

**FUSION FUEL GREEN PUBLIC LIMITED  
COMPANY**

Directors' report and consolidated financial  
statements

**Year ended December 31, 2020**

*Registered number: 669283*

Fusion Fuel Green Public Limited Company  
Directors' report and consolidated financial statements



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# Fusion Fuel Green Public Limited Company

## Directors and other information

<b>Directors</b>	<p>Frederico Perez Marques Figueira De Chaves (Appointed June 3, 2020)</p> <p>Joao Lopes Teixeira Wahnon (Appointed June 3, 2020)</p> <p>Antonio Augusto Guitierrez Sa da Costa (Appointed December 4, 2020)</p> <p>Jaime Domingos Ferreira Silva (Appointed December 4, 2020)</p> <p>Jeffrey Schwarz (Appointed December 4, 2020)</p> <p>Rune Magnus Lundetrae (Appointed December 4, 2020)</p> <p>Alla Jezmir (Appointed December 4, 2020)</p> <p>Thomas Brendan Courtney (Appointed April 3, 2020; Resigned June 3, 2020)</p>
<b>Secretary</b>	<p>Frederico Perez Marques Figueira De Chaves (Appointed June 3, 2020)</p> <p>Bradwell Limited (Appointed April 3, 2020; Resigned June 3, 2020)</p>
<b>Registered office</b>	<p>10 Earlsfort Terrace Dublin 2, D02 T380, Ireland</p>
<b>Independent auditor</b>	<p>KPMG Ireland 1 Stokes Place St. Stephen's Green Dublin D02 DE03</p>
<b>Banker</b>	<p>UBS Switzerland AG PO Box, CH-8098 Zurich</p>
<b>Solicitor</b>	<p>Arthur Cox 10 Earlsfort Terrace Dublin 2, D02 T380, Ireland</p>
<b>Registered number</b>	<p>669283</p>

# Fusion Fuel Green Public Limited Company

## Directors' report

The directors present their annual report and audited consolidated financial statements ("the financial statements") of Fusion Fuel Green Public Limited Company (referred to as "the Company" or together as "the Group") for the year ended December 31, 2020.

### Business activities, review and future developments

Fusion Fuel Green Public Limited Company ("the Company") was incorporated in Ireland on April 3, 2020. The Company and its subsidiaries are collectively referred to as the "Group". The registered office of the Company is 10 Earlsfort Terrace, Dublin 2, D02 T380, Ireland. Additional information is provided in note 1 in the notes to the financial statements.

The Company's mission is to produce hydrogen with zero carbon emissions, thereby contributing to a future of sustainable and affordable clean energy and the reversal of climate change. The hydrogen will be produced using renewable energy resulting in zero carbon emissions ("Green Hydrogen") with components built in-house and using the know-how and accumulated experience of its team's strategic and continuous investment in research and development ("R&D") around solar technologies.

### Principal risks and uncertainties

The Directors have a well-established risk management process which is managed through their leadership team, finance committee and board of directors. The key risks are evaluated throughout the year with key business leaders tasked to manage each risk as required, these risks are assessed through a risk matrix which evaluates each risk's impact and likelihood.

### The Merger

On June 6, 2020, the Company entered into an initial business combination agreement ("the Transaction") with the shareholders of HL Acquisitions Corp., a British Virgin Islands business company ("HL"), a publicly-held special purpose acquisition company, and Fusion Welcome – Fuel S.A ("Fusion Fuel"), a private limited company domiciled in Portugal. On August 19, 2020, the terms of the initial Transaction were amended and finalised. Additional information is provided in note 1 in the notes to the financial statements.

### Results and dividends

The loss for the year after taxation amounted to €183,129,645 (2019: €2,104).

There were no dividends declared, approved or paid in respect of the year ended December 31, 2020 (2019: €Nil).

### Directors and secretary and their interests

The following directors were either appointed and/or resigned during the year or subsequent to year end:

<b>Name</b>	<b>Date of Appointment</b>
Thomas Brendan Courtney	April 3, 2020
Frederico Perez Marques Figueira De Chaves	June 3, 2020
Joao Lopes Teixeira Wahnnon	June 3, 2020
António Augusto Gutierrez Sá da Costa	December 4, 2020
Jaime Domingos Ferreira Silva	December 4, 2020
Jeffrey Schwarz	December 4, 2020
Rune Magnus Lundetrae	December 4, 2020
Alla Jezmir	December 4, 2020

## Fusion Fuel Green Public Limited Company

### Directors' report *(continued)*

#### Directors and secretary and their interests *(continued)*

<i>Name</i>	<i>Date of Resignation</i>
Thomas Brendan Courtney	June 3, 2020

The directors and secretary, who held office at December 31, 2020, together with their spouses and minor children, had the following interests in the shares of the Company, which are required to be disclosed by the Companies Act 2014.

<i>Name and Address of Beneficial Owner</i>	<i>Class A Shares</i>	<i>% of Class A Shares</i>	<i>Class B Shares</i>	<i>% of Class B Shares</i>	<i>% Total Voting Power</i>
<i>Officers and Directors</i>					
Jeffrey Schwarz	818,435	8.24%	-	-	6.79%
João Teixeira Wahnnon	-	-	80,750	3.80%	0.67%
Frederico Figueira de Chaves	-	-	206,125	9.70%	1.84%
Jaime Silva	-	-	163,625	7.70%	1.36%
<b>Total</b>	<b>818,435</b>	<b>8.24%</b>	<b>450,500</b>	<b>21.20%</b>	<b>10.66%</b>

#### Research and development

The Company is involved in research and development activities and during the year incurred €Nil in development costs that were capitalised and a further €Nil of research costs that were expensed.

#### Subsequent events

Details of important events affecting the Company which have taken place since the end of the financial year are given in note 23 to the financial statements.

#### Political contributions

The Company did not make any political contributions during the year (2019:€Nil).

#### Accounting records

The directors believe that they have complied with the requirements of Sections 281 to 285 of the Companies Act 2014, with regard to the obligation to keep adequate accounting records, by employing accounting personnel with appropriate expertise and by providing adequate resources to the finance function. The accounting records are maintained at Fusion Welcome - Fuel, SA's offices located at Rua da Fábrica s/n, Sabugo, 2715-376, Almargem do Bispo, Portugal. The statutory records and copies of the accounting records are kept at the Group's registered office, Arthur Cox, 10 Earlsfort Terrace, Dublin 2, D02 T380, Ireland.



## Fusion Fuel Green Public Limited Company

### Directors' report (continued)

#### Audit committee

The Group has established an audit committee with responsibility for effective financial and risk management of the Group. The Group's board of directors will delegate to the audit committee oversight of its risk management process, and its other committees will also consider risk as they perform their respective committee responsibilities. The purpose of the audit committee is, among other things, to assist the Board in its oversight responsibilities relating to appointing, retaining, setting compensation of, and supervising Group's independent accountants, reviewing the results and scope of the audit and other accounting related services and reviewing Group's accounting practices and systems of internal accounting and disclosure controls.

#### Directors' compliance statement

The directors, in accordance with Section 225(2) of the Companies Act 2014, acknowledge that they are responsible for securing the Company's compliance with certain obligations specified in that section arising from the Companies Act 2014. The directors confirm that:

- a compliance policy statement has been drawn up setting out the Company's policies that in their opinion are appropriate with regard to such compliance;
- appropriate arrangements and structures have been put in place that, in their opinion, are designed to provide reasonable assurance of compliance in all material respects with those relevant obligations; and
- a review has been conducted, during the financial year, of those arrangements and structures.

#### Relevant audit information

The directors believe that they have taken all steps necessary to make themselves aware of any relevant audit information and have established that the Group's statutory auditor is aware of that information. In so far as they are aware, there is no relevant audit information of which the Group's statutory auditor is unaware.

#### Independent auditor

In accordance with Section 382(1) of the Companies Act 2014, KPMG, Chartered Accountants were appointed Auditors and will continue in office.

On behalf of the board

**Frederico Figueira de Chaves**  
Director

Date: 29/09/2021

**João Teixeira Wahnnon**  
Director

Date:

## Fusion Fuel Green Public Limited Company

### Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Company financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") as applied in accordance with the Companies Act 2014. In preparing the Group financial statements, the directors have also elected to apply IFRS as issued by the International Accounting Standards Board ("IASB") and applicable law.

