
HPNow ApS

Sydmarken 32, DK-2860 Søborg

Annual Report for 2022

CVR No. 37 25 88 22

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 19/6 2023

Ziv Gottesfeld
Chairman of the
general meeting



Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Practitioner's Extended Review Report	2
Company information	
Company information	4
Financial Statements	
Income Statement 1 January - 31 December	5
Balance sheet 31 December	6
Statement of changes in equity	8
Notes to the Financial Statements	9

Management's statement

The Executive Board and Board of Directors have today considered and adopted the Financial Statements of HPNow ApS for the financial year 1 January - 31 December 2022.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2022 of the Company and of the results of the Company operations for 2022.

We recommend that the Financial Statements be adopted at the Annual General Meeting.

Søborg, 19 June 2023

Executive Board

Ziv Gottesfeld

Arnau Verdaguer Casadevall

Rasmus Frydendal

Board of Directors

Ziv Gottesfeld

Rasmus Frydendal

Arnon Zvi Goldfarb

Michelle Bernadette Robson

Mark Sherwood Redshaw

Independent Practitioner's Extended Review Report

To the shareholders of HPNow ApS

Conclusion

We have performed an extended review of the Financial Statements of HPNow ApS for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

Based on the work performed, in our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

Basis for Conclusion

We conducted our extended review in accordance with the Danish Business Authority's Assurance Standard for Small Enterprises and FSR – Danish Auditors' standard on extended review of financial statements prepared in accordance with the Danish Financial Statements Act. Our responsibilities under those standards and requirements are further described in the "Practitioner's responsibilities for the extended review of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Material Uncertainty Related to Going Concern

We refer to note 1 in the financial statements stating that an expected capital increase is necessary to ensure sufficient capital resources. Consequently, there is a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern.

Our conclusion is not modified in respect of this matter.

Management's responsibility for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Practitioner's responsibilities for the extended review of the Financial Statements

Our responsibility is to express a conclusion on the Financial Statements. This requires that we plan and perform procedures to obtain limited assurance in respect of our conclusion on the Financial Statements and, moreover, that we perform supplementary procedures specifically required to obtain additional assurance in respect of our conclusion.

An extended review consists of making inquiries, primarily of Management and others within the enterprise, as appropriate, and applying analytical procedures and the supplementary procedures specifically required as well as assessing the evidence obtained.

An extended review is less in scope than an audit and, consequently, we do not express an audit opinion on the Financial Statements.

Independent Practitioner's Extended Review Report

Trekantområdet, 19 June 2023

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Steffen Kjær Rasmussen
State Authorised Public Accountant
mne9867

Morten Jacobsen
State Authorised Public Accountant
mne44140

Company information

The Company	HPNow ApS Sydmarken 32 DK-2860 Søborg CVR No: 37 25 88 22 Financial period: 1 January - 31 December Incorporated: 23 November 2015 Financial year: 7th financial year Municipality of reg. office: Copenhagen
Board of Directors	Ziv Gottesfeld Rasmus Frydendal Arnon Zvi Goldfarb Michelle Bernadette Robson Mark Sherwood Redshaw
Executive Board	Ziv Gottesfeld Arnau Verdaguer Casadevall Rasmus Frydendal
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Herredsvej 32 7100 Vejle

Income statement 1 January - 31 December

	Note	2022	2021
		EUR	EUR
Gross loss		-1,683,135	-795,656
Staff expenses	3	-1,244,441	-859,542
Depreciation and impairment losses of property, plant and equipment	4	-174,345	-32,888
Profit/loss before financial income and expenses		-3,101,921	-1,688,086
Financial income		253	358
Financial expenses	5	-125,984	-27,350
Profit/loss before tax		-3,227,652	-1,715,078
Tax on profit/loss for the year		158,708	-122,545
Net profit/loss for the year		-3,068,944	-1,837,623

Distribution of profit

	2022	2021
	EUR	EUR
Proposed distribution of profit		
Retained earnings	-3,068,944	-1,837,623
	-3,068,944	-1,837,623

