment.

2023 month by month

10 January

NX Filtration receives follow-on order from Ekopak for water treatment project in Belgium

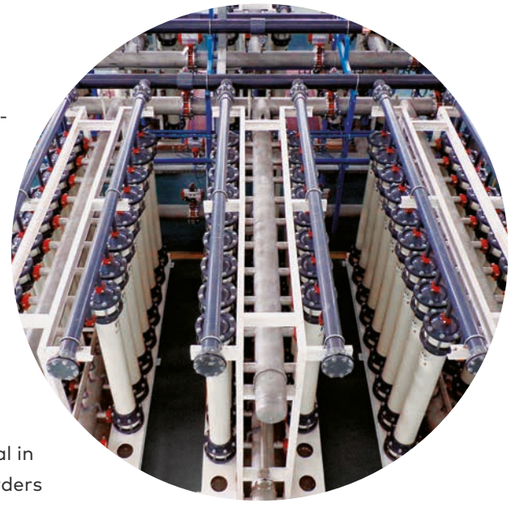
Ekopak, an ESG-driven company specializing in decentralized circular water solutions such as Water-as-a-Service (WaaS), selected NX Filtration to supply its dNF membrane modules for the extension of a rainwater recovery project in Belgium. The project aims to reduce dependency on groundwater and uses rainwater, that is gathered in a local pond, as a source for high quality water production for industrial use.



7 February

NX Filtration receives follow-on orders for large scale drinking water projects in Indonesia

NX Filtration was selected by PT. Bayu Surya Bakti Konstruksi, an Indonesian specialist in constructing water and wastewater treatment plants, to supply its dNF membrane modules for various new projects. These orders follow previous projects in Indonesia related to drinking water supply for the city of Dumai in Sumatra, Meranti Island, and Indonesia's biggest state owned hospital in Jakarta. The new orders relate to various treatment plants that PT. Bayu is currently developing in Indonesia.



30 March

NX Filtration receives order from GreenTech for full-scale advanced water treatment applications in China

NX Filtration was selected by GreenTech Environmental, a leading publicly listed company in advanced water treatment and wastewater recycling in China, to supply its dNF membrane modules for large-scale water supply projects in China. The commercial agreement followed a pilot program of approximately one year, in which NX Filtration's dNF technology was tested on the removal of emerging micropollutants from surface waters in China. The new full-scale project developments will use dNF membrane modules to produce drinking water from micro-polluted surface water and quality reclaimed water from alternative water sources, which are increasingly important sources for water production across China.

3 May

NX Filtration strengthens executive team with Jeroen Pynenburg as CEO for the next stages of growth

NX Filtration proudly announced the appointment of Jeroen Pynenburg as Chief Executive Officer (CEO). Michiel Staatsen, who previously held both the positions of CEO and Chief Operations Officer (COO), continued to focus on his role in the Management Board as COO. Jeroen Pynenburg has an extensive track-record of managing strong growth at ESG companies. Over the past four years, Jeroen held the position of Business Unit Director Electric Vehicle Charging Equipment at Alfen and prior to that, Jeroen was Global lead Electric Vehicle Infrastructure Service and Applications at ABB.

12 May

NX Filtration receives two distinction awards at the Global Water Summit 2023

NX Filtration received two important distinction awards from Global Water Intelligence at the annual Global Water Summit, the major business conference for the water industry worldwide, with this year's theme Creating a Climate for Growth. NX Filtration received distinctions in the category Water Technology Company of the Year and Water Project of the Year. The latter was awarded to the Dumai City Wastewater Treatment Plant on the island of Sumatra in Indonesia. This plant, commissioned by local utility PDAM Dumai and contracted PT Bayu Surya Konstruksi, uses NX Filtration's dNF membrane modules to treat water for potable purposes from the local Masjid River.



1 June

NX Filtration receives award from Frost & Sullivan for the customer value of its membrane technology

NX Filtration received a customer value award from Frost & Sullivan for its dNF membrane technology. The award recognizes NX Filtration's exceptional performance in the global industrial water and wastewater treatment membrane market. Frost & Sullivan's customer value leadership award recognizes the company that offers products or solutions that uniquely addresses key customer challenges. Frost & Sullivan applies a rigorous analytical process to evaluate nominees, in

which Frost & Sullivan's global team of analysts researched markets and companies on criteria related to business impact and customer impact.

7 June

Aqualia and NX Filtration enter next phase in using direct nanofiltration technology
Aqualia, a water cycle management company in 18 countries, and NX Filtration further extended their relationship. Over the past two years Aqualia validated NX Filtration's dNF technology through a series of pilot tests on various applications, including drinking water production and wastewater reuse. This led to an agreement between the two companies that forms the basis for the use of NX Filtration's dNF technology in various future projects across Aqualia's territories.

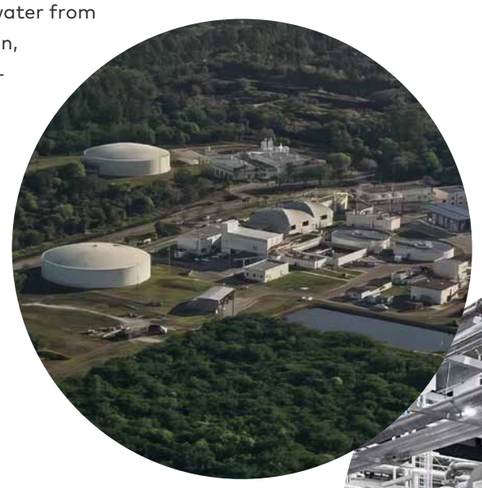


10 August

Product Star Award for NX Filtration at the 2023 Qingdao International Water Conference
NX Filtration's hollow fiber nanofiltration membrane technology has been awarded the prestigious "Product Star" accolade organized by the China Desalination Association at the 2023 (18th) Qingdao International Water Conference & Water Exhibition and the 2023 (6th) Water Industry China Starlight Award evaluation ceremony in Qingdao in China. This achievement marks the high appreciation for NX Filtration's breakthrough membrane technology by the Chinese water industry.

5 September

Jacobs Engineering, Harn RO, and NX Filtration publish on the advantages of sustainable surface water treatment with hollow fiber nanofiltration membranes in the US
In Melbourne, Florida, Jacobs Engineering, Harn RO, and NX Filtration teamed up to prove the performance, sustainability and economical benefits of direct nanofiltration technology through extensive testing with a full-scale demo unit against traditional technologies. The Melbourne Water Treatment Plant draws surface water from Lake Washington, which experiences high organic content during summer and turbidity spikes caused by rainfall and lake turnover events in winter. The perfect place for this demonstration.





27 September

NX Filtration wins the 2023 Impact Scaler Award for outstanding growth and social impact
NX Filtration is thrilled to announce that it has been honored with the prestigious 2023 Impact Scaler Award. The Impact Scaler Award is a special recognition reserved for the top-performing high-growth firms within the Top 250 Growth Companies that not only experience rapid expansion but also have a deeply ingrained commitment to making a positive social impact.

28 September

NX Filtration supplies beer filtration membranes to Carlsberg Fredericia in Denmark
NX Filtration supplied its membranes to Carlsberg's Fredericia brewery in Denmark, one of the largest breweries in Europe, that has a strong focus on process optimization and sustainability. NX Filtration's microfiltration membranes are being used to further improve performance and sustainability of Carlsberg's flagship brewery. Microfiltration offers a superior alternative for traditional filtration methods because of its higher and more constant quality, lower energy use, the possibility of continuous operation and the avoidance of environmental impact.

23 October

Envirogen deploys water treatment technology at UK rail project
NX Filtration proudly supplied Envirogen Group with its ultrafiltration membrane modules for the wastewater treatment of Align JV that is delivering UK's new high speed rail network. Together, we've crafted a cost-effective solution for wastewater treatment that reflects Envirogen's dedication to innovation and environment.

1 November

IWE paper industry starts demo plant for sustainable water re-use
Industriewater Eerbeek (IWE), a subsidiary of three Dutch paper mills focusing on wastewater treatment, has started a demonstration plant for the re-use of its wastewater based on dNF technology from NX Filtration. The NX Filtration technology is an integral part of a zero liquid discharge pilot test, organized and operated by Nijhuis Saur Industries (NSI), Pure Water Group and REDstack.



8 November

Nijhuis Saur Industries and NX Filtration partner to address water scarcity and reduce water footprint

In a significant stride towards minimizing the water footprint of its clients, Nijhuis Saur Industries announced a partnership with NX Filtration. This collaboration enables the market to benefit from NX Filtration's nanofiltration technology, that effectively remove a wide range of contaminations from water in a sustainable process, through Nijhuis Saur Industries' extensive fleet of mobile water treatment systems. This is a testament to the shared commitment of both organizations to address the challenges of water scarcity and improve water quality to close the water loop.



10 November

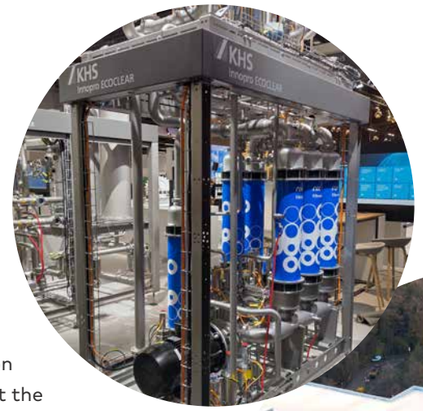
Launch of new Integrated Rack Design and Projection Tool at Aquatech Amsterdam 2023

At Aquatech Amsterdam, NX Filtration launched its Integrated Rack Design, a modular rack setup for dNF membranes that is cost-effective, flexible, scalable, and has a small footprint. We also introduced a new Projection Tool, an intuitive online platform designed for rapid and iterative system analysis, specifically tailored for our dNF membrane modules. It provides a reliable estimation of key component rejection, enhancing the appreciation for our breakthrough membrane technology.

28 November

KHS Group launches new beer filtration concept based on NX Filtration membrane technology

KHS Group, one of the world's leading manufacturers of filling and packaging systems for the beverage and liquid food industries, launched a new beer membrane filtration concept, Innopro EcoClear, at the BrauBeviale 2023. The new system is based on membrane modules from NX Filtration, offering significant advantages in terms of superior quality, operational uptime and sustainability.



6 December

REGAIN consortium partners with NX Filtration to demonstrate municipal wastewater reuse

The REGAIN research project, a Dutch consortium of a water board, an industrial water company, and two research institutes, has selected NX Filtration's hollow fiber nanofiltration membrane technology to be one of the three technologies to be tested on its effectiveness and efficiency in removing pharmaceutical residues from wastewater. The objective of this test is to avoid the discharge of such residues into the Unesco nature reserve Waddenzee and to enable the production of industrial grade water by re-using treated wastewater.

