FUSION FUEL GREEN PUBLIC LIMITED COMPANY

Directors’ report and consolidated financial statements

Year ended December 31, 2022

Registered number: 669283

Fusion Fuel Green Public Limited Company

Directors' report and consolidated financial statements

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FUSION FUEL™

Fusion Fuel Green Public Limited Company

Directors and other information

Directors	Frederico Figueira De Chaves Joao Teixeira Wahnon Jaime Ferreira Silva Jeffrey Schwarz Rune Magnus Lundetrae Alla Jezmir Theresa Jester
Secretary	Gavin Jones
Registered office	The Victorians 15 - 18 Earlsfort Terrace Saint Kevin's Dublin 2 D02 YX28 Ireland
Independent auditor	KPMG Ireland 1 Stokes Place St. Stephen's Green Dublin D02 DE03 Ireland
Banker	UBS Switzerland AG PO Box, CH-8098 Zurich
Solicitor	Arthur Cox 10 Earlsfort Terrace Dublin 2 D02 T380 Ireland
Registered number	669283

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, 2022.

Business activities, review and future developments

The Company and its subsidiaries are collectively referred to as the "Group". The registered office of the Company is The Victorians, 15 - 18 Earlsfort Terrace, Saint Kevin's, Dublin 2, D02 YX28, 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 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 principal risks and uncertainties of the Company are disclosed in the Fusion Fuel Green plc Annual Report on Form 20-F that was filed with the U.S. Securities and Exchange Commission on May 16, 2023. These risk factors have not been duplicated here.

Results and dividends

The loss for the year after taxation amounted to €27.35 million (*2021 profit:* €23.56 *million*). There were no dividends declared, approved or paid in respect of the year ended December 31, 2022 (*2021: €Nil*).

Directors and secretary and their interests

The directors and secretary held office during the year are set out below. Unless otherwise indicated, they served as directors for the entire year.

Frederico Perez Marques Figueira De Chaves
Joao Lopes Teixeira Wahnon
Jaime Domingos Ferreira Silva
Jeffrey Schwarz
Rune Magnus Lundetrae
Alla Jezmir
Theresa Jester

On January 12, 2023, Frederico Perez Marques Figueira De Chaves resigned his position as secretary. On the same date, Gavin Jones was appointed as secretary.

The directors and secretary, who held office at December 31, 2022, 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. This table includes stock options (Restricted Share Units and options) and warrants that are currently exercisable or exercisable within 60 days.

Fusion Fuel Green Public Limited Company

Directors' report *(continued)*

Directors and secretary and their interests *(continued)*

Name of director	Class A shares	% of class A shares	Class B shares	% of class B shares	% total voting power
Jeffrey Schwarz	1,595,505	10.81%	-	-	11.56%
Rune Magnus Lundetrae	52,128	0.38%	-	-	0.38%
Alla Jezmir	31,467	0.23%	-	-	0.23%
Teresa Jester	26,467	0.19%	-	-	0.19%
João Teixeira Wahnon	233,167	1.69%	-	-	1.69%
Frederico Figueira de Chaves	500,111	3.62%	-	-	3.62%
Jaime Silva	71,667	0.52%	-	-	0.52%
Total	**2,510,511**	**17.34%**	**-**	**-**	**18.18%**

The Class B ordinary shares were converted to Class A ordinary shares on December 5, 2022 which meant that there were none outstanding at the end of 2022 (2021: 2,125,000).

Research and development

The Company is involved in research and development activities and during the year incurred €1.73 million (*2021: €1.63 million*) in development costs that were capitalised and a further €0.91 million (*2021: €0.93 million*) 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 28 to the financial statements.

Political contributions

The Company did not make any political contributions during the year (*2021: €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 Fuel Portugal, S.A.'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, The Victorians, 15 - 18 Earlsfort Terrace, Saint Kevin's, Dublin 2, D02 YX28, Ireland.

Audit committee

The Company has established an audit committee with responsibility for effective financial and risk management of the Group. The Company'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.

Fusion Fuel Green Public Limited Company

Directors' report *(continued)*

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 to secure material compliance compliance with the Company's relevant obligations; and
- a review has been conducted, during the financial year, of those arrangements and structures, that have been put in place to secure the Company's compliance with its relevant obligations.

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

Pursuant to Section 383 (2) of the Companies Act 2014, KPMG, Chartered Accountants, will continue in office.

On behalf of the board

Frederico Figueira de Chaves	**João Teixeira Wahnon**
Director	Director
Date: September 6, 2023	Date: September 6, 2023

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	**João Teixeira Wahnon**
Director	Director
Date: September 6, 2023	Date: September 6, 2023

KPMG

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FUSION FUEL GREEN PLC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Fusion Fuel Green plc ('the Company') and its consolidated undertakings ('the Group') for the year ended December 31, 2022 set out on pages 10 to 53, which comprise the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated cash flow statement, the company cash flow statement 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 of December 31, 2022 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 section of our report. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We have fulfilled our ethical responsibilities under, and we remained independent of the Group in accordance with, ethical requirements applicable in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA) as applied to public interest entities. No non-audit services prohibited by that standard were provided.

Material uncertainty related to going concern

We draw attention to note 2 in the financial statements, which indicates that the Group expects to continue to incur net losses for the foreseeable future and is highly dependent on its ability to find additional sources of funding. As stated in note 2, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Group and the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FUSION FUEL GREEN PLC *(continued)*

Material uncertainty related to going concern *(continued)*

Our evaluation of the director's assessment of the Group and Company's ability to continue to adopt the going concern basis of accounting included considering the current cash reserves in the Group, reviewing significant inflows since year end and discussing with management mitigating factors to reduce the cost base of the Group. Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Detecting irregularities including fraud

We identified the areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements and risks of material misstatement due to fraud, using our understanding of the entity's industry, regulatory environment and other external factors and inquiry with the directors. In addition, our risk assessment procedures included:

- Inquiring with the directors as to the Group's policies and procedures regarding compliance with laws and regulations, identifying, evaluating and accounting for litigation and claims, as well as whether they have knowledge of non-compliance or instances of litigation or claims.
- Inquiring of directors as to the Group's policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Inquiring of directors regarding their assessment of the risk that the financial statements may be materially misstated due to irregularities, including fraud.
- Inspecting the Group's regulatory and legal correspondence.
- Reading Board and audit committee minutes.
- Considering remuneration incentive schemes and performance targets for management and directors.
- Performing planning analytical procedures to identify any usual or unexpected relationships.

We discussed identified laws and regulations, fraud risk factors and the need to remain alert among the audit team.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including companies and financial reporting. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items, including assessing the financial statement disclosures and agreeing them to supporting documentation when necessary.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, employment law, environmental law.

Auditing standards limit the required audit procedures to identify non-compliance with these non-direct laws and regulations to inquiry of the directors and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

We assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. As required by auditing standards, we performed procedures to address the risk of management override of controls. On this audit we do not believe there is a fraud risk related to revenue recognition. We did not identify any additional fraud risks.

In response to the fraud risks, we also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation.
- Assessing significant accounting estimates for bias
- Assessing the disclosures in the financial statements

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FUSION FUEL GREEN PLC *(continued)*

Detecting irregularities including fraud *(continued)*

As the Group is regulated, our assessment of risks involved obtaining an understanding of the legal and regulatory framework that the Group operates and gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remains a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, 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 addition to the matter described in the Material uncertainty related to going concern section, in arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

Group key audit matters

Valuation of intangible assets. The carrying value of Intangible assets as of December 31, 2022 was approximately €5.4 million (2021: €3.8 million)

Refer to page 32 (accounting policy) and pages 43 (financial disclosures)

The key audit matter	How the matter was addressed in our audit
Intangible assets: The Group has intangible assets arising from development technology and software (€3.5m) and IP (€1.9m). Impairment indicators existed at 31 December 2022 due to the lack of commercial success to date including significant loss making contracts. There is a significant risk that the carrying value of intangible assets will be more than the estimated recoverable amount. The recoverable amount was arrived at utilising the residual value method by comparing the market capitalisation of the Group to Net Assets as at 31 December 2022.	Our audit procedures included: Our audit procedures included among other things: We obtained and understanding of the design and implementation of intangible assets process; We inspected management assessment and considered whethere further indicators should have been assessed based on our understanding; We verified the accuracy of managements calculations for the assets subject to impairment testing; We evaluated the approach and findings of the work performed by management; We evaluated the adequacy of the Group's disclosures in relation to intangible assets.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FUSION FUEL GREEN PLC *(continued)*

Key audit matters: our assessment of risks of material misstatement *(continued)*

Group key audit matters *(continued)*

We agreed with managements residual valuation method as the Discounted Cashflow (DCF) approach was not appropriate due to the lack of reliable historical data. Furthermore, the market has been made aware, through information made publicly, about the Groups cashflow concerns and late filings.
Our audit procedures did not identifiy any material issues with the valuation approach. We found the management's conclusion that no impairment existed at 31 December 2022 relating to intangible assets to be appropriate. Therefore, in our professional judgement, we found managements approach and findings reasonable.

Impairment of PPE. The carrying value of Property, Plant and Equipment as of December 31, 2022 was approximately €21.3 million (2021: €18.1 million)

Refer to page 32 (accounting policy) and pages 44 (financial disclosures)

The key audit matter	How the matter was addressed in our audit
Property, plant and equipment (PPE): The Group performed an impairment assessment at year-end due to the lack of commercial success including significant loss making contracts and because the assets are expected to generate lower returns than originally projected. There is a significant risk relating to the valuation of PPE because the determination of whether an impairment exists, and the amount of any loss, requires the exercise of significant judgement relating to the future cashflows of these projects.	Our audit procedures included among other things: We obtained and documented our understanding of the process for undertaking; We obtained and understanding of the design and implementation of PPE process; We tested the completeness and accuracy of management's schedule of PPE; We selected a sample of material purchases made during the year to ensure they were appropriately accounted for; We evaluated the appropriateness of the discounted value in use calculation, testing the completeness and accuracy of underlying data used in the analysis including the assumptions used; We evaluated the adequacy of the Group's disclosures in relation to PPE and any associated impairment charges.

Our audit procedures did not identifiy any material issues with the significant assumptions adopted in the impairment review. We found the total impairment charge of €3.3m for the year to be appropriate. We also found the disclosures in the financial statements relating to impairment to be adequate in providing an understanding of the basis of the impairment assessments. Therefore, in our professional judgement, we found managements approach and findings reasonable.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FUSION FUEL GREEN PLC *(continued)*

Inventory valuation over Work in Progress and provisions. The carrying value of Inventory as of December 31, 2022 was approximately €16.6 million (2021: €-)

Refer to page 28 (accounting policy) and pages 40 (financial disclosures)

The key audit matter	How the matter was addressed in our audit
Inventory is carried in the financial statements at the lower of cost and net realisable value. We identified the assessment of the valuation of net relisable value of inventory to be critical in our audit procedures. Auditing managements inventory valuation involved significant judgement because the estimates include assumptions such as expectations of future sales quantities and the selling prices, of which there is no historical data. Sales in hydrogen and other less common renewables can be extremely volatile with consumer demand changing significantly based on current trends. As noted above, the Group entered into contracts that are significantly loss-making which illustrate the possibility of an impairment within the inventory balance. As a result of these factors, there is a significant risk of material misstatement, that the carrying value of inventory exceeds its net realisable value.	Our audit procedures included among others: We obtained and understanding of the design and implementation of inventory process; We tested the completeness and accuracy of management's schedule of inventory; We evaluated the appropriateness and consistency of management's methods used to develop its estimates; We evaluated the reasonableness of judgments made and significant assumptions used by management relating to key estimates; We compared a sample of the work in progress to independent 3rd party sales to assess whether the sale proceeds were sufficient to cover the net realisable value of inventories at year-end. In particular, we focused on those inventory lines which are slow moving, have been replaced or are approaching the end of life; We examined management's lower of cost or net realizable value analysis and performed procedures to test its completeness and accuracy; We selected a sample of material purchases made during the year to ensure they were included in inventory at the proper value; During our physical inventory observation, we toured the Company's warehouses and examined inventory on hand for any indications of obsolescence.