Under company law, the directors must not approve the Group and Company financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Group and Company and of the Group's profit or loss for that year. In preparing the Group and Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Company and which enable them to ensure that the financial statements of the Group and Company are prepared in accordance with applicable IFRS, as issued by the EU and comply with the provisions of the Companies Act 2014. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The directors are also responsible for preparing a directors' report that complies with the requirements of the Companies Act 2014.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the board



**Frederico Figueira de Chaves**  
Director

Date: 29/09/2021



**João Teixeira Wahnnon**  
Director

Date:



**KPMG  
Audit**  
1 Stokes Place  
St. Stephen's Green  
Dublin 2  
D02 DE03  
Ireland

Telephone +353 1 410 1000  
Fax +353 1 412 1122  
Internet [www.kpmg.ie](http://www.kpmg.ie)

## Independent auditor's report to the members of Fusion Fuel Green Public Limited Company

### Report on the audit of the financial statements

#### **Opinion**

We have audited the financial statements of Fusion Fuel Green Public Limited Company ("the Company") and its consolidated undertakings ('the Group') for the year ended December 31, 2020 set out on pages 9 to 43 which comprise the consolidated statement of profit or loss and other comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, the consolidated and company cash flow statements and related notes, including the summary of significant accounting policies set out in note 2. The financial reporting framework that has been applied in their preparation is Irish Law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the assets, liabilities and financial position of the Group and Company as at December 31, 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 2014; and
- the Group and Company financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We have fulfilled our ethical responsibilities under, and we remained independent of the Company in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), as applied to listed entities.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the director's assessment of the entity's ability to continue to adopt the going concern basis of accounting included obtaining and evaluating management's cashflow projections and going concern disclosures. In our evaluation of the directors' conclusions, we used our knowledge of the Group and Company, its industry and general economic environment to identify the inherent risks to the business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period. The risk that we considered most likely to adversely affect the Group and Company's available financial resources over this period was the ability to generate revenues over the period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## Independent auditor's report to the members of Fusion Fuel Green Public Limited Company (*continued*)

### Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In arriving at our audit opinion above, the key audit matter (applicable to the Group and Company financial statements) was as follows:

### Accounting for warrants in the Group and Company financial statements: €52.9 million (2019: €Nil)

*Refer to note 2 (accounting policy) and note 17 (financial disclosures)*

#### The key audit matter

As described in note 1 of the consolidated financial statements, the Company as part of the transaction with HL, issued warrants.

There is a risk of material misstatement with regard to the classification of the warrants between liabilities and equity. The principal considerations included accounting complexities related to certain provisions of the warrant agreements that determined the appropriate classification of the warrants, including provisions for earn-out arrangements under certain circumstances.

The fair market value of the tradeable warrants was determined by reference to the prevailing market price. The warrants subject to lock-up provisions, the "non-tradeable warrants", were valued by reference to the market value of the traded warrants, adjusted for an illiquidity discount. There is a risk relating to the valuation of the non-tradeable warrants that are subject to lock-up because of the judgemental nature of applying a 5% illiquidity discount, which was derived from indirectly observable market data.

#### How the matter was addressed in our audit

The procedures performed, among others, to assess the appropriateness of the classification and measurement of the warrants issued as part of the transaction with HL included:

- We obtained an understanding of the process and perceived risks over the classification and measurement of the various instruments issued as part of the transaction.
- We obtained an understanding of the conditions attaching to the warrants issued during the year.
- We consulted personnel with specialists in debt and equity accounting to evaluate the appropriateness of management's interpretation on how to apply the relevant accounting guidance for the classification of the warrants issued, including the terms associated with potential earn-out arrangements under certain circumstances.
- We obtained and critically assessed the supporting documentation prepared by management regarding the valuation of the traded and non-traded warrants as at the year end. We evaluated the appropriateness of the 5% discount assumption used within managements model, which was developed in consideration of observable market data.
- With the support of our in-house specialist, we assessed the fair value of non-tradeable warrants outstanding at year end, in accordance with IFRS 7 *Financial Instruments: Disclosures*.

Based on the results of our testing we considered that the policies applied to the classification and measurement of the various types of equity and liability instruments issued as part of the transaction were reasonable. We found that management's significant judgements were appropriate and supported by reasonable assumptions. We found the disclosures to be in accordance with IFRS 7 *Financial Instruments: Disclosures*.

### Our application of materiality and an overview of the scope of our audit

The materiality for the Group financial statements as a whole was set at €0.289 million. This has been calculated with reference to a benchmark of total assets which we consider to be one of the principal considerations for members of the Group in assessing the financial performance of the Group. Materiality represents approximately 0.5% of this benchmark. We applied materiality to assist us determine what risks were significant risks and the procedures to be performed.

Materiality for the Company financial statements as a whole was set at €0.315 million, determined with reference to a benchmark of total assets, of which it represents 1.0%.

We reported to the Audit Committee all corrected and uncorrected misstatements we identified through our audit with a value in excess of €0.015 million, in addition to other identified misstatements that warranted reporting on qualitative grounds. The Group team performed the audit of the Group as if it was a single aggregated set of financial information. The audit was performed using the materiality levels set out above.

## Independent auditor's report to the members of Fusion Fuel Green Public Limited Company (*continued*)

### **Other information**

The directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the directors' report. The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Based solely on our work on the other information, we report that:

- we have not identified material misstatements in the directors' report;
- in our opinion, the information given in the directors' report is consistent with the financial statements;
- in our opinion, the directors' report has been prepared in accordance with the Companies Act 2014.

### **Opinions on other matters prescribed by the Companies Act 2014**

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

In our opinion, the accounting records of the Group and Company were sufficient to permit the financial statements to be readily and properly audited and the financial statements are in agreement with the accounting records.

### **Matters on which we are required to report by exception**

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by Sections 305 to 312 of the Act are not made. We have nothing to report in this regard.

### **Respective responsibilities and restrictions on use**

#### **Responsibilities of directors for the financial statements**

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and 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 unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

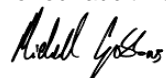
#### **Auditor's responsibilities for the audit of the financial statements**

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 level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 these financial statements.

A fuller description of our responsibilities is provided on IAASA's website at <http://www.iaasa.ie/Publications/Auditing-standards/International-Standards-on-Auditing-for-use-in-Ire/Description-of-the-auditor-s-responsibilities-for>.

#### **The purpose of our audit work and to whom we owe our responsibilities**

Our report is made solely to the Company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



**Michael Gibbons**  
for and on behalf of  
KPMG

**Chartered Accountants, Statutory Audit Firm**  
1 Stokes Place,  
St Stephen's Green, Dublin 2, D02 DE03

29 September 2021

## Fusion Fuel Green Public Limited Company

### Consolidated statement of financial position

as at December 31, 2020

	Note	2020 €'000	2019 €'000
<b>Non-current assets</b>			
Property, plant and equipment	13	6	15
Intangible assets	12	2,203	-
<b>Total non-current assets</b>		<b>2,209</b>	<b>15</b>
<b>Current assets</b>			
Trade and other receivables	14	2,206	2
Cash and cash equivalents		58,007	-
<b>Total current assets</b>		<b>60,213</b>	<b>2</b>
<b>Current liabilities</b>			
Trade and other payables	15	1,777	16
Derivative financial instruments - warrants	17	52,932	-
Accruals	15	349	-
<b>Total current liabilities</b>		<b>55,058</b>	<b>16</b>
<b>Total assets less current liabilities</b>		<b>7,364</b>	<b>1</b>
<b>Net assets</b>		<b>7,364</b>	<b>1</b>
<b>Equity</b>			
Share capital	16	1	-
Share premium	16	194,053	3
Share based payments reserve	7	1,438	-
Retained earnings		(188,128)	(2)
<b>Total equity</b>		<b>7,364</b>	<b>1</b>

The notes on pages 16 to 43 form an integral part of the financial statements.

On behalf of the board



**Frederico Figueira de Chaves**  
Director

Date: 29/09/2021



**João Teixeira Wahnnon**  
Director

Date:

## Fusion Fuel Green Public Limited Company

### Company statement of financial position as at December 31, 2020

	Note	2020 €'000
<b>Non-current assets</b>		
Investments	11	6,000
<b>Total non-current assets</b>		6,000
<b>Current assets</b>		
Trade and other receivables	14	10,468
Cash and cash equivalents		46,619
<b>Total current assets</b>		57,087
<b>Current liabilities</b>		
Trade and other payables	15	1,121
Derivative financial instruments - warrants	17	52,932
Accruals	15	317
<b>Total current liabilities</b>		54,370
<b>Total assets less current liabilities</b>		8,717
<b>Net assets</b>		8,717
<b>Equity</b>		
Share capital	16	1
Share premium	16	194,050
Share based payments reserve	7	1,438
Retained earnings		(186,772)
<b>Total equity</b>		8,717

The notes on pages 16 to 43 form an integral part of the financial statements.  
On behalf of the board

  
Frederico Figueira de Chaves  
Director

Date: 29/09/2021

  
João Teixeira Wahnnon  
Director

Date:

## Fusion Fuel Green Public Limited Company

### Consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2020

	Note	2020 €'000	2019 €'000	2018 €'000
<b>Continuing operations</b>				
Revenue	4	-	-	-
Cost of sales		-	-	-
<b>Gross profit</b>		-	-	-
<b>Operating expenses</b>				
Administration expenses		(3,350)	(2)	-
Share based payments expense	7	(1,438)	-	-
Listing expenses	9	(177,146)	-	-
Other expenses	19	(667)	-	-
<b>Operating loss</b>		(182,601)	(2)	-
<b>Finance costs</b>				
Interest receivable and similar income	8	2	-	-
Interest payable and similar expense	8	(10)	-	-
Net derivative financial instrument expense - warrants	8/17	(521)	-	-
<b>Net finance costs</b>		(529)	-	-
<b>Loss before tax</b>		(183,130)	(2)	-
Income tax expense	10	-	-	-
<b>Loss for the year</b>		(183,130)	(2)	-
<b>Total comprehensive loss for the year</b>		(183,130)	(2)	-
<b>Basic and diluted (loss) per share</b>	20	(68.53)	0.00	0.00

The notes on pages 16 to 43 form an integral part of the financial statements.