19 December

First peer-to-peer heat exchange in the Netherlands for NX Filtration's new megafactory

NX Filtration entered into an agreement with Previder (part of Odin Group), an IT solutions provider, to source residual heat from Previder's adjacent datacenter for its new megafactory. This is the first peer-to-peer heat exchange between a datacenter and an external user in the Netherlands, that significantly reduces CO_2 emissions of both parties. This unique heat exchange agreement with Previder adds to a broader set of sustainability initiatives that we are implementing at our new factory and enables us to avoid the usage of fossil fuels in our production processes.





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 nanoplastics, from water 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.

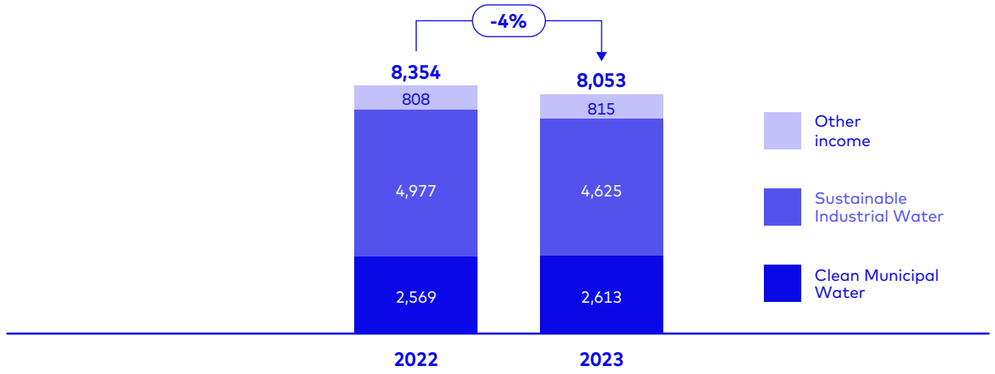
All financial information can be found in the consolidated financial statements.

Gross income

Gross income decreased by 4% from €8,354 thousand in 2022 to €8,053 thousand in 2023. Revenues from the sale of goods decreased by 4% from €7,546 thousand in 2022 to € 7,238 thousand in 2023. Other income slightly increased from €808 thousand in 2022 to €815 thousand in 2023. A reduction in government grants for innovation projects was offset by rental income from pilots growing from €400 thousand in 2022 to €641 thousand in 2023.

NX Filtration is experiencing an approximately 1.5 years delay in the roll-out of its original business plan. This delay in revenue growth is caused by longer lead times to convert pilot projects into orders for large full-scale projects. This is driven by both pilot trajectories taking longer than anticipated, as well as longer lead times towards larger projects after the pilot phase, amongst others caused by permitting lead times, decision making and engineering. These delays were further impacted by the current financing environment that negatively impacts our end-customers' capex plans, as well as the ability and willingness of OEMs to build-up or maintain stock of our modules in anticipation of upcoming projects.

Gross income (€ '000)



Although the top line development was below expectations we have made major steps forward with large global OEMs that further intensified their pilot programs, entered into cooperation agreements with us, and started offering our products in full-scale projects. Our strong technology performance is underscored by a continuation of repeat order from existing partners across the globe.

In our Clean Municipal Water business line, revenues were €2,613 thousand in 2023, compared to €2,569 thousand in 2022. This business line benefitted from various drinking water projects in Asia. In Europe major steps forward were made with several key OEMs (e.g. Veolia, Aqualia, Suez and Nijhuis Saur). We received follow-on orders from, amongst others, Belgian Water-as-a-Service company Ekopak and UK-based industrial water treatment provider Envirogen. In Asia, we experience an increasing size of full-scale projects with large orders from e.g. Greentech in China and Hydroflux in Australia, who also entered into cooperation agreements with NX Filtration that form the basis for further roll-out of our technology. In the Americas, our sales team continued to plant the seeds with a focus on industrial and smaller municipal projects across North America, and various larger drinking water projects across Latin America.

In our Sustainable Industrial Water business line, revenues were €4,625 thousand in 2023, compared to €4,977 thousand in 2022. The focus in this business line remains on industries looking to reduce their water footprint and optimize their water systems in a sustainable way. In the food & beverage market we realized a large replacement order for Carlsberg's flagship Fredericia brewery in Denmark, and have our technology included in KHS Group's new beer filtration concept that it is bringing to the market in 2024.

Gross margin, EBITDA and Net result

Gross margin increased from 57.3% in 2022 to 59.6% in 2023 and is underpinning our strong technology position. The gross margin was positively impacted by our continues focus to improve our productivity, our successful multiple sourcing strategy and positive product mix effects.

EBITDA loss was €11,936 thousand in 2023 compared to a loss of €8,549 thousand in 2022. The EBITDA loss is mainly driven by investing in the organization ahead-of-the-curve to facilitate future business. For 2024, we are taking cost control measures without impacting our medium and long-term. The loss before tax was € 14,347 thousand in 2023 compared to a loss before tax of €11,895 thousand in 2022. The net loss (after tax) was € 23,292 thousand in 2023 compared to a net loss of € 8,642 thousand in 2022, mainly impacted by a derecognition of € 8,945 thousand of accumulated deferred tax losses of previous years and not recognizing any deferred tax benefits for the current year. In line with IFRS regulations and interpretations, management evaluated positive and negative evidence supporting the valuation of deferred tax assets for tax losses. The one and half year delay in the business plan, that the Company is currently anticipating, changed the balance in this assessment resulting in the derecognition of the deferred tax assets. Management emphasis that this assessment is not a change in its medium and long term targets. This derecognition has no cash implications and the tax losses remain available for the Company at the moment it starts to generate profits.

Cash flows and investments

The net cash position at 31 December 2023 amounted to €49.9 million, compared to a net cash position of €104.3 million at 31 December 2022. We expect our current cash position to be sufficient to fully finance the construction of our new mega factory, and our operations in 2024. To support our growth strategy for the longer-term, we are exploring a range of possibilities to increase our financial flexibility, including asset-based financing, for more information we refer to our Going Concern assessment which is included in the Consolidated financial statements section (note 1).

Operating cash flow is €11,744 thousand negative, compared to €15,702 thousand negative in 2022. Working capital[1] increased to €9,046 thousand at 31 December 2023 versus €8,626 thousand at 31 December 2022, as a result of higher account receivables as well as increased inventory levels to meet the growing demand in 2024 and facilitate a smooth production ramp-up of our new megafactory.

This increase is partly mitigated by high trade payables related to our capex expenditure. Capital expenditures amounted to €43,940 thousand in 2023 as compared to €12,670 thousand in 2022. The capex mostly relates to the ongoing construction of our new mega factory. We are fully on track with our new megafactory. We have gained early access to the building in December 2023 to frontload the installation of equipment ahead of schedule, and completion and start of commissioning is planned for the end of Q1 2024. Additionally, NX Filtration capitalized €731 thousand of development costs which demonstrates the company's continued efforts to invest in innovations for the future.

Total FTE increased from 135 at 31 December 2022 to 166 at 31 December 2023, further shaping our global organization to position us well for the growth ahead of us. Key additions were mainly made in our application team and production department. 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
General Business	We will likely need additional financing in the near future, and such financing may not be available on favourable terms, or at all.	Low	Medium	High
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	Medium	High
	Unsuccessful pilot projects or inconsistent performance of our products could harm the customer support for our products.	Medium	Medium	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	Medium	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	Medium

Risk category	Risk description	Risk appetite	Likelihood	Potential impact
Operational	If our new manufacturing 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.	Low	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.	Low	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 number of estimates in the financial statements, and because NX Filtration was not faced with any indication for impairment in financial year 2023.

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.

General Business, Strategic and Commercial Risks and Uncertainties

NX Filtration will likely need additional financing in the near future, and such financing may not be available on favorable terms, or at all.

Given the slower than anticipated sales growth, the Company will likely need additional financing in the future for general corporate purposes, and to implement its growth strategy for the longer-term. We are exploring a range of possibilities to increase our financial flexibility, including debt-based strategies considering that we have already invested approximately €57.9 million in property, plant & equipment by December 2023. However, we may be unable to obtain desired additional financing on favorable terms or at all, including accessing the capital markets when it may be necessary or beneficial to do so, which could negatively impact our flexibility to react to changing economic and business conditions. For example, during periods when credit markets are volatile, lenders may fail or refuse to provide capital. If adequate funds are not available on acceptable terms, we may be unable to fund growth opportunities, successfully develop or enhance products, or respond to competitive pressures, any of which could negatively affect our business, financial condition and results of operation.

We are fully cognizant of the risks associated with our current reliance on cash reserves and we are committed to implementing proactive measures to address these concerns. To mitigate the identified risks, we have outlined the following strategic initiatives: (i) we are actively engaged in exploring diverse funding sources, (ii) recognizing the importance of sustainable growth, we are developing a comprehensive revenue generation strategy aimed at diversifying income streams, and (iii) we are implementing robust cost management measures to optimize operational efficiency and ensure prudent use of available resources.

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 technology and 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, together with its (OEM) partners, 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. 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, semi-conductor, 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 CO_2 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 total cost of ownership (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' 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.

Operational Risks and Uncertainties

If our new manufacturing 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 finalization of our new manufacturing facility in the Netherlands within the next nine months that will primarily focus on the increased production of NX Filtration's 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. 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 and implementation roadmap in place for further increasing production capacity going forward. The construction plans are based on a highly modular concept that foresee 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.



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). 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 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 threads. 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 further strengthen its IT focus in 2024. To further mitigate the risks related to privacy related information as well as data protection in general several actions have been taken. For 2023 and ending in January 2024, 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 Institutenweg 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 have also centralized 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; (vi) 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 (vii) 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 choses 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.

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, we apply compartmentation in our processes. For different parts of our production process and equipment we make sure that no individual supplier or employee 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 embedded in the process control and 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 tailormade 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.

We furthermore enforce a comprehensive code of conduct that outlines expected behavior and ethical standards for all employees. We promote a culture of integrity and transparency, making it clear that fraudulent activities will not be tolerated. As part of our regularly held business meetings, senior management reviews financial statements, reports, and key performance indicators.

This oversight helps identify anomalies or inconsistencies that may indicate fraudulent activities. Our financial department continuously monitors systems to detect unusual patterns or behaviors in financial transactions. We started a formalization project on fraud risks and completed the formal fraud risk assessment in 2023. A formal fraud risk management programme fits our ambitions to grow to a set of defined or managed internal control measures to mitigate fraud risks.

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 supporting the values of curiosity, honesty and collaboration is also an important 'soft-control' to mitigate risks and fraud.

During the financial year 2023, 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. NX Filtration introduced a structured approach to introducing and maintaining the understanding of the company's vision and mission within the team.

In addition, further consolidation and professionalization has been achieved in the financial year 2023. We implemented a new formal fraud risk framework and a new internal control framework. These frameworks are essential pillars in fortifying NX Filtration against potential risks and ensuring the integrity of its operations. 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 2023.

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 2023. 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. In 2023, 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 the financial year 2023.

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 the financial year 2023.