Our audit procedures did not identifiy any material issues with the approach adopted in the review of the valuation of inventory. We found the total scrap material charge of €400k for the year to be appropriate and in line with our inventory count procedures. We also found the disclosures in the financial statements relating to inventory to be appropriate. Therefore, in our professional judgement, we found managements approach and findings reasonable.

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Onerous contracts provision. The carrying value of the provision for onerous contracts as of December 31, 2022 was approximately €8.4 million (2021: €-)

Refer to page 19 and 33 (accounting policy) and pages 48 (financial disclosures)

The key audit matter	How the matter was addressed in our audit
Provisions for onerous contracts have been recognized in respect of signed sale agreements where the unavoidable costs of meeting the obligations under the sales agreement exceed the economic benefits expected to be received from the contract. The unavoidable costs reflect the present value of the lower of the expected future cost of terminating the contract and the expected net cost of operating under the contract to termination.	Our audit procedures included among other things: We evaluated the models used to estimate the costs to complete the revenue contracts and the costs to terminate the contract; We obtained all contracts associated with the signed sale agreements and assessed the contract value and the termination costs'; We evaluated the reasonableness of judgements made and significant assumptions used by management relating to key estimates.

Our audit procedures did not identify any material issues with the significant assumptions utilised through analysing the cost to complete of signed revenue contract agreements and the cost to terminate these agreements. We found the total provision for onerous contracts of €8.4m for the year to be appropriate. We also found the disclosures in the financial statements relating to onerous contract provision to be adequate in providing an understanding. Therefore, in our professional judgement, we found managements approach and findings reasonable.

Company key audit matter

Impairment over the Company's investment in subsidiaries. The carrying value of investment in subsidiaries as of December 31, 2022 was approximately €17.8 million (2021: €23.2 million).

Refer to page 23 (accounting policy) and pages 38 (financial disclosures)

The key audit matter	How the matter was addressed in our audit
The investment in subsidiaries are carried in the Company's financial statements at cost less any impairment. As the intangible assets and PPE of the Group were separately subject to impairment reviews as noted above, the carrying value of the investments in subsidiaries was considered to give rise to a risk of material misstatement. As mentioned above, due to the lack of commercial success to date, impairments recorded in PPE and the materiality of the investments in the context of the Company financial statements, this was the area that had the greatest focus of our overall audit of the Company financial statements.	Our audit procedures included among other things: Obtaining an understanding of managements approach to the assessment of investments in subsidiaries for potential impairment; Considering the audit work performed in the current year on group intangible assets and PPE; and Compare the carrying value of the investments to the net assets of the subsidiaries. As a result of management's impairment review, an impairment charge of €12.2 million was recorded at 31 December 2022

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

Materiality for the Group financial statements and Company financial statements as a whole was set at €0.3m (2021: €0.35m) and €0.3m (2021:€0.35m) respectively, determined with reference to benchmarks of total assets (of which it represents 0.5% (2021: 0.5%) and 0.5% (2021: 0.5%) respectively. Performance materiality for the Group financial statements and Company financial statements as a whole was set at €0.225m (2021: €0.263m) and €0.225m (2021: €0.263m) respectively.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FUSION FUEL GREEN PLC *(continued)*

Our application of materiality and an overview of the scope of our audit *(continued)*

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding €0.015m (2021: €0.018m), in addition to other identified misstatements that warranted reporting on qualitative grounds.
Our audit was undertaken to the materiality and performance materiality level specified above and was all performed by a single engagement team in Dublin.

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 undertaken during the course of the audit, 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; and
- in our opinion, the directors' report has been prepared in accordance with the Companies Act 2014.

Our opinions on other matters prescribed by the Companies Act 2014 are unmodified

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

In our opinion, the accounting records of the 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.

We have nothing to report on other 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FUSION FUEL GREEN PLC *(continued)*

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 https://iaasa.ie/publications/description-of-the-auditors-responsibilities-for-the-audit-of-the-financial-statements/.

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
Senior Statutory Auditor
for and on behalf of
KPMG
Chartered Accountants, Statutory Audit Firm
1 Stokes Place
St. Stephen's Green
Dublin 2
D02 DE03

6 September 2023

Fusion Fuel Green Public Limited Company

Consolidated statement of financial position
as at December 31, 2022

	Note	**2022 €'000**	2021 €'000
Non-current assets			
Intangible assets	*14*	**5,350**	3,847
Property, plant and equipment	*15*	**21,273**	18,111
Total non-current assets		**26,623**	21,958
Current assets			
Inventory	*10*	**22,336**	3,685
Prepayments and other receivables	*18*	**8,242**	8,472
Financial asset investments at fair value through profit or loss	*16*	**-**	27,453
Cash and cash equivalents	*17*	**8,164**	7,681
Total current assets		**38,742**	47,291
Total assets		**65,365**	69,249
Non-current liabilities			
Lease liability	*9*	**7,651**	411
Deferred income	*20*	**2,925**	-
Total non-current liabilities		**10,576**	411
Current liabilities			
Trade and other payables	*19*	**7,262**	2,877
Provisions	*21*	**8,403**	-
Deferred income	*20*	**186**	-
Cost accruals		**1,934**	1,178
Derivative financial instruments – warrants	*23*	**7,651**	15,271
Total current liabilities		**25,436**	19,326
Total liabilities		**36,012**	19,737
Net assets		**29,353**	49,512
Equity			
Share capital	*22*	**2**	2
Share premium		**217,156**	213,477
Share-based payments reserve		**3,972**	463
Retained earnings		**(191,777)**	(164,430)
Total equity		**29,353**	49,512

The notes on pages 17 to 54 form an integral part of the financial statements.

On behalf of the board

Frederico Figueira de Chaves
Director

Date: September 6, 2023

João Teixeira Wahnon
Director

Date: September 6, 2023

Fusion Fuel Green Public Limited Company

Company statement of financial position
as at December 31, 2022

	Note	2022 €'000	2021 €'000
Non-current assets			
Property, plant and equipment	*15*	**166**	75
Financial investments	*13*	**17,809**	23,202
Intangible assets	*14*	**34**	-
Total non-current assets		**18,009**	23,277
Current assets			
Prepayments and other receivables	*18*	**43,740**	22,417
Financial asset investments at fair value through profit or loss	*16*	**-**	27,453
Cash and cash equivalents	*17*	**959**	118
Total current assets		**44,699**	49,988
Total assets		**62,708**	73,265
Non-current liabilities			
Trade and other payables – lease liability	*9*	**101**	33
Total non-current liabilities		**101**	33
Current liabilities			
Trade and other payables	*19*	**296**	534
Derivative financial instruments - warrants	*23*	**7,651**	15,271
Accruals		**567**	653
Total current liabilities		**8,514**	16,458
Total liabilities		**8,615**	16,491
Net assets		**54,093**	56,774
Equity			
Share capital	*22*	**2**	2
Share premium		**217,154**	213,474
Share-based payments reserve		**3,972**	463
Retained earnings		**(167,035)**	(157,165)
Total equity		**54,093**	56,774

The notes on pages 21 to 58 form an integral part of the financial statements.

On behalf of the board

Frederico Figueira de Chaves
Director

Date: September 6, 2023

João Teixeira Wahnon
Director

Date: September 6, 2023

Fusion Fuel Green Public Limited Company

Consolidated statement of profit or loss and other comprehensive income

for the year ended December 31, 2022

	Note	2022 €'000	2021 €'000
Revenue		**-**	-
Cost of sales – onerous contract provision	*21*	**(8,403)**	-
Cost of sales – write-off of inventory	*10*	**(362)**	-
Gross loss		**(8,765)**	-
Operating expenses			
Other income		**172**	-
Administration expenses	*5 & 6*	**(18,416)**	(7,510)
Research and development expenses		**(908)**	(182)
Share-based payments credit/ (expense)	*8*	**(3,509)**	841
Impairment of property, plant and equipment		**(3,321)**	-
Operating loss		**(34,747)**	(6,851)
Net finance income			
Finance income	*7*	**1,379**	2,713
Interest receivable and similar income		**25**	-
Finance costs	*7*	**(962)**	(23)
Fair value movement on derivatives	*23*	**7,620**	28,354
Net finance income / (costs)		**8,062**	31,044
Share of losses of equity-accounted investees	*12*	**(628)**	(629)
Profit/ (loss) before tax		**(27,313)**	23,564
Income tax expense	*11*	**(34)**	-
Total comprehensive income/ (loss) for the year		**(27,347)**	23,564
Basic earnings/ (loss) per share	*25*	**(2.05)**	1.80
Diluted earnings/ (loss) per share	*25*	**(2.05)**	1.79

The notes on pages 21 to 58 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, 2022

	Number of shares outstanding	Share capital €'000	Share premium €'000	Share-based payment reserve €'000	Retained earnings €'000	Total €'000
Balance at January 1, 2021	12,054,217	1	194,053	1,438	(188,128)	7,364
Profit during the year	-	-	-	-	23,564	23,564
Issue of share capital:						
Vesting of shares	10,000	-	-	(134)	134	-
Exercise of warrants	1,059,506	1	10,050	-	-	10,051
Derecognition of warrant liability on exercise	-	-	9,374	-	-	9,374
Share based payments:						
Equity-settled share-based compensation	-	-	-	(841)	-	(841)
Balance at December 31, 2021	**13,123,723**	**2**	**213,477**	**463**	**(164,430)**	**49,512**
Balance at January 1, 2022	13,123,723	2	213,477	463	(164,430)	49,512
Loss during the year	-	-	-	-	(27,347)	(27,347)
Total comprehensive loss for the year	-	-	-	-	(27,347)	(27,347)
Issue of share capital:						
ATM – share sales	681,926	-	3,679	-	-	3,679
Share based payments:						
Equity-settled share-based compensation	-	-	-	3,509	-	3,509
Balance at December 31, 2022	**13,805,649**	**2**	**217,156**	**3,972**	**(191,777)**	**29,353**

The notes on pages 21 to 58 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, 2022

	Number of shares outstanding	Share capital €'000	Share premium €'000	Share-based payment reserve €'000	Retained earnings €'000	Total €'000
Balance at January 1, 2021	12,054,217	1	194,051	1,438	(186,773)	8,717
Profit during the year	-	-	-	-	29,473	29,473
Issue of share capital:						
Shares issued	10,000	-	-	(134)	134	-
Exercise of warrants	1,059,506	1	10,050	-	-	10,051
Derecognition of warrant liability on exercise	-	-	9,374	-	-	9,374
Share-based payments:						
Equity-settled share-based compensation	-	-	-	(841)	-	(841)
Balance at December 31, 2021	**13,123,723**	**2**	**213,475**	**463**	**(157,166)**	**56,774**
Balance at January 1, 2022	13,123,723	2	213,475	463	(157,166)	56,774
Loss during the year	-	-	-	-	(9,869)	(9,869)
Total comprehensive income for the year	-	-	-	-	(9,869)	(9,869)
Issue of share capital:						
ATM – share sales	-	-	3,679	-	-	3,679
Share based payments:						
Equity-settled share-based compensation	-	-	-	3,509	-	3,509
Balance at December 31, 2022	**13,123,723**	**2**	**217,154**	**3,972**	**(167,035)**	**54,093**

The notes on pages 21 to 58 form an integral part of the financial statements.