## Fusion Fuel Green Public Limited Company

### Consolidated statement of changes in equity for the year ended December 31, 2020

	Number of Shares Outstanding	Share Capital €'000	Share premium €'000	Share- based payment reserve €'000	Retained earnings €'000	Total €'000
<b>Balance at July 26, 2018</b>						
Shares issued	50,000	50	2	-	-	52
Reorganisation	2,075,000	(50)	1	-	-	(49)
<b>Balance at December 31, 2018</b>	<b>2,125,000</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>3</b>
<b>Balance at January 1, 2019</b>	<b>2,125,000</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>3</b>
Loss during the year	-	-	-	-	(2)	(2)
<b>Balance at December 31, 2019</b>	<b>2,125,000</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>(2)</b>	<b>1</b>
<b>Balance at January 1, 2020</b>	<b>2,125,000</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>(2)</b>	<b>1</b>
Loss during the year	-	-	-	-	(183,130)	(183,130)
<b>Issue of Share Capital:</b>						
HL Acquisition Transaction	7,033,356	1	139,027	-	(3,566)	135,462
PIPE Financing	2,450,000	-	48,429	-	(1,430)	46,999
Exercise of Warrants	445,861	-	4,178	-	-	4,178
Derecognition of warrant liability on exercise	-	-	2,416	-	-	2,416
<b>Share based payments:</b>						
Equity-settled share based compensation	-	-	-	1,438	-	1,438
<b>Balance at December 31, 2020</b>	<b>12,054,217</b>	<b>1</b>	<b>194,053</b>	<b>1,438</b>	<b>(188,128)</b>	<b>7,364</b>

The notes on pages 16 to 43 form an integral part of the financial statements.

## Fusion Fuel Green Public Limited Company

### Company statement of changes in equity for the year ended December 31, 2020

	Number of Shares Outstanding	Share Capital €'000	Share premium €'000	Share- based payment reserve €'000	Retained earnings €'000	Total €'000
<b>On incorporation at April 3, 2020</b>	1	1	-	-	-	1
Loss during the year	-	-	-	-	(181,776)	(181,776)
<b>Issue of Share Capital:</b>						
Shares issued	24,999	24	-	-	-	24
Shares Cancelled	(25,000)	(25)	-	-	-	(25)
HL Acquisition Transaction	7,033,356	1	139,027	-	(3,566)	135,462
PIPE Financing	2,450,000	-	48,429	-	(1,430)	46,999
Exercise of Warrants	445,861	-	4,178	-	-	4,178
Derecognition of warrant liability on exercise	-	-	2,416	-	-	2,416
Fusion Fuel	2,125,000	-	-	-	-	-
<b>Share based payments:</b>						
Equity-settled share based compensation	-	-	-	1,438	-	1,438
<b>Balance at December 31, 2020</b>	<b>12,054,217</b>	<b>1</b>	<b>194,050</b>	<b>1,438</b>	<b>(186,772)</b>	<b>8,717</b>

The notes on pages 16 to 43 form an integral part of the financial statements.

# Fusion Fuel Green Public Limited Company

## Consolidated cash flow statement

for the year ended December 31, 2020

	2020 €'000	2019 €'000	2018 €'000
<b>Cash flows from operating activities</b>			
Net loss for the year	(183,130)	(2)	-
<i>Adjusted for:</i>			
Share listing expenses	177,146	-	-
Equity settled share based payments	1,438	-	-
Fair value movement in warrants	521	-	-
Other non-cash expenses	667	-	-
Interest and similar expenses	8	-	-
	(3,350)	(2)	-
<b>Changes in working capital:</b>			
(Increase) in receivables	(2,204)	-	-
Increase in payables and accruals	1,374	1	-
Interest and similar expenses	(8)	-	-
<b>Net cash used by operating activities</b>	(4,188)	(1)	-
<b>Cash flows from investing activities</b>			
Purchase of intellectual property (business combination)	(1,150)	-	-
Purchase of intangible and other assets	(294)	(15)	-
<b>Net cash used in investing activities</b>	(1,444)	(15)	-
<b>Cash flows from financing activities</b>			
Proceeds from issuance of shares	65,138	3	-
Transaction costs deducted from equity	(4,996)	-	-
Proceeds from warrants exercised	4,178	-	-
Shareholder loan (repayment) / proceeds	(14)	14	-
<b>Net cash provided by financing activities</b>	64,306	17	-
Net increase/(decrease) in cash and cash equivalents	58,674	-	-
Cash and cash equivalents at beginning of year	-	-	-
Effects of movements in exchange rates on cash held	(667)	-	-
<b>Cash and cash equivalents at end of year</b>	58,007	-	-
<b>Non-cash investing activities:</b>			
Purchase of intellectual property included in trade and other payables	750	-	-
<b>Reconciliation of liabilities arising from financing activities:</b>			
Balance at January 1	14	-	-
Issuance of warrants in HL Acquisition	54,827	-	-
Issuance of warrants in Fusion Fuel reorganisation	13,507	-	-
Shareholder loan (repayment) / proceeds	(14)	14	-
Exercise of warrants in the year	(2,416)	-	-
Fair value movement	(12,986)	-	-
Balance at December 31	52,932	14	-

The notes on pages 16 to 43 form an integral part of the financial statements.

## Fusion Fuel Green Public Limited Company

### Company cash flow statement

for the year ended December 31, 2020

	2020 €'000
<b>Cash flows from operating activities</b>	
Net loss for the year	(181,776)
<i>Adjusted for:</i>	
Share listing expenses	177,146
Equity settled share based payments	1,438
Fair value movement in warrants	521
Other non-cash expenses	667
Interest and similar expenses	8
	(1,996)
<b>Changes in working capital:</b>	
(Increase) in receivables	(10,468)
Increase in payables and accruals	1,438
Interest and similar expenses	(8)
<b>Net cash used by operating activities</b>	<b>(11,034)</b>
<b>Cash flows from investing activities</b>	
Cash paid for investments in other financial assets	(6,000)
<b>Net cash used in investing activities</b>	<b>(6,000)</b>
<b>Cash flows from financing activities</b>	
Proceeds from issuance of shares	65,138
Transaction costs deducted from equity	(4,996)
Proceeds from warrants exercised	4,178
<b>Net cash provided by financing activities</b>	<b>64,320</b>
Net increase in cash and cash equivalents	47,286
Cash and cash equivalents at beginning of year	-
Effects of movements in exchange rates on cash held	(667)
<b>Cash and cash equivalents at end of year</b>	<b>46,619</b>
<b>Non-cash investing activities:</b>	
Cash paid for investments in other financial assets	6,000
<b>Reconciliation of liabilities arising from financing activities:</b>	
Balance at April 3	-
Issuance of warrants in HL Acquisition	54,827
Issuance of warrants in Fusion Fuel reorganisation	13,507
Exercise of warrants in the year	(2,416)
Fair value movement	(12,986)
Balance at December 31	52,932

The notes on pages 16 to 43 form an integral part of the financial statements.

## Fusion Fuel Green Public Limited Company

## Notes

*forming part of the consolidated and Company financial statements.*

**1. The Merger**

On June 6, 2020, the Company entered into an initial business combination agreement ("the Transaction") with the shareholders of HL Acquisitions Corp., a British Virgin Islands business company ("HL"), a publicly-held special purpose acquisition company, and Fusion Welcome – Fuel S.A ("Fusion Fuel"), a private limited company domiciled in Portugal. On August 19, 2020, the terms of the initial Transaction were amended and finalised. The shareholders of both HL and Fusion Fuel agreed to exchange their interests for new ordinary shares in the share capital of the Company, with Fusion Fuel considered the accounting acquirer and predecessor entity.

Prior to the merger discussed below, the Company was a newly-formed shell with no active trade or business, and all relevant assets, liabilities, income and expenses were borne by Fusion Fuel, the continuing entity in the merger. Therefore, the comparable consolidated financial statements as of December 31, 2019 and 2018 and the years then ended are those of Fusion Fuel.

As part of the transaction, the former shareholders of HL received 7,033,356 Class A ordinary shares and 8,250,000 warrants to purchase Class A ordinary shares at an exercise price of \$11.50 (the "HL warrants") of the Company. The shareholders of Fusion Fuel received 2,125,000 Class B ordinary shares and warrants to purchase 2,125,000 Class A ordinary shares at an exercise price of \$11.50 per share (the "FF warrants"). Unexercised warrants expire five years from the date of the transaction's close.

Because HL is not considered a business, the Transaction is not considered a business combination, and instead is accounted for as a reverse recapitalisation, whereby Fusion Fuel issues shares in exchange for the net assets of HL represented by cash, which had a value of approximately \$54 million (approximately €44.4 million) upon closing of the Transaction, and its listed status. The excess of the fair value of the equity instruments issued by the Company over the identifiable net assets of HL represents payment for the listing status and is recorded as a listing expense in the income statement under IFRS 2 *Share-based Payment*. The Transaction completed on December 4, 2020 (the "acquisition date").

Immediately following the acquisition date, the Company completed a private equity placement with accredited investors (the "PIPE Investors") for the sale of 2,450,000 Class A ordinary shares at a price of \$10.25 per share, with gross proceeds of approximately \$25.1 million (approximately €20.7 million).