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 a sustainable 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 takes into account the impact the actions of the Company have on people and the environment and to that end weighs relevant stakeholder interests. 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 H.J.F. (Jeroen) Pynenburg	52	CEO	2023	AGM of 2027
Mr M.A. (Michiel) Staatsen	52	COO	2019	AGM of 2025
Mr H.D.W. (Erik) Roesink	71	CTO	2016	AGM of 2025
Mr M.G.H. (Marc) Luttikhuis	48	CFO	2022	AGM of 2026

Mr H.J.F. Pynenburg (born 1971, Dutch) is NX Filtration's CEO since June 2023. Prior to joining NX Filtration, Jeroen held the position of Business Unit Director Electric Vehicle Charging Equipment at Alfen, leading the growth of this business. Prior to that, Jeroen was Global lead Electric Vehicle Infrastructure Service and Applications at ABB. Mr Pynenburg is a Dutch national and holds a degree in Economics and Business Administration from the Vrije Universiteit in Amsterdam, the Netherlands.

Mr M.A. (Michiel) Staatsen (born 1971, Dutch) is NX Filtration's COO. Between May 2019 and June 2023, he held the position of both CEO and COO of NX Filtration. 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 Emeritus 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) Luttikhuis (born 1975, Dutch) is NX Filtration's CFO since 1 January 2022. Marc Luttikhuis 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	47	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	53	Member (chair)	AGM of 2025
Mr B.A.M. (Benno) van Dongen	59	Member	AGM of 2025
Mr J.G. (Hans) Slootweg	44	Member	AGM of 2027

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 sustainable 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 H.J.F. Pynenburg and Mr M.G.H. Luttikhuis, 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 to 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 with Polymer Filtration Solutions GmbH (**PFS**) which is a long-term supplier of sulfonated poly (ether sulfone) to NX Filtration. PFS is under the (indirect) control of Infestos Nederland B.V.

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 6 April 2023, 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 6 April 2023, 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 6 April 2023 (i.e. until and including 6 October 2024), 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%.

Dutch Corporate Governance Code

The Dutch Corporate Governance Code, as amended in 2022, 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 provisions set out below.

- The Company is not fully compliant with best practice provisions 2.1.5-2.1.6 that requires that the D&I policy of the Company should in any case set specific, appropriate and ambitious targets in order to achieve a good balance in gender diversity and the other D&I aspects of relevance to the Company with regard to the composition of the Management Board, the Supervisory Board and sub-top management.

  In 2023, we have made significant improvements as regards D&I following the introduction of the Company's D&I Policy and the signed CEO statement. In the following paragraph of this annual report we elaborate extensively on our D&I efforts and report on gender data for the Management Board, Supervisory Board and sub-top management. However, given the early-stage nature of the Company, we had also other challenges and priorities to deal with, but we expect to comply with these best practice provisions in respect of the financial year 2024.

- The Company is not in compliance with best practice provisions in principle 1.3 that requires an internal auditor. The current size of the Company does not justify the appointment of an internal auditor. In 2023 the Supervisory Board has reassessed the need for an internal auditor. Based on this review, the Supervisory Board has recommended the Management Board that the current size of the Company still does not justify the appointment of an internal auditor.

Diversity Policy Supervisory Board

The diversity policy of NX Filtration has been in effect since its adoption by the Supervisory Board on 11 June 2021 (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.

Diversity & Inclusion (D&I) within NX Filtration

In this paragraph we explain our D&I policy and the way in which it is implemented in practice, (i) the goals of the D&I policy; (ii) the plan to achieve the goals of the D&I policy; (iii) the results of the D&I policy in the past financial year and – where relevant and applicable – insight into the inflow, progression and retention of employees; and (iv) the gender composition of the Management Board, the Supervisory Board, and senior management at the end of 2023.

NX Filtration recognizes that for the success of the company, a culture of diversity, equity and inclusion is essential and therefore NX Filtration fosters such a culture. As we continue to grow rapidly, we truly want to keep building our diverse and inclusive workplace. Our human capital is the most valuable asset we have. The collective sum of the individual differences, life experiences, knowledge, inventiveness, innovation, self-expression, unique capabilities and talent that our employees invest in their work represents a significant part of not only our culture, but our reputation and company's achievement as well. We embrace and encourage our employees' differences in age, color, disability, ethnicity, family or marital status, gender identity or expression, language, national origin, physical and mental ability, political affiliation, race, religion, sexual orientation, socio-economic status, and other characteristics that make our employees unique.

Please also refer to the *Diversity and Inclusion Policy Statement* signed by our CEO.

Creating Awareness and Training

We strongly believe that in any organization, addressing bias is an ongoing journey that needs structural changes to policies and operations. Increasing awareness within NX Filtration is vital, but training people to manage their biases, change their behaviors and monitor how they are doing business takes it to the next level. Therefore we offer various trainings on topics such as:

- Cultural Diversity: how to deal with cultural differences in the workplace.
- Social Intelligence: open communication to create a trusting work environment that will enable that Personnel can be their true self.
- Giving and asking for feedback: helps Personnel to better formulate their arguments and therefore be able to subtly put an (unbiased) opinion on the table.

Recruitment

Bias in the workplace limits diversity, recruitment, promotion and retention. It can shape a company's culture and standards if

left to languish. NX Filtration seeks to break biases to become more diverse, equitable, and inclusive. Identifying how bias shows in talent management, training and development, performance management and talent acquisition plays a major role. All our recruiters go through interactive bias-at-work training to help them identify their own biases and how to reduce the risk of bias in recruitment. The training helps our recruiters support their managers in minimizing bias during the hiring process. Other practices that we make use of to reduce bias include, to the extent appropriate, anonymized C.V. screenings, round table discussions, assessing competency rather than specific experience and diverse interview panels.

An international workforce

We are committed to fostering an international work environment where every employee can thrive. We promote diversity by offering opportunities for international mobility as well as intercultural training and cross-cultural work teams, which are major factors of individual and career development.

Equal opportunity globally

At NX Filtration, equality across the board is key. We strongly believe that diversity is vital to our business and we are committed to creating an atmosphere where everyone can feel like they belong. We nurture an environment comprising of a group of people who are not only diverse in skillset, but also in (cultural) backgrounds, perspectives and experience, disability status, ethnicity, age, gender identity and sexual orientation among others, in all countries we operate.

Gender balance

We empower the women in our organisation and are committed to promoting equal opportunities. We seek to increase the share of women in senior management positions. As we reflect on the achievements and progress made throughout the previous year, we find it important to transparently address a challenge that has been prevalent in our industry. At the end of the year, our gender balance stands at 15% women and 85% men. This ratio is not unique to our organization; it is a broader concern within the industry. It is crucial to recognize that we continue to focus on initiatives towards achieving a more balanced and sustainable gender balance.

Disability and accessibility

We have made good progress over the years towards better accessibility for disabled people. In our production facilities we take into account the diverse nature of disability (including hidden or invisible impairments) and how to support different needs.

Zero tolerance for harassment, bullying and racism

Our Code of Conduct, Business Ethics Policy, and Human Rights Policy describe values and principles that every employee of NX Filtration must observe in the course of their work. These rules of conduct guide our behaviour when acting within or on behalf of NX Filtration. In particular, we are committed to fostering respect for human dignity and for employees' work, and to a zero tolerance policy for harassment, bullying and racism. In doing this, we stand against racism, discrimination, and bias of any kind, striving to ensure that everyone feels equally welcome and embraced.

Wet ingroeiquotum en streefcijfers (Dutch Diversity Act)

NX Filtration is bound by the obligations laid down in the *Wet ingroeiquotum en streefcijfers* (**Dutch Diversity Act**), which came into force on 1 January 2022.

Supervisory Board

Our Supervisory Board consists of 1 woman and 2 men. NX Filtration thereby meets the diversity quota of at least one-third female and one-third male on the Supervisory Board and will continue to do so.

Management Board

NX Filtration's Management Board consists of 4 men. NX Filtration thereby does not meet the diversity quota of at least one-third female and one-third male on the Management Board.

Sub-top management

This sub-top management group consisted of 11 employees as of 1 January 2023, and reached a total number of 13 employees per 31 December 2023.

Date	# Women	# Men	% Women	% Men
1 January 2023	4	7	36%	64%
31 December 2023	4	9	31%	69%

Sub-top objective

For the purpose of the Dutch Diversity Act, NX Filtration has defined the sub-top as those executives who report directly to the management board. This includes all entities within NX Filtration, therefore also including all countries in which NX Filtration is based.

Plans to promote a proportionate split between women and men

In order to ensure a proportionate split, i.e. a larger share of women, we mainly focus on the new employees, which, given NX Filtration's growth, involves a considerable number of employees every year.
For increasing the number of women in our organisation we will focus for the coming years on the following pillars:

1. Inflow and internal promotions;
2. Cooperation with educational institutions; and
3. External appearance.

Re 1. Inflow and internal promotions
Given NX Filtration's growth, many employees are recruited every year. Both by our internal recruitment team and with the help of external parties. The value of diversity is explicitly discussed within the recruitment team and with external parties and targets are set for the supply of female candidates. For internal promotion, the possibility of promoting women to management positions is explicitly discussed and stimulated.

Re 2. Cooperation with educational institutions
We strongly believe that, in order to show the attractiveness of technology in general, one needs to focus on the employees of the future. Therefore it is essential that we provide children with the guidance and resources they need to make informed decisions about their future (education). We will intensify the cooperation with schools (ranging from vocational education to universities) to offer interesting insights in our organisation as well as technology in general. This includes offering internships as well as graduation assignments. Doing so, we will specifically focus on attracting female students for our organisation.

Re 3. External appearance
We will focus on increasing the visibility of women in our company in recruitment activities and social media activities, among others. Female speakers at conferences and events will also contribute to the desired image of our Company.

Gender balance targets

During 2023, the Management Board set a gender balance target for the Management Board to have at least one female in 2028. When setting the gender balance target for the Management Board, the Supervisory Board has considered the technology environment NX Filtration operates in, with a thinly populated

global STEM (science, technology, engineering and math) talent pool, making it challenging to recruit female talent. Furthermore, during 2023 a gender balance target was set to reach a representation of women at sub-top level of 40% by 2028, the current level being 31%.