Balance sheet 31 December

Assets

	Note	2022	2021
		EUR	EUR
Other fixtures and fittings, tools and equipment		195,723	179,736
Leasehold improvements		438,188	0
Property, plant and equipment	6	633,911	179,736
Investments in subsidiaries	7	2,408	2,408
Fixed asset investments		2,408	2,408
Fixed assets		636,319	182,144
Inventories	8	622,945	210,991
Trade receivables		235,379	137,619
Receivables from group enterprises		83,527	0
Other receivables		556,925	257,856
Corporation tax		158,708	177,196
Prepayments		27,919	2,923
Receivables		1,062,458	575,594
Cash at bank and in hand		1,084,425	3,604,823
Current assets		2,769,828	4,391,408
Assets		3,406,147	4,573,552

Balance sheet 31 December

Liabilities and equity

	Note	2022	2021
		EUR	EUR
Share capital	9	14,205	14,205
Share premium account		5,002,436	5,002,436
Retained earnings		-4,338,639	-1,267,685
Equity		678,002	3,748,956
Payables to group enterprises		188,748	0
Other payables		2,003,876	0
Long-term debt	10	2,192,624	0
Trade payables		516,557	243,792
Other payables	10	18,964	70,166
Deferred income		0	510,638
Short-term debt		535,521	824,596
Debt		2,728,145	824,596
Liabilities and equity		3,406,147	4,573,552
Going concern	1		
Key activities	2		
Contingent assets, liabilities and other financial obligations	11		
Accounting Policies	12		

Statement of changes in equity

	Share capital	Share premium account	Retained earnings	Total
	EUR	EUR	EUR	EUR
Equity at 1 January	14,205	5,002,436	-1,267,685	3,748,956
Exchange adjustments	0	0	-2,010	-2,010
Net profit/loss for the year	0	0	-3,068,944	-3,068,944
Equity at 31 December	14,205	5,002,436	-4,338,639	678,002

Notes to the Financial Statements

1. Going concern

Management prepared a plan and a budget for 2023 that shows an expected result similar to 2022. The budget assumes that revenues from selling products will increase with an increasing margin. Fixed cost, including R&D, will increase accordingly.

Budgeted cash flows are based on critical assumptions, especially an expected capital raise to be finalized in 2023. Management assumes that the capital raise will succeed and that this will ensure sufficient capital resources for the entity to continue as a going concern and the financial statements are prepared as going concern on this basis. However, at the time of preparation of the financial statements the capital raise is not yet approved. As this is a material assumption in management's evaluation of the company's ability to continue as a going concern, there is a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern, and that the company may be unable to realize its assets and discharge its liabilities in the normal course of business.

2. Key activities

The company's activity is in development of technology and solutions for the electrochemical generation of hydrogen peroxide.

	<u>2022</u>	<u>2021</u>
	EUR	EUR
3. Staff Expenses		
Wages and salaries	1,227,883	848,003
Other social security expenses	14,770	4,939
Other staff expenses	1,788	6,600
	<u>1,244,441</u>	<u>859,542</u>
Average number of employees	<u>16</u>	<u>11</u>

	<u>2022</u>	<u>2021</u>
	EUR	EUR
4. Depreciation and impairment losses of property, plant and equipment		
Depreciation of property, plant and equipment	174,345	32,888
	<u>174,345</u>	<u>32,888</u>

Notes to the Financial Statements

	<u>2022</u>	<u>2021</u>
	EUR	EUR
5. Financial expenses		
Other financial expenses	17,223	25,468
Exchange adjustments, expenses	108,761	1,882
	<u>125,984</u>	<u>27,350</u>

6. Property, plant and equipment

	<u>Other fixtures and fittings, tools and equipment</u>	<u>Leasehold improvements</u>
	EUR	EUR
Cost at 1 January	237,672	0
Additions for the year	65,215	563,305
Cost at 31 December	<u>302,887</u>	<u>563,305</u>
Impairment losses and depreciation at 1 January	57,936	0
Depreciation for the year	49,228	125,117
Impairment losses and depreciation at 31 December	<u>107,164</u>	<u>125,117</u>
Carrying amount at 31 December	<u>195,723</u>	<u>438,188</u>
Amortised over	<u>1-7 years</u>	<u>1-5 years</u>