At the acquisition date, the Company became the ultimate legal parent of Fusion Fuel and HL Acquisitions. The Company's Class A ordinary shares are traded on the NASDAQ Global Market under the ticker symbol HTOO and its warrants are traded under HTOOW. The Company's Class B shares are not publicly traded.

The consolidated financial statements are prepared as a continuation of the financial statements of Fusion Fuel, the accounting acquirer, adjusted to reflect the legal capital structure of the legal parent/accounting acquiree (Fusion Fuel Green Public Limited Company). The equity in the comparative periods is that of Fusion Fuel, retroactively adjusted for the exchange ratio agreed in the Transaction. The comparative financial years included herein are operations of Fusion Fuel prior to the merger.

**The Earn-Out**

The parties also agreed to a potential additional equity payment to certain former shareholders of Fusion Fuel who became service providers to the Company.

## Fusion Fuel Green Public Limited Company

## Notes (continued)

**1. The Earn-Out (continued)**

Under this arrangement, these persons are eligible to earn additional share-based payment awards of up to 1,137,000 Class A ordinary shares and 1,137,000 warrants to purchase Class A ordinary shares at an exercise price of \$11.50 based upon the execution of contracts for certain value-accretive hydrogen purchase agreements on or before June 30, 2022, depending on the value of those contracts.

The additional consideration may be earned as follows:

- 40% upon signing of power purchase agreements (Hydrogen purchase agreements) with certain identified counterparties having an expected net present value of at least \$61m
- 20% upon commencement of operations under these hydrogen purchase agreements
- 40% upon successfully completing 90 days of operations at 95% of planned capacity

As these awards are dependent on future service to be provided to the Company, the Company considers them to be service awards under IFRS 2 and classifies them as equity-settled share-based payments. The number of shares and warrants likely to be awarded are estimated at the reporting date, measured at grant-date fair value, and recorded as a cost to the income statement on a straight-line basis over the period from grant to expected delivery of contracts, currently estimated to be June 30, 2022. Earlier delivery of contracts will result in an acceleration of the vesting period.

**2. Basis of preparation and significant accounting policies**

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**a) Statement of compliance**

The consolidated and Company financial statements of the Group were authorised for issue by the Board of Directors on September 29, 2021.

The consolidated and Company financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The consolidated financial statements also comply with IFRS as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements are presented in Euro, the functional and presentation currency of the Company. All financial information presented in euro has been rounded to the nearest thousand, unless otherwise stated.

A separate Company profit and loss account is not presented in these financial statements as the Company has availed of the exemption provided by Section 304 of the Companies Act 2014.

The consolidated financial statements have been prepared on the historical cost basis except for derivatives that have been measured at fair value and share based payments which have been measured at grant date fair value.

## Fusion Fuel Green Public Limited Company

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## Notes (continued)

## 2. Basis of preparation and significant accounting policies (continued)

## b) Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiaries up to December 31, 2020. A parent controls a subsidiary if 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany account balances, transactions, and any unrealised gains and losses or income and expenses arising from intercompany transactions have been eliminated in preparing the consolidated financial statements.

## c) Functional currency

The Company's functional currency and the Group's presentational currency is the Euro. In accordance with IAS 21, *The Effects of Change in Foreign Exchange Rates*, the directors assess the appropriate functional currency of each of the Group's legal entities annually. The directors are satisfied that the functional currency of the Company and of the subsidiary companies has been determined appropriately.

Foreign currency transactions are translated into function currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

## d) Going concern

In adopting the going concern basis in preparing the financial statements, the Directors have considered the Group's sources of finance available including access to capital markets, secured debt structures, the Group's cash on hand and its future cash generation projections, together with factors likely to affect its future performance, as well as the Group's principal risks and uncertainties.

Furthermore, Management has assessed the impact of the ongoing COVID-19 situation on the Group's business. The pandemic commenced during the first quarter of 2020 and the duration and magnitude of it still remains uncertain at this time.

As a result of the unprecedented measures taken across the globe, the disruption and impact of the COVID-19 pandemic to the global economy and financial markets has been significant. Management continues to closely monitor changes in applicable laws and guidance provided by local governments in the jurisdictions in which the Company operates. All the markets in which the Company operates continue to enforce some form of restriction on the operations of businesses and these precautions have, to varying extents, led to the shutdown of nonessential services including construction development sites and limited business operations for some customers. Nevertheless, there has been no noticeable impact on the Company's activities to date but management is closely monitoring developments and continues to assess the ultimate impact.

## Fusion Fuel Green Public Limited Company

### Notes (continued)

#### 2. Basis of preparation and significant accounting policies (continued)

##### d) Going concern (continued)

Based on the above, the Directors have formed a judgement, considered the going concern status of the Group at the time of approving the financial statements and concluded that there is a reasonable expectation that the Group as a whole have adequate resources to continue in existence for a period of at least twelve months from the date of approval of the financial statements and that there were no material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

For this reason, they adopt the going concern basis in preparing the financial statements.

##### e) Application of new standards

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2019, except for the adoption of new standards and interpretations effective as of January 1, 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. None of these standards have a material impact on the financial statements.

##### New currently effective requirements:

Effective date	New standards or amendments
January 1, 2020	<i>Amendments to References to Conceptual Framework in IFRS Standards</i>
January 1, 2020	<i>Definition of Material (Amendments to IAS 1 and IAS 8)</i>
January 1, 2020	<i>Definition of a Business (Amendments to IFRS 3)</i>
January 1, 2020	<i>Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)</i>
June 1, 2020	<i>COVID-19-Related Rent Concessions (Amendment to IFRS 16)</i>

##### Forthcoming requirements:

Effective date	New standards or amendments
January 1, 2021	<i>Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)</i>
January 1, 2022	<i>Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)</i>
January 1, 2022	<i>Annual Improvements to IFRS Standards 2018-2020</i>
January 1, 2022	<i>Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)</i>
January 1, 2022	<i>Reference to the Conceptual Framework (Amendments to IFRS 3)</i>
January 1, 2023	<i>Classification of Liabilities as Current and Non-current (Amendments to IAS 1)</i>
January 1, 2023	<i>IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts</i>
Available for optional adoption/effective date deferred indefinitely	<i>Sale or Contributions of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)</i>

## Fusion Fuel Green Public Limited Company

### Notes (continued)

#### 2. Basis of preparation and significant accounting policies (continued)

##### f) Segment information

The Group manages its operations as a single segment for the purposes of assessing performance and making operating decisions. The Group's focus is on the research and development around solar technologies. The Chief Executive Officer is the chief operating decision maker who regularly reviews the consolidated operating results and makes decisions about the allocation of the Group's resources.

##### g) Research and development expenditure

Research costs are expensed to profit or loss as incurred and development costs are capitalised, where they meet the criteria for capitalisation.

##### h) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

##### i) Current taxation

The current taxation charge, is calculated at the amount expected to be recovered from or paid to the taxation authorities on the basis of the tax laws enacted or substantively enacted at the reporting date.

##### j) Deferred taxation

Deferred taxation 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 financial statements.

Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax losses can be utilised.

##### k) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Class A and Class B ordinary shares are classified as equity instruments. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction from equity, net of tax effects.

## Fusion Fuel Green Public Limited Company

### Notes *(continued)*

#### 2. Basis of preparation and significant accounting policies *(continued)*

##### l) Derivative liabilities – warrants

Derivatives are initially recognised at their fair value on the date the derivative contract is entered into and transaction costs are expensed to profit or loss. The Company's warrants are subsequently re-measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

As the exercise price of the Company's share purchase warrants is fixed in US dollars and the functional currency of the Company is the Euro, these warrants are considered a derivative, as a variable amount of cash in the Company's functional currency will be received on exercise. Accordingly, these share purchase warrants are classified and accounted for as a derivative liability. For warrants that are tradeable, fair value is determined using market price on the NASDAQ under the ticker HTOOW. For non-tradeable warrants, fair value is determined using market price discounted for lack of liquidity. All non-traded warrants will become tradeable within one year of issue.

##### m) Business Combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of the business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

##### n) Share based payment arrangements

The grant-date fair value of equity-settled share-based payments arrangements granted to employees and non-employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the numbers of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is

# Fusion Fuel Green Public Limited Company

## Notes (continued)

### 2. Basis of preparation and significant accounting policies (continued)

#### n) Share based payment arrangements (continued)

based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

#### o) Financial instruments

##### *Recognition and initial measurement*

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at Fair Value Through Profit and Loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

##### *Classification and subsequent measurement*

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value through Other Comprehensive Income ("FVOCI") – debt investment; FVOCI – equity investment; or FVTPL.

##### *Financial liabilities – Classification, subsequent measurement and gains and losses*

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

##### *Derecognition*

###### *Financial assets*

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

## Fusion Fuel Green Public Limited Company

### Notes (continued)

#### 2. Basis of preparation and significant accounting policies (continued)

##### o) Financial instruments (continued)

###### *Financial liabilities*

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. The Group also derecognises 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 recognised at fair value.

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 recognised in profit or loss.