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 2023, the issued share capital of the Company amounts to €500,251.90 divided into 50,025,190 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 50,025,190 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 2023, the following shareholders were known to hold interests of at least 3% directly in the Company (as per AFM disclosure on 31 December 2023, 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]	29.402.463	58.80%
B.V. Beleggingsfonds Hoogh Blarick	5.030.020	10.06%
Teslin Participaties Coöperatief U.A.	2.932.954	5.87%
M&G Plc	1.432.918	2.86%

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., NX Filtration Real Estate B.V. (each incorporated in the Netherlands), NX Filtration (Beijing) Membrane Technology Co. (incorporated under Chinese law), Ltd., NX Filtration India Private Limited (incorporated under Indian law), and NX Filtration Americas, LLC (incorporated under United States law) 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 have been 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 consists 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 (*profielschets*) 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 6 April 2023, 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 6 April 2023, 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
9 February 2024	Publication full year results 2023
9 April 2024	Annual General Meeting
28 August 2024	Publication half-year results 2024

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

- 1 May 2023 until 30 August 2023
- 1 November 2023 until 9 February 2024

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 2023, 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, 9 February 2024

Management Board

Jeroen Pynenburg	**Marc Luttikhuis**	**Michiel Staatsen**	**Erik Roesink**
CEO	CFO	COO	CTO

Report of the Supervisory Board



Carolina Wielinga
Chair



Benno van Dongen



Hans Slootweg

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 sustainable long-term value and the manner in which the strategy is implemented. The Supervisory Board supervises the Management Board on actions that have an impact on people and the environment and to that end it weighs the interests of all relevant stakeholders involved. 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. In 2023, we were therefore pleased to see a demonstration of NX Filtration's commitment to enhanced corporate governance and risk management. We approved a new formal fraud risk framework and a new internal control framework. These frameworks are essential pillars in fortifying NX Filtration against potential risks and ensuring the integrity of its operations.

Activities and priorities 2023

As we reflect on the events of 2023, the Supervisory Board acknowledges the challenges faced by NX Filtration that significantly influenced its operational environment. While NX Filtration communicated lower than anticipated top line growth, the Supervisory Board engaged in a constructive dialogue with the Management Board to gain insights into the underlying factors. This collaborative approach reflects our commitment to fostering transparency and accountability throughout the Company.

Despite several challenges on the commercial side, NX Filtration made major steps forward with key OEMs that further intensified their pilot programs, entered into cooperation agreements with NX Filtration, and started offering NX Filtrations's products in full-scale projects. We believe that NX Filtration's strong technological position is underscored by a sustained high gross margin and a continuation of repeat orders from existing partners across Europe, the Americas and Asia.

Furthermore, the Supervisory Board monitored the expansion of NX Filtration production capabilities and it is pleased to note that NX Filtration is fully on-track with its new megafactory.

In 2023, monitoring of top-line development, operations and the potential need for additional funding and financing of NX Filtration going forward remained priority for us.

The formulation and execution of an effective strategy are paramount in sustaining long-term growth. The Supervisory Board has closely monitored the development and implementation of NX Filtration's strategy, offering constructive input to enhance its effectiveness. We believe that this strategy will position NX Filtration for continued success in a competitive market. One other key point of attention was the effectiveness of NX Filtration's sales organization. The Supervisory Board acknowledges the diligent efforts undertaken by the Management Board to optimize the sales structure.

We determined that NX Filtration has sound processes in place of achieving sustainable long-term value for its customers and shareholders, its people and society. Furthermore, we continued to work in our ESG Committee regarding sustainability, environmental, social, corporate governance and human capital matters.

Strategy and sustainable long-term value creation

The Supervisory Board fully supports NX Filtration's strategy. During 2023, 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	Gender	Age	Position	Initial appointment	End of current term
Ms C. (Carolina) Wielinga	Female	53	Member and Chair	11 June 2021	AGM 2025
Mr B.A.M. (Benno) van Dongen	Male	59	Member	11 June 2021	AGM 2025
Mr J.G. (Hans) Slootweg	Male	44	Member	6 April 2023	AGM 2027

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, publicprivate 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.G. (Hans) Slootweg (born 1979, Dutch) works at Infestos Nederland B.V., where he currently holds the role of investment director. Mr J.G. Slootweg's expertise is in supporting companies on areas including technology, R&D, finance and accounting. This expertise will be of added value to the Supervisory Board of the Company. Prior to joining Infestos, Mr J.G. Slootweg worked as manager at Scotch & Soda (2012-2014) and as senior manager at KPMG (2003-2012). He 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 Hans Slootweg.

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 2023, 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 auditor, financing structure, Long Term Incentive Plan for key management, HR overviews, development and diversity, and budget 2024.

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 2023. 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 and sustainability 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 and sustainability reporting;
- monitoring the statutory audit of the annual accounts, and in particular the process of such audit
- monitoring the independence of the external auditor; and
- adopting procedures with respect to the selection of the external 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 Directors Jeroen Pynenburg and Marc Luttikhuis each are entitled to 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, a collective health insurance, and housing (for Jeroen Pynenburg). 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 each of Mr Jeroen Pynenburg and 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 respectively nine and 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 Luttikhuis 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 2023. Each of Mr Jeroen Pynenburg and Mr Marc Luttikhuis was entitled to variable remuneration, as set out below.

Management Board remuneration over 2023

The total amount of remuneration of the Managing Directors for the financial year 2023 comprised € 1,108,058 (2022: €649,281). For the financial year 2023, the gross annual base salary of Mr Michiel Staatsen comprised €198,980 (2022: €179,577) (including holiday allowance and social charges) and the total gross annual base salary of Mr Erik Roesink comprised 175,225 (2022: €166,894) (including holiday allowance and social charges).

For the financial year 2023 and as from his appointment as CEO and member of the Management Board, Mr Jeroen Pynenburg was paid a gross salary of €225,174 including housing, holiday allowance, social charges and company car). His short-term incentive in cash amounted to €22,083 and he has not received a conditional award under the Long-Term Incentive Plan. The sign-on equity incentive has been valued at €104,266.

For the financial year 2023, the gross annual base salary of Mr Marc Luttikhuis comprised €321,080 (2022: €302,810) (including holiday allowance, social charges and company car). His short-term incentive in cash amounted to €31,250 (2022: €57,500) and the conditional award under the Long-Term Incentive Plan amounted to €5,339 (2022: €18,939). The sign-on equity incentive granted in 2022 has been valued at €83,333.

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 1,611,750 Ordinary Shares (3.22%) and Michiel Staatsen indirectly holds 967,050 Ordinary Shares (1.93%) in the capital of the Company. Some of these DRs are still 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 Jeroen Pynenburg and Mr Marc Luttikhuis

On the date hereof, Jeroen Pynenburg is entitled to 25,390 Ordinary Shares (0.05%) in the capital of the Company and Marc Luttikhuis is entitled to 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 Hans Slootweg is employed by Infestos Nederland and does 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 2024, 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

Management Board Compensation	**2023**	**2022**
Salaries and wages	775,911	564,795
Short-term incentive plan	53,333	36,550
Social security distributions	33,384	24,130
Pension contributions (DC)	13,552	4,867
Share-based payments	192,938	18,939
Fringe benefits	38,940	-
Total	**1,108,058**	**649,281**
Average number of FTE's	3.6	3.0
Average compensation	**304,412**	**216,427**

Employee compensation	**2023**	**2022**
Salaries and wages	7,631,639	4,948,344
Short-term incentive plan	120,426	-
Social security distributions	1,352,131	803,148
Pension contributions (DC)	345,309	216,688
Share-based payments	12,931	17,752
Fringe benefits	225,753	-
Total	**9,688,190**	**5,985,932**
Average number of FTE's	156	107
Average compensation	**62,243**	**55,891**
Internal Pay Ratio	4.9	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. The replacement of Supervisory Director John Glorie with Supervisory Director Hans Slootweg occurred smoothly. There is a good level of transparency amongst both the Management Board and Supervisory Board. The Supervisory Board evaluation delivered areas for improvement and key topics for 2024: (i) the Supervisory Board intends to intensify discussions with the Management Board on the effectiveness of NX Filtration's sustainable strategy, (ii) cost control measures and possibilities to increase NX Filtration's financial flexibility, and (iii) the development of the sales funnel.

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 2024.

Financial statements and auditor's opinion

The financial statements 2023 included in this annual report have been audited and PWC has issued an unqualified opinion on them. The financial statements were extensively discussed with the Supervisory Board, in the presence of the external 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 9 April 2024 adopts the financial statements and the appropriation of the result.

Result appropriation

NX Filtration realised a loss of €23.3 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 continued involvement and dedication. 2023 was a challenging year for NX Filtration yet it made also major steps forward with key OEMs and it sustained high gross margins.

The Supervisory Board is confident that the measures being taken by the Management Board will address the challenges and position the company for sustained growth in the future. Together, we remain committed to overcoming obstacles and steering the company toward a future of continued success.

Enschede, 9 February 2024

The Supervisory Board

Carolina Wielinga (Chair)

Benno van Dongen

Hans Slootweg

Financial statements



Consolidated financial statements for the year ended 31 December 2023

Consolidated statement of comprehensive income

In EUR '000	Notes	2023	2022
Revenue from sale of goods	7	7,238	7,546
Other income	8	815	808
Gross income		**8,053**	**8,354**
Operating expenses			
Costs of raw materials and consumables		(2,926)	(3,229)
Changes in inventories of finished goods and work in progress		3,669	1,134
Personnel expenses	9	(12,868)	(8,363)
Amortization on intangible assets	17	(679)	(490)
Depreciation on property, plant and equipment and right-of-use assets	18,19	(3,671)	(2,567)
Operating costs	10	(7,268)	(5,602)
External research & development costs	11	(596)	(843)
Operating expenses		**(24,339)**	**(19,960)**
Operating Loss		**(16,286)**	**(11,606)**
Finance income (expenses)	13	1,939	(289)
Loss before income tax		**(14,347)**	**(11,895)**
Income tax benefit (expense)	14	(8,945)	3,253
Net loss for the period		**(23,292)**	**(8,642)**
Other comprehensive result for the period		-	-
Total comprehensive loss for the period		**(23,292)**	**(8,642)**
Total comprehensive loss for the period (attributable to the owners of the Company)		**(23,292)**	**(8,642)**
Earnings per share			
Basic earnings per share (EUR)	15	(0.47)	(0.17)
Diluted earnings per share (EUR)	15	(0.47)	(0.17)

Consolidated statement of financial position

In EUR '000	Notes	31 December 2023	31 December 2022
Assets			
Non-current assets			
Intangible assets	17	2,637	2,353
Property, plant and equipment	18	57,890	18,535
Right-of-use assets	19	1,448	1,753
Deferred tax assets	20	16	8,960
Total non-current assets		**61,991**	**31,601**
Current assets			
Inventories	21	15,063	6,305
Trade and other receivables	22	9,057	7,154
Cash and cash equivalents	23	49,928	104,274
Total current assets		**74,048**	**117,733**
Total assets		**136,039**	**149,334**
Group equity			
Share capital	24	500	500
Share premium	24	170,450	170,450
Retained earnings		(51,498)	(28,412)
Total equity		**119,452**	**142,538**
Liabilities			
Non-current liabilities			
Lease liabilities	25	951	1,311
Total non-current liabilities		**951**	**1,311**
Current liabilities			
Trade and other payables	26	15,074	4,988
Lease liabilities	25	562	497
Total current liabilities		**15,636**	**5,485**
Total liabilities		**16,587**	**6,796**
Total equity and liabilities		**136,039**	**149,334**