Notes to the Financial Statements

	2022	2021
	EUR	EUR
7. Investments in subsidiaries		
Cost at 1 January	2,408	2,408
Cost at 31 December	2,408	2,408
Carrying amount at 31 December	2,408	2,408

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes	Ownership
HPNow Ltd.	Israel	EUR 2.408	100%	100%

	2022	2021
	EUR	EUR
8. Inventories		
Inventories - Raw materials and consumables	512,526	210,991
Inventories - Finished goods and goods for resale	14,470	0
Inventories - Prepayment for goods	95,949	0
	622,945	210,991

9. Share capital

	Number	Nominal value
		EUR
A-shares	52,281	7,026
B-shares	26,721	3,591
C-shares	26,698	3,588
		14,205

The company has introduced share-based incentive programs offered to selected employees including an option for new subscription of shares up to 1.750 shares of nominally DKK 1 at a price set to DKK 1, equivalent to EUR 0,13. A total of 500 warrants were granted during the year. The total number of outstanding warrants is 1.750 as of 31 December 2022.

Notes to the Financial Statements

10. Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	2022	2021
	EUR	EUR
Payables to group enterprises		
After 5 years	0	0
Between 1 and 5 years	188,748	0
Long-term part	<u>188,748</u>	<u>0</u>
Within 1 year	0	0
	<u>188,748</u>	<u>0</u>
Other payables		
After 5 years	0	0
Between 1 and 5 years	2,003,876	0
Long-term part	<u>2,003,876</u>	<u>0</u>
Within 1 year	0	0
Other short-term payables	18,964	70,166
	<u>2,022,840</u>	<u>70,166</u>

Long term other payables are a convertible loan with existing investors as lenders. The conversion option obligates the lenders to convert its individual loan into a variable number of shares in the borrower depending on different terms. In case of a qualifying finance round the conversion price is similar to the subscription price in the qualifying finance round with a predetermined discount. If no qualifying finance round is completed before the maturity date of the loan, lenders have the right to convert the loan at predefined terms.

It is management's assessment that it is highly probable that a qualifying financing round will be completed during 2023. Consequently, the convertible loan is recognized as a debt instrument repayable at a premium upon a qualifying finance round. The maturity conversion option has not been separated.

	2022	2021
	EUR	EUR
11. Contingent assets, liabilities and other financial obligations		
Rental and lease obligations		
Lease obligations, period of non-terminability 2,5 years.	536,721	515,495

Notes to the Financial Statements

Other contingent liabilities

The Company is beneficiary in development project with public contributors. The company is liable to repay grants received in case of non-compliance with grant conditions.

Notes to the Financial Statements

12. Accounting policies

The Annual Report of HPNow ApS for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2022 are presented in EUR.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Translation policies

The company's functional currency is Danish kroner (DKK) while the presentation currency for the company is Euro (EUR) due to the company's primary stakeholders. This means that the financial statements are presented in EUR.

Income statement is translated at approximated average exchange rates. Balance sheet items are translated at the exchange rates at the balance sheet date. Exchange adjustments arising on the translation of the opening equity and exchange adjustments arising from the translation of the income statements at the exchange rates at the balance sheet date are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement; however, see the section on hedge accounting.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income statement

Net sales

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue from the receipt of grants for development projects is recognised as the costs qualifying for the grants are incurred. Other grants, awards, etc are recognised as the right to these is acquired.

Notes to the Financial Statements

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise expenses for premises, sales as well as office expenses, etc.

Gross loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, expenses for raw materials and consumables and other external expenses.

Staff expenses

Staff costs include wages and salaries including compensated absence and pensions as well as other social security contributions etc. made to the entity's employees. The item is net of refunds made by public authorities.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise depreciation and impairment of property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of property, plant and equipment.

Income from investments in subsidiaries

Dividends from subsidiaries are recognised as income in the income statement when adopted at the General Meeting of the subsidiary. However, dividends relating to earnings in the subsidiary before it was acquired by the Parent Company are set off against the cost of the subsidiary.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Balance sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Notes to the Financial Statements

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	1-7 years
Leasehold improvements	1-5 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.