Fusion Fuel Green Public Limited Company

Consolidated cash flow statement

for the year ended December 31, 2022

	2022 €'000	2021 €'000
Cash flows from operating activities		
Net profit/ (loss) for the year	**(27,347)**	23,564
Adjusted for:		
Equity settled share-based payment transactions	**3,509**	(841)
Fair value movement in warrants	**(7,620)**	(28,354)
Depreciation and amortization	**1,002**	351
Net finance income	**(442)**	(2,690)
Share of losses of equity-accounted investee	**628**	629
Impairment of property, plant and equipment	**3,321**	-
Onerous contract provision	**8,403**	-
Gain on sale of property, plant and equipment	**(172)**	-
	(18,718)	(7,341)
Changes in working capital:		
(Increase) in receivables	**2,277**	(5,218)
(Increase) in inventories	**(18,651)**	(3,685)
Increase in payables and accruals	**5,303**	1,588
Interest and similar expenses	**(62)**	-
Net cash used by operating activities	**(29,851)**	(14,656)
Cash flows from investing activities		
Payment for intellectual property from 2020 business combination	**(250)**	(500)
Purchase of property, plant and equipment	**(8,588)**	(16,615)
Proceeds from sale of property, plant and equipment	**8,399**	-
Development expenditure	**(1,771)**	(1,630)
Purchase of intangible assets – other	**(80)**	(19)
Purchase of financial assets	**-**	(44,328)
Proceeds from realisation of financial assets	**27,892**	18,224
Investment in equity-accounted investees	**(640)**	(629)
Net cash used in investing activities	**24,962**	(45,497)
Cash flows from financing activities		
Proceeds from issuance of shares	**3,679**	-
Proceeds from warrants exercised	**-**	10,051
Payment of lease liabilities	**(1,314)**	(470)
Net cash provided by financing activities	**2,365**	9,581
Net (decrease)/ increase in cash and cash equivalents	**(2,524)**	(50,572)
Cash and cash equivalents at beginning of year	**7,681**	58,007
Effects of movements in exchange rates on cash held	**82**	245
Cash and cash equivalents at end of year	**5,239**	7,681
Add restricted cash	**2,925**	-
Cash and cash equivalents at end of year including restricted cash	**8,164**	7,681

The notes on pages 21 to 58 form an integral part of the financial statements.

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Fusion Fuel Green Public Limited Company

Company cash flow statement

for the year ended December 31, 2022

	2022	2021
	€'000	€'000
Cash flows from operating activities		
Net loss for the year	**(9,869)**	29,473
Adjusted for:		
Equity settled share-based payment transactions	**3,001**	(904)
Fair value movement in warrants	**(7,620)**	(28,354)
Impairment loss on financial investments	**12,250**	-
Depreciation and amortisation	**60**	11
Interest and similar expenses	**(1,374)**	(2,750)
	(3,552)	(2,524)
Changes in working capital:		
(Increase) in receivables	**(19,898)**	(11,721)
Decrease/(increase) in payables and accruals	**(349)**	(294)
Interest and similar expenses	**(3)**	-
Net cash used by operating activities	**(23,802)**	(14,539)
Cash flows from investing activities		
Purchase of intangible assets – other	**(42)**	-
Purchase of financial assets	**-**	(44,328)
Proceeds from realisation of financial assets	**27,892**	18,224
Cash paid for investments in other financial assets	**(6,857)**	(17,151)
Net cash used in investing activities	**20,993**	(43,255)
Cash flows from financing activities		
Proceeds from issuance of shares	**3,679**	-
Proceeds from warrants exercised	**-**	10,051
Payment of lease liabilities	**(59)**	(22)
Net cash provided by financing activities	**3,620**	10,029
Net increase in cash and cash equivalents	**811**	(47,765)
Cash and cash equivalents at beginning of year	**118**	46,619
Effects of movements in exchange rates on cash held	**30**	1,264
Cash and cash equivalents at end of year	**959**	118

The notes on pages 21 to 58 form an integral part of the financial statements.

Notes

forming part of the consolidated and Company financial statements.

1. Business activity

Fusion Fuel Green Public Limited Company (the “Parent” or 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 The Victorians, 15 - 18 Earlsfort Terrace, Saint Kevin’s, Dublin 2, D02 YX28, Ireland. The Company is domiciled in Ireland.

The Group’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.

The Company has a well-established risk management process which is managed through its management team, executive committee and board of directors. The key risks are evaluated throughout the period 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.

Company history

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 the year then ended were 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 was not considered a business, the Transaction was not considered a business combination, and instead was accounted for as a reverse recapitalisation, whereby Fusion Fuel issued 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 was 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 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. 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 could have been 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 $61 million.
- 20% upon commencement of operations under one of these hydrogen purchase agreements.
- 40% upon successfully completing 90 days of operations at 95% of planned capacity under one of these hydrogen agreements.

As these awards were dependent on future service to be provided to the Company, the Company considered them to be service awards under IFRS 2 and classified them as equity-settled share-based payments. The number of shares and warrants likely to be awarded were 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, initially estimated to be June 30, 2022. The potential outstanding equity awards under the 2020 Earn-Out arrangement expired June 30, 2022 and none of the required conditions were met.

During 2021, the Group increased its global footprint by entering into a joint venture agreement in Spain and incorporating entities in Australia and the United States. In July 2021, the Company entered into a new 50/50 joint venture through Fusion Fuel Spain S.L. (“FFS” or the “JV”) with two unrelated parties to source, promote and develop projects in the green hydrogen sector using the Company’s solar green hydrogen technology. Under the terms of the JV, the three parties contributed combined equity of €3,000. In addition, the Company agreed to fund a non-recourse five-year participating loan to the JV to finance its growth and working capital. Repayment of the loan will come solely from successful operating cash flows of FFS.

Developments during 2022

Benavente

As previously reported, the Company acquired a facility in 2021 to transform into a state-of-the-art production facility so that the Company could produce internally to meet demand. This facility is located at Benavente, Portugal. In June 2022, the Company completed installation of the first HEVO production line at the Benavente facility.

In December 2022, the Group completed a sale and leaseback transaction for the facility at Benavente. This transaction excluded the HEVO production line as well as other equipment. The selling price closed at €9.3 million with net proceeds of €7.5 million after deducting security deposit, one month’s rent and certain deferred proceeds. Please refer to notes 8 and 13 for further information on this transaction.

Exolum
During the third quarter of 2022, the Group commenced construction work on its first third-party technology sale. Fusion Fuel Portugal, S.A. ("Fusion Fuel Portugal"), a wholly owned subsidiary of the Parent and Exolum Corporation, S.A. ("Exolum") will develop a turnkey solar-to-hydrogen plant to supply green hydrogen to Madrid, Spain. Exolum is a leading supplier of specialist storage, handling and transport for bulk liquids and gases, with one of the most comprehensive ranges of tankage in Europe. The project will have 21 HEVO-Solar units along with a co-located refueling station, which will serve as proof of concept of hydrogen for mobility applications. This facility will also feature the latest generation HEVO micro-electrolyzer capable of leveraging other sources of renewable energy to produce green hydrogen overnight and during periods of low solar radiation, which are expected to double the productive output of the facility. The construction and commissioning of this solar-to-hydrogen plant was completed in July 2023. Please refer to note 9 for further information about the financial reporting implications of this project.

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.

Statement of compliance

The consolidated and Company financial statements have been prepared in accordance with International Accounting Standards and International Financial Reporting Standards ("IFRS") as adopted by the EU ("IFRS as adopted by the EU"), which are effective for the year ended and as at December 31, 2022. In addition to complying with its legal obligation to comply with IFRS as adopted by the EU, the consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") ("IFRS as issued by the IASB"). These consolidated financial statements are presented in Euro, the functional and presentation currency of the Company. All financial information presented 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 Company's loss for the year ended December 31, 2022 was €9.9 million (*2021: profit of €29.5 million*). The consolidated financial statements have been prepared on the historical cost basis except for derivatives which have been measured at fair value and share based payments which have been measured at grant date fair value.

Basis of consolidation

Subsidiaries
The Group financial statements consolidate the financial statements of the Company and its subsidiaries up to December 31, 2022. 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.

Loss of control
When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest ("NCI") and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Interests in equity-accounted investees
The Group's interests in equity-accounted investees comprise interests in a joint venture. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its joint venture is accounted for using the equity method.

Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date.

The statement of profit or loss reflects the Group's share of the results of operations of the joint venture. Any change in other comprehensive income ("OCI") of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognises the loss within 'Share of profit of a joint venture' in the statement of profit or loss.

Transactions eliminated on consolidation.
Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Functional currency

Foreign currency transactions
Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance costs.

Foreign operations
The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Euro at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Euro at the exchange rates at the dates of the transactions. Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

At the Market Issuance Sales Agreement (“ATM”)

On June 6, 2022, the Parent entered into an At the Market Issuance Sales Agreement (“the ATM”) with B. Riley Securities, Inc., Fearnley Securities Inc., and H.C. Wainwright & Co., LLC, pursuant to which the Company may offer and sell, from time to time, through or to the agents, acting as agent or principal, Class A ordinary shares of the Company having an aggregate offering price of up to $30 million under the Company’s Form F-3 registration statement. During 2022, the Parent sold 681,926 class A ordinary shares for net proceeds of $3.7 million (€3.7 million) and paid $0.1 million (€0.1 million) in commissions to agents as part of these trades.

Going concern

In adopting the going concern basis in preparing the financial statements, the Directors have considered the Group’s cash on hand, its future cash generation projections and plans, together with factors likely to affect its future performance, as well as the Group’s principal risks and uncertainties.

As of December 31, 2022, the Group had €8.2 million of cash and cash equivalents, which included €2.9 million of restricted cash. This €2.9 million is deemed restricted as it can only be used on specific projects so is not readily available to be spent on selling, general and administrative expenses. The Group is an early stage and emerging growth company and is subject-to the corresponding risk of such companies. Since inception, the Group has incurred operating losses and had an accumulated deficit of €186.7 million at December 31, 2022. Included in these operating losses are non-cash items of €145.3 million which related to fair value adjustments on our warrants, share based compensation expenses, foreign currency adjustments on our financial assets and expenses from the 2020 merger transaction described previously.

The Group expects to continue to incur net losses for the foreseeable future and is highly dependent on its ability to find additional sources of funding in the form of debt or equity financing to fund its planned operations. The Group's success depends on the profitable commercialization of its proprietary HEVO technology. There is no assurance that the Group will be successful in the profitable commercialization of its technology. These conditions raise significant doubt about the Group’s ability to continue as a going concern absent the mitigating actions set out below.

Based upon its current operating and financial plans, management believes it will have sufficient access to financial resources to fund operations for at least one year after the date the financial statements are issued. In making this assessment, management has considered the Group’s available cash resources, expected inflows from both technology sales and grant award agreements, future financing options available to the Group (debt and/or equity), the planned operations of the Group and the ability to adjust its plans if required.

Inflows
Subsequent to December 31, 2022, the Group recorded the following inflows:

- €3.8 million of VAT receivable amounts consisting of amounts included within the balance discussed in note 18 along with amounts relating to 2023. We have a further €0.3 million approved for payment before the end of September 2023.
- €5.4 million of grant funding relating to the Group's C-5 and C-14 grant agreements. These inflows can only be spent on project related expenditures.
- €2.8 million of proceeds raised through the ATM facility.

The Group is in advanced discussions with a Portuguese based financial institution regarding an additional working capital credit facility related to future grant inflows, which, if entered into, would provide additional liquidity of approximately €3.5 million. There is no assurance that such facility will be entered into.

To date, the Group has been awarded €64.1 million in grant funding of which €8.8 million has been received to date. The Group has a further amount of €[2.4] million that has been submitted for payment. The timing of receipt of the outstanding grant payments is uncertain.