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 2022		**500**	**170,450**	**(19,806)**	**151,144**
Loss for the period		-	-	(8,642)	(8,642)
Other comprehensive result		-	-	-	-
Total comprehensive loss for the period		**-**	**-**	**(8,642)**	**(8,642)**
Transactions with owners in their capacity as owners					
Issuance of ordinary shares	24	-	-	-	-
Share-based payment transactions	12	-	-	36	36
Dividend		-	-	-	-
Balance - 31 December 2022		**500**	**170,450**	**(28,412)**	**142,538**
Balance - 1 January 2023		**500**	**170,450**	**(28,412)**	**142,538**
Loss for the period		-	-	(23,292)	(23,292)
Other comprehensive income (loss)		-	-	-	-
Total comprehensive loss for the period		**-**	**-**	**(23,292)**	**(23,292)**
Transactions with owners in their capacity as owners					
Issuance of ordinary shares	24	-	-	0	0
Share-based payment transactions	12	-	-	206	206
Dividend		-	-	-	-
Balance - 31 December 2023		**500**	**170,450**	**(51,498)**	**119,452**

Consolidated statement of cash flows

In EUR '000	Notes	2023	2022
Cash flows from operating activities			
Operating loss		(16,286)	(11,606)
Adjustments to reconcile profit before taxation to net cash flows:			
Depreciation, amortisation and impairment expenses	17,18,19	4,350	3,057
Non cash items in operating loss		0	126
Income taxes (paid)/received		-	-
Share-based payment expenses	12	206	36
(Increase)/Decrease in working capital:			
- Increase inventories		(8,263)	(3,093)
- Increase trade and other receivables		(1,903)	(4,350)
- Increase trade and other payables		10,152	128
Net cash inflow/(outflow) from operating activities		**(11,744)**	**(15,702)**
Cash flows from investing activities			
Payment for property, plant and equipment	18	(42,977)	(11,653)
Payment for intangible assets	17	(963)	(1,017)
Net cash inflow/(outflow) from investing activities		**(43,940)**	**(12,670)**
Cash flows from financing activities			
Proceeds from share premium contribution and issuance of shares	24	0	-
Principal elements of lease payments		(600)	(465)
Interest received (paid)		1,938	(322)
Net cash inflow (outflow) from financing activities		**1,338**	**(787)**
Net increase (decrease) in cash and cash equivalents		**(54,346)**	**(29,159)**
Cash and cash equivalents at the beginning of the financial year		104,274	133,433
Effects of exchange rate changes on cash and cash equivalents		-	-
Cash and cash equivalents at the end of the financial year		**49,928**	**104,274**

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 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 2023, the following subsidiaries:

Subsidiary and country	Domicile	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 Americas LLC	Delaware, United States of America	100%
- NX Filtration India Private Ltd	Bangalore, Republic of India	100%
- NX Filtration (Beijing) Membrane Technology Co Ltd.	Beijing, People's Republic of China	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 22 June 2022. The subsidiaries in the United States of America, India and China have been incorporated in the course of 2023.

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

On 9 February 2024, the management board of NX Filtration (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 to be held on 9 April 2024.

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 2023 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.

Going Concern assessment

The Company is a global provider of direct nanofiltration membrane technology, focused on the discovery, development and commercialization of innovative technologies to remove micropollutants, color and selective salts, but also bacteria, viruses and nano plastic, from water. In recent years, the Company has been incurring losses mainly due to ahead of the curve investments to roll out their commercial strategy, create global sales presence, further develop the disruptive dNF technology and extend the production capacity to facilitate the expected growth in revenue. The Company relies on the capital raised to finance the roll out of the business strategy and ahead of the curve investments.

The Company incurred net losses of € 23.3 million (2022: € 8.6 million) and negative operating cash flows of € 11.7 million (2022: € 15.7 million). Per 31 December 2023, the cash balance amounts € 49.9 million (2022: € 104.3 million).

Although Management expects that the cash balance is sufficient to finance the required capital expenditure and operations for the next twelve months period after the date of this report, it considered scenarios where the current financial position may not be sufficient to finance its operations. The Company's ability to continue as a going concern is highly contingent upon its ability to execute on the successful roll out of its business strategy and to remain flexible in order to mitigate unforeseen circumstances that will impact the profitability of the Company. Management performed a sensitivity analyses on sales forecasts and options for cost reductions and savings on capital expenditure.

2024 is considered to be a year where the business model of the Company further matures and the Company will start benefitting from the investment made in pilot trajectories, growing OEM customer base, investment in technology and sales organization. The business and sales developments are progressing and are converting opportunities into new agreements with OEM's for the sale of membranes which could potentially result to additional operating cash inflows.

The Company has a clear plan to become cash-flow positive on medium term. Although management expects that there is sufficient cash available to fund the activities for the twelve months period after signing these financial statements, additional financing needs to be attracted to bridge the period until the Company becomes cash flow positive. Therefore, management is actively engaged in exploring various funding sources such as an asset-based financing plan. Management is confident that it will be able to attract this funding, as currently the Company has no external funding on their large asset-base.

Based on progress of ongoing initiatives above, the accounting policies used in the financial statements are based on the expectation that the Company will be able to continue as a going concern.

Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, 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 2023 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 of the Company 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.

The assets and liabilities of foreign operations are translated into euro at the exchange rates on the reporting date. The income and expenses of foreign operations are translated into euro at the exchange rates on the date of transactions.

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.

Shared-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 recognized 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 recognized 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 income & expenses
Finance income include interest where it is earned from financial assets that are held for cash management purposes. Finance expenses include interest incurred on financial instruments measured at amortized cost. Finance income or expenses are recognized as they accrue, using the effective interest method.

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:

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, semi-finished goods, work in progress 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 recognized 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. 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 activities and these business lines, management reviews the profitability and monitors the performance of the two business lines, despite the split in revenue, solely on an aggregated basis for resource allocation and overall performance measurement. All financial segment information can therefore be found in the consolidated financial statements.

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 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 from 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 2023, one customer accounted for approximately 12% (2022: 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 2023 and 31 December 2022 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 2023 and 31 December 2022 was determined as follows for both trade and other receivables:

In EUR '000	31 December 2023				
	Current amount	Overdue < 30 days	Overdue 31 - 60 days	Overdue 61 - 90 days	Overdue > 90 days
Expected loss rate	0%	0%	0%	0%	2%
Gross carrying amount - trade receivables and other receivables	6,864	35	50	4	2,147
Loss allowance	**-**	**-**	**-**	**-**	**42**

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**

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. We are in close consultation with our customers regarding the overdue invoices and don't foresee any significant losses.
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 supporting its innovation agenda. As per 31 December 2023, the Company has €50 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.

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

In EUR '000	31 December 2023				
	Less than 3 months	3 months to 1 year	Between 1 and 5 years	Over 5 years	Total
Trade and other payables	15,006	68	-	-	15,074
Lease liabilities	140	422	951	-	1,513
Lease liabilities - Interest component	17	44	82	-	143
Total non-derivatives	**15,163**	**534**	**1,033**	**-**	**16,730**

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**

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 €59 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 increase by 0.5%, the impact on profit before tax is €0.3 million.

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 cash equivalents	Lease liabilities	Net debt
At 1 January 2022:	**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**
Cash flows	(54,346)	-	(54,346)
New leases	-	(240)	(240)
Other changes	-	535	535
Net debt - 31 December 2023	**49,928**	**(1,513)**	**48,415**

Other changes comprises a cash movement van €600 thousand and a negative non-cash movement of €65 thousand which relates to effective interest accounting on lease liabilities.

5 Fair value estimation

At 31 December 2023 and 31 December 2022, 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 (note 2).

Deferred tax assets

Deferred tax assets are recognized 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. Deferred tax assets are recognized 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 is inherently uncertain.

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 goods is transferred to the customer.

Set out below is the disaggregation of the Company's revenue from sale of goods based on the Company's two business lines.

In EUR '000	2023	2022
Type of markets		
Sustainable Industrial Water	4,625	4,977
Clean Municipal Water	2,613	2,569
Total revenues from sale of goods	**7,238**	**7,546**

Set out below is the disaggregation of the Company's revenue from sale of goods by region based on the destination of products.

In EUR '000	2023	2022
Geographical split		
The Netherlands	606	154
Europe (excluding the Netherlands)	3,711	2,849
North America	885	1,518
Asia	1,888	2,262
Rest of World	148	763
Total revenues from sale of goods	**7,238**	**7,546**

8 Other income

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

In EUR '000	2023	2022
Government grants	174	338
Pilot income	641	400
Other	0	70
Total other income	**815**	**808**

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	2023	2022
Salaries and wages	11,423	7,937
Social security contributions	1,457	716
Pension contributions	359	222
External personnel cost	497	578
Capitalised personnel expenses	(868)	(1,090)
Total personnel expenses	**12,868**	**8,363**

Capitalised personnel expenses relate for €184 thousand to development costs (intangible assets) and €684 thousand to property plant & equipment (2022 mainly relates to development costs).

The number of FTEs per year-end are:

	2023	2022
Direct employees	67	52
Indirect employees	99	83
Total FTE	**166**	**135**

A total of 24 (2022:18) employees are employed outside the Netherlands. This includes 12 employees which are hired through an external human resource service provider (2022: 15). The average number of FTEs during 2023 was 159 (2022: 110).

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 2023 is 4.0% (2022: 3.8%). The pension contributions are paid on a monthly basis to the pension fund. The net contribution for 2023 amounts to €359 thousand (€222 thousand in 2022). 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	2023	2022
Housing expenses	1,534	998
Other personnel expenses	1,006	1,077
Administrative expenses	1,888	1,277
Selling expenses	1,699	1,450
Operating expenses	1,141	800
Total operating costs	**7,268**	**5,602**

In 2023 additional costs were mainly made for IT and software improvements, energy consumption, advisory, consultancy and rental/ warehouse costs to accommodate the increase in inventory.

11 External research & development costs

In EUR '000	2023	2022
Gross external R&D Costs	1,233	1,059
Capitalized external R&D costs	(637)	(216)
Total external research & development cost (net)	**596**	**843**

Capitalised external R&D costs relate for €546 thousand to development costs (intangible assets) and for €90 thousand to property plant and equipment (2022 mainly relates to development costs).

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 2023 amounted to €4.2 million (2022: €2.5 million).

Development costs that are directly attributable to the design and testing of identifiable and unique products and systems controlled by the Company are recognized as intangible assets and are capitalized as part of the product. Other research and development expenditures are recognized 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

Depositary Receipts

Since the incorporation of the Company in 2016, eligible and selected employees and directors have been provided with the opportunity to invest indirectly in ordinary shares in the capital of the Company by acquiring Depositary 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:

	2023	2022
Outstanding at 1 January	3,792,094	3,792,094
Granted (purchased) during the year	-	-
Exercised	(325,626)	-
Outstanding shares at 31 December	**3,466,468**	**3,792,094**

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 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
1 January 2023	4,425	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 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 – Management Board
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 Management Board ('LTIP Management Board') was introduced in order to increase the alignment between shareholder's interest and the interest of the Management Board.

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
7 April 2023	9,091	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 Management Board 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 an two year holding period for the Management Board after vesting date.

