# 2Q 2021 UPDATE

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The forward-looking statements and projections herein should not be regarded as a representation or prediction that the Company will achieve or is likely to achieve any particular results.

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**Use of Social Media as a Source of Material News**

The Company uses, and will continue to use, its LinkedIn profile, website, press releases, and various social media channels, as additional means of disclosing information to investors, the media, and others interested in the Company. It is possible that certain information that the Company posts on social media or its website, or disseminates in press releases, could be deemed to be material information, and the Company encourages investors, the media and others interested in the Company to review the business and financial information that the Company posts on its social media channels, website, and disseminates in press releases, as such information could be deemed to be material information.

**Financial Statement Presentation**

The Company's consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the International Accounting Standards Board ("IFRS") and are denominated in Euros ("EUR" or "€").

# 01—
# LETTER EXECUTIVE COMMITTEE


## Dear Shareholders,

The second quarter of 2021 was an exciting and challenging one for Fusion Fuel. Last quarter's letter was dedicated to laying the foundation for what we hope to achieve in 2021 and providing an update on our progress against those key milestones in what was a very exciting and dynamic three months. We believe these shareholder communications provide an opportunity to tell you of our activities and successes, as well as sharing our setbacks and obstacles, and we will endeavor to cover both sides in these communications.

While the hydrogen sector and the renewables space more broadly faced some headwinds during the second quarter from an equity markets perspective, you wouldn't know it from the commercial interest in Fusion Fuel's technology and from the dynamism of the green hydrogen market in general. For Fusion Fuel, this quarter saw the culmination of many months of development efforts in the announcement of our partnerships with Ampol Ltd. and Consolidated Contractors Company (CCC), as well as installation of the first HEVO-SOLAR units at our demonstrator plant in Evora, which has proved to be an important catalyst for advancing commercial discussions. However, we have also had to contend with increasing raw materials costs as well as significant supply chain delays and shortages for key components of our technology, which have put pressure on our ability to deliver against the timelines we laid out earlier this year.

## Financial

We booked revenues of €30,000 in 2Q 2021, which was related to how we book the transfer of custom-made components to our production partner. Therefore, the cost of sales matches our revenues as we are passing through those custom-made

components to our production partner at cost. The low figure in this quarter was due to our already having purchased a significant amount of the materials required for our Evora Phase I project in the first quarter. This is being done so that we are in control of the stock of these components. One of the primary challenges we have encountered relates to our procurement activities and ensuring the timely delivery of components, so we made the strategic decision to invest in our raw materials inventory wherever possible to secure the coming production requirements.

As was the case in the first quarter, most expenses booked for the quarter were related to the contingent capital in the form of share-based payment expenses which will accrue monthly at a rate of €1.6 million until end of June 2022, unless the contingent capital is earned before this date. In addition, the fair-value treatment of the warrant obligations and the relative increase in the value of the warrants in the second quarter compared to the first quarter had a negative impact on pre-tax income of €414,000. It is important to note that neither of these are actual cash expense nor earnings to the firm but rather a reflection of the valuation of these instruments at a specific point in time.

Our cash & cash equivalents decreased by roughly €11 million to €50 million, largely due to the purchase of the Benavente facility and the commencement of the renovation works, which cost approximately €5.5 million, and investments of €4 million in raw materials and stock, as well as the placement of purchase orders to lock-in the delivery of critical components for our technology. The purchase of the Benavente factory was a strategic decision as it was significantly more attractive than other rental options that were available and, because of its location, we will be able to recoup up to 25% of the capital investment associated with the renovation and fit-out of the facility in the form of subsidies and tax relief programs. We are currently in the process of exploring financing facilities for this asset. With a personnel cost run-rate below €1.5 million per annum and modest fixed costs, we believe the firm continues to have sufficient capital to pursue its strategic plan.

