FUSION FUEL™

FUSION FUEL GREEN PUBLIC LIMITED COMPANY

Directors' report and consolidated financial statements

Year ended December 31, 2021

Registered number: 669283

Fusion Fuel Green Public Limited Company

Directors' report and consolidated financial statements

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Fusion Fuel Green Public Limited Company

Directors and other information

Directors	Frederico Figueira De Chaves Joao Teixeira Wahnon Jaime Ferreira Silva Jeffrey Schwarz Rune Magnus Lundetrae Alla Jezmir Theresa Jester
Secretary	Frederico Figueira De Chaves
Registered office	10 Earlsfort Terrace Dublin 2 D02 T380 Ireland
Independent auditor	KPMG Ireland 1 Stokes Place St. Stephen's Green Dublin D02 DE03
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, 2021.

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 10 Earlsfort Terrace, Dublin 2, D02 T380, Ireland. Additional information is provided in note 1 in the notes to the financial statements.

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

Principal risks and uncertainties

The 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 2, 2022. These risk factors have not been duplicated here.

Results and dividends

The profit for the year after taxation amounted to €23.56 million (*2020: loss of €183.13 million*). There were no dividends declared, approved or paid in respect of the year ended December 31, 2021 (*2020: €Nil*).

Directors and secretary and their interests

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

Frederico Perez Marques Figueira De Chaves
Joao Lopes Teixeira Wahnon
Jaime Domingos Ferreira Silva
António Augusto Gutierrez Sá da Costa (resigned September 29, 2021)
Jeffrey Schwarz
Rune Magnus Lundetrae
Alla Jezmir
Theresa Jester (appointed December 13, 2021)

The directors and secretary, who held office at December 31, 2021, 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	1,550,133	13.02%	-	0.00%	11.81%
Rune Magnus Lundetrae	21,880	0.20%	-	0.00%	0.17%
Alla Jezmir	5,000	0.05%	-	0.00%	0.04%
Teresa Jester	-	-	-	-	-
João Teixeira Wahnon	166,500	1.49%	80,750	3.80%	1.27%
Frederico Figueira de Chaves	433,444	3.80%	206,125	9.70%	3.30%
Jaime Silva	332,250	2.93%	163,625	7.70%	2.53%
Total	**2,509,207**	**21.49%**	**450,500**	**21.20%**	**19.12%**

Research and development

The Company is involved in research and development activities and during the year incurred €1.63 million (*2020: €Nil*) in development costs that were capitalised and a further €0.93 million (*2020: €Nil*) of research costs that were expensed.

Subsequent events

Details of important events affecting the Company which have taken place since the end of the financial year are given in note 26 to the financial statements.

Political contributions

The Company did not make any political contributions during the year (*2020: €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, Arthur Cox, 10 Earlsfort Terrace, Dublin 2, D02 T380, 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.

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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

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Frederico Figueira de Chaves	**João Teixeira Wahnon**
Director	Director
Date: August 26, 2022	Date: August 26, 2022

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

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Frederico Figueira de Chaves	**João Teixeira Wahnon**
Director	Director
Date: August 26, 2022	Date: August 26, 2022

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 Public Limited Company

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Fusion Fuel Green Public Limited Company ("the Company") and its consolidated undertakings ('the Group') for the year ended December 31, 2021 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 at December 31, 2021 and of the Group's profit 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 financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

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

Key audit matters: our assessment of risks of material misstatement

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

The key audit matters identified below are new in the current year due to a change in operations in the Group. We have removed the key audit matters from the 31 December 2020 audit report as they are not relevant to the FY21 audit. In arriving at our audit opinion above, the key audit matters (applicable to the Group and Company financial statements), in decreasing order of audit significance, were as follows:

Assessment of capitalised costs incurred during the year on assets under construction and intangible assets related to the Evora and HEVO-Sul projects. Assets under construction: €17.2m (2020: €Nil). Intangible assets: €1.6m (2020: €0.3m).

Refer to note 2 (accounting policy), note 15 (intangible assets) note 16 (property, plant and equipment)

The key audit matter

As described in notes 2, 15 and 16 of the consolidated financial statements, the Group has capitalised costs during the year relating to assets under construction and intangible assets associated with the construction of the Company's Evora and HEVO-Sul projects and related costs incurred with developing the Company's HEVO technology.

There is a risk of material misstatement with respect to the capitalisation of these costs. Specifically, whether the costs incurred on these projects have appropriately met the capitalisation criteria required under accounting standards.

As a result, we identified the capitalisation of development expenditure within assets under construction, specifically related to the Evora and HEVO-Sul projects (€10.8m) and intangible assets (€1.6m) as a key audit matter.

How the matter was addressed in our audit

The procedures performed to address this key audit matter included the following:

- We obtained an understanding of management's process to assess costs capitalised to Property plant and equipment and intangible assets
- We performed tests over the design and implementation of the relevant controls.
- We evaluated the appropriateness of capitalisation of the costs capitalised in both assets under construction and intangible assets.
- We selected a sample of additions to the Evora and HEVO-Sul projects and and agreed these to supporting documentation including contracts, purchase agreements and invoices

Based on the results of our testing, we found that the costs relating to assets under construction and intangible assets related to the Evora and HEVO-Sul projects and related costs incurred with developing the Company's HEVO technology were appropriately capitalised.

Group and Company - Valuation of the 2020 Earn-Out within share-based payments in the Group and Company financial statements €841,000 (2020: -€1.438 million)

Refer to note 3 (accounting policy) and note 9 (share-based payments)

The key audit matter	How the matter was addressed in our audit
As described in notes 3 and 9 of the consolidated financial statements, the 2020 Earn-Out required management to perform a probability assessment in considering each of the three milestones that needed to be achieved in order for the equity instruments to be issued. Significant management judgement was applied in developing the probabilities associated with the milestones, and this required a greater degree of auditor judgement. As a result, we identified a key audit matter with respect to the estimation uncertainty regarding the valuation of the 2020 earn-out, including the key assumptions relating to the probabilities associated with achieving the relevant milestones.	The procedures that we performed to address this key audit matter included the following: • We obtained an understanding of management's process and performed tests of design and implementation of relevant controls over the valuation of the 2020 Earn-Out plan. • We read and evaluated management's accounting memo in relation to the valuation of the Contingent Consideration coming from the 2020 Earn-Out agreement as of December 31, 2021 including management's assessment of the key assumptions relating to the probability of achieving the milestones. • We inspected the business plan prepared by management to inform our assessment of the likelihood of meeting the conditions of the 2020 Earn-Out and discussed this with management • We inspected the post year-end share registers to confirm that no additional shares had been issued • We assessed whether management's accounting was in accordance with relevant accounting standards, and • We evaluated the appropriateness of the disclosures included within the financial statements. Based on the results of our testing we found that the key assumptions made in relation to the valuation of the 2020 Earn-Out within share-based payments relating to the probabilities associated with achieving the relevant milestones were appropriate.

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

The materiality for the Group financial statements as a whole was set at €0.350 million (2020: €0.289 million). This has been calculated with reference to a benchmark of total assets which we consider to be one of the principal considerations for members of the Group in assessing the financial performance of the Group. Materiality represents approximately 0.5% of this benchmark (2020: 0.5%). We applied materiality to assist us determine what risks were significant risks and the procedures to be performed.