Summary of changes in outstanding shares
Changes in outstanding shares for the period:

	LTIP Key employees	LTIP Management Board
1 January 2023	**7,343**	**8,296**
Granted	4,425	9,091
Forfeited	(783)	-
Exercised	-	-
Expired	-	-
31 December 2023	**10,985**	**17,387**

None of the outstanding shares related to the LTIP Key employees and LTIP Management Board are exercisable at 31 December 2023.

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 fair value 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
LTIP Key employees	1 January 2023	11.00
LTIP Management Board	7 April 2023	11.10

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 recognized as other operating costs in the statement of comprehensive income:

In EUR '000	2023	2022
LTIP Key employees	13	18
LTIP Management Board	5	18
Sign-on equity incentive	188	-
Total share-based payment expenses	**206**	**36**

For further information about the sign-on equity incentive we refer to note 16.

13 Finance income and expenses

In EUR '000	2023	2022
Interest expenses related to lease liabilities	65	61
Other interest (income) expenses	(2,004)	228
Finance (income) expenses	**(1,939)**	**289**

Interest expense related to lease liabilities is the result of application of IFRS 16. The other interest income is resulting from our cash and cash equivalents.

14 Income tax benefit (expense)

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

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	2023	2022
Deferred income tax		
Income tax	(8,945)	3,071
Change in tax rates	-	182
Total deferred tax benefit (expense)	(8,945)	3,253
Total income tax benefit (expense)	**(8,945)**	**3,253**

In EUR '000	2023	2022
Result from operations	(23,292)	(8,642)
Total income tax	(8,945)	3,253
Loss before income tax	(14,347)	(11,895)
Tax calculated based on Dutch tax rate	25.8%	25.8%
Tax effect of:		
Adjustments for previous years	-0.2%	0.0%
Non-taxable expenses	-0.3%	0.0%
Derecognition of deferred tax asset prior years	-62.4%	0.0%
Derecognition of deferred tax asset current-year	-11.8%	0.0%
Current-year losses for which no deferred tax asset is recognised	-13.5%	0.0%
Change in tax rates	0.0%	1.5%
Other differences	0.0%	0.0%
Effective tax rate	**-62.3%**	**27.3%**

The change in tax rates in 2022 is driven by change in the enacted Dutch tax rates for the fiscal years 2023 and further. The deferred tax assets resulting from carry-forward losses in the Netherlands have been fully derecognized in 2023 (see note 20).

15 Earnings per share

	2023	2022
Net loss attributable to equity holders (in EUR '000)	(23,292)	(8,642)
Outstanding number of shares for the basic earnings per share as at 1 January	50,000,000	50,000,000
Effect of issued ordinary shares	13,010	
Weighted-average number of shares outstanding for the purpose of basic earnings per share	**50,013,010**	**50,000,000**
Weighted-average number of shares outstanding for the purpose of diluted earnings per share	**50,013,010**	**50,000,000**
Earnings per share		
Basic earnings per share (EUR)	(0.47)	(0.17)
Diluted earnings per share (EUR)	(0.47)	(0.17)

16 Remuneration of the Management Board and the Supervisory Board

The total amount of remuneration of the Managing Directors for the financial year 2023 comprised €1,108,058 (2022: €649,281).

For the financial year 2023; The total amount of remuneration of Mr Jeroen Pynenburg comprised €329,440. His short-term incentive in cash amounted to €22,083. The total remuneration of Mr Michiel Staatsen comprised €198,980 (2022: €179,577). The total remuneration of Mr Erik Roesink comprised €175,225 (2022: €166,894). The total remuneration of Mr Marc Luttikhuis comprised €404,413 (2022: €302,810). His short-term incentive in cash amounted to €31,250 and the conditional award under the Long-Term Incentive Plan was €5,339.

Both Mr Jeroen Pynenburg and Mr Marc Luttikhuis received a sign-on equity incentive with a value for 2023 of €104,266 respectively €83,333 which are included in the total amount of renumeration. The characteristics of this incentive are described below.

In 2022, majority shareholder Infestos Holding E B.V. (an Infestos affiliate) has facilitated a sign-on equity incentive with Mr Marc Luttikhuis. 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.

In 2023, the Company has facilitated a sign-on equity incentive with Mr Jeroen Pynenburg and issued 25,190 ordinary shares to Stichting Bewaarneming Aandelen NX Filtration, with a value of €265,000. 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 2,578,800 DRs (see note 12) in the share capital of the Company, of which Mr Michiel Staatsen holds 967,050 DRs and Mr Erik Roesink 1,611,750 DRs. These DRs are subject to lock-up restrictions. One-third of the DRs have been unconditionally released from the lock-up restrictions on 11 June 2022, one-third of the DRs have been unconditionally released from the lock-up restrictions on 11 June 2023, and the remaining one-third of the DRs will be unconditionally released from the lock-up restrictions on 11 June 2024, 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 2023 amounts to €50,000 (2022: €50,000) and the compensation for Mr Benno van Dongen amounts to €30,000 (2022: €30,000). Mr Hans Slootweg 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 2022				
Cost	2,167	264	72	2,503
Accumulated impairments and amortisation	(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	912	11	92	1,015
Acquisitions	-	-	-	-
Amortisation for the year	(435)	(28)	(27)	(490)
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**
Year ended 31 December 2023				
Opening net book value	2,058	158	137	2,353
Additions	730	65	167	962
Acquisitions	-	-	-	-
Amortisation for the year	(601)	(32)	(45)	(678)
Closing net book value	**2,187**	**191**	**259**	**2,637**
At 31 December 2023				
Cost	3,808	340	332	4,480
Accumulated impairments and amortization	(1,621)	(149)	(73)	(1,843)
Net book value	2,187	191	259	2,637

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.

Software

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

18 Property, plant and equipment

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

In EUR '000	Land & buildings	Machinery and equipment	Pilot equipment	Assets under construction	Total
At 1 January 2022					
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 depreciation	(47)	(3,011)	(1,028)	-	(4,086)
Net book value	4,001	6,390	6,003	2,141	18,535
Year ended 31 December 2023					
Opening net book value	4,001	6,390	6,003	2,141	18,535
Additions	-	-	-	42,977	42,977
Reclassification assets under construction	8	884	724	(1,616)	-
Reclassification to inventories	-	-	(484)	-	(484)
Disposal	-	(237)	-	-	(237)
Depreciation for the year	(56)	(1,596)	(1,474)	-	(3,126)
Depreciation of disposal	(9)	234	-	-	225
Closing net book value	**3,944**	**5,675**	**4,769**	**43,502**	**57,890**
At 31 December 2023					
Cost	4,056	10,049	7,271	43,502	64,878
Accumulated impairments and depreciation	(112)	(4,374)	(2,502)	-	(6,988)
Net book value	3,944	5,675	4,769	43,502	57,890

The Company's additions to the assets under construction mainly relates to 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	2023	2022
At 1 January		
Cost	2,585	1,782
Accumulated depreciation	(832)	(426)
Net book value	1,753	1,356
Additions	240	655
Other / remeasurement	-	166
Disposals	-	(18)
Depreciation of disposals	-	18
Depreciation for the year	(545)	(424)
Net book value at 31 December	**1,448**	**1,753**

Total gross right-of-use assets:

In EUR '000	31 December 2023	31 December 2022
Buildings	1,863	1,863
Vehicles	922	682
Fork-life truck	40	40
Total gross right-of-use assets	**2,825**	**2,585**

Total depreciation charge right-of-use assets:

In EUR '000	2023	2022
Buildings	333	267
Vehicles	208	152
Fork-life truck	4	5
Total depreciation charge	**545**	**424**
Interest expense (included in finance cost)	65	61

The total cash outflow for leases in 2023 was €600 thousand (2022: €462 thousand).

20 Deferred tax assets

In EUR '000	31 December 2023	31 December 2022
Deferred tax assets		
Timing differences	16	13
Carry forward losses	0	8,947
Total	**16**	**8,960**
Of which:		
Current (<1 year)	16	13
Non-current (>1 year)	0	8,947

In EUR '000	31 December 2023	31 December 2022
Deferred tax assets		
At 1 January	8,960	5,708
Change in timing differences	3	4
Movement in loss compensation	(8,947)	3,248
At 31 December	16	8,960

As of December 31, 2023, the amount of tax losses that can be offset in the future amounts to €48.7 million (€34.7 million per December 31, 2022). At 31 December 2023, the deferred tax assets have been fully derecognized. The remaining €16 thousand temporary difference is related to leases (right-of-use assets).

In line with IFRS regulations and interpretations, management evaluated positive and negative evidence supporting the valuation of deferred tax assets for tax losses. The one and half year delay in the business plan, that the Company is currently anticipating, changed the balance in this assessment resulting in the derecognition of the deferred tax assets. Management emphasis that this assessment is not a change in its medium and long term targets. This derecognition has no cash implications and the tax losses remain available for the Company at the moment it starts to generate profits.

21 Inventories

In EUR '000	31 December 2023	31 December 2022
Raw materials	5,114	2,186
Semi finished goods	3,189	1,428
Finished goods	6,409	1,976
Work in progress	351	715
Total	**15,063**	**6,305**

During 2023 no inventories were written down to net realizable value (31 December 2022: € nil).

22 Trade and other receivables

In EUR '000	31 December 2023	31 December 2022
Trade receivables	4,722	3,989
Less: loss allowance	(42)	(42)
Trade receivables - net	4,680	3,947
Prepaid expenses	498	1,013
Other taxes	3,491	1,035
Other receivables	388	1,159
	9,057	7,154
Less non-current portion	-	-
Current portion	9,057	7,154

The fair value of the receivables approximates the carrying amounts. As at 31 December 2023 and 31 December 2022 mainly 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 2023	31 December 2022
Cash and cash equivalents	49,928	104,274
Total	**49,928**	**104,274**

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

24 Equity

Ordinary shares

The movement of the ordinary shares in 2023 and 2022 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 2022	**50,000,000**	**500**	**170,450**	**170,950**
Share issuance	-	-	-	-
Balance 31 December 2022	**50,000,000**	**500**	**170,450**	**170,950**
Share issuance	25,190	0	-	-
Balance 31 December 2023	**50,025,190**	**500**	**170,450**	**170,950**

The Company's issued capital amounted to €500,000 end of 2022, divided into 50,000,000 Ordinary Shares, The authorized capital (*maatschappelijk kapitaal*) of NX Filtration N.V. amounts to €1,750,000 divided into 175,000,000 ordinary shares.

On 28 June 2023, the Company issued 25,190 ordinary shares to Stichting Bewaarneming Aandelen NX Filtration, for the purposes of a sign-on equity incentive for Mr. Pynenburg, as a result of which the Company's issued capital amounts to €500,251.90 divided into 50,025,190 Ordinary Shares.

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

Retained earnings

The retained earnings are restricted due to a legal reserve for capitalized development costs of €2.2 million (31 December 2022: €2.1 million) which is not available for distribution.