##### p) Trade receivables

Trade receivables are recognised initially at fair value and then carried at amortised cost less allowance for impairment. The company applies the IFRS 9 *Financial Instruments* simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables

##### q) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand, and short term deposits with a maturity of three months or less. For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

##### r) Property, plant and equipment

Property, plant and equipment is included at cost less accumulated depreciation and/or accumulated impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided using the straight line method to write off cost to residual value over the estimated useful life of the individual asset.

The carrying values of property, plant and equipment are reviewed for indicators of impairment at each reporting date or when events or changes in circumstances indicate the carrying value may not be recoverable (whichever is the earlier). If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash - generating units are written down to their recoverable amount.

##### s) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets acquired in a business combination are measured on initial recognition at their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and/or any accumulated impairment losses.

Amortisation is provided using the straight line method to write off cost to residual value over the estimated useful life of the individual asset.



## Fusion Fuel Green Public Limited Company

### Notes (continued)

#### 2. Basis of preparation and significant accounting policies (continued)

##### s) Intangible assets (continued)

The following rates per annum are used:

Software	33% straight line
Intellectual Property	Indefinite useful life
Product development costs	Indefinite useful life

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

Expenditure on research activities is recognised in profit or loss as incurred.

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

Otherwise, it is recognised in the profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Impairment arises if the recoverable amount of the intangible asset is lower than its carrying value under IFRS. Recoverable amount is the higher of an asset's value in use or its estimated realisable value less costs to sell.

If the carrying amount of an intangible asset exceeds its recoverable amount, an impairment loss is recognised in an amount equal to that excess.

#### 3. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, income taxes and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

##### Key sources of estimation uncertainty - Valuation of derivatives and intangible assets

###### Valuation of derivatives

The valuation of the Group's derivative financial instruments requires the use of option pricing models or other valuation techniques. Measurement of warrants with exercise prices denominated in US dollars that are not tradeable is based on current market prices, adjusted by an illiquidity factor. Significant assumptions related to derivatives are disclosed in note 18.

## Fusion Fuel Green Public Limited Company

### Notes (continued)

#### 3. Significant accounting judgements, estimates and assumptions (continued)

##### Intangible assets

At December 31, 2020, the Group is carrying intangible assets at an amount of €2.2 million (2019: €Nil). In accordance with IAS 36, *Impairment of Assets*, the directors assess the recoverability of Intellectual Property of €1.9 million and Product development costs of €0.3 million (2019: €Nil) annually as they are intangible assets with indefinite useful lives. The directors have prepared a discounted cash flow analysis to support their carrying value at December 31, 2020. These projections have been discounted based on the estimated discount rate applicable to the asset of 7% for 2020 (2019: €0). The directors concluded that future cash flows exceed the carrying amount of intangible assets at December 31, 2020 and therefore there is no impairment.

#### 4. Revenue

The Group intends to generate revenue primarily from entering into hydrogen purchase agreements with third parties. No revenue was generated during the current or previous years.

#### 5. Staff numbers and costs

The Group and Company's average monthly number of staff, including the Executive Directors, during the year, analysed by category, was as follows:

	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2018
Finance staff	-	-	-
Sales, operations and administration	1	-	-
Total	1	-	-

At December 31, 2020, the Group had a team of 7 employees (2019: 2; 2018: 2). At December 31, 2020, the Company had a team of 3 employees.

The Group's aggregated payroll costs of these persons were as follows:

	Year ended December 31, 2020 €'000	Year ended December 31, 2019 €'000	Year ended December 31, 2018 €'000
Staff and related costs	141	-	-
Social welfare costs	19	-	-
Share based payments	1,066	-	-
	1,226	-	-

The Company's aggregated payroll costs of these persons were as follows:

Staff and related costs	77	-	-
Social welfare costs	4	-	-
Share based payments	1,066	-	-
	1,147	-	-

## Fusion Fuel Green Public Limited Company

Notes (continued)

### 6. Statutory and other information

	Year ended December 31, 2020 €'000	Year ended December 31, 2019 €'000	Year ended December 31, 2018 €'000
<i>Operating profit – continuing operations is stated after charging:</i>			
<b>Directors' emoluments:</b>			
- Fees	135	-	-
- Share based compensation	1,088	-	-
Total Directors' emoluments	<u>1,223</u>	<u>-</u>	<u>-</u>
Auditor's remuneration (including reimbursement of outlay):			
- Audit services	188	57	13
Total fees	<u>188</u>	<u>57</u>	<u>13</u>
Depreciation of owned property, plant and equipment	-	-	-
Loss/(profit) on foreign exchange	667	-	-
Research and development expenditure	<u>-</u>	<u>-</u>	<u>-</u>
	<b>667</b>	<b>-</b>	<b>-</b>

### 7. Share-based payments

As discussed in Note 1, the Company agreed to a potential additional equity payment to certain former shareholders of Fusion Fuel who became employees of and service providers to the Company. Under this arrangement, these persons are eligible to earn additional share-based payment awards of up to 1,137,000 Class A ordinary shares and 1,137,000 warrants to purchase Class A ordinary shares at an exercise price of \$11.50.

As these awards are dependent on future service being provided to the Company, the Company considers them to be service awards under IFRS 2 and classifies both the expected share and warrant awards in equity with a corresponding compensation expense in the income statement. The shares and warrants expected to be awarded are estimated and measured at grant-date fair value and attributed to the income statement on a straight-line basis from the period from grant to expiration on June 30, 2022.

As of December 31, 2020 there was €28.3 million of unrecognised share based payment expense related to the earn-out. This unrecognised expense is expected to be recognised on a straight line basis over the remaining service period to June 30, 2022. The inputs used in the measurement of the fair values at grant date of the equity-settled share based payment plans were as follows:

	€'000
Share price at grant date	\$23.96
Warrant price at grant date	\$7.71
Fair value at grant date	29,702
Expense recognised in the statement of profit or loss	(1,400)
Unrecognised expense	<b>28,302</b>

## Fusion Fuel Green Public Limited Company

### Notes (continued)

#### 7. Share-based payments (continued)

The warrant price at grant date is based on the traded warrant price of \$8.11 at grant date with an illiquidity discount of 5% applied (See note 15).

There is an additional €38,210 included in the share-based payment expense in the income statement relating to the executive and non-executive directors representing shares earned in 2020.

#### 8. Finance costs

	2020 €'000	2019 €'000
Deposit interest income	2	-
Interest and similar expenses	(10)	-
Fair value movement in derivative financial instruments - warrants	12,986	-
Fair value of warrants issued in Fusion Fuel reorganisation	(13,507)	-
	<u>(529)</u>	<u>-</u>

#### 9. Listing expenses

As described in note 1, the Transaction led to a share listing expense. The Company issued shares and warrants with a fair value of €194.2 million to HL shareholders, comprised of the fair value of the Company's shares that were issued to HL shareholders of \$23.96 (€19.77) per share, as well as the fair value of the Company's tradeable warrants of \$8.11 (€6.69) and non-tradeable warrants of \$7.71 (€6.34) per warrant (price of HL shares and warrants at the acquisition date). In exchange, the Company received the identifiable net assets held by HL Acquisitions, which had a fair value upon closing of €44.4 million. The excess of the fair value of the equity instruments issued over the fair value of the identified net assets received, represents a non-cash expense in accordance with IFRS 2. This one-time expense as a result of the Transaction, in the amount of €149.4 million, is recognised as a share listing expense presented as part of the financial result within the Consolidated Statement of Profit or Loss.

In addition, the Company incurred share listing expenses of €27.7 million relating to the PIPE investors. Without the PIPE investors the Transaction would not have proceeded. The fair value of the equity instruments issued to the PIPE investors was €48.4 million. In exchange, the Company received cash of \$25.0 million (€20.7 million). The excess of the fair value of equity instruments issued over the cash acquired of €27.7 million has also been recorded as a non-cash IFRS 2 expense.

## Fusion Fuel Green Public Limited Company

### Notes (continued)

#### 9. Listing Expenses (continued)

Details of the share listing expense are set out below: (Euros in thousands, except share and per share data).

Description	Amount \$'000	Amount €'000	Number of shares/ warrants
<b>HL Transaction</b>			
(a) HL Ordinary Shares			7,033,356
(b) Closing price of HL Ordinary Shares on Nasdaq as at December 4, 2020	\$23.96	€19.767	
(c) Fair value of Company shares issued to HL shareholders (a*b)		€139,027	
(d) Outstanding HL Warrants on December 4, 2020			8,250,000
(e) Closing price of HL Warrants on Nasdaq as at December 4, 2020			
Tradeable warrants	\$8.11	€6.691	7,139,108
Non-tradeable warrants	\$7.71	€6.357	1,110,892
(f) Fair value of outstanding HL Warrants (d*e)		€54,827	
Total fair value of HL Ordinary Shares and HL Warrants (c+f)		<b>€193,854</b>	
HL's identifiable net assets		€44,420	
IFRS 2 Expense on the closing date		<b>€149,434</b>	
<b>PIPE Transaction</b>			
(a) PIPE Ordinary Shares			2,450,000
(b) Closing price of PIPE Ordinary Shares on Nasdaq as at December 4, 2020	\$23.96	€19.767	
(c) Fair value of Company shares issued to PIPE investors (a*b)		<b>€48,429</b>	
PIPE's identifiable net assets		€20,717	
IFRS 2 Expense on the closing date		<b>€27,712</b>	
Total IFRS 2 Expense		<b>€177,146</b>	
Total cash proceeds received		€65,138	
Expense of share issue		(€4,996)	
Cash proceeds		<b>€60,142</b>	

#### 10. Taxation

For each of the years ended December 31, 2020, 2019 and 2018, the Group earned no revenues and generated losses. It recognised a current and deferred tax expense of nil for each of those years.