## Business Development

We continue to see significant interest in the market, and we have hosted several prospective partners and customers at Evora who are eager to see our technology in the field. These site visits are critical to advancing our business development efforts and establishing hydrogen purchase agreements. We have also been keeping a keen eye on global and regional energy markets, as they have significant implications on the market for green hydrogen. European natural gas prices have increased more than 2x since the beginning of the 2021 and nearly 6x since this time last year. As the cost of grey hydrogen is largely a function of the cost of natural gas, these higher prices have narrowed the gap between grey and green hydrogen. Similarly, the cost of electricity in Europe, and Southern Europe in particular, has seen an increase of over 300% in the last 12 months, which underscores the competitive advantage of our off-grid, solar-to-hydrogen solution. These macro factors are at the forefront of many of our commercial discussions and we believe will only serve to further accelerate the interest in green hydrogen across the entire market.

On the business development front, we announced our Heads of Agreement with Ampol, which includes a demonstration plant to be installed adjacent to Ampol's

Lytton Refinery later this year, and established our Australian subsidiary, Fusion Fuel Australia Pty Ltd., in anticipation of ramping up our activity locally. While this first phase is modest in size, it is of strategic importance as it provides the framework for a formal joint venture with Ampol to pursue what we believe to be a very significant market for green hydrogen in Australia.

In a similar vein, we announced a partnership with CCC, starting with a demonstration plant in Oman, which will serve as a platform to develop the Middle East market. We also announced the HEVO Ammonia Morocco project (Morocco's largest green ammonia project to date), which would be co-developed by Fusion Fuel and CCC over the next five years, with Vitol managing the offtake of the green ammonia. Morocco is a country we had identified early-on as a priority market for Fusion Fuel and we view this as an opportunity to establish a significant foothold there as early as next year.

In our 1Q 2021 letter, we talked about some of our projects in Portugal, and we are continuing to make progress on all fronts. Our HEVO-SOLAR Sines project was one of 78 proposals submitted to the Portuguese government for inclusion in the European Commission's Important Projects of Common European Interest (IPCEI). Of those 78 projects, only four have thus far been selected by the Portuguese government and sent to European Commission's Directorate General for Competition, and HEVO-SOLAR Sines was one of them. Though no firm timeline has been provided, we expect that a decision will be received by year-end and hopefully sooner, which would allow for direct State aid to be provided to approved projects.

In our last letter we also referenced three projects that were submitted to Portugal's Operational Program for Sustainability and Efficient Use of Resources (POSEUR), one of which would be the company owned HEVO-Sul project of 178 HEVO SOLARs located in Sines. For the other two projects, Fusion Fuel would be the provider of electrolyzer technology. The first of those projects would provide 62 HEVO-SOLARs to PRIO, a retail fuel supplier with over 250 service stations and the largest network of EV charging stations in Portugal, to supply a hydrogen refueling station in Lisbon. The second is 62 units for KEME Energy, a Portuguese developer of renewable energy projects, to supply green hydrogen for several industrial applications. We are pleased to announce that we recently received approval for our proposed HEVO-Sul project and will receive €4.3 million in direct grants from POSEUR to support the project. We are still awaiting a funding decision on the two other projects and expect a response over the coming weeks.

As part of the development of our projects in Portugal we have already selected over 800 hectares of land across four locations to develop green hydrogen plants, and we have already commenced the permitting request processes for several of those parcels.

Lastly, we also set up our US subsidiary, Fusion Fuel USA, to lay the groundwork for future commercial activity in the United States. While we have not yet formally commenced operations, in June we submitted a response to the U.S. Department of Energy's Request for Information in support of the Hydrogen Energy Earthshot initiative. The document was jointly submitted with UC Irvine and envisioned a co-located HEVO-SOLAR plant to supply green hydrogen to the refueling station on campus, which is the busiest in the nation. While for now this is only a prospective project, it is reflective of our interest in establishing a significant footprint in North

America, particularly in California and the Sun Belt region, which is an extremely attractive geography for our solar-to-hydrogen technology.

