Covess nv

Information Memorandum

July 2022

MOORE Corporate Finance

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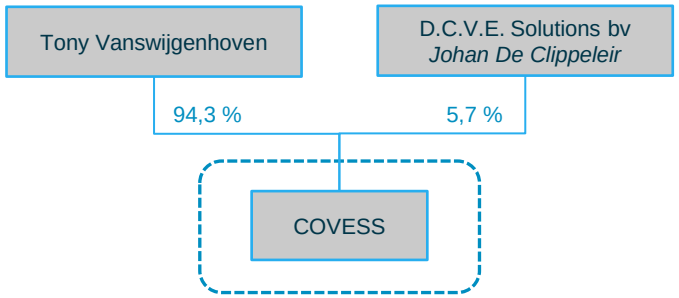
1 Executive Summary

1. EXECUTIVE SUMMARY (1/2)

Company Profile

- Founded in 2001, Covess is a highly innovative company with a broad portfolio of patents related to thermoplastic tank technology.
- Today the Company produces a range of low-pressure tanks in different sizes.
- Since the start of its activities Covess has been developing a unique manufacturing process for a new type of high pressure monolithic composite recyclable vessels (referred to as 'Type 5') with very promising results for a.o. hydrogen purposes.
- These innovative tanks outperform traditional tanks ('Type 1 to 4') and are suitable for water, air, CNG/RNG and especially Hydrogen Gas (H2) purposes. They will mainly supply the mobile transportation and onboard storage market (cars, buses & trucks).
- Covess has always secured funding autonomously and is now ready for an external long-term partner.

Shareholder Structure



Next to the 2 shareholders, the Group currently employs 9 people.

Investor Ask

We are looking for an investment

up to **5,000k EUR**

for a

minority stake

Key Metrics

Projected Revenues* (€ mio)

2022	2023	2024	2025	2026
1.7	1.2	6.8	27.0	54.3

Projected EBITDA** (€ mio)

2022	2023	2024	2025	2026
-0.2	-1.3	0.1	4.7	11.3

** Start of production Type-5 tanks expected from 2024 onwards. Revenues in 2022 anticipate received funding of Air Liquide.*
*** Revenue model based on combination of production of Type-5 tanks & licensing Covess technology*

Investment Rationale

- During the past years, the Company invested intensively in the development of a unique hot-winding production process for its innovative 'Type 5' high pressure tank.
- A prototype production line has been developed. Now Covess wishes to accelerate its growth by investing in a first industrial production line and additional people to scale up capacity. The related **Internal Funding Need** amounts up to **5,000k EUR**.
- The Company is looking for a long-term minority equity partner to support this exciting growth process.

1. EXECUTIVE SUMMARY (2/2)

Market Considerations

1.8 billion $
Market Size 2020

+ 8.1%
CAGR
2020-2025

- As transportation Original Equipment Manufacturers (OEMs) face increased pressure to reduce greenhouse gas emissions and improve fuel efficiency of their vehicles, much effort is done in the area of alternative energy sources.
- Renewable gas (CNG/RNG) as alternative fuel source is already standard practice, availability and the vehicle fleet is growing fast. Additionally, Fuel Cell (H2) vehicles and refueling stations is expected to grow exponentially in the coming decade*.
- The market is actively looking for safe, lightweight and compact solutions to store sufficient alternative fuel onboard a vehicle which allows the same driving range than conventional ones.
- Traditional tanks (mainly Type 3 & Type 4) have important shortcomings in terms of performance, safety, weight and ecological footprint.

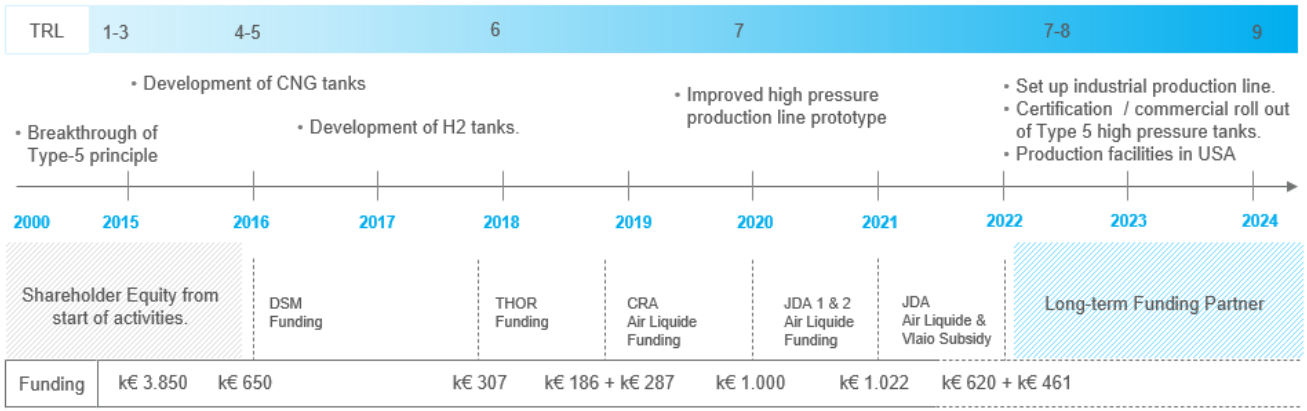
* Deloitte & Ballard

Selection of target prospects showing interest

Air Liquide **, BALLARD, NIKOLA, RAMA CYLINDERS (Manufacturer of High Pressure Seamless Steel Gas Cylinders), VDL BUS & COACH, DAF, faurecia, TOTAL, Faber CYLINDERS, ABC TECHNOLOGIES, SOLARIS

** Support Letter in place

Development Road Map Covess High Pressure Type 5 tanks



Covess' Unique Selling Proposition

- Covess states that it is the only company (worldwide) able to manufacture economically a monolithic thermoplastic high-pressure vessel which overcomes the shortcomings of the currently commercially available vessels (mainly Type 3 & Type 4) .
- Covess Type 5 tanks are lightweight, fully recyclable, more economical, safer, more eco-friendly and have a shorter takt time.
- With the additional funding Covess aims to scale-up its commercial activities and leverage its developed technology to become a market leader in composite vessels.

2 Introduction

2.1 Historical Overview

2.2 Legal Information

2.1 HISTORICAL OVERVIEW

2001
- Establishment of Covess.
- Development of spin welding and thermoplast winding technology.

2002
- First air pressure vessel.

2003
- First cold water pressure vessel.

2009
- Development of a revolutionary process (birth of Type 5 tanks).
- Tanks as from 60 up to 450 L in monolithic thermoplatic tank structure (endless fibers).

2010
- Start of production 24 inch tanks.
- Patent filing of the different technologies.

2013
- Introduction of Sesame Cold Water Expansion Tank.

2014
- Introduction of type 5 tank at JEC.
- Start cooperation with Air Liquide.
- First license US Hot Water Tanks.

2017
- Fire extinguisher application.

2018
- Thermoplastic tank 20L: burst pressure 1.600 bar.

2019
- Second license France Cold Water Tanks + Hot Water Tanks.

2020
- Start building machines for CNG & H^2 production (50-350L).
- 3rd license Poland air tank

2022
- Start certification H^2 tanks + worldwide negotiations H^2 tanks
- New international enquiries production/license of hot water tanks and type 3 CNG tanks

2 Introduction

2.1 Historical Overview

2.2 Legal Information

2.2 LEGAL INFORMATION

COVESS NV

Legal Profile	► **Covess NV** was incorporated in 2001. ► Capital per December 31, 2020 amounts to € 1.560.712 and is represented by 596.675 equal shares, without nominal value.
Contact Information	► Registered Office: Monninxstraat 52, 3510 Hasselt ► Company Phone: +32 11 22 93 38 ► Company Number: BE 0474.695.630 ► Website: www.covess.com / www.sesametanks.com
Shareholders	► Mr. Tony Vanswijgenhoven owns 562.665 shares (94,3%). ► D.C.V.E. Solutions bv (management company of Mr. Johan De Clippeleir – CTO of Covess) owns 34.010 shares (5,7%).
Board of Directors	► Mr. Tony Vanswijgenhoven has been mandated as Managing Director. ► D.C.V.E. Solutions bv, represented by Mr. Johan De Clippeleir, has been mandated as Director.

3 The Company

3.1 THE COMPANY - ORGANISATIONAL STRUCTURE & MANAGEMENT

Current Shareholders

Tony Vanswijgenhoven

Founder and CEO/CFO

- Bachelor's degree in accounting.
- Started his career in the company of his father which was a trailer repair and renovation workshop. Here the idea was born to develop an innovative product line.
- Founded ETES (European Transport Equipment Systems) in 1989 and developed a new innovative sliding roof principle for trailers based on thermoplastic composite parts. It took 3 years to develop the technology and 7 years to become number 2 in Europe. The company was sold in 1999, 10 years after its conception as leader in the market of sliding trailer roofs.
- Tony saw a lot of interesting developments for thermoplastic tanks and decided to found Covess.
- As CEO, he's responsible for the main strategic orientations of the company and both administrative and financial activities leveraging his accounting background. He also carries out business development activities.