During 2020, 2019 and 2018, the Group's Portuguese operations were subject to a statutory tax rate of 21%. In Ireland, the Group was subject to a corporate income tax rate of 12.5%.

A reconciliation between taxes on income reflected on the Consolidated statement of profit or loss and other comprehensive income and the expected income tax benefit, based on the Group's statutory tax rate, for the years ended December 31, 2020, 2019 and 2018 is as follows:

## Fusion Fuel Green Public Limited Company

### Notes (continued)

#### 10. Taxation (continued)

Reconciliation of effective tax rate	2020 €'000	2019 €'000	2018 €'000
Loss before tax	(183,130)	(2)	-
Tax using Group's domestic tax rate at 12.5%	22,931	-	-
Tax effect of:			
Non-deductible expenses	(22,428)	-	-
Current-year losses for which no deferred tax asset is recognised	(503)	-	-
<b>Total tax charge</b>	<b>-</b>	<b>-</b>	<b>-</b>

As of December 31, 2020, 2019 and 2018, no deferred tax assets have been recognized in respect of losses incurred, due to the uncertainty of the Group's ability to generate taxable profits in the foreseeable future. The current assessment regarding the usability of deferred tax assets may change, depending on the Group's taxable income in future years. This may result in higher or lower deferred tax assets related to tax losses carried forward. As of December 31, 2020, the Group had accumulated tax losses of approximately €2 million that may be offset against future taxable profits of the Group subject to certain limitations.

The Group has limited taxable temporary differences and no tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses carried forward as well as on temporary differences.

#### 11. Financial assets: Company

	2020 €'000
At beginning of year	-
Investment in Fusion Fuel	6,000
	<b>6,000</b>

Management performed an impairment review of financial fixed assets at December 31, 2020. This exercise did not result in an impairment.

It is the opinion of the directors that financial assets are not carried at an amount in excess of their realisable value.

## Fusion Fuel Green Public Limited Company

### Notes (continued)

#### 11. Financial assets: Company (continued)

Financial assets represent investments in the share capital of Group undertakings as set out below:

Subsidiary name and principal registered office	Proportion held by Company	Proportion held by subsidiary	Country of incorporation	Principal activity
<i>Fusion Welcome - Fuel SA</i>	100%	Nil	Portugal	Production of Green Hydrogen
<i>Fusion Cell Évora I Unipessoal Lda</i>	100%	Nil	Portugal	Production of electricity from wind, geothermal, solar and other research and experimental development on natural sciences
<i>Fusion Cell Évora II Unipessoal Lda</i>	100%	Nil	Portugal	Production of electricity from wind, geothermal, solar and other research and experimental development on natural sciences

In the opinion of the directors, the realisable value of financial assets is not less than their book value.

#### 12. Intangible assets: Group

	Project Development in Progress	Intellectual Property and Patents Registration	Software	Total
	€'000	€'000	€'000	€'000
<b>Cost</b>				
January 1, 2020	-	-	-	-
Additions-business combination	-	1,900	-	1,900
Additions-other	273	11	4	288
Transfers during the year	15	-	-	15
December 31, 2020	<u>288</u>	<u>1,911</u>	<u>4</u>	<u>2,203</u>
<b>Amortisation</b>				
January 1, 2020	-	-	-	-
Amortisation charge	-	-	-	-
December 31, 2020	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net book value</b>				
At December 31, 2020	<u>288</u>	<u>1,911</u>	<u>4</u>	<u>2,203</u>
At December 31, 2019	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

## Fusion Fuel Green Public Limited Company

Notes (continued)

### 13. Property, plant and equipment: Group

2020	Assets under Construction €'000	Office and other equipment €'000	Total €'000
<b>Cost</b>			
At January 1, 2020	15	-	15
Additions during the year	6	-	6
Transfers during the year	(15)	-	(15)
<b>At December 31, 2020</b>	<b>6</b>	<b>-</b>	<b>6</b>
<b>Depreciation</b>			
At January 1, 2020	-	-	-
Charge for year	-	-	-
<b>At December 31, 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net book values</b>			
<b>At December 31, 2020</b>	<b>6</b>	<b>-</b>	<b>6</b>
<b>At December 31, 2019</b>	<b>15</b>	<b>-</b>	<b>15</b>
	<b>Assets under Construction €'000</b>	<b>Office and other equipment €'000</b>	<b>Total €'000</b>
<b>2019</b>			
<b>Cost</b>			
At January 1, 2019	-	-	-
Additions during the year	15	-	15
<b>At December 31, 2019</b>	<b>15</b>	<b>-</b>	<b>15</b>
<b>Depreciation</b>			
At January 1, 2019	-	-	-
Charge for year	-	-	-
<b>At December 31, 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net book values</b>			
<b>At December 31, 2019</b>	<b>15</b>	<b>-</b>	<b>15</b>
<b>At December 31, 2018</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 14. Trade and other receivables

	2020 €'000	Group 2019 €'000	Company 2020 €'000
<b>Group and company</b>			
VAT recoverable	544	2	-
Amounts owed by group undertakings: loan receivables	-	-	8,459
Amounts owed by group undertakings: other receivables	-	-	1,521
Prepayments	1,662	-	488
	<b>2,206</b>	<b>2</b>	<b>10,468</b>

Information about the Group's exposure to credit risk and impairment losses for trade and other receivables is included in note 18 (c).

## Fusion Fuel Green Public Limited Company

### Notes (continued)

#### 14. Trade and other receivables (continued)

At the end of December 2020, the Company agreed to perform an Intra-Group Loan Agreements with Fusion Fuel, in the amount of €6 million at year end and \$3 million (approximately €2.5 million), for a period of less than a year bearing a loan interest rate of 2.50% per annum. Included within the intercompany loan receivable balance is €7,742 of accrued intercompany interest.

#### 15. Current liabilities

	Group 2020 €'000	2019 €'000	Company 2020 €'000
<b>Group and company</b>			
Trade and other payables	1,777	2	-
Related party loan	-	14	-
Accruals	349	-	317
Amounts owed to group undertakings	-	-	1,121
Derivative financial instruments – warrants (note 17)	52,932	-	52,932
	<u>55,058</u>	<u>16</u>	<u>54,370</u>

#### 16. Shareholders' equity

As outlined in note 1, the consolidated financial statements are prepared as a continuation of the financial statements of Fusion Fuel, except for equity, which has been adjusted to reflect the legal capital structure of Fusion Fuel Green plc. This adjustment has been applied retro-actively to the comparative financial statements.

On the acquisition date, Fusion Fuel Green plc had 7,033,356 Class A ordinary shares with a par value of \$0.0001 and 2,125,000 Class B ordinary shares with a par value of \$0.0001. Immediately following the closing of the above transaction, the Company closed a series of subscription agreements with accredited investors ("PIPE Investors") for the sale in a private placement of 2,450,000 Class A ordinary shares of Parent.

The HL Transaction and PIPE Financing led to an increase in share premium of €188 million. There were also transaction costs of €5 million netted against equity. As of December 31, 2020, the total number of Class A ordinary shares of the Company outstanding is 9,929,217 with a par value of \$0.0001 and the total number of Class B ordinary shares of the Company outstanding is 2,125,000 with a par value of \$0.0001.

The authorised share capital of Fusion Fuel Green plc is as follows:

Type of Share	€
100,000,000 Class 'A' ordinary shares of \$0.0001 each	8,157
2,125,000 Class 'B' ordinary shares of \$0.0001 each	173
10,000,000 preference shares of \$0.0001 each	816
25,000 deferred ordinary shares of €1 each	25,000
	<u>34,146</u>



## Fusion Fuel Green Public Limited Company

### Notes (continued)

#### 16. Shareholders' equity (continued)

The issued share capital of Fusion Fuel Green plc is as follows:

Type of Share	Number of Shares	€'000	Description
Ordinary shares of €1 each	1	-	Issued on incorporation
Ordinary shares of €1 each	24,999	25	Issued during the year
Cancellation of ordinary shares of €1 each	(25,000)	(25)	Cancelled during the year
Class 'A' ordinary shares of \$0.0001 each	7,033,356	1	Issued on closing of HL Transaction
Class 'A' ordinary shares of \$0.0001 each	2,450,000	-	Issued to PIPE Investors
Class 'A' ordinary shares of \$0.0001 each	445,861	-	Exercise of warrants
	9,929,217	1	
Class 'B' ordinary shares of \$0.0001 each	2,125,000	-	Issued to Fusion Fuel shareholders
	<b>12,054,217</b>	<b>1</b>	

#### Share rights

Each Class A Ordinary share and Class B Ordinary share have the right to exercise one vote at any general meeting of the Company, to participate pro rata in all the dividends declared by the Company and the rights in the event of the Company's winding up are to participate pro-rata in the total assets of the Company.