Materiality for the Company financial statements as a whole was set at €0.366 million (2020: €0.315 million), determined with reference to a benchmark of total assets, of which it represents 0.5% (2020: 0.5%).

We reported to the Audit Committee all corrected and uncorrected misstatements we identified through our audit with a value in excess of €0.018 (2020: €0.015 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

The Group team performed the audit of the Group as if it was a single aggregated set of financial information. The audit was performed using the materiality levels set out above.

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.

KPMG

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;
- 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 Group and Company were sufficient to permit the financial statements to be readily and properly audited and the financial statements are in agreement with the accounting records.

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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

26 August 2022

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

Fusion Fuel Green Public Limited Company

Consolidated statement of financial position
as at December 31, 2021

	Note	**2021 €'000**	2020 €'000
Non-current assets			
Intangible assets	*15*	**3,847**	2,203
Property, plant and equipment	*16*	**18,111**	6
Total non-current assets		**21,958**	2,209
Current assets			
Inventory	*11*	**3,685**	-
Prepayments and other receivables	*18*	**8,472**	2,206
Financial asset investments at fair value through profit or loss	*17*	**27,453**	-
Cash and cash equivalents		**7,681**	58,007
Total current assets		**47,291**	60,213
Total assets		**69,249**	62,422
Non-current liabilities			
Trade and other payables – lease liability	*10*	**411**	-
Total non-current liabilities		**411**	-
Current liabilities			
Trade and other payables	*19*	**2,877**	1,777
Derivative financial instruments - warrants	*21*	**15,271**	52,932
Accrued expenses		**1,178**	349
Total current liabilities		**19,326**	55,058
Total liabilities		**19,737**	55,058
Net assets		**49,512**	7,364
Equity			
Share capital	*20*	**2**	1
Share premium		**213,477**	194,053
Share-based payments reserve		**463**	1,438
Retained earnings		**(164,430)**	(188,128)
Total equity		**49,512**	7,364

The notes on pages 16 to 52 form an integral part of the financial statements.

On behalf of the board

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Frederico Figueira de Chaves
Director

Date: August 26, 2022

DocuSigned by:
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João Teixeira Wahnon
Director

Date: August 26, 2022

FUSION FUEL™

Fusion Fuel Green Public Limited Company

Company statement of financial position
as at December 31, 2021

	Note	**2021 €'000**	2020 €'000
Non-current assets			
Property, plant and equipment	*16*	**75**	-
Financial assets	*14*	**23,202**	6,000
Total non-current assets		**23,277**	6,000
Current assets			
Prepayments and other receivables	*18*	**22,417**	10,468
Financial asset investments at fair value through profit or loss	*17*	**27,453**	-
Cash and cash equivalents		**118**	46,619
Total current assets		**49,988**	57,087
Total assets		**73,265**	63,087
Non-current liabilities			
Trade and other payables – lease liability	*10*	**33**	-
Total non-current liabilities		**33**	-
Current liabilities			
Trade and other payables	*19*	**534**	1,121
Derivative financial instruments - warrants	*21*	**15,271**	52,932
Accruals		**653**	317
Total current liabilities		**16,458**	54.370
Total liabilities		**16,491**	54.370
Net assets		**56,774**	8,717
Equity			
Share capital	*20*	**2**	1
Share premium		**213,474**	194,050
Share based payments reserve		**463**	1,438
Retained earnings		**(157,165)**	(186,772)
Total equity		**56,774**	8,717

The notes on pages 17 to 53 form an integral part of the financial statements.

On behalf of the board

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Frederico Figueira de Chaves	**João Teixeira Wahnon**
Director	Director
Date: August 26, 2022	Date: August 26, 2022

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Fusion Fuel Green Public Limited Company

Consolidated statement of profit or loss and other comprehensive income

for the year ended December 31, 2021

	Note	**2021 €'000**	2020 €'000
Operating expenses			
Administration expenses	*5 & 6*	**(7,692)**	(3,350)
Share-based payments credit/ (expense)	*9*	**841**	(1,438)
Operating loss		**(6,851)**	(4,788)
Net finance income			
Finance income	*7*	**2,713**	2
Finance costs	*7*	**(23)**	(677)
Listing expenses	*8*	**-**	(177,146)
Fair value movement on derivatives		**28,354**	(521)
Net finance income / (costs)		**31,044**	(178,342)
Share of losses of equity-accounted investees	*13*	**(629)**	-
Profit/ (loss) before tax		**23,564**	(183,130)
Income tax expense	*12*	**-**	-
Total comprehensive income/ (loss) for the year		**23,564**	(183,130)
Basic earnings/ (loss) per share	*23*	**1.80**	(68.53)
Diluted earnings/ (loss) per share	*23*	**1.79**	(68.53)

The notes on pages 17 to 53 form an integral part of the financial statements.

FUSION FUEL™

Fusion Fuel Green Public Limited Company

Consolidated statement of changes in equity
for the year ended December 31, 2021

	Number of shares outstanding	Share capital €'000	Share premium €'000	Share-based payment reserve €'000	Retained earnings €'000	Total €'000
Balance at January 1, 2020	2,125,000	-	3	-	(2)	1
Loss during the year	-	-			(183,130)	(183,130)
Issue of share capital:						
HL acquisition transaction	7,033,356	1	139,027	-	(3,566)	135,462
PIPE financing	2,450,000	-	48,429	-	(1,430)	46,999
Exercise of warrants	445,861	-	4,178	-	-	4,178
Derecognition of warrant liability on exercise		-	2,416	-	-	2,416
Share-based payments:						
Equity-settled share-based compensation		-	-	1,438	-	1,438
Balance at December 31, 2020	**12,054,217**	**1**	**194,053**	**1,438**	**(188,128)**	**7,364**
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**

The notes on pages 17 to 53 form an integral part of the financial statements.

FUSION FUEL™

Fusion Fuel Green Public Limited Company

Company statement of changes in equity

for the year ended December 31, 2021

	Number of shares outstanding	Share capital €'000	Share premium €'000	Share-based payment reserve €'000	Retained earnings €'000	Total €'000
On incorporation at April 3, 2020	1	1	-	-	-	1
Loss during the year	-	-			(181,776)	(181,776)
Issue of share capital:						
Shares issued	24,999	24	-	-	-	24
Shares cancelled	(25,000)	(25)	-	-	-	(25)
HL acquisition transaction	7,033,356	1	139,027	-	(3,566)	135,462
PIPE financing	2,450,000	-	48,429	-	(1,430)	46,999
Exercise of warrants	445,861	-	4,178	-	-	4,178
Derecognition of warrant liability on exercise		-	2,416	-	-	2,416
Fusion Fuel	2,125,000	-	-	-	-	-
Share-based payments:						
Equity-settled share-based compensation		-	-	1,438	-	1,438
Balance at December 31, 2020	**12,054,217**	**1**	**194,050**	**1,438**	**(186,772)**	**8,717**
Balance at January 1, 2021	12,054,217	1	194,050	1,438	(186,772)	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**	**213,474**	**463**	**(157,165)**	**56,774**

The notes on pages 17 to 53 form an integral part of the financial statements.