Outflows
During 2022, the Board of Directors approved the installation of multiple production lines at the Group's production facility at Benavente. The Group has signed agreements amounting to €18.3 million relating to the design, fit-out and installation of multiple production lines. At December 31, 2022, the Group had capital commitments of €12.4 million (2021: €nil) of which €6.4 million fall due for repayment during 2023. During 2023, the Group has already paid €1.3 million of this amount.

Further to the above, the Group has committed contract spend of approximately €8.8 million for 2023. During 2023, the Group has already paid €4.6 million of this amount.

As previously disclosed, the Group is in continual negotiations with third parties to fund its operations, as well as exploring all available sources of financing. Although negotiations have progressed (in some cases to the point of signed letters of intent or term sheets with third parties), none have reached the stage of executed definitive agreements at this time. As negotiations are fluid, it is possible that any particular negotiation could accelerate or be abandoned at any time. An announcement of any material agreement with a third party would be made when and if a binding agreement is reached with such third party. The inability to obtain funding, as and when needed, would have a negative impact on the Group's financial conditions and ability to pursue its business strategies. If the Group is unable to obtain funding, the Group could be forced to delay, reduce, or eliminate some or all of its research and development programs or strategic partnerships efforts, which could adversely affect its business prospects, or the Group may be unable to continue operations. Although management intends to pursue plans to obtain additional funding to finance its operations, there is no assurance that the Group will be successful in obtaining sufficient funding on terms acceptable to the Group to fund continuing operations, if at all.

The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this material uncertainty. Accordingly, the consolidated financial statements have been prepared on a basis that assumes the Group will continue as a going concern and which contemplates the realization of assets and satisfaction of liabilities and commitments in the ordinary course of business.

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

New standards or amendments

There were no new standards effective for the period commencing 1 January 2022 that had a material impact on the Group. A number of new standards, amendments to standards and interpretations are not yet effective for the period and have not yet been applied in preparing the consolidated financial statements. The Group is in the process of assessing the impact on the financial statements of these new standards and amendments. Management expects no material impact on the Group's financial statements on adoption of these amendments.

Significant accounting policies

There have been no material changes to the Group's significant accounting policies, other than the introduction of an accounting policy for contract assets and government grants, as compared to the significant accounting policies described in the Form 20-F for the fiscal year ended December 31, 2021.

Government grants

The Group recognises government grants when there is reasonable assurance that the Group will comply with the relevant conditions and the grant will be received. Government grants related to assets are deducted from the cost of the asset using the net presentation approach. The grant is recognised in profit or loss over the life of a depreciable asset as a reduced depreciation expense.

Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised. In this case, the grant is recognised when it becomes receivable.

Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:
- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and

- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in 'property, plant and equipment' and lease liabilities in 'trade and other payables' in the statement of financial position.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Sale-and-leaseback transactions
The Group derecognises the asset from the statement of financial position with any gain or loss relating to the rights transferred as part of the sale recognised as other income. The leaseback shall be classified as either an operating lease or a finance lease. If the leaseback is classified as an operating lease, the asset shall be recognised in the statement of financial position and depreciated over its useful life. If the leaseback is classified as a finance lease, the asset shall remain derecognised and recognised as a right-of-use asset, and a liability shall be recognised for the present value of lease payments.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises of direct materials and the cost of bringing the components to their present condition. Cost is based on weighted average price. Net realisable value is calculated as the estimated selling price arising in the ordinary course of business, net of estimated selling costs.

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 Executive Committee, and in particular the Chief Financial 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.

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.

Trade and other payables

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

Provisions – onerous contracts

A provision for an onerous contract is recognised when it becomes probable that the total contract costs will exceed total contract revenue. Before a provision for onerous contracts is recorded, the related assets under construction are measured at their net realisable value and written-off if necessary. Onerous contracts are identified by monitoring the progress of the contract together with the underlying programme status. An estimate of the related contract costs is made, which requires significant and complex assumptions, judgements and estimates related to achieving certain performance standards.

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.

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. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

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 ordinary shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction from equity, net of tax effects.

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. The fair value is determined using market price on the NASDAQ under the ticker HTOOW. When a warrant is exercised, the derivative liability is then reclassified to share premium.

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.

Share-based payment arrangements

Group
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 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. For share-based payment awards that vest at the discretion of the board of directors, the fair value is determined at the reporting date until such time that there is a shared understanding of the vesting period.

Company
The Company and its subsidiaries operate one share-based payment plan, the details of which is presented in note 8 (Share-Based Payments) to the Consolidated Financial Statements. The share-based payment expense associated with the share-based payment plan is recognised by the entity which receives services in exchange for the share-based compensation. Share-based payment expense is recognized over the requisite service period for awards of equity instruments to employees based on the grant date fair value of those awards expected to ultimately vest.

Forfeitures are estimated on the date of grant and revised if actual or expected forfeiture activity differs materially from original estimates. The Profit and loss account of the Company is charged with the expense related to the services received by the Company. The remaining portions of the share-based payments represent a contribution to Company entities and are added to the carrying amount of those investments.

The Company will issue new Fusion Fuel Green plc Class A ordinary shares for shares to be delivered under its subsidiaries’ share-based payment plans. No shares were delivered during the year ended December 31, 2022. Under an agreement, the subsidiaries pay the Company an amount equal to the fair value of the ordinary shares issued with such amount reducing the Company’s investment in its subsidiaries.

The net effect of the grant date fair value of the Company’s share-based compensation to employees of the Company’s subsidiaries and recharges received from those subsidiaries is reflected as an increase or decrease in financial fixed assets.

Financial instruments

Recognition and initial measurement
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, transaction costs that are directly attributable to its acquisition or issue.

Financial assets at fair value through profit or loss (FVTPL)
These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

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.

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.

Recognition of expected credit losses

The Company shall recognise a loss allowance for expected credit losses on a financial asset or receivable balance that is measured in accordance with amortized cost or fair value. The Group shall recognise in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

Prepayments and other receivables

Prepayments and other 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 other receivables.

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. Restricted cash comprises cash that the Group is required to spend on specific projects and is not available for general use.

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. Land is not depreciated and assets categorised as being under construction are not depreciated until such time that they are in use. The following rates per annum are used:

Plant and machinery	3-10 years
Office and other equipment	3-10 years
Leases	Lease term

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.

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.

Product development costs are not amortised until such time that they are in use after which it is expected they will be amortised over their estimated useful lives (three to five years). Amortisation is provided using the straight-line method to write off cost to residual value over the estimated useful life of the individual asset. The following rates per annum are used:

Software	3 years
Completed development technology	3 years
Intellectual property	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, unless the product development costs are still being used in product development in which case it is considered indefinite useful life.

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.

Investment in subsidiaries – Company

Investments in subsidiaries are recognised at cost less provision for impairment. The investment is tested for impairment if circumstances or indicators suggest that impairment may exist. Subsequent activity related to subsidiary share transactions and share-based payment transactions are accounted for at cost.

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. These include but are not limited to:

Onerous contract provisions
At December 31, 2022, an onerous contract provision of €3.2 million has been recognised against our for two projects that had yet to commence by December 31, 2022 due to expected negative margins on these projects. Assumptions and estimates relating to onerous contract provisions are based on Management's expectations to materials and labour in determining the costs to complete the construction and timing of the delivery of these projects. At December 31, 2022, Management has also recorded an onerous contract provision relating to our Exolum project of €5.2 million which reflects the Group's best estimate at this time of the total expected contract loss. When determining whether a contract is loss-making, the Company includes costs that are incremental such as costs for material and labour as well as an allocation of costs directly related to contract activities.

Impairment of capitalized development costs
The Company undertakes internal development projects for the advancement of both its miniaturised and centralised electrolyser product offerings. In the case of there being a trigger for a review of impairment of completed development projects, the Company performs a review on the carrying amounts to determine whether there is any indication of impairment at the reporting date. Our only development project currently capitalised, and being amortised, relates to technologies being used in our current sales and so remain relevant. Further capitalisations during the year relate to continuing design work for standard products and advancements or efficiencies that should allow the Group to improve its offering and gain interest in new markets. The Company tests annually the recoverable amounts of the development projects in progress to ensure that the capitalized costs have not over-run their operational or commercial value. Management expects the market for electrolysers will grow significantly in the coming years. The key drivers and indicators of momentum in the market for green hydrogen include societal and political pressure to limit CO2 emissions, regulatory push in national hydrogen roadmaps as well as decreasing cost of green hydrogen.

As of December 31, 2022, the carrying amount of development projects in progress is €0.7 million (2021: €1.9 million). The Company has an increasing order backlog, and the production ramp-up is progressing, albeit slower than expected. The technical feasibility of our miniaturised electrolyser has been demonstrated at our H2Evora site with further track record expected from our 3rd party Exolum project, as well as through an independent performance audit performed by TUV SUD, an association of experts that provides safety, security, and sustainability solutions. The practical ability to sell and a market for the products exist. Please see note 14 for further information.

Impairment of property, plant and equipment – assets under construction
In the case of there being a trigger for a review of impairment, the Group performs a review on the carrying amounts of its property, plant and equipment to determine whether there is any indication of impairment at the reporting date. The Group particularly tests the net recoverable amounts of its internally generated assets held in assets under construction to ensure that the costs of their production have not over-run their operational or commercial value. One such trigger for impairment review, which has occurred in the current year, is that the Group was loss making and another was the increase in costs to complete certain projects currently recognised as assets under construction.

As of December 31, 2022, the carrying amount of our property plant and equipment assets under construction was €15.1 million (2021: €17.2 million). The Group identified an indicator of impairment associated with a specific portion of this amount. For these assets, the Group calculated the value in use based on he estimated cash flows expected to be generated by the asset and a terminal value. The expected cash flows are based on assumptions in respect of sales and operating costs. These cash flows are discounted to their present values using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. The estimation of forecasted revenues and the timing of expenditure requires judgement and is dependent on the economic factors associated with these assets. An impairment charge of €3.3 million has been recorded during 2022 for these assets. Please see note 15 for further information.

Impairment of financial assets - Company
As of December 31, 2022, the carrying amount of the investment in subsidiaries was €30.1 million. Management has considered the deemed far value of these investments by giving consideration to the market capitalisation of the Fusion Fuel Group. An impairment loss of €12.3 million has been recorded during 2022 in relation to the investment in subsidiaries balance.

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

	2022	2021
Finance staff	**9**	8
Production, operations and administration	**102**	18
Total	**111**	26

At December 31, 2022, the Group had a team of 149 employees (*2021: 42*. At December 31, 2022, the Company had a team of 7 employees (*2021: 4*).

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

	2022	2021
	€'000	€'000
Wages and salaries	**8,706**	2,970
Share based payments	**526**	228
	9,232	3,198

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

Wages and salaries	**1,275**	639
Share based payments	**18**	161
	1,293	800

6. Statutory and other information

	2022	2021
	€'000	€'000
Directors' remuneration:		
- Emoluments	**801**	669
- Share-based compensation	**2,961**	492
Total Directors' remuneration	**3,762**	1,161
Auditor's remuneration (including reimbursement of outlay):		
- Audit of group financial statements	**205**	205
- Audit of parent company financial statements	**47**	47
- Audit related fees	**130**	40
Total fees	**382**	292
Depreciation and amortization	**1,003**	351

7. Finance costs / income

	2022	2021
	€'000	€'000
Finance costs		
Interest and similar expenses	**62**	23
Foreign exchange variances	-	-
Fair value loss on short-term investments	900	
	962	23
Finance income		
Foreign exchange variances	**1,379**	2,392
Fair value gain on short-term investments	**-**	47
Other finance income	**-**	274
	1,379	2,713

8. Share-based payments

2021 Equity Incentive Plan

On August 5, 2021, the Company's Board of Directors adopted and approved the 2021 Equity Incentive Plan (the 2021 Plan), which authorized the Company to grant up to 1,000,000 Class A ordinary shares in the form of incentive share options, non-qualified share options, share appreciation rights, restricted awards, performance share awards, cash awards and other share awards. The types of share-based awards, including the rights amount, terms, and exercisability provisions of grants are determined by the Company's Board of Directors.