## R&D

This has been an exciting quarter for the R&D team. As in the last quarter, much of our attention has been on Phase I of the Evora project, where all 15 of the HEVO-SOLARs have been installed. The water distribution and purification system has also been installed, as well as the hydrogen monitoring equipment and the FC Wave fuel cell supplied by Ballard Power Systems. Our team has learned a great deal from the deployment of the initial industrial-scale units in the field, and those key learnings have been integrated throughout the plant. We also performed the first of three onsite tests with Grupo ISQ, an independent engineering and consulting company that specializes in technical and regulatory inspections. ISQ has provided a performance analysis and independent validation of the HEVO-SOLARs at Evora and we are pleased to announce that the preliminary results have been very positive. As a result of several improvements made to the system during the first half of the year, ISQ's measurements showed a roughly 10% increase in performance relative to what was built into the business plan. This is a particularly exciting development for the team as we only expected to achieve this efficiency rate in 2022, so we are very encouraged for the future innovations the team has in the pipeline.

## Production

We are pleased to announce that Andre Antunes has recently joined us as our Head of Production and member of the Executive Committee. Andre has over 15 years of experience of production excellence at several multinational companies, most recently at Unilever. We purchased the 14,000$m^3$ factory in Benavente, Portugal, which is currently undergoing extensive renovations that should be completed during the third quarter. We have also submitted the purchase order for the robotics and production equipment for the first of six separate production lines to be installed. Construction of the clean room and installation of the first production lines will commence during the third quarter, and we expect the facility to go-live early in 3Q 2022.

While overall we are very pleased with the progress made, the most recent quarter has not been without a disappointment or two. Like many others, we have experienced the disruption associated with significant supply chain constraints – especially for components that include semiconductors – resulting in delays in completing the installation at Evora. As just one example, our HEVOs are designed to use an injection-molded plastic enclosure, which is one of the many innovations that helps us unlock fully autonomous production. However, we were unable to get delivery of those enclosures in time or in significant volumes, so the R&D team turned to 3D printing as a short-term remedy until those supply chain pressures eased. These 3D printed enclosures did not perform as well as expected and so rather than continuing down that path, we decided to wait until we received the injection-molded enclosures to continue the deployment of HEVOs at Evora. Having now received deliveries of those new enclosures, the units are outperforming expectations.

These supply chain issues presented us with a choice – do we push ahead with the production of HEVO-SOLARs and the placement of orders for the equipment for the Benavente facility in order to meet the targets of our original business plan? Or do we delay both to enable our R&D team to incorporate recent design improvements made during the initial Evora installation and simultaneously integrate those changes into the equipment design for Benavente's production lines? We determined the latter was the wiser choice. However, this decision has resulted in slowing the ramp-up of production for 2021. It also means we had to delay finalizing the design of the automated productions lines at Benavente, which consequently delayed our placing the orders for those robotics systems. That, in addition to extended lead times for industrial robotics due to supply chain shortages, will push back the startup time for the new factory by roughly six months and expect go-live in 3Q 2022. The cumulative effect of these delays is the determination this quarter to further reduce our guidance for the number of HEVO-SOLAR units to be produced this year – from 600 to between 150 and 200 – and to adjust down our targets for 2022 – from 4,700 to between 2,000 and 2,500. While the decision to briefly slow our advance was a difficult one, we are confident that it enables Fusion Fuel to bring a superior product to market and positions us to "hit the ground running" when our new production facility opens next summer.

## Thank you

In many ways, the recent months have been a mix of very exciting and frustrating moments for the team. The green hydrogen market is extremely dynamic and, given our competitive advantage, we want to move swiftly to establish ourselves as a key player in this space. With the buildout of our factory and the partnerships and projects we have announced, both within and outside of Southern Europe, we have laid the groundwork to do so. However, we have not been able to move as quickly as we would have liked. Like many, we have been hampered by supply chain pressures and delays of components and raw materials as well as in the delivery of machinery for the new production plants. As a team we will continue to navigate these challenging waters and establish strong and long-term supply partnerships to mitigate supply chain risks. However, the great results of the independent performance tests at Evora have been a monumental achievement for the team, cementing our technological advantage and positioning us to advance with HPA discussions. We look forward to our next update and, as always, thank you for the encouragement and trust that you put in us.