Fusion Fuel Green Public Limited Company

Consolidated cash flow statement

for the year ended December 31, 2021

	2021 €'000	2020 €'000
Cash flows from operating activities		
Net profit/ (loss) for the year	**23,564**	(183,130)
Adjusted for:		
Share listing expenses	**-**	177,146
Equity settled share-based payment transactions	**(841)**	1,438
Fair value movement in warrants	**(28,354)**	521
Depreciation and amortization	**351**	-
Net finance income	**(2,690)**	675
Share of losses of equity-accounted investee	**629**	-
	(7,341)	(3,350)
Changes in working capital:		
(Increase) in receivables	**(5,218)**	(2,204)
(Increase) in inventories	**(3,685)**	-
Increase in payables and accruals	**1,588**	1,374
Interest and similar expenses	**-**	(8)
Net cash used by operating activities	**(14,656)**	(4,188)
Cash flows from investing activities		
Payment for intellectual property from 2020 business combination	**(500)**	(1,150)
Purchase of property, plant and equipment	**(16,615)**	-
Development expenditure	**(1,630)**	(294)
Purchase of intangible assets – other	**(19)**	-
Purchase of financial assets	**(44,328)**	-
Proceeds from realisation of financial assets	**18,224**	-
Investment in equity-accounted investees	**(629)**	-
Net cash used in investing activities	**(45,497)**	(1,444)
Cash flows from financing activities		
Proceeds from issuance of shares	**-**	65,138
Transaction costs deducted from equity	**-**	(4,996)
Proceeds from warrants exercised	**10,051**	4,178
Payment of lease liabilities	**(470)**	-
Shareholder loan (repayment) / proceeds	**-**	(14)
Net cash provided by financing activities	**9,581**	64,306
Net (decrease)/ increase in cash and cash equivalents	**(50,572)**	58,674
Cash and cash equivalents at beginning of year	**58,007**	-
Effects of movements in exchange rates on cash held	**246**	(667)
Cash and cash equivalents at end of year	**7,681**	58,007
Non-cash investing activities:		
Purchase of intellectual property included in trade and other payables	**-**	750
Purchase of property, plant and equipment included in trade and other payables	**725**	-

The notes on pages 17 to 53 form an integral part of the financial statements.

FUSION FUEL™

Fusion Fuel Green Public Limited Company

Company cash flow statement

for the year ended December 31, 2021

	2021 €'000	2020 €'000
Cash flows from operating activities		
Net loss for the year	**29,473**	(181,776)
Adjusted for:		
Share listing expenses	**-**	177,146
Equity settled share-based payment transactions	**(904)**	1,438
Fair value movement in warrants	**(28,354)**	521
Depreciation and amortisation	**11**	-
Interest and similar expenses	**(2,750)**	675
	(2,524)	(1,996)
Changes in working capital:		
(Increase) in receivables	**(11,721)**	(10,468)
Decrease/(increase) in payables and accruals	**(294)**	1,438
Interest and similar expenses	**-**	(8)
Net cash used by operating activities	**(14,539)**	(11,034)
Cash flows from investing activities		
Purchase of financial assets	**(44,328)**	-
Proceeds from realisation of financial assets	**18,224**	-
Cash paid for investments in other financial assets	**(17,151)**	(6,000)
Net cash used in investing activities	**(43,255)**	(6,000)
Cash flows from financing activities		
Proceeds from issuance of shares	**-**	65,138
Transaction costs deducted from equity	**-**	(4,996)
Proceeds from warrants exercised	**10,051**	4,178
Payment of lease liabilities	**(22)**	-
Net cash provided by financing activities	**10,029**	64,320
Net increase in cash and cash equivalents	**(47,765)**	47,286
Cash and cash equivalents at beginning of year	**46,619**	-
Effects of movements in exchange rates on cash held	**1,264**	(667)
Cash and cash equivalents at end of year	**118**	46,619

The notes on pages 17 to 53 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 "Company") was incorporated in Ireland on April 3, 2020. The Company and its subsidiaries are collectively referred to as the "Group". The registered office of the Company is 10 Earlsfort Terrace, Dublin 2, D02 T380, Ireland. The Company is domiciled in Ireland.

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.

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

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.

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

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

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

1. Business activity (continued)

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

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

The 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 may be earned as follows:

- 40% upon signing of power purchase agreements (Hydrogen purchase agreements) with certain identified counterparties having an expected net present value of at least $61m
- 20% upon commencement of operations under 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 are dependent on future service to be provided to the Company, the Company considers them to be service awards under IFRS 2 and classifies them as equity-settled share-based payments. The number of shares and warrants likely to be awarded are estimated at the reporting date, measured at grant-date fair value, and recorded as a cost to the income statement on a straight-line basis over the period from grant to expected delivery of contracts, currently estimated to be June 30, 2022. Earlier delivery of contracts will result in an acceleration of the vesting period.

New ventures

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 has 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.

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.

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

a) 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, 2021. 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 profit for the year ended December 31, 2021 was €29.5 million (*2020: loss of €181.8 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.

Reclassifications have been made, whenever necessary, to prior period financial statements to conform to the current period presentation for the year ended December 31, 2020.

b) Basis of consolidation

Subsidiaries
The Group financial statements consolidate the financial statements of the Company and its subsidiaries up to December 31, 2021. 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.

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

b) Basis of consolidation *(continued)*

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.

c) 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.

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

c) Functional currency *(continued)*

Foreign operations (continued)
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.

d) 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, 2021, the Group had €7.7 million of cash and cash equivalents and €27.5 million of short-term investments that have daily liquidity. The Group has experienced negative cash flows from operations since inception and the net cash used by operating activities was €14.7 million and €4.2 million for the year ended December 31, 2021 and 2020. The Group recorded a profit of €23.6 million during the year, of which €28.4 million related to non-cash fair value gains on its derivative financial instruments (Warrants). The Group had an accumulated deficit of €164.4 million at December 31, 2021.

Due to the phase of development of the Group, it expects to continue to incur negative cashflows in the medium term due to the ongoing investment required in the development of its technology. The Group expects to seek funding from investors or other finance providers as required.

During the year, the Group extended a participating loan to finance the growth and working capital needs of Fusion Fuel Spain S.L, an entity in which the Company has joint control. This loan facility has a term of five years and the maximum amount that can be drawn down is €2 million. As no amounts were drawn down under this facility during the year, its remains committed at December 31, 2021.

In February 2022, the Company announced that its wholly owned subsidiary, Fusion Fuel Portugal, S.A. secured nearly €10 million in grants for its industrial production facility in Benavente. Under this grant agreement, the funding is split into two components: direct financial support for eligible expenses, and tax credits available to the company over a period of several years.

During the year, the Company announced that its wholly owned subsidiary, Fusion Fuel Portugal, S.A. received approval from Portugal's Operational Program for Sustainability and Efficient Use of Resources (POSEUR) for its proposed HEVO-Sul project in Sines, Portugal. The Portuguese government has allocated €40 million in direct grants for the POSEUR program, which aims to support the production of green hydrogen and other renewable gases, and Fusion Fuel will receive €4.3 million for the project, which has a total approximate investment value of €11.9 million. None of the grant conditions were met during the year which resulted in no claims being made under this grant agreement.