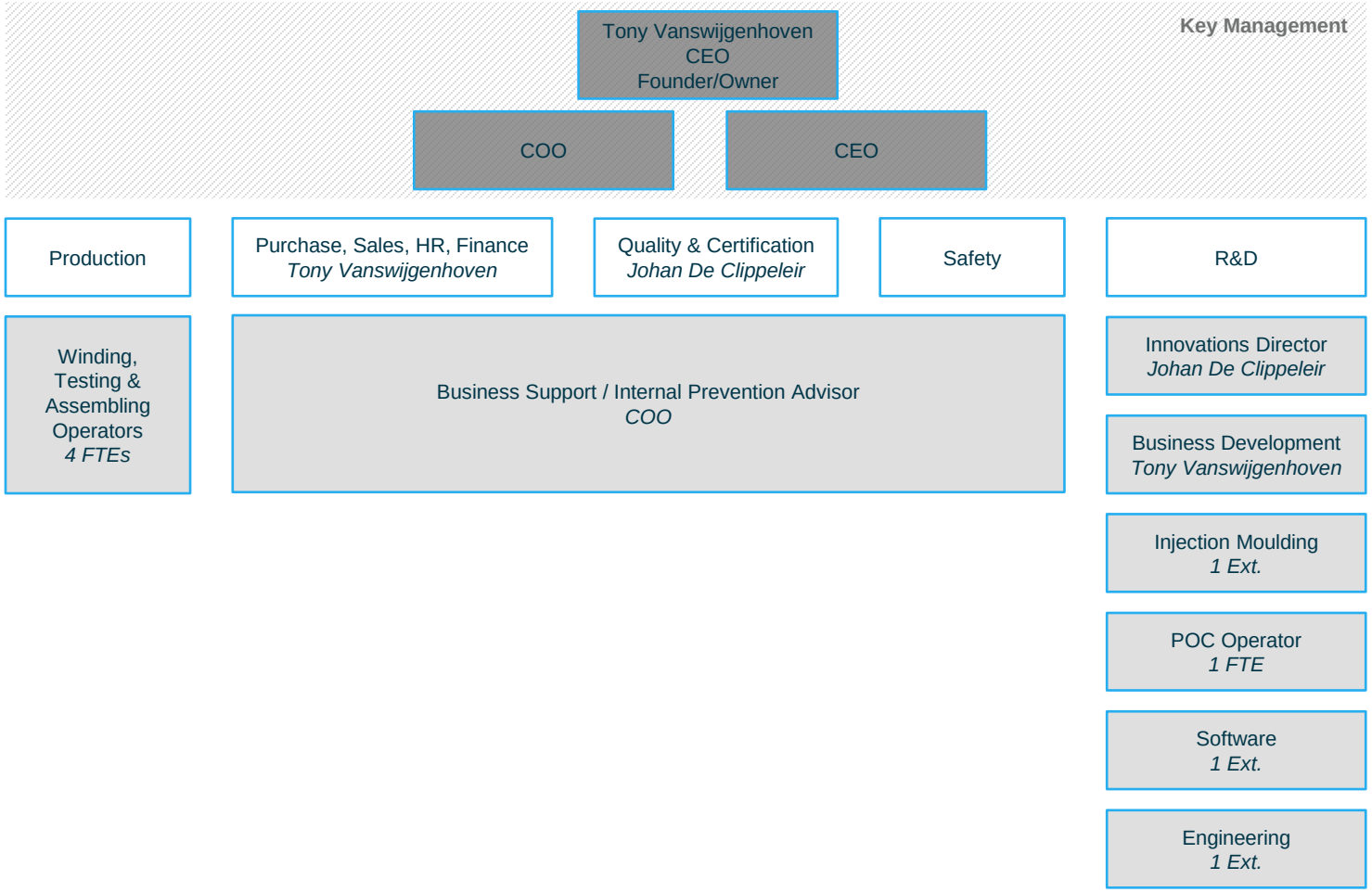
Johan De Clippeleir

CTO, Innovation Director & Board Member

- Master of science in chemical engineering with a major in polymer chemistry.
- Started his career at Shell Chemicals in 1989 as a rheological expert involved in thermoplastic and thermoset polymer families.
- Developed a profound expertise on polymers (characterization, stabilization and processes) and composites in durable applications at Shell and subsequent affiliated companies. His last position held until end 2011 was innovation manager at LyondellBasell.
- Co-inventor on 7 patent applications. He wrote various research disclosures and is also the co-author of the two joint patents filed with the collaboration of Air Liquide.
- In 2012, Johan became part of Covess and minority shareholder. He performed in parallel with COVESS activities various other technical consultancy and part-time activities.
- Today Johan is also active for Sibelco as responsible for a team of engineers (pilot plant and polymer & coating lab) developing new applications for minerals used as a filler in polymers and composites.

3.1 THE COMPANY - ORGANISATIONAL STRUCTURE & MANAGEMENT

Organisational Structure



Overview Key Personnel:

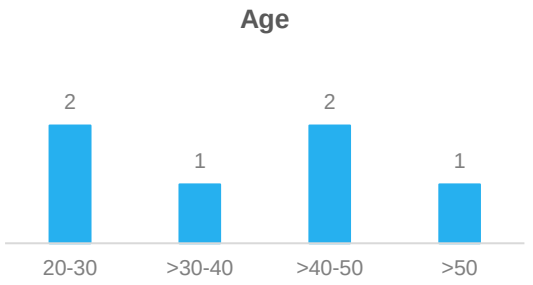
- **CEO: D**uring 2022 an external CEO was recruited who will lead the Company together with Tony Vanswijgenhoven (with a focus on business development). Extensive experience in leading SME companies and developing franchise networks.
- **COO**: Several experiences in sales, regulatory affairs and administrative management. Devises efficient procurement and sourcing strategies. Responsible for partnerships establishment and negotiations with suppliers (internal employee).
- **R&D Consultant (Injection Moulding)**: 40 years of experience in injection moulding, welding of composites and composite development (self-employed)
- **POC Operator:** Ca. 15 years of experience in the Company. Has a great knowledge of Covess' technology and processes and is regularly in charge of the training of new employees (internal employee).
- **Engineer:** Senior Mechanical Engineer with over 20 years of experience in designing and building electro-mechanical equipment. Co-inventor of 5 patents in the field of mechanical and optical design (self employed).
- **Draftsman:** Supports the responsible for engineering regarding to technical drawing/design of new industrial equipment (internal employee).
- **R&D Engineer (Software):** Engineering degree from Ecole Polytechnique and a master in Civil Engineering from Mines ParisTech. Joined Covess in 2019 after 4y as R&D Engineer at Air Liquide where he managed the development of composite tanks for hydrogen storage (self employed).

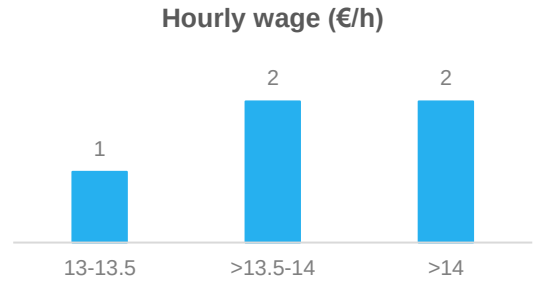
3.1 THE COMPANY - ORGANISATIONAL STRUCTURE & MANAGEMENT

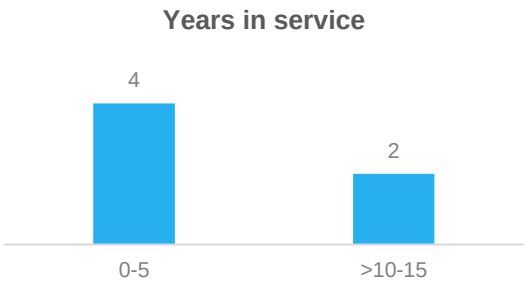
Personnel Profile

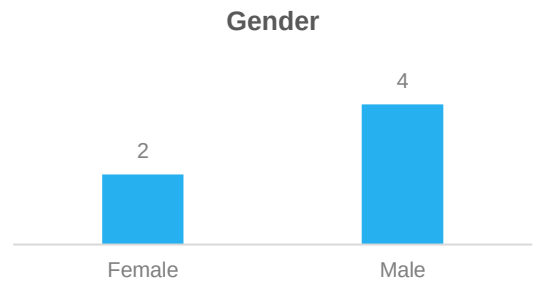
- **Age**: there is a good balance between younger and experienced workers. The average age of the personnel amounts to 40 years.
- **Hourly wage (€/h)**: the average hourly wage amounts to 13.9 €/h. Note that only blue-collars are presented in the adjacent graph.
- **Years in service**: the majority of the personnel is active for less than 3 years at Covess. Two persons are employed for the Company for more than 10 years. This is a direct effect of the recent need to scale the operations.
- **Gender**: there are 2 female workers and 4 male workers active within the Company.

Note: shareholders and self-employed workers are not included in the presented graphs.









3 The Company

3.2 THE COMPANY - ACTIVITIES & SERVICES

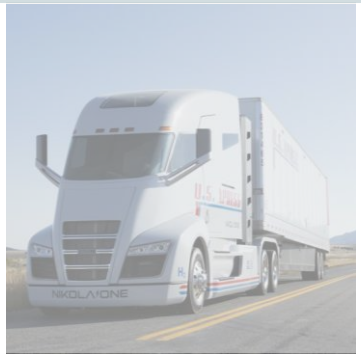
Overview

- Today Covess already commercializes Low-Pressure tanks for a broad range of applications.
- Going forward, the Company will **predominately focus on the development of High-Pressure Tanks** given the significant market potential.
- We refer to the following pages for more detailed information on the specifications and applications of the product.

Covess Thermoplastic Tanks ***Type 5***

High Pressure
RNG – CNG – Hydrogen Gas

Gas Distribution



Freight

Automotive

Low Pressure
Cold Water – Hot Water

Broad range of applications

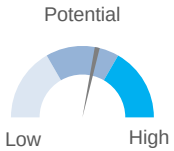
3.2 THE COMPANY - ACTIVITIES & SERVICES

Overview

Covess designs, develops and produces pressure vessels for all kinds of applications in thermoplastic composite materials, using a self-developed patented winding technique. The combination of this innovative production technique and the thermoplastic composite material used, has resulted in a unique product (Type 5), offering a maximum of possibilities at a highly competitive price.