In addition to the rights outlined above, the Class B Ordinary shares, which are held by the former Fusion Fuel Shareholders, have certain protective rights that include the right to approve any liquidation or similar transaction of the Company. The Class B shareholders also have the right to approve any creation or issuance of any new class or series of capital stock or equity securities convertible into capital stock or changes to the Company's board of directors, on which at the moment they carry the majority of the voting rights. With these protective provisions, the holders of Class B Ordinary shares will be able to veto certain actions in a way that their relative ownership would not otherwise permit. The Class B Ordinary shares will automatically convert to Class A Ordinary shares on December 31, 2023.

There were 25,000 deferred shares with a nominal value of €1 each, which were non-voting shares and did not convey upon the holder the right to be paid a dividend or to receive notice of or to attend, vote or speak at a general meeting. On December 10, 2020 the 25,000 deferred shares were cancelled.

## Fusion Fuel Green Public Limited Company

Notes (continued)

### 17. Warrants

The functional currency of the Company is the Euro and as the exercise price of the Company's share purchase warrants is fixed in US Dollars, these warrants are considered a liability as a variable amount of cash in the Company's functional currency will be received on exercise. Accordingly, these warrants are classified and accounted for as a derivative liability at fair value through profit or loss.

As of December 31, 2020 there were 9,929,139 warrants outstanding. The warrants entitle the holder to purchase one ordinary share of Fusion Fuel Green plc at an exercise price of \$11.50 per share. Until warrant holders acquire the Group's ordinary shares upon exercise of such warrants, they have no rights with respect to the Group's ordinary shares. The warrants expire on December 10, 2025, or earlier upon redemption or liquidation in accordance with their terms.

The fair value of the tradeable warrants is determined with reference to the prevailing market price for warrants that are trading on the NASDAQ under the ticker HTOOW. The fair value of non-tradeable warrants is determined with reference to the market value of the traded warrants, adjusted for an illiquidity discount of 5%.

	<b>Tradeable No. of warrants</b>	<b>Non-tradeable No. of warrants</b>	<b>Total No. of warrants</b>
In issue at December 4, 2020	7,139,108	3,235,892	10,375,000
Exercise of warrants	(445,861)	-	(445,861)
In issue at December 31, 2020	<b>6,693,247</b>	<b>3,235,892</b>	<b>9,929,139</b>

All warrants entitle the holder to purchase one Class A ordinary share at a strike price of \$11.50. The fair value of the traded warrants as at December 4, 2020 was \$8.11. The fair value of the tradeable warrants as at December 31, 2020 was \$6.65. See reconciliation of fair values below.

	<b>Tradeable €'000s</b>	<b>Non-tradeable €'000s</b>	<b>Total €'000s</b>
Balance – December 31, 2018	-	-	-
Balance – December 31, 2019	-	-	-
Fair value of warrants issued in the HL Transaction / Fusion Fuel re-organization	47,766	20,568	68,334
Warrants exercised	(2,416)	-	(2,416)
Fair value movement	(9,077)	(3,909)	(12,986)
Balance – December 31, 2020	<b>36,273</b>	<b>16,659</b>	<b>52,932</b>

The fair value of non-tradeable warrants was calculated with reference to the market price, adjusted for an illiquidity discount of 5%. (See note 15)

## Fusion Fuel Green Public Limited Company

### Notes (continued)

#### 18. Financial instruments and risk management

##### (a) Accounting classifications and fair value

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

There were no transfers between fair value levels during the year.

As at December 31, 2020, tradeable warrants are measured at fair value using Level 1 inputs and non-tradeable warrants are measured at fair value using Level 3 inputs. The fair value of the tradeable warrants is measured based on the quoted market price of the warrants at each reporting date. The fair value of the non-tradeable warrants is determined using the fair value of the traded warrants, adjusted for an illiquidity discount.

	Carrying amount			Fair value			
	Cash and receivables €'000	Liabilities €'000	Total carrying amount €'000	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
<b>2020</b>							
Trade receivables	-	-	-	-	-	-	-
Cash and cash equivalents	58,007	-	58,007	-	-	-	-
Other receivables	544	-	544	-	-	-	-
Trade payables	-	-	-	-	-	-	-
Tradeable warrants	-	-	-	36,273	-	-	36,273
Non-tradeable warrants	-	-	-	-	-	16,659	16,659
Other payables	-	(2,126)	(2,126)	-	-	-	-
	<b>58,551</b>	<b>(2,126)</b>	<b>56,425</b>	<b>36,273</b>	<b>-</b>	<b>16,659</b>	<b>52,932</b>

**Fusion Fuel Green Public Limited Company**

Notes (continued)

**18. Financial instruments and risk management (continued)**

	Carrying amount			Fair value			
	Cash and receivables €'000	Liabilities €'000	Total carrying amount €'000	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
<b>2019</b>							
Trade receivables	-	-	-	-	-	-	-
Cash and cash equivalents	-	-	-	-	-	-	-
Other receivables	2	-	2	-	-	-	-
Trade payables	-	-	-	-	-	-	-
Other payables	-	(16)	(16)	-	-	-	-
	<b>2</b>	<b>(16)</b>	<b>(14)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Quantitative information of significant unobservable inputs – Level 3**

Description	Valuation technique	Unobservable input	Value	Fair value €'000s
Derivate liability – non-tradeable warrants	Pricing model	Illiquidity discount	5%	16,659
Equity settled share-based payments	Pricing model	Illiquidity discount	5%	29,702

**Sensitivity analysis to significant changes in unobservable inputs within Level 3 hierarchy**

The unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis on the fair values as at December 31, 2020, is shown below.

Description	Input	Sensitivity applied	Effect on fair value €'000s
Derivative liability – warrants	Liquidity discount	-100bps	(175)
Equity settled share-based payments	Liquidity discount	-100bps	(76)

# Fusion Fuel Green Public Limited Company

## Notes (continued)

### 18. Financial instruments and risk management (continued)

#### Reconciliation of Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

	Note	Derivative liability – non-tradeable warrants
Balance at December 31, 2018		-
Balance at December 31, 2019		-
Issued in the HL Transaction/ Fusion Fuel re-organization Warrants exercised	17	20,568
Fair value movement in derivatives	17	3,909
Balance at December 31, 2020		<u>16,659</u>

#### Cash and cash equivalents including the short-term bank deposits

For short term bank deposits and cash and cash equivalents, all of which have a maturity of less than three months, the carrying value is deemed to reflect a reasonable approximation of fair value.

#### Trade and other receivables/payables

For the receivables and payables with a remaining term of less than one year or on demand balances, the carrying amount less impairment allowances, where appropriate, is a reasonable approximation of fair value.

#### (a) Financial risk management

The Group's operations expose it to various financial risks that include credit risk, liquidity risk and market risk. The Group has a risk management framework in place which seeks to limit the impact of these risks on the financial performance of the Group. It is the policy of the Group to manage these risks in a non-speculative manner.

This note presents information about the Group's exposure to each of the above risks and the objectives, policies and processes for measuring and managing the risks. Further quantitative and qualitative disclosures are included throughout this note.

The Company's board of directors has 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 analyse 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 and the Group's activities.

The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

## Fusion Fuel Green Public Limited Company

### Notes (continued)

#### 18. Financial instruments and risk management (continued)

##### (b) Credit risk

###### *Exposure to credit risk*

Credit risk arises from granting credit to customers or others and from investing cash and cash equivalents with banks and financial institutions. The Group have not granted credit to customers to date as the Group has not earned any revenues.

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's cash and cash equivalents. The carrying amounts of financial assets represent the maximum credit exposure.

There were no impairment losses on financial assets recognised in profit or loss.

###### *Trade and other receivables*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk and country in which customers operate.

In monitoring credit risk, receivables are grouped according to their credit characteristics, including their geographic location, industry, trading history with the Group and existence of previous financial difficulties. The Group does not require collateral in respect of trade and other receivables.

At December 31, 2020, the exposure to credit risk for other receivables by geographic region was not significant.

###### *Cash and short term bank deposits*

The Group held cash and cash equivalents of €58,006,645 at December 31, 2020 (2019: €458). The cash and cash equivalents are held with UBS Switzerland AG, which is rated Aa2 (2019: Aa2), based on Moody's ratings. Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

##### (d) Liquidity risk

Liquidity risk is the risk that the Group's will encounter difficulty in meeting its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable costs or risking damage to the Group's reputation.

# Fusion Fuel Green Public Limited Company

## Notes (continued)

### 18. Financial instruments and risk management (continued)

#### Contractual maturities

The following are the expected contractual maturities of the Group's financial liabilities, including estimated interest payments.

	Carrying amount €'000	Contractual cash flows €'000	Less than one year €'000	1 – 2 years €'000	2 – 5 years €'000	More than 5 years €'000
<b>December 31, 2020</b>						
Derivative financial instruments - warrants	52,932	-	52,932	-	-	-
Other payables	2,126	2,126	2,126	-	-	-
<b>Total</b>	<b>55,058</b>	<b>2,126</b>	<b>55,058</b>	<b>-</b>	<b>-</b>	<b>-</b>

	Carrying amount €'000	Contractual cash flows €'000	Less than one year €'000	1 – 2 years €'000	2 – 5 years €'000	More than 5 years €'000
<b>December 31, 2019</b>						
Other payables	16	16	16	-	-	-
<b>Total</b>	<b>16</b>	<b>16</b>	<b>16</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### (e) Market risk and interest rate risk

Market risk is the risk that changes in market prices and indices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. Interest rate risk is not significant to the Group.