Restricted Share Units (RSUs)
The Company granted 59,441 RSU's to employees and directors during the year ended December 31, 2022 (2021: 57,896 and 2020: nil). The table below shows the number of RSUs granted covering an equal number of the Company's Class A ordinary shares and the weighted-average grant date fair value of the RSUs granted.

	Number of RSUs		**Weighted average grant date fair value per share**	
	2022	**2021**	**2022**	**2021**
As at 1 January	42,896	-	$12.24	-
Granted during the year	59,441	57,896	$8.00	$12.24
Vested during the year (1)	(14,253)	(15,000)	$12.17	$12.24
Forfeited during the year	(442)	-	$12.24	-
As at December 31	**87,642**	**42,896**	**$11.43**	**$12.24**

(1) No ordinary shares were issued in connection with the RSUs that vested during the year ended December 31, 2022.

RSUs are issued as incentive compensation to executives, employees, and non-employee directors with service being the only condition associated with the award. Each RSU represents a right to one share of our common stock, upon vesting. The RSUs are not entitled to voting rights or dividends, if any, until vested. The fair value of the RSUs is determined on the date of grant based on the market price of the Company's ordinary shares on that date. The fair value of RSUs is expensed rateably over the vesting period, which is generally three years for employees. The total expense recognized related to the RSUs was €0.53 million for the year ended December 31, 2022 (2021: €0.17 million and 2020: €nil). Total unamortized compensation expense related to the RSUs was €0.35 million as of December 31, 2022 (2021: €0.39 million, which is expected to be recognized over a remaining average vesting period of 1.7 years as of December 31, 2022 (2021: 2.44 years).

Share options
On January 3, 2022, the Company announced that under the 2021 Plan, its Board of Directors ("the Board") approved an award of options for five of its senior managers. Regarding each senior manager, the award comprises three tranches:

- Tranche 1: A grant of an option to purchase 200,000 Class A ordinary shares having an exercise price of $10.50 per share to vest over a three-year period.
- Tranche 2: A grant of an option to purchase an additional 200,000 Class A ordinary shares having an exercise price of $10.50 per share to vest once Parent's share price closed at or above $18.00 during twenty trading days out of any thirty consecutive trading day period.
- Tranche 3: Eligibility to receive an option to purchase up to an additional 50,000 Class A ordinary shares having an exercise price equal to the average last sales price of the Class A Ordinary Shares over the five (5) consecutive trading day period ending on the date of grant, but in no event to be lower than $10.50 per share, for each of calendar years 2022, 2023 and 2024, each to be granted based on individual performance at the discretion of the Compensation Committee of the board of directors. The board of directors did not grant any awards under this tranche during the year ended December 31, 2022.

All options granted will expire on December 31, 2028.

The Company granted 2,128,554 options to employees and directors during the year ended December 31, 2022 (2021: Nil). Included in this amount are 128,554 options that were issued to our non-executive directors as part of their annual compensation. These options vested in full by December 31, 2022.

The fair value of the options granted during the year ended December 31, 2022, were estimated using the Black-Scholes option-pricing model. The inputs for the Black-Scholes model require management's significant assumptions. The risk-free interest rate was based on a normalized estimate of the 7-year U.S. treasury yield. The Company does not have sufficient company-specific historical and implied volatility information and it therefore estimates its expected share volatility based on historical volatility information of reasonably comparable guideline public companies and itself. The Company expects to continue to do so until such time as it has adequate historical data regarding the volatility of its own traded share price. Expected dividend yield is based on the fact that the Company has never paid cash dividends and its future ability to pay cash dividends on its shares may be limited by the terms of any future debt or preferred securities.

The range of assumptions that the Company used to determine the grant date fair value of employee and director options granted were as follows:

	Tranche 1	**Tranche 2**	**Directors**
Volatility	70.91%	70.91%	75.32%
Expected term in years	7	7	6.92
Dividend rate	0%	0%	0%
Risk-free interest rate	1.58%	1.58%	1.58
Hurdle price	-	$18	-
Exercise price	$10.50	$10.50	$6.45
Share price	$9.42	$9.42	5.03
Fair value of option on grant date	$6.14	$6.18	3.31

The table below shows the number of options granted covering an equal number of the Company's Class A ordinary shares and the weighted-average grant date fair value of the options granted:

	Number of options	**Weighted average Grant date fair value per share**
Options outstanding December 31, 2021	-	$
Granted during the year	2,128,554	$ 5.21
Vested during the year	(461,887)	$ 3.31
Options outstanding December 31, 2022	**1,666,667**	**$ 5.21**

There were 1,666,667 unvested employee and director options outstanding as of December 31, 2022 (2021: €nil). Total expense recognized related to the employee and director share options was €2.96 million for the year ended December 31, 2022 (2021: €nil). Total unamortized compensation expense related to employee and director share options was €8.27 million as of December 31, 2022 (2021: €nil), expected to be recognized over a remaining weighted average vesting period of 4 years as of December 31, 2022 (2021: nil).

Incentive shares

As part of their compensation package, the non-executive directors that were appointed in December 2020 were granted 5,000 shares for each year of service to the Company.

	Number of shares	**Weighted average grant date fair value per share**
Incentive shares outstanding December 31, 2021	30,000	$ 23
Forfeited	(25,000)	$ -
Incentive shares outstanding December 31, 2022	**5,000**	**$ 23**

The above shares vest at the discretion of the board of directors. In exchange for the share options that were granted above, the holders of the incentive shares agreed to forfeit their rights to incentive shares relating to years two and three of their tenure as a non-executive director. The total expense for these shares recognised in the year ended December 31, 2022, and 2021 was €0.02 million and €0.33 million respectively.

As of December 31, 2022, there was no unrecognised share-based payment expense related to the incentive shares. The shares have been recorded at their fair value at December 31, 2022.

Reconciliation to statement of profit or loss - Group

	2022	2021
	€'000	**€'000**
2020 Earn-Out	**-**	(1,400)
RSU's	**526**	228
Incentive shares	**21**	331
Options	**2,962**	-
Share-based payment (credit)/ expense	**3,509**	(841)

9. Leases

In the normal course of its business, the Group leases property, vehicles and land.

On 20 December 2022, the Group entered into a sale and leaseback transaction relating to its production facility at Benavente. The leaseback arrangement has an initial term of 20 years and will be automatically renewed for a further ten years unless the Group provides sufficient notice to terminate.

On January 1, 2021, the Group entered into a property sub-lease for office space with a related party. The property sub-lease has an initial term of five years and will be automatically renewed for a further five years if neither the landlord nor tenant provide sufficient notice to terminate. The Group has the option to terminate the sub-lease without penalty any time after the first anniversary of the lease provided sufficient notice is communicated to the landlord. The terms of this sub-lease agreement were negotiated on an arms-length basis.

The Group has estimated the duration of the property sub-lease to be four years from lease commencement, considering the cancellable period which represents a change of estimate from the prior year. At inception of this lease, we estimated that the term would only be two years. This change in estimate has been accounted for prospectively in these financial statements. The Group's expansion plans mean the current sub-lease in Portugal may not be fit for purpose and therefore, the Group is expected to terminate the sub-lease within two years. The Group is currently exploring real estate opportunities in Portugal.

In Q4 2021, the Group entered into a license agreement for shared office space in Ireland. The license agreement has a term of 12 months and will be automatically renewed for another year if neither party provide sufficient notice to terminate before the end of the term. During Q4 2022, the Group extended its lease agreement by a further 24 months.

The vehicle leases commenced in July 2021 and since then, the Group has entered into eleven separate contracts. The duration of the contracts range from 48 to 60 months.

The land leases were entered into for the purpose of developing our Évora I and II projects. The two land leases were negotiated and signed with the respective owners for 30 years and are extendable. No new land leases were entered into during 2022.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Information about leases for which the Group is a lessee is presented below.

Right-of-use assets – Group
Right-of-use assets related to leased properties and land are presented as property, plant and equipment.

	Equipment €'000	Properties €'000	Vehicles €'000	Land €'000	Total €'000
January 1, 2021	-	-	-	-	-
Additions right-of-use assets	-	650	267	194	1,111
Depreciation charge for the period	-	(293)	(19)	(8)	(320)
January 1, 2022	-	357	248	186	791
Additions right-of-use assets	48	6,673	274	-	6,995
Revaluation of right-of-use assets	-	708	-	-	708
Derecognition of right-of-use assets	-	-	(44)	-	(44)
Depreciation charge for the period	(3)	(360)	(84)	(7)	(454)
December 31, 2022	**45**	**7,378**	**394**	**179**	**7,996**

Right-of-use assets - Company

	Properties €'000	Vehicles €'000	Total €'000
January 1, 2021	-	-	-
Additions right-of-use assets	86	-	86
Depreciation charge for the period	(10)	-	(10)
December 31, 2021	76	-	76
January 1, 2022	76	-	**76**
Additions right-of-use assets	-	101	101
Revaluation of right-of-use assets	43	-	43
Depreciation charge for the period	(43)	(9)	**(52)**
December 31, 2022	**76**	**92**	**168**

Amounts recognised in the Consolidated statement of profit or loss and other comprehensive income

	Group		Company	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Interest on lease liabilities	**32**	22	3	1
Expenses relating to short-term leases	**428**	127	-	-
Depreciation of right-of-use assets	**454**	319	52	-

Amounts recognised in statement of cash flows

	Group		Company	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Total cash outflow for leases	**1,314**	470	**59**	22

Lease liabilities

Lease liabilities are payable as follows - Group.

	Future minimum lease payments 2022	Interest 2022	Present value of minimum lease payments 2022
	€'000	**€'000**	**€'000**
Less than one year	1,118	447	671
Between two and five years	3,749	1,925	1,824
More than five years	8,602	2,774	5,827
	13,469	5,146	8,322

Reconciliation of lease liabilities is as follows:

	Group	*Company*
	€'000	**€'000**
Balance at January 1, 2021	-	-
Payment of lease liabilities	(311)	(11)
New leases	1,111	86
Interest expense	22	-
Interest paid	(22)	-
Balance at January 1, 2022	**800**	**75**
Payment of lease liabilities	(445)	(51)
New leases	7,303	101
Revaluations	708	43
Derecognition	(44)	-
Interest expense	32	3
Interest paid	(32)	(3)
Balance at December 31, 2022	**8,322**	**168**

	Group		**Company**	
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Non-current				
Lease liability	**7,651**	411	**101**	33
Current				
Lease liability (note 19)	**671**	389	**67**	42
Balance at period end	**8,322**	800	**168**	75

The Group discounted its remaining lease payments for the calculation of the lease liability using an incremental borrowing rate ranging between 3% and 6%.

10. Inventory

	2022	2021
	€'000	€'000
Raw materials	**5,785**	3,685
Work in progress	**16,551**	-
	22,336	3,685

Inventories of €17.6 million were consumed during the years ended December 31, 2022 (2021: €nil). During 2022, we incurred €0.5 million (2021: €nil) of production, conversion and other costs incurred in bringing the inventory to its present condition. These costs have been included in 'administration costs'. The only conversion costs that have been capitalised in inventory relate to those provided by third parties.

The cost of scraped materials through the normal production cycle amounted to €0.4 million (2021: €nil). These items were recognised as an expense during 2022, in 'cost of sales'.

11. Taxation

The Group earned no revenues in 2022. The Group recorded a loss before income tax of €27.3 million during the year (2021: €23.6 million profit), which was reduced by €7.6 million (2021: €28.4 million) related to non-cash fair value gains on its derivative financial instruments (Warrants). For the year ended December 31, 2020, the Group earned no revenues and generated tax losses. It recognised a current and deferred tax expense of €nil for each of the years ended December 31, 2021, and 2020.