On February 22, 2022, the Company announced that it entered into an agreement with KEME Energy to install a green hydrogen production facility in Sines, Portugal. The project is expected to require a capital investment of €2.54 million. Grant funding of €1.3 million has been approved for this project under Portugal's POSEUR program (this is distinct from the €4.3 million approved for HEVO-Sul, as above). No eligible costs were incurred during 2021 which resulted in no claims being made under this grant arrangement.

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

d) Going concern *(continued)*

The Group believes that its cash and cash equivalents of €7.7 million and €27.5 million of short-term liquid investments at December 31, 2021 and the receipt of grant funding will provide sufficient liquidity to fund operations for at least one year after the date the financial statements are issued.

The Group plans to invest a portion of its available cash to expand its current production capacity and to fund strategic partnerships and capital projects. Future use of the Company's funds is discretionary, and the Company believes that its future working capital, cash position and grant income will be sufficient to fund operations for one year after the date of the consolidated balance sheet and that there were no material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

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

e) New standards or amendments

There were no new standards effective for the period commencing 1 January 2021 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.

New currently effective requirements:

Effective date	**New standards or amendments**
June 1, 2020	*COVID-19-Related Rent Concessions (Amendment to IFRS 16)*
January 1, 2021	*Interest Rate Benchmark Reform – Phase 2* *(Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)*
April 1, 2021	*COVID-19-Related Rent Concessions beyond June 30, 2021* *(Amendment to IFRS 16)*

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

e) New standards or amendments *(continued)*

Forthcoming requirements:

Effective date	New standards or amendments
January 1, 2022	*Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)*
January 1, 2022	*Annual Improvements to IFRS Standards 2018-2020*
January 1, 2022	*Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)*
January 1, 2022	*Reference to the Conceptual Framework (Amendments to IFRS 3)*
January 1, 2023	*Classification of Liabilities as Current and Non-current (Amendments to IAS 1)*
January 1, 2023	*IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts*
January 1, 2023	*Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)*
January 1, 2023	*Definition of Accounting Estimates (Amendments to IAS 8)*
January 1, 2023	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)*
Available for optional adoption/effective date deferred indefinitely	*Sale or Contributions of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)*

f) Changes in 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 leases, investment in joint venture and inventory as compared to the significant accounting policies described in our financial statements for the fiscal year ended December 31, 2020.

g) 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.

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

g) Leases *(continued)*

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.

h) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is based on invoiced price. Net realisable value is calculated as the estimated selling price arising in the ordinary course of business, net of estimated selling costs.

i) 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.

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

j) 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.

k) Trade and other payables

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

l) 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.

m) 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.

n) Equity instruments

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

o) Derivative liabilities – warrants

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

As the exercise price of the Company's share purchase warrants is fixed in US dollars and the functional currency of the Company is the Euro, these warrants are considered a derivative, as a variable amount of cash in the Company's functional currency will be received on exercise. Accordingly, these share purchase warrants are classified and accounted for as a derivative liability. For warrants that are tradeable, fair value is determined using market price on the NASDAQ under the ticker HTOOW. All non-traded warrants became tradeable on December 10, 2021, the first anniversary of the issue date.

When a warrant is exercised, the derivative liability is then reclassified to share premium.

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

p) 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.

q) 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.

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

q) Share based payment arrangements *(continued)*

Company (continued)
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, 2021. 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.

r) Treasury shares

Repurchase of the Company's own equity instruments (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

s) 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.

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

s) Financial instruments *(continued)*

Derecognition *(continued)*

Financial assets (continued)
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.

t) 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.

u) 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.

v) 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:

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.

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

w) 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
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.

x) 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:

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

Consideration of share-based payments – 2020 Earn-Out
The assessment of the number of instruments that could be issued under the 2020 Earn-Out requires management to perform a probability assessment when considering each of the three milestones that need to be achieved before instruments can be issued. Significant assumptions related to the 2020 Earn-Out are disclosed in note 9.

Intangible assets
At December 31, 2021, the Group is carrying intangible assets at an amount of €3.8 million (2020: €2.2 million). In accordance with IAS 36, *Impairment of Assets*, the directors assess the recoverability of intellectual property of €1.9 million (2020: €1.9 million) and product development costs of €1.9 million (2020: €0.3 million) annually as they are intangible assets with indefinite useful lives. The directors have prepared a discounted cash flow analysis to support their carrying value at December 31, 2021. These projections have been discounted based on the estimated discount rate applicable to the asset of 11.8% for 2021 (2020: 7%). In addition to the discount rate used, the Group's revenue projections and operating margin are key drivers for valuation. The discount rate was determined by building up an appropriate Weighted Average Cost of Capital (WACC) for our business. The directors concluded that future cash flows exceed the carrying amount of intangible assets at December 31, 2021 and therefore there is no impairment. Please see note 15 for further information.

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:

	2021	2020
Finance staff	**8**	-
Production, operations and administration	**18**	1
Total	**26**	1

At December 31, 2021, the Group had a team of 42 employees (*2020: 7*). At December 31, 2021, the Company had a team of 4 employees (*2020: 3*).

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

	2021	2020
	€'000	€'000
Wages and salaries	**2,970**	160
Share based payments	**228**	1,066
	3,198	1,226

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

Wages and salaries	**639**	81
Share based payments	**161**	1,066
	800	1,147

6. Statutory and other information

	2021	**2020**
	€'000	**€'000**
Operating loss – continuing operations is stated after charging:		
Directors' remuneration:		
- Emoluments	**669**	135
- Share-based compensation	**492**	1,088
Total Directors' remuneration	**1,161**	1,223
Auditor's remuneration (including reimbursement of outlay):		
- Audit of group financial statements	**205**	175
- Audit of parent company financial statements	**47**	45
- Audit related fees	**40**	-
Total fees	**292**	220
Depreciation and amortization	**351**	-

7. Finance costs / income

	2021	**2020**
	€'000	**€'000**
Finance costs		
Interest and similar expenses	**23**	10
Foreign exchange variances	**-**	667
	23	677
Finance income		
Foreign exchange variances	**2,392**	-
Interest receivable and similar income	**-**	2
Fair value gain on short-term investments	**47**	-
Other finance income	**274**	-
	2,713	2

8. Listing expenses

As described in note 1, the Transaction led to a share listing expense. During the prior year, the Company issued shares and warrants with a fair value of €194.2 million to HL shareholders, comprised of the fair value of the Company's shares that were issued to HL shareholders of $23.96 (€19.77) per share, as well as the fair value of the Company's tradeable warrants of $8.11 (€6.69) and non-tradeable warrants of $7.71 (€6.36) per warrant (price of HL shares and warrants at the acquisition date). In exchange, the Company received the identifiable net assets held by HL Acquisitions, which had a fair value upon closing of €44.4 million. The excess of the fair value of the equity instruments issued over the fair value of the identified net assets received, represents a non-cash expense in accordance with IFRS 2. This one-time expense as a result of the Transaction, in the amount of €149.4 million, was recognised as a share listing expense presented as part of the financial result within the Consolidated Statement of Profit or Loss.