Your Executive Committee,

**Frederico Figueira de Chaves**
Chief Financial Officer

**Andre Antunes**[1]
Chief Production Officer

**Jaime Silva**
Chief Technology Officer

**João Teixeira Wahnon**
Head of Business Development

[1] Joined Fusion Fuel and Executive Committee as of Aug 1st, 2021

# 02—
# Q2 HIGHLIGHTS & FINANCIAL REVIEW

## Highlights of the quarter

### Commercial Highlights

- Entered into an agreement with Elecnor for the development of green hydrogen projects in Spain
- Entered into a partnership with CCC to develop green hydrogen pilot plants in the Middle East
- Entered into Heads of Agreement with Ampol to install demonstrator plant in Australia establishes framework for JV to pursue other green hydrogen projects in the region
- Installed first HEVO-SOLAR units at H2Évora plant
- Submitted three projects to Portugal's Operational Program for Sustainability and Efficient Use of Resources (POSEUR)
- Obtained confirmation of HEVO-SOLAR Sines as one of four projects submitted by Portugal to Important Projects of Common European Interest (IPCEI) program
- Purchased Benavente factory facility and commenced of renovation work

## 2021 Subsequent Events

### Commercial Highlights

- Approval for €4.3 million in POSEUR Funding for HEVO-Sul Project
- Announcement of the HEVO Ammonia Morocco Project to be developed together with CCC and Vitol, at the event in Rabat

### Executive Management Addition

- New Appointment of Chief Production Officer and Member of Executive Committee, André Antunes

### R&D Highlights

- The first HEVO-SOLAR units were installed in Q2 and HEVOs are being rolled out to remaining units currently. Other plant systems now in place in addition
- Grupo ISQ recently conducted a performance test on our HEVO-SOLAR technology at Évora. The test successfully validated the operation of the HEVO-SOLAR system and showed >10% improvement in performance compared to the previous generation

## Key Figures

| KEY FINANCIALS & FIGURES (€000'S) | 2Q 2021 | 1Q 2021 |
|---|---|---|
| REVENUES[1] | 30 | 464 |
| COST OF SALES[1] | (30) | (464) |
| TOTAL OPERATING EXPENSES[2] | (6,377) | (5,306) |
| o/w share-based payment (non-cash) expenses[3] | (4,896) | (4,896) |
| o/w operating cash-based expenses[4] | (1,481) | (410) |
| OPERATING INCOME (LOSS) | (6,377) | (5,306) |
| PRE-TAX INCOME (LOSS) | (6,791) | 9,591 |
| o/w fair value movement – warrants[5] | (414) | 14,897 |
| | | |
| CASH & CASH EQUIVALENTS | 50,201 | 61,796 |

[1] Revenues are related with the supply of custom-made components and raw materials to our production partner MagP, S.A. for further processing and production of the HEVO-SOLAR units. This supply is valued at cost of acquisition.

[2] Certain prior Quarter amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of the operations and were all related to FX gains/losses that as per the methodology used in our last 20-F this figure sits above the operating income (loss) line going forward.

[3] As part of the merger occurred in December 2020, 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. 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. This is a non-cash expense.

[4] These expenses are related with the operational activity by the Group and exclude any expenses that are not directly related with the operating of the business or related to the business combination transaction.

[5] Derivatives are initially recognized at their fair value on the date the derivative contract and transaction costs are expensed to profit or loss. Warrants are subsequently re-measured at fair value at each reporting date with changes in fair value recognized in profit or loss. 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%.

| SHARES AND WARRANTS AT PERIOD END | June 30, 2021 | March 31, 2021 |
|---|---|---|
| **ORDINARY SHARES** | -- | -- |
| **Class A** | 10,998,722 | 10,993,722 |
| **Class B** | 2,125,000 | 2,125,000 |
| **TOTAL SHARES OUTSTANDING** | **13,123,722** | **13,118,722** |
| **WARRANTS OUTSTANDING** | **8,869,633** | **8,869,633** |

FUSION-FUEL™

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## Shareholder Inquiries

Information about the firm, including all quarterly earnings releases and financial filings with the U.S. Securities and Exchange Commission, can be accessed via our Web site at www.fusion-fuel.eu

Shareholder inquiries can also be directed to Investor Relations via email at ir@fusion-fuel.eu

## Transfer Agent and Registrar for Common Stock

Questions from registered shareholders of FUSION-FUEL Green Plc. regarding lost or stolen stock certificates, dividends, changes of address, and other issues related to registered share ownership should be addressed to:

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