During 2022, 2021 and 2020, the Group's Portuguese operations were subject to a statutory tax rate of 21%. In Ireland, the headline corporate income tax rate for trading companies is 12.5%, with a rate of 25% applicable to other non-trading sources.

A reconciliation between taxes on income / losses reflected on the Consolidated statement of profit or loss and other comprehensive income and the expected income tax benefit, based on the Company's statutory tax rate, for the years ended December 31, 2022 and 2021 is as follows::

Reconciliation of effective tax rate	**2022**	2021
	€'000	€'000
Profit/ (loss) before tax	**(27,313)**	23,564
Tax using Group's domestic tax rate at 12.5%	**3,414**	(2,945)
Tax effect of:		
Non-deductible expenses / non-taxable income	**(842)**	3,848
Current-year losses for which no deferred tax asset is recognised	**(3,973)**	(1,312)
Impacts of different foreign tax rates	**1,435**	409
Total tax charge	**34**	-

As of December 31, 2022, the Group had unrecognised deferred tax assets of €6.2 million (2021: €1.7 million) mostly relating to tax losses incurred. No deferred tax assets have been recognized 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.

12. Equity-accounted investees

	€'000
Interest in joint venture	
January 1, 2021	**-**
Investment during the year	**629**
Loss for the year attributable to the Group	**(629)**
December 31, 2021	**-**
Investment during the year	**628**
Loss for the year attributable to the Group	**(628)**
December 31, 2022	**-**

On July 22, 2021, the Company entered into a shareholder agreement with two other parties, Greatex Family Enterprises LDA ("GFE") and ERE Desarrollos Empresanales S.L. ("EREE") for a 50% ownership of Fusion Fuel Spain, S.L. ("Fusion Fuel Spain").

Fusion Fuel Spain is structured as a separate vehicle. Accordingly, the Group has classified its interest in Fusion Fuel Spain as a joint venture. In accordance with the agreement under which Fusion Fuel Spain was established, the Group and the other investors in the joint venture have agreed to meet the financial needs of Fusion Fuel Spain by seeking outside financing, by either: (i) applying for or requesting any subsidies available, whether community or national, public of private; or (ii) negotiating financing with local banks if Fusion Fuel Spain lacks the necessary funds to carry out its principal activities.

Under the terms of the shareholder agreement, the Group committed to contribute up to €2 million in the form of a subordinated loan to finance the growth and working capital needs of Fusion Fuel Spain. This loan facility has a term of five years and bears interest of 4% per annum. An additional interest charge of 2% will be payable from Fusion Fuel Spain if EBITDA targets are achieved. Under this facility, Fusion Fuel Spain drew down €1.27 million up until the year ended December 31, 2022. No commitment has been recognised in these consolidated financial statements for any future investment in Fusion Fuel Spain.

13. Financial assets: Company

	2022	2021
Investment in subsidiary undertakings	**€'000**	€'000
At beginning of year	23,202	6,000
Additions during the year	6,857	17,202
Impairment charge for the year	(12,250)	-
At end of year	**17,809**	23,202

During 2022, the Company made a capital contribution of €6,000,000 to Fusion Fuel Portugal, S.A., and advanced €575,207 to Fusion Fuel Spain as part of the subordinated loan agreement. The net activity related to share-based payment plan caused an increase of €282,280 to the investment in subsidiaries. Financial assets represent investments in the share capital of Group undertakings as set out below:

Subsidiary name	**Proportion held by company**	**Proportion held by subsidiary**	**Country of incorporation**	**Principal activity**
Fusion Fuel Portugal, S.A.	100%	Nil	Portugal	(1)
Fusion Cell Évora I Unipessoal Lda	Nil	100%	Portugal	(2)
Fusion Cell Évora II Unipessoal Lda	Nil	100%	Portugal	(2)
Fusion Fuel USA, Inc.	100%	Nil	United States	(3)
Fusion Fuel Spain, S.L.	50%	Nil	Spain	(3)
Fusion Fuel Australia, PTY Ltd	100%	Nil	Australia	(3)
Fusion Fuel Australia - Pilot PTY Ltd	Nil	100%	Australia	(3)
Hevo Sines III, Unipessoal LDA	Nil	100%	Portugal	(2)
Hevo Sines II, Unipessoal LDA	Nil	100%	Portugal	(3)
Hevo Sines, Unipessoal LDA	Nil	100%	Portugal	(3)
Hevo Portugal, Unipessoal LDA	Nil	100%	Portugal	(3)

(1) Production of Green Hydrogen
(2) Production of electricity from wind, geothermal, solar and other research and experimental development on natural sciences
(3) Limited activity during 2022

Management performed an impairment review of financial fixed assets at December 31, 2022. As at 31 December 2022, the market capitalisation of the Group was below the book value of the combined investment in subsidiaries and loans extended to the same subsidiaries. The difference between the market capitalisation and carrying value of the intercompany amounts has been recorded as an impairment charge. The impairment charge recorded in profit and loss was €12.2 million (2021: €nil).

14. Intangible assets

Group 2022	**Completed development technology**	**Project development in progress**	**Intellectual property and patents registration**	**Software**	**Total**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**
Cost					
January 1, 2022	-	1,918	1,911	23	3,852
Additions*	37	1,733	-	81	1,851
Transfers during the year	2,934	(2,934)	-	-	-
December 31, 2022	2,971	717	1,911	104	5,703
Amortisation					
January 1, 2022	-	-	-	(5)	(5)
Amortisation charge	(330)	-	-	(18)	(348)
December 31, 2022	(330)	-	-	(23)	(353)
Net book value					
At December 31, 2022	**2,641**	**717**	**1,911**	**81**	**5,350**
Group 2021					
January 1, 2021	-	288	1,911	4	2,203
Additions	-	1,630	-	19	1,649
December 31, 2021	-	1,918	1,911	23	3,852
Amortisation					
January 1, 2021	-	-	-	-	-
Amortisation charge	-	-	-	(5)	(5)
December 31, 2021	-	-	-	(5)	(5)
Net book value					
At December 31, 2021	**-**	**1,918**	**1,911**	**18**	**3,847**

2022 Company	**Software**	**Total**
	€'000	**€'000**
Cost		
January 1, 2022	-	-
Additions	42	42
December 31, 2022	42	42
Amortisation		
January 1, 2022	-	-
Amortisation charge	(8)	(8)
December 31, 2022	(8)	(8)
Net book value		
At December 31, 2022	**34**	**34**

*The additions relate to materials acquired during the period for the purpose of developing our HEVO technology.

Intellectual property of €1.9 million (2021: €1.9 million) and capitalised project development costs of €0.7 million (2021: €1.9 million) are considered to be of indefinite life and accordingly are not amortized. Completed development technology represents the costs incurred on bringing our first generation HEVO electrolyzer to market and is being amortised over a useful life of 3 years. This asset transferred from product development in progress during the year.

Research and development expenditure (excluding those related to wages and salaries) of €0.9 million (2021: €0.2 million) have been recognised as an expense, in 'administration expenses'.

The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As at 31 December 2022, the market capitalisation of the Group was above the book value of its equity. In addition, there are indicators of momentum in the market for green hydrogen, including ongoing societal and political pressure to limit CO2 emissions with the European Union as well as several individual countries across the world developing green hydrogen roadmaps. This momentum should lead to increased demand for our product and a reduction in the cost of green hydrogen. No indicators of impairment were deemed to exist for this Cash Generating Unit.

15. Property, plant and equipment: Group and Company

Group - 2022	Assets under construction €'000	Plant and machinery €'000	Office and other equipment €'000	Right of use assets €'000	Total €'000
Cost					
At January 1, 2022	17,161	-	185	1,111	18,457
Additions during the year	9,191	1,267	274	322	11,054
Revaluation	-	-	-	708	708
Transfers during the year	(2,149)	70	(70)	-	(2,149)
Sale-and-leaseback	(8,294)	-	-	6,673	(1,621)
Disposals	-	-	-	(52)	(52)
Grant income	(803)	-	-	-	(803)
At December 31, 2022	**15,106**	**1,337**	**389**	**8,762**	**25,594**
Depreciation					
At January 1, 2022	-	-	(28)	(319)	(347)
Charge for year	-	(141)	(66)	(454)	(661)
Transfers during the year	-	(10)	10	-	-
Impairment charge	(3,321)	-	-	-	(3,321)
Derecognition	-	-	-	8	8
At December 31, 2022	**(3,321)**	**(151)**	**(84)**	**(765)**	**(4,321)**
Net book values					
At December 31, 2022	**11,785**	**1,186**	**305**	**7,997**	**21,273**

During 2022, the Group entered into a Grant agreement with Agência para o Investimento e Comércio Externo de Portugal, E.P.E. ("AICEP") relating to the Benavente production facility. The Group submitted its first claims under this agreement during 2022, which amounted to €0.8 million. Using the net presentation method available under IAS 20 Accounting for Government Grants and Disclosure of Government Assistance ("IAS 20"), the Group has netted this amount against the carrying value of the asset.

As disclosed previously, in December 2022, we entered into a sale and leaseback transaction for our Benavente production facility. The above asset was re-recognised from assets under construction and subsequently recognized as a right of use asset. The Group recorded a gain of €0.14 million on the sale of the property, which yielded consideration of €9.32 million. Detailed information about the leases is available in note 9.

Impairment charge – assets under construction
Entities are required to conduct impairment tests where there is an indication of impairment of an asset. The following indications of impairment were considered as part of the impairment analysis; cash flows for completing the assets are higher than originally budgeted, and the assets are expected to generate lower returns than originally expected.

IAS 36 - Impairment of Assets stipulates that an impairment loss is the amount by which the carrying value of an asset exceeds its recoverable amount. Recoverable amount is the higher of its fair value less costs of disposal and its value in use. Value in use is calculated by taking the Net Present Value (NPV) of expected future cash flows from the asset discounted at an appropriate discount rate.

The value in use calculation was determined at the Cash Generating Unit ("CGU"). The CGU consisted of the cash inflows and outflows that were expected to be generated by our internally generated hydrogen production plants. In determining the value in use for the CGU, the cash flows were discounted at a rate of 10.5% on a pre-tax basis. The cash flows beyond the five-year period are extrapolated using a 7.1% growth rate that is equal to the historic inflation rate in Portugal over a 45-year period. Management expects that internally generated hydrogen production plants will have useful lives ranging between 20 and 25 years. The estimated recoverable amount of the Groups internally generated hydrogen production plants was lower than the respective carrying amount at the time of the impairment test. An impairment charge of €3.3 million was recorded during 2022 (2021: €nil).

Group - 2021	**Assets under construction**	**Office and other equipment**	**Right of use assets**	**Total**
	€'000	**€'000**	**€'000**	**€'000**
Cost				
At January 1, 2021	6	-	-	6
Additions during the year	17,155	185	1,111	18,451
At December 31, 2021	17,161	185	1,111	18,457
Depreciation				
At January 1, 2021	-	-	-	-
Charge for year	-	(28)	(318)	(346)
At December 31, 2021	-	(28)	(318)	(346)
Net book values				
At December 31, 2021	**17,161**	**157**	**793**	**18,111**

Depreciation expense on property and equipment was €0.6 million and €0.3 million for the year ended December 31, 2022, and 2021, respectively. Assets under construction includes costs mostly related to construction of our two Évora hydrogen plants, costs incurred on our HEVO-Sul project and our Benavente production facility.