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

Details of the share listing expenses that were recorded in 2020 are set out below (Euros in thousands, except share and per share data). No such costs were incurred during 2021.

8. Listing expenses *(continued)*

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

9. Share-based payments

2020 Earn-Out

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

As these awards are dependent on future service being provided to the Company, the Company considers them to be service awards under IFRS 2 and classifies both the expected share and warrant awards in equity with a corresponding compensation expense in the income statement. The shares and warrants expected to be awarded are estimated and measured at grant-date fair value and attributed to the income statement on a straight-line basis from the period from grant to expiration on June 30, 2022. As the award contains non-market performance conditions, the number of awards expected to be earned is then remeasured at each balance sheet date to reflect management's current expectations.

9. Share-based payments *(continued)*

At December 31, 2021, management performed an assessment of the equity instruments expected to be issued as part of the earn-out. Management considered the likelihood of achievement of each of the three milestones as required by the earn-out agreement.

While the pipeline of potential hydrogen purchase agreements under active negotiations continued, no hydrogen purchase agreements were formally entered into as of the expiry date of June 30, 2022.

As a result, the full amount of the IFRS 2 charge relating to the 2020 Earn-Out has been reversed as no instruments are expected to be issued.

Following completion of the above assessment, the full amount of the IFRS 2 charge relating to the 2020 Earn-Out has been reversed in full as no ordinary shares or warrants are expected to be issued in respect of the Earn-Out.

On December 31, 2021, three of the four former shareholders of Fusion Welcome – Fuel, S.A surrendered their contingent rights under the 2020 Earn-Out. The rights of the fourth shareholder were not surrendered and their contingent right to receive its pro-rata percentage of the contingent consideration continues, notwithstanding management's assessment that no such awards will be earned.

As of December 31, 2021, there was no unrecognised share-based payment expense related to the earn-out.

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 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. The purpose of the 2021 Plan is to provide the Company with the flexibility to issue share-based awards as part of an overall compensation package to attract and retain qualified personnel.

Restricted share Unites (RSUs)

The Company granted 32,695 RSU's to employees, directors and consultants during the period ended September 30, 2021. No RSU's were granted by the Company during the year ended December 31, 2020.

The table below shows the number of RSUs granted covering an equal number of the Company's 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
RSUs outstanding December 31, 2020	-	-
Granted	57,896	$ 12.24
Vested (1)	(15,000)	$ 12.24
Forfeited	-	-
RSUs outstanding December 31, 2021	**42,896**	$ 12.24

(1) No ordinary shares were issued in connection with the RSUs that vested during the year ended December 31, 2021.

9. Share-based payments *(continued)*

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 and consultants. The RSUs granted to directors during the year had no vesting period so vested in full on the grant date. The total expense recognized related to the RSUs was €0.2 million for the year ended December 31, 2021 (2020: €nil). Total unamortized compensation expense related to the RSUs was €0.4 million as of December 31, 2021, expected to be recognized over a remaining average vesting period of 2.44 years as of December 31, 2021.

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, 2020	40,000	$	23
Granted	-	$	-
Vested	(10,000)	$	-
Forfeited	-	$	-
Incentive shares outstanding December 31, 2021	**30,000**	**$**	**23**

The above shares vest at the discretion of the board of directors. The total expense recognised in 2021 for these shares was €0.3 million (2020: €0.04 million). As of December 31, 2021, 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, 2021.

Reconciliation to statement of profit or loss

	2021	2020
	€'000	**€'000**
2020 Earn-Out	**(1,400)**	1,400
2021 Equity Incentive Plan	**228**	-
Incentive shares	**331**	38
Share-based payment (credit)/ expense	**(841)**	1,438

10. Leases

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

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 providing 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 two years from lease commencement, considering the cancellable period. The Groups 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.

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Notes *(continued)*

10. Leases *(continued)*

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. Like the assessment relating to Portugal, given the Groups expansion plans, it is also considered that the current space leased in Ireland, will not be adequate in the medium term. The Group has estimated the duration of the license agreement to be two years from lease commencement, considering the terms set out within the agreement.

The vehicle leases commenced in July 2021 and since then, the Group has entered into six 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.

The Group has elected not to recognise right-of-use assets and lease liabilities for vehicles with lease terms of 12 months or less with low-value. 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.

	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	(292)	(19)	(7)	(318)
December 31, 2021	**358**	**248**	**187**	**793**

Right-of-use assets - Company

	Properties €'000
January 1, 2021	-
Additions right-of-use assets	86
Depreciation charge for the period	(11)
December 31, 2021	**75**

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

	Group		Company	
	2021	**2020**	**2021**	**2020**
	€'000	**€'000**	**€'000**	**€'000**
Interest on lease liabilities	**22**	-	1	-
Expenses relating to short-term leases	**127**	-	-	-

Amounts recognised in statement of cash flows

	Group		Company	
	2021	**2020**	**2021**	**2020**
	€'000	**€'000**	**€'000**	**€'000**
Total cash outflow for leases	**470**	-	**22**	-

10. Leases *(continued)*

Lease liabilities

	Group		Company	
	2021	**2020**	**2021**	**2020**
	€'000	**€'000**	**€'000**	**€'000**
Non-current				
Lease liability	**411**	-	**33**	-
Current				
Lease liability (note 19)	**389**	-	**42**	-
Balance at period end	**800**	-	**75**	-

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

11. Inventory

	2021	**2020**
	€'000	**€'000**
Raw materials	**3,685**	-

No inventories were consumed during the years ended December 31, 2021 or 2020. No provision for impairment was recognized during the current or prior year.

12. Taxation

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

During 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, 2021 and 2020 is as follows:

Reconciliation of effective tax rate	**2021**	**2020**
	€'000	**€'000**
Profit/ (loss) before tax	**23,564**	(183,130)
Tax using Group's domestic tax rate at 12.5%	**(2,945)**	22,931
Tax effect of:		
Non-deductible expenses / non-taxable income	**3,848**	(22,428)
Current-year losses for which no deferred tax asset is recognised	**-**	(503)
Impacts of different foreign tax rates	**409**	-
Total tax charge	-	-

As of December 31, 2021, the Group had unrecognised deferred tax assets of €1.7 million (2020: €0.4 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.

13. 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	**-**

On July 22, 2021, the Company entered into a shareholder agreement with two other parties, Greatex Family Enterprises LDA ("GFE") and EREE Desarrollos Empresanales S.L. ("EREE") for a 50% ownership of Fusion Fuel Spain, S.L. ("Fusion Fuel Spain"). Under the terms of the shareholder agreement, the Company, GFE and EREE contributed combined equity of €3,000. The principal activities of Fusion Fuel Spain are to source, promote and develop projects in the green hydrogen sector using the Group's Solar Green Hydrogen Technology.

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.

Fusion Fuel Spain commenced operations in Q4 2021 and during the period ended December 31, 2021, it incurred business set-up costs including professional and consultancy fees. 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. As no amounts were drawn down under this facility during the year ended December 31, 2021, the above business set-up costs were paid by the Group on behalf of Fusion Fuel Spain. These costs amounted to €0.6 million and have been accounted for as an advancement of the subordinated loan as of December 31, 2021. As the subordinated loan and equity investment represents the set-up costs of the joint venture, the Group has recorded the entirety of losses incurred by Fusion Fuel Spain during 2021.