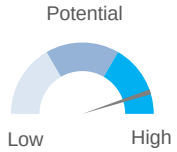
Monolithic Thermoplastic Tanks (Type 5)

Low-pressure



- 5-10 bar and 60-450 liters.
- Cold water expansion pressure vessel with a unique bladder technology under the brand name 'Sesame' (1 license in place).
- Cold water retention/storage vessel for all kind of applications e.g., fire extinguisher installations and building and marine applications.
- Hot water pressure vessel to be integrated in hot water boilers (1 license active in US and 1 upcoming in EU).
- Liner-less pressure vessels.
- **Since 2017, a production line for Type 5 low-pressure commercial applications is in place.**

High-pressure



- 200-700 bar and 200-600 liters.
- Very promising R&D results for applications of RNG, CNG and H^2 tanks.
- Focus will be primarily on H^2 tanks but can be extended into other application areas.
- Prototype production line in place.
- Covess is the only company in the world to provide high-pressure Type 5 thermoplastic tanks.
- Many interested prospects.
- Enormous potential.
- Liner-less pressure vessels.
- **Covess will be certified end 2023 for industrial production of high-pressure vessels (launch production is expected in 2024).**

Comparison Tank Types

Type n°	Type 1	Type 2	Type 3	Type 4	Type 5
Specifications	Fully steel tanks	Metal tank with carbon fiber wrapped in the hoop part	Metal tank completely composite-overwrapped	Complete composite tank wrapped with a thermoset reinforcement	Complete composite monolithic with full recyclable tank structure
Weight/kg/L	1,5	1	0,5	0,35	0,3
Cost/L (%)	1%	1,5%	3%	3%	2,7%

	Weight	Capacity	Cost/L	Recyclability	Fatigue Resistance	Safety (explosion-proof)	Vacuum resistance
Type 1	--	--	+++	+++	++	-	+++
Type 2	-	-	++	+	+	-	++
Type 3	+	+	-	-	+	-	-
Type 4	++	++	-	- -	+	-	---
COVESS' Type 5	+++	+++	+	+++	+++	+++	+++

3.2 THE COMPANY - ACTIVITIES & SERVICES

Main Benefits Type 5 Tank

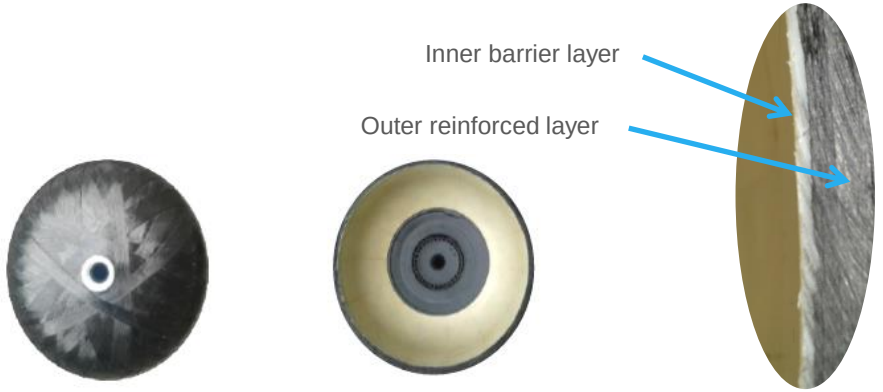
The main benefits of the Type 5 Tank versus its peers are **weight, capacity, cost, safety** and **full recyclability**.

Weight	▪ Up to 25% lighter than Type 4 tanks. ▪ Enormous potential of savings for the transportation and energy industry (freight, logistics, etc.).	▪ Fuel tank systems increase the tare weight of transportation vehicles and hereby reduce the cargo weight it can carry. Replacing Type 3 systems with liner-less Type 5 systems reduces the fuel system weight significantly and increases the potential cargo weight.
Capacity	▪ Traditionally, Type 3 and Type 4 tanks incorporate a full-fibre reinforcement that holds most of the pressure. The liner made of plastic or metal, is still necessary as a permeation barrier, to prevent the gas from escaping.	▪ The liner adds weight and reduces storage capacity as it takes up internal volume. Type 5 tanks have a monolithic structure which increases their capacity.
Cost	▪ Production costs of Type 5 tanks are lower than Type 3 and 4 tanks but still higher than Type 1 or 2 tanks.	▪ However, the higher production price is very well compensated with the reduction in weight since this triggers significant cost reductions.
Full Recyclability	▪ The monolithic tank structure can be fully recycled thanks to the unique winding process and used materials.	▪ Recyclability is a very important topic in all legislations, and it is therefore crucial to meet these requirements.
Safety	▪ Type 5 tanks are explosion proof and therefore extremely safe.	▪ Type 5 tanks leak before burst and are therefore very well suited for CNG/RNG/H^2 applications.

3.2 THE COMPANY - ACTIVITIES & SERVICES

Covess' Innovative Manufacturing Process

- Type 5 tanks are manufactured through a highly efficient hot-winding production process which bounds two layers in one monolithic composite structure.
- The process allows to manufacture 100% monolithic structures meaning the thermoplastic polymer is similar over the whole wall thickness (in contrast to Type 4 tanks).
- The Type 5 gas container differs from the current Type 4 CNG/NGR gas containers by (i) higher internal volume capacity, (ii) full recyclability, (iii) explosion-proof even in case of fire, (iv) better fatigue resistance and (v) less or no permeability.



Covess Type 5 tank structure

Current / Traditional Manufacturing Process

- Traditional composite tanks struggle with suboptimal characteristics. The process involves coating the carbon fibers with a liquid epoxy resin and applying it immediately to the liner, where the epoxy reacts and cures.
- This **wet winding** process leads to inconsistencies in the structure (density is not constant everywhere). This leads to a variation in the tank burst pressure of up to 15%.
- In order to solve this more material is added to compensate, which increases cost and weight. Additionally, the manufacturing process is also slow.

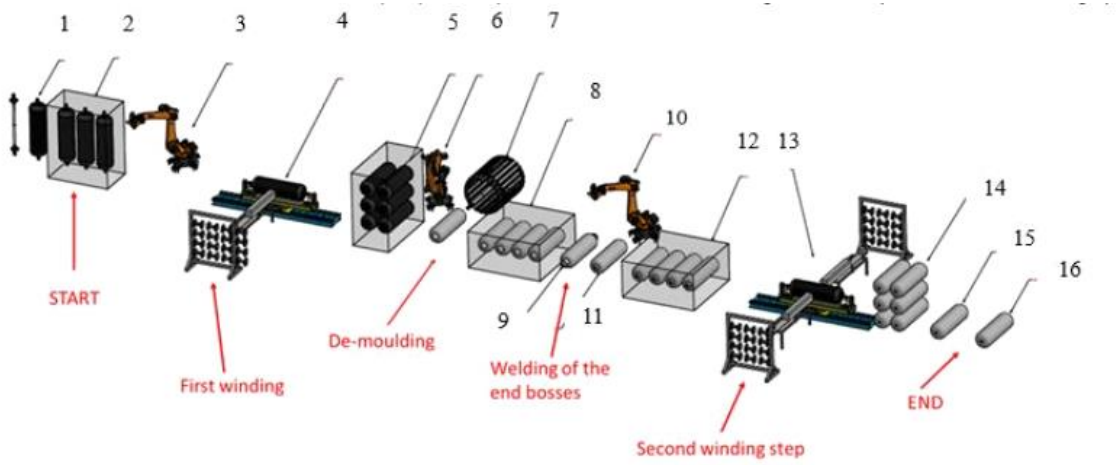
Covess' Manufacturing Process

- Covess' innovative **hot winding** process consists in winding a thermoplastic polymer tape. This tape is heated up, causing the tape to melt. After solidification, a very efficient barrier is formed.
- Subsequently, the layers with carbon fiber and a thermoplastic matrix are wound using the same process.
- The tank produced this way then becomes vacuum resistant. The gas barrier becomes homogenous over the entire wall and unlike Type 4 tanks, no gas entrapment is made possible between the different layers.
- In contrast to Type 4 vessels, the use of a thermoplastic composite structure no longer requires an additional curing process which saves time.

3.2 THE COMPANY - ACTIVITIES & SERVICES

Envisioned Industrial Manufacturing Line (High-Pressure Type 5 Tanks)

Schematic View



Description

1. Mandrel assembly station
2. Preheat oven
3. Pick and place robot
4. 1st winding station
5. Conditioned room to cool down
6. Pick and place robot
7. Mandrel removal
8. Buffer in conditioned area (humidity)
9. Boss welding station
10. Pick and place robot
11. Boss weld test station in isolated bunker
12. Preheat oven to prepare tanks for 2nd winding operation
13. 2nd winding operation
14. Cool down of the completed tank. Tanks need to rotate under low over pressure during this process
15. QC testing station, drying and sealing of the tank
16. Dispatch of the finished tank

- Currently Covess has developed a prototype production line for high-pressure tanks.
- The Company will invest in an **industrial production line** in order to scale its operations.
- Growth capital will be used to develop the production line.

3.2 THE COMPANY - ACTIVITIES & SERVICES

Intellectual Property Management & Portfolio

Overview

Covess' strategy for knowledge management and protection is based on two pillars:

- **Patent filing**: since its foundation, all steps of its manufacturing process were patented at an international level to provide Covess' technology with the necessary protection.
- **Industrial secrecy**: I) through the legal framework and organizational processes of the Company by using labour law for employees and managers, contract and commercial law for providers and suppliers (for example all customer discussions starts with the signature of a secrecy agreement) and II) through organizational processes: by fragmenting and compartmentalizing knowledge among managers, employees, providers and suppliers. This strategy protects know-how on rearing processes by isolating each step.

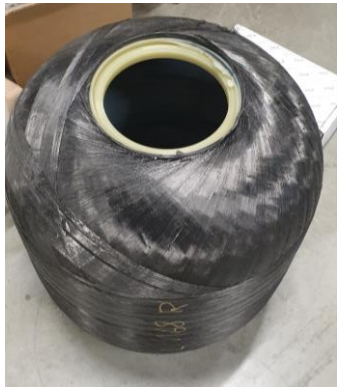
- Covess' patent portfolio is well developed and has already been assessed by several industrial partners over the years.
- A technological and competitive search is performed on a regular basis in order to detect any violation of Covess' IP. In case of noted violation, the Company will use any legal instrument to enforce its IP.
- In the adjacent table a brief overview of the registered patents of Covess is presented. A full detail overview is available upon request.
- Note that the brand names 'Covess' and 'Sesame' are registered trademarks since 2006 and 2012, respectively.