Company - 2022	**Right of use assets**	**Total**
	€'000	**€'000**
Cost		
At January 1, 2022	86	86
Additions during the year	101	101
Revaluation during the year	42	42
At December 31, 2022	229	229
Depreciation		
At January 1, 2022	(11)	(11)
Charge for year	(52)	(52)
At December 31, 2022	(63)	(63)
Net book values		
At December 31, 2022	**166**	**166**

Company - 2021	**Right of use assets**	**Total**
	€'000	**€'000**
Cost		
At January 1, 2021	-	-
Additions during the year	86	86
At December 31, 2021	86	86
Depreciation		
At January 1, 2021	-	-
Charge for year	(11)	(11)
At December 31, 2021	(11)	(11)
Net book values		
At December 31, 2021	**75**	**75**

16. Financial asset investments at fair value through profit or loss: Group and Company

	2022
	€'000
January 1, 2021	**-**
Investments during the year	44,328
Redemptions	(18,169)
Unrealised gains and losses	47
Translation differences	1,247
December 31, 2021	27,453
Investments during the year	-
Redemptions	(27,892)
Unrealised gains and losses	(900)
Translation differences	1,339
December 31, 2022	**-**

The financial asset investments at fair value through profit or loss consisted of short-term investments in listed managed funds which had daily liquidity. The investments are reported at fair value with unrealized gains or losses recorded in the consolidated statements of operations and comprehensive loss. Any differences between the cost and fair value of investments are represented by unrealized gains or losses. The Group exited all positions during the year ended December 31, 2022.

17. Cash and cash equivalents

	Group		Company	
	2022	2021	**2022**	2021
Group and Company	**€'000**	€'000	**€'000**	€'000
Cash and cash equivalents	**5,239**	7,681	**959**	118
Restricted cash	**2,925**	-	**-**	-
	8,164	7,681	**959**	118

The restricted cash relates to an amount of €2.9 million received from the Agency for Competitiveness and Innovation ("IAPMEI") as grant aid towards our C-5 development project. This cash is subject to a variety of conditions relating to its disbursements and remains restricted until such time that project development commences.

18. Prepayments and other receivables

	Group		Company	
	2022	2021	**2022**	2021
Group and Company	**€'000**	€'000	**€'000**	€'000
Prepayments (1)	**2,010**	4,575	**320**	565
VAT recoverable (2)	**3,669**	3,564	**8**	-
Amounts due from group undertakings: loan receivables	**-**	-	**40,786**	21,052
Amounts due from group undertakings: other receivables	**-**	-	**2,565**	800
Other receivables (3)	**2,563**	333	**61**	-
	8,242	8,472	**43,740**	22,417

(1) Group prepayments mostly consist of advance payments to vendors for payments relating to inventory and assets under construction ahead of receipt.

(2) Of this group balance, €2.2 million has been received subsequent to year end.

(3) Included within this group caption is the grant receivable recognised as part of property, plant and equipment (€0.8 million), the deferred proceeds (€1.0 million) and security deposit (€0.3 million) paid as part of the sale and leaseback transaction entered into during the year.

Information about the Group's exposure to credit risk and impairment losses for trade and other receivables is included in note 24 (c).

See below for a summary of the movements with respect to the amounts extended to subsidiaries through Intra-Group loan agreements:

	Opening balance €'000	**Drawdowns €'000**	**Repayments €'000**	**Accrued interest €'000**	**FX movements €'000**	**Closing balance €'000**
Fusion Fuel Portugal (1)	20,985	18,308	(1,000)	730	164	39,187
Fusion Fuel USA (1)	-	1,266	-	20	-	1,286
Fusion Fuel Australia (2)	67	309	(115)	10	42	313
Total	**21,052**	**19,883**	**(1,115)**	**761**	**206**	**40,786**

(1) These loan agreements bear interest at 2.5% per annum.
(2) This loan agreement bears interest at 4.5% per annum.

19. Trade and other payables

	Group		Company	
	2022	2021	**2022**	2021
Group and Company	**€'000**	€'000	**€'000**	€'000
Trade payables	**3,680**	1,029	**92**	492
Amounts owed to related parties (1)	**2,468**	801	**-**	-
Lease liability - current	**671**	389	**67**	42
Payroll taxes	**278**	149	**4**	-
Other payables	**165**	509	**133**	-
	7,262	2,877	**296**	534

(1) Group - this amount relates to a balance owing to an affiliate, MagP (note 26). This amount was settled in full during the first quarter of 2022.

Information about the Group's exposure to credit risk and impairment losses for trade and other receivables is included in note 24 (c).

20. Deferred income: group only

	2022	**2021**
	€'000	**€'000**
Current		
Grant proceeds received	**186**	-
Non-current		
Grant proceeds received	**2,925**	-

In December 2022, €2.9 million was advanced to the Group as part of its C-5 grant award. This grant funding can only be spent on a specific project and cannot be used by the Group in the ordinary course of business. As no project expenditure has been incurred to date, this amount will be recognised as deferred income until such time that it can be offset against project expenditure.

21. Provisions: group only

Onerous contract provisions	**€'000**
At January 1, 2022	**-**
Provisions made during the year	8,403
At December 31, 2022	**8,403**

The provisions made during the year are included in 'cost of sales'.

Exolum
Work commenced on the Exolum project during the third quarter of 2022. On review of the revised project costs, the Company expects this project to be loss making. The Group has recognized an onerous contract provision of €5.2 million which reflects the Group's best estimate at this time of the total expected contract loss.

Other
The Group has also recorded an onerous contract provision for two projects that had yet to commence by December 31, 2022. The Group has recognized an onerous contract provision of €3.2 million which reflects the Group's best estimate at this time of the total expected contract loss. The total provision booked for these projects was €3.2 million.

For some of its contracts, the Group will provide three separate warranties as follows:

General
There is a general warranty period of two years from the date of construction of the plant. On successful completion of this two-year period and final acceptance of the plant, ownership will pass to Exolum.

Equipment
The Company will provide warranties on the key equipment and components for periods ranging between 2 and 20 years from the date of final completion. Certain items with longer warranty periods have many years of historical performance data, while our own HEVO technology has shorter historical performance data.

Performance guarantees
The Company has agreed to performance-related warranties covering both degradation over time and specified energy yields for period ranging between 2 and 25 years from the date of final acceptance.

The determination of provisions for onerous contracts, is based on best estimates. The above provision does not include any amounts related to the general equipment warranties or performance guarantees. If the final loss related to the completion of these projects differs from the above, the Group will adjust the provision accordingly. We expect all outflows relating to the above provision to take place within 12 months of December 31, 2022.

22. Shareholders' equity

As of December 31, 2022, the total number of Class A ordinary shares of the Company outstanding was 13,805,649 (2021: 10,998,723) with a par value of $0.0001. The Class B ordinary shares were converted to Class A ordinary shares on December 5, 2022 which meant that there were none outstanding at the end of 2022 (2021: 2,125,000).

During the year, as part of the ATM, Parent sold 681,926 class A ordinary shares for net proceeds of $3,685,792.

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

	Number of shares	€'000
Opening balance – January 1, 2021	12,054,217	1
Exercise of warrants	1,059,506	1
Issue of shares – Equity incentive plan	10,000	-
Closing balance – December 31, 2021	**13,123,723**	2
Opening balance – January 1, 2022	13,123,723	2
Issue of shares – ATM	681,926	-
Closing balance – December 31, 2022	**13,805,649**	**2**

A historical summary of the share capital of Fusion Fuel is as follows:

Type of share	Number of shares	€'000	Description
1 Ordinary share of €1,000	1	1	Issued on incorporation
1,000 Ordinary shares of €1 each	999	-	1 share converted to 1,000 shares of €1 each
49,000 Ordinary shares of €1 each	49,000	49	Issued on January 31, 2020
	50,000	50	
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
	12,054,217	**1**	**Closing balance – December 31, 2020**

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.

Share rights

The Class A ordinary shareholders 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.

The Class B Ordinary shares were converted in full to Class A Ordinary shares on December 5, 2022. The rights that were formally assigned to these shares, in addition to the rights outlined above for the Class A shareholders included certain protective rights that include the right to approve any liquidation or similar transaction of the Company. The Class B shareholders also had 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. With these protective provisions, the holders of Class B Ordinary shares were able to veto certain actions in a way that their relative ownership would not otherwise permit.

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.

23. 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, 2022 and December 31, 2021 there were 8,869,633 warrants outstanding. The warrants entitle the holder to purchase one Class A ordinary share of Parent at an exercise price of $11.50 per share. Until warrant holders acquire the Parent's Class A ordinary shares upon exercise of such warrants, they have no rights with respect to the Parent's Class A 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 warrants is determined with reference to the prevailing market price for warrants that are trading on the NASDAQ under the ticker HTOOW.

	Total no. of warrants
In issue at December 31, 2021	8,869,633
Exercise of warrants during the period	-
In issue at December 31, 2022	8,869,633

The fair value of the warrants as at December 31, 2022 and December 31, 2021 was $0.92 and $1.95 respectively. See reconciliation of fair values below.

	€'000s
Balance – January 1, 2021	52,932
Fair value movement on warrants exercised*	3,211
Warrants exercised – foreign exchange differences**	67
Fair value movement on warrants unexercised (including exchange differences)*	(31,565)
Derecognition of warrant liability on exercise***	(9,374)
Balance – January 1, 2022	15,271
Fair value movement on warrants exercised*	-
Warrants exercised – foreign exchange differences**	-
Fair value movement on warrants unexercised (including exchange differences)*	(7,620)
Derecognition of warrant liability on exercise***	-
Balance – December 31, 2022	**7,651**

* recognised in profit or loss - Adjustments to the fair value of derivatives – warrants (€28.4 million)
** recognised in profit or loss - Other finance income
*** recognised in equity – Share premium

24. Financial instruments and risk management

Group

(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, 2022, the tradeable warrants are measured at fair value using Level 1 inputs. The fair value of the tradeable warrants are measured based on quoted market prices at each reporting date. See notes 19 for the fair value analysis.

	Carrying value			Fair value			
	Cash and receivables	**Liabilities**	**Total carrying amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
2022	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Cash and cash equivalents	8,164	-	8,164	-	-	-	-
Other receivables*	2,311	-	2,311	-	-	-	-
Trade payables	-	(3,680)	(3,680)	-	-	-	-
Warrants	-	(7,651)	(7,651)	(7,651)	-	-	(7,651)
Amounts owed to related parties		(2,468)	(2,468)				
Other payables**	-	(165)	(165)	-	-	-	-
	10,475	**(13,964)**	**(3,489)**	**(7,651)**	**-**	**-**	**(7,651)**
2021							
Cash and cash equivalents	7,681	-	7,681	-	-	-	-
Financial assets and FVTPL	27,453	-	27,453	27,453	-	-	27,453
Other receivables*	333	-	333	-	-	-	-
Trade payables	-	(1,029)	(1,029)	-	-	-	-
Tradeable warrants	-	(15,271)	(15,271)	(15,271)	-	-	(15,271)
Other payables**	-	(1,687)	(1,687)	-	-	-	-
	35,467	**(17,987)**	**17,480**	**12,182**	**-**	**-**	**12,182**

*Prepayments and VAT have been excluded as they are not classified as a financial asset.
**Employment taxes have been excluded as these are statutory liabilities.

Cash and cash equivalents
For cash and cash equivalents, the carrying value is deemed to reflect a reasonable approximation of fair value.

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.

Financial assets at FVTPL
Financial assets at FVTPL are remeasured to fair value at each reporting date. At December 31, 2021, the carrying value of financial assets at FVTPL is deemed to reflect their fair value. The Group held no financial assets at FVTPL at December 31, 2022.

(b) 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.

(c) 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.

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, 2022, the exposure to credit risk for receivables by geographic region was not significant.