No commitment has been recognised in these consolidated financial statements for any future investment in Fusion Fuel Spain.

14. Financial assets: Company

	2021	2020
Investment in subsidiary undertakings	**€'000**	**€'000**
At beginning of year	6,000	-
Additions	17,202	6,000
At end of year	**23,202**	6,000

During 2021, the Company made a capital contribution of €17,000,000 to Fusion Fuel Portugal, S.A., acquired 50% of the shares in Fusion Fuel Spain (Note 13) for consideration of €1,500 and advanced €180,000 to Fusion Fuel Spain as part of the subordinated loan agreement (Note 13). The net activity related to share-based payment plan caused an increase of €20,274 to the investment in subsidiaries.

14. Financial assets: Company *(continued)*

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	Production of Green Hydrogen
Fusion Cell Évora I Unipessoal Lda	100%	Nil	Portugal	Production of electricity from wind, geothermal, solar and other research and experimental development on natural sciences
Fusion Cell Évora II Unipessoal Lda	100%	Nil	Portugal	Production of electricity from wind, geothermal, solar and other research and experimental development on natural sciences
Fusion Fuel USA, Inc.	100%	Nil	United States	No activity during 2021
Fusion Fuel Spain, S.L.	50%	Nil	Spain	Limited activity during 2021
Fusion Fuel Australia, PTY Ltd	100%	Nil	Australia	Limited activity during 2021

Management performed an impairment review of financial fixed assets at December 31, 2021. This exercise did not result in an impairment. In the opinion of the directors, the realisable value of financial assets is not less than their book value.

15. Intangible assets: Group only

2021	Project development in progress	Intellectual property and patents registration	Software	Total
	€'000	**€'000**	**€'000**	**€'000**
Cost				
January 1, 2021	288	1,911	4	2,203
Additions-other*	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**

15. Intangible assets: Group only *(continued)*

2020	**Project development in progress**	**Intellectual property and patents registration**	**Software**	**Total**
Cost				
January 1, 2020	-	-	-	-
Additions-business combination	-	1,900	-	1,900
Additions-other*	273	11	4	288
Transfers (note 16)	15	-	-	15
At December 31, 2020	288	1,911	4	2,203
Amortisation				
January 1, 2020	-	-	-	-
Amortisation charge	-	-	-	-
December 31, 2020	-	-	-	-
Net book value				
At December 31, 2020	**288**	**1,911**	**4**	**2,203**

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

Intellectual property of €1.9 million *(2020: €1.9 million)* and product development costs of €1.9 million *(2020: €0.3 million)* assets are considered to be of indefinite life and accordingly are not amortized. The Group also considers that there has been no impairment of the value of these assets to date. The recoverable amount of these assets has been determined on a value-in-use basis, using discounted cash-flow projections for a five-year period. In addition to the discount rate used, the Group's revenue projections and operating margin are key drivers for valuation. Foreseeable events, however, are unlikely to result in a change of projections of a significant nature so as to result in the assets' carrying amounts exceeding their recoverable amounts. These projections have been discounted based on the estimated pre-tax discount rate applicable to the asset of 11.8% for 2021 *(2020: 7%)*. The recoverable amount of these assets was determined to be €53.4 million before the sensitivity analysis was performed.

Sensitivity analysis to significant assumptions

Description	**Input**	**Sensitivity applied**	**Effect on book value €'000s**
Indefinite useful lives intangible assets	Discount rate	+1,000bps	-
Indefinite useful lives intangible assets	Operating margin	-1,000bps	-
Indefinite useful lives intangible assets	Revenue projections* Cost of sales*	-1,000bps -350bps	-

*The second sensitivity applied was a combination of a reduction in revenue with a corresponding reduction in the costs that would be incurred because of reduced sales.

Fusion Fuel Green Public Limited Company

Notes *(continued)*

16. Property, plant and equipment: Group and Company

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	-	-	(318)	(346)
Net book values				
At December 31, 2021	**17,161**	**157**	**793**	**18,111**

2020	**Assets under Construction**	**Office and other equipment**	**Total**
	€'000	**€'000**	**€'000**
Cost			
At January 1, 2020	15	**-**	**15**
Additions during the year	6	**-**	**6**
Transfers during the year (note 15)	(15)	**-**	**(15)**
At December 31, 2020	**6**	**-**	**6**
Depreciation			
At January 1, 2020	**-**	**-**	**—**
Charge for year	**-**	**-**	**—**
At December 31, 2020	**-**	**-**	**-**
Net book values			
At December 31, 2020	**6**	**-**	**6**

Depreciation expense on property and equipment was €0.3 million and €0 for the year ended December 31, 2021 and 2020, 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. Detailed information about the leases is available in note 10.

16. Property, plant and equipment: Group and Company *(continued)*

Company

2021	**Right of use assets**
	€'000
Cost	
At January 1, 2021	**-**
Additions during the year	86
At December 31, 2021	86
Depreciation	
At January 1, 2021	**-**
Charge for year	(11)
At December 31, 2021	(11)
Net book values	
At December 31, 2021	**75**
At December 31, 2020	**-**

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

	2021
	€'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**

The financial asset investments at fair value through profit or loss consist of short-term investments in listed managed funds. These managed funds have 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 fair value of short-term investments are represented by Level 1 fair value measurements – quoted prices in active markets for identical assets.

18. Prepayments and other receivables

	Group		**Company**	
	2021	**2020**	**2021**	**2020**
Group and Company	**€'000**	**€'000**	**€'000**	**€'000**
Prepayments (1)	**4,575**	1,662	**565**	488
VAT recoverable	**3,564**	544	**-**	-
Amounts due from group undertakings: loan receivables	**-**	-	**21,052**	8,459
Amounts due from group undertakings: other receivables	**-**	-	**800**	1,521
Other receivables	**333**	-	**-**	-
	8,472	2,206	**22,417**	10,468

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

18. Prepayments and other receivables *(continued)*

Information about the Group's exposure to credit risk and impairment losses for trade and other receivables is included in note 22 (c).

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

	Opening balance	Drawdowns	Accrued interest	Exchange differences	Closing balance
	€'000	€'000	€'000	€'000	€'000
Fusion Fuel Portugal, S.A. (1)	8,459	12,000	336	190	20,985
Fusion Fuel Australia, Pty Ltd (2)	-	67	-	-	67
Total	**8,459**	**12,067**	**336**	**190**	**21,052**

(1) These loan agreements bear interest at 2.5% per annum and have various repayment dates within 2022.

(2) This loan agreement bears interest at 4.5% per annum and is scheduled to be repaid on or before December 31, 2022.

19. Trade and other payables

	Group		Company	
	2021	2020	2021	2020
Group and Company	**€'000**	**€'000**	**€'000**	**€'000**
Trade payables	**1,029**	1,777	**492**	-
Amounts owed to related parties (1)	**801**	-	**-**	-
Lease liability - current	**389**	-	**42**	-
Payroll taxes	**149**	-	**-**	-
Amounts owed to group undertakings	**-**	-	**-**	1,121
Other	**509**	-	**-**	-
	2,877	1,777	**534**	1,121

(1) This amount relates to a balance owing to an affiliate, MagP (Note 24). 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 22 (c).