Loss for the period

The proposal to the General Meeting is that the 2023 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 2023	31 December 2022
Buildings	987	1,313
Equipment	18	22
Vehicles	508	473
Total	**1,513**	**1,808**

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

In EUR '000	31 December 2023	Repayment obligation in 2024	Remaining term >1 year and <5 year	Remaining term >5 years
Buildings	987	341	646	-
Equipment	18	4	14	-
Vehicles	508	217	291	-
Total	**1,513**	**562**	**951**	**-**

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 2023 within the statement of comprehensive income €13 thousand (2022: €7 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 2023 and 31 December 2022 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 2023	31 December 2022
Trade payables	13,039	3,029
Tax payables	316	231
Employee benefits	631	449
Payments received in advance	279	159
Other liabilities	809	1,120
Total	**15,074**	**4,988**

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 2023 and 31 December 2022 the payables are mainly denominated in euro currency. The increase in trade payables is related to received invoices for our assets under construction.

27 Contingencies and commitments

Capital Expenditure Commitments
NX Filtration B.V. and NX Filtration Real Estate B.V. have signed a number of purchase contracts related to buildings, machinery and equipment capital expenditures, amounting to €20 million (2022: €45.9 million).

Purchase commitments
Outstanding commitments related to operating activities and the purchase of raw materials are amounting to €1.5 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 with Polymer Filtration Solutions GmbH (**PFS**) which is a long-term supplier of sulfonated poly (ether sulfone) to NX Filtration. PFS is under the (indirect) control of Infestos Nederland B.V.

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 as at 31 December 2023

Before profit allocation

In EUR '000	Notes	31 December 2023	31 December 2022
Assets			
Non-current assets			
Intangible Assets	3	2,379	2,216
Financial fixed assets	4	50,914	47,813
Deferred tax assets	5	-	8,947
Total non-current assets		**53,293**	**58,976**
Current assets			
Receivables		157	92
Receivable from group companies	6	17,964	-
Cash and Cash Equivalents	7	48,309	90,370
Total current assets		**66,430**	**90,462**
Total assets		**119,723**	**149,438**
Equity and liabilities			
Shareholders' equity			
Issued share capital		500	500
Share premium		170,450	170,450
Legal and statutory reserves	8	2,188	2,058
Other reserves	8	(30,394)	(21,828)
Result for the period		(23,292)	(8,642)
Total equity		**119,452**	**142,538**
Current liabilities			
Trade and other payables		-	31
Payable to group companies		-	6,647
Other payables		271	222
Total current liabilities		**271**	**6,900**
Total equity and liabilities		**119,723**	**149,438**

Company income statement for the year ended 31 December 2023

In EUR '000	Notes	2023	2022
Revenue	9	53	53
Amortization of intangible assets	3	(633)	(463)
Personnel expenses		(1,136)	(751)
General expenses	11	(972)	(577)
Operating loss		**(2,688)**	**(1,738)**
Finance income	12	2,421	140
Finance expenses	13	-	(199)
Finance income (expense)		2,421	(59)
Loss before income tax		**(267)**	**(1,797)**
Income tax benefit (expense)	5	(12,581)	646
Share of net loss of investments in subsidiaries	4	(10,444)	(7,491)
Loss for the period after income tax		**(23,292)**	**(8,642)**

Notes

General information

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

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.

The current financial year covers the period 1 January 2023 until 31 December 2023. The previous financial year covers the period 1 January 2022 until 31 December 2022.

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.

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 2022			
Cost	2,167	264	2,431
Accumulated impairments and amortisation	(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
Year ended 31 December 2023			
Opening net book value	2,058	158	2,216
Additions	731	65	796
Acquisitions	-	-	-
Amortisation for the year	(601)	(32)	(633)
Consolidation and deconsolidation		-	-
Closing net book value	2,188	191	2,379
At 31 December 2023			
Cost	3,809	340	4,149
Accumulated impairments and amortization	(1,621)	(149)	(1,770)
Net book value	2,188	191	2,379

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 / receivables from group companies	Total
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**
At 1 January 2023	**47,813**	**-**	**47,813**
Investment/ changes	-	13,545	13,545
Share of net loss	(10,444)	-	(10,444)
Other movements	-	-	-
	37,369	13,545	50,914
Reclassification	298	(298)	-
At 31 December 2023	**37,667**	**13,247**	**50,914**

The loan receivable in 2022 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 into equity as share premium in accordance with a free share premium contribution agreement and settlement agreement, without the issuance of new shares.

The receivables from group companies end of 2023 are considered as long-term financing and are interest-bearing, based on a 3-month Euribor plus margin, with no fixed repayment schedule.

The reclassification relates to the negative equity value of NX Filtration International B.V., which has been deducted from the receivable from group companies.

	Share in issued share capital at 31 December 2023	Share in issued share capital at 31 December 2022
NX Filtration B.V.	100%	100%
NX Filtration Real Estate B.V.	100%	0%
NX Filtration International B.V.	100%	0%

5 Deferred tax assets

The deferred tax assets can be specified as follows:

In EUR '000	31 December 2023	31 December 2022
At 1 January	**8,947**	**5,699**
Tax benefit subsidiaries through fiscal unit	3,634	2,602
Tax benefit (expense) NX Filtration N.V.	(12,581)	646
At 31 December	**-**	**8,947**

In EUR '000	31 December 2023	31 December 2022
Deferred tax assets		
Carry forward losses	-	8,947
Total	**-**	**8,947**
Of which:		
Non-current (>1 year)	-	8,947

As of December 31, 2023, the total amount of recognized tax losses amounts to €48.7 million (€34.7 million as per December 31, 2022). The deferred tax assets resulting from these carry-forward losses in the Netherlands have been fully derecognized in 2023.

6 Receivable from group companies

The receivables from group companies are considered as short-term financing and are interest-bearing, based on a 3-month Euribor plus margin, with no fixed repayment schedule.

7 Cash and cash equivalents

In EUR '000	31 December 2023	31 December 2022
ABN AMRO bank	204	45,867
Van lanschot bank	130	32,781
HSBC	20,743	-
Goldman Sachs	7,621	-
Barclays	17,795	-
Rabobank	1,816	11,722
Total	**48,309**	**90,370**

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

8 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.

In EUR '000	2023	2022
At 1 January	**2,058**	**1,582**
Movement in legal reserve	130	476
At 31 December	**2,188**	**2,058**

Other reserves

The other reserves can be specified as follows:

In EUR '000	2023	2022
At 1 January	**(21,828)**	**(10,034)**
Allocation of previous year loss	(8,642)	(11,354)
Share-based payment transactions	206	36
Movement in legal reserve	(130)	(476)
At 31 December	**(30,394)**	**(21,828)**

9 Revenue

In EUR '000	2023	2022
Charged patent rights	48	48
Management fee	5	5
Total	**53**	**53**

10 Average numbers of employees

In 2023, the company had 4 employees (2022: 3 employees). None of these employees works abroad.

11 General expenses

In EUR '000	2023	2022
Audit fees	150	143
Legal fees	116	31
Consultancy fee Infestos Holding E B.V.	150	152
Listing costs	194	137
Other general costs	362	114
Total	**972**	**577**

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	
	2023	2022	2023	2022	2023	2022
Audit of the financial statements	150	143	-	-	150	143
Other audit procedures	-	-	-	-	-	-
Tax services	-	-	-	-	-	-
Other non-audit services	-	-	-	-	-	-
Total	**150**	**143**	**-**	**-**	**150**	**143**

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*).

12 Finance income

In EUR '000	2023	2022
Interest from cash (equivalents) and deposits	2,000	0
Interest on receivables from group companies	421	140
Total	**2,421**	**140**

13 Finance expense

In EUR '000	2023	2022
Interest on cash balances (negative interest)	-	(199)
Total	**-**	**(199)**

14 Contingencies and commitments

Fiscal Unity

The Company constitutes the fiscal unity 'NX Filtration N.V.' with its Dutch subsidiaries for corporate income tax purposes and value Added Tax. The standard conditions prescribe that each of the companies is liable for the corporate income tax payable by all companies belonging to the fiscal unity. The corporate income tax (liable or receivable) positions of the Dutch subsidiaries are offset and settled against the current account of the parent company NX Filtration N.V.

15 Events after the reporting period

Nothing to report.

Authorisation of the financial statements

Enschede, 9 February 2024

Management Board

Jeroen Pynenburg	Marc Luttikhuis	Michiel Staatsen	Erik Roesink
CEO	CFO	COO	CTO

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.

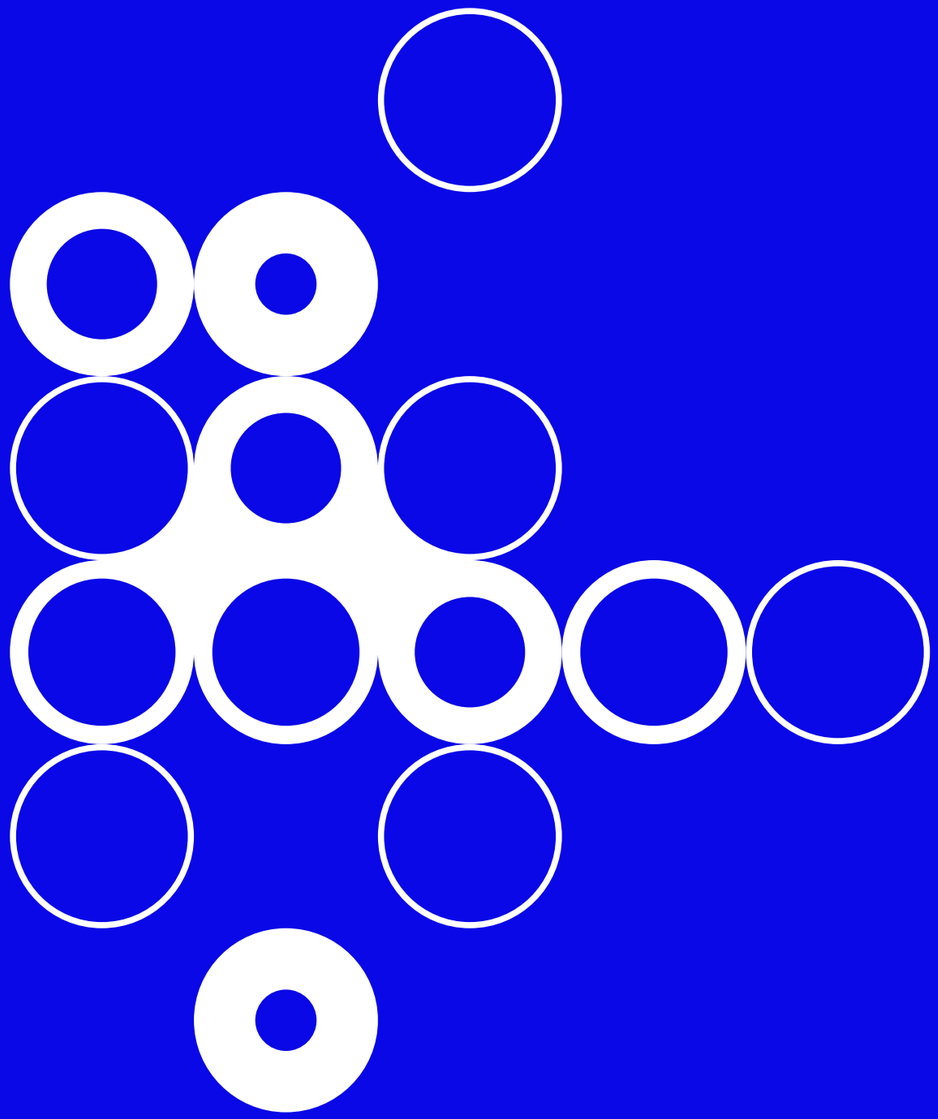
32.2 A claim of a Shareholder for payment of a distribution shall be barred after five years have elapsed after the day of payment.