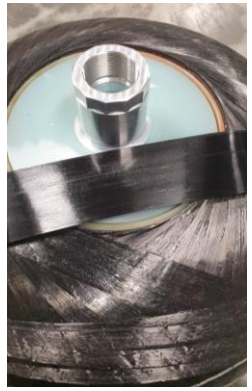
IP Portfolio

Title	Geographical Application	Publication Date	Inventor
Winding concept	Worldwide	November 24th, 2011	Covess
Watercooling concept	Worldwide	December 4th, 2012	Covess
Manufacture method for pressure-resistant gas and/or liquid proof containers	Worldwide	January 17th, 2013	Covess
Bladder system for expansion vessel	Worldwide	Filing date: May 17th, 2012	Covess
BOSS technology (high-pressure applications)	Worldwide	Filing date: November 20th, 2015	Covess
Multilayer composite vessel	Worldwide	Filing date: June 5th, 2019	Covess & Air Liquide
Composite Tape	Worldwide	Filing date: June 5th, 2019	Covess & Air Liquide
Method for producing a leak-tight vessel	Worldwide	Filing Date: April 28th, 2020	Covess

3.2 THE COMPANY - ACTIVITIES & SERVICES

Production Facility - Impressions

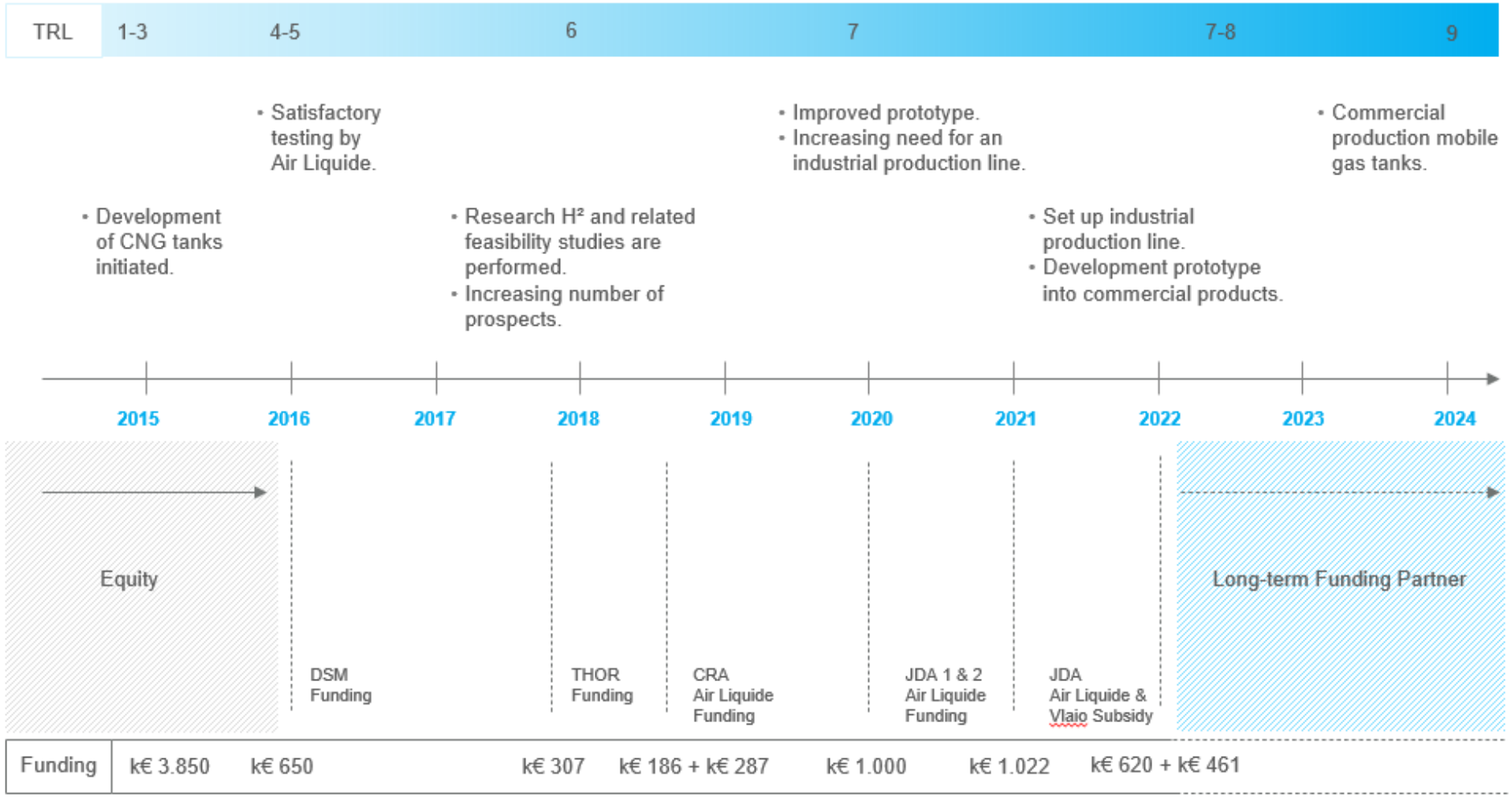




3 The Company

3.3 THE COMPANY – DEVELOPMENT ROADMAP

Development Timeline – High Pressure Tanks



3.3 THE COMPANY – DEVELOPMENT ROADMAP

Development Timeline – High Pressure Tanks

TRL	Period	Technical Achievements	Business Achievements
1-3	2015	▪ Development of CNG tanks initiated.	▪ Market potential identified.
4-5	2016	▪ Most critical tests have been performed.	▪ Tank weight already competitive compared to state-of-the-art type 4 tank.
6	2016	▪ Full feasibility for producing prototype tanks for the CNG market achieved. ▪ Air Liquide performs a whole series of tests on prototypes of Covess to understand the potential of the technology.	▪ Air Liquide selects the Covess type 5 technology as the most promising gas technology for all gas storage applications.
	2017-2019	▪ Research redirected towards H^2 on demand of the market. ▪ Feasibility achieved regarding burst pressure levels (1.600 bar). ▪ Initiation of project THOR (February 2019).	▪ Industrial line requested in order to be able to produce more reliably. ▪ Number of interested potential customers and licensees are increasing (25 potential customers identified at Advanced Clean Transportation (ACT) tradeshow in Los Angeles, 2019).
7	2020	▪ Significant progress in identifying and qualifying suppliers for the UD tape. Learnings captured from previous years are feeding the development of an improved prototype design both for larger and smaller tanks.	▪ Industrial lines are becoming a must-have. Customers for larger tanks of more than 200 liter are requesting one tank design for both 200 and 350 bar working pressure for applications of CNG & Hydrogen storage respectively.
7-8	2021 – 2023	▪ Implementation of the industrial production line. ▪ Development of prototypes into commercial products.	▪ Further conversion of prospects into customers.
9	2023 - 2024	▪ Start-up production of mobile gas tanks.	▪ Commercial launch of CNG storage tanks (200 bars). ▪ Moving forward the commercialization of hydrogen storage tanks as of 2024.

TRL: Technology Readiness Level

3.3 THE COMPANY – DEVELOPMENT ROADMAP

Development Timeline – Funding

Overview Funding

Funding Provider	Contract	Amount
Vlaio Subsidy	H² THOR4Gas	460.941 €
Air Liquide	JDA Amendment	620.000 €
Air Liquide	JDA 01/2021	1.021.800 €
Air Liquide	JDA 01/2020	1.000.000 €
Air Liquide	/	287.297 €
Air Liquide	CRA 04/2018	185.500 €
THOR (EU)	2018	307.341 €
Koninklijke DSM nv	RDA 12/2015	650.000 €
Total Equity Invested Shareholders*	/	3.850.000€
Total amount invested		**8.382.879 €**

JDA: Joint Development Agreement RDA: Research Development Agreement
CRA: Collaborative Research Agreement

* Note that the management has worked without remuneration for more than 20 years in order to develop the technology of Covess. The actual amount of time and cash invested in the Company is therefore signifcantly higher than the presented amount of equity invested.

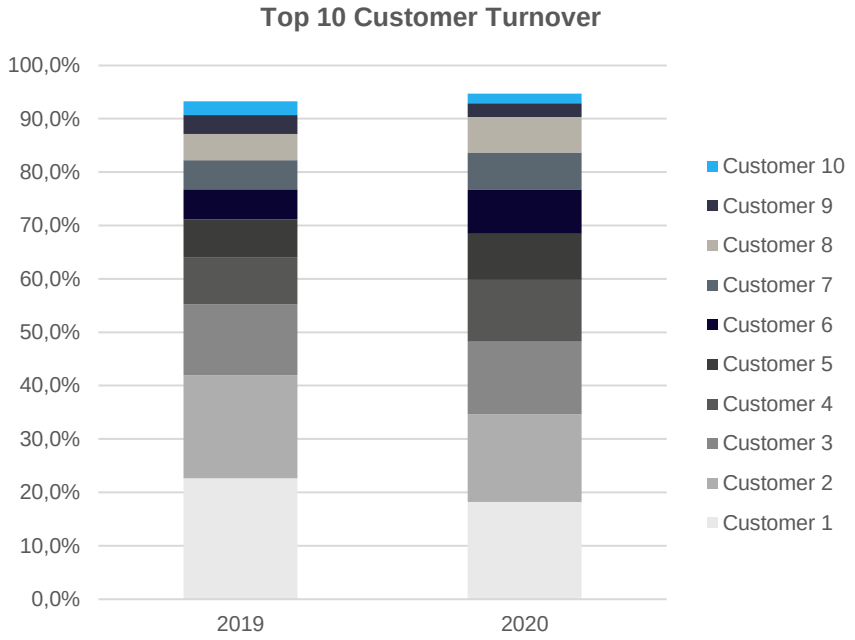
- Since 2018-2019, a European project is in place for research towards hydrogen (Thermoplastic Hydrogen tanks Optimized and Recyclable – THOR). This project is in cooperation with Faurecia, Air Liquide and CETIM.
- Both THOR & DSM development agreements have been terminated.
- Air Liquide, is a French multinational company which supplies industrial gases and services to various industries including medical, chemical and electronic manufacturers.
- In 2014, the first talks between Covess and Air Liquide took place about the potential of the Covess developed production process for gas applications. At the time, the 60-liter CNG vessel was under development which has been thoroughly researched and tested by R&D within Air Liquide. It proved to have a lot of potential for H2 and other gasses.
- In 2016, Air Liquide selected Covess' type 5 technology as the most promising gas technology for all gas storage applications.
- **CRA 2018**: manufacture of a 20L vessel at 700 bar working pressure.
  - The tests performed reinforced the interest of Air Liquide for the technology of Covess for hydrogen energy supply chain.
- **JDA 2020**: co-developing a prototype of thermoplastic type 5 pressure vessel with a target size between 200 and 300L, without a liner (barrier) and at 700 bar working pressure.
  - All milestones were achieved, and Air Liquide agreed upon the next development phase.
- **JDA 2021**: development of a type 5 tank of 335L at 350 bar and at 700 bar and a 60L tank at 700 bar for H² applications.
  - Currently in development.
- Air Liquide is currently the most active funding partner.