20. Shareholders' equity

As of December 31, 2021, the total number of Class A ordinary shares of the Company outstanding is 10,998,723 (2020: 9,929,217) with a par value of $0.0001 and the total number of Class B ordinary shares of the Company outstanding is 2,125,000 (2020: 2,125,000) with a par value of $0.0001.
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**

20. Shareholders' equity *(continued)*

During the year, 1,059,506 warrants were converted to Class A ordinary shares on a one-for-one basis. Proceeds of €10.1 million were received as part of the conversions with €10 million being recorded as share premium.

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

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

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

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

21. 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, 2021 there were 8,869,633 (2020: 9,929,139) warrants outstanding. The warrants entitle the holder to purchase one ordinary share of Fusion Fuel Green plc at an exercise price of $11.50 per share. Until warrant holders acquire the Group's ordinary shares upon exercise of such warrants, they have no rights with respect to the Group's ordinary shares. The warrants expire on December 10, 2025, or earlier upon redemption or liquidation in accordance with their terms.

On December 10, 2021 all non-tradeable warrants converted to tradable warrants having reached the first anniversary of their issuance. None of the non-tradeable warrants were exercised during the year ended December 31, 2021. The fair value of the tradeable warrants is determined with reference to the prevailing market price for warrants that are trading on the NASDAQ under the ticker HTOOW.

	Total no. of warrants
In issue at December 31, 2020	9,929,139
Exercise of warrants during the period	(1,059,506)
In issue at December 31, 2021	**8,869,633**

The fair value of the traded warrants as at December 31, 2021 and December 31, 2020 was $1.95 and $6.65 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 – December 31, 2021	**15,271**

* 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

22. 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.

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

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, 2021, the short-term investments and tradeable warrants are measured at fair value using Level 1 inputs. The fair value of the short-term investments and tradeable warrants are measured based on quoted market prices at each reporting date. See notes 17 and 21 for the fair value analysis.

	Carrying value			Fair value			
	Cash and receivables	Liabilities	Total carrying amount	Level 1	Level 2	Level 3	Total
2021 - €'000							
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**

	Carrying amount			Fair value			
	Cash and receivables	Liabilities	Total carrying amount	Level 1	Level 2	Level 3	Total
2020 - €'000							
Cash and cash equivalents	58,007	-	58,007	-	-	-	-
Other receivables*	-	-	-	-	-	-	-
Trade payables	-	(1,777)	(1,777)	-	-	-	-
Tradeable warrants	-	(36,273)	(36,273)	(36,273)	-	-	(36,273)
Non-tradeable warrants	-	(16,659)	(16,659)	-	-	(16,659)	(16,659)
Other payables**	-	(349)	(349)	-	-	-	-
	58,007	**(55,058)**	**2,949**	**(36,273)**	**-**	**(16,659)**	**(52,932)**

*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, all of which have a maturity of less than three months, 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.

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

(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, 2021, 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 €7.7 million at December 31, 2021 (2020: €58 million). 98% 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:

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

	2021	**2020**
Credit risk rating		
Aa2	**-**	100%
B2	**68%**	-
BBB+	**29%**	-
Not assigned	**3%**	-
	100%	100%

Financial assets at FVTPL

The financial asset investments at fair value through profit or loss consist of short-term investments in listed managed funds. These managed funds have daily liquidity. The carrying value of these investments at December 31, 2021 was €27.5 million (2020: €nil). All of these short-term investments are held with UBS Switzerland AG, which is rated A-1 (2020: Aa2), based on Standard / Poor's ratings. The Group considers that its short-term investments have low credit risk based on the external credit ratings of the counterparties.

(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, 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**

	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, 2020						
Derivative financial instruments - warrants	52,932	-	52,932	-	-	-
Trade payables	1,777	1,777	1,777	-	-	-
Other payables	349	349	349	-	-	-
Total	**55,058**	**2,126**	**55,058**	**-**	**-**	**-**

*Employment taxes have been excluded as these are statutory liabilities.

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

(e) Market risk and interest rate risk

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

(f) Foreign exchange risk

The Group uses the Euro as its functional currency. Foreign exchange rate risk is the risk that the fair value of Group assets or liabilities, or future expected cash flows will fluctuate because of changes in foreign currency exchange rates. While the Company's shares are listed in US dollars, the currency of the primary operating environment of the Group is the Euro, and its exposure to the risk of changes in foreign currency would arise primarily when revenue or expense is denominated in a currency other than the Euro. The Company currently has no operations outside of the Eurozone, so the effect of the translation of foreign operations is not significant to the Group. At the year-end the Company has USD and EUR cash and short-term investment balances of approximately $22.9 million and €14.8 million respectively.

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

	Average rate		Period-end spot rate	
	2021	**2020**	**2021**	**2020**
Euro				
AUD	1.5747	1.6554	1.5615	1.5896
USD	1.1795	1.1413	1.1326	1.2271

Sensitivity analysis
A reasonably possible strengthening of the Euro against the Group's principal foreign currency denominated amounts at December 31, 2021 would have increased profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	2021	**2020**
	€'000	**€'000**
USD (10 percent strengthening of the euro)	**761**	918

(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 2021 and 2020. The Company had intercompany receivable balances totalling €21.85m (*2020: €9.98m*) at year end, all of which are repayable on demand. No impairment loss was recognized on loans and receivables from subsidiaries during 2021. 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.

23. Earnings / (loss) per share

	2021	2020
Basic earnings/ (loss) per ordinary share	**(1,80)**	(68.53)
Diluted earnings/ (loss) per ordinary share	**(1.79)**	(68.53)
Number of ordinary shares used for loss per share (weighted average)		
Basic	**13,110,158**	2,672,200
Diluted	**13,198,054**	2,672,200

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

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 9) 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.

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

24. 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 and during the year ended December 31, 2021, it incurred business set-up costs including professional and consultancy fees. These costs were paid by the Group on behalf of Fusion Fuel Spain. These costs amounted to €0.6 million and have been treated as an advancement of the subordinated loan of €2 million that was committed by the Group during the year (note 13). Fusion Fuel Spain did not draw down any amounts from this subordinated loan during 2021.

24. Related parties *(continued)*

Key management personnel compensation

(a) Compensation

The key management personnel at December 31, 2021 are the members of the Group's Executive Committee. There were six members of the Executive Committee at December 31, 2021 and an average of four members for the full year. The remuneration expense for the key management personnel includes salaries and share-based payments.

	2021 €'000	2020 €'000
Basic salary (1)	**683**	135
Short-term employee benefits	**5**	-
Other long-term benefits	**3**	-
Share based compensation (2)	**183**	1,066
	874	1,201

(1) Each Executive Committee Member currently receives a total of approximately €180,000 of gross fixed annual compensation. For 2021, a total amount of €307,500 was payable (2020: €135,000).