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 audit of the financial statements 2023

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 2023 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted in 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 2023 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 2023 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 financial position as at 31 December 2023;
- the following statements for 2023: the consolidated statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising a summary of the accounting policies applied and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at 31 December 2023;
- 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, such as 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 separate opinions or conclusions 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 subsidiaries in the Netherlands, China, India and the USA. 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 construction of the new megafactory and the delay in the realization of the business plan of NX Filtration N.V. impacted the financial year 2023. This affected our audit procedures as described in the section 'Key audit matters'.

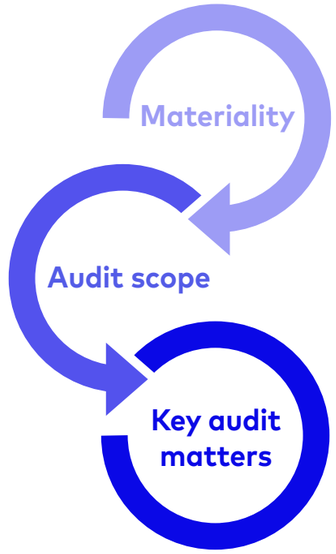
As part of designing our audit, we determined materiality and assessed the risks of material misstatement of the financial statements. In particular, we considered where the management board made important judgements, for example, in respect of significant accounting estimates that involved making assumptions 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 delay in the realization of the business plan, the cash outflow on operating activities, the decreased net cash position as a result of significant capital expenditures and forecasted capital expenditures in 2024 we considered going concern to be a key audit matter as set out in the section 'Key audit matters' of this report. Furthermore, taking into consideration the anticipated growth in revenues we considered the risk of fraudulent reporting due to overstating the revenues to be a key audit matter. Finally, we identified the capitalisation of tangible fixed assets as key audit matter, given the significance of capital expenditures related to the construction of the new megafactory and the transaction being outside the normal course of business.

NX Filtration N.V. assessed the possible effects of climate change on its financial position, refer to the 'sustainability report' in 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. While the impact of climate change and the Group's commitments to reach their targets are of significant importance to the group and its stakeholders, 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: €861,000

Audit scope

- We performed a full scope audit on NX Filtration N.V., NX Filtration B.V. and NX Filtration Real Estate B.V.
- Audit coverage obtained was 100% on consolidated revenue and total assets and 97% on profit before tax.

Key audit matters

- Going concern
- The risk of fraudulent reporting due to overstating revenues
- Capitalisation of tangible fixed assets

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	€861,000 (2022: €430,000).
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 minus 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 minus 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 in scope. 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 €86,000 (2022: €43,000) 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. The financial information of this group is included in the consolidated financial statements of NX Filtration N.V.

We tailored the scope of our audit to ensure that we, in aggregate, performed sufficient work on the financial statements to enable us to provide an opinion on the financial statements as a whole, taking into account the management structure of the Group, the nature of operations of its components, the accounting processes and controls, and the markets in which the components of the Group operate. In establishing the overall group audit strategy and plan, we determined the type of work required to be performed at component level.

Our audit primarily focused on the significant components NX Filtration N.V. which holds the cash position obtained from the listing and the group's tax positions, NX Filtration B.V. which accounts for the majority of the operations of the group and NX Filtration Real Estate B.V. which holds the investment in the new megafactory. All these 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 in the Netherlands.

In total, in performing these procedures, we achieved the following coverage on the financial line items:

Revenue	100%
Total assets	100%
Profit before tax	97%

None of the remaining components represented more than 1% of total group revenue or total group assets. For those remaining components we performed, among other things, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within those components.

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 as part of its formalised risk assessment process.

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 risks	Our audit work and observations
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 revenue recognition, significant transactions outside the normal course of business and accounting estimates. We paid specific attention to the appropriateness of the capitalized cost in tangible fixed assets, given the significance of capital expenditures related to the construction of the new megafactory and the transactions being outside the normal course of business.	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. 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 source documentation supporting the journal entries. 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. For our audit procedures, performed with respect to the capitalisation of tangible fixed assets for the new megafactory in Hengelo, we refer to our key audit matter 'Capitalisation of tangible fixed assets'. 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. Our work did not reveal any specific indications of fraud or suspicion of fraud in respect of management override of controls.

Identified fraud risk	Our audit work and observations
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.	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'. 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.

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.

Audit approach going concern

We refer to key audit matter going concern as included in the section 'Key audit matters' for further information on our audit procedures regarding the going concern assumption.

Key audit matters

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.

Compared to prior year, we no longer considered the accuracy of outgoing payments a key audit matter, due to improvements made by NX Filtration N.V. in the process regarding changes in creditor master data in the second half year of 2022. Given the delay in the realization of the business plan, the cash outflow on operating activities, the decreased net cash position as a result of significant capital expenditures and forecasted capital expenditures in 2024 we considered going concern to be a new key audit matter. Lastly, we have included the capitalisation of tangible fixed assets as a new key audit matter, as a result of the significant additions in tangible fixed assets related to the construction of the new megafactory in Hengelo and the transactions being outside the normal course of business.

Key audit matter	Our audit work and observations
Going concern *Refer to section 'Summary of significant accounting policies' paragraph 'Going Concern assessment'* As disclosed in the section 'Summary of significant accounting policies' paragraph 'Going Concern assessment' in the financial statements, management performed their assessment of the entity's ability to continue as a going concern for the foreseeable future and concluded that the Company was able to continue as a going concern. Management considered the effect of the slower than anticipated sales growth of the Company but expects that the 2023 year-end cash balance of €49.9 million will be sufficient to finance the remaining construction of the new megafactory and the operations for at least one year after the financial statements signing date. However, on the medium-term, management is anticipating that NX Filtration will need additional funding until the moment that the company will be cash generating and is exploring various funding sources such as an asset-based financing plan. Based on their assessment, management considers it likely that the additional funding will be concluded in 2024. Management assessed the possibility that actual cash inflows might be less, and/or actual cash outflows might be higher than projected. Management assessed these scenarios and the most significant assumptions underlying their scenarios are: • The ability to realise cost reductions; • The ability to realise savings on capital expenditures; • The possibility to attract external bank financing. For the medium term, management is projecting increasing sales and positive operational cashflows.	Where relevant to our audit, we evaluated the design and effectiveness of the internal control measures related to the preparation and monitoring of the budget and reported our observations to the management board and the persons charged with governance. Our procedures regarding the evaluation of the appropriateness of management's use of the going concern basis of accounting for at least twelve months after the date of preparation of the financial statements, including management's plans to address the identified going concern risk and the adequacy of the related disclosures included, amongst others the following: • Considered whether management's going concern assessment includes all relevant information of which we are aware as a result of our audit and inquiring with management regarding management's most important assumptions underlying its going concern assessment. • For the period of at least 12 months after the date of the annual accounts, we: - Analysed the financial position per balance sheet date as well as the liquidity scenarios and sensitivity analysis, including the assessment of the progress of the construction of the megafactory. - We traced the forecasted revenues, expenses and capital expenditures back to the approved budget by the supervisory board. - Challenged management on the cash management measures that can be taken if the financial performance would be lower than anticipated in the budget for 2024. For the period thereafter and until the company expects to be cash generating, we assessed the reasonableness of management's expectation that additional funding will be concluded in 2024. Amongst others, we assessed the status of the funding process and communication thereon.

Key audit matter	Our audit work and observations
Due to the possible pervasive impact on the financial statements, we considered management's assumption that NX Filtration N.V. is a going concern and will continue its operations for at least twelve months from the date of preparation of the financial statements as a key audit matter.	We evaluated whether the going concern risk including management's plans to address the identified risk and the most significant underlying assumptions have been sufficiently described in the notes to the financial statements. We found the disclosure in section 'Summary of significant accounting policies' paragraph 'Going Concern assessment' in the financial statements to be adequate. We concluded that management's use of the going concern basis of accounting is appropriate, and based on the audit evidence obtained, that no material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.
The risk of fraudulent reporting due to overstating revenues *Refer to note 7 to the consolidated financial statements* 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. During 2023, NX Filtration N.V.'s revenues decreased from € 8.4 million in 2022 to €8.1 million. Given the delay in the realization of the business plan, the entity is facing pressure to meet revenue and profit targets. Therefore, there is an increased risk of overstating revenue. In addition, we noted that a material part of the revenues was realised in December 2023. 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.	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. 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. Furthermore, we performed audit procedures to determine whether credit notes were issued after year-end that indicate incorrectly recognised revenue in the current financial year. 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. We performed data analysis on high-risk journal entries, including unexpected account combinations increasing revenues. No such transactions were identified. 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.

Key audit matter	Our audit work and observations
Capitalisation of tangible fixed assets *Refer to note 18 to the consolidated financial statements* NX Filtration N.V. is building a new megafactory in Hengelo during 2023. Management expects to complete the construction in first half-year of 2024. During 2023, the amount of additions related to this new megafactory is € 41.5 million. Due to the significance of capital expenditures and the transactions being outside the normal course of business, we consider the capital expenditures related to the construction of the new megafactory a key audit matter, with specific attention for the accuracy of the amounts capitalised.	Where relevant to our audit, we evaluated the design and existence of the internal control measures related to the construction of the megafactory in Hengelo. We tested the operating effectiveness of the controls related to the bidding and contracting process and the segregation of duties in the payment process. We tested, on a sample basis, the additions to the tangible fixed assets by agreeing them to the purchase orders, contracts and invoices. 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 the capitalisation of tangible fixed assets.

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. on 5 April 2022 by the supervisory board. This followed the passing of a resolution by 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 four years.

European Single Electronic Format (ESEF)

NX Filtration N.V. has prepared the annual report in ESEF. The requirements for this are set out in the Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (hereinafter: 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 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 'Assuranceopdrachten 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 amongst 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 have been prepared 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.

In preparing 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, and is not a guarantee that an audit conducted in accordance with the Dutch Standards on Auditing will always detect a material misstatement when it exists. 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, 9 February 2024

PricewaterhouseCoopers Accountants N.V.

F.S. van der Ploeg RA

Appendix to our auditor's report on the financial statements 2023 of NX Filtration N.V.

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, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



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