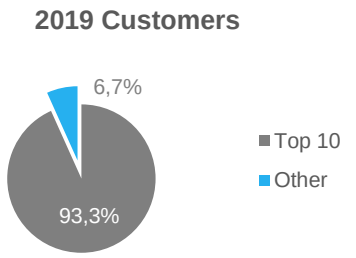
3 The Company

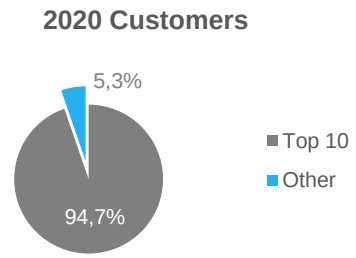
3.4 THE COMPANY – CUSTOMERS

Historical top 10 customers

- The current customer portfolio is focused on low-pressure tank applications and mainly consists of:
  - suppliers of cold and hot water tanks;
  - water treatment companies;
  - enterprises active in water heaters;
  - specialists in cold and heat storage; and
  - pump system providers.
- The top 10 customers represents 93,3% and 94,7% of the turnover for respectively 2019 and 2020.
- Sesame tanks are the main revenue driver in 2020 with 69%.
- In 2020, 8 of the top 10 customers were also in the top 10 customers of 2019 which indicates a high recurrence and customer loyalty towards Covess' innovative products.
- In total, 1.624 tanks (Sesame, Cold water storage tanks & Hot water storage tanks) were supplied to Covess' customers in 2020. 350L, 450L and 230L are the best sold tanks (28,5%, 21,9% and 21,2% respectively).







3.4 THE COMPANY – CUSTOMERS

Targeted Customers High-Pressure Tanks

Client Categories

- **Tier 1 Automotive Equipment Suppliers**
  - Most important members of the supply chain, supplying components directly to the original equipment manufacturer (OEM) which wish to create a fleet of trucks using natural gas-powered propulsion.
  - Tier 1 suppliers are interested in Covess licenses to be able to manufacture type 5 tanks by their own means.
  - E.g., BRC Gas Equipment, Cylinders Holding, Magna International, Faurecia, Valeo, etc.

- **Retrofit/installation Companies**
  - These companies wish to move away from dependence on fossil fuels.
  - They are interested in buying tailor-made type 5 tanks.
  - E.g., Drive Systems, AGS AutoGas Systemen, Gasnam, etc.

- **Gas Producers and Distributors (including Hydrogen)**
  - Looking for alternatives for steel tanks.
  - Covess can provide them monolithic type 5 tanks, which have all the strengths of existing systems without their weaknesses.
  - E.g., Air Liquide, Linde AG, etc.

Selection of prospects showing interest

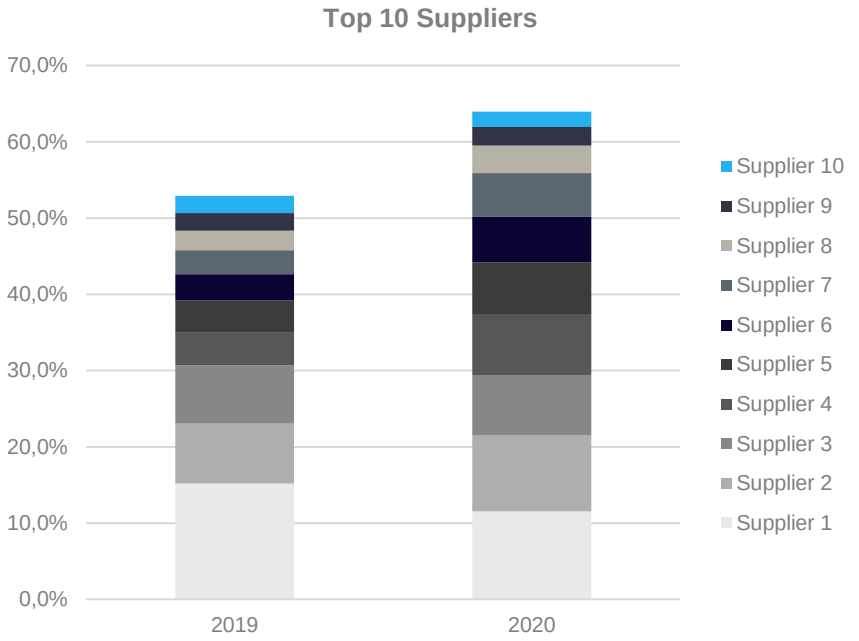
- ABC Technologies
  - Tier 1 automotive supplier.
  - Interested in license to manufacture type 5 tanks for Hyundai and Kia (hydrogen cars & CNG for trucks and buses).
- Hyundai & Nikola Motor Company
  - Interested as OEM and for hydrogen storage purposes.
- Ballard
  - Canadian listed company active in fuel cell systems.
  - Interested in hydrogen applications.
- DAF, VDL & Solaris
  - Bus & coach manufacturers
  - Interested to implement Covess tanks (Type 5) in their product line
- Faurecia
  - Global leader in automotive technology
  - Interested in Type 5 tanks
- Rama Cylinders
  - Interested in CNG type 3 vessels
- Faber Cylinders
  - Leading company in the design, manufacturing, testing and marketing of high-pressure gas cylinders and systems for e.g., CNG & hydrogen.
- Air Liquide
  - French multinational, specialized in industrial gases, i.e., gases for industry, health, environment and research.
  - Long-term partner through JDAs.
  - Interested in technology for H^2 tanks.
- Total
  - French multinational active in oil and gas.
  - Interested in hydrogen applications.

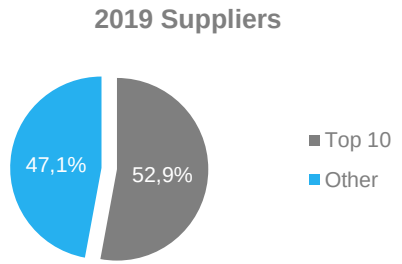
3 The Company

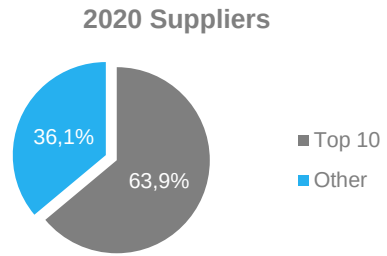
3.5 THE COMPANY – SUPPLIERS

Top 10 suppliers

- The top 10 suppliers of Covess consist of:
  - Engineering companies
    - Injection moulding
    - Lasercutting and welding
    - Automation and machine building
  - Packaging company
  - Patent agency
  - Supplier of thermoplastic UD tapes
- 6 out of 10 suppliers in 2020 were also in the top 10 suppliers of 2019 which indicates the excellent and long-term relationships of Covess with its suppliers.
- There is no dependency on a specific supplier and there are several alternatives for each type of supplier.
- For high-pressure tanks it is essential to have a broad base of suppliers in order to overcome supplier dependency. A wrong choice of supplier can lead to delays in orders or a quality of the delivered product that does not meet Covess' expectations.
- Over the last 4 years, several new tape suppliers such as Sabic, Arkema and DSM, have become available and are ready to participate in Covess' internationalization.







3 The Company

3.6 THE MARKET

Market Opportunity & Need

The transportation market is actively looking for innovative technology for reducing greenhouse gas emissions:

- As transportation Original Equipment Manufacturers (OEMs) face increased pressure to reduce greenhouse gas emissions and increase fuel efficiency of their vehicles, much effort is done in the area of alternative energy sources.

- One of the most promising and concrete solution for both private vehicles and freight is Hydrogen (H2) and Compressed Natural & Renewable Gas (CNG/RNG). This natural gas is a resource that is very widely available in the world and significantly less polluting than petrol and diesel. Therefore, it could make a valuable contribution to reach energy transition objectives.

CHALLENGE:

- Safe, lightweight and compact solutions to store sufficient fuel onboard a vehicle must be developed to enable the same driving range than conventional ones.

- Traditional tanks (mainly Type 3 & Type 4) have important shortcomings in terms of performance, safety, weight and ecological footprint.

SOLUTION:

- The most relevant solution lies in the use of innovative high-pressure thermoplastic storage tanks (Type 5).

- Type 5 tanks are fully recyclable and have a minimal environmental impact which supports the increasingly important trend toward a circular economy and decreases the carbon footprint of the transportation sector.

Thermoplastic composite tanks are a first-choice solution for mobile storage of H2 and CNG/RNG:

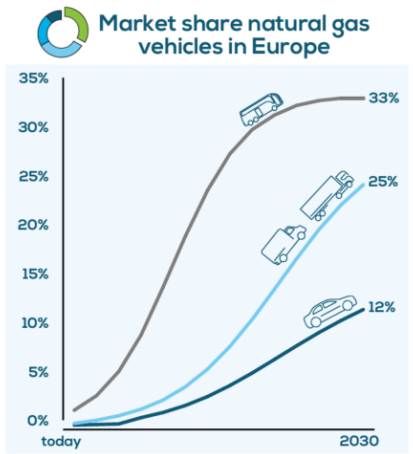
- In a context where environmental concerns are constantly growing and transportation related CO2 emissions requirements are becoming increasingly stringent, demand increases for innovative storage solutions for alternative energy sources.

- Since weight reduction is a priority to increase fuel efficiency and performance, the use of composite materials allows higher payload levels and stand as the best alternative to decrease both weight and fuel consumption. Having lighter tanks on trucks improves operational efficiency and reduces expenses. It also allows better acceleration and easier operation, shorter braking distance, and most importantly, it creates opportunities for increased profit margins for fleet managers.

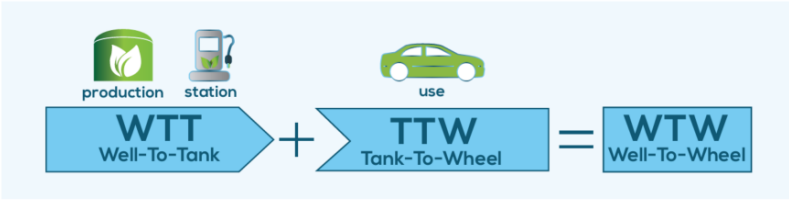
3.6 THE MARKET

CNG / RNG Market Europe

- Climate change and air quality are among the greatest challenges in the current society. The transport sector has to go through a deep transformation in the next decades.
- Natural gas and especially renewable gas represent a concrete answer to these challenges: it helps to accelerate the circular economy model, where sustainable biomass is recycled and transformed into clean transportation fuel.



- Climate change can be mitigated through the decarbonization of the transport sector. This process needs to be assessed by considering the Well-to-Wheel (WTW) greenhouse gas (GHG) emissions, a combination of the fuel production and distribution (WTT), as well as the emissions generated during the fuel combustion on the vehicles (TTW). Under this perspective, renewable gas is a strong accelerator to carbon neutral mobility.



- By switching 13.2 million conventional to natural gas vehicles, WTW GHG emissions will be reduced from 96 metric tons down to 52 metric tons given 30% renewable gas in the EU mix. When using 80% renewable gas, carbon neutrality can be realized.
- Natural gas, together with increasing amounts of renewable gas, is a fundamental player in a low-carbon future: clean combustion, low carbon dioxide (CO2) emissions, technology maturity, availability and competitive fuel cost are key factors to boost its role.
- Through Compressed Natural Gas (CNG) and Liquefied Natural Gas (LNG), a complete range of applications can be supported, from small city cars up to long-haulage trucks, as well as in the maritime sector.