(2) The share-based compensation expense for 2021 represents the RSUs that were granted to the Executive Committee members under the 2021 Equity Incentive Plan. During 2020, three of the four persons who received the earn-out as mentioned in note 1 became executive directors of the Company and the portion of their share-based payment compensation is included above.

(b) Transactions

On November 1, 2021, the Group purchased all shares in Fusion Fuel Australia, PTY Ltd at par value (for a total consideration of AUD 10) from Mr. David Lovell. Subsequently, Mr. Lovell was appointed as the Group's Head of Australasia and member of our Executive Committee on November 1, 2021.

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 B Shares of the company and 1,593,750 warrants to purchase Class A ordinary shares at an exercise price of $11.50.

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.

24. Related parties *(continued)*

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 25.

In 2021, the value of these transactions with MagP was €7.5 million (2020: €1.9 million). During the year, the Group procured materials to the value of €4.5 million to ensure sufficient inventory levels were maintained during the year. These materials were then transferred to MagP, with no mark-up as their production levels increased.

MagP does not hold any interest in the Class A or B ordinary shares and does not hold any warrants to purchase Class A ordinary shares.

Other

Directors 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 1,110,935 issued Class A and Class B 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 year, the Company made a payment on behalf of Rune Lundetrae, a board member, amounting to €0.03 million. At December 31, 2021, this amount remained outstanding. A payment plan has been agreed with Mr. Lundetrae and the outstanding balance is expected to be settled fully during 2022.

During the year, the Company made a payment of €21,409 on behalf of Jeffrey Schwarz, a board member. This amount was repaid in full by December 31, 2021.

25. Commitments and contingencies

As of December 31, 2021, a subsidiary of the Group had entered into purchase commitments to pay up to €1.96 million and €0.72 million, to MagP, a related party, to deliver equipment, materials and assembling services in relation the "Greengas" and "H2Evora" projects, respectively. Non-refundable down payments of 20% of the expected contract value have been made and the remainder of the contracts are cancellable but incur a penalty of 10% of contract value.

In addition, the same subsidiary entered into a separate agreement, with MagP to deliver equipment, materials and assembling services in relation to the Groups other ongoing production facilities. This contract has a potential value of €25.9 million. A down payment of 10% of the contract value was made during the period. This contract was amended on January 1, 2022 to include a revised supply and

25. Commitments and contingencies *(continued)*

pricing schedule. The revised supply schedule lists out the number of units to be delivered by MagP monthly in 2022. MagP will only provide assembly and installation services from 2022 onwards. Along with the above changes, the pricing was updated to reflect the changes in scope. The Group agreed a minimum commitment of €4.9 million with MagP until the end of the revised contract, March 31, 2023.

All non-refundable down payments have been recorded as part of "Property, plant and equipment" on the statement of financial position.

As discussed in note 13, the Group extended 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 the maximum amount that can be drawn down is €2 million. No amounts were drawn down under this facility during the year but the costs paid by the Group on behalf of Fusion Fuel Spain (€0.6 million) have been treated as an advancement of this loan for accounting purposes. A further commitment of €1.4 million remains at December 31, 2021.

26. Subsequent events

On January 3, 2022, the Company announced that Zachary Steele and Jason Baran had joined the company as Co-Presidents of Fusion Fuel Americas.

On January 3, 2022, the Company announced that under the Fusion Fuel Employee Incentive Plan, its Board of Directors ("the Board") approved an award of options for five of its senior managers. With regard to each senior manager, the award comprises three elements:

- A grant of an option to purchase 200,000 Class A Ordinary Shares to vest over a three-year period having an exercise price of $10.50 per share.
- A grant of an option to purchase an additional 200,000 Class A Ordinary Shares to vest upon Fusion Fuel's share price closing at or above $18.00 during twenty trading days out of any thirty consecutive trading day period having an exercise price of $10.50 per share.
- Eligibility to receive an option to purchase up to an additional 50,000 Class A Ordinary Shares 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 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.

All options granted will expire on December 31, 2028.

No expense has been included in the share-based payment expense in the income statement relating to these options given the grant date was determined to be January 3, 2022.

The senior managers, all members of the Executive Committee, included in the option grant are Frederico Figueira de Chaves, Chief Financial Officer; Jaime Silva, Chief Technology Officer; Joao Teixeira Wahnon, Chief of Business Development; and Jason Baran and Zach Steele, the recently hired Co-Presidents of Fusion Fuel USA.

On February 2, 2022, the Company announced that it will supply its pioneering solar-to-hydrogen technology to the British renewable energy developer, Hive Energy, which will develop and build a green hydrogen production plant in Spain. The project has a target production capacity of 7,500 metric tonnes of green hydrogen per annum and is currently in the administrative processing phase. The parties expect to commence installation of the project beginning in 2023.

On February 22, 2022, the Company announced that that it entered into an agreement with KEME Energy to install a green hydrogen production facility in Sines, Portugal using its integrated HEVO-Solar technology. The project, which is expected to require a capital investment of €2.54 million, would

26. Subsequent events *(continued)*

have an equivalent electrolysis capacity of 1.22 MW and produce an estimated 77 tons of green hydrogen per annum. The output from the facility will be used by the Sines Renewable Energy Community. The project, which has already been approved for €1.4 million of grant funding from Portugal's POSEUR program, will be developed in the Sines Industrial and Logistics Zone ("ZILS"), where KEME Energy has leased 4.8 hectares from AICEP Globalparques. This project is expected to be a net contributor to the aggressive decarbonization targets laid out by the Portuguese government for the industrial and heavy transport sectors.

On February 24, 2022, the Company announced that its wholly owned subsidiary, Fusion Fuel Portugal, S.A. secured nearly €10 million in grants for its industrial production facility in Benavente.

On June 23, 2022, the Company announced that the three projects submitted by Fusion Fuel to Component 5 of Portugal´s Recovery and Resilience Plan, one led by Fusion Fuel and the other two led by large Portuguese companies, were selected by the Agenda Coordination Commission to advance to the final negotiation of financing awards.

On August 18, 2022, The Company announced that it had received confirmation from the Portuguese government that it will receive an estimated €10 million grant as part of Component 14 ("C-14") of the Portuguese Recovery and Resilience Plan to develop its 6.6MW HEVO-Industria green hydrogen project in Sines, Portugal. C-14 is focused on accelerating the energy transition by supporting the production of hydrogen and other renewable gases.

27. Group companies

Entity name	Country of incorporation	Principal activities	Group interest at December 31, 2021
Fusion Fuel Portugal, S.A.	Portugal	Operating company	100%
Fusion Fuel Évora, Unipessoal LDA	Portugal	Hydrogen production	100%
Fusion Fuel Évora I, Unipessoal LDA	Portugal	Hydrogen production	100%
Fusion Fuel USA, Inc.	United States	No activity to date	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 (1)	Portugal	Hydrogen production	N/A
Hevo Sines II, Unipessoal LDA (2)	Portugal	Hydrogen production	N/A
Hevo Sines III, Unipessoal LDA (3)	Portugal	Hydrogen production	N/A

(1) Incorporated on January 12, 2022
(2) Incorporated on March 22, 2022
(3) Incorporated on April 14, 2022

28. Approval of financial statements

The directors approved the financial statements on August 26, 2022.