#### (f) Foreign exchange risk

The Group uses the Euro as its functional currency. Foreign exchange rate risk is the risk that the fair value of Group assets or liabilities, or future expected cash flows will fluctuate because of changes in foreign currency exchange rates. While the Company's shares are listed in US dollars, the currency of the primary operating environment of the Group is the Euro, and its exposure to the risk of changes in foreign currency would arise primarily when revenue or expense is denominated in a currency other than the Euro. The Company currently has no operations outside of the Eurozone, so the effect of the translation of foreign operations is not significant to the Group.

The following significant exchange rates have been applied during the year.

	Average rate		Year-end spot rate	
	2020	2019	2020	2019
Euro				
USD	0.8755	0.8933	0.8149	0.8902

## Fusion Fuel Green Public Limited Company

### Notes (continued)

#### 18. Financial instruments and risk management (continued)

##### Sensitivity analysis

A reasonably possible strengthening of the Euro against the Group's principal foreign currency denominated amounts at December 31, 2020 would have increased profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	2020 €'000	2019 €'000
USD (10 percent strengthening of the euro)	918	-

#### (f) Capital Management

The Group's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain the future development of the business. The board of directors monitors the return on capital.

#### 19. Other expenses

	2020 €'000	2019 €'000	2018 €'000
Foreign exchange loss	667	-	-
Total other expenses	667	-	-

#### 20. Loss per share

	2020	2019
Basic loss per ordinary share	(68.53)	0.00
Diluted loss per ordinary share	(68.53)	0.00
Number of ordinary shares used for loss per share (weighted average)		
Basic	2,672,200	2,125,000
Diluted	2,672,200	2,125,000
	<b>2,672,200</b>	<b>2,125,000</b>

Basic loss per share is calculated by dividing the loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted loss per share is calculated by dividing the loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

## Fusion Fuel Green Public Limited Company

### Notes (continued)

#### 20. Loss per share (continued)

The diluted loss per share reflects the basic loss per share, since the effects of potentially dilutive securities are anti-dilutive. For the periods included in these financial statements the Group was loss-making in all periods, therefore, anti-dilutive instruments are excluded in the calculation of diluted weighted average number of ordinary shares outstanding, including the outstanding equity awards of up to 1,137,000 ordinary shares and 1,137,000 warrants issuable under the earn-out arrangements, and the 9,929,139 warrants issued in 2020 and outstanding as of December 31, 2020. These warrants and options could potentially dilute basic earnings per share in the future.

#### 21. Related parties

The following is a description of certain related party transactions that the Group have entered into with any executive officers, directors or their affiliates and holders of more than 10% of any class of our voting securities in the aggregate, which we refer to as related parties.

##### (a) Business combination

On June 6, 2020, Fusion Fuel entered into agreements with affiliate, MagP, under which Fusion Fuel received minimum guaranteed amounts of modules, tracking structures and accessories, electrical installations and assembly services for all equipment relating to the CPV solar trackers (collectively, the "Trackers") used in Fusion Fuel's Hydrogen Generators. In addition, Fusion Fuel acquired rights to all MagP intellectual property relating to the technology associated with the Trackers, including all registrations, designs, software, domain names and any other materials along with production processes, customer relationships and an organised workforce. The Group has determined that together the acquired inputs and processes significantly contribute to the ability to create revenue. The Group has concluded that the acquired set is a business.

The total consideration to be paid by Fusion Fuel includes €1,900,000 (€1,150,000 paid during the year in cash and €750,000 payable at year end) and the identifiable assets acquired and liabilities assumed were the following:

Intangible assets	€1,900,000
Total identifiable net assets acquired	€1,900,000

The intangible assets were valued using the market comparison/relief from royalty method, and no goodwill or non-controlling interests arose on the acquisition. August 3, 2020, a patent was registered related to the IP purchased. This combined with the signing of the senior management contracts created significant value in the company during 2020.

##### (b) Key management personnel compensation

Compensation of the Group's key management personnel (executive committee members) includes salaries and share-based payments.

Fees and emoluments – Executive Directors	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2018
	€'000	€'000	€'000
Basic salary (1)	135	-	-
Share based compensation (2)	1,066	-	-
	<u>1,201</u>	<u>-</u>	<u>-</u>

## Fusion Fuel Green Public Limited Company

## Notes (continued)

## 21. Related parties (continued)

- (1) Each Executive Committee Member currently receives a total of €180,000 of gross fixed annual compensation. For 2020, a total amount of €135,000 was payable (2019: Nil).
- (2) Three of the four persons who received the earn-out as mentioned in note 1 became executive directors of the Company and the portion of their share based payment compensation is included above.
- (3) Members of the Board receive 5,000 shares per year of service on the Board. In both 2019 and 2020, no shares were issued to any board or Management members. The shares earned in 2020 were deferred to January 31, 2021. Included in the share based compensation above is an amount of €16,376 representing shares earned in 2020.
- (4) Members of the Executive Committee are also entitled to potentially receive variable and incentive awards according to the decision of the Board's Remuneration Committee. In both 2019 and 2020, no variable or incentive awards was given to any member of staff.

**(c) Key management personnel transactions**

During 2020, the Company's Chief Financial Officer, Frederico Figueira de Chaves, made payments on behalf of Fusion Fuel in the total amount of €144,396 (\$171,398), related to operating costs, which were fully repaid by December 2020.

In addition, shareholder loans in the amount of €84,387 were drawn down, of which €2,000 remains outstanding at December 31, 2020. As at December 31, 2019, a shareholder loan of €13,897 was outstanding. This was repaid in full during 2020.

**Key Management Personnel Holdings and Related Parties**

Directors of the company have control of more than 10% of the voting shares of the company, however no individual controls more than 20% of the company.

Directors and Officers hold a total of 1,117,815 issued Class A and Class B shares in the company at year end.

Joao Teixeira Wahnnon, Frederico Figueira de Chaves and Jaime Silva, all have ownership interests in Negordy S.A. (formerly Fusion Welcome S.A., the former parent company of Fusion Fuel which merged with HL Acquisitions and Fusion Fuel Green) that has 1,593,750 Class B Shares of the company.

A number of management personnel, or their related parties, hold positions in other companies that result in them having significant influence. Some of those companies have transacted with the Group during the year and are expected to transact with the company going forward. The terms and conditions of these transaction were no more favourable than those available or which might reasonably be expected to be available in similar transaction with non-key management personnel related companies on an arm's length basis.

Fusion Fuel has entered into several agreements and transactions with MagP Inovação ("MagP"), a related party, regarding the supply of material, secondment of staff, sub-lease agreements and hydrogen project developments in Portugal. In 2020, the value of these transactions were €1.9m.



## Fusion Fuel Green Public Limited Company

### Notes (continued)

#### 22. Commitments and contingencies

As of December 31, 2020, a subsidiary of the Group had entered into purchase commitments to pay up to €2.35 million and €0.87 million, respectively, to a related-party to deliver equipment, materials and assembling services in relation the "Greengas" and "H2Evora" Projects. Non-refundable down payments of 20% of the expected contract value have been made and the remainder of the contracts are cancellable but incur a penalty of 10% of contract value.

#### 23. Subsequent events

Subsequent to the year end, the Group commenced site preparation and development activities on the Evora project in Portugal. This included obtaining respective construction permits, undergoing civil construction for the foundations and water/hydrogen pipes and commencing the installation of the HEVO-SOLAR generators.

In addition, in March 2021, the Group signed memoranda of understanding with Confederación Española de Empresarios de Estaciones de Servicio, the Spanish Confederation of Operators of Service Stations, to jointly develop green hydrogen production capacity in Spain; with BGR Energy Systems Limited, to develop green hydrogen projects in India; with Magnesitas De Rubian, S.A., a Spanish mining company, to jointly explore the feasibility of combining green hydrogen and carbon capture technology; and with Grupo Zoilo Ríos to jointly develop the first green hydrogen production capacity next to a service station in Spain.

In the first quarter of 2021, an additional 1,059,506 warrants were exercised by investors which provided the Group with an additional \$12,184,319 (approximately €10.4 million) in capital. These were the only warrants exercised by the end of August 2021.

On May 27, 2021, the Group purchased a factory in Benavente, Portugal, in the amount of €4,650,000 with the purpose of producing the technology being developed by Fusion Fuel.

In July 2021, the Group started the HEVO Ammonia Morocco Project alongside Aziz Rabah, the Moroccan Minister of Energy, Mines and Environment. The project has an estimated total investment value of over \$850 million and, when fully commissioned, it is expected to produce 183,000 tons of green ammonia and abate 280,000 tons of CO<sub>2</sub> annually.

During 2021, within Fusion Fuel Group strategy to expand our business worldwide, we have established ourselves in different countries and materialised our presence by opening new entities that will support our business locally in Spain ("Fusion Fuel Spain, Sociedad Limitada"), United States of America ("Fusion Fuel USA, Inc.")

#### 24. Approval of financial statements

The directors approved the financial statements on September 29, 2021.