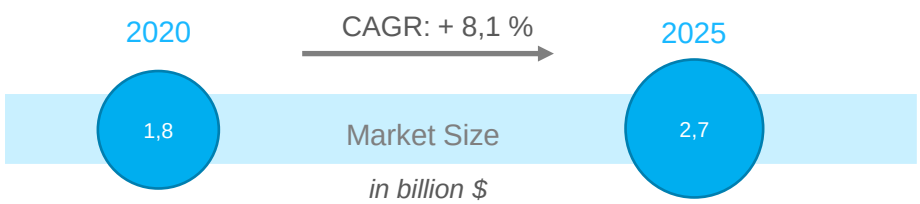
Source: NGVA Europe

3.6 THE MARKET

CNG / RNG Market – Geographic Trends

- Global CNG market is characterized by government subsidies and environmental regulations which differ according to geographical area:
  - **Asia Pacific (APAC)** emerged as the leading consumer for CNG in 2018. Emerging Asian countries such as China, India, Malaysia and Indonesia are expected to show higher growth rates thanks to the increase in NGVs demand and rise in middle-class disposable incomes. In addition, CNG has a developed market in the form of South Korea and Japan. Majority of the public transportation fleet is being converted to CNG fuel systems supported by government regulations.
  - **Europe** is the second largest CNG market.
  - **Central & South America** is expected to witness the highest growth rate over the coming years. South American countries such as Brazil and Argentina had high NGVs demand over the past few years thanks to an increase in demand of the taxicab segment and is expected to show steady growth rates over the next six years.

Global CNG / RNG / Hydrogen Market – Size



Source: Research and Markets

Hydrogen Market Europe

► The transition towards a gas-based economy will foster the development of the hydrogen industry given its similarities. The EU has made the following roadmap for the hydrogen industry within Europe.

Hydrogen Roadmap Europe	Roadmap Plan by 2030
Hydrogen production & distribution	 **1/3** ultra-low carbon hydrogen production in industrial applications, including refineries and ammonia production  at-scale conversion of "surplus" renewables into hydrogen large-scale demonstrations of power generation from hydrogen renewable-hydrogen generation plants
Hydrogen Infrastructure	 **~3,700** hydrogen refueling station by 2030
Support for passenger vehicles	 a fleet of **3.7 million** fuel cell passenger vehicles
Support for commercial vehicles	 **500,000** fuel cell light commercial vehicles on road  **45,000** fuel cell trucks and buses projected to be on the road  Fuel cell trains replace **570** diesel trains

Source: Deloitte / Ballard: Fueling the Future of Mobility

3.6 THE MARKET

Market observations by the management of the Company

Management observes the market evolutions for CNG, RNG, H2 and electric vehicles as follows:

- Europe
  - Small passenger cars will be battery electric vehicles (BEV).
  - Medium to large cars is expected to be 50% BEV and 50% fuel cell electric vehicle (FCEV – H^2).
  - Buses and trucks will be temporarily powered by CNG/RNG but will eventually be replaced by H^2.

- USA
  - Small passenger cars will be battery electric vehicles (BEV).
  - Medium to large cars is expected to be 50% BEV and 50% fuel cell electric vehicle (FCEV – H^2).
  - Buses and trucks will be temporarily powered by CNG/RNG but will be eventually replaced by H^2. CNG will have a longer transition period in USA because of the local production of CNG (by means of fracking).

- Asia
  - Envision a fully H^2 driven society (with Japan and Korea as the driving forces for this market).
  - Asia actively invests in H^2 technology and facilities.

- Middle-East
  - Primarily CNG.

- An additional important driver for H^2 lies in the potential to locally produce unlimited amounts of H^2 which will lead to political independence in the long term.

3.6 THE MARKET

Competitors & Unique Selling Proposition

Competitors

- The following is a non-exhaustive list of the main tank suppliers:

Player Name	Headquarters	Turnover (M€)	Target Markets	Tank types
HEXAGON COMPOSITES	NORWAY	3416	Aerospace, aviation, defense, bulk gas transport and vehicular transportation	Type 3 & Type 4
LUXFER	UK	480	Mobile pipeline, bulk gas transport, CNG automotive	Types 1, 2, 3, 4
WORTHINGTON	USA	3,3	Industries, vehicular transportation, aerospace; marine	Types 1, 2, 3, 4
CYLINDERS HOLDING	CZECH REPUBLIC	2,5	Stationnary gas storage, vehicular transportation	Type 1
FABER INDUSTRIES	ITALY	12,2	Hydrogen applications, transport, vehicular transportation	Types 1, 2, 3, 4
INFINITE COMPOSITE TECHNOLOGIES	USA	3	Aerospace, oil and gas extraction, marine composites	Type 5 (thermoset liner)
COMPOSITE TECHNOLOGIES DEVELOPMENT	USA	5-10	Aerospace, Hydrogen for Automotive	Type 5 (thermoset liner)
COVESS	**BELGIUM**	**2,2**	**Bulk gas transport and vehicular transportation**	**Type 5 (thermoplastic)**

Unique Selling Proposition

- Covess states that it is the only company (worldwide) to provide thermoplastic type 5 tanks. The Company will introduce those first liner-less thermoplastic high-pressure vessels for CNG applications. Consequently, Covess will be the first company able to manufacture a high-pressure vessel which overcomes the shortcomings of the currently commercially available type 4 vessels (recyclable, more economically, safer due to non-propagation of cracks, faster filling, no liner – monolithic structure, no curing problems in production, less footprint, etc).
- With additional funding Covess will be able to finalize its technological scale-up and subsequently arise as a market leader in composite vessels.
- Additionally, Covess' only technological competitors (i.e competitors on type 5 technology) are not using thermoplastic technology but thermosets to manufacture their storage tanks.
- These tanks require a high safety factor to achieve sufficient gas barrier performances (up to 10 times the working pressure) that is why they are not as economical as Covess' tanks.
- In addition to providing less competitive products, these mentioned competitors are mainly focusing on aerospace and are therefore not direct competitors of Covess.

3 The Company

3.7 SWOT ANALYSIS

SWOT Analysis

Strengths

- Innovative composite tank technology for a wide array of applications and sectors.
- Proven track-record in low and high-pressure composite vessels and extensive knowledge in this field of expertise.
- Strong intellectual property base with a broad portfolio of patents on production processes and related products.
- 20 years of experience in the field of composite vessels.
- High entry barriers for competitors given intellectual property base and developed expertise.
- Highly-skilled and educated personnel with significant experience.
- Privileged contacts with a lot of multinational prospects which see a lot of potential in the developed products.
- Covess has always secured funding autonomously over the past 20 years and is now ready for an external long-term partner.
- The Company is the only company in the world to provide high-pressure thermoplastic type 5 tanks.

Weaknesses

- Current capital base is insufficient to scale the operations and to accelerate the roll out of the high-pressure type 5 tanks.
- Limited customer awareness of the Covess' technology.
- Current production facilities are not ideal for industrialized production.

3.7 SWOT ANALYSIS

SWOT Analysis

Opportunities

- High-pressure type 5 tanks have a significant potential for on-board storage solutions for trucks, buses and mobile pipeline storage market.
- Potential interested categories:
  - Tier 1 automotive equipment suppliers
  - Retrofit/installation companies
  - Gas producers and distributors
- Given that a lot of governments will focus on H^2 in the future, the potential and need for transport and energy storage applications will increase significantly.
- A licensing model will enable Covess to accelerate its market entry and to increase the market awareness for these products / technologies.
- Accelerate the sales strategy of low-pressure type 5 tanks for cold and hot water applications.
- Production costs will significantly lower by means of an industrialized production line which will increase the margins of the products.

Threats

- Regulation / compliance in the automotive market.
  - Covess has a very clear idea of the legal and regulatory constraints which are not considered as a serious obstacle that could hamper the commercial application.
- New technology will have to be adapted by the market (steel tanks still represent 90%). However, the superior product characteristics should overcome this threat.
- Raw materials supply when upscaling production.
- Recruitment plan will be required to scale the operations.

4 Financial Information

4.1 Historical

4.2 Budget

4.1 FINANCIAL INFORMATION - HISTORICAL

Income Statement

EUR '000	2017 H	2018 H	2019 H	2020 H	2021 H
Turnover	310	549	1 165	1 732	2 088
Other operating income	28	3	11	23	78
Total revenue	**338**	**552**	**1 176**	**1 755**	**2 166**
Growth %			113%	49%	23%
Raw materials and consumables	-219	-224	-399	-429	-734
Total COGS	**-219**	**-224**	**-399**	**-429**	**-734**
Gross margin	**119**	**328**	**777**	**1 326**	**1 432**
GM %	35%	59%	66%	76%	66%
Services and other goods	-196	-176	-308	-363	-530
Remuneration, Soc. Sec. & pension costs	-114	-154	-171	-186	-234
Other operating charges	-1	-1	-21	-1	-1
Total OPEX	-311	-331	-500	-549	-766
EBITDA	**-192**	**-3**	**277**	**776**	**666**
EBITDA %	-57%	0%	24%	44%	31%

Turnover

Turnover consists in 2021 of:

- Sesame Tanks
- Received funding
- Other

Other consists of pilot projects, license fees, etc.

Services & Other Goods

2021 services & other goods charges contain:

- Engineering assistance (k€ 139 / 26,3%)
- Rent Building (k€ 79 / 14,9%)
- Legal, accounting and other fees (k€ 65 / 12,3%)
- Fees patent agency (k€ 56 / 10,6%)
- Transport & leasing (k€ 46 / 8,7%)
- Other (k€ 144 / 27,2%)

Other includes insurances, repair & maintenance, electricity, publicity, etc.

4.1 FINANCIAL INFORMATION - HISTORICAL

Income Statement (Cont'd)

EUR '000	2017 H	2018 H	2019 H	2020 H	2021 H
Depreciation	-195	-152	-156	-153	-144
Amortisation	-0	-	-	-	-
Provision	-	-	-	-	-
EBIT	-388	-155	121	624	522
EBIT %	-115%	-28%	10%	36%	24%
Financial income	3	0	3	1	0
Financial charges	-39	-18	-15	-13	-18
Financial result	-36	-18	-13	-12	-18
Extraordinary income	150	-	-	-	-
Extraordinary charges	-	-21	-	-150	-
Extraordinary result	150	-21	-	-150	-
EBT	-274	-194	108	462	504
Income taxes	-	-0	-0	-	-0
EAT	-274	-194	108	462	503
Distribution of profit	-	-	-	-	-
Profit carried forward	-274	-194	108	462	503

Depreciation

In 2021 depreciation charges consist of:

- Equipment & Installations (k€ 132)
- Other (k€ 12)

Financial charges

Primarily consists of interests on the outstanding loans.