Cash and short-term bank deposits

The Group held cash and cash equivalents of €8.1 million at December 31, 2022 (2021: €7.7 million). 87% of the cash and cash equivalents are held with banks in Portugal. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The Groups exposure to credit risk rating is as follows:

	2022	2021
Credit risk rating		
Aa2	12%	-
BBB+	75%	29%
B1	12%	-
B2	-	68%
Not assigned	1%	3%
	100%	100%

Financial assets at FVTPL

The financial asset investments at fair value through profit or loss consisted of short-term investments in listed managed funds. The carrying value of these investments at December 31, 2022 was €nil (2021: €27.5 million). All of these short-term investments were redeemed during 2022.

(d) Liquidity risk

Liquidity risk is the risk that the Group 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.

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
December 31, 2022						
Derivative financial instruments - warrants	7,651	-	-	-	-	-
Trade payables	3,680	3,680	3,680	-	-	-
Amounts owed to related parties	2,468	2,468	2,468	-	-	-
Other payables*	165	165	165	-	-	-
Lease liabilities	9,409	13,468	1,118	1,107	1,409	9,835
Loan advanced (note 19)	-	743	743	-	-	-
Total	**23,373**	**20,524**	**8,174**	**1,107**	**1,409**	**9,835**
December 31, 2021						
Derivative financial instruments - warrants	15,271	-	15,271	-	-	-
Trade payables	1,029	1,029	1,029	-	-	-
Other payables*	1,687	1,687	1,687	-	-	-
Lease liabilities	800	910	408	105	163	233
Loan advanced (note 13)	-	1,371	1,371	-	-	-
Total	**18,787**	**4,997**	**19,766**	**105**	**163**	**233**

* contractual cash flows for warrants are €nil (liability of €7.7 million) (2021: €15.3 million) because warrants will be settled in shares.

(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 is building out its operations in the United States of America and Australia but, to date, has not entered into any significant commercial contracts. As of December 31, 2022 the Group's operations were confined to the Eurozone, so the effect of the translation of foreign operations is not significant to the Group. At the year-end the Company had USD and EUR cash balances of approximately $0.3 million (2021: $22.9 million) and €7.8 million (2021: €14.8 million) respectively.

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

	Average rate		Period-end spot rate	
	2022	2021	**2022**	2021
Euro				
USD	1.0530	1.1795	1.0666	1.1326

Sensitivity analysis
A reasonably possible strengthening of the Euro against the Group's principal foreign currency denominated amounts at December 31, 2022 would have decreased the Group's 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.

	2022	2021
	€'000	€'000
USD (10 percent strengthening of the euro)	**796**	761

(g) 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.

Company

There are no material third party financial asset or liability as of December 2022 and 2021. The Company had intercompany receivable balances totalling €43.35m (*2021: €21.85m*) at year end, all of which are repayable on demand. An impairment loss of €39.7 million was recognized on loans from subsidiaries during 2022. This impairment charge was recorded based on a comparison to the Group's market capitalization given that it was lower than the net assets on the balance sheet. Further information on financial instruments related to the Company, as required by IFRS 7, IFRS 9 and IFRS 13 are not provided on the grounds of materiality.

25. Earnings / (loss) per share

	2022	2021
Basic earnings/ (loss) per ordinary share	(2.05)	(1,80)
Diluted earnings/ (loss) per ordinary share	(2.05)	(1.79)
Number of ordinary shares used for loss per share (weighted average)		
Basic	13,330,947	13,110,158
Diluted	13,330,947	13,198,054

Basic earnings/ (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 Class A ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into Class A ordinary shares. The diluted loss per share reflects the basic loss per share since the effects of potentially dilutive securities are anti-dilutive. For the year ended 31 December 2022, the Group was loss-making, therefore, the following anti-dilutive instruments are excluded in the calculation of diluted weighted average number of ordinary shares outstanding:

	2022
Warrants	8,869,633
RSUs - outstanding	88,084
RSUs - vested but no ordinary shares issued	29,253
Incentive shares	5,000
Share options	2,128,554

The potential outstanding equity awards under the 2020 Earn-Out arrangement expired June 30, 2022 and none of the required conditions were met.

At December 31, 2021, there were 42,896 outstanding RSUs, 15,000 RSUs that ordinary shares have yet to be issued for and 30,000 outstanding incentive shares (note 8) that could potentially have a dilutive impact on earnings per share in the future. The following anti-dilutive instruments are excluded from the 2021 calculation of diluted weighted average number of ordinary shares outstanding, including the outstanding equity awards of up to 284,250 ordinary shares and 284,250 warrants issuable under the earn-out arrangements, and the 8,869,633 warrants outstanding as of December 31, 2021.

26. Related parties

Under IAS 24 *Related Party Disclosures* ("IAS 24"), the Group has various related parties stemming from relationships with subsidiaries, joint ventures, key management personnel, the founders of the previous Fusion Fuel Portugal entity and other related parties.

Subsidiaries

A list of the Groups subsidiaries is disclosed in note 27. All transactions with subsidiaries eliminate on consolidation and are not presented, in accordance with revised IAS 24.

Joint ventures

Fusion Fuel Spain, S.L. ("Fusion Fuel Spain") is a joint venture in which the Group has joint control and a 50% ownership interest. Fusion Fuel Spain commenced operations in Q4 2021. During the year ended December 31, 2022, Fusion Fuel Spain drew down €1.27 million of the subordinated loan of €2 million that was committed by the Group during the prior year (Note 12).

Key management personnel compensation

(a) Compensation

The key management personnel at December 31, 2022 are the members of the Group's Executive Committee. There were six members of the Executive Committee at December 31, 2022 and an average of four members for the full year. The remuneration expense for the key management personnel includes salaries and share-based payments.

	2022 €'000	2021 €'000
Basic salary	1,471	683
Short-term employee benefits	498	5
Other long-term benefits	80	3
Share based compensation	2,957	183
	5,006	874

(b) Transactions

During 2022, Parent paid certain tax liabilities arising from the vesting of RSUs on behalf of three of its directors; Frederico Figueira de Chaves, João Wahnon and Jaime Silva. The individual liability for each of the three directors amounted to €27,098. All three directors repaid Parent before the end of 2022.

There were no other transactions with key management personnel during the year.

Founders – Negordy Investments, S.A. and MagP Inovação, S.A.

Negordy Investments, S.A ("Negordy") ownership is split across four shareholders, three of which are related parties. Magno Efeito, S.A., Numberbubble, S.A. and Key Family Holdings Investimentos e Consultoria de Gestão, Lda. ("KFH") together own 90% of the ordinary shares of Negordy. Magno Efeito, S.A., an entity jointly controlled by Mr. Jaime Silva and Márcia Vicente, Mr. Silva's wife. Numberbubble, S.A., an entity controlled by Mr. Joao Teixeira Wahnon. KFH is an entity jointly owned and controlled by Mr. Frederico Figueira de Chaves and his brother. All three individuals hold executive management positions within the Group and are Directors of the Parent. The remaining shareholder of Negordy, FalcFive, LDA is not considered to be a related party of the Group. The shareholder agreement stipulates that all decisions requiring board approval must be unanimous and if one shareholder disagrees, the motion cannot be passed. Magno Efeito, S.A., Numberbubble, S.A. and FalcFive, LDA are the founders of Negordy. KFH acquired their ordinary shares in 2018.

Negordy owns 1,593,750 Class A ordinary shares of the company and 1,593,750 warrants to purchase Class A ordinary shares at an exercise price of $11.50. As mentioned in note 18, in December 2022, the Class B Ordinary shares were converted to Class A Ordinary shares. Negordy previously held 1,593,750 Class B ordinary shares of the Company.

On January 1, 2021, the Group entered into a sub-lease agreement with Negordy for space of 4,156 square meters of office, logistical, and industrial activities. Parking plots are also included. The sub-lease has an initial term of five years, with automatic renewal for additional terms of five years until either party notifies the other party of its intention not to renew. Either party can choose to terminate the agreement after 12 months once adequate communication is provided to the other party. The monthly rent determined by the sub-lease is fixed at €0.02 million.

The shareholders and founders of Negordy founded MagP Inovação, S.A. ("MagP"), a company that produces, installs, assembles, operates, and maintains modules, tracking structures and accessories for all equipment relating to CPV solar trackers (collectively, the "Trackers"). MagP is the successor to the business of MagPower, a company also founded by some of the founders of Negordy. Negordy is a 71% shareholder of MagP, and the remaining 29% of MagP is owned by other parties unrelated to Negordy or Fusion Fuel Portugal. The Group produces Green Hydrogen with components built in-house and in partnership with MagP. These components include the Trackers that have been produced by MagP for several years. The Group has entered into several agreements and transactions with MagP regarding the provision of services and supply and assembly of Trackers that will be used in the Groups Hydrogen Generators. These agreements primarily relate to the Trackers provided to our two hydrogen projects at Evora. In addition to the agreements entered for Evora, the Group entered into an agreement with MagP on January 1, 2021 to provide up to 1,100 Trackers across 2021 and 2022. The output from this agreement will be used by the Group in their hydrogen projects or for standalone sales to third parties. The purpose of these agreements was to secure some production capacity of the Group until such time that our production facility at Benavente is operational. See further details of these agreements in note 27.

In 2022, the value of these transactions with MagP was €7.7 million (2021: €7.5 million).
MagP does not hold any interest in Class A ordinary shares and does not hold any warrants to purchase Class A ordinary shares.

Other

Directors and officers of the company have control of more than 10% of the voting shares of the company, however no individual controls more than 10% of the company. We are not aware of any person or shareholder who directly or indirectly, jointly or severally, exercises or could exercise control over the Group.

Directors and Officers hold a total of 1,127,815 issued Class A ordinary shares in the company and 1,361,392 warrants to purchase Class A ordinary shares at an exercise price of $11.50 at year end.

During the prior year, the Company made a payment on behalf of Rune Lundetrae, a board member, amounting to €0.03 million. At December 31, 2022, this amount remained outstanding and was subsequently repaid on March 20, 2023.

27. Commitments and contingencies

In a prior period, a subsidiary of the Group entered into an agreement, with MagP, a related party to deliver equipment, materials and assembling services in relation to the Groups other ongoing production facilities. At the beginning of 2023, the parties agreed to remove the yearly minimum commitment and provide the quantities to be produced on a quarterly basis.

The costs paid by the Group on behalf of Fusion Fuel Spain have been treated as an advancement of this loan for accounting purposes. A further commitment of €0.8 million remains at December 31, 2022. The Company has provided payment guarantees of €0.1 million to Corum as part of the sale-and-leaseback transaction entered in December 2022. This guarantee is in place for the full lease term.

28. Subsequent events

There have been no significant events since the statement of financial position date that would require disclosure or amendment to these consolidated financial statements.

29. Group companies

Entity name	Country of incorporation	Principal activities	Company interest at December 31, 2022
Fusion Fuel Portugal, S.A.	Portugal	Operating company	100%
Fuel Cell Évora, Unipessoal LDA	Portugal	Hydrogen production	100%
Fuel Cell Évora I, Unipessoal LDA	Portugal	Hydrogen production	100%
Fusion Fuel USA, Inc.	United States	Operating company	100%
Fusion Fuel Spain, S.L.	Spain	Hydrogen production	50%
Fusion Fuel Australia, PTY Ltd	Australia	Hydrogen production	100%
Fusion Fuel Australia – Pilot PTY Ltd	Australia	Hydrogen production	100%
Hevo Sines, Unipessoal LDA	Portugal	Hydrogen production	100%
Hevo Sines II, Unipessoal LDA	Portugal	Hydrogen production	100%
Hevo Sines III, Unipessoal LDA	Portugal	Hydrogen production	100%
Hevo Portugal, Unipessoal, Lda.	Portugal	Hydrogen production	100%
Hanoi Asset Management, S.L. (1)	Spain	No activity to date	N/A
Hevo Aveiro Unipessoal, Lda (2)	Portugal	No activity to date	N/A

(1) Incorporated on March 16, 2023
(2) Incorporated on June 28, 2023

30. Approval of financial statements

The directors approved the financial statements on September 6, 2023.