4.1 FINANCIAL INFORMATION - HISTORICAL

Balance Sheet - Assets

EUR '000	2017 H	2018 H	2019 H	2020 H	2021 H
Intangible assets	189	105	25	-	-
Tangible assets	185	176	134	267	682
Financial assets	-	-	-	-	16
Total fixed assets	**373**	**282**	**159**	**267**	**698**
Stocks & contracts in progress	53	40	60	44	109
Trade debtors	15	15	27	154	418
Other amounts receivable	0	308	337	258	352
Investments	-	-	-	-	-
Cash at bank & in hand	1	11	42	34	14
Deferred charges & accrued income	150	150	-	-	-
Total current assets	**219**	**524**	**466**	**490**	**894**
Total assets	**592**	**806**	**626**	**758**	**1 592**

Tangible Assets

In 2020, this represents:

- Terrains & buildings (k€ 36)
- Equipment & Installations (k€ 637)
- Other assets (k€ 9)

Stocks & contracts in progress

Concerns the stock of raw materials.

Other Amounts Receivable

Consists in 2021 of:

- Current account JDC (k€ 18)
- Current account TVS (k€ 265)
- Recoverable VAT (k€ 69)

4.1 FINANCIAL INFORMATION - HISTORICAL

Balance Sheet - Liabilities

EUR '000	2017 H	2018 H	2019 H	2020 H	2021 H
Capital	1 562	1 561	1 561	1 562	1 562
Reserves	-1 519	-1 405	-1 276	-1 122	-466
Capital & reserves	**43**	**156**	**284**	**439**	**1 096**
Provisions & postponed taxes	-	-	-	-	-
Financial debts	120	120	45	-	115
Other debts	-	-	-	-	-
Debts payable > & year	120	120	45	-	115
Current portion of debts > 1 year	180	180	167	163	111
Financial debts	0	0	-	-	-
Trade debts	204	170	64	84	198
Taxes, remuneration & soc. Sec. Debts	10	15	56	12	41
Other amounts payable	35	164	-	30	30
Accrued charges & deferred income	-	-	10	30	-
Debts payable < 1 year	**430**	**530**	**296**	**319**	**381**
Total equity & liabilities	**592**	**806**	**626**	**758**	**1 592**

Capital & Reserves

The movement in reserves can be explained by result appropriation.

Financial debts

Consists in 2021 of (LT / ST):

- Loan received by LRM (k€ 52 / k€ 26)
- Investment loan H² production machines (k€ 48 / k€ 35)
- Rent guarantee of k€ 16 (LT)
- Straight loan of k€ 50 (ST)

Other amounts payable

Contains a current account with Covess Production nv.

4 Financial Information

4.1 Historical

4.2 Budget

4.2 FINANCIAL INFORMATION - BUDGET

Budget – Income Statement

EUR '000	2022 B	2023 B	2024 B	2025 B	2026 B
Turnover	879	1 090	6 818	27 098	54 375
Other operating income	804	93	-	-	-
Total revenue	**1 683**	**1 183**	**6 818**	**27 098**	**54 375**
Growth %		-30%	476%	297%	101%
Raw materials and consumables	-633	-759	-3 339	-14 022	-28 092
Total COGS	-633	-759	-3 339	-14 022	-28 092
Gross margin	**1 051**	**424**	**3 478**	**13 075**	**26 282**
GM %	62%	36%	51%	48%	48%
Services and other goods	-300	-473	-1 364	-5 420	-10 875
Remuneration, Soc. Sec. & pension costs	-995	-1 265	-2 020	-2 946	-4 111
Other operating charges	-	-	-	-	-
Total OPEX	-1 295	-1 739	-3 383	-8 365	-14 986
EBITDA	**-244**	**-1 315**	**95**	**4 710**	**11 296**
EBITDA %	-15%	-111%	1%	17%	21%

4.2 FINANCIAL INFORMATION - BUDGET

Budget – Income Statement (Cont'd)

EUR '000	2022 B	2023 B	2024 B	2025 B	2026 B
Depreciation	-157	-422	-691	-962	-1 676
Amortisation	-	-	-	-	-
Provision	-	-	-	-	-
EBIT	**-401**	**-1 737**	**-596**	**3 748**	**9 620**
EBIT %	-0	-147%	-9%	14%	18%
Financial income	-	-	-	-	-
Financial charges	-3	-23	-47	-57	-59
Financial result	-3	-23	-47	-57	-59
Extraordinary income	-	-	-	-	-
Extraordinary charges	-	-	-	-	-
Extraordinary result	-	-	-	-	-
EBT	**-404**	**-1 760**	**-642**	**3 691**	**9 561**
Income taxes	-	-	-	-13	-341
EAT	**-404**	**-1 760**	**-642**	**3 678**	**9 220**
Distribution of profit	-	-	-	-	-
Profit carried forward	-404	-1 760	-642	3 678	9 220

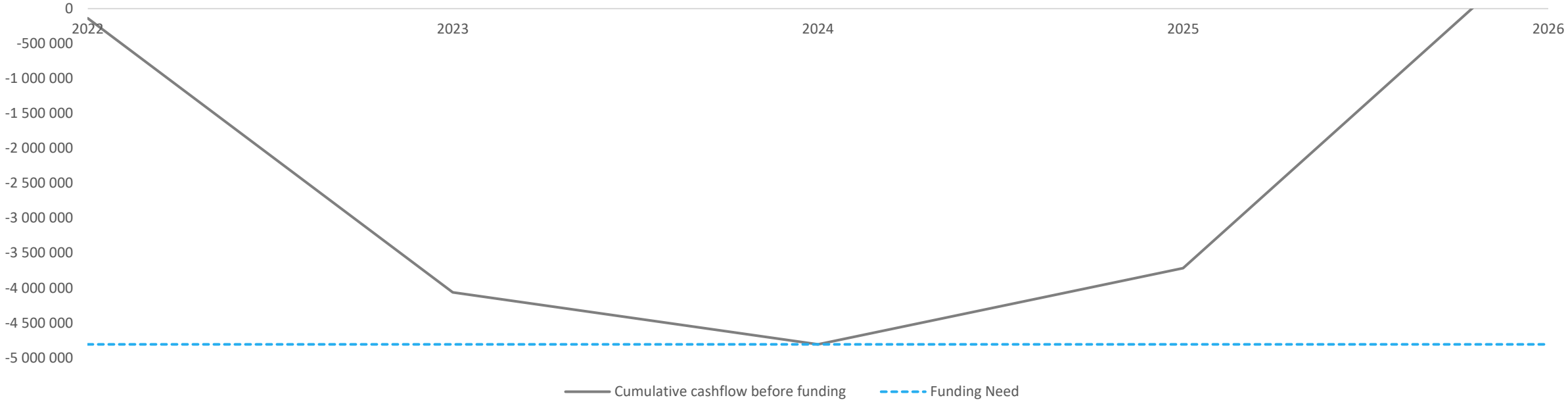
4.2 FINANCIAL INFORMATION - BUDGET

Budget – Cash Flow Statement

EUR '000	2022 B	2023 B	2024 B	2025 B	2026 B
Operational cashflow	**-244 336**	**-1 314 779**	**94 880**	**4 709 884**	**11 295 984**
Income taxes	**0**	**0**	**0**	**-12 193**	**-340 761**
Change in stocks	57 412	-10 399	-212 074	-878 048	-1 156 448
Change in receivables	356 196	-31 472	-854 441	-2 742 302	-4 069 128
Change in deferred charges & accrued income	0	0	0	0	0
Correction provisions/amortisations	0	0	0	0	0
Change in trade debts	-105 750	29 812	345 156	1 465 811	1 941 853
Change in taxes, remuneration & soc. sec. debts	22 913	17 454	48 665	60 510	96 360
Change in other amounts payable	0	0	0	-30 000	0
Change in accrued charges & deferred income	0	0	0	0	0
Cashflow from change in net working capital	**330 771**	**5 394**	**-672 694**	**-2 124 028**	**-3 187 363**
Cashflow from capital expenditures	**-122 332**	**-2 534 565**	**-148 022**	**-2 562 824**	**-4 979 107**
Reimbursement of existing loans	-111 199	-61 199	-38 359	0	0
Withdrawal of new loans	0	0	74 011	1 281 412	2 489 553
Reimbursement of new loans	0	0	-7 401	-142 943	-520 040
Change in ST Financial debts	0	0	0	0	0
Other movements in equity	0	0	0	0	0
Distribution of profit	0	0	0	0	0
Impact of normalisations	0	0	0	0	0
Financial income	0	0	0	0	0
Financial charges	-3 376	-22 566	-46 569	-57 482	-58 970
Cashflow from financing	**-114 575**	**-83 765**	**-18 318**	**1 080 987**	**1 910 543**
Cashflow from extraordinary results	**0**	**0**	**0**	**0**	**0**
Total cashflow	**-150 473**	**-3 927 715**	**-744 154**	**1 091 826**	**4 699 298**
Cumulative cashflow before funding	-136 162	-4 063 876	-4 808 030	-3 716 205	983 093

4.2 FINANCIAL INFORMATION - BUDGET

Funding Need

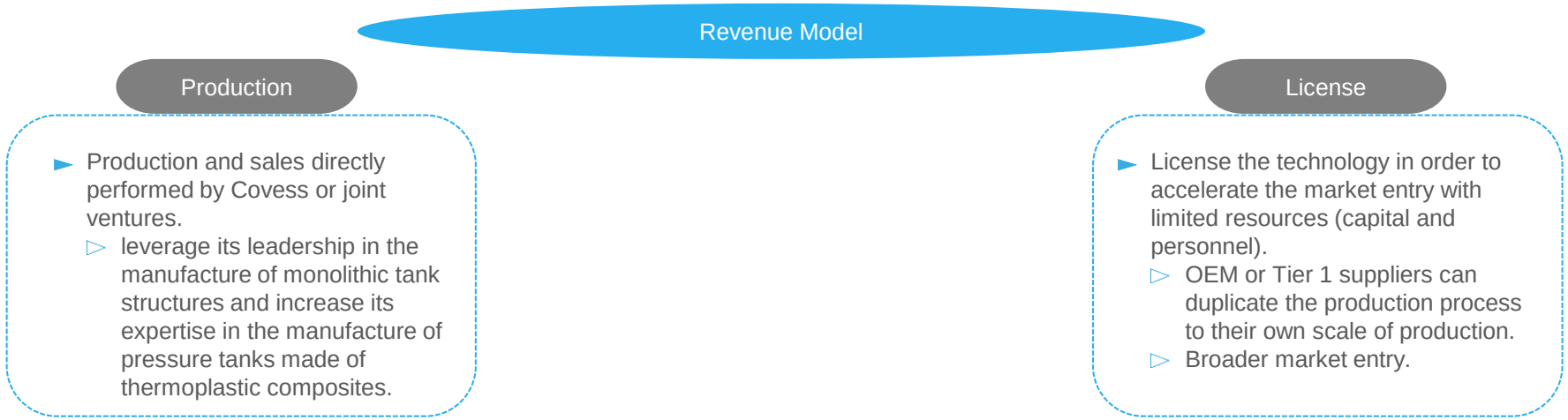


Funding Need	€ 4.808.030

4.2 FINANCIAL INFORMATION - BUDGET

Revenue Model High-Pressure Type 5 Tanks

Schematic View



Description

- Covess' business model will revolve around two forms of revenues:
  - I) sales of tanks manufactured by the new production line; and
  - II) the provision of licenses to various automotive OEMs and/or first tier suppliers.
- The Company has a portfolio of patents enabling it to occupy a strong position in relation to its competitors. The activity of controlling their patents will become increasingly important.
- The licensing model is particularly interesting since the duplication of an industrial manufacturing line is not complex and licensees in other European countries and continents will enable Covess to generate cash without additional investments.

4.2 FINANCIAL INFORMATION - BUDGET

Market Estimation

Total amount of H2 vehicles

	Today	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Trucks & Buses EU	249	82	175	351	703	1.406	2.812	5.625	11.250	22.500	45.000
Trucks & Buses USA	62	115	235	470	938	1.875	3.750	7.500	15.000	30.000	60.000
Air Liquide EU	0	0	0	5	25	50	80	100	140	160	180
Light Commercial Vehicles EU	0	976	1.953	3.906	7.812	15.625	31.250	62.500	125.000	250.000	500.000
Light Commercial Vehicles USA	0	1.000	2.000	4.000	8.000	20.000	40.000	60.000	150.000	300.000	600.000
Cars EU	3.668	7.226	14.453	28.906	57.812	115.625	231.250	462.500	925.000	1.850.000	3.700.000
Cars USA	8.968	10.350	20.700	41.400	82.812	165.625	331.250	662.000	1.325.000	2.650.000	5.300.000

Own production

License model

- Amount of H2 vehicles in 2031 are based on sector rapports and market intelligence (note that a delay of one year has been taken into account based on market circumstances).
- Ramp up quantities between 2022 and 2031 are estimated by Covess' management (supported by discussion with relevant actors in the market).
- Only Air Liquide is estimated specifically for Covess (fraction of the total production). These figures represents the number of trailers which will be ordered by Air Liquide to transport H2 tanks (100 tanks per trailer can be transported).
- Sectors/opportunities colored in white will be addressed by own production versus sectors/opportunities in blue by a license model.
- Note that the budgeted period is observed until 2026 to determine the funding need of the Company.
- Note that H2 opportunities with regard to the following sectors have not been taken into account:
  - Aviation
  - Marine
  - Train
  - Fueling stations
  - Houses
  - Electrolysers
- Note that the market for domestic heat pumps has not been taken into account (currently in negotiation for a turnover of 3,5 m€).

4.2 FINANCIAL INFORMATION - BUDGET

Covess Market Share Estimation

	Today	2022	2023	2024	2025	2026
Trucks & Buses						
Market share % EU	0%	0%	0%	3%	3%	3%
Market share % US	0%	0%	0%	5%	5%	5%
Sales volumes EU	0	0	0	11	21	42
Sales volumes US	0	0	0	24	47	94
Total sales volumes	**0**	**0**	**0**	**34**	**68**	**136**
H2 transportation (Air Liquide)						
Sales Volumes	0	0	0	5	25	50
Light Commercial Vehicles						
Market share EU	0%	0%	0%	1%	2%	3%
Market share US	0%	0%	0%	1%	2%	3%
Sales volumes EU	0	0	0	39	156	469
Sales volumes US	0	0	0	40	160	600
Total sales volumes	**0**	**0**	**0**	**79**	**316**	**1.069**
Car						
Market share EU+US+AS	0%	0%	0%	1%	2%	3%
Sales volumes	0	0	0	703	2.812	8.438

- Covess' market shares are estimated by Covess' management and supported by current leads with several prospects (Air Liquide, Nikola & Hyundai).
- A market-based approach has been applied on the proposed business plan.

4.2 FINANCIAL INFORMATION - BUDGET

Revenue Build-Up

- Revenues included in the plan will be determined as follows:
  - Production
    - Vehicles produced * Revenue per vehicle (=kg H2 per vehicle * selling price EUR/kg H2).
  - License model
    - A royalty of 4% on the selling price of a tank will be charged.

Example Selling Price Air Liquide

Selling price EUR/kg H2	€	600,00	2021 - 2025
	€	550,00	2026 - 2030

Per Sector/Opportunity	2022	2023	2024	2025	2026
Trucks & Buses	0	0	1.905.680	3.807.440	7.612.080
Air Liquide	0	0	4.500.000	22.500.000	45.000.000
Light Comm - Gross revenue	0	0	442.736	1.770.944	5.985.000
Light Comm - Royalty revenue	0	0	17.709	70.838	239.400
Cars - Total Market - Gross revenue	0	0	2.460.710	9.843.680	29.531.250
Cars - Total Market - Royalty revenue	0	0	98.428	393.747	1.181.250
Total Gross Revenue	**0**	**0**	**9.309.126**	**37.922.064**	**88.128.330**
Total Revenue	**0**	**0**	**6.521.818**	**26.772.025**	**54.032.730**

Financial figures in €

Licensing	2%	2%	3%
Production	98%	98%	97%

4.2 FINANCIAL INFORMATION - BUDGET

Revenue Build-Up (Cont'd)

- Other revenue consists of:
  - Revenue of water tanks (currently produced and licensed). It is the intention of Covess to stop the production of water tanks in 2024 and only focus on the license model in order to fully exploit the potential opportunities of the H2 market.
  - Subsidies (Vlaio) and funding of Air Liquide.
- Note that only revenue with regard to JDA Air Liquide and subsidies has been presented on other operating income (#74). Other revenue is included in the turnover accounts (#70).

Other revenue	2022	2023	2024	2025	2026
Water tanks	702 899	843 479	0	0	0
Growth	*20%*	*20%*	*-100%*	*20%*	*20%*
Water tanks - licences	176 212	246 599	295 919	325 511	341 787
Growth	*20%*	*20%*	*20%*	*10%*	*5%*
JDA Air Liquide	620 000				
Subsidies	184 000	92 941			
Total Revenue - other	**1 683 111**	**1 183 019**	**295 919**	**325 511**	**341 787**

Financial figures in €

4.2 FINANCIAL INFORMATION - BUDGET

Variable Costs

- Variable costs include include raw materials and cost of production (labour, energy, space, etc.).
- For royalty income (Light Commercial Vehicles and Cars) a royalty fee of 10% is due towards Air Liquide (as compensation for the funds invested).
  - For example, an OEM of Hyundai produces a vessel with a selling price of 4.000 €. Covess receives 4% in royalties (160 €). From this royalty income, Air Liquide receives 10% = 16 €.
- Covess is also bounded to a hypothetical royalty of 10%*4% towards Air Liquide for own production (Trucks & Buses and Air Liquide).
  - For example, Covess produces a vessel with a selling price of 4.000 €. Covess hypothetically receives 4% in royalties (160 €). From this hypothetical royalty income, Air Liquide receives 10% = 16 €.

	2022	2023	2024	2025	2026
Trucks & buses	**0**	**0**	**-887.036**	**-1.772.247**	**-3.543.190**
Variable Production cost	0	0	-879.413	-1.757.017	-3.512.742
Variable Royalty cost	0	0	-7.623	-15.230	-30.448
Air Liquide	**0**	**0**	**-2.440.714**	**-12.203.571**	**-24.407.143**
Variable Production cost	0	0	-2.422.714	-12.113.571	-24.227.143
Variable Royalty cost	0	0	-18.000	-90.000	-180.000
Light Comm - Royalty revenue	**0**	**0**	**-1.771**	**-7.084**	**-23.940**
Variable Production cost					
Variable Royalty cost	0	0	-1.771	-7.084	-23.940
Cars - Total Market - Royalty revenue	**0**	**0**	**-9.843**	**-39.375**	**-118.125**
Variable Production cost					
Variable Royalty cost	0	0	-9.843	-39.375	-118.125
Total Variable costs - H2	**0**	**0**	**-3.339.364**	**-14.022.277**	**-28.092.398**

Financial figures in €

4.2 FINANCIAL INFORMATION - BUDGET

Personnel Costs, Overhead Costs, Working Capital, Tax Rate & CAPEX

- Personnel costs are estimated by Management in terms of the envisioned growth plan and hereby taking into account a cost to the company at arm's length for the following profiles:
  - Management
  - R&D
  - Production Personnel
  - Logistics
  - Marketing & Sales
  - Finance & Administration

- Overhead costs are estimated based on a percentage of revenue.

- Working capital
  - Accounts receivable: 45 days
  - Inventory: 30 days
  - Accounts payable: 30 days

- Thanks to the investments in IP Covess will profit from a ruling which allows an exemption of 85% of taxable income which results from IP-related income. The remainder is taxable under the current Belgian tax regime.

- Capital expenditures primarily exist of the investment in new product lines and is estimated as follows:

Assumption		
1 production line per	3.000,00	vessels per year
# of vessels Truck & Bus (Nikola)	5,00	per bus/truck
# of vessels Air Liquide	100,00	per trailer Air Liquide
Cost per production line	2.400.000	€
Depreciation time	5,00	years
Investment	1,00	year prior to production

- The amount of vessels is calculated of the forecasted turnover in order to anticipate on the production capacity needed.

- Assumption is made that capex will be externally financed for 50% as from 2024 (before 2024 this is 100% funded with equity) and depreciated over 5 years.

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